

**PECC Macro Corporate Governance Scorecard Project**  
**Evaluation of Corporate Governance in East Asian Economies**

**Preliminary Draft**

September 1, 2005

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This is a preliminary draft that is incomplete as of August 30, 2005. Correspondence on this draft should be directed to either of the authors at [EFSTEVEN@cityu.edu.hk](mailto:EFSTEVEN@cityu.edu.hk) or [jangya@chol.com](mailto:jangya@chol.com)

## **Executive Summary**

The Asian financial crisis in 1997 underscored the importance of structure reforms in the governance of the regional business sector. Various initiatives have been undertaken, both regional and global, in promoting corporate governance reform. For example, APEC ministers endorsed the PECC guidelines for good corporate governance practices in 2001.

This project aims to measure the progress of corporate governance reforms in some East Asian economies as disclosed through two surveys. This study examines this progress in two ways. The first is a stock-taking exercise to take note of on-going reforms in corporate governance rules and regulations. The second covers perceptions of the implementation and enforcement of corporate governance rules as seen by fund managers and analysts. Nine East Asian economies are included in this study. They are China, Hong Kong, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan, and Thailand.

The two surveys yield different results, showing that there is a deviation between the regulatory environment and market perception of corporate governance practices in these economies. Economies equipped with the 'best' rules and regulations are perceived to be the 'worst' in terms of practice by investors. The results show that there is no significant difference in the rules and regulations among these economies, but that there is a significant difference in term of market perception of their corporate governance practices.

It is necessary to recognize the differences between economies and it is even more important to recognize the pace of corporate governance reform in the region. Therefore, the performance of individual economies should be interpreted with great caution. Moreover, this project is not a figure-pointing exercise, but aims to share the experiences of corporate governance reform among East Asian economies.

# **PECC Macro Corporate Governance Scorecard Project**

## **Evaluation of Corporate Governance in East Asian Economies**

**Stephen YL Cheung and Hasung Jang**

### **1 Introduction**

1.1 Academic researchers, practitioners and regulators have recognized the importance of good corporate governance in enhancing the well-being of the corporate sector. Good corporate governance requires a vigilant board of directors, timely and adequate disclosure of financial information, meaningful disclosure about the corporation, and a transparent ownership.

1.2 The Asian financial crisis in 1997 underscored the importance of structural reforms in the governance of the region's business sector. There have been various regional and global initiatives to promote corporate governance reform. For example, APEC ministers endorsed the PECC guidelines for good corporate governance practices in 2001. At the national level, one would like to promote good corporate governance practice in domestic corporations so that they could attract more investment from the international investment community. Therefore, reform is crucial for corporations that want to raise funds from the international capital markets.

1.3 Several corporate governance indices have been developed by the international investment community. For example, Standard and Poor's Transparency and Disclosure Index assesses the transparency and disclosure practices of corporations around the world. The Creditor Lyonnais Corporate Governance Index applies some major corporate governance factors to rate corporations in different markets. These criteria include discipline, transparency, independence, accountability, responsibility, fairness, and social

awareness.

1.4 This project aims to measure the progress of corporate governance reforms in some East Asian economies through two surveys. This study examines this progress in two ways. The first is a stock-taking exercise of the on-going reforms to corporate governance rules and regulations. The second covers the views from the fund managers and analysts. Nine East Asian economies are included in this study. They are China, Hong Kong, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan, and Thailand.

1.5 The first survey is on the existing rules and regulations of the nine East Asian economies. Our questionnaire is based on the five corporate governance principles developed by the OECD (OECD, 2004). These are the rights of shareholders, equitable treatment of shareholders, role of stakeholders, disclosure and transparency, and board responsibilities. The survey is completed by a corporate governance specialist from each economy with the assistance of the local regulatory agency, and the answers are rechecked by the authors using OECD reports. (The corporate governance specialists are either from the Institute of Directors or from a research institute of the respective economy.) The questionnaire is not aimed at measuring any individual company's performance. The objective is to provide a broader reference on the corporate governance reform in a selected sample of East Asian economies.

1.6 This part only assesses the corporate governance standard in these economies. This should not be used as a guideline of corporate governance practices for companies listed in these economies. Nor is it the scope of this study to assess an individual company's performance in each economy. Therefore, it is perfectly possible to find a well-governed company listed in a market with less stringent corporate governance practices.

1.7 The second survey is on the investor perception of corporate governance practices in these economies. The questionnaire is sent to fund managers and analysts through investment fund associations. This questionnaire is simpler than the first one; in it, fund managers are asked to evaluate the East Asian economies based on their experience.

1.8 Finally, it is important to recognize the scope of this project. The first part of this study focuses on the corporate governance requirement in the East Asian economies; it does not endeavor to assess the enforceability of these requirements. The second part provides the market perception on the quality of corporate governance practices in these economies.

