Conference Report

ACGA

ACGA 23rd Annual Conference

Asian Business Dialogue on Corporate Governance 2024

"Taking corporate governance to the next level in Asia"

5-6 November 2024

Four Seasons, Singapore

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Preface

ACGA's 23rd annual conference held over 5-6th of November 2024 was our third conference in Singapore. It has been 19 years since our last one in 2005 in the island republic but with two others in the Asean region in the intervening years (Thailand in 2012, Malaysia in 2015). We chose Singapore this year for various reasons: it continues to be in the top-tier of markets in our CG Watch rankings and pushes ahead with improving disclosures and incorporating global sustainability reporting standards. A stewardship and concurrently an activist investor community is growing in the city state. Hence it was opportune to come back to Singapore to bring these developments into focus.

The theme of this year's conference, "Taking corporate governance to the next level in Asia", we feel is timely. Japan has set out its Action Program, Korea its Value Up plan and even China just closed a consultation on companies to protect market value. Hence, we opened with a plenary titled "CG Reform: Japan, Korea and the pathway for other markets". The potential for governments, in some cases with new leaders, to reset the governance framework towards value creation and not just compliance makes this a very interesting juncture for Asian markets. The overall theme of the conference infused various panel discussions, which ranged from stewardship, activism, effectiveness of independent directors, advancing diversity, transparency on compensation, corruption, fraud and whistleblowing, the challenges of artificial intelligence as well as NDCs and transition plans.

Deputy Prime Minister Heng Swee Keat opened the conference with a keynote address highlighting political risks, technology, ageing population and climate change as key areas that could have an impact on corporate governance. In all, we had 45 speakers and panelists from 15 countries and markets, 198 delegates globally and four sets of regulators from around the region who had discussions with delegates. Not to mention the CEO of World Wild Fund for Nature (WWF) Singapore as the gala dinner guest speaker - there was certainly very rich content on offer.

As always, the invaluable support of our sponsors was essential to host the event. On behalf of ACGA and all our members, we thank the following organisations for their generosity:

- **Principal sponsor**: CLSA
- **Supporting sponsors**: EY, Singapore Exchange Regulation (SGX RegCo)
- **Luncheon sponsor**: Capital Group
- **Workshop sponsors**: CLP Holdings, Norges Bank Investment Management
- **Welcome reception sponsor**: TPC (Tsao Pao Chee)

We are also grateful for the support of the Investment Management Association of Singapore (IMAS) for being a supporting partner.

The work that goes into organising each "Asian Business Dialogue" and the related events is huge. I would like to thank all members of the ACGA Secretariat for the tremendous effort to bring this year's conference to a successful fruition. The ACGA Council, in particular **Yuelin Yang** based in Singapore, was a pillar of support throughout the year, contributing their experience and time on a completely voluntary basis.

Finally, our sincere appreciation for the participation and very frank views from our speakers, panelists and delegates. The real value of the conference comes from sharing insights and experience for participants to appreciate the challenges and assess potential solutions. In the pages that follow, we provide highlights to give a flavour of the sessions. I hope those who joined us find it a useful recap, and for those who were not able to attend a sense of the high value content in the discussions. We hope to see you all next year!

Amar Gill
15 November 2024

Day One

The conference kicked off on the morning of 5 November 2024, with ACGA Secretary General **Amar Gill** serving as the master of ceremonies and ACGA Chair **Steve Watson** welcoming delegates. We were honored to have **Deputy Prime Minister Heng Swee Keat** give the keynote opening speech, where he addressed key trends shaping the global economy, including geopolitics, technology, a shrinking workforce and climate change, and emphasized the critical role of corporate governance to navigate these changes.

Corporate governance crossroads

The conference opened with the plenary session, "CG Reform: Japan, Korea, and the Pathway for Other Markets," which featured insights from **Ken Hokugo**, Director and Head of Corporate Governance at Japan's Pension Fund Association, **Yoo-Kyung Park (YK)**, Managing Director of Emerging Markets Equities, Fundamental Strategy at APG Asset Management; **Nana Li**, Head of Sustainability & Stewardship, Asia-Pacific at Impax Asset Management; each discussing corporate governance developments in their respective markets. **Seungjoo Ro (SJ)**, Head of Sustain Asia / ESG Research at CLSA, offered additional insights on global asset managers' perspectives and interest in these reforms. The panel was moderated by ACGA Secretary General, **Amar Gill**.

Ken opened the discussion outlining Japan's corporate governance developments, beginning with the launch of the Corporate Governance Code and the Stewardship Code, tools aimed at improving corporate governance. Both codes have undergone several revisions but codes alone are not enough, he emphasized. The Financial Services Agency (FSA) has since increased its pressure on both investors and companies, encouraging a gradual reduction in cross-shareholdings and "friendly" shareholding practices. Recent regulatory changes have focused more on investors, with initiatives like the Asset Owner Principles and the Tokyo Stock Exchange's (TSE) action plan addressing the cost of capital. This directive has sent a powerful message, prompting companies to take swift action, which appears to be yielding positive results.


YK, Co-chair of ACGA's Korea Working Group, shared her perspective on Korea's Corporate Value-Up Program and recent corporate governance reforms. She described the current conservative government as pursuing two conflicting (and seemingly impossible) objectives -pro-*chaebol* and pro-investing public. What has been noticeable in Korea is the rise in retail investors who collectively represent a significant voting base and, hence, should not be considered a 'minority.' This dual focus has led the government to balance both interests, but it is not an easy task. YK highlighted two positive steps the government took over the past 12 months: addressing minority shareholder concerns about split-offs by enhancing pertinent regulations and mandating increased transparency for treasury shares, with companies holding over 5% now required to disclose their purpose and plans.


While the Value-Up Program initially sparked optimism among investors, its vague details led to a drop in market value, as voluntary measures are less effective in Korea than in Japan, according to YK. However, her view is that the programme has indirectly "woken up" various stakeholders—including the investing public, activist funds, corporate boards, and the opposition party, which has since proposed its own "Boost-Up Project."

Nana, Chair of ACGA's China Working Group, highlighted three major developments in China. First, the Beijing, Shanghai, and Shenzhen exchanges introduced a climate reporting framework aligned with ISSB standards, excluding scope 3 emissions, scenario analysis, and external assurance; initial reports are expected by April 2026. Separately, the Ministry of Finance issued sustainability guidelines focused on double materiality and alignment with IFRS S1 in May this year. Second, new capital management rules from the Shanghai and Shenzhen exchanges require a minimum 30% payout ratio for profitable companies, with delisting risks for non-compliance for over three consecutive years. Additionally, the China Securities Regulatory Commission introduced further guidelines to enhance investor returns and improve business quality, requiring directors of major companies to prioritize investor interests and disclose additional metrics for companies with significant market influence. Finally, Nana noted financial sector reforms, including a RMB 3 million compensation cap for senior managers, as well as a Central Commission for Discipline Inspection-led anti-corruption crackdown that may drive talent out of the industry, potentially impacting China's capital market.

SJ shared insights from discussions with asset managers worldwide, observing a notable increase in interest in governance topics, which have become a central focus in investment strategy, intersecting with sustainability, stewardship, value, and long-term investing. Requests from clients for governance insights and analyses on specific markets have surged, rising over 20% this year compared to the past three years. This reflects a broader shift in investor focus from primarily environmental concerns to governance. Notably, markets like Japan and Korea are gaining increased attention, sparking questions about whether this trend will extend to other Asian markets.

Amar asked the panelists for their views on the board's capabilities in understanding financial management and metrics and its responsibility in aligning with investor expectations. Ken noted that boards in Japan often lack external perspectives, with many members having spent their entire careers within one company. This insular mindset limits understanding of broader market dynamics. The need for external ideas and expertise, particularly from independent directors (INEDs) with financial backgrounds, is evident. Board training remains a key area for improvement.

YK has observed some changes on boards in Korea, particularly among younger, overseas-educated INEDs who are increasingly aware of global corporate governance practices and eager to learn. However, one persistent issue is the reluctance of INEDs to challenge and oppose management decisions. A positive development is that INEDs from major Korean companies actively participate in non-deal roadshows (NDRs) to meet with investors, in contrast to other markets including Hong Kong where access to INEDs remains limited.

In China, Nana noted that INEDs are generally appointed to fulfill compliance requirements rather than contribute opinions, making them largely inaccessible. A major deterrent for qualified professionals is a high-profile case involving Kangmei Pharmaceuticals, where INEDs faced substantial fines, discouraging others from joining boards. This situation underscores the need for reforms in compensation, performance evaluation, and risk management for INED roles in China.

During the Q&A, ACGA council member **Yuelin Yang** of TPC asked how structural factors in Japan, Korea, and China have hindered corporate governance (CG) reform as each market may face unique structural challenges that potentially impact the pace and effectiveness of CG reform. Nana acknowledged that concentrated ownership is still a major obstacle for CG reform in China. However, her view is that state-owned enterprises (SOEs) are not necessarily less responsive or have worse governance structures than private-owned enterprises (POEs): organizations like the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) have pioneered CSR reporting guidelines. However, she noted that influencing SOE governance often depends on access to key regulators and senior management, making regulatory engagement essential for effective reform.

