

ACGA 15TH
ANNUAL CONFERENCE

Asian Business Dialogue on Corporate Governance 2015

Conference Summary

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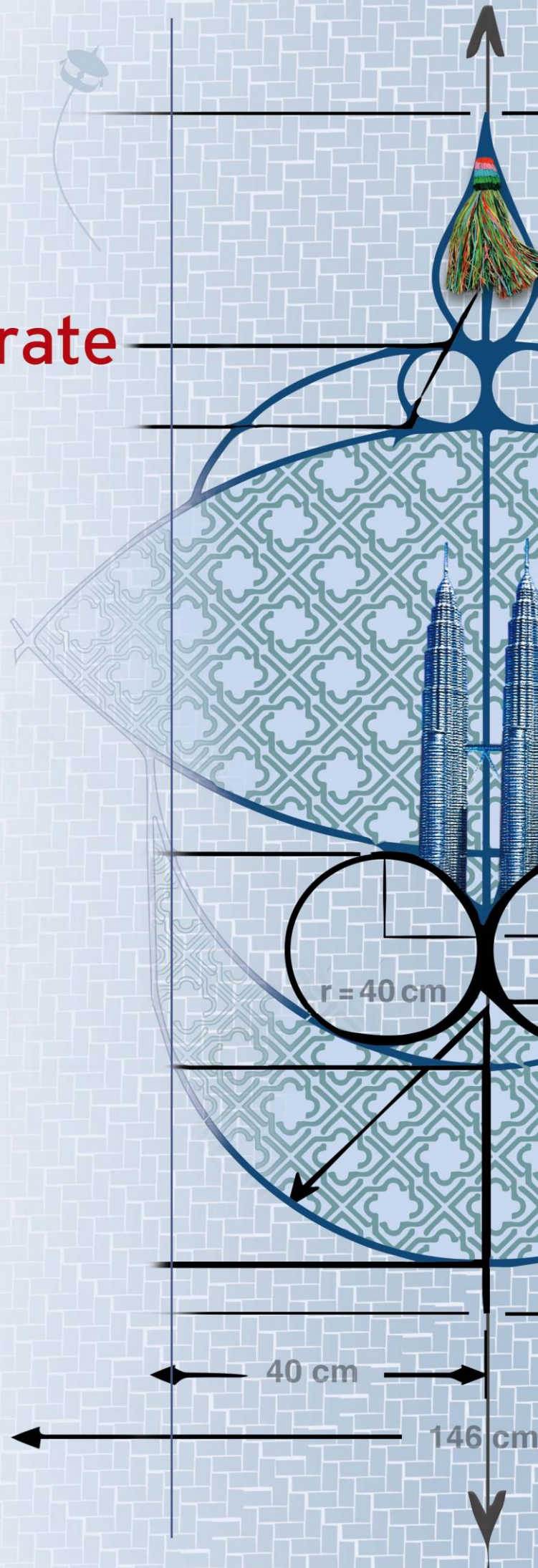
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We would like to thank Bursa Malaysia, the Official Supporter of ACGA's 15th Annual Conference: Asian Business Dialogue on Corporate Governance 2015.

We would like to also thank The Iclif Leadership and Governance Centre and the Minority Shareholder Watchdog Group for their invaluable role as Supporting Organisations.

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Highlights of ACGA's 15th Annual Conference

November 3-4, 2015, Grand Hyatt, Kuala Lumpur

ACGA's 15th Annual Conference, the "Asian Business Dialogue on Corporate Governance 2015", took place at the Grand Hyatt in Kuala Lumpur over November 3-4, 2015. The theme of the Conference was "CG Rising in Southeast Asia: Building Bridges between Stakeholders", and the event attracted some 230 delegates and speakers from 22 countries in Asia and other parts of the world. The following are key takeaways for each of the sessions, with charts showing audience responses to selected voting questions.

Day 1

Opening Keynote Speech

Datuk Ranjit Singh, Chairman, Securities Commission Malaysia



- The ASEAN region has tremendous economic potential; ASEAN countries have a combined GDP of US\$2.6 trillion, making it the world's seventh-largest economy.
 - Developing markets have recently been impacted by global turbulence, but ASEAN markets have been orderly thanks to reforms taken since the Asian financial crisis.
 - Policymakers must remain vigilant and continue to intensify the soundness of financial markets and strengthen inter-agency cooperation across borders.
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- Overall regulation must be oriented towards sustainable growth, harnessing regional sources of growth from ASEAN integration. For optimal allocation of capital and unlocking the region's significant economic potential, it is essential to promote greater connectivity among regional financial markets.
 - The core duty of regulators is to safeguard systemic resilience, and this is far from a drag on growth. Risky business conduct left unaddressed will lead to corporate failures, and the transmission of contagion to broader capital markets is a particular concern. A key objective of regulators is to identify and mitigate business risk at the source.
 - Healthy risk culture is vested in the board. Corporate governance complements regulations and enforcement, with its ecosystem of mandatory disclosures, professional standards, rules on board effectiveness and protection of minority investors.
 - The Securities Commission will continue to strengthen Malaysia's CG environment. For example, poll voting will become mandatory from January 2016. Market participants also have a leading role to play in promoting good CG, for example, by becoming signatories to the Malaysian stewardship code.

- Malaysia is also vigorously pursuing CG at the ASEAN level, helping to develop the ASEAN CG Scorecard. Malaysia and ASEAN are acutely aware of the challenge to craft innovative policy responses to the digitalisation of financial markets, promises of FinTech to deliver cheaper and broader access to finance and the need to protect investor rights. Regulators must promote good CG practices as a competitive advantage for companies, and discourage the misguided view that legal compliance is adequate.
- CG is not a mechanical but a human issue, which necessitates human solutions in ethics and morality rather than numbers and figures. Policymakers and the private sector must leverage their strengths to figure out solutions together.

