Asian Corporate Governance Association

Stewardship in Asia

Frameworks, codes and practices

Special report – March 2026

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About ACGA

The Asian Corporate Governance Association (ACGA) is an independent, non-profit membership organisation dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia. ACGA was founded in 1999 from a belief that corporate governance is fundamental to the long-term development of Asian economies and capital markets.

ACGA is funded by a network of sponsors and member companies, including leading pension and investment funds, financial institutions, listed companies, accounting firms, and educational institutions. It is incorporated under the laws of Hong Kong and is managed by a secretariat based there. Its governing Council comprises directors from around Asia and other parts of the world.

More information on ACGA's council and global membership base can be accessed here.

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Executive Summary

Dr. Helena Fung, Head of Research and Advocacy; Amar Gill, Secretary General

Stewardship is gaining new momentum in key Asia-Pacific markets at a pivotal moment for corporate governance. China launched its first stewardship code in May 2025; Japan updated its code the following month. In Korea, a comprehensive review and strengthening of the Principles on the Stewardship Responsibilities of Institutional Investors (Stewardship Code) was announced in December 2025, introducing closer alignment with global standards.

These regulatory measures complement broader corporate governance progress. ACGA's 2025 special report, *Value Up, Asia: Aligning Governance with Shareholder Value*, examined initiatives by regulators in major Asian markets, including Japan, Korea and China, placing greater emphasis on board oversight to drive shareholder value. Increasingly, there is recognition of the important role that institutional investors have as well in elevating market standards and fostering stronger governance practices. Indeed, active stewardship is widely regarded as a key driver of long-term shareholder returns, transparency and sustainable governance performance across the region.

At the same time, there is an observable shift in the global discourse around stewardship reflected in regulatory developments in the US, including increased scrutiny of proxy advisors and voting practices, and updates to the UK Stewardship Code, effective 1 January 2026. Within this wider global context of evolving perceptions of stewardship, in this report we examine divergent engagement practices across Asia-Pacific.

The stewardship ecosystem is more developed in Australia and Japan, reflecting the significant influence of asset owners in setting expectations for their external managers and thereby fostering a broader stewardship community. With momentum also building in Korea and China, stewardship remains stronger, for now, in Northeast Asia.

In many of Asia's closely held markets, where family, controlling shareholder or promoter ownership is dominant, institutional ownership typically forms a smaller portion of share capital, limiting the role of minority investors. In these environments, access to key decision makers and insight into board and executive dynamics is critical for investors to evaluate corporate strategy, effective capital allocation and governance effectiveness. Access to board members, in particular independent directors, remains a challenge for stewardship teams, given the widespread absence of lead independent directors across most of Asia.

ACGA members have highlighted that the publication of this report provides a significant opportunity to foster stronger alignment on expectations around the stewardship process. A persistent misconception among directors is that senior management meeting with portfolio managers suffices for investor engagement. This often results in limited direct dialogue between board members and investors, hindering the board's ability to understand market concerns and discuss governance issues necessary for effective oversight of management.

This report adopts a comprehensive approach to stewardship across the twelve Asia Pacific markets covered by ACGA. Whilst stewardship codes provide an obvious and essential starting point, signalling clear regulatory endorsement of investor engagement, as we describe, they constitute only one part of the stewardship ecosystem. Actual practices are equally important. We therefore provide recommendations on stewardship codes, asset owner leadership, corporate practices and formal dialogue at AGMs and shareholder meetings (see pages 24-25).

By addressing both regulatory frameworks and the practical realities of engagement in diverse market contexts, this report aims to promote a more informed and constructive dialogue among investors, companies and regulators, ultimately advancing stewardship effectiveness throughout the region.

Methodology and acknowledgements

This report adopts an interdisciplinary approach, combining a thorough review of relevant stewardship codes, regulations, and underlying policies across the twelve Asia-Pacific markets covered by ACGA's research. While policy-driven frameworks provide a vital foundation, the report also incorporates the practical perspectives of stewardship practitioners and other stakeholders, including corporates active in the region, to ensure a grounded and realistic assessment of stewardship practices.

Input from stakeholders, which in most cases has been anonymised, was obtained through a series of one-on-one interviews and discussions, supplemented by roundtables held in Seoul and Kuala Lumpur. These roundtables convened asset owners, investment managers, independent directors, regulators, company representatives, and other relevant participants in an important exchange of insights, views and experiences.

The resulting study of stewardship practices in Asia-Pacific has been substantially informed by the contributions from numerous stakeholders who shared their views with us. Together with an analysis of stewardship and governance codes, this multifaceted input provided balanced perspectives taking into account both regulatory frameworks and the practical implementation across diverse market contexts.

We extend our thanks to all those who contributed insights, knowledge and views which have helped to bring this report together. In particular, we would like to thank the following ACGA members and stakeholders:

ACSI; Pru Bennett, Brunswick Group; Linda Chen, TS Holdings; Trista Chen, L&G Asset Management; Hetal Dalal, Institutional Investor Advisory Services (IiAS); Priyanka Dhingra, SBI Mutual Fund; Xinxin Dong, Schroders; Yousif Ebeed, Schroders; Shannon Gong, BCI (British Columbia Investment Management Corp.); Aya Fujiki, Capital Group; Jane Ho, BNP Paribas Asset Management; Ken Hokugo, Pension Fund Association (PFA) Japan; Natsuki Iida, Schroders; Jeffrey Jackson, OpenEngagement; Nana Li, Impax Asset Management; Muazzam Bin Mohamad, Permodalan Nasional Berhad; Nur Aliaa binti Mohd Anuar, the Employees Provident Fund; Estelle Parker, RIAA; Guo Peiyuan, China SIF and SynTao Green Finance; PRI China; Aakash Sachdeva, HESTA; David Simmonds, CLP; Ross Teverson, EOS at Federated Hermes Limited; Kenny Tsang, EOS at Federated Hermes Limited; Judi Tseng, EOS at Federated Hermes Limited; Wilson Wei, E Fund Management Co., Ltd; Naomi Yamazaki, Institutional Investors Collective Engagement Forum (IICEF); Yafei Zeng, Capital Group.

Stewardship landscape in transition

The stewardship landscape underwent significant global shifts in 2025, accelerating trends that have built momentum from 2024 onward. Regulatory consultations, political pressures, and evolving market expectations converged to reshape investor responsibilities and reporting expectations.

These changes reflect a broader recalibration. In many **global markets**, stewardship frameworks and practices have adapted to practical challenges including reporting burdens, political scrutiny of ESG integration, and a renewed emphasis on financial materiality and long-term value creation.

- The **UK**'s revised Stewardship Code was published in June 2025 (effective 1 January 2026), streamlining reporting by 20-30% and **refining the definition of stewardship to focus on the creation of long-term benefits for the owners of capital**. Updates also remove explicit ESG references to prioritise flexibility and outcomes over prescriptive mandates. This consolidation responded to stakeholder feedback on excessive box-ticking and aims to enhance engagement quality.
- In the **US**, stewardship faced headwinds from regulatory guidance and policy adjustments, including SEC revisions in early 2025 to Sections 13(d) and 13(g) disclosure rules, which **increased burdens for investors pushing ESG-related changes** via large holdings, impacting both engagement and voting activity. Broader ESG-related initiatives, such as mandatory climate disclosures, saw retreats amid ongoing litigation and political dynamics.
- In February this year, the **European Commission** launched a consultation requesting feedback on improvements to the amended Shareholder Rights Directive (SRDII) to **increase efficiency in the effective exercise of shareholder rights and engagement**, highlighting cross border operations, identification of beneficial shareholders and voting inefficiencies which may be addressed through technological enhancements.

In **Asia Pacific**, the trajectory has varied widely across markets. Forward-leaning jurisdictions have accelerated stewardship enhancements, as detailed further in the individual market sections of this report:

- **Japan**'s Stewardship Code received its third major revision on June 26, 2025, **emphasising substance over form, collaborative engagement, beneficial shareholder transparency**, and a more principles-based, dynamic approach (abandoning rigid three-year review cycles).
- **China** marked an important milestone with the launch on 9 May 2025 of its **first stewardship code** (a set of rules for mutual fund managers). The rules mandate fund managers with large shareholdings to actively engage on governance; to vote shares and disclose rationales publicly to improve transparency in the A-share market.
- **South Korea** announced strengthening measures of its stewardship code on 29 December 2025, including implementation reviews by the Stewardship Code Council, **annual compliance assessments** from 2026 **for asset managers and public pensions**, expanded asset coverage (e.g., bonds and unlisted assets), ESG integration, and greater public disclosures.

However, regional progress remains uneven. With the regulatory focus having shifted toward sustainability disclosures with the rollout in the region of reporting standards aligned with ISSB, markets such as Hong Kong and Singapore have not seen major stewardship updates in recent years. In parts of ASEAN, including the Philippines and Indonesia, dedicated stewardship frameworks remain largely inactive, with reliance on general corporate governance rules and emerging sustainability standards, such as the Philippines' phased ESG reporting for listed companies from 2026 and Indonesia's national framework for sustainability reporting, effective in 2027.

This patchwork of developments, with consolidation and refinement in some areas, targeted advancement in others, and torpidity elsewhere, indicates a stewardship landscape in transition rather than either uniform progress or retreat. Shifts on a local and global level underscore the need to evaluate stewardship practices contextually, accounting for local market structures, regulatory priorities, and implementation realities as part of a reordering of global investor expectations.

Stewardship in context – definitions and expectations

The practice of stewardship is defined by the OECD's G20/OECD Principles of Corporate Governance (2015, updated 2023), as implicitly linked to the responsibilities of institutional investors and asset managers to act in the best interests of their clients and beneficiaries. It involves using influence to maximize long-term value, including economic, social, and environmental assets. The revised (2026) UK Stewardship Code defines stewardship as "the responsible allocation, management and oversight of capital, to create long-term sustainable value for beneficiaries and clients" and an important part of fulfilling investors' fiduciary duty.[1]

Stewardship codes, which are not mandatory in most markets, often require an explicit commitment from investors to address environmental, social, and governance (ESG) issues, emphasizing accountability and transparency in managing investments and underscore the importance of a productive and open dialogue between investors and companies.

Stewardship can take various forms, as set out in Figure 1, ranging from formal letters and public statements to discreet, bilateral conversations between investors and companies. Most shareholders prefer engagement to take the form of closed door, private discussions, with collective stewardship dialogue with likeminded investors now forming a critical element of stewardship activity.

Figure 1

Forms of stewardship

Form of Stewardship	Commentary
Private engagement dialogue	The most common form of stewardship, involving direct, confidential discussions between investors and company management or board members to address concerns on governance, strategy, or sustainability. It allows for nuanced exchanges without public scrutiny, often leading to voluntary changes by the company to avoid escalation. Effective for building long-term relationships, elevating concerns confidentially and influencing decisions.
Collaborative engagement	Engagement through coalitions or collaborative platforms such as ACGA to coordinate and amplify messaging on shared issues such as governance and sustainability. This form promotes efficiency and leverages collective resources for greater impact, reducing costs individual engagement while promoting industry-wide standards.
Public engagement	This includes open letters, media statements, or campaigns to publicly highlight issues. Occasionally used in corporate engagement when private efforts fail, aiming to rally broader support from stakeholders. In contrast, open engagement on regulatory issues (e.g., through consultations) is often considered a standard practice.
Voting	Shareholders exercise their rights at annual general meetings (AGMs) to vote on proposals, director elections, executive compensation, and other matters. Proxy voting is a fundamental share ownership right, and serves as a key accountability mechanism to align company actions with investor interests. Voting and engagement often intersect, particularly around AGMs which provide a key opportunity to put questions to board directors and management.
Filing shareholder proposals	Investors submit resolutions for vote at shareholder meetings, often on governance or ESG topics such as board diversity or climate disclosures. This formal tool can force discussions even where shareholder resolutions are not passed, signalling investor priorities and potentially influencing company policy over time.
Litigation	As a last resort, investors may pursue legal action against companies for breaches of fiduciary duty or misleading disclosures. This enforces accountability but is costly, time-consuming, and can damage relationships; typically reserved for cases of severe governance failures.
Divestment	Selling shares in a company as a form of protest or risk management, often tied to ethical or sustainability concerns. Whilst it signals disapproval and can affect stock prices if widespread, critics argue it relinquishes influence, preferring engagement over exit.

Source: ACGA Research

Stewardship challenges in Asia

- **Uneven adoption and stalled progress**: Most Asian jurisdictions have adopted stewardship codes, but with little implementation oversight. As recent regulatory focus has been on sustainability, several major markets have had no significant updates to their stewardship guidelines in recent years, leaving codes as foundational statements of intent rather than drivers of dynamic investor engagement.
- **Stewardship codes alone are insufficient**: Issuing stewardship codes does not create a vibrant ecosystem. Promoting responsible ownership requires capacity building across the region with incentives and mechanisms to integrate shareholder feedback into governance practices.
- **Weak linkage between corporate governance and stewardship codes**: CG and stewardship codes are often overseen by separate bodies and developed independently, limiting reciprocity. Board duties to engage investors are rarely matched by investor obligations to engage boards, fragmenting expectations – unlike the more integrated models in the UK and Japan.
- **Corporate awareness and board-level understanding**: Directors often lack familiarity with stewardship and may confuse it with operational or analyst discussions, leading to caution over shareholder engagement and uncertainty about stewardship's focus on governance, long-term strategy, risk oversight, and board effectiveness.
- **Concerns among independent directors**: Independent non-executive directors (INEDs) are sometimes reluctant to engage due to perceptions over material non-public information (MNPI) risks, reluctance to challenge management, and concerns over effectively representing the board and/or issuer.
- **Lack of access to boards**: Most CG codes in the region do not require the appointment of a lead INED with responsibilities to include engaging with shareholders; at many companies investors face resistance in seeking meetings with INEDs generally.
- **Concentrated ownership structures**: Asian listed companies exhibit high concentrations of control among corporations, the public sector, and founding families, with institutional investors holding only approximately 18% of share capital (compared with a global average of 47%). In addition to agency risks, this diminishes voting influence, engagement incentives and accountability to minority shareholders.
- **Domestic relational dimensions**: In various markets, the presence of government-linked investment companies (GLICs), sovereign wealth funds, and direct government control introduces domestic realities in director nomination and accountability that can affect board access for other investors. Global institutional investors often report lacking equivalent access, particularly in smaller markets.
- **Negligible voting against management at shareholder meetings**: With limited dedicated stewardship resources, institutional investors proxy voting reflects lack of governance engagement and escalation policies, leading to negligible levels of voting against management in most cases.

Stewardship 2.0: An integrated part of the investment process

Investor stewardship has professionalised over the past fifteen years to become an integrated element of investment decision-making at most leading asset management firms. This shift has largely been driven by expectations from global asset owners and, in certain markets, by retail investors and pension beneficiaries or by regulatory initiatives, depending on the specificities of the market. Pension funds and large investors often routinely embed stewardship requirements into manager mandates to ensure financially material sustainability factors are incorporated across the entire investment process, from idea generation and capital allocation to manager selection and active ownership.

Asset owners adopt varied approaches. Some outsource responsible ownership to third parties, while others actively monitor engagement outcomes to inform portfolio decisions. For example, Australian superannuation fund and ACGA member, HESTA, manages around 18-20% of its portfolio internally (across Australian equities, fixed income, and cash). Its Responsible Investment Policy approach combines internal engagements with outsourcing to global and domestic engagement partners; close monitoring of outcomes across all engagement streams feeds into its investment decisions.[2] HESTA's total portfolio approach requires managers to address sustainability risks and opportunities systematically, aligning decisions with members' long-term retirement interests through detailed expectations on climate, governance, and social issues. Japan's Government Pension Investment Fund (GPIF) manages most of its assets externally and therefore mandates its external managers to adopt a thoughtful, integrated approach to stewardship without GPIF's direct involvement in the process.

Stewardship-informed investment decisions

Increasingly, engagement outcomes influence asset allocation in active equity holdings. Larger managers and some asset owners have established escalation processes, including reducing exposure to certain stocks, applying targeted exclusions, or divesting when progress stalls on material risks such as climate transition and governance failures. These processes typically involve watchlists, votes against management or directors, public statements, shareholder proposals, and divestment as a last resort. HESTA has placed both Santos and Woodside on a watchlist since 2022, pressing for net zero strategies, voting against remuneration and committee chairs at Woodside while supporting improvements at Santos, with divestment a potential recourse under its active ownership policy.[3] BNP Paribas Asset Management (BNPP AM) escalates engagements on a case-by-case basis through a range of tools including exclusions, full or partial divestment, or downgrading the company's ESG ratings.[4] Schroders Engagement Blueprint sets out its engagement expectations and active ownership approach, guiding how it engages with companies and informing escalation actions – such as board level engagement, voting against management, public statements and potential divestments – where repeated engagement fails to deliver meaningful progress.[5] L&G Asset Management's stewardship and investment teams work in an integrated manner, applying its Climate Impact Pledge to vote against boards, reduce holdings, or divest from oil and gas firms failing transition criteria, for example, on coal expansion and methane disclosure.[6]

Reporting on stewardship activities has advanced significantly across both voting and company dialogue, providing greater transparency through the inclusion of detailed case studies that illustrate engagement processes, outcomes, escalations and progress. Annual responsible investment reports published by investors such as HESTA, BNPP AM, Schroders, and L&G Asset Management include case studies to demonstrate stewardship strategies in action and collaborative engagement efforts. L&G Asset Management's reinstatements and divestment strategy is linked to improved disclosures and commitments, such as in the case of Cosco Shipping Holdings which the fund's investment teams divested from over lack of commitment to decarbonise, but continued to engage constructively, recognising where the firm had made progress.[7]

This evolution has established stewardship as a vital element of prudent investment management and of a healthy markets ecosystem. Far from peripheral, it now plays a central role in mitigating material financial risks, supporting stronger long-term returns, and ensuring portfolios remain aligned with sustainable objectives such as net-zero transitions. Markets, companies, and investment professionals must therefore approach stewardship with the seriousness and rigour it now demands.

From analysis to influence: How stewardship engagement differs from financial research

In discussions and roundtables held by ACGA with directors, we have frequently observed confusion between traditional equity research meetings and stewardship engagements. Traditional equity research meetings (often sell-side or buy-side analyst interactions) involve equity analysts meeting with Chief Financial Officers (CFOs), C-suite executives and investor relations teams. These typically centre on near-term financial performance, earnings guidance, and short- to medium-term drivers that may influence share prices.

In contrast, stewardship engagements are typically led by stewardship analysts, sustainable investment or governance specialists or portfolio managers, and address financially material issues impacting companies' long-term value creation and resilience. Examples include board effectiveness, remuneration alignment, climate transition plans, human capital and governance and risk oversight, sometimes with an emphasis on driving progress towards outcomes. They generally do not focus on topics likely to affect only near-term share price performance, though incident or controversy responses may be an exception requiring more immediate remediation.

Figure 2

Priority themes in stewardship engagement dialogue

Source: ACGA Research

This misunderstanding has occasionally raised concerns about the inadvertent sharing of MNPI. Equity discussions commonly cover quarterly or annual earnings and near-term financial drivers, whereas stewardship engagements (as illustrated at Figure 2) prioritise systemic, long-horizon factors essential to sustainable, risk-adjusted returns.

Board involvement and accountability in stewardship engagements

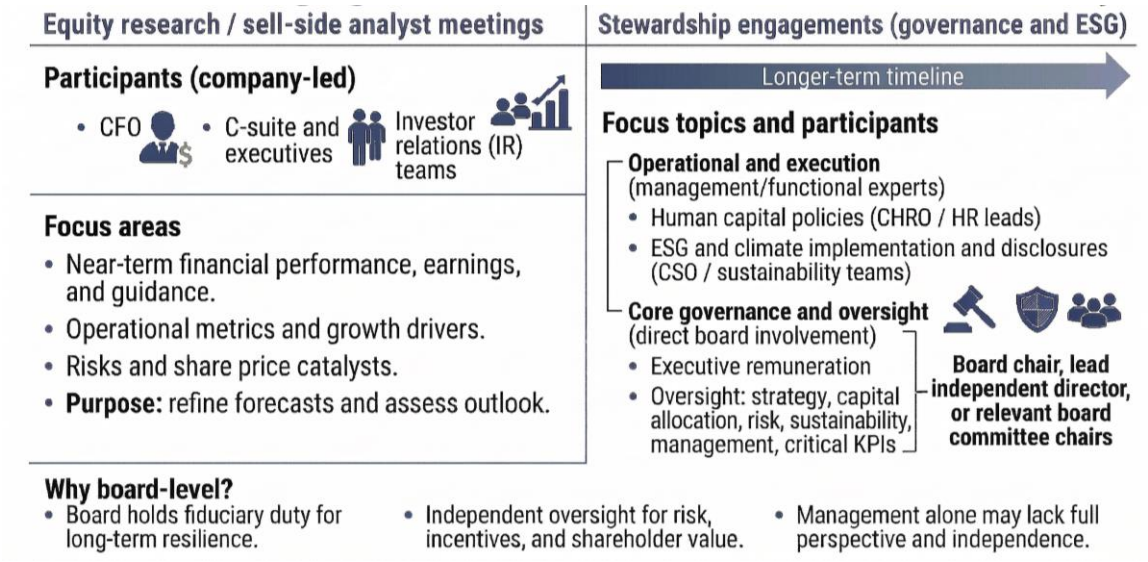
In stewardship engagements, investors adopt an adaptive, often phased approach, reflecting the complexity, strategic nature and longer-term nature of these interactions. Engagements are rarely one-off and frequently unfold over extended periods through multiple touchpoints including initial calls with executives and functional teams, follow-up correspondence, site visits, written feedback, or escalation to board-level dialogue, allowing for progressive deepening of discussion, monitoring of commitments, and assessment of progress.

For operational or execution-focused matters, such as human capital management policies including diversity, employee well-being, or labour practices, discussions may begin with, or remain focused on, relevant executives or functional teams, such as the Chief Human Resources Officer (CHRO) or senior HR leads. Similarly, detailed ESG implementation, climate-related disclosures, strategies, metrics, and progress tracking often engages the Chief Sustainability Officer (CSO) or dedicated sustainability teams to address more practical aspects and reporting frameworks.

However, for core corporate governance and oversight issues, or as part of an escalation approach where engagement outcomes appear unsatisfactory, investors may seek direct board-level involvement to ensure independent accountability and a fiduciary perspective. Executive remuneration discussions, for instance, usually require meetings with the chair of the remuneration committee (or equivalent) to evaluate alignment with long-term shareholder value, performance metrics, and avoidance of conflicts. Board effectiveness is a central priority in shareholder engagement, which executives may not be best placed to discuss with shareholders as investors frequently seek independent board perspectives on governance and oversight. To gain insight into the board's role in overseeing corporate strategy, capital allocation or capital management, engagement with the board chair, lead independent director or relevant committee chairs is often essential. These areas fall under the board's responsibility for resilience, risk governance and durable value creation – elements that management alone may not fully represent due to their operational focus or the potential misalignment of incentives.

Figure 3

Investor engagement: participants and key focus areas



Source: ACGA Research

Australian metals and mining company BHP's shareholder communications infographic, shown in Figure 12 (page 34), illustrates this point. It indicates that that in markets where stewardship is more prevalent, companies tend to demonstrate a deeper awareness of the engagement process – particularly those in sectors facing greater sustainability challenges.[8]

"Two wheels of a cart": Integrating governance and stewardship

Japan was one of the first regions in Asia to explicitly recognise the need for its Corporate Governance Code and Stewardship Codes to work in unison – a mechanism which the Financial Services Agency (FSA) described as "the two wheels of a cart."[9] The significance of investor stewardship was regarded as such that Japan's Stewardship Code was introduced in 2014, a year before its first Corporate Governance Code, to empower investors and support the adoption of the CG Code's voluntary, 'comply or explain' provisions.

This metaphor illustrates the interdependent nature of corporate governance (internal mechanisms for company direction and control) and stewardship (external oversight by institutional investors to promote long-term value). In Japan, the Stewardship Code encourages investors to engage actively through monitoring, dialogue, and voting, complementing the Corporate Governance Code's focus on board accountability, transparency, and risk management. Revisions to both codes, most recently in June 2025 for the Stewardship Code, emphasise substance over form and collaborative engagement. This is reflected in the draft revisions to the Corporate Governance Code, published by the FSA on 26 February 2026 and subject to ongoing review, which further strengthen expectations for meaningful, outcome-oriented dialogue between investors and companies.[10]

Globally, this connection between corporate governance and stewardship operates as bidirectional reinforcement: robust governance facilitates effective stewardship by enabling transparent information flows, constructive access to boards and senior management and improved disclosures. Stewardship in turn promotes governance improvements through sustained dialogue and active ownership mechanisms including voting and shareholder proposals.

In the UK, the Stewardship Code and CG Code similarly interlink, with the former bridging gaps between companies and institutional investors through "apply and explain" principles. The UK CG Code originated in 1992 with the Cadbury Report, introducing the "comply or explain" approach. It was consolidated into the Combined Code in 1998 and updated in June 2010, when it was renamed the UK CG Code. The 2009 Walker Review, examining governance failures during

the global financial crisis, was reflected in the preface: "the impact of shareholders in monitoring the Code could and should be enhanced by better interaction between the boards of listed companies and their shareholders."[11]

This finding prompted the Financial Reporting Council (FRC) to introduce the first UK Stewardship Code in July 2010, designed as complementary to the revised UK CG Code. Its introduction stated: "The FRC therefore sees it as complementary to the UK Corporate Governance Code for listed companies, as revised in June 2010." The 2010 CG Code directly placed responsibility for ensuring satisfactory dialogue with shareholders as responsibility of the board; the current (2024) Code retains this provision as well as a requirement for direct interaction between the chair and major shareholders.[12]

Stewardship codes in Asia

The significance and purpose of stewardship codes is in promoting active and engaged ownership among institutional shareholders (and to a lesser extent, creditors). These codes seek to promote voluntary changes in shareholder behaviour and the mitigation of systemic risks through closer scrutiny of corporate governance, constructive dialogue with companies and the adoption of more effective governance standards through non-regulatory, soft law mechanisms.

Most Asian jurisdictions now have a stewardship code, except for the Philippines and Indonesia. Many of these codes draw inspiration from earlier versions of the UK Stewardship Code, which has itself evolved to reflect current investor practices in the UK (see Figure 4). Research by Dr. Dan Puchniak at Singapore Management University cautions against a simplistic transplant of stewardship codes from developed markets characterized by dispersed ownership, noting that in many Asian markets, concentrated ownership structures significantly reduce the practical influence of voting rights.[13] In this vein, provisions around collective engagement, a factor strengthened in the 2025 amendments to Japan Stewardship Code, have particular importance in Asia.

In Korea and China, stewardship codes also call for the development of skills and resources to support engagement and voting activity. In China, the new rules for mutual fund managers provide that stewardship should be carried out by dedicated personnel, though there is no mention of capacity or skills building. In Korea, institutions are required to continually develop expertise and capabilities for effective implementation of stewardship.

Japan's Stewardship Code, updated in 2025, most closely reflects national policy objectives, with references to enhancing corporate value over the medium to longer term. The principles promote capital efficiency and sustainable growth, requiring investors to act. It provides that investors should monitor companies to identify issues at an early stage that might result in financial loss. The focus on materiality includes suggested themes for engagement as "governance, strategy, performance, capital structure, business risks and opportunities" based on the shareholders' own perspectives, in addition to ESG or sustainability issues. The Code covers both asset managers and asset owners, with asset managers expected to "contribute to the enhancement of corporate value" and asset owners expected to contribute to value enhancements through policies and either direct engagement or through outsourced asset management.

Outside the UK and Asia, most stewardship codes are issued by investor associations and industry groups. In contrast, many Asian stewardship codes are published by regulatory agencies or linked organizations, theoretically reflecting the significance that Asian regulators place on improving investor-company communications. As noted in a recent paper on universal ownership, an environment with a more engaged shareholder base may contribute through broad-market stewardship to a lower overall risk premium, based on improved perceptions of systemic market risks, underscoring that such regulatory prioritization is appropriate.[14]

Figure 4: Comparison of stewardship codes in Asia Pacific and the UK 2026 Stewardship Code

	UK	Japan	Australia	India	Taiwan	Singapore	Hong Kong	Malaysia	Korea	Thailand	China
Issuing body	FRC	FSA	ACSI *	SEBI	TWSE	SAC *	SFC	IIC *	Korea Stewardship Council *	SEC	AMAC
Compliance status	Voluntary	Voluntary	Voluntary	Mandatory (all mutual funds/ AIFs[1])	Voluntary	Voluntary	Voluntary	Voluntary	Voluntary	Voluntary	Mandatory (all mutual funds)
Application	Comply or explain	Comply or explain	"If not, why not"	N/A	Comply or explain	"Apply and explain"	Comply or explain	"Apply and explain"	Comply or explain	Comply or explain	N/A
No. of signatories	291	350	16	Not disclosed	148	76	Not disclosed	35	251 + 54 Preliminary	80	165[2]
Issue date	2010	2014	2018	2019	2016	2016	2016	2014	2016	2017	2025
Last updated	2012, 2020, 2026	2017, 2020, 2025	2024		2023	2022		2022	2026 revision in progress		
Establish and disclose stewardship policy	G	P	P	P	P	P	P	P	P	P	A
Manage conflicts of interest	G	P		P	P	P	P	P	P	P	A
Monitor investee companies	G	P		P	P	P	P	P	P	P	A
Engage with companies to promote better long-term performance/ resolve problems	P	P	P	P	P	P	P	P	G	P	A
Set and disclose voting policy (vote shares)	P	P	P	P	P	P	P	P	P	P	A
Report periodically on stewardship activities	G	P	P	P	P	P	P	G	P	P	A
Develop skills and resources		P		G					P		A[3]
Define approach to collaborative engagement		G	P	G	G	P	P	P	G	P	
Exercise independent judgement				G							A
Consider ESG matters		G		G	G	G	G	P	G	G	
Monitor asset managers (for AOs)	P	G	P		G[4]				G		
Undertake policy engagement	P		P								
Develop internal stewardship guidelines for escalation				G			P	G	P		
Integrate stewardship and investments	P	G							G		
Service providers should contribute to investor stewardship	P	P			P						

P - Denotes principle
G - Denotes guidance
A - Denotes article
* - Denotes non-regulatory body
1 - Alternative Investment Funds (only applies to AIFs investing in equities).
2 - As of end-January 2026, there were 165 mutual fund managers in China, comprising 150 fund management companies and 15 asset management firms licensed to offer mutual funds, according to AMAC.
3 - Stewardship should be carried out by dedicated personnel, though Article does not mention capacity or skills building.
4 - Principle 6 mentions asset owners' stewardship responsibilities but does not explicitly require monitoring of their entrusted asset managers.

Recommendations

- Stewardship codes should be supported by advances in complementary regulations, including safe harbours for collective engagement and streamlined voting processes.
- Strengthening provisions for collaborative engagement signalling regulatory support is needed to address concentrated ownership structures common in Asia.
- Recommend stewardship teams to engage with INEDs and report on how many such meetings were held.
- Regulators and issuers of stewardship codes should establish robust monitoring, review, and feedback mechanisms for stewardship reporting.
- Close alignment should be maintained in the evolution of stewardship codes and corporate governance codes – ideally under the same regulatory body.
- Promote capacity-building across the market to support effective implementation.

Stewardship codes and the ecosystem

Stewardship codes, whilst serving as an important foundational signal of regulatory support for responsible ownership and engagement, are not sufficient on their own to instigate an active or dynamic stewardship environment. Their impact depends on the presence of complementary factors such as an existing culture of investor engagement, ongoing alignment with evolving corporate governance frameworks, supportive regulations on issues like acting in concert, and active capacity-building across the market. In Asia Pacific, this is most clearly illustrated in Australia, where a strong stewardship ecosystem predates the introduction of formal codes, and in Hong Kong, where the corporate governance code has continued to evolve whilst the stewardship principles have remained unchanged since 2016. Codes are most effective when they reinforce and build upon pre-existing practices.

Conversely, the effectiveness of stewardship codes in driving meaningful engagement is often limited in the absence of complementary factors or robust follow through. For example, the recently announced measures for strengthening the Korea Stewardship Code include monitoring of investors stewardship reports and an active review process by the Stewardship Code Council which will conduct a final review of reports submitted by participating institutions and provide feedback for low-compliance institutions.[15] Few jurisdictions outside the UK monitor or review the stewardship reporting published by signatories to the codes. Under the planned revisions to the Korean code, the Korea Institute of Corporate Governance and Sustainability (KCGS) will conduct an initial practical review with a final review and approval by the Stewardship Code Council and reports to be published annually on a dedicated website.

Stewardship codes cannot fulfil their potential as a standalone instrument. Successful implementation depends on supportive regulation and business practices, including safe harbours for collaborative engagement, streamlined voting execution, corporate governance codes that both require and facilitate dialogue between investors and independent directors and corporate culture that empowers the board to represent the company objectively.

How aligned are stewardship and CG codes in Asia?

Although almost all Asian jurisdictions have established best practice codes for both investors and corporates, the link between them is often less clear than in Japan or the UK. Outside Japan, stewardship codes in most markets were conceived and introduced as independent mechanisms, with insufficient synchronicity between shareholders' fiduciary duty to engage with companies and any corresponding requirements for corporate boards and senior managers to engage directly with shareholders or for independent directors to serve as an escalation point for concerns.

In both the UK and Japan, stewardship and corporate governance codes are overseen by a single regulatory authority: the FRC in the UK, and the FSA in Japan, working closely with the Tokyo Stock Exchange (TSE) in administering the CG Code. This interlocution between stewardship and CG Codes appears to be missing in many Asian jurisdictions. For example, in Hong Kong, the de facto stewardship code (Principles of Responsible Ownership) is overseen by the Securities and Futures Commission (SFC). Although the SFC also supervises the Hong Kong Exchanges and Clearing Limited (HKEX) which is responsible for the CG Code, the two frameworks do not appear to be aligned in practice, with the CG Code updated in 2024 to place greater emphasis on board-level dialogue with investors but the stewardship principles unchanged since their introduction in 2016.

In other parts of the region, stewardship codes (or equivalent responsible investment principles) and corporate governance codes are supervised by separate bodies and introduced independently. This often results in weaker coordination and missed opportunities for mutual reinforcement. In Australia, Singapore and Malaysia, for example, stewardship codes are administered by voluntary non-regulatory groups (though often with links to key agencies).