In Korea, YK sees the *chaebol* structure—characterized by concentrated family control despite minimal ownership—facing growing public criticism. Originally established to spur economic growth, *chaebols* are now under societal pressure to enhance accountability. YK believes these *chaebol* conglomerates should take a proactive role in the governance reform dialogue to avoid reputational harm, as such changes are becoming increasingly unavoidable.

Ken suggested that extending Japan's stewardship code to banks and corporations could improve accountability and foster shareholder engagement. SJ added that, rather than an impediment, the pace of change simply requires time depending on market structures. In Korea, for instance, the growing influence of more than 10 million active shareholders—who now represent almost 30% of the voting population—serve as a strong catalyst for governance reforms.

The art of influence: INED playbook for controlled companies

The second plenary, titled "How to be an effective INED in a controlled company?" was moderated by ACGA Council Member **Yuelin Yang**, Chief Stewardship and Wellbeing Governance Officer at Tsao Pao Chee (TPC) in Singapore with panellists **Mark de Silva**, Director, Stewardship and Climate Lead, HSBC Asset Management, **Ian Stone**, Independent Non-Executive Director at Tencent and **Su-Yen Wong** an independent director on various companies globally.

Mark opened the discussion sharing that an INED at a controlled company would need to understand family expectations, while also discharging their duties and ensuring checks and balances and effective risk and control environment are in place. Mark also highlighted the importance of having adequate independent perspectives and views at board level. HSBC Asset Management engages on the importance of board independence and may vote against the nomination committee chair where this is not the case. INEDs need to spend time building trust with the family. That comes with attendance - 70% of meetings would be a minimum starting point.

Su-Yen underscored the many types of controlled companies, such as family, private equity-sponsored, and government-linked companies. INEDs need to “choose wisely”: a good company isn’t necessarily good for you. A candidate needs to ascertain what the company seeks from their INEDs and the particular individual as a board member. INEDs should take time to explore mutual expectations and understand the culture of the organisation. Successful INEDs challenge constructively, align purpose and priorities, and balance independence with alignment.

INEDs need to “learn their way in” to a controlled company and treat insiders with respect, underscored Ian. They need to ask questions constructively. Some issues can be sensitive, especially relating to the family, succession, leadership. The best way to get to know a company is often via board committees: an INED to be quite demanding and constructively critical here. It is crucial for INEDs to build trust INEDs: they need to listen, form a view but make it sensible as well as practical and to be prepared to discuss the issues.

Su-Yen pointed out that well-run controlled companies see value in INEDs to assist in transformation. They understand they might have many blind spots which INEDs can help identify by bringing diversity of backgrounds and experience to the discussion. Ian’s view is that if a controlled company is enlightened, it will recruit the right INED candidates, and it will have sufficient diversity and continuity. Many tech companies however struggle with this: they find it hard to move past their founder. Mark underscored that for a family-controlled company to remain sustainable over the long term and ensure generational transition, it would likely require tapping into the insights and direction of its INEDs to navigate risks and complexity.

On tenure, Mark’s view is that nine to 12 years is probably the ideal tenure for an INED, adding that this is likely to vary by market. Independence after this point is likely to be compromised. Su-Yen’s perspective is that tenure between six and nine years is appropriate: there comes a point when an INED can no longer contribute independently. She emphasized a life cycle effect for INEDs: an initial learning curve – a period of optimum efficacy – a tail off in terms of independence. Ian pointed to institutional memory that can be applied by an INED to good effect. His view is that the only way to really understand company risks is to sit on the risk/internal audit committees.

It is critical that companies have a clear succession plan to ensure continuity in strategy and vision. Mark added that a governance framework to guide succession planning can help in this process, considering family perspectives, mitigating conflicts of interest and identifying specific training/secondment needs for those next in line. Given transformation in the global economy, being able to adapt to external as well as internal changes is critical.

Founder companies inevitably face succession issues, according to Ian. His view is that succession is often better discussed in a smaller group than the board – for instance at a committee. For Su-Yen, it is critical to understand a range of scenarios, not just from the business but from the board. Companies that don't survive succession challenges are those that don't adapt, so managing transformation is critical.

Ian was categorical that it is always helpful as an INED to hear and learn from investors. As an INED, understanding the business is critical. Strong audit systems – internal and external are important as are reporting systems. Mark underscored the importance of the role of a lead designated INED to engage with investors, being open to critical views and ideas. Su-Yen's view is that INEDs should not just stay in the boardroom; they should visit the plant, talk to staff.

On board evaluations, Su-Yen emphasized that they are effective if the board culture is conducive and the Chair plays a critical role in that process. The ability to listen to the views of INEDs is fundamental to constructive annual evaluations, in her view. "If you get that right, good evaluations will follow".

To wrap, Su-Yen reiterated that an INED needed to challenge but to do so in a way that the message is heard and understood. For Ian, given that many family-controlled companies are undergoing significant change, good INEDs will help with the critical change process: recruitment of new talent, issues of dilution, generational succession. How these companies manage that change is critical. Mark reiterated the importance of building trust with the family owners, adding that INEDs should feel free to be inquiring, ask challenging questions, and consider the alignment of both business and family objectives, which is important to build lasting relationships. Investors expect INEDs to ask challenging questions, but tactfully to play an effective role.

Raising the bar on stewardship

The first afternoon session on Day 1 focused on the role of investors and corporates in effective stewardship. Moderated by **Jane Ho,** Head of Stewardship APAC, BNP Paribas Asset Management, the panel “The role of investors and corporates in effective stewardship” featured **Elisa Cencig**, Head of Policy Engagement, Norges Bank Investment Management (NBIM), **Rajeev Peshawaria**, Chief Executive Officer, Stewardship Asia Centre in Singapore and **Ismet Yusoff**, Chief Executive Officer, Minority Shareholders Watch Group, Kuala Lumpur.

Jane kicked off the discussion by highlighting the fiduciary duties inherent in stewardship and asking what makes it effective. Elisa, drawing on her experience in policy engagement, emphasised the strong link between policy and company engagements, both often requiring years to bear fruit. She stressed the need for a deep local understanding in policy engagement, stating “without it, there will be no effective engagement.”

Ismet shared the perspective of the MSWG, a shareholders' activist group holding minority shares in over 500 listed Malaysian companies and participating in more than 500 general meetings annually. He highlighted that minority shareholder activism is vibrant and evident through the questions raised at general meetings and significant dissenting votes on resolutions where concerns are present.

Rajeev positioned responsible business conduct as the heart of stewardship. Are we seeing more responsible behaviour? His answer is a firm no. Citing a Stewardship Asia Centre survey, he identified short-termism and profit maximization as the primary boardroom biases. His solution: “we need businesses to do well by doing good.” Rajeev highlighted four key stewardship values: interdependence, long-term view, ownership mentality, and creative resilience. He urged their integration into board culture and strategic decisions. He also suggested annual assessments of steward leadership culture by the boards.

Chie Mitsui of Nomura Research Institute from the audience asked the panelists about asset owners' role in stewardship. The panelists all recognised their crucial leadership, while Elisa pointed to the UK, where stewardship is embedded in asset manager selection and collaboration.

Another investor attendee cautioned against overemphasizing disclosure, highlighting the Asian dilemma of balancing disclosure requirements with fostering genuine stewardship at the board level. In response, Rajeev advocated for a bolder approach that focusses on maximum innovation, rather than simply meeting "minimum standards of good behaviour." He sees that it is necessary to revamp executive education to emphasise stewardship leadership. For Elisa, disclosure is merely the first step to calling for corporate behaviour change through training and capacity building.

Panelists then explored effective stewardship strategies. Ismet stressed the importance of "creating demand for change" and leveraging digital media. Elisa highlighted the need to track company engagement progress against different objectives, while Jane stressed having an engagement plan with specific targets. Rajeev meanwhile advised developing "profitable sustainability-first strategies."

The Q&A session began with an audience member from Korea who asked how long investors would realistically wait for corporate transformations. Jane responded by emphasizing transparency, recommending that companies clearly communicate their concrete action steps to investors.

Steve Watson, Chairman of ACGA, pushed back against Rajeev's stance, arguing that expecting company profitability alongside addressing pressing sustainability issues might sometimes be unrealistic. "It's not easy; stewardship is a choice," Rajeev said. He pointed to companies that challenge themselves to find the profitable sustainability-first strategies.

In closing, Ismet reiterated the need to "create the demand and push companies to do more." He urged INEDs to take greater responsibility in this area.

ESG beyond box-ticking

The fourth plenary of the day was on the topic, "ESG: it's political. Is it just box-ticking?" The panel was moderated by **Shannon Gong**, Principal, ESG, British Columbia Investment Management Corp from Victoria, Canada. The panelists comprised **Peng Er Foo**, Vice President, Group Sustainability, CapitaLand Investment in Singapore, **Jessica Ground**, Global Head of ESG of the Capital Group and **Michael Tang**, Executive Director at Singapore Exchange Regulation.

Shannon opened by acknowledging the various forms this backlash takes, ranging from anti-ESG regulations to lawsuits challenging shareholder proposals. She framed this as a positive development, indicating the evolution and maturation of the ESG landscape. Jessica echoed this sentiment, describing the current period as an "interesting cycle." She emphasised how ESG has become deeply embedded in financial infrastructure, suggesting a necessary recalibration is underway. Citing a recent Capital Group survey, she noted that 90% of asset owners plan to increase their ESG-related investments. However, she cautioned that not all initiatives and disclosure requests from investors are strategic. It's essential for investors to continue clarifying what ESG means.