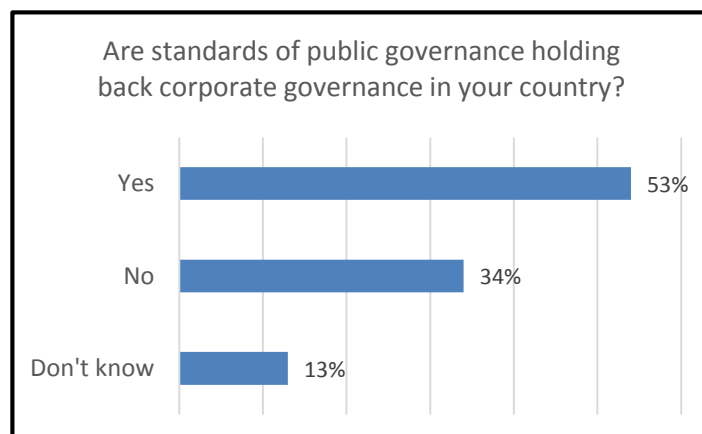
Plenary Session - Asia Overview

Jamie Allen, Secretary General of ACGA, talked about why he was optimistic that CG would continue to rise in ASEAN.



- In “CG Watch 2014”, most of the markets in Southeast Asia showed improvement.
- At the policy level, CG is definitely rising in the region, with the ASEAN Capital Market Forum and ASEAN CG Scorecard sparking competition among regional markets. Historically, ASEAN CG codes influenced each other. The new development is that there is now cross-fertilisation of ideas among different stakeholders.
- Indonesia released a CG roadmap in 2014, and is pursuing an ongoing anti-corruption drive.

- Malaysia has new ESG reporting standards and more AGM transparency with poll voting for related-party transactions.
- The Philippines has imposed term limits for directors, and recently published a CG Blueprint.
- Singapore has a revamped enforcement strategy on insider trading.
- Thailand is more focused on the governance of state-owned enterprises (SOEs), and small and medium-sized enterprises (SMEs).
- Enforcement is mostly rising across the region.
- The main negative, however, is public governance, which is mostly not rising due to uneven strategies on CG and corruption. This has the potential to undermine CG improvements.
- CG should keep rising in Southeast Asia due to seven trends:
 - More complex financial services and pension management;



- ASEAN companies increasingly investing across borders;
- Intense pressure on natural resources (eg, palm oil, forest fires, population growth and consumer demand);
- Growing bottom-up discontent with public governance and corruption;
- The spread of investor stewardship codes;
- Generation shift on corporate boards, with more open-minded directors willing to sit down and talk with investors; and
- “CG Watch 2016, 2018, 2020”!

Mak Yuen Teen, Associate Professor of Accounting, National University of Singapore Business School, also presented his take on recent CG developments in the region.

- ASEAN countries must think carefully about harmonising their policies, as their markets are in different stages of development. For example, a comply-or-explain mechanism is not for developing markets, maybe not even for Singapore.
- The ASEAN CG Scorecard has created a competition to raise standards and increased regulatory focus, which is healthy. But it is based on public disclosure only and is now reaching challenging stages. It needs additional levels of assessment.
- Key ASEAN countries should try to reduce the influence of dominant shareholders by changing the way directors are nominated, imposing fiduciary duty on controlling shareholders and maybe allowing minority shareholders to appoint independent directors. Politically connected boards and companies are a challenge in this region.



There is room for improvement on related-party transactions, and disclosure of remuneration is a big issue contrary to what a lot of people in this region think.

- In many countries, institutional investors have been a disappointment. Very few are involved or visibly engaged with companies.
- Singapore has never seen so many regulatory policy initiatives. But the market has lost confidence. There have been no mainboard listings this year, and delistings have outnumbered new listings. Singapore is trying to attract secondary listings, but the concern is that they could be low-quality companies. It may allow dual-class shares for all listed companies, because it needs to chase listings.
- Malaysia has probably been the most strategic in improving its CG environment with clear accountability for implementing its 2011 CG Blueprint. But the 1MDB scandal may cause collateral damage to its public institutions. It would be hard now for regulators to tell companies to be well-governed when the top is not so well-governed.
- Thailand has very detailed AGM agendas and minutes. But the issue is who can actually attend AGMs.

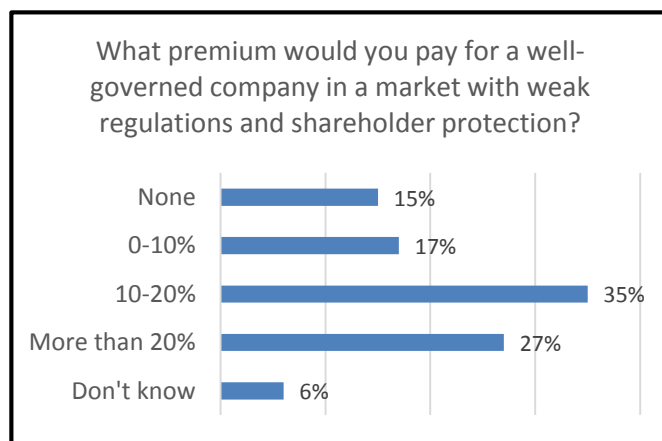
Plenary Session – The ACGA Debate: “Is market quality a drag on company governance?”

This lively exchange pitted **Pru Bennett**, Director – Head of Asia Pacific Corporate Governance and Responsible Investment, BlackRock, Hong Kong, who answered yes to the question, and **Jenn-Hui Tan**, Director of Corporate Finance, Fidelity Worldwide Investment, Singapore, who put forward the counter-argument. **David Smith**, Head of Corporate Governance, Aberdeen Asset Management Asia, Singapore, moderated.