Singapore's Stewardship Principles for Responsible Investors (SSP) were developed by the non-regulatory Stewardship Asia Centre, while its Corporate Governance Code is issued by the Monetary Authority of Singapore (MAS). The CG Code provides for the appointment of a lead independent director as a channel for shareholder concerns and requires the company to facilitate communications between the board and all shareholders.[16] Beyond this, the Code's references to shareholder interaction are largely limited to investor relations activities and formal engagements at AGMs. There is scope to strengthen provisions on direct board-shareholder engagement. Recent commentary from MAS indicates that this area, among others related to investor engagement and shareholder value creation, is being considered as part of an ongoing review of the Code.[17]

This fragmentation raises potential dilution of reciprocal expectations between investors and issuers, contrasting with the more unified approaches in the UK and Japan that promote stronger, integrated stewardship ecosystems with cross-referencing of obligations and explicit connections between investor stewardship and CG responsibilities.

Key board obligations for shareholder engagement in Asia Pacific beyond AGMs

A review of corporate governance codes in Asia Pacific indicates that with some exceptions, most countries in the region have articulated a requirement for engagement between the board and shareholders. Whilst governance requirements typically seek to combine global best practice with a reflection of local culture and business specificities, regulators in most markets identify the AGM as an opportunity for shareholders to actively participate in dialogue with the board and to ask questions directly to the chair and independent directors. Several markets, in particular Malaysia, Japan, Hong Kong and Taiwan, go further to require an ongoing exchange with shareholders although our discussions with investors suggest this is still aspirational rather than regular practice.

Beyond this, the majority of CG codes require coordinated communications through investor relations functions and timely disclosures. Codes in some markets also reference the involvement of a lead INED in shareholder communications. For example, in Australia and Hong Kong, a lead or senior INED is *recommended* for companies without an independent chair as a channel for engaging with shareholders. The appointment of a lead INED is required in Singapore in the absence of an independent chair, or in situations where the chair is conflicted, and should be available to shareholders where there are concerns and "normal channels" (i.e., chair and management) are not appropriate or adequate. In Korea, the CG Code provides for the designation of an "independent director in charge of communications" who is expected to feed back the opinions of shareholders to the board. A recent consultation in China from the CSRC on the role of the board secretary suggests that this role may soon be elevated to perform an important bridging function between investors and the board.[18] Malaysia's CG Code states that the board secretary plays an important convening role in stakeholder engagements, particularly on corporate governance.

Figure 5

CG Code provisions for engagement with shareholders

Australia	**Senior INED or deputy chair** recommended where there is no independent chair as a **channel for communications with securityholders**; recommends that issuers should seek opportunities to engage with **retail investors.**
Malaysia	Strong focus on shareholder engagement at board level: "The board and management should **continuously engage** and consider the views of internal and external stakeholders to better understand and manage the company's **sustainability risks and opportunities**." The role of the board secretary is identified as a "focal point for stakeholders' communication and engagement on CG issues": **Senior INED** role, where appointed, has a similar function.
Japan	2026 draft revisions make **direct reference to stewardship code** and promote constructive engagement with shareholders to contribute to sustainable growth. General reference to participation of board and management; companies should **appoint a responsible director or manager** to oversee dialogue and publish a policy. No specific reference to independent directors as a channel for shareholder concerns.
Taiwan	Article 13.2 articulates an expectation that the **board of directors** "together with officers and independent directors" engage with shareholders to understand their views and concerns.
Singapore	Principle 12.1 requires companies to establish "**avenues of communication**" between the Board and "all shareholders." A **lead INED**, required where the board chair is not independent, is a channel for shareholder concerns where the chair or management are not appropriate/ adequate.
China	China's CG Code, last amended in October 2025, **contains no explicit requirement** or encouragement for the board to engage with shareholders. Article 81 encourages institutional investors, including social security funds, pension funds, insurance companies and mutual funds, to "participate reasonably in corporate governance" by exercising their shareholder rights.
Hong Kong	At Part F, the board and independent directors should be **accessible for ongoing dialogue**, e.g., on performance against strategy, with **reporting on engagements** to include number of meetings and position of issuer representatives. **Lead INED** is a recommended best practice introduced in 2025.
Indonesia	Principle 8 on Stakeholder Engagement and Sustainability requires the corporation to identify key stakeholders and establishes policies for engagement
India	SEBI's LODR requires the establishment of a board-level Stakeholder Relationship Committee chaired by an INED but otherwise contains few provisions for direct shareholder engagement at board level.
Thailand	Board to ensure investors can participate effectively in decisions on significant corporate matters; otherwise, limited provisions for meaningful engagement between shareholders and the board, with a focus on IR function.
Philippines	No mention of board or senior level engagement. The Code provides for a designated **lead INED** where chairperson is not independent, though this is not expressed as a channel for shareholder communication.
Korea	Principle V provides that the board of directors and management should engage shareholders in constructive dialogue on sustainable corporate growth. Board chair or an **Independent Director in Charge of Communication** is advised to participate.

Source: ACGA Research

Evidence for board level engagement in Asia Pacific

ACGA investor members paint a mixed picture of shareholder access to independent board members in practice across the region. Australia stands out as the market where shareholder engagement with board members is most deeply embedded in stewardship culture, with governance issues routinely elevated to board level discussion.

Outside Australia, investors frequently report challenges in securing meetings with independent directors and limited company familiarity with stewardship practices. Common concerns voiced by companies and international investors include:

- Independent directors feel they lack sufficient company knowledge to engage meaningfully with investors.
- Concerns about inadvertently disclosing MNPI.
- Reluctance from directors to contradict or appear to undermine management.

As described above, directors' concerns about meeting shareholders in an engagement capacity often stems from a lack of understanding of the stewardship process and how it differs from the typical operational discussions portfolio managers and analysts have with management. Boards need greater awareness of stewardship's distinct function,

focusing on high-level governance, long-term strategy, risk oversight, and board effectiveness rather than simply addressing current performance. INEDs and board members should view stewardship conversations as a separate level of discussion, not parallel tracks on the same issues.

Despite these rather discouraging comments, there are signs that this situation is evolving gradually from a previously low base. In China, for example, stewardship teams report positive shifts in access to board members of listed companies following regulatory signals. The CSRC's Market Value Management Guidelines, issued in November 2024, emphasise boards' active role in enhancing corporate value through measures including investor communication and disclosures, dividends and share buybacks, facilitating better shareholder communications. Similarly, the CSRC's December 2025 consultation on the draft "Regulatory Rules for Board Secretaries of Listed Companies", proposes enhancements to the role and positions the board secretary as a central facilitator of stakeholder communications, including maintaining communication channels with investors.[19] These developments are expected to improve facilitation of shareholder-board dialogue over time.

Why boards benefit from listening to investors

A recent collaborative engagement by investor members of ACGA's Japan Working Group demonstrates the mutual benefit of such access. After iterative discussions with senior management and executives led by Toyota Motor's investor relations team on the tender offer bid for Toyota Industries (a listed affiliate), an independent director serving on the Special Committee evaluating the bid met with working group members.

Although discussions on the Special Committee's deliberations were confined to publicly available information, this rare interaction provided the board with a direct channel to hear investors' concerns, questions and perspectives on the transaction. It highlights the importance of board-level engagement in allowing directors to listen to shareholder views, thereby enhancing accountability and informing better oversight in conflicted or complex situations.[20]

Receiving and circulating investor concerns and perspectives to the board is a critical function of investor dialogue with independent directors, particularly where there are sensitive issues or ongoing transactions. Effective stewardship engagement is not simply a factor of board directors sharing insights, but actively listening, which can better align minority shareholder interests with long-term company goals and strengthen overall governance.

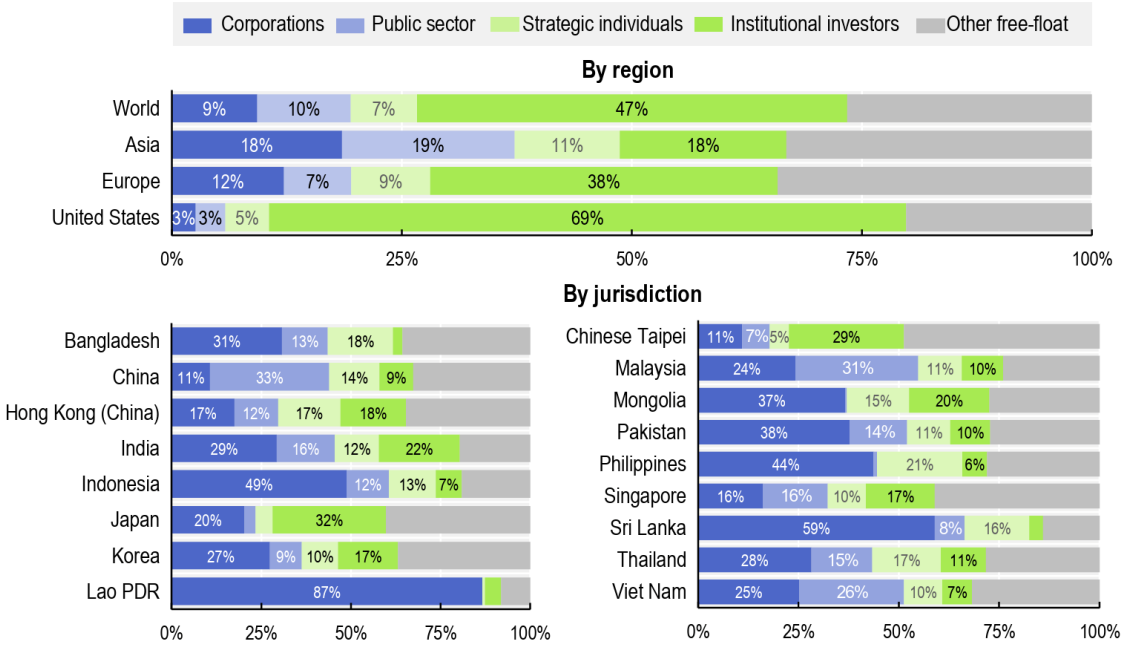
Ownership structures in Asia: Fostering equitable value creation

The ownership structure of listed companies in Asia is characterised by higher concentrations of control among corporations, the public sector and founding families. This concentration underscores both the complexities and importance of robust investor stewardship for effective governance oversight. According to the OECD Capital Market Series dataset (Figure 6), the market capitalisation of Asia's listed firms exhibits 18% ownership by corporations (typically through cross-holdings or group structures), 19% by the public sector and 11% by strategic individuals including families or promoters, compared to global averages of 9%, 10%, and 7%, respectively.[21] Notably, institutional investors hold only 18% of share capital in Asia compared with a global average of 47%.

McKinsey data indicates that approximately two-thirds of listed Asian companies are family-controlled.[22] Family-owned firms play a significant role in many Asian economies, contributing around 70% of Asia's GDP and employing over 60% of the workforce in several markets. Companies with concentrated ownership account for the majority of listings in Asian public equity markets, with 70% of state owned enterprises (SOEs) traded on Asian stock exchanges.[23] In China, SOEs serve as key drivers of capital market development and national policy implementation. They hold substantial influence in strategic growth sectors, representing approximately 50% of the total market capitalisation of the top 100 listed companies.[24] Over two-thirds of East Asian firms are controlled by a single shareholder, with families holding 30–50% of corporate assets in countries such as Indonesia and the Philippines often through corporate structures.

Figure 6

Ownership structures by market capitalisation in Asia



Note: The category "other free-float" represents shares in the hands of investors that are not required to disclose their holdings and for which no information is therefore available.
Source: OECD Capital Market Series dataset; LSEG; FactSet; Bloomberg; see Annex for details.

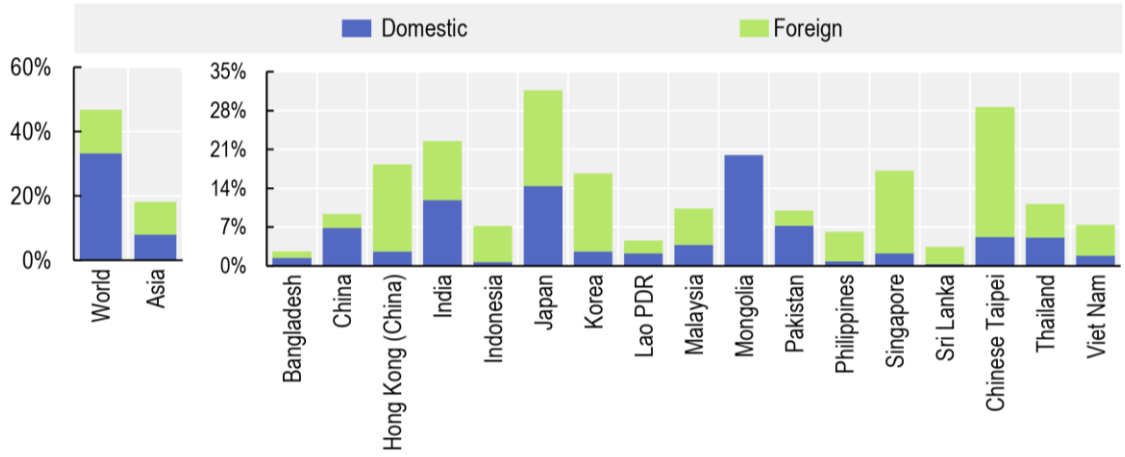
The prevalence of concentrated ownership structures in Asia results in distinct agency risks. Rather than reducing the need for investor engagement, these structures actually increase it. Active ownership by minority and institutional investors therefore serves as a counterbalance to controlling shareholders. Despite limited institutional holdings, together with policy developments, active ownership plays a key role in protecting minority rights, strengthening governance practices and supporting improved sustainability performance. In markets characterised by concentrated ownership, effective stewardship promotes governance reforms, mitigating risks associated with weak corporate governance or sustainability performance and enhances transparency, particularly in firms where owners and managers frequently occupy dual roles.

OECD capital markets data for 2024 indicates that, despite overall low levels of institutional ownership, foreign institutions share of institutional holdings in Asia is roughly equivalent to that of domestic institutions, with higher amounts in more liquid markets (Figure 7). This substantial foreign presence makes effective stewardship particularly important from both a governance and engagement standpoint, emphasising the need for greater alignment and dialogue between corporates and minority institutional investors.

In this context, regulators have an important role to play in strengthening the stewardship ecosystem. Recent revisions to the Japan Stewardship Code and planned revisions to the stewardship code in Korea illustrate how targeted regulatory action can encourage institutional investors to engage constructively with companies. These updates place particular emphasis on promoting sustainable growth, long-term value creation, and governance improvements to foster long-term value creation and sustainable growth as well as the equitable treatment and protection of minority shareholders.

Figure 7

Foreign and domestic institutional ownership in Asia



Source: OECD Asia Capital Markets Report

The stewardship ecosystem: key enablers of a supportive environment

This paper examines the stewardship landscape across twelve major Asia-Pacific markets and identifies key factors that contribute to an environment conducive to effective stewardship. The influence of these factors varies significantly across jurisdictions, reflecting their distinct cultural, economic, and investment profiles. In particular, corporate governance codes, investor collaboration through collective forums, and leadership by domestic asset owners play an important role in setting the standard for the broader investment community.

Studies have shown that sovereign wealth funds and other large asset owners, by articulating their governance expectations to portfolio companies, can exert a positive influence on corporate governance practices.[25] Similarly, incorporating a commitment to stewardship (voting and engagement) as a criterion of investment management mandates has a direct and demonstrable business impact on the asset management industry, positioning investment in stewardship resources as a strategic and justifiable business expense for managers seeking mandates from asset owners.

Although stewardship codes provide an important foundation for cultivating a supportive environment for effective stewardship by signalling regulatory endorsement, their effectiveness as voluntary tools ultimately depends on several key contributory factors that determine the quality of investor-corporate dialogue. In many Asia-Pacific markets, concentrated ownership structures often limit the influence and incentives of institutional investors to engage actively, whereas higher institutional ownership combined with robust minority protections can strengthen accountability and dialogue. A clear understanding of these dynamics is essential for regulators and market participants seeking to enhance stewardship practices in their jurisdictions.

Several jurisdictions in Asia Pacific are considered “policy-led” environments, where regulators support capital market development through codes and regulatory tools. In other markets, notably Australia, which features an efficient investor-led stewardship ecosystem, the engagement of retail investors and pension beneficiaries has been an important factor in the development of stewardship interactions and dialogue, particularly through the superannuation system. Japan exemplifies a hybrid approach, with GPIF serving as a committed and highly effective steward, and the FSA leveraging the Stewardship Code and Corporate Governance Code to advance the policy agenda of developing Japan’s capital markets.

Figure 8

Key components of the stewardship ecosystem

Source: ACGA Research

The extent to which an approach to stewardship and corporate governance is regulatory-driven (policy-led) or market-led (investor-led) typically depends on the maturity of the existing framework and degree of reform needed for further progress. Regulators and market participants should assess the most appropriate balance according to their jurisdiction's specific circumstances and context, integrating regulatory guidance with investor driven initiatives to strengthen constructive dialogue and promote long-term sustainable value creation.

Asset owner leadership

Stewardship has particular relevance for long-term asset owners with broad, diversified market exposure ("universal owners"). As studies point out, managing downside risk is critical for certain types of investors, in particular pension funds seeking to match assets to liabilities which therefore face downside risk constraints, and for insurance companies subject to for minimum capital requirements based on downside risk projections including value-at-risk analysis.[26] The presence of a strong group asset owners can be instrumental in shaping approaches to stewardship, whether engagement is undertaken directly, through third party engagement providers or through fund managers.

Asset owners, notably pension funds, often maintain a stronger investment focus on their home markets and can be significant investors in domestic equities. This provides a basis for influence over both companies and asset management practices. When asset owners clearly articulate their expectations of investee companies and requirements for robust ESG integration in portfolios, they can be particularly effective stewards. Research supports this dynamic through the universal ownership hypothesis which indicates that large, diversified institutional investors benefit from a stable and growing economy rather than isolated stock outperformance.[27]

In some Asian markets local relationships between company directors and investors, predominantly large asset owners, facilitates straightforward dialogue. However, global institutional investors, including those acting on behalf of international asset owners, do not always benefit from equivalent access or levels of dialogue. In many cases, the dialogue between domestic investors and boards is influenced by proximity and existing relationships, particularly in smaller markets.

We identify varying levels of asset owner engagement and stewardship leadership across the region. These divergent practices stem from the origins and growth of funds, as well as whether the drive for stewardship comes from pension beneficiaries (bottom-up pressure) or from policymakers (top-down approach).

Australian superannuation ("super") funds are particularly active in stewardship, driven by a number of ecosystem factors. These include the dispersed ownership of domestic listed companies, relatively high ownership stakes held in aggregate by super funds, a corporate governance code that promotes investor protections, and the presence of effective investor forums as well as an engaged retail investor segment. Expectations of companies and external fund managers are clearly articulated, and reporting to beneficiaries on stewardship activities is detailed and granular. In Japan, GPIF's stewardship approach has led to the development of stewardship capabilities at asset management companies due to their inclusion in investment mandates.

Elsewhere in Asia, the presence of large government linked investment companies (GLICs) sovereign wealth funds and reserve funds brings a political dimension to stewardship in markets where regulators, asset owners and board directors and corporate leadership interlock across formal, social and business channels. Local regulatory and institutional sensitivities may impact stewardship approaches and result in lower levels of transparency. In some jurisdictions, an engaged beneficiary base and awareness among retail investors is absent. However, assets under management and the significance of GLICs in the market give them an outsized influence which can support policy aims to improve the quality of the market overall.

Government-linked investment entities in Asia

Government-linked investment companies (GLICs), sovereign wealth funds (SWFs), and foreign reserve funds play an important role in the Asian investment landscape, particularly in ASEAN and East Asia. These entities manage significant capital pools and may drive long-term economic development, infrastructure investment, and strategic sector growth. Often with significant influence over domestic equity markets, GLICs steward national assets and maintain significant exposure to large listed companies. emphasising the importance of operational transparency and steward leadership in fostering a "state influenced" engagement model.

In some markets including China, Singapore and Malaysia, GLICs and asset owners may appoint representatives to the board, an alternative form of stewardship in which these directors are regarded as affiliates or non-independent, representing the interests of controlling shareholders rather than minorities more broadly. In some markets, for instance India, government ministries or other agencies may also nominate independent director candidates.

In these markets, GLICs such as China Investment Corporation (CIC), Temasek Holdings in Singapore and Khazanah Nasional Berhad in Malaysia, local companies and domestic regulators create a distinctive stewardship dynamic. GLICs often hold substantial stakes in critical sectors including finance, infrastructure, and telecommunications. In recent years, the Philippines introduced the Maharlika Investment Fund in 2023 and Indonesia has established two major state-owned vehicles: the Indonesia Investment Authority (INA) in 2021, and the larger sovereign wealth fund and holding entity Danantara (Daya Anagata Nusantara), launched in February 2025.

Asset owners have a significant role in invigorating stewardship in Asia through setting clear stewardship policies for external asset managers to follow. Clear public endorsement and compliance with relevant stewardship codes fulfil an essential baseline. Asset owners can also help bridge gaps between local and global investors, support policy reforms on governance, and foster a more resilient and transparent market ecosystem. Beyond this, asset owners can take the following steps, adapted to the approach best suited to their market and specific mandate.

Recommendations

- Set clear expectations on governance of investee companies.
- Articulate stewardship expectations of asset managers both in selection and monitoring of investment mandates.
- Support collaborative engagement with investee companies on governance and sustainability issues (whether conducted directly, via fund managers or through external providers).
- Contribute to capacity-building for domestic asset managers.
- Advocate for regulatory enhancements that enable inclusive dialogue and collective engagement.
- Require reporting to beneficiaries and stakeholders on stewardship activities and outcomes.

Japan and Australia: Leading stewardship markets in Asia-Pacific

Japan and Australia exemplify contrasting yet highly effective approaches to investor stewardship, establishing both as leading jurisdictions in Asia-Pacific. Among the 12 markets reviewed, they achieved the highest investor-category scores in the most recent ACGA CG Watch (2023), with Australia ranking first regionally overall and Japan second.

Japan follows a predominantly top-down model, driven by sustained regulatory efforts to strengthen investors' role in governance reforms. Since Shinzo Abe's "three arrows" policy (2013) aimed to reinvigorate the economy, policymakers have cultivated an engaged investor base to challenge entrenched corporate practices and low valuations within a programme of broader structural reforms. Despite emerging political emphasis on stakeholder models recognising the importance of employee participation in value creation, regulatory updates continue to affirm shareholders' central role in governance progress. Regulators maintain clear alignment and pursue a progressive, evolutionary approach through successive legislation and policy instruments. Japan's largest asset owner, GPIF, has played a pivotal role, promoting effective stewardship through external manager mandates, integration across passive equity assets, and innovative fee structures that approach stewardship as value-additive rather than a cost.

Implementation gaps remain: many independent directors are nominally independent and reluctant to engage shareholders directly without management oversight, and proposed changes to the Code do not yet introduce a lead independent director or clearly delineate board-specific engagement responsibilities as distinct from management.

In contrast, Australia's stewardship framework is bottom-up and market-driven, powered by active asset owners (principally superannuation funds) and asset managers and rooted in the preferences of an engaged Australian base of retail investors and pension beneficiaries. In a recent survey of superannuation fund members, 91% agreed that funds should use their influence to encourage good governance.[28] Investor policy advocacy has also helped to shape supportive regulation: guidance from the Australian Prudential Regulation Authority (APRA) recognises stewardship as a prudent tool for value creation and risk management, including consideration of material ESG factors, linked to fiduciary duties and cost-effective collaboration, while the Australian Securities and Investments Commission (ASIC) has addressed greenwashing risks and safe harbours for non-control seeking collaborative engagement.

Both markets show that divergent approaches, adapted to the local context – regulatory leadership with influential asset-owner support in Japan, and investor-led impact rooted in an active investment community including pension beneficiaries and retail investors in Australia – can achieve leading stewardship outcomes.

Corporate governance codes

Corporate governance codes play a pivotal role in supporting a strong stewardship environment when they establish clear, enforceable expectations for board accountability, independence, and direct investor engagement. To effectively complement stewardship codes and align the axel between the "two wheels of the cart," corporate governance codes should meet several necessary conditions:

Recommendations

- Explicitly articulate the board's responsibility to engage constructively with shareholders on key issues such as governance, strategy, sustainability, and material concerns, including the circumstances, channels, and processes for such engagement.
- Adopt a "comply or explain" approach to critical best practices, rather than purely voluntary recommended best practices which can be ignored without justification.
- Require enhanced, structured disclosures on board-shareholder interactions to promote transparency and accountability.
- Require on a comply-or-explain basis the appointment of a lead or senior independent director particularly where the board chair is not independent, with the role explicitly defined as providing independent oversight and serving as the primary conduit for shareholder concerns and direct dialogue.
- The board's responsibility to engage with shareholders should be aligned with requirements in the stewardship code for investors to seek dialogue on relevant matters at board level.

Regular, coordinated evolution of corporate governance and stewardship codes aligned with changing market practices is essential to building a more receptive and effective stewardship framework. Establishing expectations of corporates provides a basis for investors to engage meaningfully with boards and provides companies with clearer guidance on meeting shareholder accountability. Jurisdictions that prioritise these aligned updates can substantially strengthen the dynamism of their stewardship ecosystems.

Company practices

Discussions with INEDs of Asian companies revealed a mixed picture regarding board-level investor engagement. While some boards demonstrated openness, others remained cautious, often due to concerns around material non-public information (MNPI). To address this, companies should actively foster greater transparency and structured dialogue between the board and investors.

Among stakeholders there was general agreement that the corporate secretary is often better positioned than the investor relations (IR) team to convene or lead governance and stewardship engagements, in particular as the link between IR and the board is often unclear. In addition, whilst companies are sometimes familiar with meeting their largest investors, engagement should take a more inclusive approach and extend beyond the top ten shareholders.

Companies are encouraged to clearly define the board's involvement in shareholder engagements and to publish a formal engagement policy. This policy should specify which topics are appropriate for board-level discussion and at what stage of the process, whilst carefully observing legal and regulatory constraints applicable to the chair and board members. In addition, regular board training on investor and shareholder meetings is recommended to build confidence and capability in this area. Finally, meaningful engagement with investors should be incorporated as a formal responsibility and embedded within boards' terms of reference or annual work plan.

Corporate perspectives on shareholder engagement

From the company perspective, investor meetings with senior executives such as the CFO, CIO or CEO generally focus on discussing company results, strategy and direction. Stewardship discussions, as described earlier, operate at a higher level and tend to be longer-term, directional and strategic in nature. One company secretary we met with described how investor engagement had supported the implementation of better governance standards and was instrumental in transforming a previously long-tenured board short-on-independence to majority independent and aligned with international standards on gender diversity. In their experience, constructive dialogue with investors helped shape the argument for greater board independence, particularly when shareholders presented converging views.

Companies regard well-informed challenge as useful and stress the need for clear, coherent communication that accurately reflects the board's thinking and direction. For engagements to be effective, investors should come prepared with clearly articulated reasons for the meeting. As one corporate representative observed, "Good engagement should be specific and informed" and should be framed around clear objectives with both sides prepared for the discussion. Stewardship meetings should also enable investors to gain a genuine understanding of the company's position rather than simply following preset policies, for example on voting.

Recommendations

- Establish internal guidelines to facilitate meetings with investors by board members, including INEDs, with protocols on director briefings, MNPI constraints, meeting attendance, and reporting of outcomes back to the full board.
- Company secretaries are well placed to guide on governance and stewardship engagements and can play an important facilitative role in engagement, particularly where the board-IR linkage is weak or unclear to investors.
- Publish a formal board engagement policy that clearly articulates the board's role, appropriate discussion topics, and how engagement requests from investors will be addressed.
- Provide regular training for board members on conducting effective investor and shareholder meetings.
- Set board-level investor engagement as a measurable KPI and integrate it into the board's annual work plan or terms of reference.

AGMs and Proxy voting

Annual General Meetings (AGMs) remain one of the most important formal mechanisms for shareholders, particularly minority and foreign investors, to engage directly with boards and management in Asia. Beyond simply casting votes, AGMs offer a legally protected forum for questioning senior management and boards on strategy, scrutinising director performance and influencing governance practices. The CFA Institute's recently published report *Unlocking AGMs: From Votes to Voice in Asia-Pacific*[29] notes that meetings can serve as "meaningful stewardship touchpoints" when transformed from routine compliance exercises into genuine dialogue platforms.[30] Shareholder engagement should not be restricted to dialogue at AGMs and the practicality of travelling to AGMs limits the potential for high levels of engagements, particularly for international investors.

However, significant barriers continue to limit effective participation across the region. Short statutory notice periods as low as 14 days in Korea and Japan, severe AGM clustering in late March, compressed voting windows, and inadequate English-language materials or real-time translation often leave foreign investors with incomplete or outdated information to support voting decisions. Procedural hurdles such as complex power-of-attorney requirements, inconsistent electronic voting access, and limited Q&A time further reduce the quality of engagement. ACGA's analysis of Korean AGMs published in November 2024 highlights how these issues create a "logistical maze" that disproportionately disadvantages overseas shareholders.[31]

Hybrid and semi-virtual formats present an opportunity to overcome many of these challenges. British Columbia Investment Management Corporation's 2025 best-practice guidance emphasises that "the guiding principle for hybrid meetings is that virtual attendees should have the same opportunities for participation and dialogue as those attending in person," including live microphones for questions and equal voting rights.[32]

AGMs are an important formal mechanism for dialogue but should not serve as the sole or primary channel for shareholder engagement. Companies should view them as a structured annual opportunity to connect with investors, share updates, and address questions – yet effective stewardship requires ongoing, year-round interaction rather than limiting exchanges to the AGM period or adopting a transactional, vote-focused approach in the lead-up to meetings. For investors, AGMs provide a key venue to exercise ownership rights, but they represent just one element within a broader, continuous engagement strategy that fosters constructive, long-term relationships.

Recommendations

- AGM notice periods should be a minimum of 28 days with staggered meeting dates to reduce clustering.
- Mandate full English translations of notices, agendas, and materials, plus simultaneous interpretation at meetings.
- Require designated live Q&A sessions with real-time microphones for both in-person and virtual attendees.
- Adopt hybrid/virtual meeting formats with equal participation rights and enable foreign-accessible electronic voting up to the day before the AGM.
- Publish detailed individual director remuneration and full voting results immediately after the meeting.
- Encourage companies to treat AGMs as two-way engagement platforms rather than formalities, with board members (including independent directors) actively present and responsive.
- AGMs should not be viewed as the sole or primary channel for shareholder engagement.

Summary table of key recommendations	
Stewardship codes	- Stewardship codes should be supported by advances in complementary regulations, including safe harbours for collective engagement and streamlined voting processes. - Strengthening provisions for collaborative engagement signalling regulatory support needed to address concentrated ownership structures common in Asia. - Recommend stewardship teams to engage with INEDs and report on how many such meetings were held. - Regulators and issuers of stewardship codes should establish robust monitoring, review, and feedback mechanisms for stewardship reporting. - Close alignment should be maintained in the evolution of stewardship codes and corporate governance codes – ideally under the same regulatory body. - Promote capacity-building across the market to support effective implementation.
CG Codes	- Explicitly articulate the board's responsibility to engage constructively with shareholders on key issues such as governance, strategy, sustainability, and material concerns, including the circumstances, channels, and processes for such engagement. - Adopt a "comply or explain" approach to critical best practices, rather than purely voluntary recommended best practices which can be ignored without justification. - Require enhanced, structured disclosures on board-shareholder interactions to promote transparency and accountability. - Require on a comply-or-explain basis the appointment of a lead or senior independent director particularly where the board chair is not independent, with the role explicitly defined as providing independent oversight and serving as the primary conduit for shareholder concerns and direct dialogue. - The board's responsibility to engage with shareholders should be aligned with requirements in the stewardship code for investors to seek dialogue on relevant matters at board level.
Asset owners	- Set clear expectations on governance of investee companies. - Articulate stewardship expectations of asset managers both in selection and monitoring of investment mandates. - Support collaborative engagement with investee companies on governance and sustainability issues (whether conducted directly, via fund managers or through external providers). - Contribute to capacity-building for domestic asset managers. - Advocate for regulatory enhancements that enable inclusive dialogue and collective engagement. - Require reporting to beneficiaries and stakeholders on stewardship activities and outcomes.
Corporate practices	- Establish internal guidelines to facilitate meetings with investors by board members, including INEDs, with protocols on director briefings, MNPI constraints, meeting attendance, and reporting of outcomes back to the full board. - Company secretaries are well placed to guide on governance and stewardship engagements and can play an important facilitative role in engagement, particularly where the board-IR linkage is weak or unclear to investors. - Publish a formal board engagement policy that clearly articulates the board's role, appropriate discussion topics, and how engagement requests from investors will be addressed. - Provide regular training for board members on conducting effective investor and shareholder meetings. - Set board-level investor engagement as a measurable KPI and integrate it into the board's annual work plan or terms of reference.

AGMs and proxy voting	- AGM notice periods should be a minimum of 28 days with staggered meeting dates to reduce clustering. - Mandate full English translations of notices, agendas, and materials, plus simultaneous interpretation at meetings. - Require designated live Q&A sessions with real-time microphones for both in-person and virtual attendees. - Adopt hybrid/virtual meeting formats with equal participation rights and enable foreign-accessible electronic voting up to the day before the AGM. - Publish detailed individual director remuneration and full voting results immediately after the meeting. - Encourage companies to treat AGMs as two-way engagement platforms rather than formalities, with board members (including independent directors) actively present and responsive. - AGMs should not be viewed as the sole or primary channel for shareholder engagement.

[1] https://media.frc.org.uk/documents/UK_Stewardship_Code_2026.pdf
[2] https://www.hesta.com.au/about-us/super-with-impact/investment-excellence-with-impact#responsible-investment
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Australia: Fiduciary duty in effective ecosystems

Dr. Helena Fung, Head of Research and Advocacy

In comparison with other countries in Asia Pacific, the Australian approach to investor stewardship stands out as both developed and embedded in capital markets practice. This comparative level of maturity can be attributed to structural, governance and cultural factors, notably the presence of a diverse group of asset owners representing the fifth largest pensions market globally,[1] a market in which companies are typically widely held, and an active base of engaged domestic institutional and retail shareholders, who are also pension fund beneficiaries and demonstrate awareness of broader sustainability issues.[2] In addition, significant collaborative investor initiatives combined with governance provisions that empower active shareholder participation have fostered a conducive environment for stewardship. This represents a significant feature of Australia's investment landscape, where investors routinely exercise ownership rights to influence corporate behavior, mitigate risks, and enhance long-term value.