Michael delved into the key reasons behind ESG fatigue in Asia. He stated, "It really comes down to the nuts and bolts of ESG reporting." He highlighted difficulties in measuring metrics like carbon emissions and the struggle to keep pace with evolving standards. The sheer volume of data collection adds another layer of complexity. He saw technology as the solution to these challenges.

Peng Er offered a corporate perspective, sharing the "real challenges on the ground." CapitaLand Investment (CLI) has been making ESG disclosures since FY2009, navigating various sustainability reporting frameworks and initiatives such as GRI, UN SDG, SASB, TCFD, etc. Its latest report was externally audited at the reasonable assurance level for Scope 1 and 2 and associated energy. It separately published its Climate Resilience Report this year, including climate scenario analysis covering close to 500 properties. On ESG fatigue, she shared that with such disclosures, CLI continued to receive even more surveys from investors. She illustrated an example of a sustainability survey which claimed to represent investors, and just mapped its survey to ISSB but that resulted in 500 questions. CLI decided to withdraw its participation as such indicators were already incorporated in other ESG surveys and ratings such as GRESB, DJSI, MSCI, and FTSE4Good. She also shared that despite using a SaaS data platform which claimed to be able to transfer CLI’s environmental data to an external survey, the API didn’t work, and her team had to manually prepare and submit the information to multiple surveys. She urged investors to “give corporates more time and space to focus on actual decarbonization.”

Peng Er also raised the risks associated with being an ESG reporting frontrunner. She recounted the experience of a peer company that faced media criticism for changes in its Scope 3 emissions disclosure due to changes in proxy data. She warned that the risk of being accused of greenwashing may result in green hushing. Turning to investor engagement, she observed that European investors continued to issue specific queries, such as those regarding climate resilience. Asian investors are becoming more sophisticated and have also issued thematic queries. Meanwhile, although U.S. investors may not have issued specific queries, she was hopeful that this indicates CLI’s ESG disclosures have met their requirements.

Shannon also posed the question: are investors truly digesting all the ESG information available? Jessica shared Capital Group’s approach, which prioritises in-depth understanding of reported data over questionnaires. They establish key ESG metrics for each investee company based on material issues for the sector and gather them from disclosure and other public data. This method allows them to quickly identify concerns and facilitate meaningful engagement.

Jessica also pointed out a disconnect: some management teams struggle to recognize what constitutes ESG-related information. She shared an anecdote of a CEO who, despite investors' extensive due diligence on supply chains, felt investors hadn't asked about ESG.

Shannon emphasised the importance of focusing on materiality in ESG reporting, prompting a discussion on how frameworks can support this goal. Jessica expressed support for ISSB, noting that their standard-setters work closely with investors to address sector-specific issues. While acknowledging that the system isn't perfect, she described it as globally consistent. Michael noted that the ISSB framework allows flexibility while maintaining consistency. He also stressed the importance of investors and other stakeholders maintaining open communication with companies.

During the Q&A session, **Steve Watson,** ACGA Chair, inquired about unexplored areas in ESG reporting. Jessica pointed to the wealth of data expected from the Corporate Sustainability Reporting Directive (CSRD), which could trigger more surveys. Peng Er expressed a desire for platforms that can be inter-operable. Michael highlighted human capital, cybersecurity, and AI as key areas of focus.

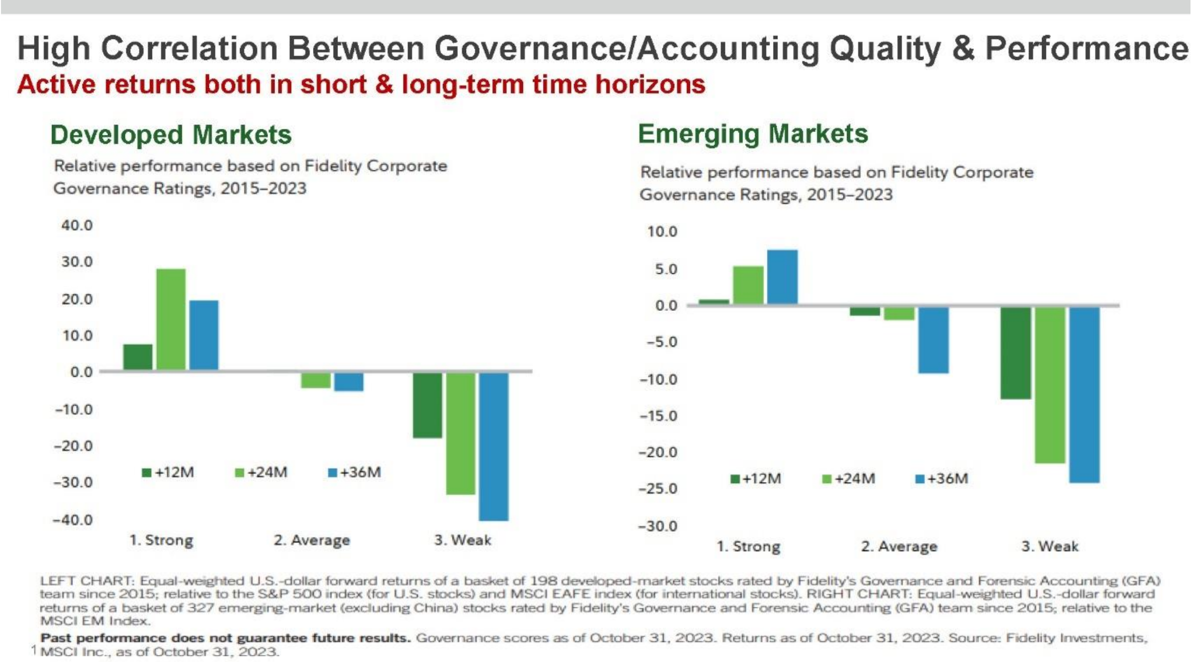
Yuelin Yang, council member of ACGA, shared his decarbonization experience and identified steel, cement, and shipping as particularly challenging sectors in this regard. Peng Er offered an example of how CLI ringfenced its innovation funds to fund a pilot sequestered carbon in concrete for one of its redevelopment projects. Jessica stressed the need for a more consistent way of carbon pricing. Michael meanwhile underscored the importance of innovation and technology investments where decarbonization is particularly difficult.

Another question raised by **Alex Huang** of the Financial Supervisory Commission in Taiwan was about the legal responsibilities relating to greenwashing. Michael said that false or misleading statements that materially impact investor decisions are actionable; the challenge that companies face is that they may unwittingly make unsubstantiated green claims. Clearer guidance on green claims like in the EU would help. Jessica noted that their Global Study pointed to less greenwashing in financial services sectors, emphasizing the importance of companies following standards and demonstrating their paths toward sustainability. Shannon added that Canada recently passed Bill C-59 to combat greenwashing, which resulted in a number of Canadian oil sands companies removing sustainability reports from their websites. BCI has made a public statement to encourage policymakers to differentiate between environmental claims and environmental data. It is important for investors to have access to climate-related data to make informed decisions.

Corruption, fraud and whistleblowing

The final panel of the day, "Corruption and fraud: Getting to robust whistleblower policies," focused on how to detect and prevent fraud, with strong whistleblowing policy being a key component. **Praveen Sangana**, Head of Governance & Forensic Research/ Intl. ESG Research, Fidelity Investments, Bangalore was an experienced speaker with fraud detection being a key area of expertise**. Professor Yuen Teen Mak**, Director, Centre for Investor Protection, NUS Business School, National University of Singapore has practical experience in overseeing investigations of whistleblowing complaints and done extensive research on this topic while **Cynthia Gabriel,** Lawyer, Advocate, Anti-Corruption Consultant, Founder of Centre to Combat Corruption & Cronyism (C4), Kuala Lumpur is an active practitioner in the field. The panel was moderated by **Chris Leahy** who is a specialist advisor for Southeast Asia in ACGA as well as founder at Black Peak, an investigative agency.

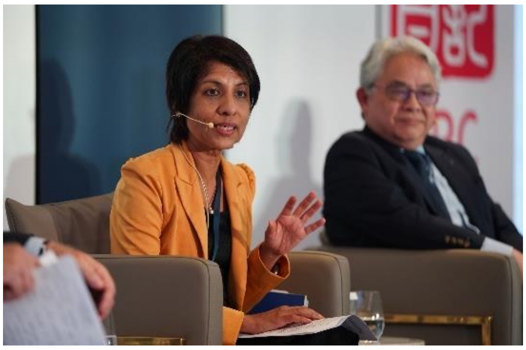
The panel kicked off with some interactive questions which revealed the estimated annual loss due to fraud by corporations worldwide is $5 trillion. The Asia Pacific region suffers the highest average loss of corporate fraud annually, with mining identified as the industry with the highest incidents of fraud. Interestingly, when fraud is discovered, employees are by far the main source of detection, external auditors and internal auditors figure much lower as sources of detection. There is a high correlation between Governance/ Accounting quality and active returns for stocks in both short and long-term.