- **Pru Bennett:** When one looks at more mature markets with more disclosure on such things as executive remuneration, board evaluation and gender diversity, it is all driven by regulation. There will be exceptions to the rule, but regulations really drive what companies disclose.

- **Jenn-Hui Tan:** The implication of this question is that companies won't do better than they are required to do. This is a very pessimistic view. CG is essentially a human element. What's legal is not necessarily ethical. Corporate culture and what makes companies want to do better are more important than regulation. Good governance makes for better performance in the long run. Why are there good companies in bad markets? And conversely, good markets are no guarantee of good governance.
- **Pru Bennett:** I agree on the importance of corporate culture. But how do companies strive to be the best? Regulations are there as a reminder. Just look at Chinese companies listed in the US, but incorporated in the Cayman Islands. They are not required to comply with US regulations. Baidu, for example, has not had an AGM since 2009. Again, it's about the quality of the market. It's not necessarily true that most Asian companies are trying to maximise shareholder returns.
- **Jenn-Hui Tan:** There are absolutely some companies whose goal is not to maximise returns. But these companies are also unlikely to comply with regulations. If management doesn't have the basic desire to do that, shareholders will be hurt anyway. Half of the problem is that companies don't see CG as a strategic issue. But it's a way they can distinguish themselves from the rest of the market. Lots of Asian companies are operating cross-border and need to look beyond their domestic markets. They have to look to many standards and to their international competition.



- **Pru Bennett:** If regulators don't have the right cultural standards at the top, the negatives will flow down and have a negative impact on corporations.
- **Jenn-Hui Tan:** The adoption of stewardship codes is regulators saying "we can't do it all ourselves", and that they need investors to stand up. It's an admission by regulators that CG is ultimately a market-, not regulation-based, thing.
- **Pru Bennett:** Selling is not an option for many index investors. But they can engage and vote. When they don't get the desired outcome through engagement, they have to consider voting against company resolutions. At the end of the day, market quality is a drag for investors.
- **Jenn-Hui Tan:** There's no standard list of CG boxes to tick before buying a stock. CG of a company is really about trust. Regulations can't give trust, and market quality is not a substitute.

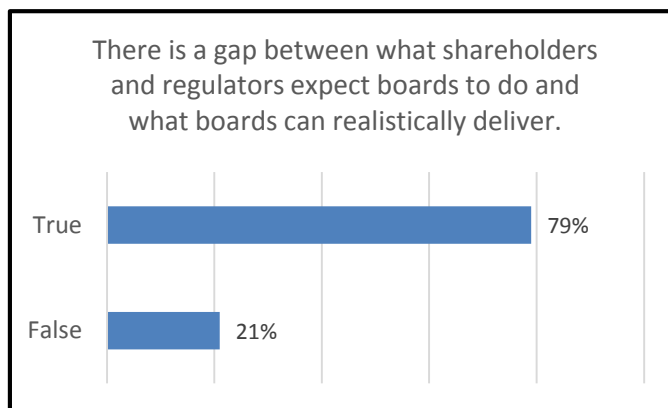
Note: An instant poll of the audience showed that while 70.7% (vs. 15.5%) initially replied affirmatively to the debate question, "**Is market quality a drag on company governance**", the response flipped after the debate to 47% "yes" and 50% "no". While 46% found Jenn-Hui Tan's arguments more convincing, almost the same portion of the audience (45%) concluded that the debate was a draw.

Workshop on Board Culture – Asian Board Dynamics: What's new on the agenda?

In this session, moderator **Diana David**, Corporate Development Director, Asia-Pacific, *Financial Times*, Hong Kong, led a wide-ranging discussion on three issues pertaining to board dynamics in Asia: composition, leadership, and process. Her panellist guests were: **Jyoti Vij**, Deputy Secretary General, Federation of Indian Chambers of Commerce and Industry (FICCI), New Delhi; **Tony Silitonga**, Trustee Board Member, Indonesian Institute for Corporate Directorship, Jakarta; and **Johan Raslan**, Senior Advisor & Director, AMMB Holdings Berhad, Kuala Lumpur.



- In India, 12.6% of board positions are now held by women as of October 2015, following the implementation of new regulations on gender diversity. By contrast, in February 2014, women held only 5.1% of board seats. But it will take a few years before one sees the real impact of legislating women on boards.
- There are more female directors in Indonesia, too. But it is often difficult to place two or three women on the same board, because some companies say more disputes occur among women. Whether that is true or not, appointing more than one woman on a board is important if they are to get their voices heard in the male-dominated boardroom.
- The FICCI runs a mentoring programme to train women as directors. Mentors are influential people from the corporate sector, while mentees come from varied backgrounds: venture capitalists, bankers, ex-bureaucrats, journalists, and others. In the first year, the programme has placed 33 women on 100 boards. This is how the fresh talent pool is being created.
- A related issue is that a lot of women do not reach the top positions because they drop out mid-career. This is where HR policies have to be flexible enough to help women reach the top ranks. The nomination committees must also be more proactive in working with headhunters to get the right women in place. Search firms can help companies look beyond the same old cliques and their unconscious biases. In fact, when approached by companies for board positions, 30% of the candidates in Hong Kong that search firms scout are women.



