

# The benefits of corporate clarity

**As the world's financial gravity shifts to Asia, investors are paying increasing attention to the region's corporate governance practices. The spate of frauds in the past year only highlights the importance of ethics, visibility, accuracy engagement and trust, as demonstrated by the winners of *Asiamoney's* latest Corporate Governance Poll. Anthony Chan reports.**

Honesty is the best policy, so the saying goes. In Asia it is increasingly becoming not just the best, but an essential requirement for regional companies that want to keep friendly ties with the capital markets.

The spotlight of most international investors is clearly shining on the region, which has meant more investors and analysts having a vested interest in carefully scrutinising Asian companies.

Regional businesses, many of which began as family affairs, have grown into important international players. As such they are facing greater pressure to adhere to international corporate governance standards.

Their ability to demonstrate a commitment to transparency and investor communication, in good times and bad, will be essential if they are to successfully court investors and gain access to more competitive funding, and potentially attract more customers to their goods and services.

Having the attention of investors and easy access to capital markets is nothing to sniff over, particularly in years such as 2011, when markets have been particularly volatile and skittish.

For some companies, good corporate governance could make the difference between whether or not they get the funding they need to grow.

## INFOSYS STANDS PROUD

This year's worthy overall winner of our Corporate Governance Poll and top-ranked company for India is Infosys, the Bangalore-based Indian IT outsourcing business.

Consistent with its admirable performance in previous years, the IT firm this year managed to beat Mindtree by a significant degree to top India.

Infosys has in some ways embodied India's drive to engage with the world and appeal to more international investors. Therefore its ability to impress so many analysts and investors as to its corporate governance is not entirely a surprise.

"We are delighted and honored to have fared as the winner in the prestigious *Asiamoney's* corporate governance poll. This is a strong validation of our continued efforts towards transparency, striving for disclosure benchmarks and corporate governance practices. This award encourages us to focus on continuously improving our best governance practices. Our aim is to be the most respected corporation in the world," says V. Balakrishnan, chief financial officer of Infosys.

Coming second in the poll and first in Taiwan is Chinatrust Financial Holdings. It is delighted with the view of the experts on its push for transparency.

"In our efforts to advance corporate governance, we were the first financial holding company in Taiwan to set up audit and remuneration committees, consisting of independent directors, along with an executive committee, credit approval committee and risk committee," explains Daniel Wu, president of Chinatrust Financial Holdings.

Rounding out the top three, and coming first for transparency in Hong Kong, is Sun Hung Kai Holdings.

The world's largest property company by market capitalisation beat out last year's winner, China Resources Enterprises, back into second place in the former British colony, and resumed a mantle it has possessed over most of our recent corporate governance polls.

"Maintaining close communications with investors, delivering on stakeholder expectations, exercising social responsibility and encouraging employee development will continue to be an integral part of our corporate philosophy," highlights Patrick KW Chan, executive director and chief financial officer of SHKP.

## CMB STANDS OUT

As mainland China-based corporates seek to expand locally and globally, they need to demonstrate they have in place adequate corporate governance protocols and measures to give the confidence that investors need add to these companies to their portfolios.

Many mainland firms recognise the constructive cycle of having good corporate governance, where productivity, long-term growth and investors' trust all reinforce and feed each other.

This year's winner in the country is China Merchants Bank, which leapfrogged last year's winner China Minsheng Bank. The excellence of China Merchants in corporate governance is a product of a well-developed corporate governance structure that features specialised committees covering areas such as strategy, risks, auditing and related-party transactions control.

In Southeast Asia, Bank Mandiri took the honours in Indonesia, as did Media Prima in Malaysia and SingTel in Singapore. In Thailand, Kasikornbank most impressed voters.

## TWIN DRIVERS

Corporate governance is driven by both regulations and market demand. While a country's supervisory authorities provide the minimum legal requirement, it is market demand that offers the drive for companies to conform to and exceed these minimum expectations.

Generally speaking, investors tend to be willing to pay a premium for firms that are ethical, transparent and predicable, so as to secure their return on their investment.

In the region, there is the conspicuous move by corporates to provide more disclosure, particularly on financial and policy issue; one area that requires more attention is ethical practices and standards.

Large fund houses with an investment timeframe of beyond five years focus on more than just profit and prospects; they also pay attention to the ethical practices and standards undertaken by corporates. When investing big blocks of capital for the long term, investors conduct extra scrutiny into management behaviour and how well they respect and protect their important stakeholders, to ensure that their investment is indeed safe.

Vincent Chiang, executive director at Bank of China International, believes that Asia's general corporate governance environment has improved in recent years. It's a view that was substantiated by just slightly over half of the respondents of the poll. However, some 40% of respondents believed the environment has deteriorated while less than 10% think the environment has remained the same.

For investors into Asia, the good news is that the region's companies are appreciating the rewards they can earn from improved corporate clarity. ▲

**INDONESIA**

**BEST OVERALL FOR CORPORATE GOVERNANCE  
(41 COMPANIES CITED)**

Rank	Company	%
1	Bank Mandiri	13.38%
2	AKR Corporindo	9.67%
=3	Astra International	8.18%
=3	Garuda Indonesia	8.18%

**BEST FOR DISCLOSURE AND TRANSPARENCY**

Rank	Company	%
1	Bank Mandiri	9.80%
2	AKR Corporindo	8.82%
=3	Astra International	6.86%
=3	Bank Central Asia	6.86%
=3	XL Axiata	6.86%

**BEST FOR RESPONSIBILITIES OF MANAGEMENT AND THE BOARD OF DIRECTORS**

Rank	Company	%
1	Bank Mandiri	22.64%
2	Astra International	18.87%
=3	Garuda Indonesia	11.32%
=3	AKR Corporindo	11.32%

**BEST FOR SHAREHOLDERS' RIGHTS AND EQUITABLE TREATMENT**

Rank	Company	%
1	Bank Mandiri	15.38%
2	Bank Central Asia	13.85%
3	Garuda Indonesia	9.23%

**BEST FOR INVESTOR RELATIONS**

Rank	Company	%
1	AKR Corporindo	12.24%
2	Kalbe Farma	10.20%
=3	Bank Mandiri	8.16%
=3	Garuda Indonesia	8.16%
=3	Sampoema Agro	8.16%

**BEST INVESTOR RELATIONS OFFICER**

Name	Company
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\* Result not published due to insufficient responses