Source: Fidelity Investment- https://institutional.fidelity.com/app/literature/view?itemCode=9910618&renditionType=PDF

In order to detect and prevent fraud, it is important to understand the psychology of fraud, including motivation (greed, fear, peer pressure), culture, integrity, and controls. According to one of the speakers, major causes of fraud always involve senior management. Boards play an important part in ensuring good governance including adequate protection for whistleblowers and ensuring that all complaints are reviewed and investigated, and not just dismissed as malicious. Some countries offer rewards for whistleblowing, but the panel felt adequate protection and correct follow-up was more important. It is best practice to have a neutral third party investigate all whistleblowing complaints. Only Australia, Japan and Malaysia have specific legislation to protect whistleblowers in APAC. Cynthia mentioned whistleblowers need a trustworthy landscape to believe that the reporting measures are safe, and their complaints will be taken seriously and dealt with according to compliance measures established within the corporation.

Prof Mak shared some preliminary findings from an ongoing study on whistleblowing policies of SGX-listed issuers. The study found that only 55% of companies disclosed their whistleblowing policy on their website. Only 56% of companies disclosed that all complaints received were reviewed. 43% of the companies did not disclose whether they allowed anonymous complaints and 6% stated they did not accept anonymous complaints. Only 9 of 218 companies surveyed used an external whistleblowing hotline or service provider. This could be because SGX Regco now has a whistleblowing office for whistleblowers to send complaints about any listed company to. Data based on one financial year showed that 57% of companies disclosed they did not receive any whistleblowing complaints and 38% did not disclose number of complaints. For those that had no complaints, it could be that their whistleblowing policy is not effective. The final report should be out by early next year.



Some tips were shared for investors to detect fraud which include reading annual reports thoroughly including all the footnotes and reviewing any unusual transactions. Many complex layers in the group structure of an organization can also mean more places to hide. Lack of domestic asset managers as shareholders of a company can also be a red flag. Any sudden change in auditors or independent directors needs to be investigated.

Praveen mentioned it is important for a company to invest in ethics and integrity to protect downside and guard against reputation risk. Investors need to engage with companies to ensure they have strong whistleblowing systems. Cynthia suggested ACGA to explore having group workshops and work towards a template for best practices for companies to follow.

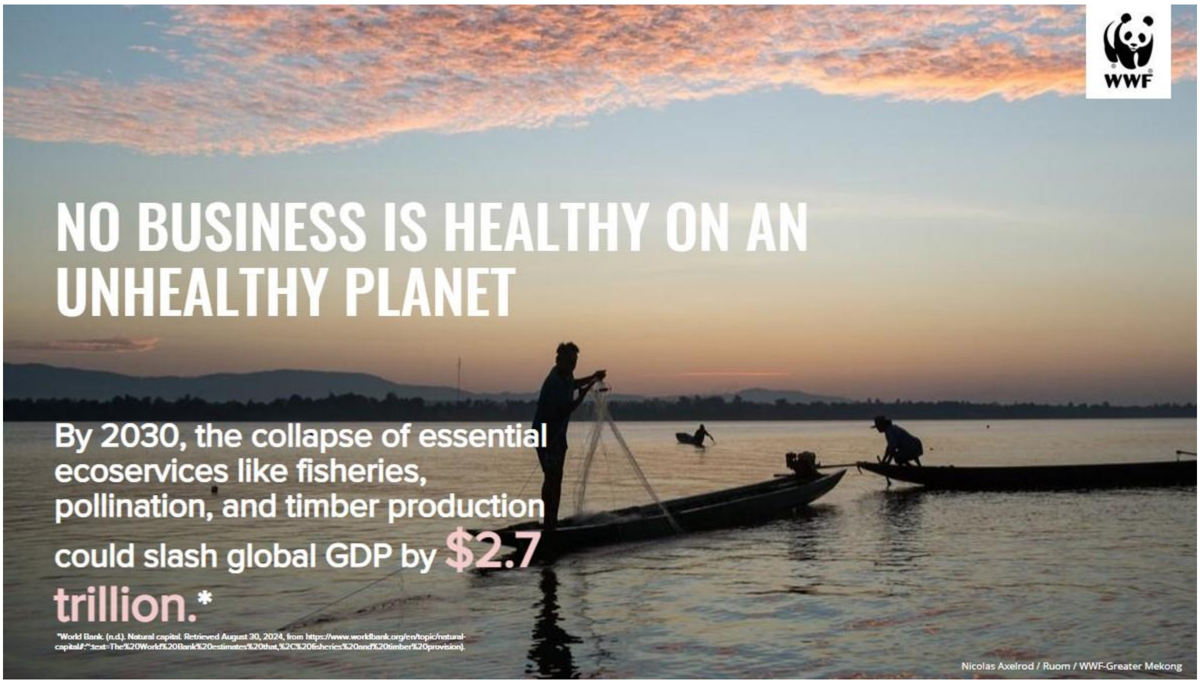
Gala Dinner

Nature: the untapped asset for climate and business resilience

Day one of the conference concluded with a gala dinner featuring keynote speaker **Vivek Kumar**, CEO of World Wild Fund for Nature (WWF) Singapore. Vivek made the case for nature as a critical asset in our battle against climate change. Weaving together real-life stories and WWF's research, he illustrated how investing in biodiversity conservation protects ecosystems, empowers communities, and mitigates climate risks.

Vivek kicked off with the Coral Triangle, a hotbed of marine biodiversity in the western Pacific Ocean. He recounted how WWF-Singapore worked with Southeast Asian fishing communities to safeguard the Coral Triangle from dynamite fishing while boosting fishermen's livelihoods. He shared an anecdote about an endangered turtle species, reminding us of the impact of our consumption choices, the "demand signals we are sending." "Our wallets can make a big difference, at least in this region," Vivek emphasised.

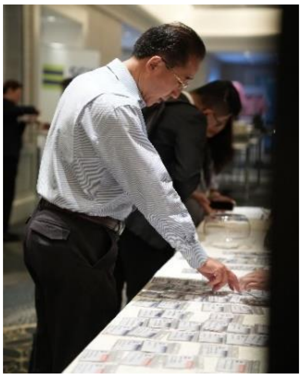
Why does nature matter? As Vivek put it, "The livelihood of 8 billion people depends on it." Yet, our planet's biodiversity has been declining at an alarming rate. WWF's 2024 Living Planet Report paints a grim picture: a staggering 73% loss of biodiversity between 1970 and 2020, comprising data on nearly 35,000 population trends across 5,495 animal species, including mammals, reptiles, fish, amphibians, and birds, gathered from monitoring sites globally. The situation is even more dire in freshwater ecosystems, which have seen an 85% decline. Vivek stressed that climate events should be factored into investors' risk assessments.



Vivek outlined key areas of focus: climate and sustainability, sustainable finance, and nature conservation. He underscored the importance of grasping the science behind sustainability issues. To this end, WWF-Singapore introduced project-based programmes in schools across the region. As a result, one Singapore secondary school developed a rainforest ecosystem on campus, while students at a primary school created a food waste monitoring system. He also highlighted WWF's tools such as the Sustainable Banking Assessment (SUSBA) and the Palm Oil Scorecard.

Reflecting on his WWF journey, Vivek emphasised the power of collaboration and leadership in facing monumental challenges. His experience has shown that partnerships among governments, communities and companies can pull habitats back from the brink of extinction. He concluded optimistically: “If we are committed and are clear about our goals, there is a reason to have real hope. We can make a difference.”

To tap into WWF-Singapore’s resources to support your transition pathway, please write to Lincoln Tan at ltan@wwf.sg or visit https://www.wwf.sg/.

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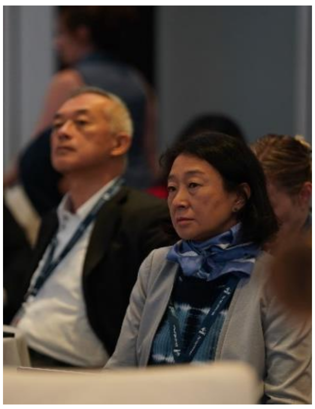


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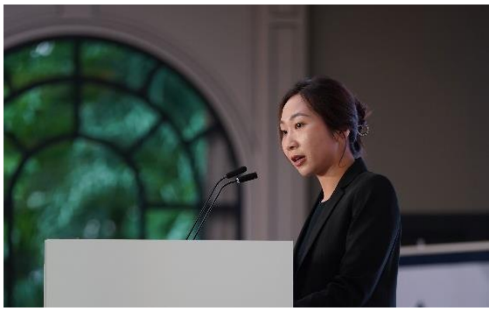
Day Two

Chairman of ACGA, **Steve Watson**, opened the second day of the conference thanking the Secretariat for their work and **Julia Mart** for her invaluable service as she retires from conference organising. This was followed by introductory remarks from **Stephanie Lin**, ACGA's Research Head for Korea and Singapore.





Transparency and executive compensation

The second day of the conference kicked off with the panel session titled "Transparency and executive compensation structures to drive shareholder value in Asia", moderated by ACGA Council Member, **Pru Bennett**, Partner of Brunswick Group based in Sydney. The panellists were **Shai Ganu**, Managing Director of Willis Towers Watson (WTW), **Felix Lam**, Head of Investment Stewardship, Asia ex-Japan at JP Morgan Asset Management (JPMAM) together with **Amit Tandon**, Managing Director of India's Institutional Investor Advisory Services (IAAS).