- The role of the chairman is hugely important for an effective board. He (and they are mostly men) sets the tone of the meetings. A director on one board can be a constructive member, but on another may be dysfunctional. The difference is whether the chair shows leadership or not. Regulators should be urged to train board chairmen.
- Requirements of a board demand capable directors. Boards must be constantly renewed with new blood and fresh ideas. Malaysia has a nine-year term limit for independent directors, but should it be shorter? India is also debating term limits for independent directors. But companies argue that they need some continuity. They also talk about the paucity of candidates for independent directors, particularly in light of tougher regulations which discourage people from becoming independent directors. So it may be too early to push term limits in India, but it might be a good idea in the long run.
- Directors are not over-regulated in Malaysia yet. Perhaps regulators should be looking at director training for what they should be concentrating on when they are in the boardroom. One critical thing they need to look at is compensation of senior management.
- To get good directors, you must pay. You get what you pay for. But there is very little of that. Companies can make themselves more attractive with better corporate governance and better rewards for directors.

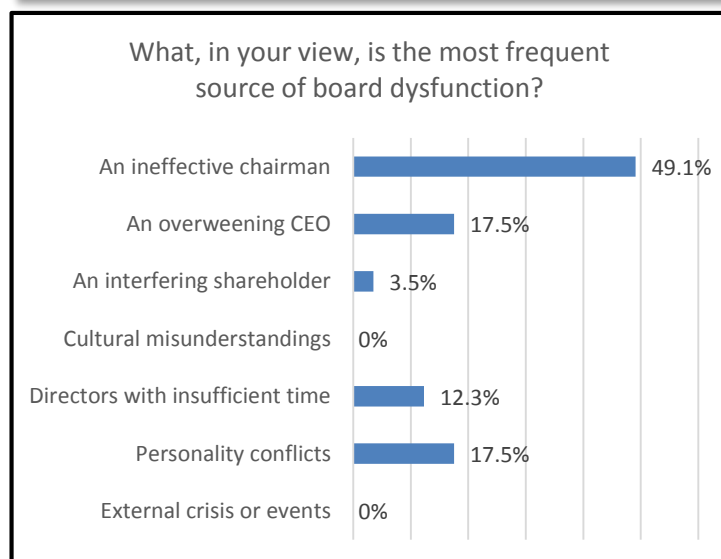
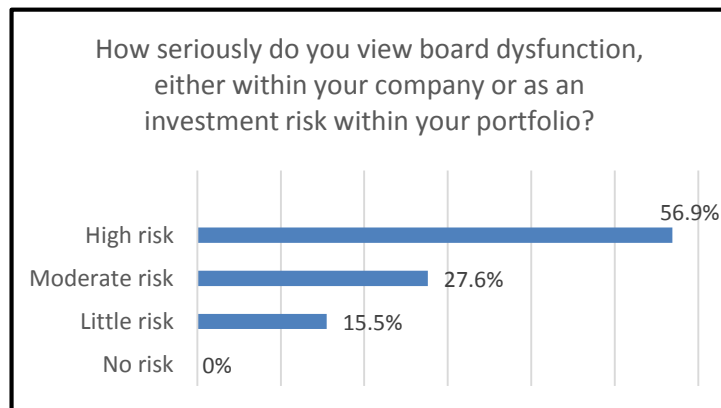
Workshop on Board Culture – The Dysfunctional Board

Dan Konigsburg, Managing Director, Deloitte Global Center for Corporate Governance, New York, facilitated this audience-participation session on how to identify dysfunctional boards and improve their performance.



- ‘Every effective board is alike ... every dysfunctional board is dysfunctional in its own way’ (to paraphrase Tolstoy).
- Some features of dysfunctional boards: distracted; disabled/paralysed; dismissed; destruction of value; and undeveloped.
- The most common type of dysfunction is bullying. Bullies are not just in the schoolyard. Bully directors have a very strong point of view and shut down boardroom debates. They are aggressive know-it-alls. But the chairman often does not shut them down because they often have good ideas, or are friendly with the chairman, management, or family shareholders. People also just think things will get better. Tell-tale signs of a dysfunctional board include: no clear articulation of strategy; lack of dissent; frequent or mass resignations of directors; and stonewalling of shareholders.

- Some possible steps that could be taken from inside the company to improve things include: the company secretary or the chairman leading a discussion on how the board will function; introducing external best practices; giving directors access to training; and resigning and disclosing the problem (nuclear option).
- Actions shareholders could take include: sell shares; vote shares; propose shareholder resolutions; engage the chairman, independent directors or the nomination committee; and become an activist investor.



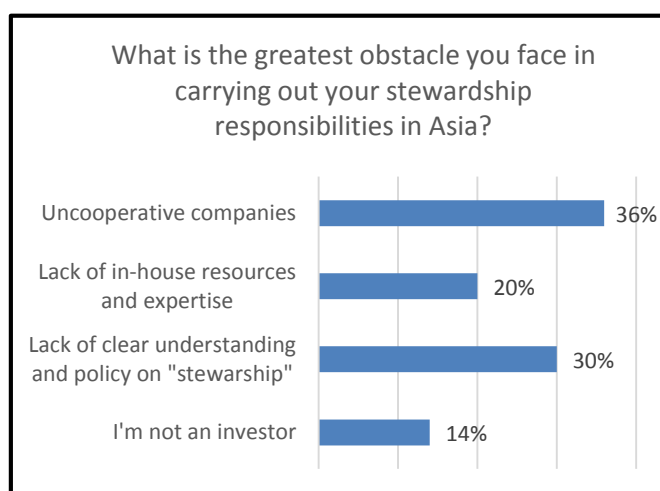
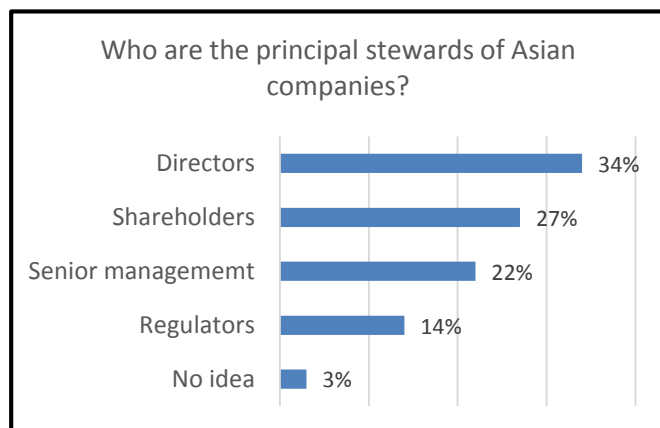
Workshop on Shareholder Strategies – Investor Stewardship in Asia: A progress report