1.9 It is necessary to recognize the differences between economies. It is even more necessary to recognize that corporate governance practices, and the reforms of such practices, cannot be viewed in isolation. Therefore, it is advisable to interpret the performance of any individual economy with great caution. Moreover, this project is not meant to be a figure-pointing exercise, but aims to share the experiences of the corporate governance reform among East Asian economies.

## **2. Evaluation method**

2.1 The questionnaire on rules and regulations is constructed following the structure of OECD Principles of Corporate Governance, which was revised in 2004. The Principles are organized into five areas: I) the rights of shareholders; II) equitable treatment of shareholders; III) role of stakeholders; IV) disclosure and transparency; and V) responsibilities of the board. In addition to the OECD Principles, survey questions are based on questions given in the White Paper on Corporate Governance in Asia which was published by the OECD in 2003. The questions are not, however, necessarily same as those listed in the White Paper. Authors have selected questions that are relevant to these economies and have also added a number of questions that are not included in the White Paper.

2.2 The questionnaire on rules and regulations consists of 103 questions. Only 55 questions are used to rate the corporate governance practices for the nine economies. The remaining 48 questions are used to confirm the fundamental structure of corporate governance regulations. A list of questions, indicating which ones are included in the evaluation, is attached in Appendix 2.

### 3. Survey period

The surveys were conducted during the period from May 2005 – August 2005. The survey on rules and regulations was conducted from May 2005 – July 2005, while the survey on investor perception was conducted from July 2005 – August 2005.

### 4. Survey results: summary

4.1 There are significant differences in evaluation results between two surveys – the survey on corporate governance rules and regulations and the survey on investor evaluation on corporate governance practices. The rankings given by the evaluation of rules and regulations are not consistent with rankings that investors give for the quality of corporate governance practices.

4.2 The ranking on rules and regulations and ranking of investor evaluation on the quality of corporate governance practices are not significantly correlated. Depending on how evaluation on rules and regulations is measured, the correlation between the two rankings could be negative with statistical significance. This result implies that there are significant differences between what the rules and regulations intend and how corporate governance is actually practiced by corporations in each economy.

4.3 The above result indicates that corporate governance rules and regulations are not enforced in some economies as they are supposed to be. Another indication of these results is that economies which practice poor corporate governance have introduced new rules and regulations to improve corporate governance. The results, however, *should not* be interpreted as causality between corporate governance rules and regulations and corporate governance practices.

4.4 Given that most corporate governance rules and regulations were introduced after the 1997 crisis in many East Asian economies, these results show that East Asian economies

had made a significant effort to improve their corporate governance practices. Another implication of the survey results is that a regulatory framework for corporate governance has been reasonably constructed. Economies should concentrate their efforts on implementation and enforcement of rules and regulations from now on they really intend to improve their corporate governance practices.

4.5 Extreme cases of inconsistency arise in two of our survey results: for China and the Philippines. These two economies are ranked first and second respectively in the evaluation of rules and regulations, but they are ranked 9<sup>th</sup> and 8<sup>th</sup> respectively in the investor survey. This means that both economies have made significant efforts in introducing rules and regulations that are intended to improve corporate governance, but they should also make additional efforts to implement and enforce these rules and regulations.

4.6 Another interesting result that *should* be noted is that the scores on corporate governance rules and regulations do not significantly differ among the nine economies surveyed. However, the investor evaluation scores are significantly different among the nine economies. Investor perception on the quality of corporate governance is related to implementation and enforcement of rules and regulations. This reinforces the view that while the reforms have taken place, the next phase should be implementation and enforcement of the new rules and regulations. Investor relations are another important area that could help change investors' perceptions.

## **5. Evaluation of corporate governance rules and regulations**

5.1 The survey includes 103 questions that cover five areas of corporate governance. Five areas are selected in accordance with OECD Principles of Corporate Governance. The list of areas and number of questions in each area are summarized in the following table. (For the full list of all questions, please refer to Appendix 2.) Out of the total of 103 questions, only 55 questions are used to evaluate corporate governance rules and regulations. The

remaining 48 questions are used to cross-check the consistency of the results.

Table 1: Number of questions

| Area of Evaluation                         | The Rights of Shareholders | Equitable Treatment of Shareholders | Role of Stakeholders | Disclosure and Transparency | Board Responsibilities | Total |
|--|----------------------------|-------------------------------------|----------------------|-----------------------------|------------------------|-------|
| Number of questions in the survey          | 39                         | 12                                  | 4                    | 20                          | 28                     | 103   |
| Number of questions included in evaluation | 16                         | 9                                   | 2                    | 15                          | 13                     | 55    |

5.2 Certain sets of corporate governance rules and regulations are common across all nine economies. There are also sets of rules and regulations that differ across economies. Among the five OECD principles, the result shows little variation across economies in the rights of shareholders and the equitable treatment of shareholders. There are, however, large variations among economies in rules and regulations covering board responsibilities and the role of stakeholders. The result is mixed in the disclosure and transparency category. The following are the common and different features of rules and regulations among the economies in the five principles:

### 5.3 Rights of shareholders

*“The corporate governance framework should protect and facilitate the exercise of shareholders’ rights.”*

----- OECD Principles of Corporate Governance, 2004.