Pru set the scene for the discussion with say-on-pay agenda items at shareholder meetings in the UK, US, Europe and Australia. A Deloitte 2024 Asia Pacific board remuneration study noted rising pay across all major Asian markets, with a rise in variable and performance-related pay as a share of fixed pay. Disclosure of board pay by Asia Pacific companies has improved but there are still gaps. Investors need more information to assess the fairness of executive performance based pay against a backdrop of a lack of consistency among Asia regulators over disclosure and transparency of executive pay, Pru noted.


Shai shared WTW's guiding principles for responsible executive compensation, that can help drive positive outcomes:

1. Purpose: boards need to make a clear statement on remuneration policy with fully aligned and disclosed KPIs
2. Alignment: critical to align the interests of management with those of shareholders and broader stakeholders

3. Accountability: policies should be holistic, meaning they should provide upside for outperformance and downside measures for underperformance
4. Engagement: transparent and consistent communication with internal and external stakeholders, especially long terms shareholders

Shai noted that investors are becoming more prescriptive about their expectations and certainly expect a longer-term view to compensation. Striking the right balance between short term incentives (for managing the business) and long-term incentives (for driving long term strategy and transformation) is crucial.

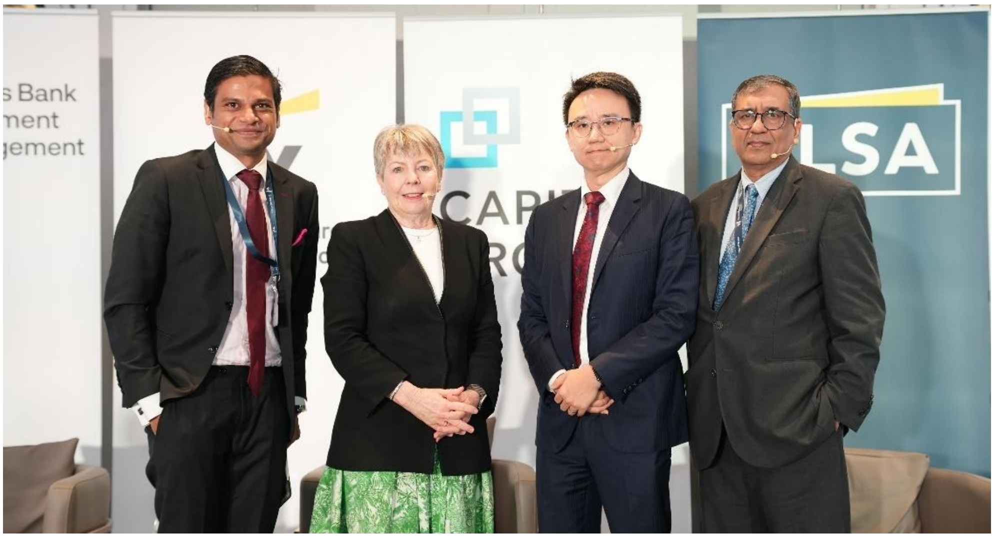
Felix reiterated that transparency over executive/board pay has improved but there is further to go. He pointed out that while companies publish the remuneration of board directors on a named and individual basis, there are generally insufficient details, especially regarding KPIs. Disclosure on non-board executive management remuneration tends to be weaker. He finds that the design of the incentives is not always aligned with long-term shareholders' expectation. He prefers to see KPIs that align with shareholders' interests and reflect the share price performance over the long term, not just one to three years. His view was that ESG performance-related targets need to be explained more clearly and disclosed fully with specific targets and numbers. Felix would like to see say on pay voting regulations to be rolled out for more Asian markets.

Amit pointed out that in India, promoters (i.e. founders who remain controlling shareholders) get to vote on their own pay. On his analysis, if there was an independent vote on pay, over the last three years between 25% and 32% of proposals would have been voted down. IiAS is engaging with the regulator, SEBI, to try to modify these regulations by preventing promotors voting their own salaries, and Amit invited ACGA members to support this effort.

Speaking of compensation disclosures, panelists agreed that practices could be improved in Asia. Shai pointed out that important to be mindful of unintended consequences of compensation-related regulations. For example, post GFC, the UK implemented limits on bankers' bonuses to 1-2x of fixed pay, with the intent of curbing overall pay levels. However, in practice fixed pay went up which may not have been the desired outcome.

Pru indicated that Hong Kong companies tend to pay INEDs (excluding chairs) at around an average of US$60,000. Shai agreed that fees in Asia were low given the responsibilities of the INED. If the mandate of the board is to perform and also transform the company, the quality of the board and especially the INEDs is critical, yet many are recruited through personal networks and contacts. He suggested the need to start thinking about the INED role as a profession. INEDs are required to work harder and face more risk than ever before. Hence, they need to be paid appropriately. Felix agreed that in general INED pay is too low but fees of larger companies tend to be higher and more appropriate.

The panel also discussed clawbacks. Shai pointed out that not is uncommon to clawback past bonus payouts for financial underperformance in future years. But, he states remuneration contracts need to have teeth: it is possible to cancel stock options that have vested, seek reimbursement for past pay in the event of fraud, malfeasance, material risk breaches and other triggers as determined by the Board.



A very generous award to an individual that turns out to be a failure due to underperformance should be re-assessed, in Felix's view. Clawbacks should be against past pay, not just option grants. Pru added that performance periods are generally three years which she considered too short and that five to ten years was more appropriate. From the overall discussion, it was clear that most markets in the region needed to move some way towards better disclosures on remuneration.

AI challenges for boards and investors

The second panel of the day "What are the challenges for boards and investors from AI?" highlighted the dual nature of AI, emphasizing its benefits and potential risks. **Manik Bhandari**, Partner, Asean AI and Data Leader, Ernst & Young Advisory in Singapore was on the panel with **Kathlyn Collins**, Head of Responsible Investment & Stewardship, Matthews Asia based in San Francisco and **Dr Leslie Teo**, Senior Director, AI Products, AI Singapore who oversees research and practical applications of AI. **Miranda Zhao**, Greater China Lead of Responsible Investment and Stewardship at APG Asset Management was the moderator for this session.

Miranda started the discussion by highlighting two pioneers of Artificial Intelligence (AI), John Hopfield and Geoffrey Hinton, were awarded the 2024 Nobel Prize in Physics but Hinton, known as the godfather of AI, left Google in May 2023 to talk more freely about AI's dangers.

The panelists discussed the application and benefits of AI in their daily lives: examples were to summarize large documents, highlighting efficiency but noting the tool's black-box nature; it can also be used to compare proxy voting guidelines, with time-saving benefits but also generic and sometimes hallucinatory responses. Another example was to use AI as an alternative to generate flash cards based on curriculum but with the risk of loss of creativity and rigor on the part of the user.

AI has potential to transform business models and create new revenue streams, but according to Manik companies should plan carefully to avoid cost-explosion and have robust cybersecurity practices for data protection. Leslie emphasized to invest in companies with the right business models and tools, not just the technology itself.

Kathlyn emphasized that there are implications for headcount planning with the introduction of AI into companies' business models. Investors should be seeking to understand what a company is doing to improve AI literacy of its workforce across departments. Board members need to make decisions about how to implement AI into the business processes and adjust business models, balancing this against AI processes that are currently imperfect but rapidly improving. Presently, however, she finds only a handful of companies are being strategic about AI given the lack of direction from boards.




Kathlyn also highlighted potential harms of AI including bias amplification, discrimination, digital addiction, copyright infringement and transparency issues. There was a parallel drawn to the early internet and the need for regulations to balance growth and privacy. Miranda mentioned global regulatory practices, including China's early regulations and the EU's Artificial Intelligence Act are still evolving. The US doesn't have any federal law on AI, but some states have their own laws. The view of the panel was that regulation should focus on unlocking value and using AI for good, rather than overreacting to potential harm and blocking progress at an early stage.

Boards should be educated on AI and map out responsibilities across committees, not just have one technical expert or committee. Leslie mentioned Amara's Law: technological changes can be overestimated in short term but underestimated in long-term. There will be S shaped exponential growth, but senior management and boards need to drive it, and timing can be difficult. Boards additionally need to be on guard for greenwashing and ensure honest discussions about AI's role in the company.