Two panellists from markets that have adopted “stewardship codes” for investors—**Yoshikazu Maeda**, Head of Responsible Investment, Governance for Owners, Japan, Tokyo, and **David Russell**, Co-Head of Responsible Investment, USS Investment Management, London—presented their assessments of this new global and regional CG trend. The discussion was moderated by **Melissa Brown**, Managing Director, Daobridge Capital, Hong Kong, and Specialist Consultant, ACGA.



- Stewardship codes everywhere are now being discussed as part of the CG canon. The UK has been the global leader, followed by Japan and Malaysia in Asia. The stewardship codes of these markets all focus on asset managers, and have a comply-or-explain mechanism.

- But critics say stewardship codes are unnecessary, because there is already abundant company information for investors and providing more will be too costly.
- The UK Stewardship Code was a response to the Global Financial Crisis and the problems exposed at many UK banks. Investors were accused of being asleep at the wheel on risk assessment, and so the Financial Reporting Council released what was in effect a governance code for investors in 2010.
- Since it has only been five years that the UK Stewardship Code has been in effect, it remains a work in progress. Investor engagement with big listed companies has been stepped up, but it is hard to say if this is leading to “better” engagement or whether investors are just box-ticking.



- The macro picture in Japan looks good. The Japanese Stewardship Code was introduced in February 2014 and already has nearly 200 signatories. It was followed by the release of the country's first CG Code in June 2015 and the giant Government Pension Investment Fund (GPIF) joining UNPRI in September.
- But at the micro level, it is unrealistic to expect 200 signatories to suddenly have the resources and personnel to carry out stewardship. For example, some domestic investors ask stewardship and CG-related questions at the beginning or end of IR meetings, but in between they carry on as before. Also, Japanese investors did not vote against Toyota issuing unfair class shares and have remained silent about the Toshiba accounting scandal. This is why the Financial Services Agency set up a Follow-up Council to monitor the Code's implementation.
- With or without a code, stewardship should not be an add-on to managing assets, but an integral part of it.
- Evaluating the effects of stewardship efforts on company behaviour is very hard; it would be wrong to base it on simply how many engagement initiatives an investor has conducted as UNPRI does. If regulators are to establish frameworks to review investors' engagement efforts, they should do so in such a way as to avoid it becoming a box-ticking exercise.

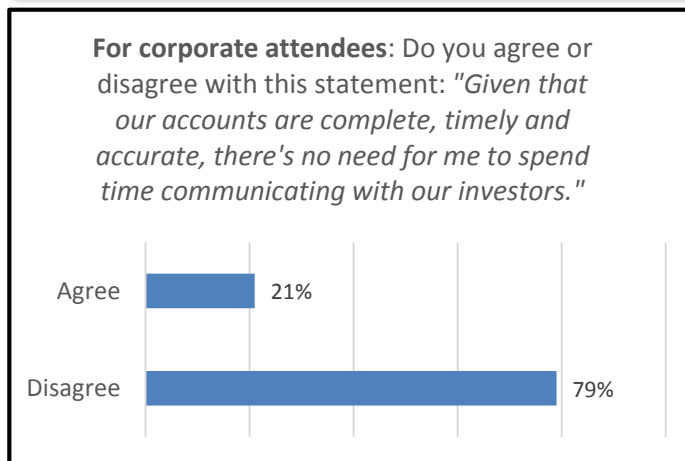
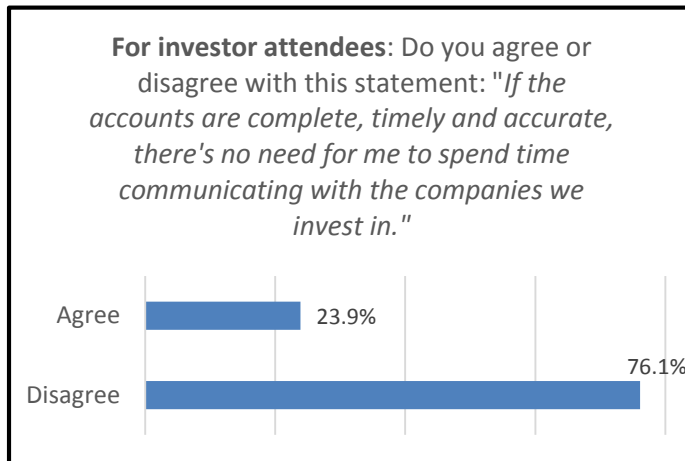
Workshop on Shareholder Strategies – The Rules of Engagement

Just how does an investor go about engaging with companies? What should realistically be the end-goal? Should investors even bother engaging? Moderator **Steven Watson**, Partner, Capital International Investors, Hong Kong, put these questions to two seasoned engagement specialists: **Yoo-Kyung Park**, Director, Sustainability & Governance Asia, APG Asset management Asia, Hong Kong; and **Lya Rahman**, General Manager, Corporate Services, Minority Shareholder Watchdog Group, Kuala Lumpur.



- Some CG activists argue that engagement is futile because companies will only feed you management propaganda, and that investors would be better off just reading financial statements and company disclosures.