#### 5.3.1 Common features in “rights of shareholders”



The following features are adopted in all economies. They are the fundamental building blocks for corporate governance that are intended to protect rights of shareholders regardless the type of legal and regulatory system that the individual economy employs.

- Audited annual reports, and un-audited semi-annual reports and quarterly financial statements, must be disclosed
- There is a minimum period of notice for shareholder meetings
- Proxy voting is allowed in all economies
- Multiple voting shares are not allowed
- Shareholders have the right to vote on the following matters
  - Appointment/removal of directors
  - Authorizing share capital changes
  - Amendments to the company's articles or statute
  - Major corporate transactions (acquisitions, disposals, mergers, takeovers)
- Shareholders can nominate candidates for the position of director
- Shareholders can propose an agenda item at shareholder meetings

### 5.3.2 Different features in “rights of shareholders”

There are number of regulations that differ across nine economies.

- The number of days' notice given for shareholder meetings. As for annual general meetings, China and Taiwan require 30 days advance notice – this is longest period among the nine economies. Thailand requires only 7 days – the shortest among the nine economies. Clearly a longer period of notice is desirable to enable shareholders to be able to participate in the meeting as well as be able to cast their voting either by mail or proxy. This is particularly true for foreign shareholders who can only cast their vote through custodians. Korea and the Philippines require only 14 days' advance notice. A period of two weeks or less is not enough for many shareholders to be able to participate in the meeting.
- Hong Kong and China do not allow non-voting shares while other seven

economies allow it. Therefore, common shareholders are most protected in those two economies.

- Mail voting is allowed only in Hong Kong, Indonesia and Korea. The other six economies do not allow it. This is a significant impediment to shareholders' abilities to cast votes.
- Transactions with related parties that exceed a certain amount should be approved by shareholders in most of economies except Taiwan and Korea. Korea requires only board approval for all related party transactions regardless of the amount of the transaction.
- Only Thailand does not allow shareholders to nominate director candidates. This limits the ability of minority shareholders to have their representation on the board.
- In all economies, shareholders can propose an agenda item for the shareholder meeting. However, the number of shares they need to hold in order to do so differs across the economies. In Thailand a shareholder must own one third of shares issued to propose an agenda items. The Philippines, on the other hand, does not have any minimum shareholding requirement.
- Derivative lawsuits by shareholders are allowed in the majority of the economies, with the exceptions being China and Hong Kong. Therefore, shareholders' legal action is limited in these economies. In Singapore, any shareholder, regardless of the number of shares they hold, can file a derivative lawsuit.
- Class action lawsuits are allowed only in Korea, Malaysia and the Philippines. Class action lawsuits are one of most effective legal means to deter abusive management practices and to recover any loss when shareholders' interests are damaged by abusive management practices. In China, it should be noted that neither derivative nor class action suits are allowed.
- Shareholders do not have the right to vote on the appointment/removal of auditors in the Philippines and Taiwan.

### 5.3 Equitable treatment of shareholders

*“The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.”*

----- OECD Principles of Corporate Governance, 2004.

### 5.3.1 Common features in “equitable treatment of shareholders”

- Law defines who insiders are
- Insiders are required to disclose their transactions
- Law explicitly defines penalties attached to the offence of insider trading regulations
- Fines and imprisonment are part of the penalty for insider trading
- The legal and regulatory framework requires disclosure of related party transactions

### 5.3.2 Different features in “equitable treatment of shareholders”.

There are number of regulations that differ across nine economies. The followings are list of regulations that are considered as relatively important among those that differs across economies.

- Cumulative voting in the election of directors is allowed in Taiwan, Indonesia, Korea, the Philippines and Thailand. It is not allowed in China, Hong Kong, Malaysia, and Singapore. Cumulative voting is an effective means that allows minority shareholders to elect their choice of director. This is particularly valid in economies where ownership is concentrated, as it is in most East Asian economies.
- All economies require the disclosure of insider trading. However, China, Taiwan and the Philippines do not specify how soon such trading should be disclosed. Delayed disclosure will create information asymmetry in the market. If insider

trading is not disclosed immediately after it occurs, minority shareholders cannot effectively protect their interests.

- Indonesia does not attach any civil liability to the offence of insider trading.