"Australia enjoys a highly engaged capital market where the dialogue between institutional investors and listed companies is very strong"
ACSI (2021)

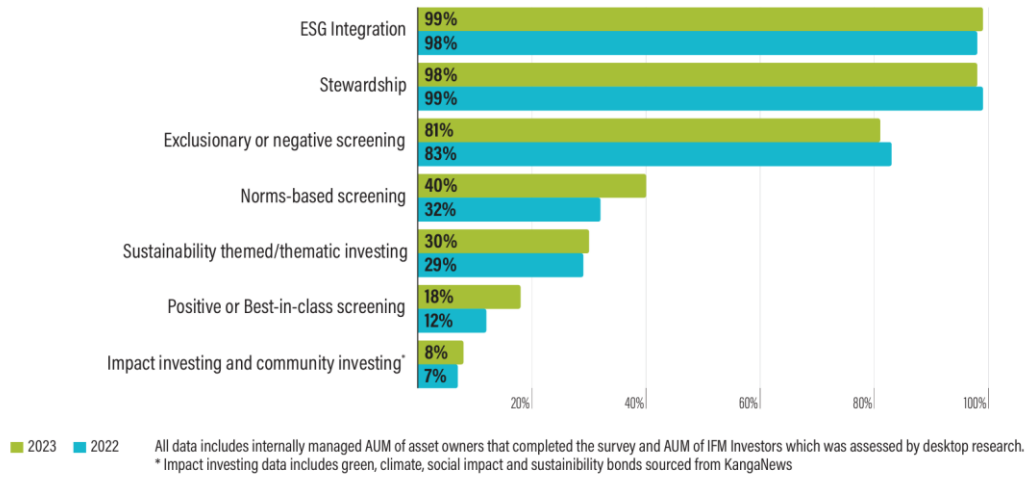
Regulatory reforms post the 2018 Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry have amplified the importance of stewardship, mirroring the focus on active ownership that followed the Global Financial Crisis and emphasising investors' fiduciary duties under the Corporations Act 2001.

Challenges within the system include fragmented policies that may leave investors exposed to potential shifts in regulatory approaches, greenwashing concerns and tensions between short-term profits and long-term sustainability. Stewardship in Australia is characterised by a committed and active investor base combined with responsive corporate boards operating within a light touch, principles-based and largely self-regulatory framework.

The Responsible Investment Association of Australasia's (RIAA) Benchmark Report Australia 2024 highlights the central role of stewardship in investing. Based on data from 291 professional investment managers, stewardship was identified as a core implementation approach, applying to 98% of the managed assets reviewed.[3]

Figure 9

Percentage of AUM allocated to responsible investment approaches (RI Benchmark respondents)



Source: RIAA Responsible Investment Benchmark Report, 2024

A separate report published by RIAA on investor stewardship practices identified that 85% of investors in Australasia had published a stewardship policy and that 51% of those surveyed were signatories to at least one stewardship code, with the UK Stewardship Code and the Australian Council of Superannuation Investor's (ACSI) Australian Asset Owners Stewardship Code (AAOSC), deemed most significant.[4]

Australia's unique investment landscape

Australia's unique superannuation ('super') funds which collectively manage over A$4.5 trillion in assets as of December 2025[5] (approximately US$3.15 trillion) are expected to represent the second largest pool of pension assets globally by 2031, surpassing both Canada and the UK.[6] The country's compulsory retirement framework has experienced 500% growth over the past 20 years, according to commentary from the Thinking Ahead Institute highlighting the system's "phenomenal growth."[7] In striking contrast, Australia ranks only 55th globally in population size (approximately 27.2 million people in 2026) and outside the top ten in terms of overall size of its capital markets. Super funds, as long-term asset owners, are at the centre of Australia's stewardship ecosystem. Their establishment, rooted in labour union campaigns for retirement schemes, provides a foundational connection to socially responsible values and commitment to responsible retirement practices that prioritise long-term beneficiary interests ethical considerations and broader societal outcomes over short-term gains – whilst trustees remain subject to the statutory Best Financial Interests Duty (BFID).[8]

With super funds holding a significant portion of shares in the domestic market, stewardship ensures that environmental, social, and governance (ESG) factors are integrated into decision-making, emphasising financial materiality and safeguarding returns against governance and systemic risks including biodiversity loss and climate change which also extends to policy advocacy. The importance of investor stewardship cannot be overstated in Australia's context. As a resource-dependent economy vulnerable to climate risks such as bushfires and droughts that cost the economy A$4.5 billion (US$3.125 bn) annually, investors understand the criticality of engagement to address material ESG issues and protect portfolios.[9]

Large institutional asset managers are also active in promoting stewardship in the Australian context. Between them, the largest, BlackRock, Vanguard and State Street Global Advisors own a combined 13% of the local equity market and have established stewardship teams in the region.[10] Prominent Australian-based managers (including First Sentier Investors, Macquarie Asset Management, Perpetual, AllianceBernstein Australia, and others), in particular members of the Financial Services Council (FSC) report extensively on stewardship activities and outcomes under FSC Standard 23, governing disclosures on internal governance and asset stewardship, which is mandatory for full members.

Alongside institutions, direct retail investor participation in Australia's capital markets remains higher on a percentage of adult population basis at 38% than in most other Asian jurisdictions. Growing awareness of ESG among retail investors in Australia is evident through the activities of shareholder advocacy groups which represent diverse perspectives and actively engage companies on governance, transparency, accountability and sustainability issues. The Australian Shareholders' Association (ASA), the largest independent not-for-profit retail shareholder organisation with over 25,000 members, focuses on shareholder rights, education, AGM participation, board accountability, and opposing issues like excessive remuneration. At the same time, non-profit shareholder activist and advocacy groups such as Market Forces and the Australasian Centre for Corporate Responsibility (ACCR) drive stronger and sometimes more contentious action on environmental and social concerns, particularly climate risk and fossil fuel exposure.

Shareholder activism in the 2025 proxy season

A standout example was the **first climate-related shareholder resolution** at **Macquarie Group** in 2025, filed by **Market Forces,** highlighting growing institutional scrutiny of banks' financing of fossil fuels and transition strategies. It called for enhanced climate risk management and transition planning, receiving **35.2% support.**

ACCR also drove prominent campaigns, including opposition to director re-elections at energy companies including **Woodside Energy,** citing climate risks and poor returns) and **Santos,** where votes against directors reached notable dissent levels (16.61% against one Woodside director in prior related actions, with continued pressure in 2025).

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This heightened awareness among individual investors, combined with the broad spectrum of active ownership from diverse advocacy groups, is particularly significant. It fosters a more engaged and proactive beneficiary base for Australia's superannuation funds, where members engage on ESG issues and increasingly expect stronger stewardship, ESG integration and a proactive stance on corporate practices and market outcomes.

Australian superfunds: Leading from the front

Alongside asset managers, asset owners – primarily superannuation funds – lead Australia's stewardship charge, leveraging their scale to drive ESG integration. Australian super funds have an established track record in voting and engagement activity, supporting overall market development and promoting good governance through their interactions with companies across domestic, and increasingly, global markets. According to a discussion paper published by the Super Members Council (SMC) published in May 2025:

"Through their significant market presence, super funds play a key role in enforcing market discipline and promoting better corporate practices. Super funds actively engage with the boards and management of the companies they invest in to improve governance, policies, and practices."[11]

Super funds reportedly hold approximately 25% of Australian Stock Exchange (ASX) listed equities, giving them an outsized collective influence in their domestic market.[12] Their leadership manifests in active ownership, policy advocacy, and direct engagement, fulfilling fiduciary obligations under the Superannuation Industry (Supervision) Act 1993 (Cth) to act in beneficiaries' best interests.[13]

Our review of stewardship activity by the top ten Australian asset owners, primarily super funds, identified three distinct channels for engagement. Most funds conduct some level of direct engagement through in-house stewardship or ESG teams, often working alongside portfolio managers given the trend towards internally managed funds. For domestic listed equities, collaborative engagement is often undertaken through ACSI, which acts on behalf of its super fund members. Engagement on international equities is generally outsourced to a professional engagement provider and/or undertaken through external fund managers. This multi-channel approach enables funds to combine internal expertise with specialised external resources for more complex or global markets.

AustralianSuper maintains 18 dedicated staff in its ESG and stewardship team. Its 2025 Annual Report detailed responsible ownership activities including:

- 133 direct engagements with 58 ASX 300 companies
- 80 direct engagements with the Chair, Remuneration Committee Chair, and/or CEO on executive remuneration
- 128 engagements held "with asset managers and our nominee directors across infrastructure, property, and private equity asset classes, with climate change and workforce being the most discussed themes."
- 340 engagements with ASX 300 companies through ACSI

Analysis of engagement issues shows the importance of governance across portfolio sectors, with 68% of engagement interactions addressing board effectiveness and remuneration, followed by workforce issues (47%) and climate (39%).

Australian Retirement Trust (ART) has 15 full-time employees in its Sustainable Investment & Planning team. Its sustainability report shows stewardship activity encompassing engagement and voting. External managers are assessed and benchmarked for sustainable investment capabilities including on stewardship. In 2025 ART reported:

- 102 direct engagement meetings with 52 ASX companies
- 32 'focus' ASX companies with 150 objectives selected for direct engagement
- Engagement through ACSI with 202 ASX companies, comprising 57% of domestic holdings
- 15 collaborative engagement meetings with 13 companies
- ART's international engagement service provider, Hermes EOS, engaged with 678 companies internationally, representing 60.8% by value of the fund's international equities
- Reporting included summary progress statics against objectives

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Asset owner resourcing and reporting

ACGA's review of the largest Australian funds identifies that signatories to ACSI's AAOSC display advanced levels of stewardship reporting and disclosure, in line with the Codes' principles, and report significantly higher activity than funds that do not have signatory status. We also note that, in addition to participating in collaborative investor forums, the same funds tend to have significantly larger ESG and/or stewardship teams than funds elsewhere in the region and that reporting is both granular and sophisticated. Governance issues including board effectiveness, remuneration and workforce are typically reported as key objectives in engagements, likely because of their multi-sectoral relevance.

Australian Council of Superannuation Investors (ACSI)

Founded in 2001 and with 40 members currently managing A$1.9 trillion (US$1.26 tn), ACSI illustrates the approach to active ownership among Australian superannuation funds. As a collaborative platform, ACSI engages proactively with a significant portion of ASX 300 companies annually on material ESG risks, conducts research, and advocates for policy reforms aligned with member interests. Its 2025 Stewardship Report quantifies progress on ESG engagements, of which approximately 58% of engagement issues focused on governance.[14] ACSI's expectations of boards including engagement with investors and other stakeholders are set out in its Governance Guidelines.[15]

Key ACSI initiatives include the Australian Asset Owners Stewardship Code (AAOSC), discussed in detail below, which provides a framework for monitoring managers' stewardship efforts and disclosure of super funds stewardship activities. ACSI's advocacy contributed to shaping Australia's 2024 mandatory climate disclosure laws (enacted September 2024 via Treasury Laws Amendment Act), through submissions urging IFRS S2 alignment, robust assurance, and super fund inclusion. The core focus rests on financially material ESG risks and opportunities over the long term. Priority issues are set annually in consultation with members, assessing materiality, investor exposure, and objectives framed through financial relevance in line with BFID.[16] ACSI also supports net-zero efforts through participation in collaborative climate initiatives such as Investor Group on Climate Change (IGCC) advancing science-based targets and transition planning for decarbonisation, making it an important voice for change in Australia's resource dependent markets.

In 2025, ACSI's influential research agenda included a review of CEO pay at ASX 200 companies and a joint publication with the Australian Institute of Company Directors on the role of company boards in climate transition planning. A joint submission with RIAA and the Australian Sustainable Finance Initiative (ASFI) to the Australian Competition and Consumer Commission in November 2025 proposing a class exemption for sustainability related collaborations across voting and engagement further evidences ACSI's commitment to fostering a collaborative environment for shareholder and stakeholder engagement through policy innovation and development.[17]

ACSI formally addresses systemic policy issues through its advocacy work, for example urging Australian Prudential Regulation Authority (APRA) to embed ESG in prudential standards.[18] Overall, AAOSC signatories demonstrate practical stewardship leadership within the domestic market, leveraging a collaborative and transparent approach to corporate governance in Australia with an emphasis on strategic value creation.

Regulatory frameworks and stewardship codes

Australia's regulatory framework for investor stewardship integrates mandatory provisions under the Corporations Act 2001 (Cth), administered by the Australia Securities and Investments Commission (ASIC), which requires disclosure of material risks including ESG factors. The 2018 Royal Commission reforms have further strengthened the focus on stewardship, with ASIC's Key Issues and Enforcement Priorities Outlook 2025 highlighting inadequate climate disclosures as a key risk leading to misinformed investments, reinforcing the role of stewardship in risk mitigation.[19]

Additional to this statutory foundation, approaches to stewardship are defined by two voluntary industry codes: ACSI's AAOSC for asset owners and FSC Standard 23 for asset managers. While complementary in intent, the dual structure introduces fragmentation risks, including inconsistent disclosure expectations, varying reporting burdens, and differences in scope, such as AAOSC's emphasis on collaboration and greenwashing versus FSC's focus on internal governance, potentially limiting comparability and effectiveness relative to unified models in other jurisdictions.

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Dual stewardship codes: Two sides of the same coin?

Australia currently has two principles-based, voluntary stewardship codes, overseen by industry bodies and aimed at different investor groups.[20]

Australian Asset Owners Stewardship Code (AAOSC)	Issued by ACSI. A **principles-based, voluntary** code aimed at **asset owners**, published in May 2018 and updated in 2024. Applicable on an "if not why not" basis. Focused on fulfilling fiduciary duties to beneficiaries through direct or indirect stewardship, including oversight of external asset managers, collaboration and transparent reporting. ACSI lists 16 signatories to the Code.
FSC Standard No. 23: Principles of Internal Governance and Asset Stewardship	Issued by the Financial Services Council (FSC) and **mandatory** for FSC Full Members undertaking asset management from 1 July 2018 on a **comply-or-explain** standard targeting **asset managers**. It covers broader internal governance plus asset stewardship, requiring public disclosure on organisational approach, internal processes, and stewardship practices. There are currently 113 full FSC members to which FSC Standard 23 would apply.

The **FSC's Standard 23** was published in July 2017, effective from FY2018. It builds on the earlier **FSC Standard 13** (Voting Policy, Voting Record and Disclosure), first issued in October 2004 and updated periodically (2013 and 2019, with a new version effective 1 July 2021). It requires fund operators to develop a proxy voting policy for Australian investments, disclose use of voting consultants, and report voting records (including abstentions) annually on an entity- and resolution-level basis. Before ACSI's Code was published in May 2018, ACSI promoted stewardship through its Governance Guidelines, proxy voting services, company engagement, and direct dialogue with ASX companies on governance and ESG issues. These prior efforts, focused on enhancing corporate governance, active ownership via voting and engagement, and long-term value protection, were foundational to the formalised stewardship codes introduced in 2017–2018. ACSI's Governance Guidelines, updated biennially, remain an important resource, clearly outlining its members' expectations for governance of ASX-listed companies.[21]

In theory, as Australia's two main stewardship frameworks, the AAOSC and FSC Standard No. 23 should serve as complementary mechanisms that function as two sides of the same coin: asset owners (e.g., super funds under ACSI) delegate to asset managers (under FSC 23), monitor their stewardship activities and effectiveness (AAOSC Principle 4), and receive disclosures on policies, voting, engagement, and internal governance (FSC) to enable beneficiary reporting. Both codes aim to advance fiduciary duties, long-term value and accountability through voting, engagement and collaboration, with shared emphasis on ESG risks and proxy voting (governed under FSC Standard 13 integration). Disclosure chains under the two frameworks should also be aligned: managers publicly detail their policies, voting records, engagement approaches and internal governance, often integrating FSC Standard 13 on voting, enabling owners to report stewardship activities, voting, and manager oversight to beneficiaries. A comparison of the (abbreviated) principles of both frameworks is set out below:

Figure 10

Comparison of stewardship codes in Australia

	ACSI Australian Asset Owner Stewardship Code	FSC Standard 23: Principles of Internal Governance and Asset Stewardship
Principles	1. Disclose stewardship approach	1. Disclose organizational and investment approach 2. Internal governance
	2. Disclose voting policy	(FSC Standard 13 addresses proxy voting)
	3. Asset owners should engage with companies	3. Asset stewardship: *Asset Managers should provide a description of their approach to asset stewardship and exercise effective asset stewardship on behalf of their clients.*
	4. Monitor asset managers stewardship approach	
	5. Encourage alignment of financial system and regulatory policy with long-term interests	
	6. Report to beneficiaries on stewardship activities	
	7. Outline how collaborative initiatives are used	

Source: ACGA Research

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In practice, the two systems work reasonably well together in supporting accountability within Australia's self-regulatory ecosystem: super funds often outsource investments to FSC-member managers, allowing manager disclosures to feed directly into owner reporting, but exhibit notable gaps and asymmetries. This bifurcated structure creates potential inconsistencies in expectations and reporting burdens, with ACSI's voluntary, signatory-based "if not, why not" approach and emphasis on systemic advocacy, beneficiary reporting, materiality, ESG integration and greenwashing concerns, contrasting with the FSC's mandatory comply-or-explain requirements focused on managers' internal governance and organisational transparency.

Differences in scope may result from disparity in required disclosures: the FSC Standard requires publication of an approach to proxy voting and engagement without mandating dynamic activity-based reporting. While the AAOSC evolved with extensive recommendations for disclosure and updated principles on collaboration and greenwashing, FSC Standard 23, reviewed in 2021 and 2023 but largely unchanged since 2017, appears somewhat dated.

Potential for progress: Challenges and opportunities

Industry and academic critiques highlight Australia's fragmented stewardship landscape compared with unilateral frameworks such as in the UK, with the often generalised disclosures mandated under FSC Standard 23 limiting comparability and impact.[22] Australia's stewardship frameworks have strong theoretical synergies, interlocking "demand" (owner expectations) and "supply" (manager implementation) sides, effectively advancing transparency and fiduciary duty, though stakeholders such as RIAA have advocated for greater harmonisation, potentially toward a single, regulator-overseen code, to enhance effectiveness in driving long-term value and ESG outcomes.[23] ACSI has previously proposed considering a single, regulatory backed stewardship framework, oriented towards institutional investors more broadly, rather than separate codes for use by members of industry bodies.[24] In addition, lack of oversight or support by a regulatory body may also leave stewardship activities vulnerable to changing political sentiment and policy direction.

Further regulatory guidance

Whilst Australia's stewardship codes are issued by industry bodies, regulations reinforcing the importance of stewardship and soundness of reporting as well as collaborative shareholder engagement have also been on the agenda for policy makers. In 2023, APRA released an updated version of its prudential practice guide on investment governance (SPG530).[25] The updated guidance explicitly clarifies expectations that superannuation funds should consider how they use their "influence or investment market presence, including engaging with investees, making public statements and undertaking policy advocacy and voting, to generate value in investments." This is regarded as part of "prudent management" relative to "value creation." This positions stewardship as a potential tool for managing risks, including on material ESG factors, clearly linked to trustees' fiduciary duty to act in members best financial interests, with disclosure required to show how activities align with stated policies, support financial returns and are undertaken in a cost-effective manner (including collaboratively).

Greenwashing

APRA's guidance, including requirements to report on how engagement activities link to financial materiality and policy statements, indirectly addresses greenwashing concerns which have been a recent focus for the ASIC. While ASIC enforcement actions have not yet targeted stewardship directly, its updated Information Sheet 271 (INFO 271) explicitly requires the accurate representation of stewardship practices in fund or product descriptions, including clear explanations of engagement rationales, progress updates (such as voting and engagement activities) and outcomes where a stewardship approach is adopted to meet sustainability-related targets.[26]

Collaboration: regulation and practice

The Corporations Act 2001 (Cth) provides Australia's core legal framework for shareholder stewardship, empowering investors to exercise ownership responsibilities while imposing safeguards against market abuse, insider trading, or unintended changes in control. Collective action is addressed through takeover provisions (Chapter 6), substantial holdings notice requirements (Chapter 6C) and related concepts. To facilitate legitimate engagement without breaching these rules, ASIC's *Regulatory Guide 128: Collective action by investors* (RG 128, issued June 2015) provides safe harbours and clarifications for permissible stewardship-related collaboration. These include pre-engagement

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discussions on matters to be raised to an entity's board as well as making representations to a company's board about governance matters and policies, practices or particular actions that the company might consider.[27]

The addition of a new principle to ACSI's AAOSC in 2024 requiring signatories to disclose their approach to collaboration underscores the significance of collective power among institutional asset owners. However, Dr. Tim Bowley at Monash University in Melbourne has observed that there are few (if any) examples of investors in Australia self-convening direct shared engagement action, with intermediary organizations such as IGCC and ACSI typically serving as convening platforms.[28] Despite regulatory safeguards, investors rarely form coalitions: engagement via professional bodies and industry groups is well established. As Bowley points out, this approach has economic benefits and may provide concert party safeguards, for example where there is no agreement between the participants to act in a unified manner.

Corporate governance as a factor in stewardship effectiveness

In Australia's robust stewardship environment, governance rules and norms play a pivotal role in fostering effective investor engagement. The preamble to the ASX Corporate Governance Principles and Recommendations (4th ed, February 2019) assumes "investors and other stakeholders can have a meaningful dialogue with the board and management on governance matters." Recommendation 6 on respecting shareholder rights and facilitating participation emphasises the importance of two-way communication with security holders, ensuring investor concerns reach the board and senior executives, while Principle 2 on board structure recommends appointing a senior independent director (SID) or independent deputy chair where the chair is not independent, in part to provide a separate communication channel for shareholders.[29]

Board independence in Australia is strong, with the majority of ASX 300 companies having independent chairs. Recent data indicates high levels of independent non-executive directors, with around 92% of director roles across ASX 300 boards classified by issuers as independent, supporting effective oversight and dialogue. Our analysis of ASX 300 companies therefore indicates that the role of senior independent director is not widespread but that the overall independence of board leadership is high. For the 8.6% of companies without either an independent board chair, independent deputy chair or senior independent director, we note that these are at the mid and smaller end of the index by market cap and/or have a more concentrated ownership structure. There are three such companies in the top 100 companies of the ASX 300, ranked by market capitalisation, but 11 and 12 each in the following 200 and 300 respectively.

Figure 11

Number and percentage of independent board chairs and senior independent directors in ASX 300 companies

Number of Independent Chairs	Number of Lead/Senior Independent Directors	Number of Companies without Independent Chair or Independent Deputy Chair/ Senior Independent Director
242	32	26
Companies with Independent Chairs (%)	Companies with Lead/Senior Independent Directors (%)	Companies without Independent Chair or Independent Deputy Chair/ Senior Independent Director (%)
80.7%	10.7%	8.7%

Source: ACGA Research, ASX 300 company reports. *Note*: analysis based on company reported assessment of director independence. Data as at 23 March 2026.

Shareholder-oriented governance mechanisms in Australia provide an imperative for boards and investors to engage. Australia's "two strikes" rule under the Corporations Act 2001 (Cth), grants shareholders substantial influence over remuneration and makes engagement with investors a strategic necessity for issuers. Listed companies must submit their remuneration report to an annual advisory (non-binding) vote at the AGM; if 25% or more of those voting oppose it (a "strike") in two consecutive years, a binding spill resolution follows, potentially requiring the board to face re-election.

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Although the board spill mechanism has almost never resulted in the removal of a board at an ASX 300 company, dissenting votes ("strikes") against remuneration reports have increased in recent years. Glass Lewis reports that in the 2023 and 2024 proxy voting season ASX 300 companies received 41 and 40 strikes respectively, with a slightly lower number in 2025.[30] This creates strong incentives for boards to proactively engage investors through pre-AGM consultations, enhanced disclosures, and remuneration adjustments to mitigate the risk of board instability, reputational damage or loss of investor confidence. Persistent action by shareholder interest groups has also resulted in notable use of advisory "say on climate" votes at large energy and resources companies attracting significant shareholder dissent in recent years.

Board-level dialogue in practice

Whilst codified provisions in the ASX Corporate Governance Principles and Recommendations that directly support investor–corporate dialogue remain principles-based and non-prescriptive; this is offset by the established practices of Australian listed companies in shareholder engagement. Both domestic and global investors surveyed by ACGA noted that, relative to other jurisdictions, direct engagement with Australian board members ranks among the highest in the Asia-Pacific region. ACSI confirmed that its engagement activities, particularly on governance matters, are predicated on robust board access and constructive dialogue with independent directors. As our research demonstrates, this familiarity with the engagement process is reflected in statements made by Australian companies in governance reports and board charters. In addition, ASX 200 companies regularly hold pre-AGM roadshows to meet with asset managers and owners.

Our review of ASX 300 constituents found that larger companies, particularly those operating in sectors exposed to heightened ESG risks, were most likely to publish statements clarifying the involvement of the board in investor engagement.

- Brambles and ASX Limited make reference to the role that the board, directors and/or chair take in engagement and how shareholder feedback is routed to the board for consideration.
- Origin and Rio Tinto provide more specific information on which board members have met with investors (such as the chair of the remuneration committee).
- At the more advanced level, companies such as APA Group, an energy infrastructure company, reported the number of meetings with shareholders and engagement methods (e.g., individual and collaborative investor engagement) as part of its climate transition plan.
- Capstone Copper (a Canadian mining company with secondary ASX listing) publishes a shareholder engagement policy, detailing the company secretary as initial point of contact for board and management meetings and a list of applicable topics.[31]
- Notably, mining companies Rio Tinto and BHP Group which have been the target of significant investor and shareholder engagement in relation to Indigenous land use rights and cultural heritage issues, provide extensive commitments to shareholder engagement at board level, as well as detailed public reporting on relevant activities. BHP's governance and engagement practices (as outlined in its annual reports, ESG disclosures, and Indigenous Peoples Policy) demonstrate a structured approach to shareholder input, with the board receiving feedback on ESG and strategy. Its engagement diagram (below) highlights the board's role in stewardship relative to equity research discussions.

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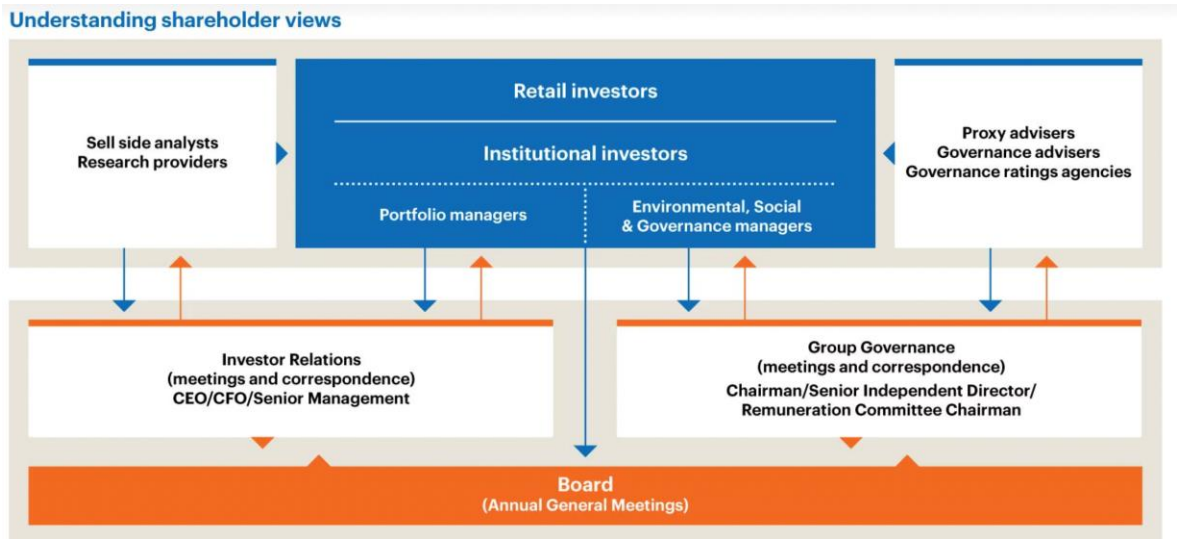
Figure 12

BHP Shareholder communications process map ("Understanding shareholder views")



Source: BHP Group

Next steps

Australia's stewardship framework stands as a regional benchmark, driven by highly engaged superannuation funds and institutional investors, collaborative platforms, consistent board access, and powerful shareholder mechanisms including the two-strikes rule, all operating within a largely principles-based regulatory environment that supports active ownership. To build on this established position, the focus now turns to reducing fragmentation between the AAOSC and FSC Standard 23 through greater harmonisation, potentially moving toward a single, broadly endorsed stewardship code with clearer regulatory support, to deliver greater consistency, lower reporting burdens, improved comparability, and stronger safeguards against risks such as greenwashing.

Regulators including ASIC and APRA can provide more targeted guidance on integrating material ESG factors (particularly climate-related risks) into stewardship practices, outcome-oriented disclosure, and cost-effective collaborative action, while maintaining safe harbours for legitimate, non-control collaborative action. Asset owners and managers continue to expand internal stewardship resources, deepen both direct and collaborative engagements, and align proxy voting and advocacy more closely with long-term financial materiality. By pursuing these opportunities, Australia reinforces its stewardship model as a global reference point for converting active ownership into resilient, sustainable value creation for beneficiaries and the broader economy.

[1] https://www.thinkingaheadinstitute.org/research-papers/global-pension-assets-study-2025/
[2] https://acsi.org.au/research-reports/speaking-up-for-super-members-australians-reflect-on-active-ownership/
[3] https://www.responsibleinvestment.org/research-and-resources/resource/responsible-investment-benchmark-report-australia-2024. 25
[4] https://www.responsibleinvestment.org/research-and-resources/resource/engage-advocate-collaborate-unpacking-stewardship-in-australasia-in-2022.
[5] https://www.apra.gov.au/news-and-publications/apra-releases-superannuation-statistics-for-december-2025
[6] https://smcaustralia.com/news/australians-super-savings-on-track-to-become-second-largest-globally-by-the-early-2030s/
[7] https://www.thinkingaheadinstitute.org/research-papers/global-pension-assets-study-2025/
[8] https://smcaustralia.com/wp-content/uploads/2025/05/Submission_SMC_ASIC-Private-markets-consultation.pdf
[9] https://insurancecouncil.com.au/wp-content/uploads/2025/10/21340_ICA_CAT-Report_2025_Final-spreads.pdf
[10] https://www.ir-impact.com/2025/07/the-quiet-power-of-the-big-three-a-new-era-of-corporate-governance/
[11] https://smcaustralia.com/app/uploads/2025/05/Submission_SMC_ASIC-Private-markets-consultation.pdf
[12] https://www.firstlinks.com.au/are-excessive-super-funds-giving-australia-dutch-disease
[13] Section 52(2)(c) requires each trustee to perform the trustee's duties and exercise the trustee's powers in the best financial interests of the beneficiaries.

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[14] https://acsi.org.au/wp-content/uploads/2025/07/ACSI-Stewardship-Report-Final-July-2025.pdf
[15] https://acsi.org.au/wp-content/uploads/2026/01/ACSI-Governance-Guidelines-January-2026.pdf
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[18] https://www.apra.gov.au/sites/default/files/2022-07/Submission%20Australian%20Council%20of%20Superannuation%20Investors%2016%20February%202022.pdf
[19] https://www.asic.gov.au/about-asic/news-centre/news-items/key-issues-outlook-2025
[20] The FSC is Australia's largest financial services industry body for which membership is voluntary. For full members, compliance with the FSC's standards is mandatory.
[21] https://acsi.org.au/wp-content/uploads/2026/01/ACSI-Governance-Guidelines-January-2026.pdf
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[28] Tim Bowley and Jennifer G. Hill, "Stewardship and Collective Action: The Australian Experience" (2020), available at https://www.ecgi.global/publications/working-papers/stewardship-and-collective-action-the-australian-experience (or SSRN: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3530402). Bowley notes the nuanced and limited nature of direct investor coalitions in Australia
[29] https://www.asx.com.au/content/dam/asx/about/corporate-governance-council/cgc-principles-and-recommendations-fourth-edn.pdf
[30] https://www.glasslewis.com/article/australian-companies-face-significant-shareholder-opposition-on-executive-pay
[31] https://capstonecopper.com/wp-content/uploads/2025/07/Shareholder-Engagement-Policy.pdf

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Japan: Evolution of frameworks and institutional collaboration

Anuja Agarwal, Research Head, Japan and India

Japan's stewardship movement represents one of Asia's most significant corporate governance developments, establishing a framework that promotes long-term value creation through institutional investor engagement with listed companies. Japan's Stewardship Code, first introduced in 2014, has catalysed a fundamental shift in how institutional investors approach their responsibilities, moving beyond passive shareholding to active stewardship. The evolution of Japan's stewardship ecosystem has set a precedent in the Asian region through a combination of stewardship and governance codes, regulatory initiatives and the engagement efforts of key stakeholders driving this transformation.

Japan's Stewardship Code [1] integrates with broader corporate governance reforms, including the Corporate Governance Code and annual Action Programmes led by Japan's Financial Services Authority (FSA), which emphasise shifting from form to substance in stewardship and dialogue. The FSA, Ministry for Economy, Trade and Industry (METI), and Tokyo Stock Exchange (TSE) promote "constructive shareholder dialogue" within these programmes as essential for sustainable growth, with TSE issuing guidance on disclosures and FSA following up on outcomes to foster trust-based engagement.

As of 31 December 2025, a total of 350 institutional investors had signed up to the Code including (by category) six trust banks, 218 investment managers, 26 insurance companies, 88 pension funds, and 12 others such as service providers.[2] Japan's Government Pension and Investment Fund (GPIF), the world's largest pension fund, was an early adopter of the Code in May 2014 and plays a pivotal role as an asset owner by directly fulfilling stewardship duties and mandating its external asset managers to comply with the Code and with its own proprietary stewardship principles.