- But the work of the Minority Shareholder Watchdog Group (MSWG) provides a counter-example to such arguments. MSWG monitors 300 listed Malaysian companies in which it owns 100 shares each, and directly engages with companies by attending and voting at AGMs with a view to changing their culture. For example, as a result of its efforts, some 40 companies are now publishing detailed AGM minutes.



- Engagement takes a lot of time. But at APG, Park simply has to engage with companies because she is paid to do so—APG's pension-fund clients demand it. For instance, if APG wants to invest in a company with a low ESG standing but with great growth prospects, its clients will not agree unless it can persuade them that the company can be changed through engagement.
- When conducting engagement, the CG/ESG discussion should not be separated from the financial discussion, because CG, ESG and financials are all linked to the long-term sustainability of a company.
- If engagement is unsuccessful, sometimes investors can sell down their shares in a company. But sometimes, this is not possible, such as when a company is too big or important in a market to not own (eg, Samsung Electronics in Korea).

Workshop on Sustainability – Sustainable Palm Oil: The governance dimension

How the certification process and a greater focus on governance are driving a more sustainable palm oil industry was the topic of this panel, which included: **Louise Davidson**, Chief Executive, Australian Council of Superannuation Investors, Melbourne; **Rikke Netterstrom**, Managing Director, Helikonika, Kuala Lumpur; and **Mark Wong**, Director, Strategic Communications & Corporate Affairs, Sime Darby Berhad, Kuala Lumpur. **Benjamin McCarron**, Managing Director, Asia Research and Engagement, Singapore, and Specialist Consultant, ACGA, moderated the discussion.

- The industry has made dramatic advances. In fact, 20% of palm oil is certified, and current commitments and timelines will take that to 50%.



- However, there is 25% that is smallholder, which is harder to certify, and perhaps 25% that is unscrupulous. More needs to be done. Nevertheless, industry recognition of its responsibility shows progress.
- The benefits of certification include:
 - A structured engagement process with various stakeholders (commercial and non-commercial);
 - A way to identify and manage multiple risks to the business; and
 - A way to improve yields.

- One question raised is why the industry comes under such significant pressure when it is addressing issues, while some other industries are not yet doing so. A key challenge is that investors do not fully understand the issues. Companies must take the lead in educating investors. Domestic investors are not yet engaged in the sustainability issues.
- More dialogue is required, not only between companies and investors, but also among regulators, civil society, customers and communities. Certification provides a set of processes to support such dialogue.
- Some rating systems are unintelligent. For example, if a company operates in Papua New Guinea, it does not need an orangutan policy as there are no orangutans. If a company has no peat land exposure, it does not need a peat policy. And so on.
- In a positive development, NGOs in general are becoming more sophisticated in engaging both companies and finance providers.

Gala Dinner Keynote Speech: “The Other Duty of Corporate Governance”

By **Rajeev Peshawaria**, CEO and Executive Director, The Iclif Leadership and Governance Centre, Kuala Lumpur

- Every year, US\$80 billion is spent on leadership training and coaching, but most people can identify few bosses who they think are truly great leaders.
- How does leadership happen? Leaders are not born, have learned from other great leaders or from their mistakes, or were empowered to lead.
- The definition of a leader is someone who has a burning desire to build a better future. When you’re a leader, you can close your eyes and visualise a better future. The classic example is Soichiro Honda, the founder of Honda Motor, whose self-made engine was repeatedly rejected by Japan’s established carmakers. But after mounting it on bicycles, he turned his attention to motorcycles and by 1963 built Honda into the biggest-selling motorcycle brand in the US.

- However, if you tell people “let’s build a better future”, all you’ll get is resistance. Once you start putting your values to work, you’ll be very lonely. That’s why the main ingredient of great leadership is a ton of tenacity not to give up. Leaders don’t give up when faced with resistance. This is what we call leadership energy, which comes from the clarity of values and purpose in life.



- Top-down succession planning for the next leader with spreadsheets and showcase projects thrown their way to prove themselves is a complete waste of time. Let the cream rise to the top naturally.
- From the original list of *Fortune* 500 companies in 1955, only 61 are still in it. The average lifespan of companies today is 12.5 years, and 65% of stock prices are based on an intangible future value like leadership.
- The top reasons for company failure include not getting the strategy right, not being fast enough with innovation, not being in touch with customers’ changing needs and poor leadership. But fraud and lack of compliance are missing from the list.
- Hence, there are two duties of corporate governance. One is to monitor so that enterprise value is preserved by avoiding wrongdoings. The other is to help the company grow by helping management without micromanaging. If you sit on a board, what should be the balance of your time on these activities? That’s the core CG question that board directors should ask themselves.



Day 2

Plenary Session – The Chairmen’s Dialogue

Moderator **Douglas Henck**, Chairman and CEO, Aegon Asia, Hong Kong & Chairman, ACGA, joined three of his peers to discuss the increasingly demanding role of the chairman in Asian companies and how they can cope with the challenges. **Tan Sri Amirsham A. Aziz**, Chairman, Bursa Malaysia, Kuala Lumpur; **Francis G. Estrada**, Chairman, Institute of Corporate Directors, Manila; and **Bandid Nijathaworn**, President and CEO, Thai Institute of Directors, Bangkok, were the VIP panellists.



- An effective chairman is determined to drive the performance of the board, which is a team activity. Conflicts between the board and management are a common problem because views are different. So the chairman, who is ideally an independent chair, must try to reduce this gap. He/she must have a strong commitment to good corporate governance and to the processes that are needed, such as director nomination, evaluation and training. There needs to be a proper process to get the best people as independent directors, and the chairman must ensure that they contribute.
- Among the chairman’s key responsibilities are to set the board’s agenda with management and focus on the key issues. Another is to ensure that each director contributes his/her best. This presupposes that the chairman has a very good understanding of the company’s long-term strategy and challenges, and will share them with other directors. The chairman must understand the expertise and experience of each director and give careful thought to board committee assignments. He/she should attend board committee meetings as an observer to ensure that they are operating as they should.
- The chairman needs to pay more attention to the role of the board in governance innovation because the sustainability of any company is about continuous innovation. Innovation has to be part of a board’s mission, but most boards leave innovation to

management. How does a board establish the framework for governance innovation? Through strategy, performance reviews, risk management and audits.

