

PRESS RELEASE

“Awakening Governance: The evolution of corporate governance in China”

Hong Kong, July 24, 2018: 12 noon

The Asian Corporate Governance Association (ACGA) today released a major new study on corporate governance in China. Titled “Awakening Governance”, the report is an independent and objective review of the evolution and current state of corporate governance in China and contains practical recommendations for improvement. Published in both English and Chinese, the report seeks to explain China’s unique system of corporate governance (CG) to foreign investors and the relevance of emerging global CG best practices to China-listed companies and domestic institutional investors.

“Corporate governance reform in China has passed through different stages in recent decades, leaning towards “global standards” in the late 1990s and evolving more recently into a hybrid with strong “Chinese characteristics”, said Jamie Allen, Secretary General, ACGA, and one of the report’s main authors. “Given China’s growing importance in global capital markets, there is a need to bridge the gap in expectations and understanding between domestic and foreign market participants.”

The main part of the report examines “CG with Chinese characteristics”. It contains chapters on the role of Party Organisations, boards of directors, supervisory boards, independent directors, and audit committees—and challenges facing each. It also examines the similarities and differences between state-owned enterprises (SOEs) and privately owned enterprises (POEs), finding that POEs are more similar to SOEs in governance terms than is often appreciated.

Other chapters cover “ESG Reporting and Investing”, “M&A with Chinese characteristics” and case studies on five companies: Sinopec, ICBC, Vanke, Minsheng Bank, and Tencent.

“Awakening Governance” also contains the results of two original surveys carried out by ACGA in Q3 2017, the first on more than 150 foreign institutional investors and the second on 182 China-listed companies. The surveys assess the perceptions of respondents towards corporate governance in China. Selected findings include:

- Two-thirds of the foreign investors and half of the China company respondents see overseas-listed China firms as being better governed than A shares.
- More China respondents agreed with the inclusion of A shares in the MSCI Emerging Markets Index than foreign investors.
- Slightly less than a quarter of foreign investors prefer investing in POEs than SOEs.

Adding further depth to the text is a series of interviews with 12 governance experts, directors, board secretaries, investors and others.

For copies of the report, please visit the ACGA website: www.acga-asia.org



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About ACGA

The Asian Corporate Governance Association (ACGA) is a not-for-profit membership association chartered under the laws of Hong Kong and founded in 1999. The Association is dedicated to working in a constructive manner with regulators, listed companies and investors across Asia to improve corporate governance standards and practices, which we believe are a foundation for long-term economic development. We are guided by a practical, long-term approach that is relevant to each individual market. Our operations are supported by a membership base of institutional investors, Asian listed companies, insurance and accounting firms, and universities. ACGA has more than 110 corporate members, two thirds of which are global and regional institutional investors with more than US\$30 trillion in assets under management globally. They are also significant investors in the China market.

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