Figure 13

Sustainable Investment Balance by Investment Management Method (Millions/ Yen)

	2022	2023	2024
ESG Index-Linked Management (Selection Based)	6,177,139	10,494,957	13,887,772
ESG Index-Linked Management (Tilted)	10,287,932	12,809,000	16,511,450
ESG Integration	401,685,956	438,786,938	450,807,548
Negative Screening	243,050,365	327,198,719	333,725,971
Norms-Based Screening	170,903,096	164,915,208	177,891,985
Positive Screening	6,642,523	10,889,234	13,634,230
Sustainability-Themed Investment	27,643,523	33,129,991	34,459,863
Impact Investment	499,489	1,636,905	982,754
Exercise of Voting Rights	202,554,552	211,095,489	263,642,525
Engagement	228,639,749	294,876,523	354,624,198

Source: JSIF data

According to data from the Japan Sustainable Investment Forum (JSIF) shown in Figure 1,[3] engagement-focused sustainable investments showed positive momentum across multiple fund categories. The report highlights that sustainable investment products pursuing an engagement strategy recorded a 20.3% increase in assets under management in 2024 compared to the prior year. This substantial growth in engagement-focused assets reflects both institutional investors' growing commitment to stewardship in Japan and increasing recognition among asset owners that engagement activities serve as legitimate value-creation mechanisms, supported by performance and impact metrics. This trend is underscored by the consistently rising number of signatories to Japan's Stewardship Code, and

by measurable improvements in engagement quality, as evidenced in GPIF's evaluation in its May 2024 research report, described below.

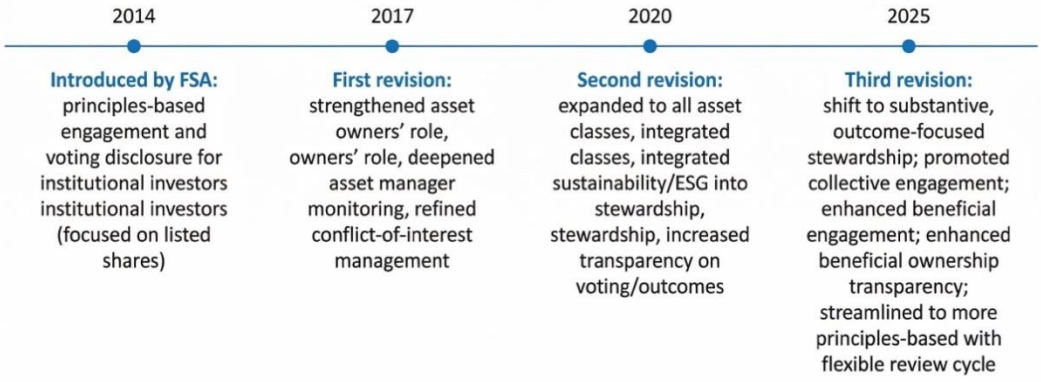
The evolution of Japan's Stewardship Code

The introduction of Japan's Stewardship Code in 2014 marked a transformative step in the country's corporate governance landscape. Developed by the FSA through its Council of Experts, the Code emerged in response to a recognised need for enhanced dialogue between institutional investors and investee companies. It represented Japan's adaptation of stewardship principles pioneered in the United Kingdom, tailored to address the distinctive features of Japan's corporate ownership structure, in particular the historical prevalence of cross-shareholdings and concentrated or strategic ownership. Since its launch, the Stewardship Code has been economically justified as a key element of Abenomics' "third arrow" (structural reforms), aimed at boosting corporate value, sustainable growth, and medium- to long-term returns through proactive fiduciary leadership and constructive engagement.

The foundational principles outlined in the original 2014 Code emphasised institutional investors' responsibilities to monitor investee companies and engage constructively with management and boards. The FSA implemented a principles-based framework on a "comply or explain" basis, allowing institutional investors flexibility in application whilst maintaining accountability. This approach proved particularly important given Japan's diverse investor base, which ranges from globally oriented asset managers to domestically focused insurance companies and pension funds with varying investment philosophies and capacities.

Figure 14

Japan's Stewardship Code: A decade of evolution



Source: ACGA Research

Regulatory updates to the Stewardship Code

Following an official consultation process with stakeholders, 2025 saw renewed regulatory momentum in developing stewardship as a key mechanism to unlock corporate value, aligning with Japan's corporate governance reforms under the FSA's Action Programme. Key aspects of the 2025 revision are outlined below.

Key 2025 revisions to the Code

1. *Emphasis on collaborative engagement*

The revised Code explicitly recognises collaborative engagement not merely as beneficial, but as an important option within the stewardship toolkit. It encourages institutional investors to participate in collective engagement while maintaining appropriate safeguards to avoid undue coordination that could be construed as "acting in concert" under securities regulations.

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2. *Beneficial ownership transparency*

A cornerstone of the 2025 revision is the strengthened expectation of transparency in beneficial ownership. Institutional investors are expected to explain their shareholdings to investee companies upon request, specifically addressing the number of shares owned or held. This provision addresses a long-standing gap where indirect ownership through fund structures (such as custodians or nominees) often obscured ultimate beneficial ownership. Under the updated Principle 4 investors are expected to publicly disclose in advance a clear policy on how they will respond to such requests. This requirement remains principles-based and operates on a "comply or explain" basis under the Stewardship Code framework.

3. *Principles-based simplification*

The 2025 revision adopts a more streamlined, principles-based approach, removing redundant guidance and commentary that had come to reflect standard market practice. This consolidation underlines the FSA's confidence that stewardship practices in Japan have matured sufficiently to render detailed prescriptive requirements unnecessary. The revision also abandons the previous three-year review cycle, instead adopting an organic review process and enabling more responsive updates aligned with evolving market conditions and global best practices.

4. *Enhanced regulatory flexibility*

Rather than prescribing specific engagement activities, the revised Code emphasises substance over form. This provides institutional investors with greater flexibility in designing stewardship approaches that better suit their investment strategies and client mandates. This additional flexibility particularly benefits passive investors and index managers, whose engagement approaches necessarily differ from active managers but whose stewardship contributions remain valuable and recognised.

FSA clarifications on large shareholder regulations

Consistent with the revised Code's emphasis on collaborative engagement, on 4 July 2025, Japan's FSA published[4] the results of public consultations and released finalised Cabinet Orders implementing the 2024 amendments to the Financial Instruments and Exchange Act (FIEA) and the Act on Investment Trusts and Investment Corporations. Material proposals are classified as "large-impact" (requiring disclosure) only if they directly undermine management's autonomous decision-making power (e.g., forcing director appointments/dismissals); "small-impact" proposals (e.g., dividends, board compensation) stay exempt since management retains final discretion, even if heavily lobbied.[5] These clarifications, effective from 1 May 2026, provide that institutional investors engaging collaboratively do not automatically trigger "joint holder" status unless they have made agreements to jointly exercise voting rights or make proposals on major management changes. The FSA clearly differentiates between permissible collaborative engagement dialogue which is not subject to joint holder reporting requirements – and coordination of voting or shareholder proposals, which remains subject to such obligations.

TSE initiative on companies seeking engagement

Recognising that many promising smaller- and mid-sized Japanese companies lack access to institutional investor dialogue due to limited sell-side analyst coverage, in January 2025 the TSE introduced an innovative initiative to facilitate investor-company interactions. Under this programme, the TSE compiles and tags within its official listings a subset of companies[6] that have expressed interest in more active dialogue with investors, enabling investors to identify and approach them more easily. The TSE enables institutional investors to allocate resources more efficiently and supports smaller companies in gaining capital market recognition commensurate with their fundamental quality.

Leading the way: Asset owner stewardship in Japan

Government Pension Investment Fund (GPIF)

GPIF, managing Japan's public pension reserves, has been a supporter and early adopter of the Japanese Stewardship Code since its inception in 2014, playing a pivotal role in setting stewardship benchmarks. In September 2024, GPIF accepted the Asset Owner Principles (AOP) [7] launched by the Cabinet Secretariat in alignment with the broader policy

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drive to position Japan as a leading global asset management centre. Whilst the AOP – now with more than 300 signatories, primarily domestic institutional investors – differs in scope from the FSA's Stewardship Code, Principle 5 explicitly requires asset owners to undertake stewardship either directly or through asset managers in support of sustainable corporate growth.

Key milestones include the establishment of GPIF's Stewardship Principles and Proxy Voting Principles in June 2017, expanding stewardship across all asset classes from 2017, and the introduction of "enhanced engagement-type passive" models in 2018 to promote deeper stewardship in passive investments.[8] In March 2025, GPIF announced its Sustainability Investment Policy and medium-term stewardship initiatives, with further updates to its stewardship framework in late 2025, including the endorsement of the third revision of Japan's Stewardship Code to promote collaborative engagement and transparency. Through annual Stewardship Activities Reports, GPIF monitors external asset managers' compliance, conducts two-way dialogues, and emphasises quality over quantity in engagements to avoid superficial interactions. GPIF's framework sets out expectations that both passive and active external equity managers adhere to its published "Stewardship Principles" and "Proxy Voting Principles"[9] on a "comply or explain" basis.

GPIF's approach focuses on promoting constructive, purposeful dialogue between its external asset managers and investee companies, integrating ESG factors to enhance medium- to long-term corporate value and sustainable market growth. It delegates direct voting and engagement to asset managers while overseeing them rigorously through principles compliance, performance assessments, and incentives tied to stewardship quality (e.g., separate fees for enhanced engagement in select passive models).

Notably, despite its scale and influence as a universal owner, GPIF adopts a distinctively non-coordinative approach: it does not seek to align voting or engagement activities among its asset managers. Instead, it values and preserves diversity of thought, recognising that varied approaches from different managers can foster more innovative and effective stewardship outcomes, while mitigating risks associated with overly uniform or concentrated influence such as reduced diversity and adaptability in addressing complex, market wide sustainability challenges.

GPIF's engagement study: Evaluating stewardship effectiveness

GPIF's influence in stewardship is significant, including through rigorous research to identify causal links between engagement activities and changes in corporate behaviour. In May 2024, for instance, the Fund published the results of its "Evaluation Project on the Effects of Engagement" as part of the broader "Measuring the Effects of Stewardship Activities and ESG Investment Project".[10] Drawing on the records of 26,792 engagements and 48,077 themes conducted by 21 domestic equity investment managers from FY2017 to FY2022, GPIF statistically analysed the effectiveness of these engagements and estimated causal impacts on investee companies.

Report findings:

- The analysis showed that engagement on climate change themes increased the likelihood of companies setting decarbonisation targets and reduced Scope 2 carbon intensity. Engagements on board structure and evaluation raised the number of independent outside directors and improved corporate value indicators, including Tobin's Q, price-to-book ratio, market capitalisation, and total shareholder return.

- Dialogue on "Board Structure, Self-evaluation" was linked to an average 6% higher market capitalisation among engaged companies versus non-engaged peers. By systematically reviewing a large volume of engagement records, the Evaluation Project confirmed that asset managers' stewardship activities meaningfully support the sustainable growth of investee companies and the overall market.

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Figure 15

GPIF Research: Measurement of the effects of stewardship activities

<KPIs in which the effects of engagement have been observed — Overall (TOPIX1000)>

Theme	KPI (Outcome)	Significance level	Estimated effect	Positive/ Negative
E1: Climate Change	Tobin's q	1%	0.07	Positive
	PBR	1%	0.11	Positive
	Presence of GHG Emissions Reduction Targets	1%	0.08	Positive
	Carbon Intensity Scope 2	1%	-5.29	Positive
G1: Board Structure, Self-evaluation	PBR	5%	0.11	Positive
	Natural Logarithm of Market Cap	5%	0.06	Positive
	Total Shareholder Return	5%	3.80	Positive
	# of Independent Outside Directors	5%	0.15	Positive
G3: Capital Efficiency	Total Shareholder Return	5%	3.68	Positive
G4-1: Cross-shareholdings	Cross-shareholding Ratio	5%	-0.01	Positive
SG1: Diversity	Natural Logarithm of Market Cap	1%	0.08	Positive

For example, 256 companies received engagement for "Board Structure, Self-evaluation" in FY2017, and the total market cap of those companies was approximately 304 trillion yen (as of the end of March 2018), accounting for 47% of the total market cap of TOPIX constituents at that time. If the **market cap of these companies increases by 6% on average** owing to the effects of engagement, the impact of engagement could be huge.

Source: GPIF Stewardship Activities Report 2024-2025

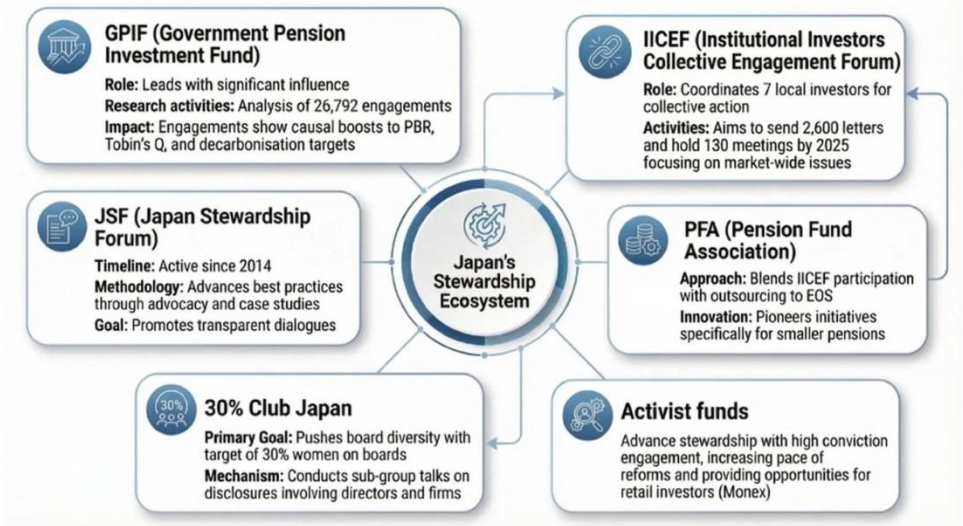
Japan's stewardship ecosystem: Local stakeholders and organisations

In addition to GPIF's significant leadership, local organizations further strengthen Japan's stewardship framework. The Institutional Investors Collective Engagement Forum (IICEF) founded in 2017 to enable collaboration among major institutional investors and the Japan Stewardship Forum (JSF) promote collective action and addressing stewardship challenges. The Pension Fund Association (PFA) and Japan's 30% Club similarly promote dialogue on relevant issues between stakeholders.

These collaborative platforms exist alongside more assertive activist approaches, contributing to a broader spectrum of engagement methods focused on sustainable corporate value creation. The rising influence of shareholder activism and activist funds in Japan over the past decade has been closely linked to governance reforms introduced by the 2014 Stewardship Code and the 2015 Corporate Governance Code. These codes promoted greater institutional investor engagement, voting transparency, and accountability, thereby creating a more conducive environment for shareholder activism. Industry reports and academic analyses have documented subsequent increases in activist campaigns, shareholder proposals, and related activity.

Figure 16

Japan's stewardship ecosystem



Source: ACGA Research

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Institutional Investors Collective Engagement Forum (IICEF)
Established in October 2017, IICEF represents a key institutional mechanism for collaborative engagement among domestic asset managers in Japan.[11] IICEF operates as a coordinating secretariat, facilitating collective engagement programmes on behalf of its participating domestic institutional investors. The founding members of the organization include Dai-ichi Life Insurance, Meiji Yasuda Asset Management, Mitsubishi UFJ Trust and Banking, Pension Fund Association, Resona Asset Management, Sumitomo Mitsui DS Asset Management, and Sumitomo Mitsui Trust Asset Management. These seven members collectively hold substantial equity stakes in Japanese corporations, lending considerable weight to their joint engagement efforts. The forum remains open to new members to broaden its collaborative impact.

The Forum operates through a distinctive three-step process: setting agendas through consensus among participating investors, sending joint letters articulating common positions to companies, and facilitating in-depth dialogue meetings between investor representatives and corporate leadership.

As of September 2025, IICEF had sent approximately 2,600 letters to companies, held around 130 engagement meetings and 50 seminars, and participated in some 90 lobbying and organisational meetings with government agencies, exchanges, pension funds, and non-government organizations. Its activities focus on eight major market-wide themes such as governance, ESG integration, capital efficiency, cross-shareholding reduction, and parent-subsidiary governance, prioritising systemic issues over company-specific controversies. By emphasising collaborative, coordinated dialogue, IICEF has fostered greater corporate receptiveness to institutional investor perspectives, contributing to broader market-wide governance improvements rather than isolated interventions.

Pension Fund Association (PFA)
PFA's stewardship approach combines direct engagement through IICEF participation with outsourced engagement to specialised service providers including EOS Hermes, an internationally recognized global engagement specialist. This hybrid approach reflects the realistic assessment that many Japanese pension funds lack in-house resource and expertise for comprehensive independent engagement programmes while recognizing that outsourcing entirely would disconnect funds from stewardship processes.

PFA has been a pioneer in advancing innovative forms of stewardship, most notably through the Corporate Pension Fund Stewardship Initiative (スチュワードシップ推進協議会). This initiative brings together corporate pension funds in a coordinated framework, allowing smaller funds to amplify their collective voice and exert influence comparable to that of major institutional investors.

Japan Stewardship Forum (JSF)
Established in 2014, JSF serves as a vital stakeholder voice in Japan's stewardship ecosystem.[12] It effectively advocates for constructive investor-company dialogue and supports the development of engagement best practices. JSF's membership includes institutional investors, asset managers, and corporate governance specialists committed to advancing stewardship principles and practices. Through research, advocacy, and member engagement, JSF contributes to the maturation of Japan's stewardship culture by promoting transparency in investor-company relationships and documenting case studies demonstrating engagement effectiveness.

30% Club Japan
The 30% Club Japan is a collaborative initiative uniting institutional investors and corporate leaders committed to advance women's representation in corporate boards, in senior management, and across organisational culture. Operating as a chapter of the international 30% Club movement, the Japan chapter brings together investors and board members committed to achieving at least 30% female representation across Japanese corporations. Although the 30% Club in Japan does not proactively encourage collaborative engagements, a sub-group has recently begun holding collective discussions with participating companies, in which investors and the companies exchange views on best practices for diversity-related disclosure, enabling a mutual exchange of perspectives.

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Rise of activism and activist shareholding in Japan

The rise of shareholder activism in Japan is intrinsically linked to the country's stewardship movement, catalysed by the introduction of Japan's Stewardship and Corporate Governance Codes in 2014 and 2015. These reforms encouraged active monitoring by institutional investors, greater board accountability, improved capital efficiency, and constructive dialogue with companies, departing from traditional stakeholder-oriented norms toward enhanced shareholder engagement.

This connection is highlighted by academics such as Yasutomo Tsukioka, whose research observes a connection between the Stewardship Code and increased voting opposition by certain institutional investors (e.g., non-lending trust banks, insurance companies, pension funds, and foreign shareholders) against management proposals in underperforming firms post-2014, thereby promoting more active stewardship.[13] Further studies document an increase in public shareholder activism from 2013–2019, facilitated by a regulatory environment that facilitated governance improvements, foreign inflows, and pressure on inefficient firms.[14]

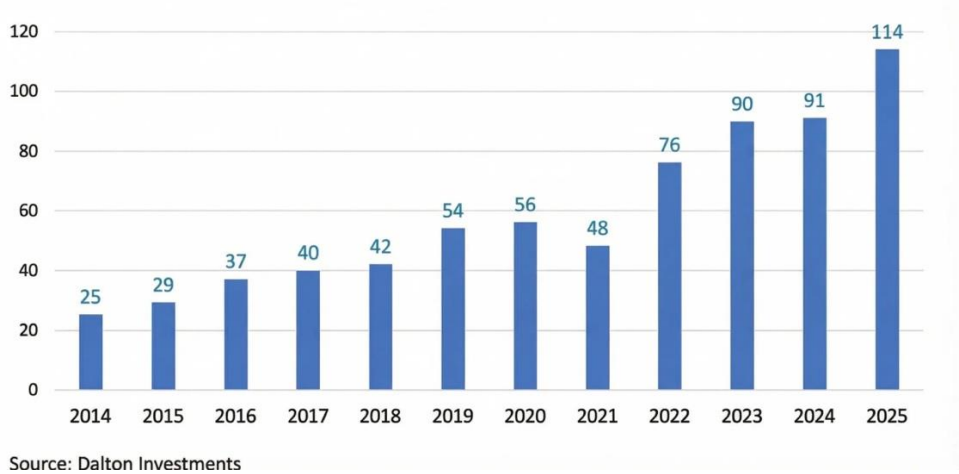
Activism in Japan operates in parallel with investor stewardship to advance corporate governance standards by targeting underperforming companies, unlocking value through demands for strategic changes, including dividends and buybacks, often prompting pre-emptive company reforms even when proposals are rejected. Since the launch of the Codes, activist campaigns have accelerated substantially, transforming Japan into a leading global centre, second only to the US. Quantitative indicators confirm this acceleration in activist campaigns and shareholder activism:

- New activist campaigns in Japan reached a record 56 in 2025, contributing to APAC's 25% year-over-year increase in growth and marking the busiest year for activism to date.

- The number of Japanese companies receiving shareholder proposals in 2025 reached a record 114 - across 411 resolutions focusing on governance practices, pay, dividends, and board accountability - a significant increase from 25 in 2014. Shareholders have also demonstrated an increasing willingness to oppose management proposals in recent years.[15]

Figure 17

Shareholder proposals at AGMs in Japan (2014-2025)



Source: Dalton Investments

Retail engagement: Monex Activist Fund

While most of Japan's activist funds are oriented towards institutional investors, the Monex Activist Fund, launched by Monex Group in June 2020, is a publicly offered engagement fund accessible to Japanese retail investors, focusing on shareholder activism to promote sustainable corporate growth. It engages in long-term dialogues with investee companies, prioritizing long-term returns for participants.

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Retail investors participate by investing in the fund, which then leverages collective stakes for proposals at shareholder meetings. It invests primarily in undervalued Japanese firms undergoing transformation, using "Activism 2.0" to balance returns for retail participants. Sub-advised by Japan Catalyst, a wholly owned subsidiary which serves as the engagement and activism arm, the fund employs a team with expertise in research, hedge funds, and engagement.

The Monex Activist Fund has gained notable traction among Japanese retail investors, reflecting strong reception through rapid asset growth to around ¥53 billion (approx. US$340 mn) and high event participation.[16] Retail investors show significant engagement, with forums like the 2023 Monex Activist Forum drawing over 5,000 online attendees and 300 in-person.

The way forward: where does Japan go from here?

Policy updates anticipated for 2026 may give new direction to the stewardship movement. Japan's Stewardship Code applies to institutional investors, promoting responsible engagement by investors to boost the long-term value of portfolio companies, with updates in 2025 emphasizing increasing transparency. The complementary CG Code (last revised June 2021) applies to listed companies. It addresses voting on cross-held shares under Principle 1.4, requiring companies to establish standards and to vote in accordance with them, disclosing voting activity and rationales at the resolution level. ACGA has previously suggested that companies with significant strategic shareholdings adopt relevant Stewardship Code provisions or sign it for transparency in voting and oversight.[17]

The FSA has proposed revisions to Japan's CG Code which are currently under consideration.[18] Several of the proposed measures align with updates to the Stewardship Code made in 2025 and are intended to strengthen provisions regarding investor stewardship and active ownership, including voting. ACGA has provided feedback to Japan's Expert Panel on the CG Code revisions commending the FSA's draft for streamlining the Code, which also includes a growth-focused preamble, and emphasizing capital efficiency, shareholder dialogue, in addition to the revisions on stewardship – core investor priorities for investors.[19] Relevant provisions and ACGA's views are set out below.

1. Provisions regarding shareholder dialogue are proposed to be brought to the front of the Code, elevated from fifth to first principle. Principle 1.1 in the draft revision requires management, directors and/or *kansayaku* to engage with shareholders "to the extent reasonable". ACGA recommends enhancing shareholder expectations by specifying that policies for constructive dialogue should include meaningful CEO and senior management participation for material topics; and that companies should explain how the various board members participate in shareholder engagements and receive feedback regarding shareholder concerns. In addition, we propose that board evaluations should assess whether the board receives adequate information about shareholder views and concerns.

2. A new Principle 1.3 in the draft CG Code requires boards to analyse reasons for a "considerable number" of votes cast against company proposals and take appropriate actions. This provision is welcomed; however, the wording is open to subjective interpretation. In our view, this requirement should apply at a threshold of around 20% of votes against as in other jurisdictions such as the UK. In addition, significant voting opposition should trigger mandatory enhanced engagement or consequences, rather than leaving it as an option that boards "could explain" when there is a significant vote against, as currently suggested in the Guidance notes.

3. Revised guidance for Principle 1.2 in the draft Code states that it is "best" for companies to submit the Annual Securities Reports at least three weeks before the AGM. We recommend elevating the three-week benchmark to the main relevant Principle and that all materials be available in English to provide shareholders with sufficient time for considered decision-making and constructive dialogue. We suggest that the revised CG code should promote moving the AGM dates by amending the voting right record date in the articles of incorporation to give sufficient time for the Annual Securities Reports to be issued three weeks before the AGM. We also recommend to narrow the period between the record date and the AGM for voting to more accurately reflect the current shareholding base.

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4. In the draft Code revision, upgraded to Principle level is the requirement for an annual assessment of whether cross-shareholdings cover cost of capital and prohibiting coercive behaviour toward cross-shareholders. We recommend adding accountability to cross-shareholding assessments. Companies should disclose quantitative reduction targets and timeline for achieving targets and specific metrics used in annual cost of capital assessments.

Grassroots activism missing

Japan's primary shareholder litigation mechanism is the shareholder derivative lawsuit (株主代表訴訟, under Article 847 of the Companies Act). This allows qualifying shareholders, typically those who have held shares for at least six months, to sue directors or officers for breaches of duty that cause harm to the company, but only after first demanding that the company itself pursue the action, with a 60-day waiting period. True U.S.-style opt-out class actions are absent though limited group litigation exists for financial products and securities related matters under the FIEA. Such cases remain rare due to strict standing requirements, procedural complexities and cultural preferences for less confrontational resolutions.

Yet retail ownership is increasing through the expanded, tax-exempt Nippon Individual Savings Accounts (NISA) programme. NISA accounts number around 28.26 million (preliminary estimate for end-December 2025), equivalent to roughly one in four Japanese adults.[20] This surge has contributed to a broader increase in retail equity participation, with individual shareholdings across listed companies reaching a record 83.6 million, a 12% rise from prior year and the largest annual increase on record.[21] The Mercari case exemplifies emerging retail-led shareholder activism in Japan. In April 2024, social media influencer Shintaro Tabata (田端信太郎), holding 30,000 shares, launched a high-profile campaign highlighting concerns regarding the company's strategy including the ownership of a football club and its alignment with the company's core e-commerce business.[22]

By contrast, retail investors in South Korea actively use social media platforms to coordinate campaigns, submit shareholder proposals and influence votes on executive appointments and governance improvements.[23] While Japan has a smaller dedicated retail investor association (Japan Individual Investor Association), retail coordination remains limited compared with Korea's more active platforms. As Japanese retail investor participation in capital markets increases, educational initiatives such as webinars, investor forums or platform-based tools, could help integrate retail campaigns more fully into Japan's stewardship landscape.

Conclusion

Japan's stewardship ecosystem represents one of Asia's most sophisticated institutional investor engagement frameworks, characterized by positive regulatory action supporting collaborative mechanisms, growing institutional investor participation, and increasingly substantive corporate dialogue. The third revision of the Stewardship Code in June 2025, combined with FSA clarifications on joint holder and material proposal definitions, establishes a regulatory foundation supporting expanded collaborative engagement while maintaining appropriate safeguards against problematic shareholder coordination.

The stakeholders profiled in this report—IICEF, JSIF, JSF, the 30% Club Japan, PFA, and supporting organizations—collectively demonstrate sophisticated institutional infrastructure for advancing stewardship. The challenge ahead involves scaling these mechanisms to reach smaller and mid-sized companies while maintaining engagement quality and ensuring passive investors recognize voting responsibilities. As Japanese companies confront demographic challenges demanding sustained productivity growth, stewardship engagement facilitated by these institutional mechanisms increasingly represents essential pillars to advance governance practices. Continued commitment to stewardship principles, supported by the 2025 Code revision's emphasis on substance over form, positions Japan's capital markets to benefit substantially from evolved institutional investor engagement frameworks advancing corporate governance quality and long-term value creation.

[1] https://www.fsa.go.jp/en/refer/councils/stewardship/20250626/01.pdf
[2] https://www.fsa.go.jp/en/refer/councils/stewardship/20160315.html

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[3] wp2024en.pdf. We note the inherent market complexities in compiling data including asset manager participation changes and shifting categorisation methodologies.
[4] https://www.fsa.go.jp/en/newsletter/weekly2025/644.html
[5] https://www.fireflyreads.com/unshackling-investors-in-japan/
[6] https://www.jpx.co.jp/english/news/1020/20250115-02.html
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Korea: Code amendments underway

Stephanie Lin, Former Head of Research, Korea and Singapore

Korea's capital market and corporate governance framework has continued to evolve in recent years, notably with the launch of the government's Value-Up Program in early 2024 and amendments to the Commercial Code in 2025 and 2026 affecting directors' duties, board independence, and shareholder rights. Against this backdrop, there has been growing recognition of the important role that shareholders play in supporting the implementation of these changes and that Korea's Stewardship Code should be reviewed to ensure it remains effective and aligned with the broader reform agenda.

On 29 December 2025, the Stewardship Code Council, the Korea Institute of Corporate Governance and Sustainability (which oversees the Code), and relevant ministries and agencies—including the Financial Services Commission (FSC)—announced a set of measures to strengthen the code's implementation and effectiveness.[1]

The announced measures focus on three areas. First, a formal implementation review process will be introduced from 2026, under which the Stewardship Code Council will start to assess how asset managers and public pension funds apply the code across key areas such as voting, engagement, conflicts management, and stewardship governance. Second, transparency will be strengthened through enhanced disclosure of review outcomes, including publication of implementation reports and a consolidated public summary comparing performance across review items. Third, further revisions to the Stewardship Code and its guidance are planned for the first half of 2026 to better align the framework with international standards, marking the first substantive update since the code's introduction in 2016.

Overview and Background of the Stewardship Code and Corporate Governance Code

The Stewardship Code

Introduced in 2016, the Stewardship Code, officially titled *The Principles on the Stewardship Responsibilities of Institutional Investors*, is a voluntary set of principles guiding institutional investors' fiduciary conduct in Korea. It was introduced in 2016 as part of the broader global stewardship movement, influenced by frameworks including the UK Stewardship Code, but adapted to reflect Korea's ownership structures and regulatory environment.[2] The Code is overseen by the Korea Institute of Corporate Governance and Sustainability (KCGS), a research body affiliated with the Korea Exchange (KRX). As of December 2025, the Code has 249 signatories, including four public pension funds: the National Pension Service (NPS), the Government Employees Pension Service, the Private School Teachers' Pension, and Korea Post, as well as 63 asset managers.[3]

Prior to the introduction of the Stewardship Code, stewardship practices among Korean institutional investors were limited and uneven. The Code established a common reference framework by setting expectations for monitoring investee companies, managing conflicts of interest, exercising voting rights responsibly, and reporting stewardship activities to beneficiaries. Since its introduction, institutional investor participation in voting and engagement has increased, and stewardship has become more formally embedded in the market framework, although the depth and quality of implementation continue to vary significantly across institutions.

The practical impact of the Stewardship Code became more visible following the decision by the National Pension Service (NPS) to adopt the Code in 2018. As Korea's largest institutional investor and one of the world's largest public pension funds, NPS holds a broad and systemically important footprint in the domestic equity market. As at the end of last year, NPS held approximately 1,200 domestic equity positions and owned more than 5% stakes in almost 300 listed Korean companies, giving it significant voting influence across a wide segment of the market.

The Principles on the Stewardship Responsibilities of Institutional Investors (Korea's Stewardship Code) consist of seven principles[4]:

Principle 1 Institutional investors, as a steward of assets entrusted by their clients, beneficiaries, etc., to take care of and manage, should formulate and publicly disclose a clear policy to faithfully implement their responsibilities.

Principle 2 Institutional investors should formulate and publicly disclose an effective and clear policy as to how to resolve actual or potential problems arising from conflicts of interest in the course of their stewardship activities.

Principle 3 Institutional investors should regularly monitor investee companies in order to enhance investee companies' mid- to long-term value and thereby protect and raise their investment value.

Principle 4 While institutional investors should aim to form a consensus with investee companies, where necessary, they should formulate internal guidelines on the timeline, procedures, and methods for stewardship activities.

Principle 5 Institutional investors should formulate and publicly disclose a voting policy that includes guidelines, procedures, and detailed standards for exercising votes in a faithful manner, and publicly disclose voting records and the reasons for each vote so as to allow the verification of the appropriateness of their voting activities.

Principle 6 Institutional investors should regularly report their voting and stewardship activities to their clients or beneficiaries.

Principle 7 Institutional investors should have the capabilities and expertise required to implement stewardship responsibilities in an active and effective manner.

Following NPS's adoption of the Code, the fund's frequency in voting against management proposals increased from around 8% in 2016 to more than 16% in 2018. It remained elevated in subsequent years, rising above 20% in 2022 before moderating slightly in 2023. Beyond NPS, broader market indicators also suggest a gradual increase in stewardship activity. The share of dissenting votes cast by institutional investors at shareholder meetings rose meaningfully between 2016 and 2020, while reported engagement cases among Stewardship Code signatories increased sharply over the same period.

More recent shareholder-meeting data from 2024 indicates that proxy voting participation among Stewardship Code signatories reached approximately 95%, compared with around 62% for non-signatories. While this does not necessarily
attest to the quality of voting decisions, it indicates that signatory status is associated with a higher level of procedural engagement in shareholder meetings.

The National Pension Service's Stewardship Approach

Since adopting the Stewardship Code in 2018, NPS has developed a structured approach combining proxy voting with shareholder engagement across areas including dividend policy, executive remuneration, ESG risks, and governance concerns. Engagement follows a graduated model—beginning with confidential dialogue and internal focus lists, and escalating where necessary to public measures such as open letters or shareholder proposals, though such steps remain limited in practice. Proxy voting remains a core tool, with NPS reviewing over 3,000 agenda items annually. Voting decisions are primarily made internally by the Investment Committee, with referrals to the Special Committee on Responsible Investment & Governance in significant or complex cases. NPS has also delegated certain voting decisions to external managers since 2020.

More recent developments signal a significant shift toward formalizing stewardship accountability within NPS's external manager selection framework. According to reports from January 2026, the Democratic Party of Korea's KOSPI 5000 Special Committee is preparing an amendment to the National Pension Act that would incorporate stewardship code compliance as an evaluation criterion in the selection of private asset managers entrusted with NPS funds, with the bill expected to be proposed in early March 2026.