- The chairman also needs to focus more on the role of the board in engagement with institutional investors. With the growth of responsible investment, investors expect access to the board. Directors should engage with investors more visibly to build trust and hear external views, rather than to answer detailed operational questions which management can do.
- Board diversity is not just a question of compliance but makes good business sense to better understand markets, consumers, and technological changes. Many ASEAN companies are also going regional and global, so their boards need input from directors who understand the international environment.
- In a family-owned company, the chairman or the board may not be able to remove an incapable controlling-shareholder/CEO, but their duty is to provide the right support for him/her to perform. Use an established process if it exists to evaluate CEO performance. If the chairman and the board are independent, they can make a contribution. There has to be, however, trust between family owners and independent directors. So if you are invited to join a family company as an independent director, you must try to understand their motivation and ask if there is a real willingness to listen.

Workshop 1 – The Regulators’ Roundtable: Hot topics in ASEAN

We invited two of Southeast Asia’s top financial regulators—**Rapee Sucharitakul**, Secretary-General, Securities and Exchange Commission, Thailand, and **Tan Boon Gin**, Chief Regulatory Officer, SGX, Singapore—to talk about their efforts at corporate governance reform and to enforce higher standards. **Jamie Allen**, Secretary General, ACGA, moderated.

- **Rapee Sucharitakul** said the SEC needs to take a broader look at the ecosystem of regulation; that is, if regulations are fit for purpose and doing what they should. For example, in Thailand, a lot of responsibility for improving the corporate governance of a company is placed on the three independent directors out of, say, 10 directors—but is that really a reasonable thing to ask of the independent directors? Regulation only enforces minimum standards of corporate governance and does not really get to best or good practice.



- The SEC is thus trying to listen more to the market when developing regulations. Rather than writing a regulation first and then holding a short consultation, it is taking a step back to listen to the market first. The aim is to understand what the issues are and talk to a wide range of stakeholders before writing the regulation. Then, during the consultation process, the SEC will listen to the market for a second time.
- According to **Tan Boon Gin**, law enforcement may not be the best way to deal with major securities crimes because it takes too long to conduct the investigation. So timely upstream intervention is needed by offering the regulators an opportunity to take action before things go wrong. In addition, regulators must play an educational as well as enforcement role in the market. In terms of enforcement, he favours a “bias for action”, or erring on the side of taking aggressive action rather than doing nothing.
- As for the dual role of SGX as both a regulator and a for-profit business, he understood the criticism but emphasised that there are controls in place to manage that. There are also areas where the dual role allows SGX to do better regulation—for example, by encouraging more liquidity that will help stop market manipulation.
- The Companies Act amendments that will take place in Singapore in 2016 expressly allow unlisted public companies to issue dual-class shares. SGX will look seriously at whether it should be allowed for listed companies as well, and it has learned a lot from Hong Kong’s failed experience to introduce it. There are three issues to consider:
 - Should the dual-class share structure be allowed for all companies, or only tech or biomedical companies? Should it be allowed for only large caps or all caps?
 - What sort of safeguards should be in place to prevent entrenchment where the owner/manager outstays the welcome? What about a sunset clause that kicks in to convert dual-class shares to ordinary shares when certain events happen?
 - How can the risk of expropriation be alleviated where the owner/manager takes out private benefits at the expense of minority shareholders?

Workshop 2 – Asian family Firms: A superior model of governance?

This panel examined the evolving governance of Asian family businesses and debated whether they offer superior investment opportunities. The two panellists were: **Michael Octoman**, Partner, Navis Capital Partners, Kuala Lumpur; and **Bernard Fung**, Director and Head of Family Office Services and Philanthropy Advisory, Asia Pacific, Credit Suisse, Singapore. **Yuelin Yang**, Managing Director, Asset Management, IMC Industrial, Singapore, and Council Member, ACGA, moderated.



- The key issues with family firms are family politics and how to deal with it, and succession planning. Meanwhile, family firms’ concentrated ownership means they don’t have problems with stewardship, but have issues with minority shareholders.

- A report from Credit Suisse in 2015 covering 920 family-run listed companies around the world (76% in Asia) found that they accounted for 25% of MSCI World market capitalisation and have outperformed the index by 4.5% per year since 2006.
- The superior returns on investment in family firms were also true for Navis Capital Partners, a private-equity fund which manages US\$5 billion. It has made over 60 investments in 16 years, with realised returns of over 2.5 times money. But when investments have not done well, it was usually due to management or poor corporate governance. A lot of value is created by cleaning up corporate governance, and tightening systems and processes. When there are serious integrity issues with the patriarch or family, the deal inevitably dies.
- It takes a lot of time to handle people issues. You need to be honest with the patriarch about the assessment of family members—good and not so good. Everyone needs to be realistic about the capabilities of the next generation. This also goes for trusted senior staff.
- The challenge is that the patriarch can have his pets among professional managers. Having loyal people around is great, but they eventually reach performance limits as the business grows. This is when the family firm needs to bring in complementary talents, but the transition often is difficult.
- Some people who are asked to join a family firm as non-executive directors should ask if the role will be to rubber stamp or not. If they don't get a clear answer, there will be trouble. They need to get the family to open up. But this is more difficult in some cultures.
- Controlling shareholders of listed family firms often are looking for minority institutional investors to act as a partner, rather than activists. If activists come in, families get nervous and become reluctant to open a dialogue.