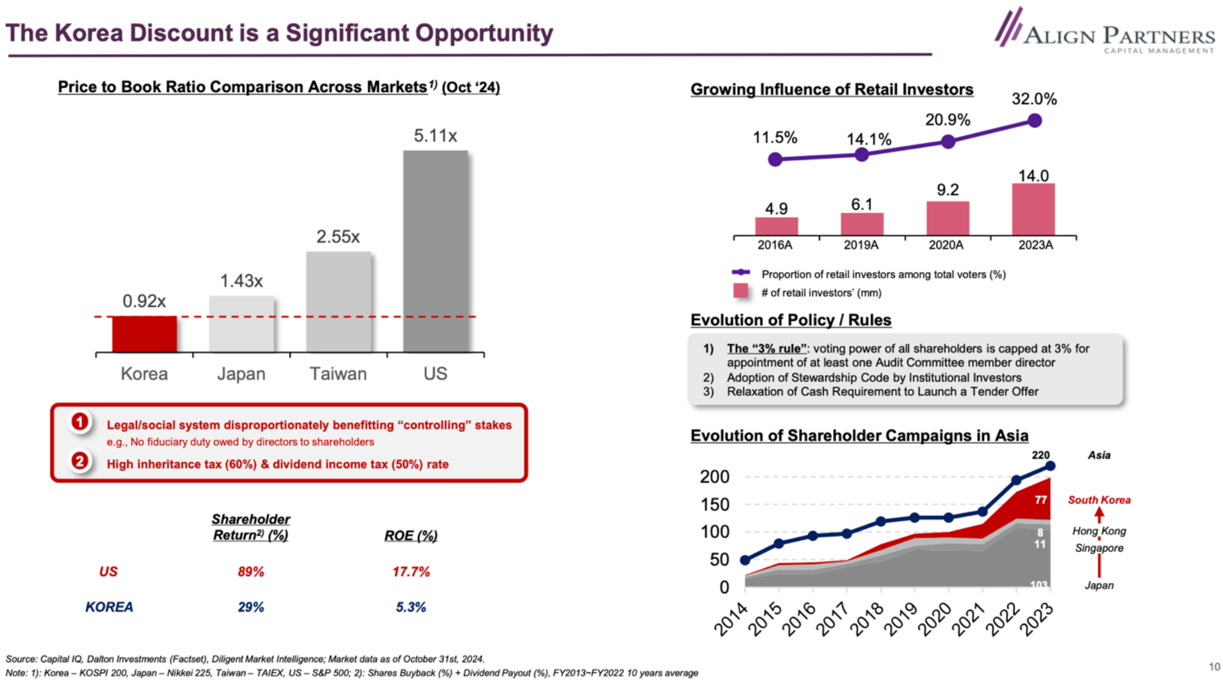
An interesting suggestion was whether an AI agent can be a board member. While an agent like that can be an expert on corporate governance laws but it might not be able to react in unpredictable situations as it could lack adaptation. Development of sector-specific AI agents can help investors make informed decisions. Stewardship codes should also include guidelines on AI strategy and risks. There was an emphasis on the need for continuous updates on AI's impact on business and investments.

Activism in Asia

The third plenary session, "The Rise of Activism in Asia: Is It Moving the Needle?" brought together two activist investor speakers—**Changhwan Lee**, CEO of Align Partners Capital Management from Korea and **Allen Wang**, CEO of TIH Investment Management in Singapore, as well as **Cheol Woo Park**, Investor Relations Executive Officer at Korea's Shinhan Financial Group, who provided a corporate perspective. Notably, Shinhan had been a target of Changhwan Lee's activism in the banking sector in

2023. The panel was moderated by **Shireen Muhiudeen**, Founder of Corston-Smith Asset Management in Malaysia.

Changhwan discussed the evolution of shareholder activism in Korea, noting that the market has been undervalued due to the control of family-owned conglomerates (*chaebols*) with minimal ownership stakes. These families use complex structures to influence decisions, often at the expense of shareholder value, and benefit from weak legal protections that limit accountability to minority shareholders. However, recent developments—such as a more vocal retail investor base, access to alternative media, and the 3% rule limiting voting power of the controlling shareholders — have opened avenues for shareholder influence. These factors contributed to 77 activist campaigns in 2023, positioning Korea as one of the world's most active markets for shareholder activism, after Japan in Asia.



Source: Align Partners

Number of Asian Companies Targeted by Shareholder Activism Campaigns

Company HQ	2019	2020	2021	2022	2023	*22-23 % change*
Japan	68	67	66	108	103	*- 4.6*
Korea	8	10	27	49	77	*57.1*
Singapore	7	13	12	8	11	*37.5*
China	5	8	9	2	8	*300.0*
Hong Kong	14	10	10	8	8	*0.0*
Israel	4	2	3	4	5	*25.0*
Malaysia	11	5	2	4	5	*25.0*
Thailand	4	3	1	1	1	*0.0*
India	2	5	4	4	1	*- 75.0*
Total	**126**	**126**	**137**	**194**	**220**	

Source: Heungkuk Securities, "Shareholder Activism and Corporate Value Innovation" (2024.09)

Source: Align Partners

Cheol Woo provided historical context on shareholder activism in Korea, noting the longstanding resistance rooted in historical, cultural, and economic factors. In Korea's early economic development, capital allocation was government-driven, and the stock market was dominated by speculative retail investors, leading corporate elites to see themselves as guardians of stability. Following the 1998 Asian financial crisis, Korea introduced reforms to modernize its capital markets, but corporate elites have largely maintained control, resisting change that could threaten their family legacy. Recently, however, local activists have increasingly advocated for stronger shareholder rights and corporate governance, prompting a gradual shift in perspective.

Cheol Woo noted that activism and general shareholders in Korea have historically faced negative perceptions, often being seen as short-term "corporate raiders" aiming to boost a company's share price quickly before exiting, potentially leaving it with long-term issues. Drawing from experience, he emphasized that activism can lead to positive outcomes when activists and corporations collaborate to address undervaluation factors. He cited Shinhan's experience as a target of Changhwan Lee's fund, Align Partners, whose campaign ultimately fostered sustainable value growth, creating a win-win situation for both sides.

Based in Singapore, Allen Wang shared his experiences as an activist investor in various markets, including Japan, Taiwan Australia. Allen noted that he does not necessarily identify himself as an activist, but simply an investor whose approach involves engaging with companies to maximize returns. Allen highlighted Japan's evolving landscape, where corporate governance and mindsets of the corporates have changed significantly over the past decade, driven by government reforms and increased shareholder engagement. Allen also compared regulatory differences across markets, noting variations in shareholder disclosure thresholds and voting structures, emphasizing the need for cross-market learning to drive improvement in governance and education for corporates, the general public and all the industry practitioners.

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Observations On Selected Corporate Governance Rules

	Singapore	Hong Kong	Japan	Taiwan
Substantial Shareholder Disclosure	**5%** Within 2 business days	**5%** Within 3 business days	**5%** Within 5 business days	**5% Wef 10 May 2024** (Reduced from 10%) Within 10 business days
Director Appointment	**Straight Voting** Majority Vote rule	**Straight Voting** Majority Vote rule	**Straight Voting** (Cumulative voting can be optional but not used in practice) Majority Vote rule	**Cumulative Voting is Mandatory for Director Elections** There is no majority vote requirement.
Legal Entity Director Allowed	No	No	No	Taiwan allows legal entity director without specific individual to appoint as representative
Shareholding Threshold & Requirement for Shareholder Proposal	5% NA	2.5% Not more than 1000 words	1% & held for a continuous period of at least six months NA	1% Not more than 300 words or more than one matters in a single proposal
Shareholding Threshold for Calling EGM	10%	5%	3% & held for a continuous period of at least six months	50% & held for a continuous period of 3 months OR 3% & held for a continuous period of 1 year, need to obtain approval from authority if Board failed to convene within 15 days

Source: TIH Investment Management

Moderator Shireen asked whether activism has reached its peak in terms of acceptance and effectiveness, or if further progress is possible. Changhwan noted that from a Korean perspective, while activism is improving, challenges remain and strong legal protection for minority shareholders is needed. Without this protection, it is difficult for investors to have meaningful influence, especially at companies controlled by dominant shareholders.

During the Q&A, ACGA Chairman **Steven Watson** of Capital Group asked about the general public's view on the Korea Value-up Program or the Boost-up Project proposed by the opposition party, as well as public sentiment toward investing in Korean shares.

Cheol Woo responded that while these programs may be partly aimed at gaining public support from an increased number of retail investors, they also aim to address fundamental structural issues in Korea. With real estate prices becoming unaffordable, many young people have turned to the stock market, though a high proportion of retail investors remain short-term oriented. The government aims to attract more long-term, sustainable investment, which could also help build corporate trust.

Changhwan added that, despite opposition from powerful corporate coalitions, he remains optimistic that legal reforms will materialize, driven by an increasingly informed and engaged public — a shift he views as irreversible for the Korean market.

Gender diversity in corporate Asia

The first session of the afternoon on day two was titled “Gender Diversity in Asia: Why Are Women Stuck in the Middle?” Moderated by ACGA council member **Ronnie Lim**, Senior Engagement Specialist at Robeco, the session featured insights from two female executives with board experience—**Mira Lee**, Board Director at SK Ecoplant and Chair of the Nomination & Remuneration Committee, and **Stefanie Yuen Thio**, Joint Managing Partner at TSMP Law Corporation, representing perspectives from Korea and Singapore. The panel also included an investor viewpoint from Dr. **David Smith**, Senior Investment Director at abrdn Asia.

Ronnie opened the discussion with an overview of female representation on boards across Asian markets and current legal requirements for board diversity. He emphasized the importance of fostering meaningful change beyond quotas by cultivating supportive environments where women have the resources and opportunities needed to thrive.

Mira, shared her experience as a female board member in Korea and discussed the impact of the 2022 legislative amendment requiring listed companies with assets exceeding 2 trillion won (approximately US$ 1.7 billion) to have at least one female director. This legislation has increased female board representation from 5% to about 16.1% by 2023. While Mira acknowledged the progress driven by regulation, she emphasized that more work is needed. She noted that boards must be willing to "reimagine" their selection criteria. Traditionally, Korean boards have been dominated by senior males, former government officials, and professors. However, Mira noted that companies should be open to rethinking board composition on how to integrate qualified female members, as exemplified by Mira’s own role.