The initiative draws on the approach adopted by Japan's Government Pension Investment Fund (GPIF), which requires entrusted managers to submit records of their voting behavior—including the specific agenda items supported or opposed and the rationale for each decision. The potential impact is substantial: the NPS entrusts approximately KRW 719.9 trillion—roughly half of its total fund of KRW 1,473 trillion—to approximately 369 domestic and international asset managers. If implemented, the revised selection criteria would create a structural incentive for private managers to strengthen their stewardship practices in order to retain or secure

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NPS mandates. There are also indications that the framework could be extended to other public pension funds, including the Government Employees Pension Service and the Private School Teachers' Pension.

The proposal reflects a broader political direction: President Lee Jae-myung has publicly called for stronger stewardship by the NPS, stating that "since we hold public shares, we must exercise voting rights." This signals that stewardship in Korea is no longer solely a regulatory or market-led initiative, but is increasingly embedded in the current administration's policy agenda.

The Corporate Governance Code

Korea's Corporate Governance Code (CG Code), the *Code of Best Practices for Corporate Governance*, was originally developed in 1999, shortly after the Asian Financial Crisis, by a non-governmental committee appointed by the Korean government and financially supported by the Korea Exchange (KRX) and three business associations. Since its introduction, the CG Code has undergone three major revisions, in February 2003, August 2016, and most recently in August 2021.

The latest revision, which came into effect upon its release in August 2021, significantly restructured the overall framework of the CG Code. Board leadership was repositioned as the first chapter, followed by shareholder-rights protection, auditing, and communication with shareholders and other stakeholders. This revised sequencing reflects a heightened emphasis on the role, responsibilities, and accountability of the board of directors within Korea's corporate governance framework.[5]

In substantive terms, the revised CG Code places particular emphasis on the board's role in protecting minority shareholders, especially in the context of related-party transactions and situations where conflicts of interest may arise between controlling shareholders, management, and minority investors. It also strengthens expectations around the board's oversight of ESG management, highlighting the board's responsibility for promoting long-term sustainability and responsible corporate conduct. In addition, the CG Code elevates the importance of CEO succession planning, tasking the board with establishing systems to identify and develop potential successors, manage succession policies, and disclose matters relating to management succession.

Overall, the August 2021 revision of the CG Code establishes a governance architecture that is broadly supportive of stewardship in principle, particularly through its emphasis on board accountability, independent directors, and independent board committees. It explicitly recognises shareholders as key stakeholders and assigns the board a role in maintaining relationships with them, stating that "the board should strive to build and maintain a partnership with various stakeholders, including shareholders." The chairperson is similarly expected to "build a constructive relationship … between directors and shareholders."[6] The CG Code also strengthens the internal capacity for engagement by promoting the role of outside directors, encouraging them to "obtain necessary information from a range of stakeholders inside and outside the company, including shareholders," and by recommending fully independent audit, remuneration, nomination, and related-party transaction committees—areas that closely align with common investor engagement priorities.[7]

The CG Code's approach to investor engagement remains largely indirect. While it recommends the appointment of a Lead Outside Director where the chair and CEO roles are combined, that role is defined narrowly as one who "gathers the opinions of peer outside directors before conveying them to the board and management," with no explicit reference to engagement with investors.[8] As a result, although the CG Code creates governance structures that could facilitate meaningful board-level dialogue, it stops short of articulating clear expectations for regular, off-season, or escalatory engagement between boards (or independent directors and committees) and investors. In practice, engagement is therefore enabled in form, but remains discretionary and highly dependent on individual company governance culture rather than on clearly articulated CG Code-driven norms.

Lastly, a related development that reinforces the corporate governance framework is the phased expansion of the mandatory Corporate Governance Report Disclosure System. Initially introduced in 2019 for KOSPI-listed companies with total assets exceeding KRW 2 trillion, the requirement was extended to companies with assets above KRW 1 trillion in 2022 and above KRW 500 billion in 2024. From 2026, the obligation applies to all KOSPI-listed companies, significantly broadening the scope of governance transparency across the market.[9]

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Ongoing limitations in the stewardship framework

Despite the progress made since 2016, the current stewardship framework in Korea continues to face several constraints. One key limitation is that the Stewardship Code has not been substantively revised since its introduction, despite significant changes in market practice, regulatory expectations and global stewardship standards over the past decade. There is also no formal supervisory mechanism or outcome-based assessment framework to evaluate the effectiveness or quality of stewardship implementation by asset managers.

In May 2025, the Financial Supervisory Service (FSS) conducted an inspection of proxy voting disclosures by 273 asset management firms in South Korea, covering 28,969 shareholder-meeting agenda items during the period from 1 April 2024 to 31 March 2025.[10] The inspection identified recurring deficiencies in stewardship-related practices, including inconsistencies between disclosed voting policies and actual voting behaviour, insufficient explanations for voting or non-voting decisions, reliance on boilerplate internal guidelines, non-compliance with prescribed disclosure formats, and weaknesses in internal controls over proxy-voting processes. These findings reinforced concerns that, while stewardship disclosure has expanded, the quality and substance of implementation remain uneven and, in some cases, superficial.

Stewardship Code revisions planned for 2026

In early 2025, the FSC identified revision of the Stewardship Code as a formal policy priority. This renewed focus reflects rising expectations for asset managers to play a more active stewardship role, particularly following the launch of Korea's Corporate Value-Up Program in 2024 and the 2025 amendments to the Commercial Code affecting directors' duties, board independence, and shareholder rights. Against this backdrop, there is growing recognition that the Stewardship Code must be updated to remain relevant, as stewardship practices have remained uneven in quality despite increased participation since the Code's introduction in 2016.

On 29 December 2025, the KCGS, together with relevant ministries and agencies including the FSC, jointly announced a package of measures aimed at strengthening the accountability and effectiveness of the Stewardship Code.[11]

The key measure is the introduction of a formal implementation review process, under which the Stewardship Code Council, set up by KCGS comprising academics, institutional investors and other financial industry representatives, will conduct and approve reviews assessing how institutions apply the Code across 12 areas. These include stewardship and conflict-of-interest policies, engagement and voting practices, internal governance and expertise supporting stewardship activities, and (for asset owners) the oversight of external asset managers. The review process will initially apply to asset management companies and public pension funds from 2026, with the scope expected to expand over time.

Under the current plan, implementation reviews will commence in 2026, with results published annually in December. Disclosure of review outcomes will also be enhanced. Implementation reports will be published not only on participating institutions' websites but also on the Stewardship Code website, alongside a consolidated public summary comparing performance across review items. The Council also intends to promote stronger compliance by highlighting best practices and sharing review outcomes.

Further planned revisions to the Stewardship Code in the first half of 2026 are expected to reflect several substantive directions that go beyond procedural alignment with international standards. First, the revised Code is expected to incorporate environmental and social (E and S) factors alongside governance, reflecting the approach taken by the UK and Japanese stewardship codes. Notably, workplace safety—specifically the occurrence of serious industrial accidents—is being considered for inclusion in the Code's framework for the first time, which would allow institutional investors to engage with companies linked to major accidents. Second, the applicable asset classes are expected to expand from domestic listed equities to include bonds, real estate, and unlisted securities, with overseas assets also under consideration. Third, there are discussions around applying the Code not only to post-investment stewardship activities but also to the pre-investment decision-making stage. These changes would mark the first formal update to the code since its introduction in 2016.[12]

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AGM participation

In recent years, improving Korea's AGM and proxy voting framework has been a key focus of ACGA's advocacy. Together with its investor members, ACGA has closely monitored the AGM process in Korea, particularly the practical barriers that limit effective shareholder participation. Over the past two years, ACGA has led investor delegations to Seoul during the AGM season to enable members to attend the AGMs of their investee companies and engage directly with boards and management.

Following the 2024 AGM-season delegation, ACGA published a research report examining the persistent structural and procedural challenges faced by investors—especially foreign shareholders—when participating in Korean AGMs, despite nearly two decades of reform efforts.[13] Key issues include Korea's short 14-day AGM notice period, compressed and uneven voting windows, heavy clustering of meetings in late March, limited availability and quality of English-language materials, and opaque disclosure of remuneration and voting results. These challenges are compounded by operational hurdles such as early voting cut-off dates for foreign investors, complex attendance requirements, limited use and accessibility of electronic voting, and weaknesses in proxy systems, including in cumulative voting.

Against this backdrop, several notable reforms were introduced in 2025. Amendments to the Commercial Code clarified the legal basis for electronic shareholder meetings and will require large listed companies to hold hybrid AGMs from January 2027. This aligns with emerging global best practice, as highlighted in a 2025 report by British Columbia Investment Management Corporation (BCI),[14] which identifies hybrid AGMs as a governance standard that enhances accessibility, accountability, and meaningful shareholder engagement when implemented with equal participation rights for virtual and in-person attendees.

In addition, in November 2025, the FSC proposed further measures to enhance market accessibility and shareholder rights, including a phased expansion of mandatory English disclosures from 2026, mandatory timely disclosure of detailed AGM voting results by agenda item, incentives to reduce AGM clustering, and more granular disclosure linking executive and stock-based compensation to company performance.[15]

Next steps

Strengthening stewardship practices requires clear accountability and closer alignment between corporate governance and investor responsibilities. ACGA therefore believes it would be constructive to revisit the current institutional arrangements for overseeing both the Stewardship Code and the CG Code. While KCGS has played an important role in promoting adoption and disclosure, ACGA considers that placing responsibility for both codes under the FSC or FSS could strengthen coherence, consistency, and credibility.

Greater alignment between the Corporate Governance Code and the Stewardship Code would be beneficial to ensure continuity in expectations—particularly regarding the roles of the independent director and the chair in shareholder engagement. This would help create a more coherent framework for both companies and investors. In this regard, Japan provides a useful reference point, where the Corporate Governance Code and Stewardship Code have been updated in a coordinated and synchronous manner.

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[2] https://blogs.law.ox.ac.uk/business-law-blog/blog/2022/05/koreas-stewardship-code-and-rise-shareholder-activism?utm
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China: Tailwinds gather, heavy lifting ahead

Lake Wang, Research Head, Greater China

After years of anticipation, stewardship in China is gaining regulatory momentum. In May 2025, the Asset Management Association of China (AMAC) released new rules on mutual funds' participation in the corporate governance of listed companies.[1] The new framework increases pressure on asset managers to vote and to disclose how they vote, but for now, remains light on engagement. Advancing stewardship in China's investment markets will require regular review and gradual strengthening of the framework.

China's influential asset owners still operate without a dedicated, publicly available stewardship code and show little visible leadership in this area. They have not openly articulated their stewardship approaches, set clear expectations across the investment chain, or systematically disclosed their stewardship activities.

Yet their role as guardians of state capital is exercised more directly through the "dispatched director" (*paichu dongshi* 派出董事) mechanism. China Investment Corporation (CIC) and the National Council for Social Security Fund (NCSSF) place their own representatives on the boards of investee companies, a de facto form of stewardship in the Chinese context.

Domestic asset managers have made notable progress in systematically using stewardship tools and reporting transparently, though gaps remain relative to international best practice. Listed companies have also become more receptive to investor engagement, partly due to regulatory efforts to strengthen investor relations. Board access, while improving, remains uneven.

China is entering a new chapter of stewardship, but the hard work lies ahead. We urge regulators to conduct periodic reviews of how asset managers implement stewardship rules. Introducing the role of a lead independent director—at least for large-cap companies—would also help institutionalise and deepen investor-company dialogue. Above all, we believe asset owners should be more transparent on their stewardship policies and practices going forward.

A long-awaited leap forward

In May 2025, AMAC, the industry association that registers and oversees asset managers under the China Securities Regulatory Commission (CSRC) supervision, released its "Rules on Publicly Offered Fund Managers Participating in the Corporate Governance of Listed Companies", upgrading its 2012 voting guidelines. The rules answer the regulatory push to raise the quality of listed companies and offer a distinctly domestic take on the global embrace of stewardship codes.

Article 2 defines mutual funds' participation in corporate governance as exercising shareholder rights. The approach to responsible ownership is primarily channelled through voting activity, as well as the rights to make recommendations or inquiries at investee companies, in line with China's Company Law.[2]

Alignment with national priorities stands out as a key principle. Article 6 specifically requires mutual funds to assess whether a company's strategy is sustainable and aligned with national strategies, alongside critical factors such as financial health, protection of minority shareholders, corporate governance, information disclosure, and ESG responsibilities.

What also sets China's stewardship rules apart is the blend of mandatory requirements and voluntary guidelines. Notably, mutual funds holding at least 5% of a company's free-float shares must vote on 13 types of resolutions, ranging from director elections to related-party transactions and ESG issues (Article 11). Additionally, every mutual fund is required to disclose its voting records using an AMAC-designed template (Article 21). The disclosure must show the decision on each resolution voted, the rationale behind it, and any additional information if the fund itself proposes the resolution.

Furthermore, the rules require mutual fund managers to designate personnel or a dedicated team to handle stewardship activities (Article 13), strengthen internal controls (Article 12), and manage conflicts of interest at both the

personal and institutional levels (Article 14 & 15). Notably, Article 13 lays out an expansive range of duties for designated personnel—from developing policies and exercising shareholder rights to gathering information and evaluating outcomes.

Beyond these core obligations, funds are *encouraged* to develop and publish stewardship policies and voting guidelines, disclose stewardship activities annually, and recommend or nominate directors, including both executive and independent directors.
However, the rules place primary emphasis on voting and are less robust on company engagement. Only Article 7 briefly mentions engagement activities, such as communicating with listed companies and sending letters, as part of the exercise of shareholder rights.

Unlike many other stewardship codes in the region, which carry no penalties, non-compliance with the rules may result in disciplinary action by AMAC, ranging from verbal reminders and written warnings to public reprimands and bans on conducting business.

Stewards of state capital

There is still no publicly available stewardship code for asset owners in China. Leading asset owners provide limited visibility on their stewardship policies and activities. CIC, China's sovereign wealth fund with total assets of about RMB 10.79 trillion (US$1.57 trillion), published a sustainable investing policy in 2020 emphasising ESG integration throughout the investment cycle, yet stewardship remains undefined. [3] The policy mentions "post-investment portfolio management" (*touhou guanli* 投后管理), but falls short of explicitly addressing stewardship. [4]

NCSSF manages China's national social security reserve fund, entrusted provincial pension assets, and SOE stakes transferred by the State Council, with RMB 3.32 trillion (US$460 bn) in total assets as of end-2024. [5] It identified responsible investing as one of its core principles in 2017, alongside long-term horizon and value investing.[6] However, it did not specify what this meant until 2022: serving national strategies, stimulating the real economy, and supporting sustainable development.[7]

That same year, NCSSF's policy on investing in the real economy made explicit yet brief reference to stewardship. The policy positions active ownership as a key component of deepening sustainable investing, aimed at improving the governance and quality of portfolio companies. Specific measures include strengthening post-investment management through participation in corporate governance and enhanced oversight of external fund managers.

Both CIC and NCSSF prioritise China's national dual carbon goals in their execution of responsible investing: reaching peak carbon emissions by 2030 and carbon neutrality by 2060. In 2024, both accelerated climate investments. NCSSF increased clean energy allocations within its strategic reserve fund, while CIC expanded its public market portfolio through investments in a climate change index, green bonds, and carbon futures. [8] That said, the role of stewardship in the approach to responsible investing remains vague. Since 2022, NCSSF has embedded ESG metrics into its assessments of externally managed portfolios and prodded external managers toward sustainable investing. How this works in practice is however unclear. CIC disclosed that it expanded its roster of sustainable investment managers in 2024 but did not offer details.

The real action lies in their strategic domestic equity investments. Here, stewardship takes a starker, more direct form. Both CIC and NCSSF deploy their own representatives onto investee company boards—*paichu dongshi* (派出董事), or dispatched directors. A May 2022 news item on NCSSF's website describes a meeting chaired by then Vice Chairman Chen Wenhui on reforming "dispatched directors and supervisors", in which he underscored their importance in the fund's post-investment management.[9] CIC's 2024 annual report highlights appointing these directors as a key measure to improve "fiduciary management of state-owned financial capital" at its wholly-owned subsidiary Central Huijin, which holds stakes in major banks, brokerages and insurers. Notably, CIC uses the term "fiduciary" only in this specific context.

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How does this work?

A recent example came in March 2025, when NCSSF completed a RMB 7 billion private placement in SDIC Power, a state-owned energy company listed on the Shanghai Stock Exchange. Following the investment, the fund held over 3% of the company's shares and subsequently nominated Zhao Jun, director of its Equity Investment Department, to SDIC Power's board. The board's nomination committee unanimously approved the nomination in April and placed it on the agenda for an EGM later that month. There were no competing candidates. Zhao was elected as a non-independent director with 94.4% shareholder approval. The process explains the term "dispatched": although subject to shareholder votes, their election is guaranteed.

Following the same process, Zhao was also elected as a non-independent director in May 2025 at China National Nuclear Power, another SOE in which NCSSF holds more than 5% via a RMB 12 billion private placement in 2024. How many companies currently have NCSSF-dispatched directors remains unclear. As of end-2023, NCSSF had sent nine representatives as directors at 17 investee companies—both listed and unlisted—as China National Nuclear Power disclosed in a 2024 announcement related to its private placement.

The "dispatched director" approach at Central Huijin, a wholly state-owned investment company and CIC's subsidiary, dates back to at least 2008. In a 2013 People's Daily interview, then Chairman of CIC Ding Xuedong stated that Central Huijin had nominated more than 100 representatives to serve as directors at its investee financial institutions.[10] These directors served up to six years at a single institution and underwent performance reviews by Central Huijin. Ding argued that they provided effective checks and balances on boards, particularly regarding M&A, fixed-asset purchases and executive remuneration. Two-thirds of vetoes and abstentions on these boards, he noted, came from such directors. This signals proactive oversight by these state-nominated representatives, distinct from purely independent oversight.

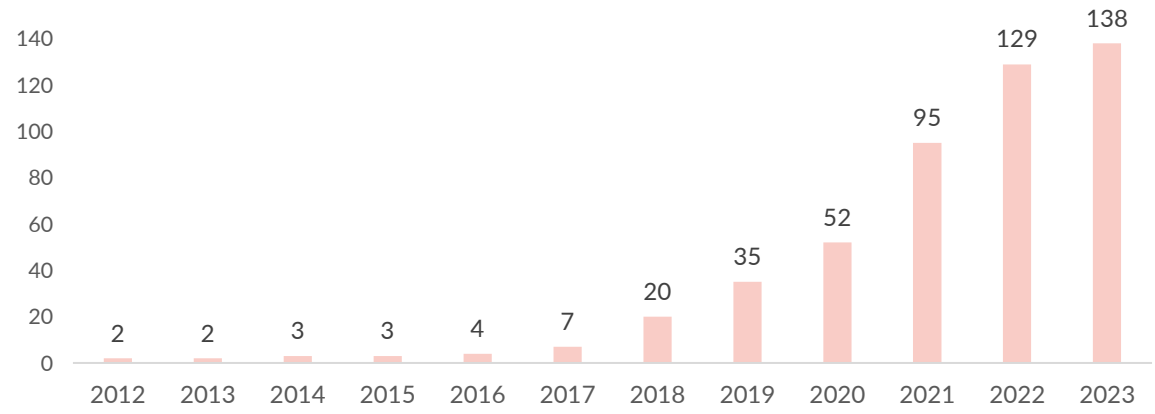
The "dispatched directors" mechanism—often only briefly mentioned in annual disclosures—serves as a powerful stewardship tool for China's top asset owners, enabling them to align the board's decision-making with the interests of the state as shareholder (or what CIC calls the "state equity shareholder").[11] It underscores their defining role: stewards of state capital.

Systematic stewardship in its early days

Growth in PRI membership is seen as an indicator of the adoption of sustainable and responsible investment practices in China. It has emerged as one of the fastest-growing regions for PRI signatories in recent years, reflecting accelerating institutional commitment to ESG integration amid supportive national policies. The number of PRI signatories in China has risen from just one in 2011 to 138 in as of the end of 2023, with particularly strong momentum in 2021 and 2022.[12] Currently there are 127 signatories.

Figure 18

PRI membership in China (Year-end data)



Source: PRI

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China's mutual fund sector saw its first signatory, China Asset Management, in March 2017. A key driver for domestic mutual funds to join PRI is the demand from international clients, especially those in Europe, who consider PRI signatory status an essential credential.

Yet the systematic use of stewardship tools by domestic asset managers remains at an early stage. Seven of the top ten domestic asset managers surveyed by ACGA state that they have adopted standalone responsible or sustainable investment policies, though only four have made these documents publicly available.

Of equal—if not greater—significance is how stewardship is positioned in relation to responsible investment. Harvest Fund and China Asset Management incorporate stewardship as a component of ESG integration. E Fund Management, by contrast, give stewardship greater weight, positioning it alongside ESG integration as an equally important lever for responsible investment.
Disclosure of stewardship activity is uneven. None of the top ten asset managers has published a standalone, annual stewardship report. Four outline their approach and practices in their 2024 ESG or sustainability reports, while two share website articles highlighting selected stewardship activities and outcomes.

Several themes emerge in their disclosures. First, company engagement and voting are the most commonly cited stewardship tools. Harvest Fund and GF Fund explicitly extend this toolkit to include policy advocacy. However, none identifies filing shareholder proposals as a lever.

How often do Chinese mutual funds submit proposals?

Submissions of proposals by China's mutual funds appear to be sporadic rather than systematic. A study by Puchniak and Lin spanning 1994 to 2021 found only four shareholder proposals submitted by mutual funds out of 43 activist campaigns.[13]

More recently, a 2024 Fidelity and ZD Proxy report identified 14 proposals by "minority shareholders" (non-controlling shareholders including both institutional and retail investors) between 2022 and mid-2024, based on a review of more than 46,000 resolutions at over 600 A-share companies.[14] All but one involved director or supervisor nominations.

Second, these leading domestic asset managers often engage on governance issues such as board structure, shareholder rights, cash dividend policies, executive compensation, and related-party transactions. Notably, GF Fund and Bosera Asset Management flag board diversity as a priority, with GF Fund explicitly highlighting female representation. Under China's updated CG Code, listed companies are still encouraged—but not required—to enhance board diversity.

Lastly, voting is described as standard practice, but transparency remains limited: none of the asset managers in our research discloses resolution-level voting records. Harvest Fund reports the total number of resolutions voted on in 2024 and the percentage split by resolution type, but omits the breakdown of for, against, and abstain votes. The situation is expected to improve under AMAC's new disclosure requirements.

Dissenting votes are also sporadic, where data is available. China Southern Asset Management, for example, discloses type of resolutions voted on, yet voted against just 0.49% of resolutions (31 out of 6,357) in 2024. [15] A stewardship professional at a leading domestic asset management firm interviewed by ACGA attributed this low rate among domestic asset managers to two key factors. The first is the lack of well-developed, localised voting policies. For him, directly applying guidelines developed by global proxy advisory firms would not secure the necessary internal buy-in. Consequently, his firm has developed voting policies tailored to China's regulatory complexities and corporate realities. Without such a localised internal framework, many domestic asset managers may default to voting with management.

The second relates to the symbolic dimension of dissenting votes in the Chinese context. Such a vote, being a matter of public record, may be interpreted beyond its original ESG or financial rationale as a signal of a hostile approach. He noted that key controversial issues are often mitigated through engagement before voting.

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A brave new corporate world?

"Many shareholders have only 100 shares, yet they attend—what on earth is their purpose?" So remarked Li Wenmei, board secretary of Shenzhen Mindray Bio-Medical Electronics, on 13 May 2019, questioning why retail shareholders were attending the firm's AGM. The statement was promptly followed by an apology to head off a social media backlash. [16]

This disregard for shareholder rights now sounds like a relic of a past era. In recent years, the CSRC has stepped up pressure on companies to strengthen their investor relations—from issuing investor relations guidelines in 2022 to foregrounding investor communication in its 2024 market value management initiative.

Stock exchanges and industry bodies have also played a catalytic role, hosting conferences and roadshows to facilitate investor-company dialogue. In 2025, ACGA and its members participated in an investor conference hosted by the Shenzhen Stock Exchange. They also joined a Hong Kong roadshow for listed companies jointly organized by the Shanghai Stock Exchange and the China Association for Public Companies (CAPCO).

Meanwhile, momentum is building around collaborative engagement. In July 2023, the Institute of Finance and Sustainability (IFS) and China Sustainable Investment Forum (China SIF) jointly launched the China Climate Engagement Initiative. The climate-focused platform aims to advance China's "dual-carbon" goals by facilitating dialogue between investors and companies, particularly those in high-emission sectors. The initiative currently counts 33 investors among its members.

Thanks to these efforts, corporate access has improved. Kenny Tsang, Associate Director of EOS at Federated Hermes Ltd, described a clear shift in 2025, noting that direct engagement with C-suite executives, board secretaries and independent directors had become much easier.[17]

However, progress has been far from even. ACGA's China Working Group (CWG) has engaged with a leading Chinese electric vehicle (EV) manufacturer for more than two years. This year, however, the company declined a meeting, replying by email after repeated follow-ups. So far, communication has not extended beyond the investor relations (IR) team.

Institutional silos remain a key obstacle to board access. Drawing on her extensive experience in company engagement in China and across other Asian markets, Nana Li, Head of Sustainability & Stewardship, Asia-Pacific, at Impax Asset Management, observed that reporting lines from IR to the board are still inadequately defined. While IR professionals are often adept at handling financial questions, they are typically less equipped to address ESG inquiries, particularly on governance matters. "The whole process is not ideal, with many detours—these people seem boxed into their own places", she remarked.

Changing corporate mindsets presents a deeper cultural challenge. According to Guo Peiyuan, Chairman of China SIF and SynTao Green Finance, while Chinese listed companies face growing regulatory pressure to engage with foreign investors, many remain cautious about such engagement. This hesitancy is often compounded by sustainability personnel unaccustomed to direct investor engagement. For this expert, building personal trust is critical to achieving meaningful engagement in China.

China's 2025 update to its CG Code focuses primarily on the accountability of the "critical few"—directors, senior management, controlling shareholders and de facto controllers. [18] The chapter on institutional investors was left largely unchanged. Investor engagement, as a tool for improving corporate governance, went unmentioned.

In our view, the omission is not trivial. Board-level engagement, as ACGA noted in its consultation response, should be formally recognised as integral to investors' stewardship toolkit; independent directors should have explicit responsibilities to interact with institutional investors in their oversight capacity.

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Navigating the nuances: engagement strategies in China

Kenny Tsang of EOS at Federated Hermes shared his experience in engaging with listed companies in China. His approach can be described as programmatic, adaptive and long-term, rooted in in-depth local knowledge while upholding international corporate governance standards.

With a strong understanding of Chinese corporate culture and national policies, he recognises that certain topics are, for now, unlikely to yield tangible outcomes. He therefore begins by prioritising issues that give the company a realistic prospect of positive change while still aligning with Federated Hermes' engagement goals.

Take climate engagement as an example. Federated Hermes' engagement strategy is aligned with net-zero objectives. Yet China's national goal is framed in terms of carbon neutrality and peak emissions. It has been observed that directly challenging an A-share company on the absence of a net-zero target often brings the dialogue to a halt. Instead, identifying common ground and steering the dialogue toward the company's ability to reduce Scope 3 emissions, a critical component of any net-zero pathway, often leads to more constructive discussion. This approach has created a basis for setting interim milestones compatible with the firm's engagement agenda, while stimulating meaningful internal discussion at the company.

During our interview, Kenny noted that prompting internal reflection is itself a good engagement outcome. As he puts it, "We engage because we want them to *want* to act". Put differently, engagement does not always need to focus on changes in disclosure; rather, improved disclosure should follow from a genuine change in mindset.

Above all, one principle was emphasised: in China, effective engagement rests on trust built over time and grounded in mutual respect.

Living up to stewardship

In simplified Chinese, "stewardship" is translated as *jinze guanli* (尽责管理): *jin* means "to the utmost", and *ze* denotes "responsibility". The phrase thus captures the essence of fulfilling one's governance responsibilities completely — an apt and evocative rendering of stewardship. With the first iteration of stewardship rules in place and shareholder rights increasingly recognised, China stands at a promising milestone. The next step is for asset owners and managers to put stewardship more fully into action.

Appendix 1

AMAC's stewardship rules for mutual funds	
Ch.1 General provisions	
Art.1	Sets out the objectives of the rules
Art.2	Defines "participation in governance" as exercising shareholder rights — including voting, inquiry, and recommendation rights — on behalf of fund holders
Art.3	Sets five guiding principles: prioritising fund holder interests, not seeking control, preventing conflicts of interest, exercising independent professional judgment, and complying with laws
Ch.2 Institutional requirements & participation mechanisms	
Art.4	Requires fund managers to develop an overall stewardship policy
Art.5	Requires fund managers to establish stewardship criteria based on investment strategy and ownership stake in listed companies
Art.6	Outlines eight key areas fund managers should assess in respect to their investee companies
Art.7	Set out nine ways fund managers may exercise shareholder rights
Art.8	Requires fund managers to develop procedures for exercising voting, inquiry, and recommendation rights in line with their overall stewardship policy

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Ch.3 Exercise of voting rights	
Art.9	Specifies the minimum requirements for the voting policy
Art.10	Requires designated personnel to execute votes, with written proxy letters required when voting in person at shareholder meetings
Art.11	Mandates voting on 13 categories of resolutions when a fund's holding in a single stock reaches 5% or more of the company's tradable shares
Ch.4 Internal controls	
Art. 12	Requires fund managers to establish sound organisational structures and internal control systems
Art.13	Requires designated personnel or a dedicated team to handle stewardship work
Art.14	Requires fund managers to establish clear principles, standards, procedures, and oversight mechanisms for identifying and managing conflicts of interest
Art.15	Requires independent decision-making when conflicts of interest arise in relation to a listed company
Art.16	Requires fund managers to handle insider information encountered during stewardship activities
Art. 17	Requires oversight measures to prevent staff from abusing their positions for personal gain during stewardship activities
Art. 18	Requires fund managers to establish a reputational risk monitoring mechanism
Art. 19	Requires records of conflict-of-interest handling and voting to be archived for a minimum of five years
Art. 20	Requires at least one annual internal review of stewardship activities
Ch.5 Disclosure & self-regulation	
Art. 21	Requires fund managers to disclose on their website by end of April each year how voting rights were exercised in the previous full calendar year
Art. 22	Encourages fund managers to disclose their overall stewardship policy and voting procedures on their website
Art. 23	Encourages fund managers to disclose their ESG practices and stewardship measures
Art. 24	Empowers AMAC to impose disciplinary measures for non-compliance
Ch.6 Supplementary provisions	
Art. 25	Specifies application of rules to securities firms and asset managers that: 1) manage privately raised investment vehicles, 2) vote on behalf of pension and social security funds, and to 3) qualified foreign institutional investors exercising voting rights
Art. 26	Specifies that fund managers or their overseas subsidiaries investing in foreign-listed companies must comply with local regulatory requirements governing stewardship
Art. 27	Provides that these rules take effect upon issuance and supersede the previous Guidelines on Fund Management Companies Exercising Voting Rights on Behalf of Funds

Source: AMAC, ACGA Research

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[1] AMAC, Rules on Publicly Offered Fund Managers Participating in the Corporate Governance of Listed Companies, May 2025, available at: https://www.amac.org.cn/xwfb/tzgg/202505/t20250509_26659.html
[2] China's Company Law has long given shareholders the rights to make recommendations and inquiries regarding the company's operations. The latest version, effective July 2024, enhances shareholders' information rights.
[3] Total assets figure as of end-2024. See CIC, 2024 Annual Report, pp. 69-70.
[4] CIC, "Sustainable Investment", available at: https://www.china-inv.cn/china_inv/Investments/Sustainable_Investment.shtml
[5] NCSSF, 2024 Annual Report, available at: https://www.ssf.gov.cn/portal/xxgk/fdzdgknr/cwbg/sbjjndbg/webinfo/2025/09/1760860383866623.htm
[6] NCSSF publishes separate annual reports for its strategic reserve fund and basic pension fund investments, both following the same format.
[7] NCSSF, 2022 Annual Report, available at: https://www.ssf.gov.cn/portal/xxgk/fdzdgknr/cwbg/sbjjndbg/webinfo/2023/09/1697471208931405.htm
[8] Sources: https://www.ssf.gov.cn/portal/xxgk/fdzdgknr/cwbg/sbjjndbg/webinfo/2025/09/1760860383866623.htm; https://www.china-inv.cn/chinainven/xhtml/Media/2024EN.pdf
[9] Source: https://www.ssf.gov.cn/portal/jgjs/hld/cwh/zyhd/webinfo/2022/05/1653884943323037.htm
[10] Source: http://theory.people.com.cn/n/2013/1212/c40531-23816918-2.html
[11] CIC, 2024 Annual Report, pp. 45-46, available at: https://www.china-inv.cn/chinainven/xhtml/Media/2024EN.pdf.
[12] SynTao Green Finance was China's first PRI signatory, joining the initiative in 2011.
[13] Lin Lin and Dan W. Puchniak, "Institutional investors in China: corporate governance and policy channeling in the market within the state", Columbia Journal of Asian Law, 35(1), 74-159, available at: https://doi.org/10.52214/cjal.v35i1.9190. Another study by Zhou, Zhang, and Puchniak identified 156 activist campaigns between 2007 and 2023, with 73 involving shareholder proposals. However, the study does not specify the number of proposals submitted by mutual funds, instead classifying institutional investors broadly as private or state activist shareholders, further dividing the latter into local and central categories (available at: https://www.ecgi.global/system/files/2024-09/3-shareholder-activism-china-ecgi-working-paper-zhou-zhang-puchniak-aug-2024.pdf).
[14] Available at: https://www.fidelity.at/artikel/expertenmeinungen/fidelity-international-china-stewardship-report-2024-5f1a72-m
[15] China Southern Asset Management, 2024 Sustainability Report, p. 7.
[16] Source: https://finance.china.com.cn/industry/medicine/20190515/4979420.shtml
[17] This shift was attributed primarily to China's need to attract and retain foreign capital in its stock markets. The position size in a single company also considered to be significant to investors ability to gain access.
[18] CSRC, Corporate Governance Code for Listed Companies, October 2025, available at: https://www.csrc.gov.cn/csrc/c101954/c7589726/content.shtml

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Hong Kong: Time to reboot

Lake Wang, Research Head, Greater China

Hong Kong's stewardship landscape needs to be revitalised. The Principles of Responsible Ownership (PRO), the Special Administrative Region's (SAR) stewardship code, has not been updated since its launch in 2016, and there is no publicly available list of signatories. The PRO now lags behind the regional trend towards stronger stewardship frameworks.