Photo Album





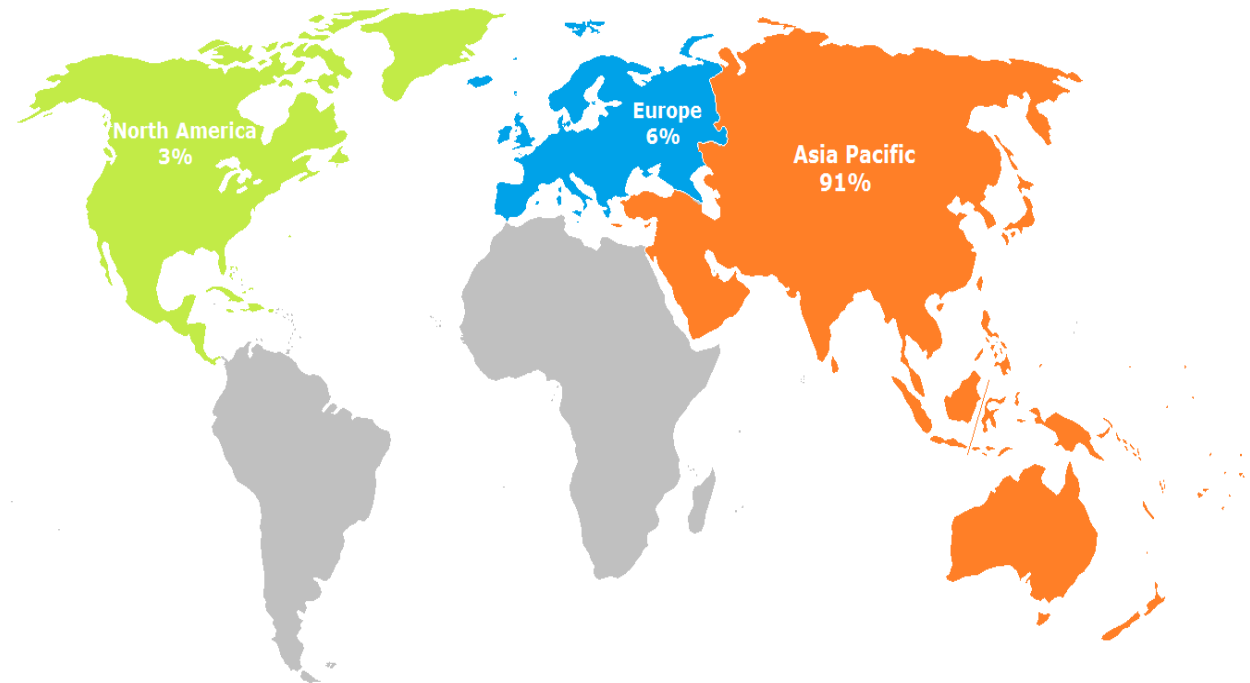






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- USA

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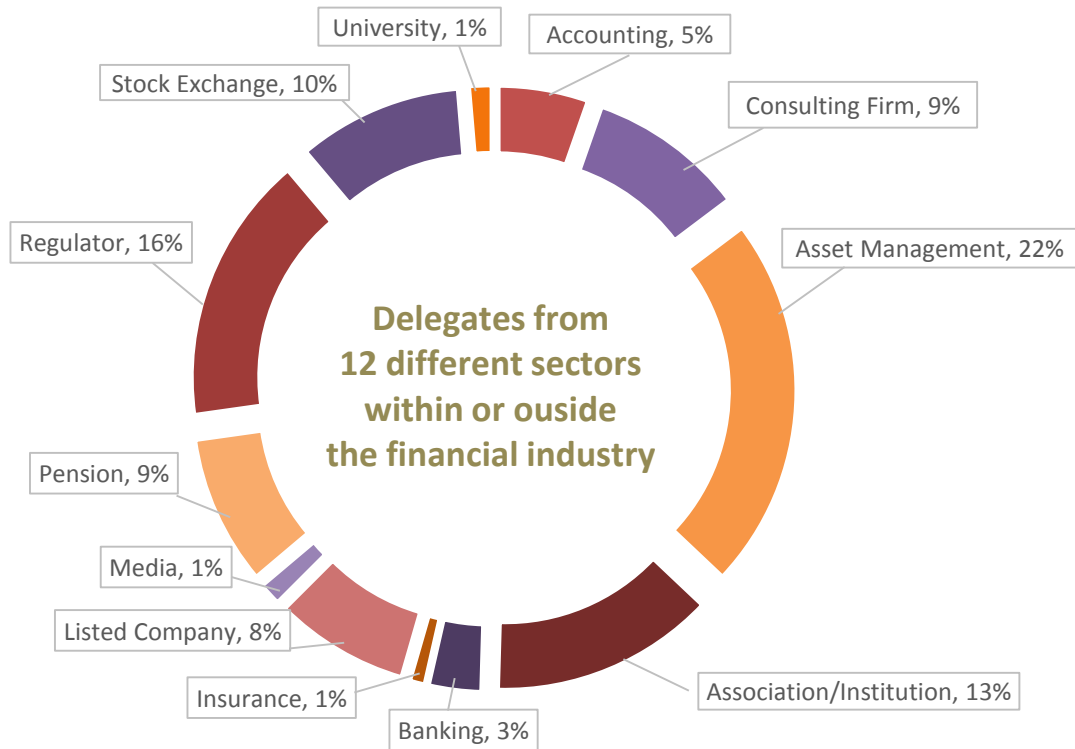
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- Netherlands
- Norway
- Sweden
- Switzerland
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