The second panelist, **Stefanie**, however, believes that while quotas may increase representation in some countries, they may create tokenism rather than true progress, as women might be seen as fulfilling requirements rather than earning positions on merit. She believes women should serve on Sboards because they have earned their place, not just to meet quotas. Rather than regulations, Stefanie believes that real change is driven by investor demand, particularly in ESG areas where sustainable practices are increasingly a condition for investment. Regulation, while important for setting standards, doesn’t create the same impact as market-driven investment criteria. Stefanie stressed that women recognizing their own value is what will truly move the needle for women in leadership.

David, the third panelist provided the investor perspective, highlighting the challenges asset managers face in meeting EU and UK regulatory requirements on gender diversity and pay gap reporting, particularly due to data gaps from emerging markets and smaller companies. David also emphasized the need for a nuanced approach to board diversity, focusing on cognitive diversity, rather than solely on gender quotas, noting that asset managers should cultivate local knowledge and be prepared to recommend qualified candidates to address supply-demand issues for diverse board members.

Mira noted that the collectivist cultural aspect in Korea may play a part in hindering diversity. Scientific research indicates that Korea has a high level of collectivism, which prioritises harmony within organisations. In this context, the needs of the company or team often come before individual opinions or values. Stefanie echoed David's point about prioritizing diverse skills and cognitive diversity, rather than trying to tick multiple boxes with a single candidate. She emphasized the need for intentional recruitment to expand the pool of qualified women, advising to "pick a couple of people who tick the boxes rather than one who ticks all 15."

During Q&A session, ACGA council member **Pru Bennett** of Brunswick Group challenged Stefanie's view on quotas, arguing that shareholder pressure in places like Australia and the UK have successfully improved board gender diversity, as investors in these jurisdictions have a stronger voice because companies are generally widely held as opposed to Asian companies that have block shareholders, family and state and therefore quotas are necessary to get change. Stefanie acknowledged that quotas could accelerate change, suggesting a temporary quota system for 10 years to demonstrate women's contributions before potentially removing the requirement.

Christine Tang from the Australian Council of Superannuation Investors highlighted that Australia has made substantial progress in gender diversity through effective engagement. However, she pointed out a critical issue: representation alone doesn't always lead to an equitable voice, especially at senior levels. Christine emphasized the distinction between representation and true economic voice and inclusion and raised the question on approaches to effectively address this challenge. Stefanie believes it is essential for women in leadership positions to be active contributors rather than merely symbolic tokens. She emphasized that women find ways to leverage their experience and perspectives. Recognizing that this process can take time, Stefanie also suggested that young women might benefit from mentorship.

Mira shared her experience as the only female and youngest member on her board when she joined. Even at the board level, microaggression can be found. Mira likens diversity to "being invited to the party" and inclusion to "being asked to dance together." Therefore, Mira encourages investors to pressure companies to foster inclusive cultures that amplify women's voices.

David added that a key issue for investors is addressing the supply and demand of female talent. In Singapore, despite an abundance of exceptional female professionals, the real challenge is advancing women to C-suite positions and building a pipeline for them to serve on external boards.

Asia's Net Zero pathway: balancing corporate commitments and regulations

Trista Chen, Head of Investment Stewardship Asia ex-Japan at Legal & General Investment Management moderated the final panel session, titled "What is the regulatory role vs corporate commitment to meet Asia's NDCs and Net Zero pathway?" She set out the serious challenges facing

Asia Pacific: South East Asia is projected to contribute more than 25% of the growth of energy demand over the period to 2035, with a significant number of young coal fired power plants with average 15 years old. The session was joined by **Kiran Aziz**, Head of Responsible Investments, KLP Asset Management in Norway; **Hendrik Rosenthal**, Director - Group Sustainability at CLP Holdings, a Hong Kong-listed entity; and **Christina Ng**, Managing Director of nonprofit think tank, Energy Shift Institute in Melbourne, Australia.

Kiran stated that her firm excluded coal in their portfolio from 2013. KLP has a roadmap to Net Zero and is working on short-term targets to get there by 2030. It identified key companies in sectors considered by KLP to be both of particular importance in the transition to a more sustainable, low-carbon- nature positive future and highly relevant to KLP's portfolio. There are companies with oil and gas, mining, agriculture and forestry, and industry sectors with high inherent dependence on fossil fuels, or with process-related greenhouse gas emissions including cement, steel, aluminum and chemicals. – these are the highest emitters to target. "We are assessing 340 companies for their transition plans. : KLP voted against board in 64 companies with no credible transition plan and can potentially sell down positions if do not see any sufficient progress in the short term. We do understand that companies will start their transition from different sociopolitical positions and with different historic liabilities and assets. We are committed to supporting companies through their respective transition processes", she emphasized.

Hendrik gave a snapshot of CLP Group's transition journey. CLP's Climate Vision 2050 is the blueprint of the Group's transition to a net-zero greenhouse gas emissions business by mid-century. It has been updated several times since its launch in 2007. In 2019, CLP took the view that new investments in coal-fired power plants in Asia were no longer credible and decided to exit from two coal-fired power plant developments in Vietnam in line with their commitment to cease the development of new coal-fired generation assets in their portfolio. In 2021, CLP brought forward the date of the complete phase-out of the coal-fired generation assets in their portfolio to 2040, a decade earlier than previously pledged. But that comes with major challenges: CLP has joint venture partners to deal with, long-term power purchase agreements (PPAs) and customers to serve. "We can't just turn off the plant and walk away", he said. From the view of the corporate, it isn't just about a transition plan but more fundamental: how do they continue to deliver to customers, shareholders and other stakeholders while remaining successful and relevant? Whatever they do has to make sense commercially. CLP's commitment to net zero by 2050 is based on what it thinks it can achieve given their constraints.

When asked whether Asia should be allowed to further develop and meet economic growth demands before investors raise the issue of decarbonization, **Christina** said both concepts are not mutually exclusive. She gave Vietnam as an example. The Vietnam government has pushed for favourable policy incentives and private sector investment in solar and wind, stopped new construction of coal fired power plants. and the country is seeing record level foreign direct investment. Companies and investors need to work together to unlock new business models, create new economic activity and economic value. But the more we protect legacy energy markets, the more we're preventing innovation and stalling the energy transition, in her view. However, she acknowledged misaligned, or the lack of, NDCs in the region makes it difficult for investors to benchmark and assist in the transition. Alternative measures, such as the EU carbon border adjustment mechanism—akin to carbon taxes-- may force countries and companies to decarbonise their supply chain, and can therefore be used to bridge the gap between misaligned NDCs and corporate commitments, she added.

Hendrik underscores that the Group is often asked by regulators and investors to move faster. But the transition is not simple. Existing coal projects need to decarbonize but simply shutting them down by compromising energy security isn't an option. If the Group divests from these assets, the plants will still operate under different ownership, which does not help the overall decarbonization drive.

Kiran stated that, as investors, we need publicly disclose company-wide emission targets consistent with a science-based pathway aligned with the 1.5 degrees target of the Paris Agreement, covering scopes 1, 2 and 3, supported by an action-oriented strategy with clear KPIs focused on short and medium-term milestones. This will give us an understanding of whether the transition plan is convincing. The market needs incentives from policy makers and regulators to assist with company transitions. In her view, it can't just be left to the investors. Kiran added that companies need clear KPIs to transition. That requires strong governance, a solid strategy and high levels of disclosure and transparency in line with recommendations of the TCFS or ISSB. Christina added that pulling out of investments because of non-credible or poorly conceived transition plans can be a helpful signal to regulators and policy makers that they need to align their ambitions with investor expectations, or do more to incentivise companies to transition.

Hendrik pointed out that many regional and country taxonomies for financing green transition envisage carbon capture, utilization and storage (CCUS) and green hydrogen technologies that are not available at commercial scale yet. Timing is critical: the current time horizon in these regulations is within the next five years but this is not realistic based on available technologies. Hence companies may not be eligible to access the transition finance programmes that governments are offering.

Christina echoed that some market taxonomies may not align with companies' plans—but that is because these taxonomies are climate-aligned based on scientific evidence and therefore, requires proven abatement technologies or significant emissions reduction by a certain timeline in order to qualify for the "transition" label. In her view, it is necessary for taxonomies to follow science and raise market ambition.



Hendrik's view is that a science-based approach is critical but does not make the process any easier. A company remains constrained by its customers, regulations etc. It may not be able to accelerate the process if it does not have the technologies and regulatory framework to deliver a 1.5°C ceiling.

Christina added that it is appropriate for unabated gas power plants not qualifying for the "transition finance" label, as these are still high-emitting activities, but it does not preclude them from conventional financing. It also does not mean the technology has no role in the net zero emission or future energy systems. A science-based taxonomy that is climate-aligned and a future energy plan are two distinct documents.

Trista pointed out that disclosure by companies of specifics around climate transition - R&D investment; capex etc. - remains very poor. There isn't enough detail and this puts to question the commitment and credibility of these companies on their sustainability goals. Christina agreed with Trista that companies are over-reliant on technologies still under R&D and unproven in their transition plans. In 2023, her study found that 20 larger Asian oil and gas producers remain undiversified (i.e. 90% of their income stream still focused on traditional oil and gas), and with transition plans that rely heavily on CCUS or hydrogen-blended projects which are targeted to complete in 2040/45. But there were generally no short-term emission reduction targets and no "plan B" in case these projects are unsuccessful. Credibility of such transition plans are highly questionable. Investors should be asking for the next 1-3 year targets and action plans for deploying proven decarbonisation solutions.