On the ground, practice is uneven and transparency is limited. Among the five major asset owners surveyed by ACGA, only the Hong Kong Monetary Authority (HKMA) and AIA have publicly articulated their stewardship approaches. The HKMA focuses its stewardship on climate, with limited emphasis on corporate governance.

Meanwhile, MPF trustees are vocal about their ESG commitments but with less emphasis on the exercise of stewardship—particularly how their appointed investment managers vote and engage with portfolio companies. The current PRO framework does not explicitly require trustees to oversee managers' stewardship activities. The 4.79 million MPF scheme members (as of March 2025) have insufficient understanding of why stewardship matters and how trustees discharge their fiduciary duties through it.[1]

The asset management industry tells a similarly mixed story. Global asset managers based in Hong Kong have championed stewardship, but many local firms have yet to systematically practice and disclose their stewardship activities.

On the corporate side, investor access to the boards and executives of Hong Kong-listed companies appears ad hoc and highly variable across companies, rather than a systematic aspect of investor-corporate dialogue. The December 2024 revision to HKEX's CG Code has the potential to strengthen investor-board dialogue. Notably, it recommends appointing a lead independent director (lead INED) when the board chair is not independent, and introduces a comply-or-explain disclosure requirement on shareholder engagement.

Uptake on the lead INED role is still in its early days. At the time of publication, only four of the top 50 issuers by market capitalisation have appointed a lead INED.[2] It is worth highlighting that the vast majority of the top 50 do not have an independent board chair—only five have implemented this approach.

As stewardship gathers momentum across the region—notably in Japan, Korea, and China—Hong Kong cannot afford to be left behind. A vibrant stewardship ecosystem is essential to address longstanding concerns about market quality, notwithstanding the recent IPO boom. ACGA therefore recommends upgrading the PRO and elevating the lead INED from a recommended practice to a comply-or-explain requirement.

A static code

Hong Kong was an early mover on stewardship in Asia. In March 2016, the Securities and Futures Commission of Hong Kong (SFC) introduced the PRO following a public consultation. The PRO guides investors in discharging their ownership responsibilities, particularly their "right to speak and vote on matters that can influence the way in which a business is conducted".[3] It covers seven areas, from developing stewardship and voting policies to company engagement, disclosure practices and managing conflicts of interest.

Other than explicitly excluding retail investors from its scope, the PRO do not clearly define which institutional investors they apply to. In its 2016 consultation conclusions, the SFC argued that leaving this definition open would provide the market with greater flexibility and autonomy. The code is also voluntary.

In practice, unlike stewardship codes in many other markets in the region, the PRO have remained largely unchanged in both content and implementation since launch in 2016. At the time, the SFC stated that it would not monitor adoption at that stage. No list of signatories has been made public to date.

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HKMA: a climate-focused steward

Established in 1993, the HKMA manages the Exchange Fund (EF) under delegation from the Financial Secretary, who controls the Fund according to the Exchange Fund Ordinance (previously the Currency Ordinance of 1935). The Financial Secretary is advised by the Exchange Fund Advisory Committee (EFAC), which is itself supported by five Sub-Committees. These Sub-Committees oversee and provide guidance on HKMA's operations.

The EF's statutory purposes are to affect the exchange value of the Hong Kong dollar and to safeguard Hong Kong's monetary and financial stability. [4] In line with these objectives, the Fund currently has four portfolios:

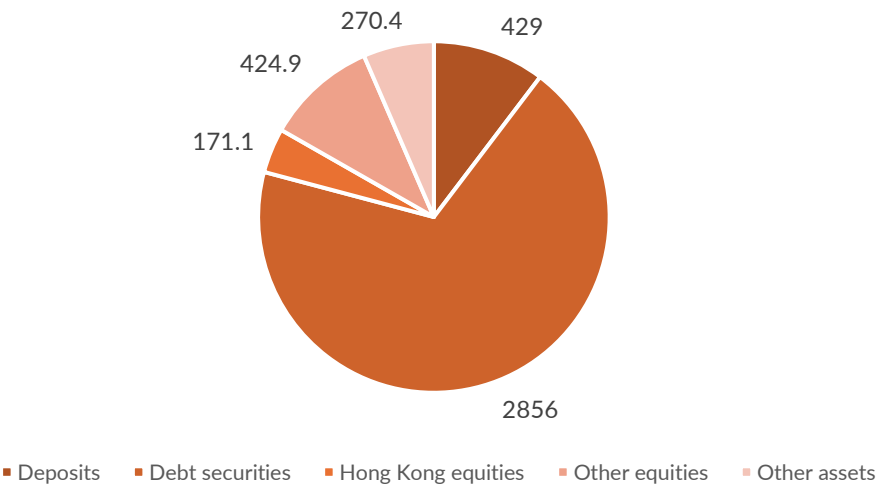
- the Backing Portfolio of highly liquid US dollar-denominated assets
- the Investment Portfolio consisting of bonds and equities
- the Long-term Growth Portfolio investing in private equity and real estate
- the Strategic Portfolio made up entirely of shares in Hong Kong Exchanges and Clearing (HKEX)

Julia Leung, then Acting Secretary for Financial Services and the Treasury, clarified in October 2011 that the EF is not a sovereign wealth fund, given its statutory objectives and the imperative to prioritize the safety and liquidity of assets.[5]

As of year-end 2025, the EF had HK$4.15 trillion (US$531 billion) in total assets, with 68.8% allocated to debt securities and 14.1% to Hong Kong and other equities. [6] HKMA has a long history of using external fund managers. John Nugée, former Executive Director at HKMA, wrote in an August 1996 article that approximately 25% of the EF (including all of its equity investments) was externally managed. [7] The figure now stands at 30%, according to the HKMA. [8]

Figure 19

Total assets of the Exchange Fund (as at 31 December 2025), HK$ billion, unaudited



Source: HKMA

HKMA was an early supporter of Hong Kong's PRO, adopting it in 2016 and subsequently requiring its external managers of Hong Kong and China active equities to follow it on a comply-or-explain basis. In August 2019, it also joined the PRI. Over the years, HKMA has developed a responsible investment framework with a strong emphasis on climate change, targeting net-zero emissions for its Investment Portfolio by 2050.

Active ownership is a key pillar of this framework, alongside integration and collaboration.[9] The term first appeared in HKMA's 2020 annual report, which set expectations for external managers to exercise active ownership through voting and company engagement. In 2020, it selected its first group of external managers for an engagement programme designed to systematically review their ESG practices. This initiative identified and addressed weak practices ranging from the absence of ESG frameworks to inconsistent application of voting policies. In assessing managers' stewardship

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practices, HKMA zeroes in on "focus companies": those with heightened ESG risks. While it states that these reviews are conducted regularly, it has not disclosed outcomes since 2022.[10]

The organisational structure for responsible investment has evolved in recent years. Previously, the team responsible for implementation sat within the Risk Management and Compliance Department and reported to the Chief Risk Officer. In 2023, HKMA established the Sustainable Investing team to drive implementation and orchestrate across the investment and risk management functions. This change reflects a shift from a risk-based approach to a "more proactive stance", according to Leong Cheung, Chief Strategy Officer of the Exchange Fund Investment Office. [11]

HKMA took another notable step in September 2024 with the publication of "HKMA ESG Expectations".[12] The document sets out expectations on internal governance, ESG frameworks, engagement, voting and ESG disclosure, applied to external managers, GPs, service providers and other counterparties. It requires managers to monitor investee companies' ESG performance, "including carbon footprint as well as net zero transition pathway". On engagement, HKMA calls for policies aimed at reducing material ESG risks, "in particular transition planning to manage climate-related risks".

However, the document contains no explicit discussion of corporate governance issues, particularly the role of boards in driving ESG performance and climate transition. We view this omission as significant. ACGA has long argued that governance underpins "E" and "S" in ESG. A 2022 report jointly published by ACGA and CLSA titled "Down to Earth: Climate Governance Case Studies in Asia Pacific", revealed widespread gaps in climate expertise at board level, with management typically taking the lead. [13] This raises concerns about how much value boards add in managing climate-related risks and opportunities, and whether they provide effective checks and balances.

A logical next step for HKMA would be to embed clear expectations on board-level climate competence and board oversight of management's climate strategies.

Hong Kong's forgotten voting guidelines

Seventeen years before the introduction of Hong Kong's PRO, an entity called the Exchange Fund Investment Limited (EFIL) had already issued proxy voting guidelines.

It started with the Asian Financial Crisis. On 28 August 1998, HKMA became almost the sole buyer of the Hong Kong stock market, as panic gripped Asian markets. During that month, at the behest of then-Financial Secretary Donald Tsang, HKMA deployed HK$118 billion from the Exchange Fund to buy 33 Hang Seng Index constituent stocks, making the Hong Kong SAR Government a shareholder of these companies. [14]

In October 1998, the Government established the Exchange Fund Investment Limited (EFIL), a private limited company, to manage these stocks. EFIL's board soon faced a delicate issue: how to balance the role of the Government as a rule maker and the need to safeguard its interest as a shareholder. The solution came in March 1999 through a set of proxy voting guidelines based on the experience of major fund managers in the US and Europe: [15]

- EFIL would not advise seeking board representation or interfering with daily operations of the investee companies;
- EFIL would normally advise abstaining from voting on routine matters such as audited accounts, director and auditor reports, and dividend declarations; and
- EFIL would advise voting on M&A, takeovers, related-party transactions, and other proposals on a case-by-case basis.

EFIL subsequently disposed of part of the shares via the Tracker Fund of Hong Kong and the Tap facility, with the remaining shares retained as long-term investments. In January 2003, this long-term Hong Kong equity portfolio, valued at around HK$54 billion at the time, was transferred to HKMA, and remained under external management. These external managers were required to vote according to their own voting guidelines, as stated in a December 2002 article by Joseph Yam, HKMA's Chief Executive at the time.

"The managers will be expected to act in the best interests of the Exchange Fund as a shareholder, specifically to protect and enhance shareholder value", wrote Joseph Yam.[16]

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Unhurried evolution: limited disclosure among asset owners

Hong Kong's asset owner landscape shows stark size disparities. HKMA's Exchange fund is by far the largest in the SAR, followed by AIA, a major Hong Kong-listed life insurer and asset owner, with US$288 billion in total investment and the Mandatory Provident Fund (MPF) trustees, collectively managing approximately HK$1.59 trillion (c.US$200 billion). Other Hong Kong asset owners represent relatively smaller pools of capital. These gaps in size and transparency, as shown below, underscore the uneven maturity of stewardship practices among key institutional investors.

- Beyond the HKMA, only **AIA** has a clearly articulated responsible investment policy. For the remaining three of Hong Kong's major asset owners, ESG terminology has been adopted, but stewardship activity or mandates remain largely invisible.

- The Investment Office of the **Hong Kong Jockey Club (HKJC)** appoints external fund managers for a portfolio drawn from the Club's reserves.[17] Since 2018, it has integrated ESG factors into its investment process, including manager selection and monitoring.[18] By 2021, over 90% of its externally managed assets were run under an ESG policy. Yet HKJC has not published any stewardship policies, nor has it disclosed how it oversees managers' stewardship responsibilities.

- The **Hospital Authority Provident Fund Scheme (HAPFS)**, the retirement savings plan for hospital workers, presents a similar picture. With net assets of approximately HK$69.9 billion (US$8.94 billion) and 24,733 members as of March 2025, the scheme's Board of Trustees oversees the appointment of external managers.[19] To date, no stewardship policies or activities have been publicly disclosed.

- Finally, the **Hong Kong Housing Authority (HA)** manages a HK$7.55 billion (US$966 million) equity portfolio as of 31 March 2025, part of its broader holdings in cash, bank deposits, and principal protection placements with HKMA's Exchange Fund.[20] Media reports indicate that HA appoints external managers for this portfolio. [21] However, there is no public disclosure of its stewardship expectations or activities.

Figure 20

Stewardship disclosure: how Hong Kong's five major asset owners fare

Organization	Asset pool	Reported sized	Public Stewardship Disclosure
Hong Kong Monetary Authority	Exchange Fund	HK$4.15 tn (US$ 531 bn)[22]	Yes
AIA Group	Total Investments	HK$2.25 tn (US$288 bn)[23]	Yes
Hong Kong Jockey Club	Investment Portfolio	HK$82.4 bn (US$10.5bn) [24]	No
Hospital Authority	HAPFS	HK$69.9 bn (US$8.94 bn)[25]	No
Housing Authority	Investment Portfolio	HK$63.8 bn (US$8.16 bn)[26]	No

Source: Annual Reports of Hospital Authority, Housing Authority, HKJC, and AIA; HKMA website

MPF trustees: ESG, a stewardship obligation

In November 2021, the Mandatory Provident Fund Schemes Authority (MPFA) published sustainable investment principles for MPF funds, framing the management of ESG risks as both "a stewardship obligation and a fiduciary duty". [27] The principles set out an ESG integration framework built around TCFD-style pillars—governance, strategy, risk management and disclosure—with a strong emphasis on climate-related risks.

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Yet voting and engagement as core stewardship tools does not get much attention. They appear briefly in Principle 6 from a disclosure perspective: "the information disclosed by investment managers *may* include their voting and engagement with investee companies" [emphasis added]. [28]

This limited attention is mirrored in practice. ACGA's review of the latest annual reports of the top ten Hong Kong MPF schemes by asset size found a clear lack of granularity in stewardship reporting. With the exception of BOCI-Prudential Trustee, all major MPF trustees state that they oversee voting and engagement practices of their appointed investment managers, which are often part of the same financial group as the trustees. However, this oversight is described largely in generic terms, and none disclose scheme-level voting statistics or engagement outcomes. It is therefore difficult for MPF scheme members to assess the extent to which trustees are fulfilling their stewardship responsibilities.
On a more positive note, two trustees – AIA Company (Trustee) and HSBC Provident Fund Trustee – publicly support the PRO.

Mixed picture among asset managers

Hong Kong hosts stewardship teams from several major international asset managers (e.g., BlackRock, Fidelity, JP Morgan Asset Management, HSBC Asset Management, APG Asset Management), which form the most active stewardship presence in the city.

A recent example illustrates this dynamic: in September 2024, ACGA convened a group of global asset managers based in Hong Kong to engage with HKEX on proposed amendments to its CG code. Key advocacy points included introducing a Lead INED role and imposing stricter limits on INED tenure and concurrent directorships. While some proposals succeeded, others fell. Ultimately, ACGA and its partners found themselves in the minority, as much of Hong Kong's broader asset management community were silent on the issues.

Our review of annual disclosures by leading local asset managers further indicates that stewardship remains at an early stage of development among them.[29] For example, Value Partners has recently published a Responsible Investment Policy and detailed Proxy Voting Policy. However, no publicly available voting records or engagement outcomes are disclosed. A similar pattern applies to BEA Union Investment: while policies on sustainable investment, proxy voting and engagement are in place, stewardship activities remain largely undisclosed.

CSOP Asset Management performs somewhat better in this regard. Its 2024 Sustainability Report includes a one-page stewardship overview, highlighting two examples of company engagement. However, its dissenting vote record remains limited. The firm voted against management on just 52 resolutions in 2024, representing only 0.4% of the 13,056 resolutions on which it voted. [30]

Board access: reality and prospects

On the corporate side, how open are Hong Kong issuers to giving investor access to their boards?

Institutional investor members of ACGA's China Working Group have engaged directly with an independent director at a leading technology company. Similarly, the board secretary at a prominent energy company told ACGA that he was receptive to arranging direct dialogue between investors and the board. However, anecdotal evidence from ACGA investor members indicates a more mixed picture: some boards are less accessible than others, and many lack familiarity with the processes and long-term objectives of stewardship discussions.

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Regulatory changes offer promise

The December 2024 revision to HKEX's CG Code holds the promise of institutionalising investor-board dialogue. First, Code Provision F.1.1 explicitly states:

"The board, in particular the independent non-executive directors, should be accessible to shareholders to facilitate constructive engagement and to understand their views on matters affecting the issuer, including governance and performance against the issuer's corporate strategy." [31]

This provision also requires issuers to disclose information on shareholder engagement in their annual reports.

Second, and more specifically, Code Provision C.1.8 recommends appointing a lead INED when the board chairman is not independent. The lead INED acts as an "intermediary for other directors and shareholders" and should be available to them when normal communication channels with the chairman and management are insufficient.

Adoption has been slow so far. Among the top 50 Hong Kong issuers, CITIC, Zijin Mining, and Techtronic Industries have appointed a lead INED, while dual-listed Standard Chartered has a senior INED. Beyond the top 50, Lenovo, China United Venture Investment, Tianda Pharmaceuticals, and Changjiu Holdings have also appointed lead INEDs.

Stewardship as a missing piece

Hong Kong staged a remarkable comeback in global IPO rankings in 2025, reclaiming the top spot worldwide through a surge in A+H share listings supported by policy measures from the CSRC.[32] With IPO activity booming – 119 listings raising approximately HK$272.1 billion (US$34.72bn)– serious discussion of longstanding market quality concerns now appears to have taken a back seat.

However, as many Asian markets, notably Japan, Korea and China, take robust measures to improve the quality of listed companies, strengthening local stewardship standards as a key lever, Hong Kong risks being left behind. In our "Value Up, Asia" report, published in May 2025, we advocated for a more systematic approach to enhancing corporate value in Hong Kong. Active ownership has an important role to play in achieving this goal. [33]

Investor stewardship deserves the same – if not greater – urgency. When implemented effectively, stewardship delivers constructive scrutiny of listed companies' governance and, ultimately, raises overall CG standards. It remains the missing piece in Hong Kong's longstanding debate on improving market quality.

As a first step, ACGA recommends upgrading of the PRO. Many of the recommendations we submitted in June 2015, in response to the SFCS's consultation on the PRO, remain highly relevant today. [34]

In particular, we identify a range of institutional investors that should be brought within the scope of the PRO on a comply-or-explain basis, including the HKMA and its authorised and regulated institutions, the HKJC, the Hospital Authority, approved trustees of MPF and ORSO schemes and insurers. We also recommended that the SFC assess implementation on an annual basis and follow practice from other markets by publishing a list of signatories.

Lastly, the presence of a lead INED is far more than a box-ticking exercise: it gives investors a clear point of contact at board level and greater insight into board dynamics. Wider adoption of this role would catalyse more effective engagement with companies. ACGA therefore recommends that HKEX elevate the lead INED from a recommended practice to a comply-or-explain requirement.

[1] PwC, "The Mandatory Provident Fund at 25: Hong Kong's Financial Sector Reflects and Reimagines", 9 June 2025, https://www.pwchk.com/en/press-room/press-releases/pr-090625.html

[2] These include CITIC, Zijin Mining, Standard Chartered, and Techtronic Industries.

[3] SFC, Principles of Responsible Ownership, 7 March 2016, https://www.sfc.hk/en/Rules-and-standards/Principles-of-responsible-ownership

[4] See sections 3(1) and 3(1A) of Exchange Fund Ordinance, available at: https://www.elegislation.gov.hk/hk/cap66

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[5] See Julia Leung's response to lawmaker Raymond Ho Chung-tai, Legislative Council, October 19, 2011, available at: https://www.info.gov.hk/gia/general/201110/19/P201110190240.htm
[6] https://www.hkma.gov.hk/eng/news-and-media/press-releases/2026/01/20260128-3/See HKMA's unaudited Exchange Fund financial position published on 28 January 2026, available at: https://www.hkma.gov.hk/eng/news-and-media/press-releases/2026/01/20260128-3/
[7] John Nugée, "Use of external managers in central bank reserves management", HKMA Quarterly Bulletin, August 1996, available at: https://www.hkma.gov.hk/media/eng/publication-and-research/quarterly-bulletin/qb9608/fa03.pdf
[8] Source: https://www.hkma.gov.hk/eng/key-functions/reserves-management/investment-management/day-to-day-management/
[9] Integration means weaving ESG factors into the Exchange Fund's investment process, including the selection and monitoring of external fund managers and general partners (GPs), while collaboration means working with regulators, international organisations (such as the PRI, FCLTGlobal, and NGFS), and other investors to promote responsible investment.
[10] HKMA states in its 2021 Annual Report (p.189) that it "regularly reviews the extent of the engagement work as well as proxy voting results".
[11] Responsible Investor, "HKMA's $450bn fund expects managers to share its ESG convictions", 17 March 2025, available at: https://www.responsible-investor.com/hkmas-450bn-fund-expects-managers-to-share-its-esg-convictions/
[12] HKMA, "HKMA ESG Expectations", September 2024, https://www.hkma.gov.hk/media/eng/doc/key-functions/reserves-management/responsible-investment/framework/HKMA_ESG_Expectations_Sep2024.pdf
[13] Available at: https://www.acga-asia.org/thematic-research-detail.php?id=464
[14] HKMA, "Asian Financial Crisis: Difficult Decisions in the Disposal of Shares After Stock Market Operation", 18 September 2019, available at: https://www.hkma.gov.hk/eng/news-and-media/insight/2019/09/20190918/
[15] HKMA, "Statement by Mr. T.L. Yang Chairman of Exchange Fund Investment Limited", 16 March, 1999, available at: https://www.hkma.gov.hk/eng/news-and-media/press-releases/1999/03/990316-3/
[16] HKMA, "The Hong Kong Equity Portfolio", 12 December 2002, available at: https://www.hkma.gov.hk/eng/news-and-media/insight/2002/12/20021212/
[17] HKJC, Annual Report for the Year Ended 30 June 2024, "Business Review", p. 11.
[18] HKJC, Annual Report for the Year Ended 30 June 2021, "Business Review", p. 11.
[19] Hospital Authority, Annual Report 2024-25, p.173.
[20] HA, 2024/25 Annual Report & Financial Statements, p. 62.
[21] https://www.tkww.hk/epaper/view/newsDetail/1372749176504455168.html
[22] The Exchange Fund's total assets at 31 December 2025.
[23] As at 31 December 2024. Total investments include policyholder and shareholder assets (88%) and unit-linked contracts and consolidated investment funds (12%).
[24] Estimated by aggregating the Contingency Fund and the Trust's Fund for the year ended 30 June 2025.
[25] The scheme's net asset value as at 31 March 2025.
[26] HA's cash and investment balance as at 31 March 2025.
[27] MPFA, Principles for Adopting Sustainable Investing in the Investment and Risk Management Process of MPF Funds, 26 November 2021, https://www.mpfa.org.hk/en/-/media/files/information-centre/legislation-and-regulations/circulars/mpf/20211126/cir-20211126.pdf
[28] Ibid.
[29] Local asset managers include homegrown, Hong Kong-headquartered firms as well as the Hong Kong branches of Mainland Chinese firms.
[30] CSOP, 2024 Sustainable Development Report, p. 11.
[31] HKEX, Corporate Governance Code, available at: https://en-rules.hkex.com.hk/sites/default/files/net_file_store/HKEX4476_3828_VER38879.pdf
[32] KPMG, "Chinese Mainland and Hong Kong IPO Markets", 10 December 2025, available: https://assets.kpmg.com/content/dam/kpmg/cn/pdf/en/2025/12/china-hk-ipo-markets-2025-review-and-2026-outlook..pdf
[33] ACGA, "Value Up, Asia", 4 June 2025, https://www.acga-asia.org/news-detail.php?id=460
[34] Available at: https://www.acga-asia.org/advocacy-list.php?date=2015&cid=1&country=5&id=49

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Taiwan: Moving beyond disclosure

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Taiwan's stewardship development is marked by clear, steady progress, with distinctive local characteristics. Regulators introduced a stewardship code in 2016, which now counts 148 signatories, ranging from government funds and insurance companies to asset management firms and other financial institutions. They have subsequently driven stewardship primarily through disclosure incentives. The results are evident: stewardship and voting policies are now standard disclosures; engagement reporting is more granular; and resolution-level voting records, once exceptional, are increasingly routine.

Yet dissenting votes by domestic institutional investors remain low. More significant is a peculiar local restriction: insurance companies are prohibited from voting on director elections – a constraint that arguably weakens the influence of one of the market's major stewards of capital.

Raising the bar will require going beyond disclosure to strengthen underlying practices: reviewing the legal constraint on insurer voting and formalising investor access to independent directors.

A steadily evolving code

Taiwan emerged as a relatively early adopter of stewardship codes in Asia-Pacific. Following Japan (which launched its code in April 2014) and Malaysia (June 2014), it joined Hong Kong, Singapore and Korea in launching its own code in 2016. The Taiwan Stock Exchange (TWSE) issued the "Stewardship Principles for Institutional Investors" in August of that year, modelled on earlier versions of the UK Stewardship Code.[1] The Principles have since been updated twice, in August 2020 and July 2023.

The first chapter defines stewardship as encompassing two primary responsibilities: the ongoing monitoring of investee companies, and participation in corporate governance through AGM attendance, voting, and engagement with companies, including their directors and executives.[2] The Principles also encourage investors to integrate ESG factors into both their investment decision-making and stewardship activities.

Adoption follows a "comply or explain" model: signatories may depart from specific provisions if they explain why. While there are no penalties for non-compliance,[3] a serious breach of the Principles may result in a signatory being placed on a watch list or, in severe cases, removed from the list by an advisory committee convened by TWSE.[4]

To date, only PJ Asset Management has been removed (in December 2020) due to its involvement in a high-profile market manipulation case.[5] In explaining the decision, the TWSE stated that the firm used its signatory status to lend credibility to its questionable investment behaviour, thereby contravening the spirit of stewardship. [6]

Disclosure as a stewardship lever

Given that the Principles are a form of soft law, the key challenge is motivating asset owners and managers to embrace the spirit of the code and to practice stewardship in a meaningful way.

Taiwanese regulators have sought to advance stewardship mainly by improving disclosure. In 2018, the Financial Supervisory Commission (FSC), Taiwan's peak financial regulator, unveiled the "New Corporate Governance Roadmap (2018-2020)", a broader corporate governance reform programme that also set out measures for promoting stewardship. In particular, it directed the TWSE to review signatories' stewardship disclosures, highlight examples of good practices and provide recommendations.[7]

Following the roadmap, the TWSE conducted its first evaluation in 2019 using 30 indicators. Since 2021, it has publicly announced the top performers in categories such as mutual funds, insurance companies, banks, and brokerage firms, although it does not disclose individual scores. The 2025 evaluation maintains this 30-indicator framework, assessing two primary areas of stewardship disclosure:

- **Policies:** overarching stewardship policies, conflict-of-interest management and voting policies
- **Practices and transparency:** disclosure of voting records and company engagements, and the accessibility of stewardship reporting on signatories' websites.

Additionally, industry bodies have also been mobilised to strengthen stewardship disclosures. Five major industry bodies – the Securities Investment Trust and Consulting Association (SITCA), the Life Insurance Association, the Non-Life Insurance Association, the Taiwan Securities Association, and the Bankers Association – have established dedicated stewardship pages on their websites. These pages link to signatories' disclosures and provide brief notes on disclosure shortcomings, alongside recommendations. Most disclosures, including stewardship reports, voting and engagement records, are updated through 2024, except those on the Bankers Association's site.

SFIPC: A model for stewardship before the code

If the spirit of stewardship is about exercising and safeguarding shareholder rights with commitment and professionalism, Taiwan already had a role model long before it had a stewardship code: the Securities and Futures Investors Protection Center (SFIPC).

Established in 2003, this quasi-governmental body holds 1,000 shares in every Taiwan-listed company and can file shareholder lawsuits on their behalf. The SFIPC has been attending AGMs since 2006 as part of its broader mandate to protect minority shareholders. [8]

In 2024, the SFIPC attended 81 AGMs, raising issues such as poor scores in the TWSE's corporate governance evaluations, executive compensation, and private placements. Its staff attend high-profile AGMs where director elections involve management control, focusing on whether meeting conduct and election procedures comply with legal requirements

Greater transparency, rare dissent

These combined regulatory and industry efforts have paid off. Our survey of 2024 stewardship reporting by Taiwan's top five asset owners and ten asset managers revealed clear improvements in disclosure quality. All now have overarching stewardship policies and voting policies in place, and publish annual stewardship reports, alongside voting and company engagement records.[9]

Figure 21

Stewardship disclosure by Taiwan's major asset owners

Organisation	Fund Assets/Total investments	Public Stewardship Disclosure
Bureau of Labor Funds (BLF)	NT$7.79 tn [10] (US$249 bn)	Yes
Chunghwa Post Co., Ltd	NT$8.28 tn[11] (US$265 bn)	Yes
Bureau of Public Service Pension Fund	NT$1.19 tn [12] (US$38 bn)	Yes
Cathay Life Insurance	NT$7.77 tn [13] (US$249 bn)	Yes
Fuḅon Life Insurance	NT$5.22 tn [14] (US$164 bn)	Yes

Source: ACGA research

More notably, the granularity of disclosure has improved. On company engagement, for example, nearly all asset managers surveyed evaluate progress against milestones, report the number of companies at each stage and the market value of those companies as a percentage of assets under management, and provide illustrative case studies. Many also report attending physical AGMs and voicing their concerns.

Transparency around voting records, historically a weak spot, has also seen improvement. Among the top ten asset managers, all but one now disclose votes at the resolution level. This contrasts with TWSE's data in 2020, which shows that only one asset manager disclosed voting at the resolution level that year. [15]

Despite these disclosure gains, dissent remains rare. The proportion of votes cast against resolutions averaged just 1.5% among the top ten asset managers, and two recorded no dissenting votes in 2024.

How deep do stewardship practices reach?

A useful litmus test is how domestic asset managers treat legal-entity directors in their voting policies. Under this longstanding mechanism, a corporate shareholder (a legal person) can nominate a director candidate for election at a shareholder meeting. Once elected, these directors can be replaced mid-term by the nominating corporate shareholder, without requiring a new shareholder vote at an EGM.

Given that this rule is enshrined in Taiwan's Company Act, it is unsurprising that none of the top ten asset managers surveyed express outright objection in their voting policies. However, two have adopted a more nuanced stance.

Cathay Securities Investment Trust will not support director candidates nominated by a legal person if the nominating shareholder fails to provide sufficient information about the candidate's qualifications and competence. [16] Fubon Asset Management, meanwhile, will abstain if legal-entity directors account for more than one-third of the board—a position broadly in line with the practice encouraged in TWSE's annual corporate governance evaluation (Question 1.17). [17]

A legal constraint

Director elections are a distinct resolution category where Taiwanese asset owners typically abstain. Among the five asset owners surveyed, only Chunghwa Post Co., Ltd (Chunghwa Post)—a government-owned postal service provider that invests funds pooled through its postal savings and simple life insurance businesses—voted for or against director elections in 2024.[18] The remaining four abstained on all such resolutions. What accounts for this reluctance to take a clear stance on such a fundamental governance matter?

The key constraint is Article 146-1 of Taiwan's Insurance Act, which prohibits insurance companies from voting in "the election of directors or supervisors at the company being invested".[19] The provision was tightened in May 2014, following controversial involvement by insurers in corporate control disputes. For instance, in May 2013, now-defunct Global Life Insurance voted in director elections at Long Bon International despite the FSC's warnings.

In 2014, Taiwan's Executive Yuan justified the Insurance Act amendment as a safeguard against conflicts of interest and systemic risk that might arise if insurers voted in elections leading to changes in management control—particularly given that their capital originates from the public.

The rule has proved controversial in Taiwan. Some scholars see it as necessary to constrain powerful insurance companies, many of which are family-owned businesses. Notably, as of 2024, insurance companies accounted for 33.3% of the total assets of Taiwan's financial institutions. [20]

However, some insurance executives have argued that it is too harsh and out of step with international practice, a concern echoed by several academics.[21] The more extensive critique comes from Ching-Ping Shao, a law professor at National Taiwan University. In a 2022 article, Shao analysed tensions introduced by this rule, including its disconnect with regulators' stated intentions to promote stewardship in Taiwan. He contends that whilst the rule insulates insurance companies from disputes over management control, it also prevents them from supporting management. In short, it focuses too heavily on "preventing abuses" at the expense of "magnifying benefits".[22]

Corporate governance professionals in Taiwan expressed mixed views to ACGA. One legal expert noted that insurers wield substantial influence but felt that the restriction hampers their stewardship capacity. Another stewardship professional observed that insurance companies, as Taiwan's most well-capitalized investor bloc, have strong research capabilities and are well positioned to vote in director elections, but are denied the right to do so.

From a stewardship perspective, the rule mutes insurers' capacity to act as a positive force in listed-company governance. Not every director election is a fight over management control; in many routine elections, oversight can still be exercised by assessing board independence, diversity, candidates' tenure, and overboarding concerns. Shareholders—including insurers as asset owners—may wish not to vote for an incumbent director they consider to be ineffective in their board responsibilities, which is important to ensuring that board members are accountable to all shareholders.

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In practice, all of the top ten Taiwanese asset managers vote on regular director elections, whilst abstaining from those that could affect management control. There are instances of dissenting votes. For example, CTBC Investments voted against two independent director candidates at Radiant Opto-Electronics Corp's May 2024 AGM, citing their lengthy tenures. In this case, Radiant was seeking re-election of 12 directors, including five independent directors (INEDs). Two of the INEDs had already served more than three consecutive terms: Chiang Yao-Chung, first elected in June 2012, and Huang Tzi-Chen, who had served on the board since June 2006, the year Taiwan introduced the independent director regime.

For context, Taiwan introduced independent director tenure limits in 2020 as part of a broader CG reform blueprint, with phased implementation. [23] From 2024, at least half of a board's independent directors cannot serve three consecutive terms (nine years); from 2027, this restriction will apply to all INEDs. While Radiant complied with the requirements at the time of its 2024 AGM, the independence of Chiang and Huang was nonetheless open to question.

Chunghwa Post, managing NT$8.28 trillion (US$265 billion) as of end-2024, provides a more striking example. In 2024, it voted on 81 director election resolutions—supporting 28, abstaining on one, and opposing 52 on the grounds that the boards had less than one-third female representation.[24] This approach went beyond the FSC's board diversity policy at the time which required that all Taiwan-listed companies must have at least one female director by 2024.[25] From 2025, companies where women hold less than one-third of board seats must provide an explanation and outline steps to improve gender diversity. Notably, Chunghwa Post abstained on director elections related to management control, as shown in its 2023 voting records. [26]

Figure 22

Director election voting policies of Taiwan's top five asset managers

Asset Manager	AUM	Voting Policy
Yuanta Funds	NT$3.03 tn (US$97 bn)	• **Abstain:** Director elections involving management control • **Against**: Not specified
Cathay Securities Investment Trust	NT$1.54 tn (US$49 bn)	• **Abstain**: Controversial elections • **Against:** - Board meeting attendance < 85% - Independent director concurrent directorships > 4 - Independent director tenure > 9 years - Insufficient disclosure on legal entity directors
Capital Investment Trust	NT$1.46 tn (US$47 bn)	• **Abstain:** Director elections involving management control • **Against:** - Overboarding * - Poor board meeting attendance *
Fubon Asset Management	NT$1.12 tn (US$36 bn)	• **Abstain:** - Independent director ratio < 1/3 - Legal entity director ratio > 1/3 - No female directors • **Against:** - Director concurrent directorships >10 - Board attendance <80%
Fuh Hwa Securities Investment Trust	NT$659 bn (US$21 bn)	• **Support in principle if:** not involving in management control • **Against**: not specified

* Specific thresholds not public disclosed.

Sources: 2024 Stewardship Reports and voting policies; AUM data as of Jan 2026 from the SITC

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The corporate perspective

TWSE's evaluation of stewardship disclosures includes an indicator on whether signatories identify the positions of engagement participants on each side of the discussion. Our review of stewardship reports by Taiwan's leading asset owners and managers also sheds light on who investors engage with on the corporate side, wherever such information is available. Investor relations professionals remain the most common point of contact. CFOs, ESG executives, and board secretaries are mentioned less frequently, and none of the reports explicitly references meetings with independent directors.

Access to INEDs at Taiwan-listed companies appears mixed. According to a stewardship professional at a UK asset manager who covers Taiwan and other Asian markets, certain large companies are receptive to granting access to INEDs, while some remain reluctant or hesitant. Among smaller issuers, investor relations personnel could be cautious about engaging with international investors, let alone facilitating board access.

One executive with extensive investor-facing experience at a listed financial company in Taiwan observed greater openness among local financial conglomerates to granting investor access to INEDs. This executive said she was willing to arrange such meetings, provided the investor demonstrated an in-depth understanding of the company.

She described engagement as a journey. At a large company, even small steps forward require significant effort. Trust has to be built along the way; the process is as important as the outcome.

Beyond disclosure

Through a combination of regulatory drive and investor engagement, Taiwan has made strides in embedding a culture of stewardship in its markets—particularly on transparency. Reaching a more sophisticated level, however, will require going beyond disclosure: revisiting the legal constraint that limits the capacity of major stewards, institutionalising investor access to independent directors, and deepening stewardship culture and practice among both asset owners and managers.

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[1] Chin-Ru Chang, "Institutional investors stewardship in Taiwan: the Taiwan stewardship code's ineffectiveness and potential improvement", UCLA Pacific Basin Law Journal, Issue 65, 2023, available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4251974
[2] TWSE, Stewardship Principles for Institutional Investors, July 2023, available at: https://cgc.twse.com.tw/frontEN/stewardship
[3] TWSE, Stewardship Principles for Institutional Investors Q&A (in Chinese), Feb 2017, available at: https://cgc.twse.com.tw/lawQa/listCh
[4] TWSE, Compliance Principles for Stewardship Principles for Institutional Investors (in Chinese), December 2020, available at: https://cgc.twse.com.tw/docs/stewardship3.pdf
[5] The case involved Yu Nai-wen, former head of the domestic investment division at the Bureau of Labor Funds, colluding with PJ Asset Management executives to manipulate the stock prices of Far Eastern Department Stores. In 2022, Yu was sentenced to nine years in prison, while two PJ Asset Management executives were each sentenced to eight years.
[6] Source: https://www.ctee.com.tw/news/202012317008 67-439901
[7] TWSE has long used evaluation to incentivise better corporate governance, beginning with the annual governance assessments of listed companies introduced in 2014. This evaluation encompasses nearly all TWSE-listed companies, assessing their performance across key areas including board structure and effectiveness, shareholder rights protection, information disclosure, and sustainability reporting. It integrates companies' self-evaluations with reviews conducted by the TWSE's Corporate Governance Center. Results are published in seven performance bands: the top 5%, the bottom 20%, and five intermediate 15% bands, with companies listed by their stock ticker codes. Furthermore, leading performers receive recognition at an awards ceremony. The Corporate Governance Evaluation will be transitioned to ESG Evaluation in 2026.
[8] Yin Ruo-ying, "The development and evolution of the Securities and Futures Investor Protection Law", Securities and Futures Monthly, Issue 12, 2011, available at: https://www.fsc.gov.tw/fckdowndoc?file=/29-12%E5%B0%88%E9%A1%8C%E4%BA%8C.pdf&flag=doc
[9] Back in 2019, TWSE found that only about half of all signatories (76 out of 142) disclosed their stewardship activities for the previous year.
[10] As of end-December 2025. Source: https://www.blf.gov.tw/49200/49245/49247/198678/post
[11] As of the end of 2024. Source: 2024 Annual Report, p. 79-80.
[12] As of the end-December 2025. Source: https://www.fund.gov.tw/News.aspx?n=658&sms=11737
[13] As of the end of Q3 2025. Source: https://www.cathaylife.com.tw/cathaylife/laws-policies/public-info/info-financial
[14] As of the end of Q3 2025. Source: https://www.fubon.com/life/Investors/public-info/fubon/4EDD5AB58D4C4479A4C5C824F20CB3B9/
[15] TWSE, Institutional Investors Stewardship Disclosure Assessment Report 2021, p. 12.
[16] Cathay Securities Investment Trust, 2024 Stewardship Report, p.30.
[17] Fubon Asset Management, 2024 Stewardship Report, p.24.

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[18] Regulated by the Ministry of Transportation and Communications, Chunghwa Post provides postal services and operates savings, remittance, and simple life insurance services. Fund collected through these operations are invested according to Taiwan's Postal Savings and Remittances Act and Simple Life Insurance Act, making it an asset owner.
[19] FSC, Insurance Act, June 2025, available at: https://law.moj.gov.tw/ENG/LawClass/LawAll.aspx?pcode=G0390002
[20] FSC, "Indicators of Insurance", October 2025, available at: https://www.tii.org.tw/export/sites/tii/research/files/1148_Value.pdf
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India: Diverse stewardship pathways

Anuja Agarwal, Research Head, Japan and India

Stewardship in India has progressed from a regulatory experiment to a core part of how institutional investors engage with companies. A recent study on corporate governance trends in India shows that shareholder participation has undergone significant changes, shaped by regulatory reforms, institutional activism, and technological innovations such as e-voting.[1] Despite improvements in legal shareholder rights, promoter dominance and limited retail participation continue to impede effective engagement. Institutional investors and proxy advisory firms challenge related-party transactions, influence board selections, and improve transparency. However, stewardship remains uneven across asset classes, and investor practices have not fully caught up with policy.

Development timeline of stewardship codes in India

The formal debate around stewardship began in 2016 when the Financial Stability and Development Council (FSDC)[2] asked a committee comprising of three regulatory bodies – Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI), and the Pension Fund Regulatory and Development Authority (PFRDA) – to develop a code for institutional investors. Instead of a unified framework, this exercise resulted in India having three separate codes: IRDAI's code for insurers, PFRDA's for pension funds, and SEBI's for mutual funds and alternative investment funds (AIFs) investing in equities.

In 2017, IRDAI issued stewardship guidelines for insurers on a "comply or explain" basis[3]. PFRDA followed in 2018 with a mandatory common stewardship code for pension funds.[4] SEBI had already implemented principles on voting for mutual funds through circulars dated 15 March 2010 and 24 March 2014, which prescribed detailed mandatory requirements for mutual funds in India to disclose their voting policies and actual voting by mutual funds on different resolutions of investee companies. Building on that, SEBI introduced its Stewardship Code in December 2019, effective from 1 April 2020, for mutual funds and AIFs.[5]

This sequencing, driven by each regulator's mandate and timing has produced a trifurcated architecture that is fragmented, sub-optimal, and in need of consolidation under FSDC.

Figure 23

Comparison of principles between the three stewardship codes in India

Principle Number	IRDAI Stewardship code	PFRDA Stewardship code	SEBI Stewardship code
Principle 1	Policy on discharge of stewardship responsibilities and public disclosure	Formulate comprehensive policy on stewardship responsibilities, publicly disclose, review periodically	Formulate comprehensive policy on stewardship responsibilities, publicly disclose, review periodically
Principle 2	Policy on management of conflicts of interest	Clear policy on managing conflicts of interest	Clear policy on managing conflicts of interest
Principle 3	Monitoring of investee companies	Monitor investee companies	Monitor investee companies
Principle 4	Policy on intervention in investee companies	Clear policy on intervention and collaboration with other institutional investors	Clear policy on intervention and collaboration with other institutional investors
Principle 5	Collaboration with other institutional investors	Clear policy on voting and disclosure of voting activity	Clear policy on voting and disclosure of voting activity
Principle 6	Policy on voting and disclosure of voting activity	Report periodically on stewardship activities	Report periodically on stewardship activities
Principle 7	Periodical report on stewardship activities	N/A	N/A
Key Difference	Separates intervention (P4) and collaboration (P5) into distinct principles	Combines intervention and collaboration in single principle (P4)	Combines intervention and collaboration in single principle (P4)

Source: ACGA Research

A comparison of these frameworks shows that implementation operates on different legal footings, with some principles mandatory and others framed as "comply or explain." The depth of guidance and expectations around intervention and collaboration also varies. For example, SEBI and PFRDA explicitly link stewardship with ESG integration, whilst IRDAI's code is more general and does not reference ESG. Reporting formats and disclosure practices vary as well, particularly for asset owners.

These differences create inconsistencies that confuse market participants – for example, the differing standards for reporting of stewardship activities creates a less consistent and more difficult to compare body of reporting material. A unified "One India" stewardship code creating a common baseline for all major institutional investors and a coherent approach across the different asset owners and asset managers would alleviate these problems. Such a code could clarify expectations for ESG integration, escalation, and collaborative engagement while still allowing regulator-specific requirements where necessary.

Ownership trends in Indian markets

The National Stock Exchange (NSE) of India's Ownership Tracker reports highlight important ownership trends in the listed NSE universe as well as sub-groups like Nifty 500 and Nifty 50 companies.[6] Over the period from December 2022 to September 2025, Nifty 50 ownership shows a gradual dilution of promoter stakes, with total promoters declining from 42.8% to 40.2%, driven mainly by a steady fall in private Indian promoters from 30.9% to 27.6%. Domestic mutual funds (DMFs) have consistently gained share, rising from 9.5% to 13.5%, while foreign portfolio investors' ownership has eased from 25.7% to 24.1%. This shift toward diversified institutional ownership—driven by rising DMF participation amid steady or declining FPI ownership—enhances the domestic stewardship potential, as institutions now hold greater capacity to influence governance through voting and engagement when used effectively.

Figure 24

Nifty 50: Ownership trend across key stakeholders by total market cap over the last three years (%)

-	Private Indian promoters	Government	Foreign promoters	Total Promoters	Domestic Mutual Funds	Banks, FIs and Insurance	FPIs	Non promoter corporate	Individual Investors	Others**
Dec-22	30.9	5.5	6.4	42.8	9.5	8.0	25.7	1.2	8.1	4.6
Mar-23	29.8	5.6	6.6	42	9.9	8.2	25.6	1.2	8.3	4.8
Jun-23	29.9	5.5	6.6	42	9.7	8.1	25.7	1.3	8.2	5.0
Sep-23	29.4	6.0	6.5	41.9	10.1	8.1	25.2	1.3	8.3	5.0
Dec-23	29.4	6.3	6.5	42.2	10.2	8.0	25.1	1.3	8.2	5.0
Mar-24	29.8	7.0	6.3	43.1	10.5	8.0	24.5	1.2	8.1	4.7
Jun-24	29.3	7.1	6.2	42.6	11.1	8.1	24.5	1.2	8.0	4.6
Sep-24	28.5	7.4	6.4	42.3	11.4	8.0	24.4	1.2	7.9	4.7
Dec-24	28.4	7.1	5.8	41.3	12.2	8.2	24.3	1.2	8.0	4.8
Mar-25	28.5	6.8	5.5	40.8	12.6	8.2	24.3	1.4	7.9	4.8
Jun-25	28.4	6.7	5.4	40.5	13	8.1	24.5	1.3	7.9	4.8
Sep-25	27.6	6.8	5.8	40.2	13.5	8.1	24.1	1.3	7.8	5.0

Source: CMIE Prowess, NSE Economic Policy and Research, ** Others include other institutional non-promoters, other non-institutional non-promoters and government non-promoters.

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Voting analysis across different ownership categories

India boasts three home-grown proxy advisory firms – Stakeholders Empowerment Services (SES), Institutional Investor Advisory Services (IiAS), and InGovern – all regulated by SEBI under the Research Analysts Regulations, 2014. These firms provide voting recommendations with detailed rationales, often advising against management proposals to enhance governance. For instance, SES recommended against 1,841 resolutions in 2023-24, though only 55 were rejected.[7] According to IiAS data for CY2024, voting participation among institutional investors and promoters remains high – 79.3% and 78.7%, respectively – while participation in the Others[8] category remains very low, with only 19.1% of shares owned being voted.[9] Although institutional investors do express dissent through their voting patterns, less than 1% of promoters and retail investors vote against resolutions. Combined with current ownership dynamics, this makes changing voting outcomes extremely difficult.

Figure 25

Voting analysis for NSE 500 universe

	INSTITUTIONS			PROMOTERS			OTHERS		
	CY2022	CY2023	CY2024	CY2022	CY2023	CY2024	CY2022	CY2023	CY2024
Ownership	25.07%	26.02%	26.61%	55.29%	53.01%	51.18%	19.64%	20.97%	22.21%
Shares Voted	83.57%	79.45%	79.29%	85.22%	79.17%	78.69%	29.01%	21.22%	19.06%
Voted For	93.68%	95.08%	94.56%	99.85%	99.97%	99.90%	99.12%	99.55%	99.42%
Voted Against	6.73%	4.92%	5.44%	0.15%	0.03%	0.10%	0.89%	0.45%	0.58%
Median Vote	86.40%	85.90%	87.20%	100.00%	100.00%	100.00%	11.40%	7.20%	6.50%

Source: IiAS data, India ownership Tracker

Our analysis notes the following voting trends among Indian institutions:

1) Life Insurance Corp. of India, the country's largest institutional investor and asset owner, voted in favour in 97% of the items, against in 1% and abstained in 2% in the first half of FY 2025-26.
2) India maintains a high ownership threshold of 10% for shareholders to propose resolutions or requisition extraordinary general meetings (EGMs), a point emphasised in ACGA's open letter to Indian regulators in April 2025.[10] Our letter highlighted this requirement as a significant barrier to enhancing shareholder engagement and minority investor participation, particularly when compared to lower thresholds in other Asian markets like South Korea.
3) In the six months to September 2025, a total of 16,693 resolutions were voted on at 2,967 shareholder meetings of 2,124 NSE main board listed companies (excluding 12 resolutions that were withdrawn or not put to vote). The 16,693 resolutions were each proposed by management, none by shareholders.[11]

Trends in categories and levels of investor dissent over recent years, measured by IiAS's research, are illustrated in Table 3. The declining pattern of dissent indicates improved disclosures and greater board responsiveness in some instances, as companies increasingly address shareholder concerns to mitigate opposition.

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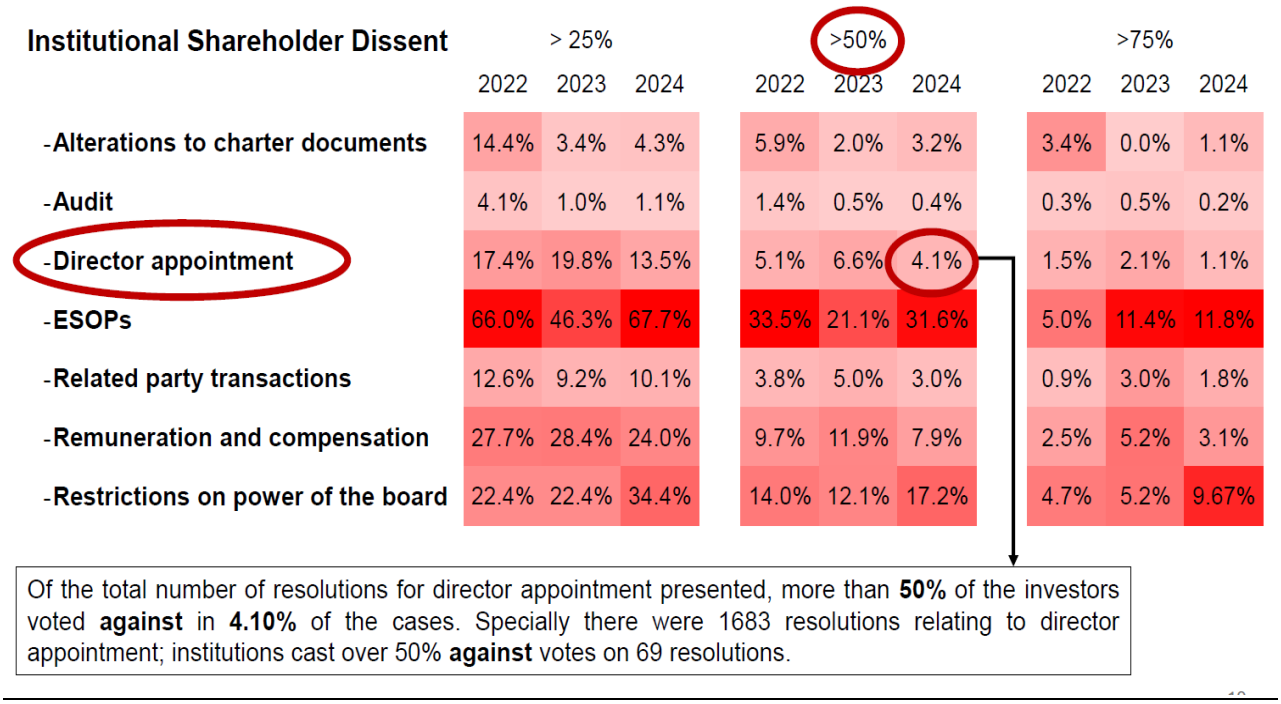
Figure 26

Investors dissent across various categories of shareholder resolutions in India



Source: IiAS data

Engagement analysis

Despite robust shareholder participation in proxy voting, our analysis of stewardship reports and research and discussions with relevant stakeholders indicates that engagements often cluster around the proxy season, with limited year-round thematic efforts. Reporting by domestic institutional investors (DIIs) frequently highlights a siloed approach between voting and ongoing engagement. At the same time there have been cases of integrated approaches as discussed below:

Case Study 1: Nippon Life India Asset Management

Nippon Life India Asset Management (NAM India) made a notable intervention in the Zee Entertainment (ZEEL)-Sony merger saga to protect minority shareholder interests. Following the $10 billion deal termination in January 2024 due to regulatory delays and leadership disputes, NAM India collaborated with investors including LIC and ICICI Prudential to push for governance reforms at ZEEL. This exemplifies the growing assertiveness of Indian asset managers in stewardship practices, prioritizing investor value through active engagement and voting.

The pivotal action centered on ZEEL's November 2024 AGM vote to reappoint CEO Punit Goenka as director for the period 2025 to 2029. NAM India and allies voted against, citing promoter overreach and governance concerns amid SEBI probes. The rationale for dissent mentioned safeguarding minority investor interests by curbing undue influence. Management's resolution to reappoint Goenka failed narrowly (50.4% against), marking Goenka's board exit after 19 years and an important milestone for Indian stewardship under SEBI's Code.[12]

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Case Study 2: SBI Funds Management

SBI Funds Management Limited (SBIFML), which operates India's largest mutual fund, exemplifies stewardship leadership among Indian investors. The asset manager conducted 274 corporate engagements in FY2025, including holding proxy voting discussions with companies and targeted ESG outreach aiming to improve disclosures and practices. SBIFML also engages proactively with companies outside proxy seasons and collaborates with regulators, industry bodies, and other stakeholders to cultivate an ecosystem supportive of sustainability and responsible investment.[13]

Figure 27

SBIFML Corporate Engagements in FY25

Table 5: SBIFML Corporate Engagements in FY25		
Engagements	Numbers	Percentage
Engagements on Material Topics	74	27.01%
Engagements on ESG Assessment	107	39.05%
Engagements During Voting	93	33.94%
Total Engagements	274	N/A

Source: SBIFML Stewardship Report 2025

Figure 28

SBIFML Pillar-wise Corporate Engagements in FY25

Table 6: SBIFML Pillar-wise Corporate Engagements in FY25		
Pillar-wise Engagements	Numbers	Percentage
Overall ESG Initiatives	118	43.07%
Environmental	56	20.44%
Social	97	35.40%
Governance	3	1.09%
Total	274	N/A

Source: SBIFML Stewardship Report 2025

In FY25, SBIFML voted on 5,669 individual resolutions, of which, 5,425 resolutions were voted in support of management and 244 (4.5%) were voted against with no abstentions.

According to its 2024-25 stewardship report, of the 244 votes against, 21% were on related party transaction approvals; 28% of resolutions related to director re-appointments and appointments and 14% for stock ownership plans (ESOP)/restricted stock unit (RSU) schemes. 7% were related to approval of director compensation and 9% were combined resolutions of director appointment/re-appointment and compensation. The remainder of votes against were for approval of accounts, amendments in articles of association, auditor appointments, charitable contributions

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in excess of limits etc. formed 3-5% each of the against votes cast in FY24. These have been voted against as they did not fit within SBIFML's broad proxy voting framework and generally accepted good governance practices.

Figure 29

SBIFML Types of Resolution Voted Against

Table 7: SBIFML Types of Resolution Voted Against	
Type of Resolution	Percentage of Resolutions Voted Against in Each Type
Related Party Transaction Approval	20.99%
Director Re-appointment	19.75%
ESOP Approval	13.99%
Director Appointment	8.23%
Director Compensation	6.58%
Director Re-appointment & Compensation	6.58%
Loan Approval	5.35%
Shareholder Resolution	4.94%
Director Appointment & Compensation	2.88%
Office of Profit Appointment	2.88%
Auditor Re-appointment	2.47%
Reclassification of Directors	1.65%
AoA Amendment	1.23%
Auditor Appointment	0.41%
Charitable Contributions	0.41%
Investment Approval	0.41%
Issuance of Equity	0.41%

Source: SBIFML Stewardship Report 2025

Our review of stewardship reports published by large Indian asset management companies (AMCs) for the period 2024 to 2025 revealed the following industry trends:

- The stewardship reports from major Indian AMCs demonstrate consistent alignment with SEBI's six stewardship principles. Common practices include robust ESG integration, disclosure on conflict-of-interest management, and voting transparency. While proxy voting and engagement focuses heavily on governance issues, including board composition and executive pay, reporting often falls short in detailing engagement outcomes or thematic initiatives. Nevertheless, some AMCs report on sector-specific engagements such as decarbonization and social inclusion, indicating gradual maturation of stewardship policies and activities.
- Thematic stewardship engagements addressing climate, social issues, and governance quality are carried out by only a few asset managers in India, mostly those managing ESG-focused funds. Most of stewardship activities occur around proxy voting season tied to AGMs, indicating a primary reliance on reactive rather than proactive engagements. Expanding thematic, year-round dialogues and collaboration remains a key area for further development.
- Collective engagement efforts amongst asset managers are limited, constraining the potential impact of stewardship. Indian asset managers favour one-on-one, face-to-face dialogues over group efforts, reflecting a cultural aversion to confrontation amid dominant promoter control in most listed companies. Collaboration occurs occasionally on broad environmental or industry issues via forums like Climate Action 100+ but rarely targets specific firms due to power imbalances with promoters who hold majority stakes.

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- SEBI's Stewardship Code (effective 2020) Principle 4 leaves collaboration with other investors as required. No direct legal bans exist, yet Competition Act concerns about anti-competitive collusion—such as information sharing or aligned voting—discourage deeper coordination without clearance from the Competition Commission of India.
- Asset owners such as insurance companies and pension funds generally are yet to fully embrace robust stewardship roles. Many asset owners participate minimally in voting and company engagement, often only voting on select resolutions or during proxy seasons. Disclosure related to stewardship policies and voting activities among asset owners varies and is frequently sparse. This limited involvement represents an untapped opportunity to deepen stewardship influence throughout India's institutional investment ecosystem.
- Indian asset managers are increasingly aligning with global responsible investment initiatives, notably the Principles for Responsible Investment (PRI) and Climate Action 100+. Leading asset managers such as SBIFML are active members, engaging intensively with high carbon emitter companies in India. SBIFML leads engagements for multiple companies under Climate Action 100+ and has integrated stewardship deeply within its ESG and investment frameworks. While many other Indian asset managers have adopted PRI membership and have announced commitments towards responsible investment, collective and thematic engagement initiatives remain limited although gradually increasing.

Next steps for India

Several practical steps could strengthen stewardship and sharpen its impact on governance and sustainability outcomes. Our recommendations are below:

1. **A unified stewardship code**: Multiple stewardship codes and differing disclosure standards hinder consistent expectations and benchmarking across investor types. A single code supported by the main financial regulators would bring consistency across mutual funds, insurers, pension funds and AIFs. This would also harmonise expectations and industry standards around ESG integration, escalation, collaboration and reporting, while allowing sector specific add-ons where necessary.

2. **Deepen asset owner leadership on stewardship**: Regulators and industry bodies should encourage asset owners, including large insurers and pension funds, to publish detailed stewardship policies, full voting records and engagement case studies. Institutions such as LIC and major public pension funds are well placed to set market standards.

3. **Adopt a shareholder dissent review mechanism**: Promoters continue to hold controlling stakes in many companies and vote almost all their shares, which means even high dissent from institutions rarely changes outcomes. Boards could be required to review and respond formally when dissent exceeds a set threshold, for example 10% of votes cast on key items such as director elections, remuneration or RPTs. Companies would then need to engage with investors, explain their position and report publicly within a defined period.

4. **Promote thematic and collaborative engagement**: Investors should expand year-round, theme-based stewardship on climate transition, human capital, audit quality and board effectiveness, working collaboratively where issues are systemic. Global alliances like PRI and Climate Action 100+ provide a useful framework, but domestic collaboration is often important for successful outcomes.

Stewardship in India has come a long way within a short time. Consolidating the regulatory framework, broadening participation by asset owners and deepening engagement and collaboration can turn high voting statistics into more durable governance and sustainability outcomes.

[1] https://www.researchgate.net/publication/355123717_Emerging_Prospects_of_Shareholder_Engagement_in_India
[2] A body that coordinates various regulators in the financial sector
[3] IRDAI issued the original Guidelines on Stewardship Code for Insurers in India on March 20, 2017 (Ref: IRDA/F&A/GDL/CMP/059/03/2017), requiring insurers as major institutional investors to adopt a board-approved stewardship policy applicable from FY 2017-18. These were revised on February 7, 2020 (Ref: IRDAI/F&A/GDL/CPM/045/02/2020), effective for FY 2020-21, with insurers mandated to update policies within 3 months, disclose them publicly on websites, and certify annual compliance by June 30 each year.
[4] PFRDA issued the Common Stewardship Code for all pension funds under NPS architecture on May 4, 2018 (Circular No. PFRDA/2018/01/PF/01), mandating mandatory compliance alongside its April 20, 2017 Voting Policy.
[5] http://sebi.gov.in/sebi_data/attachdocs/dec-2019/1577188497669.pdf
[6] https://nsearchives.nseindia.com/web/mediaattachment/2025-11/India_Ownership_Report_September_2025_1_20251112175017.pdf

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[7] https://indianexpress.com/article/opinion/columns/dont-fear-the-critic-how-proxy-advisors-improve-shareholder-decisions-in-india-9377480/
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Singapore: Evolving stewardship ecosystem

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Singapore's stewardship ecosystem has evolved gradually, but it continues to lag behind the country's broader corporate governance performance. While Singapore consistently ranks among the top markets overall in ACGA's biennial CG Watch – most recently placed joint third – its performance in the Investor section has not been as strong. Singapore ranked 7th out of 12 markets in the Investor section in 2023, and 6th out of 12 in 2020, making this the lowest-ranking section for the island republic across recent review cycles.

Stakeholders have consistently emphasised that further enhancing transparency among Singapore's domestic institutional investors, particularly with respect to observable progress over time, remains an important consideration and has the potential to bolster stewardship in the market.

Public disclosure of stewardship practices among institutional investors in Singapore remains uneven and generally limited. While the Singapore Stewardship Principles (SSP) encourage investors to disclose their stewardship policies, including their approaches to voting and engagement, as well as to provide information on voting behaviour and the outcomes of their stewardship activities, these expectations are presented as guidance across multiple principles rather than as disclosure requirements. Consequently, many domestic institutional investors provide only high-level qualitative disclosures, with comparatively less detail on voting decisions, engagement activities, or escalation processes. Much stewardship activity therefore continues to occur through private channels, consistent with the voluntary nature of the framework.

In this context, retail investors, most prominently represented by the Securities Investors Association (Singapore) (SIAS), have assumed a more visible and public-facing stewardship role than institutional investors. SIAS routinely engages listed companies on a wide range of governance issues, including board independence, executive remuneration, related-party transactions, shareholder rights, and disclosure quality. It maintains a regular presence at AGMs, where it raises questions directly with boards and management, often on matters that institutional investors tend to address through bilateral engagement. SIAS also issues public commentaries, media statements and governance assessments, thereby shaping public discourse and drawing attention to governance issues that might otherwise escape investor scrutiny.

The Singapore Stewardship Principles (SSP)

Similar to other markets in the region, Singapore introduced its Stewardship Principles in 2016, at a time when many Asian markets were rolling out formal stewardship codes. The framework is overseen by the Stewardship Asia Centre (SAC), a non-profit organisation that is part of the Temasek Trust ecosystem, and was updated in 2022 as SSP 2.0.[1] The SSP 2.0 was introduced to ensure the framework remains relevant in light of evolving market practices, regulatory developments, and rising expectations of institutional investors. The update places greater emphasis on internal governance structures, expands stewardship beyond listed equities, integrates ESG considerations, and adopts a more outcomes-oriented approach—reflecting a shift towards demonstrating the effectiveness, rather than merely the existence, of stewardship practices.[2] Today, the SSP has 76 signatories, comprising institutional investors, corporates, and professional bodies.

Since its launch, the SSP has consistently emphasised its voluntary, principles-based nature, intended to function as a guide for investors in the Singapore market and to sit alongside international stewardship codes.[3] Signatories are not subject to disclosure or reporting obligations, and there is no assessment or monitoring of adherence. This positioning was made explicit in the introduction to the 2016 version of the SSP, which states that the Principles "are not intended to be rigid rules to be enforced or prescriptive measures to be adhered to, nor are they intended to constitute a code. They are stated as broad principles, with suggested ways that these principles could be applied. Articulating and sharing stewardship activities, and the level of commitment to these Stewardship Principles, are matters that are left to each individual investor to adopt, on a wholly voluntary basis."[4]

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Singapore Stewardship Principles 2.0

Develop and articulate stewardship responsibilities and governance structures.
Responsible investors demonstrate how their internal stewardship and governance policies protect and enhance the interests of their clients and beneficiaries.

Monitor investments regularly.
Responsible investors exercise due diligence in overseeing their investment portfolios.

Stay active through constructive and purposeful engagement.
Responsible investors conduct regular, effective and fair communication and enhance engagement outcomes.

Uphold transparency in managing conflicts of interest.
Responsible investors disclose their conflicts of interest and prioritise the interests of clients and beneficiaries.

Exercise rights and responsibilities on an informed basis.
Responsible investors ensure they make informed decisions based on their ownership policies, with the best interests of clients and beneficiaries in mind.

Report stewardship activities periodically.
Responsible investors document and provide relevant updates on their stewardship activities.

Take a collaborative approach in exercising stewardship responsibilities where appropriate.
Responsible investors collaborate, where appropriate, to influence investee companies and issuers.

This fundamental positioning was retained in the 2022 update. The revised SSP continues to frame the Principles as guidance rather than prescriptive, noting that their effectiveness "hinges on their application in spirit rather than compliance in form." This reinforces that implementation remains flexible and investor-led, with no expectation of strict or standardised compliance.[5]

Stewardship practices among Singapore's asset managers

As a result, stewardship-related disclosure even among prominent domestic asset managers in Singapore remains uneven and generally limited, with most focusing on providing high-level articulation of policies and processes rather than granular detail on implementation or outcomes. For example, UOB Asset Management provides disclosure on its stewardship frameworks, ESG integration, and proxy voting processes, but limited visibility on actual voting behaviour or engagement outcomes. Fullerton Fund Management represents a modest advancement, with its 2025 Sustainability Report including aggregated voting statistics (with percentages of votes cast against management and on shareholder resolutions) and select examples of voting decisions, supported by more comprehensive policy documentation and sustainability reporting.[6] However, disclosure remains largely at an aggregated level and does not include company-level voting records.

Against this backdrop, Lion Global Investors stands out as a relative outlier, offering more granular disclosure. This includes company-level proxy voting records, published monthly, with details on specific issuers, meeting dates proposals, votes cast and selected rationales, particularly for votes against management.[7] The firm also publishes periodic engagement summaries, though these remain primarily thematic, focusing on priority issues such as social issues and climate change, and do not provide consistent insight into company-specific outcomes or progress tracking.[8]

Taken together, while certain firms demonstrate incremental advances in transparency, stewardship disclosure in the market lags behind global standards, particularly in providing consistent, detailed insight into how policies are implemented in practice.

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The Stewardship Asia Centre
The Stewardship Asia Centre (SAC) is a Singapore-based non-profit organisation established by Temasek and operating within the Temasek Trust ecosystem, which provides philanthropic funding and governance oversight. Temasek's own charter positions it as a "trusted steward." While SAC generates revenue from its executive and director education programmes, it is also supported through funding from the Temasek Trust. Although SAC is best known in capital-markets circles as the architect and current custodian of the Singapore Stewardship Principles (SSP), investment stewardship is not its sole—nor its dominant—focus.

SAC's primary mission is the promotion of "steward leadership"—a values-driven, long-term approach to leadership—across corporates, family businesses, youth groups, and broader organisational ecosystems. Its activities centre on leadership development, values-based decision-making, and cultivating a stewardship mindset, rather than on regulating or supervising investor behaviour. In this context, SAC's role in investment stewardship—defined narrowly as voting, engagement, and investor accountability—is somewhat limited. SAC shapes the narrative around stewardship and encourages principles-driven behaviour, but enforcement, implementation, and accountability rest largely with market participants themselves. Under the SSP, SAC does not assess signatories, require reporting, or monitor compliance, and while it encourages the submission of stewardship case studies, only a small number have been received to date.