Christina also commented that many of the technologies required to assist in the climate transition are complex and expensive. Governments will need to help. Not everything can be financed or solved by the private sector. Hence it will take a public-private financing. In her view, the inflation Reduction Act (IRA) of the US is a good example of how governments could support companies and investors in financing innovative solutions.

From the panel discussion, the issue of transition finance as well as expectations on corporates to accelerate their transition plans beyond NDCs remains a thorny issue for this region.

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CLSA, a leading Asian brokerage and investment group, has been at the forefront of regional corporate governance research and advocacy. The company's commitment to the evolution of governance in the Asian market is deeply ingrained in the vision of its founders, Dr. Jim Walker and Gary Coull. They believed that investment research should go beyond mere numbers and encompass societal change, promoting improved corporate governance throughout the region.

As the proud founding sponsor of the Asia Corporate Governance Association, CLSA recognizes the significance of strong corporate governance practices in driving sustainable business growth. Together with ACGA, we have played a crucial role in promoting and advancing corporate governance standards in Asia through their flagship CG Watch report since the early 2000s.

Through our collaborative efforts, we have published numerous reports and studies that provide insights into the state of corporate governance in Asian markets. These reports delve into governance frameworks, regulatory practices, and disclosure standards, enabling investors to make more informed decisions.

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Sustain Asia distinguishes itself through a unique blend of top-down thematic studies on industry trends and bottom-up company-specific analysis from all individual analysts. This dual approach not only provides unparalleled insights into both macro and micro ESG factors but also empowers our clients to make informed investment decisions. By enabling clients to align their strategies with sustainability goals, we are well-positioned to drive the advancement of responsible investment practices across the region.

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At EY, we are proud to shape the future with confidence through the creation of a sustainable and equitable future for all.

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My heartfelt congratulations to ACGA on the success of its 23rd annual conference in Singapore.

The rationale for corporate governance, as described by the OECD, is that it is a way to improve competitiveness and access capital in global markets. Clearly, there is a link between corporate governance and access to capital and how they should complement each other. Indeed, the ACGA's CG Watch covers not only the performance of regulators such as MAS, ACRA and SGX, and gatekeepers such as auditors, but also the contribution of the providers of capital, shareholders and investors.

Here in Singapore, SGX RegCo has embarked on a three-pronged value-focused approach to enhance shareholder value. This pre-dates, and hopefully will dovetail, with initiatives being reviewed by an ongoing government-led tripartite group to strengthen our equities market.

Firstly, to raise the standard of boards through promoting board renewal and board diversity. Our efforts in this regard, such as capping the tenure of independent directors and mandating a board diversity policy, have been recognized by the ACGA in the CG Watch.

Secondly, to encourage market discipline by making it easier for shareholders to requisition meetings, and improving the market for corporate control. We tend to think of market discipline in terms of investors punishing a company's board or share price when they disagree with what the company is doing. But the upside of market discipline is equally important. We must also encourage investors to reward a company when they are happy with what the company is doing.

The final prong is to remove any market friction that gets in the way of value-focused activities. From our close consultation with our market, we are aware of the feedback that public trading queries issued following unusual movements in share price can have a chilling effect on the market. This may affect the ability of companies to carry out value-focused activities such as share buybacks, or to reap the full benefits of such activities through an increase in their share price. As we fine-tune our regime to make it more targeted, I must emphasise that the rigour of our trade surveillance remains intact.

In conclusion, corporate governance itself is not the end; but a means to an end. Corporate governance must effectively encourage the capital flows which in turn drive the necessary market discipline to encourage better corporate governance, thereby complementing each other through a virtuous circle.

Mr Tan Boon Gin, CEO, Singapore Exchange Regulation (SGX RegCo)

Luncheon Sponsor

Capital Group

Capital Group is a member of the Asian Corporate Governance Association (ACGA), having joined in 2003 as one of its earliest members and has maintained a position on its board. Through our membership, we have collaborated on numerous initiatives aimed at strengthening corporate governance practices across the region. Our involvement is exemplified by the numerous open letters released by the ACGA or sub-groups of ACGA investor members that Capital Group has co-signed, where aligned with our key priorities in engagement and proxy voting within this market. These letters have addressed a range of topics, including:

- Best practices for several governance-related regulations, such as executive remuneration, board-stakeholder engagement, board leadership, and shareholder rights and escalation mechanisms, in communications to the Securities and Exchange Board of India.
- Potential enhancements to The Draft Disclosure Framework on Climate-related Financial Risk, specifically related to concerns around timelines and the lack of alignment with ISSB standards, in communications to the Reserve Bank of India.
- 'Strategic shareholdings' in Japan which deviate from industry best practices and hinder companies from achieving sustainable long-term growth, in communications to Japanese companies.
- The lack of female representation on Japanese boards for the Tokyo Stock Exchange Prime Market, following the Japan Working Group's (JWG) launch of a new initiative on gender diversity.

In addition to our work with the ACGA, the importance of the Asia-Pacific region for Capital Group is demonstrated through our client base and engagement across the region. For instance, Capital Group conducted over 500 ESG engagements with issuers in Asia-Pacific in 2023. Capital Group also conducts an annual survey of over 1,110 investors globally to gather insights on ESG. Notably, nearly one-third of the survey responses originate from investors in Asia-Pacific, providing valuable perspectives on ESG attitudes and adoption trends in this region.

Workshop Sponsor

CLP Holdings Limited

CLP Holdings Limited (CLP) is one of the largest investor-owned power companies in the Asia-Pacific region, with a diverse portfolio that spans power generation, transmission and distribution, and retail across Hong Kong, Mainland China, Australia, India, Taiwan Region, and Thailand.

The Group's Climate Vision 2050 sets out the blueprint of its transition to a net-zero greenhouse gas emissions business by mid-century across its value chain, along with interim emissions targets and a goal of phasing out coal generation before 2040. To support the decarbonisation journey, transition finance is integral to the business. It can drive the systemic transformation of a corporate's business model and operations towards low-emissions pathways, and ultimately, a net-zero future.

To bridge the investment gap and ensure that finance is being placed into sustainable activities, consensus and clarity on the definition of transition-related projects is essential. This requires standard setters and authorities to work in synergy to develop transition finance taxonomies that are practical, fit for the purpose, and can be progressively amended on the basis of regular revision. This is to avoid taxonomies from being overly prescriptive, and to ensure that impactful transition-related projects and supporting technologies that align with the nationally determined contributions of jurisdictions are not excluded as qualifying technologies.

To bring this conversation to light, the ACGA 23rd Annual Conference served as a useful platform for corporates and investors to engage and discuss about what could be a plausible transition from both perspectives. As a corporate based in Asia Pacific, CLP welcomes the viewpoints and directions expressed by the broad spectrum of stakeholders who participated in the conference on how best to navigate through the energy transition.

Welcome Reception Sponsor

TPC (Tsao Pao Chee)

Being the Singapore based member of ACGA's governing council, I am proud for the success of the ACGA conference. I and TPC aim to contribute to the development and advancement of CG and ESG in Asia in the following:

1. highlight Singapore's entrepot role for exchanging, within Asia and between East and West, of CG and ESG knowledge to develop and contextualize these for this region.
2. TPC being a 4th generation family business and as a 4th generation family member, I welcome opportunities to engage my friends who are institutional investors how governance issues differ between concentrated ownership versus widely dispersed shareholders.
3. TPC has an investment arm embedded (not a separate family office) to synergize with and integrate ESG into its core businesses.
4. At the ACGA exchange, as TPC is an industrial corporate, I am happy to engage with my fellow corporates to exchange their views with investors, auditors and regulators. We can continue to share on the ground practicalities of how climate and energy transition is complex and systemic. We each have our pain points as do regulators, investors and auditors.
5. TPC aims for its investment arm to also do impact oriented investing to help catalyze ESG development here through actual investments and projects.
6. In future asset owner-asset manager exchanges, I look forward to contribute wearing my family office hat which has parallels to being an asset owner.

Energy transition – 12 I's
Invest – just transition
Infrastructure (grid, etc)
Inventions – technologies to decarbonize
Institutionalize - level playing field
Incentivize - EVs, etc
Island – avoid stranded assets
Interim – country still needs energy
Industry specific – transition plan varies by industry
Informed – investors
Interdependency – among society, technology, government, investors
Investors – private capital for transition
Interrupted – energy security

Controlled companies – 10 P's of family businesses
Pecularity of concentrated ownership by Persons with family Psychology, Prejudices and politics need:

a. governance by Permeable Partition between family and the business + mitigate Pyramid structures and Preferential treatment of family

b. succession by Preparing Privileged next generation and Professionalize within Paternalistic culture

c. external Perspective of consigliere directors & Partners

d. harness Power of Passion, Purpose & Pride of family as long term Protector of the business

Thank you and congratulations to the ACGA Secretariat – Amar, Irina, Anuja, Stephanie, Lake, Mikky and Zoe! ACGA returned to Singapore with a bang! I will help maintain the momentum here.

Yuelin Yang
Chief Stewardship and Wellbeing Governance Officer, TPC (Tsao Pao Chee), Singapore, ACGA Council Member