Stewardship practices of Singapore's major asset owners

Singapore's major asset owners, such as Temasek Holdings and the Government of Singapore Investment Corporation (GIC), play a central role in the country's investment landscape. As long-term, sovereign-linked investors managing substantial portfolios on commercial principles, they act as significant stewards of capital, influencing governance, sustainability, and value creation across their holdings. Temasek, established in 1974 to own and manage government-linked assets commercially, positions itself explicitly as a steward under its Temasek Charter, which outlines high-level principles on governance, portfolio management, sustainability, and green finance. GIC, focused on preserving and growing Singapore's foreign reserves, similarly emphasises long-term responsible investing and engagement with portfolio companies to support sustainable returns.

Stewardship practices among Singapore's asset owners tend to emphasise constructive, behind-the-scenes engagement with portfolio company boards and management, rather than highly public or standardized disclosures. This aligns with Singapore's voluntary stewardship framework and the preference for private, bilateral dialogue in many domestic contexts.

Temasek, for example, has long articulated its ownership philosophy through its "Temasek Charter," which sets out high-level principles on governance, portfolio management, sustainability, and green finance. The Charter underscores Temasek's role as an active shareholder that engages portfolio companies to enhance value, advocate good governance, and promote sustainable practices. Temasek exercises shareholder rights through voting at meetings and views engagement and voting as essential levers for long-term value creation. In recent years, the organization has been building its capacity in this area: in 2024 it created a dedicated Investment Stewardship function and formalized a voting policy in 2025 to guide expectations and principles for exercising voting rights, and continues to deepen post-investment monitoring and ESG integration.[9]

While a comprehensive voting policy and granularity in its stewardship framework are not published on Temasek's website in full detail, insights into these practices and approach appear in sustainability reports, annual reviews, and related disclosures. This reflects a measured approach to public disclosure consistent with Temasek's long-term, owner-oriented mandate.[10]

Overall, Singapore's asset owners articulate thoughtful stewardship positioning aligned with their strategic objectives, however public visibility into specific implementation details, such as voting records or engagement outcomes, for now remains limited. This reflects the voluntary nature of frameworks like the SSP and the cultural emphasis on constructive, non-confrontational engagement to drive sustainable outcomes.

Singapore's Corporate Governance Code

Singapore's Corporate Governance (CG) Code, issued by the Monetary Authority of Singapore (MAS) and administered through Singapore Exchange (SGX) Regulation, is the principal corporate governance framework applicable to SGX-listed companies. It operates on a comply-or-explain basis and is enforced through the SGX Listing Rules.

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Singapore's CG Code explicitly supports stewardship-style engagement by emphasising "frank and informed dialogue" with shareholders as a central governance tenet that can encourage more active stewardship.[11] Notably, the Code formalises a shareholder-facing escalation route through the Lead Independent Director (ead INED), who is expected to be available to shareholders where concerns cannot be appropriately addressed via the Chairman or management. This serves as an important safeguard in structures where the Chairman is not independent or faces potential conflicts. Unlike most other Asian jurisdictions where the lead INED role is only recommended, Singapore's CG Code has driven significantly higher adoption. A 2022 KPMG survey found that 64% of mainboard companies had appointed a lead INED, with some companies having both an independent chair and a lead INED.[12]

Beyond this, references in the Code to shareholder engagement relate largely to the company rather than directors, including maintaining an investor relations policy, establishing mechanisms for shareholder questions and ongoing dialogue, and facilitating effective shareholder participation at general meetings where directors are expected to attend and engage directly. In practice, while Lead INEDs and independent committee chairs can provide valuable, targeted points of engagement on sensitive matters such as remuneration, succession planning or conflicted transactions, access remains issuer-dependent and may be constrained by ownership concentration and the extent to which companies provide direct, non-gatekept contact channels for shareholders.

Opportunity and recommendations to Strengthen Singapore's Stewardship Ecosystem

Over the past year, Singapore has launched several important market reform initiatives aimed at enhancing shareholder value and strengthening the vibrancy of its equity market. Chief among these is MAS's S$5 billion (c.US$3.95bn) Equity Market Development Programme (EQDP), announced in February 2025. The programme seeks to strengthen the local fund management ecosystem by allocating capital through selected fund managers focused on Singapore-listed equities, with the broader objective of improving market liquidity, deepening analyst coverage, and attracting greater investor participation. MAS has also emphasised that high-quality governance and stewardship are essential to building a resilient and internationally competitive equity market.

Complementing this is SGX RegCo's shift toward a more disclosure-based regulatory regime, which places greater responsibility on both issuers and investors to assess corporate performance through enhanced transparency. As part of the disclosure-based regulatory regime reform, SGX has removed the Financial Watch-List which was previously available for investors to monitor listed companies that were persistently loss-making and low-capitalisation. Under this evolving framework, investors are expected to play a more active role in monitoring, engaging, and disciplining investee companies, rather than relying primarily on ex-ante regulatory controls.

As we highlighted in ACGA's Value-Up Report (Singapore chapter), this reform window provides a timely opportunity to review and strengthen the Singapore stewardship framework. One constructive step would be to upgrade the Singapore Stewardship Principles from a purely voluntary, principles-based framework into a more formalised Stewardship Code, potentially housed under a more empowered oversight body. Doing so would help clarify investor expectations, strengthen accountability, and give stewardship greater institutional weight, ensuring that Singapore's market reforms translate into more meaningful and durable improvements in corporate behaviour and market discipline.

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[2] https://stewardshipasia.com.sg/docs/saclibraries/default-document-library/ssp_for-20responsible-20investor-202-0-1-.pdf?sfvrsn=82133969_3
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[4] Stewardship Asia Centre (2016), Singapore Stewardship Principles for Responsible Investors
[5] https://stewardshipasia.com.sg/docs/saclibraries/default-document-library/ssp_for-20responsible-20investor-202-0-1-.pdf?sfvrsn=82133969_3
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Malaysia: Rules-based stewardship

Amar Gill, Secretary General

The Malaysian Code for Institutional Investors (MCII),[1] the country's stewardship code, was introduced in 2014 when it was only the second such code in the Asian markets, launched just a few months after Japan's stewardship code. The MCII includes very specific prescriptions on voting against companies for breaches of the Malaysian Code on Corporate Governance including on board diversity, succession planning, board evaluation and on the appointment of active politicians to company boards. The stewardship ecosystem coalesces around the Institutional Investors Council, the custodians of the stewardship code which also arranges collaborative meetings for its members with listed companies while representing Malaysian institutions in discussions with regulators. Malaysia also has a fairly unique proxy advisor-cum-activist organization, the Minority Shareholders Watch Group which holds shares in companies and actively engages through public letters and attending shareholder meetings to voice issues and concerns.

Malaysian asset owners have dedicated teams for stewardship with the largest ones, the Employees Provident Fund (EPF) and Permodalan Nasional Berhad (PNB) issuing comprehensive stewardship reports. The larger asset owners also make it a policy to state publicly where they are voting against, or abstaining in a shareholder vote, five days before the meeting. The reporting by the other entities is somewhat generic and may under-represent their efforts. More detailed reporting including greater interaction between asset owners and asset managers as well as engagements with independent directors of investee company boards by both asset owners together with asset managers would seem to be the path forward for advancing stewardship efforts in the market.

The Malaysian Code for Institutional Investors

The MCII has been developed collaboratively by major Malaysian institutional investors and was updated in 2022. Oversight is provided by the Institutional Investors Council (IIC) Malaysia, which maintains the list of signatories and compliance statements. As of September 2024, there are 35 signatories to the MCII 2022, including the major asset owners in the country as well as both domestic and foreign asset managers. Signatories are expected to report annually on their stewardship activities.

The first Malaysian Code for Institutional Investors (MCII 2014) was published by a Steering Committee spearheaded by the Minority Shareholders Watch Group (MSWG) and comprised of senior executives from institutional investors in Malaysia. The Institutional Investors Council Malaysia (IIC) was formed soon after in July 2015 and is now the custodian of the Code responsible for monitoring its application and future enhancements.

The country's government-linked investment companies (GLICs) are also guided by the Principles on Good Governance (PGG) for Government-Linked Investment Companies issued by the Ministry of Finance (MOF) in April 2022. This aims to enhance the governance and sustainability practices within the six GLICs: the EPF, PNB, the public services Retirement Fund (KWAP), Khazanah Nasional Bhd, Lembaga Tabung Haji (LUTH) and Lembaga Tabung Angkatan Tentera (LTAT). The PGG aims to ensure strength of the boards of GLICs and the integrity of their directors. The GLICs are also members of the IIC and signatories to the MCII.

The MCII has an "apply and explain" approach. Institutional investors are expected to apply the principles and explain any deviations, including corrective actions and time-lines. Guidance is set out in the form of best practice recommendations. Where appropriate, signatories are expected to highlight departures from the Code along with the measures to be taken, and the time frame required to be aligned with the recommendations of the Code. Service providers are also encouraged to be signatories to the Code. The revised MCII 2022 comprises six of the original principles with an added principle relating to collaborative action.

Principles of MCII 2022

1. Disclosing stewardship policies
2. Monitoring and engaging with investee companies
3. Engaging investee companies
4. Managing conflicts of interest
5. Incorporating sustainability and ESG considerations
6. Publishing governance and voting policies
7. Collaborating on governance and sustainability issues

The Code recommends that institutional investors incorporate corporate governance and sustainability considerations, including climate-related matters into their decision-making process while seeking to deliver sustainable returns in the long-term interest of their beneficiaries or clients. Institutional investors should assess the quality of disclosures made by investee companies on adoption of corporate governance practices and engage investees in the following areas:

- Adoption of or departure from the Malaysian Code of Corporate Governance (MCCG) practices;
- Diversity targets and policies, including gender, age and ethnicity;
- Board remuneration and nomination policies and procedures;
- Board composition;
- Financial reporting;
- Risk management and internal controls; and
- Key sustainability practices.

The MCII recommends that institutional investors report on how sustainability considerations, including climate-related matters, are incorporated into their investment decision making policy and process, and disclose the method and metrics used to identify factors which are most material when assessing an investee company. They should disclose their overall voting policy by highlighting their expectations in terms of governance and sustainability practices and voting guidelines for their investments as well as procedures that are in place. The reasons for voting against or abstaining from voting at a general meeting should be communicated to the investee company and made public.

The MCII encourages institutional investors to disclose their voting activities. The disclosure should include the number of meetings attended, the reasons for voting against or abstaining on a voting item, and a summary of voting decisions made.

According to the principles, institutional investors should engage with investee companies and collaborate with other investors to enhance engagement outcomes. Where appropriate to respond to corporate governance and sustainability concerns or risks, the Code states that institutional investors should collectively take appropriate measures, including communicating a common view to portfolio companies and the public on corporate governance and sustainability concerns or risks. When collaborating with other parties, it underscores that institutional investors should be cognisant of market regulations, in particular rules relating to acting in concert and market manipulation.

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Stewardship Spotlight and the Malaysian Corporate Governance Code

The MCII 2022 includes a section called "Stewardship Spotlight" which highlights key governance and sustainability issues for investors to consider during engagements and voting. Signatories to the Code are expected to advocate the adoption of good corporate governance and sustainable business practices by investee companies, in line with recommendations of the Malaysian Code on Corporate Governance (MCCG)[2] which was last updated in 2021.

The Stewardship Spotlight highlights what is expected of investee companies in relation to corporate governance and sustainability matters and provides voting recommendations when there are breaches of the recommendations of the MCCG. The table on the following pages sets out the relevant corporate governance code recommendations and voting recommendations of the MCII 2022. These voting recommendations cover topics ranging from board diversity, succession planning, board evaluation, politically active candidates for directorship, tenure of independent directors and remuneration.

The MCII is thus quite specific in its guidelines on voting against, or abstaining on, re-election of nomination committee members if the board lacks female diversity and does not have a policy to bring female representation on the board and senior management to 30%. It recommends voting against or abstaining on the re-election of directors who have served more than nine years on the board, and on election of active politicians to the boards. There are recommendations to vote against or to abstain on the re-election of remuneration committee members if compensation to chief executive officers or executive directors is deemed excessive and inconsistent with performance, and to vote against share options or performance-based incentives paid to non-executive directors.

It also includes engagement guidance relating to sustainability matters although the MCII does not prescribe specific voting action, unlike the guidance it provides for other areas as shown in the table.

The corporate governance code states that a company could appoint a Senior Independent Director (SID) and that where one is appointed, the role should be explained in the board charter. According to the Code, this may include the SID acting as a sounding board for the Chair, serving as an intermediary for other directors when necessary; and for the SID to be the point of contact for shareholders and other stakeholders. While the appointment of a SID is stated as something companies could consider, however the MCCG does not go as far as to recommend the appointment of a SID or Lead Independent Director. Correspondingly, there is no requirement in the MCII for investors to take this up as an engagement or voting issue.

Overall, the impact of the MCII for investors and the MCCG for corporates is that there is an increasing amount of engagement between institutional investors and corporates in Malaysia on a one-on-one basis as well as collaboratively through the IIC (see section below). However, given that very few companies have appointed a SID, in practice there is very limited interaction between investors and independent directors for a fuller understanding of the workings of the board.

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Figure 30

Recommendations of the MCCG and voting guidance of MCII

Recommendations of MCCG 2021	Voting guidance of MCII 2022
1. Board Diversity: (i) The composition of the board of an investee company should be diverse with the right mix of experience, skills, gender as well as generational difference to bring different perspective, challenge into the board's deliberation and decision-making process and mitigate the risk of groupthink. (ii) The board of investee companies should comprise at least 30% women directors. (iii) Where participation of women on the board of an investee company is less than 30%, the board should disclose measures and reasonable time frame to achieve at least 30%: a time frame of not more than three (3) years is considered as reasonable and in alignment with the approach adopted for the MCCG. (iv) Investee companies should establish clear policies to support the participation of at least 30% women on the board and in senior management level.	Abstain or against the re-election of members of the Nomination Committee (NC) for failure to address matters identified under Items 1 (i) to (iv).
2. Succession Planning Policy and process of succession planning for the directors, Chief Executive Officer and key senior management positions, particularly when such positions are assumed on a contractual basis.	Abstain or against the re-election of members of the NC for failure to address matters identified under Item 2.
3. Board Evaluation (i) Process and criteria of annual board evaluation, including effectiveness of the board, individual directors and board committees. (ii) Outcome of the board evaluation – holding candid and frank discussion on the outcomes, including identifying significant gaps. (iii) Action taken especially in addressing the identified gaps.	Abstain or against the re-election of members of the NC for failure to address matters identified under Items 3 (i) to (iii)
4. Appointment of Active Politicians: Discourage the appointment of active politicians.	Abstain or against the election/ re-election of active politicians
5. Tenure of an independent director should be limited to nine years. Investee companies to have in place a policy which sets a nine-year tenure limit for an independent director. Discourage the re-appointment of an independent director who had previously served on the board for more than 12 years despite having served the required three year cooling-off period.	Abstain or against in relation to the retention of an independent director who has served for more than nine years.

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6. Remuneration: Non-Executive Directors: Investee companies should clearly disclose the remuneration component of non-executive directors, i.e. fee structure (board & board committees), meeting allowances or other emoluments). Share options and/or performance-based incentives should not be paid to non-executive directors. Executive Directors and Key Senior Management: The Remuneration Policy should clearly explain how the remuneration of the Executive Directors, including the Chief Executive Officer and key senior management are determined, link to performance and KPIs. Remuneration paid to Executive Directors/ Chief Executive Officer and key senior management should commensurate with their individual performance and performance against agreed KPIs. Strongly encourage detailed disclosure of senior management remuneration on named basis.	Against the payment of any share options or performance-based incentives paid to non-executive directors. Abstain or against the re-election of the Remuneration Committee (RC) members if the remuneration paid to Executive Directors and/or Chief Executive Officer is found to be excessive and do not commensurate with performance or agreed KPIs.
7. Sustainability – Oversight role of the board: Oversight role on sustainability activities in the investee company to ensure that the investee company is moving towards achieving the targets with sufficient and accurate public disclosure. Have sufficient knowledge and understanding on sustainability issues deemed relevant to the investee company and its business. Capability and competency to deliberate on sustainability issues and ensure that sustainability is embedded across the company with adequate resources, systems and processes in place to manage sustainability risks and opportunities. Monitor management in providing comprehensive and accurate details on emissions reduction plan/pathway and measures adopted to support transition to a low carbon economy as well as treatment of workers' well-being. Ensure that the policies, processes and procedures to identify and manage sustainability risks and opportunities including impact of climate change are in place.	Engagement(s) with investee companies to: • Highlight the importance of board oversight on how the investee company is managing sustainability risks and opportunities as well as ensuring that the company is moving towards achieving the targets it has set with meaningful public disclosures. • Encourage companies to disclose comprehensive and accurate details on the following sustainability matters to include: Corporate governance and business ethics; Emissions reduction plan/ pathway and measures adopted to support transition to a low carbon economy; Treatment of workers' well-being.

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The Institutional Investors Council

Malaysia has a unique arrangement among its investors, the Institutional Investors Council (IIC), established in 2015 to represent the collective interests of institutional investors, promote good governance and sustainable practices. The objectives of the IIC include representing the interests of institutional investors and to act as a conduit between policy makers, regulators and institutional investors in relation to broader corporate governance issues. The Council provides guidance and monitors the adoption of the MCII among institutional investors and encourages institutional investors to become signatories of the MCII.

The IIC currently comprises 32 members, including government- linked investment companies such as the EPF, PNB, KWAP and the government's sovereign fund, Khazanah Nasional. Privately owned asset managers are also members. In July 2025, the IIC announced plans to expand its membership to include non- institutional investors, allowing for a broader representation of the capital markets industry.

The IIC organises collaborative meetings among its members with listed companies, undertaking eight such meetings in 2024 and a similar number in previous years. A summary of these meetings is provided in its annual report.[3]

Stewardship reporting of asset owners and asset managers

The individual members of the IIC produce their own stewardship and corporate governance reports.[4] The large government funds publish their voting decisions for shareholder meetings, many of which including the EPF, KWAP and PNB provide their voting action publicly on their website five days before the meeting[5]. The stewardship reports produced by the large asset owners have significant detail, representing their voting policies, engagement statistics and annual statements confirming their adherence to the MCII. PNB, for instance, with 24 personnel in its combined stewardship and ESG team, has gained recognition from the International Corporate Governance Network (ICGN), receiving a commendation award for stewardship disclosures in 2024 for asset owners below GBP 60bn of assets.

Investment stewardship at Permodalan Nasional Berhad (PNB)

PNB's 2024 stewardship report[6] is a 58-page document outlining its approach with ten ESG commitments. The Governance section describes the fund's adoption of a Triple Bottom Line Stewardship Model, Transparency in Voting, and TCFD-aligned disclosure. PNB publishes its voting policies and decisions online with details up to five days before each meeting. In 2024, it attended 192 shareholder meetings across 12 markets and voted on 1,635 resolutions globally, of which 1,095 were from Malaysian listed companies. Of its domestic portfolio, PNB voted against management at 11% of the companies and abstained on voting for another 3%. Over half (58%) of votes against within its Malaysian holdings were on capital management, while 25% of the votes against were on compensation. It voted on 132 capital management proposals in Malaysia, of which it opposed 54%, stating that these were mainly share issuance proposals without pre-emptive rights. PNB had 67 nominee directors at its investee companies, of which 32 were external and 35 were staff nominee directors representing PNB at these companies. During the year, it held 522 engagements with 60 domestic investee companies representing 80% of its domestic listed equity holdings.

PNB and EPF also provide the rationale for their voting actions where they vote against or abstain on certain proposals at shareholder meetings. Other Malaysian GLICs and domestic asset managers provide higher-level stewardship statements on the IIC website, mainly to state their adherence to the MCII with guidelines on how the stewardship principles are implemented but with limited disclosure on engagements and actual voting action. The GLICs do state ESG and stewardship expectations in selection of external managers, although based on publicly disclosed reports, the current level of interaction between asset owners and asset managers on stewardship matters does not appear extensive and, as yet, without a formal assessment of the stewardship efforts of the asset managers by either the regulators or asset owners.

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The Malaysian Shareholders Watch Group

A unique aspect of stewardship and activism is the Malaysian Shareholders Watch Group (MSWG). Set up by the government in 2000 as a self-governing, non-profit and funded through the Capital Market Development Fund, MSWG is a founding member of the IIC. It buys 100 shares in over 450 companies, just under half of the number of listed companies in the Malaysian market but representing approximately 80% of the overall market capitalisation. These companies are monitored closely with MSWG officials studying their proxy statements as well as annual reports, sending letters to the companies five days before the AGMs highlighting issues relevant to the specific company and attending the meetings to raise these questions.

MSWG produces "Quick Take" summaries on company developments, proposed resolutions and matters of interest to minority shareholders. In addition, it provides proxy advisory research presented in its Pre-Voting Decision bulletins which states MSWG's stance on the respective resolutions. Its reports get significant media attention leading to not just institutional investors but also retail investors often following its recommendations. Although not an activist fund, MSWG provides systematic proxy research and is a focal point for active shareholder engagement in the market.

The way forward

Malaysia was one of the first countries to launch a stewardship code for investors which was updated in 2022, eight years after the initial launch. Malaysia's Securities Commission (SC) recently undertook a consultation on the country's corporate governance framework which closed on 13 February. This is part of the review of the CG Code which is expected to be updated later this year. Whilst it has only been four years since the MCII was updated, given the increased expectations on institutional investors regionally to play a meaningful role in national programmes to sharpen the focus on shareholder value, it may well be appropriate for the stewardship code to be reviewed as soon as the country's CG code has been refreshed.

The seven principles of the MCII are core aspects of stewardship responsibility and similar to principles in stewardship codes across the region. However, some of the markets pushing ahead on stewardship responsibilities are bringing in areas of responsibility that institutional investors in Malaysia may also consider, and could be brought into the code when it is next updated. For a comparison of key aspects of stewardship codes across the region, please see Figure 4 on page 12 of the first section of this report. We highlight below four areas covered in some of the other stewardship codes but currently not in the MCII.

Develop skills and resources

The stewardship function is a fairly new one within investor organizations in the region. It has been created partly to ensure that a team examines the long-term prospects of investee companies and engages on these, not just having engagement meetings to determine the short- to medium-term operating performance, as most portfolio managers generally focus on. Portfolio managers are assessed based on the performance of their funds on a quarterly to annual basis; the skills required for effective stewardship are quite different. Hence, within investor organizations, it is imperative for there to be specific training and development of skills to develop capable personnel in the stewardship function focusing on longer term governance matters in investee companies.

Exercise independent judgement

This principle would appear to be implicit in the overall purpose and in executing the other aspects of the stewardship function. However, it is worth spelling out explicitly that stewardship teams are expected to exercise independent judgement and should be supported to be able to function independently to allay the risks of conflicts in the commercial interests of the asset manager. It is also essential to ensure that the stewardship function is not subsumed and given a secondary role in proxy voting when matters arise at investee companies where portfolio managers may be focusing more on short-term performance rather than longer term shareholder value. Separately, to the extent that the asset managers and asset owners undertake collaborative engagements, to reduce the risk of acting in concert it should also be clear that each investment firm will ultimately act independently based on its own judgement on the best course of action with regard to engagement steps and voting action on behalf of its beneficiaries.

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Monitor asset managers (for asset owners)
In most markets in Asia other than Japan, reporting and discussions between asset owners and their external asset managers on stewardship matters does not appear a priority and is not elaborated on in public documents. In Malaysia, oversight on stewardship is left to the IIC and its investor members, but the IIC does not assess the investor organisations on their stewardships activity or provide suggestions for areas of development for specific managers. Asset owners are dominant in the IIC and could play in monitoring the external asset managers to ensure proper implementation of policies and sufficient resourcing to develop stewardship capabilities. It is worth noting that the Australian Asset Owner Stewardship Code has a principle on monitoring asset managers' stewardship activities which we see as contributing to a stronger stewardship ecosystem in that market.

Undertake policy engagement
Among its responsibilities, the IIC is also tasked with representing investors in discussions with the regulators on policy matters. We believe that informally, there are likely to be discussions among large asset owners in the country with regulators in particular when significant regulatory developments are being planned. However, for proper exercise of stewardship responsibility, most investment firms should voice their views to ensure that the investor perspective is not overwhelmed by the large number of corporates that may seek to slow progress on stewardship and corporate governance reforms.

Investor members of ACGA have indicated that it is difficult to arrange meetings with independent directors (INEDs) in Malaysia. Stewardship teams often wish to discuss issues with INEDs to gain a better understanding of the working of the board and how governance issues are approached. However, companies appear reluctant to provide their INEDs for such discussions. INEDs themselves may be unclear why such discussions are sought by investors. There appears to be a need for education for INEDs on the different type of discussion that stewardship teams seek from that of portfolio managers and financial analysts who meet investor relations and other representatives of management. Domestic investor organizations could be encouraged to discuss governance issues with INEDs, who are meant to be the independent voices on the board. Having meetings with INEDs could be incorporated into the MCII for this type of engagement to be more common going forward.

Finally, oversight on stewardship practices which currently rests with the investors' organization, the IIC, may also be reviewed. In Japan, India, Hong Kong and Thailand it is the financial regulator that is the issuing body for the stewardship codes and oversees their implementation and development, while in Taiwan it is overseen by the stock exchange. Having the same regulatory agency to oversee the stewardship code as well as the corporate governance code would help ensure that the two codes are aligned and that recommendations in the CG code are mirrored in the stewardship principles for investors. The financial regulator is better positioned to monitor implementation and ensure investment managers are fulfilling their stewardship responsibilities rather than this being left to the investors' association. Thus, we recommend that the SC, after updating the CG Code this year, undertake a review of the MCII with a view to take up responsibility for laying out the principles and monitoring the practices of investors in the market.

[1] https://iicm.org.my/wp-content/uploads/2024/11/Malaysian-Code-for-Institutional-Investors-2022.pdf
[2] https://www.sc.com.my/Malaysian Code on Corporate Governance
[3] Annual Reports - Institutional Investors Council Malaysia
[4] See for instance EPF Corporate Governance Principles and Voting Policy 2024 Edition
[5] Link to EPF's record of voting: Investment Stewardship - KWSP Malaysia; PNB's Sustainability - Investment Stewardship | Permodalan Nasional Berhad (PNB); KWAP's Investment Stewardship - KWAP
[6] PNB Stewardship Report.pdf

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Thailand

Thailand has one of the region's most developed stewardship frameworks having adopted a formal stewardship code in 2017. The Thailand Stewardship Code (TSC) (officially called the Investment Governance Code for Institutional Investors or I Code)[1] was implemented in 2017 and driven and overseen by the Securities and Exchange Commission (SEC). While the code is voluntary, it is a well-drafted and credible document and widely recognized as such among local and foreign institutional investors, asset managers, and pension funds. The TSC encourages investors to monitor companies, engage in constructive dialogue, manage conflicts of interest, and exercise voting rights responsibly. It includes specific guidance on proxy voting, engagement strategies, and conflict of interest management. The code promotes transparency in voting records and engagement activities, with investors expected to report on stewardship activities. Designed to complement Thailand's Corporate Governance Code it aims to utilize institutional investor power to raise standards for boards of directors.

The Code, which is voluntary in nature, applies to asset owners, asset managers and related service providers, such as custodians, trustees and fund administrators. The Code comprises seven specific principals:

Principle 1: Adopt a clear written investment governance policy.
Principle 2: Prevent and manage conflicts of interest that may arise and specifically, prioritise the best interest of clients at all times.
Principle 3: Make well-informed investment decisions by actively monitoring investee companies.
Principle 4: Ensure active engagement with investee companies if monitoring pursuant to Principle 3 is considered insufficient.
Principle 5: Adopt a clear policy on the exercise of your voting rights and the disclosure of your voting outcomes.
Principle 6: Act collectively with other investors and stakeholders as appropriate.
Principle 7: Disclose on a regular basis your investment governance policy and your compliance with that policy.

Institutional investors adopt the voluntary Code and become signatories by filing a Letter of intent signed by the Chairman of its board of directors with the SEC. The SEC publicly discloses the list of signatories to the Code on its website. As of the time of writing, there were 80 signatories to the Code as follows:

Type of Investor	Number of Signatories
Government Agencies/ Association/ Other Institutes	5
Asset Management Companies	31
Securities Companies/Private Funds	13
Insurance Companies	12
Provident Fund	19
Total	**80**

Investors are also expected to disclose their intent to adopt the Code on their websites and in any annual reports. Signatory investors are expected to implement the Code Principles and disclose their level of compliance on a "Comply or Explain" basis. Any Principle not applied by the Investor must be identified and explained on its website and any annual report. Investors regulated by the SEC, such as local asset managers, must notify their Code disclosures to the SEC.

The Government Pension Fund of Thailand (GPF), an inaugural signatory to the TSC, is a regional leader in ESG integration with $34 billion in assets under management. The GPF lays claim to being a leader in ESG strategy that integrates sustainability into two-thirds of its holdings. GPF has issued a number of policies, including its own corporate governance, investment governance and proxy voting guidelines. It also regularly publishes its compliance with the SEC's Investment Governance Code, Thailand's stewardship code.

GPF is also a signatory to the United Nations Principles for Responsible Investment (PRI) and proactively collaborates with international organizations including the OECD, World Bank, and PRI. It promotes and leads collaborative engagements with local institutional investors and external fund managers (both domestic and international). The GPF and 42 other Thai investment organizations have already signed a commitment to influence the domestic market and its companies positively.
GPF's engagement approach is to assume an active engagement approach rather than divestment. Among its successes GPF cites engagement with Thailand's top 10 companies, to encourage them to set net zero targets and set caps on emissions.

The active stewardship agenda in Thailand is not without its challenges. The Thai capital market remains dominated by local family-controlled companies that often assume the role of de facto 'stewards' in most Thai companies and can be resistant to governance and environmental/social reforms. Institutional investors usually hold small minority shares in Thai listed companies minimising the impact on change that they can have. While all the local asset management companies in Thailand have voluntarily adopted the Thai Stewardship Code's principles, only a few private mutual funds have done so.

Indonesia

Unlike regional peers such as Malaysia, Singapore and Thailand, Indonesia has not adopted a dedicated stewardship code or stewardship rules for institutional investors, despite some pressure from academics and investors to do so. The Indonesian Financial Services Authority (OJK) has incorporated stewardship *principles* into broader corporate governance frameworks, including the Indonesian Corporate Governance Roadmap, but these are very general and aspirational in nature and are in no way a substitute for a formal stewardship code. OJK's approach emphasizes fiduciary duties and responsible investment practices, encouraging pension funds and insurance companies to consider ESG factors. There have long been discussions among policymakers and academia about the benefits of adopting a formal stewardship code, but none has been implemented yet. It seems that as of now, Indonesia lacks the political will to make a stewardship code a reality.

On a more positive note, the first sovereign wealth fund, the Indonesia Investment Authority (INA) has made investor stewardship a core part of operations, with "active ownership" as one of three key pillars for sustainable practices. The INA claims that it integrates ESG principles across every stage of its investment process and collaborates with portfolio companies to develop tailored ESG roadmaps and targets aligned with investment structure. We note however that the INA is still relatively young and there is a major difference between stated aspirations and practices, so this is something that requires ongoing monitoring. The INA has committed to regularly reporting ESG implementation to ensure transparency and strengthen stakeholder engagement and it became a full member of the International Forum of Sovereign Wealth Funds (IFSWF) in September 2022. INA has also committed to promoting governance and investment management best practices through the Santiago Principles, internationally recognized guidelines for sovereign wealth fund management which emphasize the importance of governance, accountability, transparency, and prudent investment practices.

Indonesia's second and more recently-incorporated sovereign wealth fund, Daya Anagata Nusantara Investment Management Agency, or Danantara for short, formed in 2025, also claims to be committed to promoting ESG principles. Danantara states that it aims to ensure every investment decision is based on transparent governance, rigorous risk mitigation, and high public accountability. However, Danantara is already facing controversies and governance concerns, including criticism that it lacks independent governance, transparent investment strategies, and strong risk management frameworks that characterize best-practice sovereign wealth funds.

As a case in point, Danantara's board is dominated by directors with reported political affiliations to the President , increasing concerns over political influence and the risk of potential cronyism. There is limited financial transparency since Danantara audits are only available when requested by the House of Representatives, meaning that national audit entities, such as the Financial Audit Board (the BPK) and the Agency for Financial and Development Supervision (BPKP) are unable to audit Danantara's assets and activities independently of government involvement.

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Philippines

The Philippines has no standalone stewardship code and there does not appear to be any obvious impetus for the adoption of such a code. Regulators state that the country's stewardship principles are embedded within existing corporate governance regulations overseen primarily by the Securities and Exchange Commission (SEC), secondarily by the Philippine Stock Exchange and as it relates to banks and certain other financial institutions, by the Bangko Sentral ng Pilipinas, the country's central bank.

The Revised Code of Corporate Governance (last amended in 2019) requires directors and officers to act in shareholders' best interests, while the code states that institutional investors are expected to exercise voting rights and engage constructively with investee companies. The code focuses on transparency, accountability, and active ownership, particularly encouraging participation in general meetings and active ESG disclosures. The regulators have limited power to enforce such activities however, since the code is based on a comply-or-explain basis.

Asset manager organisations, such as the Philippine Investment Funds Association and the Fund Managers Association of the Philippines claim to promotes best practices among local and some foreign fund managers, including publishing codes of ethics, but the codes are fairly generic while the organisations themselves are first and foremost industry associations and not especially advocating for meaningful governance reforms or active stewardship.

Like Indonesia, the Philippines has recently launched a sovereign wealth fund, the Maharlika Investment Corporation (MIC). Established in 2023, the sovereign wealth fund operates in alignment with the Santiago Principles, internationally recognized guidelines for sovereign wealth fund management which emphasize the importance of governance, accountability, transparency, and prudent investment practices. As such MIC has committed to integrating sustainability considerations into its investment decision-making process and states that it aligns its strategies with sustainability principles for responsible stewardship of national resources. MIC claims that it integrates ESG standards into all its decision-making and manages risk via a dedicated risk management committee at board level. MIC also states that it follows the principle of active ownership in its investments.

As a fund established mainly to own government stakes in state-owned or controlled assets, however, there is no evidence to date that MIC is actively promoting stewardship principles in the privately owned corporate markets, or indeed that it intends to do so in the future. Thus far MIC has not engaged with other institutional investors to promote higher corporate governance standards. Rather its focus appears to be ensuring its own investments meet high ESG and governance standards. Its relative youth also means that its wider influence on Philippine investor stewardship practices may be some way away, if indeed it materializes.

[1] ICodeIEnglish (United States)I

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