#### 5.4 Role of stakeholders

*“The corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.”*

----- OECD Principles of Corporate Governance, 2004.

5.4.1 There are four main factors to consider in the area of role of stakeholders. However, the nine economies have different regulations for these factors:

- ESOP or another long-term employee incentive plan is required only in Korea. No other economy in our sample specifies this as being mandatory
- Details of employees’ safety and welfare must be disclosed only in China, Korea and the Philippines
- Employees’ wage and benefits take the first priority in the event of insolvency in most of the nine economies. However, it is not clear whether this has first priority in Malaysia and Thailand.
- China, Indonesia, the Philippines and Thailand require that companies disclose any event that is related to environmental issues. The remaining five economies do not require this kind of disclosure.

#### 5.5 Disclosure and transparency

*“The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial*

*situation, performance, ownership, and governance of the company.”*

----- OECD Principles of Corporate Governance, 2004.

#### 5.5.1 Common features in “disclosure and transparency”

- The following information must be contained in the company's annual report
  - General information on the company /its main business
  - Audited annual accounts
  - Basis of board remuneration
  - Consolidated financial reports
  - Information on corporate governance (CG code, CG structure & practice)
- Directors' shareholdings must be disclosed.
- Directors are required to report their transactions in the company's stock.
- Companies must have their financial statements audited externally.

#### 5.5.2 Different features in “disclosure and transparency”

A number of regulations differ across the nine economies. The following are some of the most important ones.

- Shareholders cannot obtain minutes of board meetings in Hong Kong, Malaysia, Singapore and Thailand. Unless there is some other form of disclosure or a system that ensures checks and balances on board meetings, shareholder should be able to find out how the board operates.
- Personal details of company's directors do not have to be included in the company's annual report in Hong Kong.
- As for ownership disclosure, only Taiwan does not require disclosing shareholders with 5% of the company's shares or above. In China, Malaysia, the Philippines, Singapore and Thailand the top 10 shareholders must be disclosed in addition to any shareholders with 5% or more of the company's shares.

- Hong Kong, Indonesia, Malaysia and Singapore do not require disclosure of management shareholdings. If these are not disclosed, there is a risk that insider trading is not monitored effectively by the market and the regulators.
- Rotation of audit firms is mandatory only in Indonesia, Korea and the Philippines. It is also mandatory for banks in Thailand.
- Attendance records of board members are not disclosed in Hong Kong, Taiwan, Indonesia and Thailand. It is difficult for shareholders to monitor board activities if this basic information is not available.

## 5.6 Board responsibilities

*“The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board’s accountability to the company and the shareholders.”*

----- OECD Principles of Corporate Governance, 2004.

### 5.6.1 Common features in “board responsibilities”

- Directors’ remuneration must be disclosed in all nine economies, although in some cases the disclosure is for each individual director separately while in others only the lump sum for all directors is disclosed. Individual disclosure is clearly more desirable.

### 5.6.2 Different features in “board responsibilities”

There are number of regulations that differ across the nine economies. The following are some of the more important ones.

- A code of ethics or business conduct is required in China, Hong Kong and Malaysia. Having a mandatory code of this kind does not ensure better corporate

governance. It, however, is desirable that companies do have such a code and that this is known by stakeholders.

- An audit committee is required in all economies except in Taiwan.
- A compensation committee is required in China, the Philippines and Singapore.
- A nomination committee is required in China, Korea, the Philippines and Singapore.
- All nine economies require the presence of outside directors (or independent directors) on the board. Taiwan applies this requirement only companies that listed since 2002. Having a minimum number of outsider directors is specified in all economies but Taiwan. .
- The minimum number of board meetings varies across economies. There are no regulations on this in Indonesia, Korea and Malaysia. The Philippines requires at least 12 meetings while China requires at least 2 meetings.
- China, Malaysia and the Philippines require continuing training or education for board directors.
- Disclosure of remuneration of outside directors (independent directors) is required in all economies but Indonesia and Thailand.
- There are regulations on how much stock options can be issued to directors in Taiwan, Korea, the Philippines and Thailand.
- China, Malaysia and Thailand have guidelines on the number of corporate boards on which an individual executive director may serve. The remaining six economies do not regulate this. However, the number of boards on which an individual outside director may serve is regulated in five economies: China, Taiwan, Korea, Malaysia and Thailand.

## **6. Scoring of corporate governance rules and regulations**

- 6.1.** The purpose of scoring of corporate governance rules and regulation is to examine the existing rules and regulations that are necessary to ensure good corporate governance. Its outcome, however, *does not* reflect the quality of corporate governance practiced in each economy. It is also worth noting that the scoring

outcome heavily depends on which rules of regulations are included in the scoring and how much of weight is assigned to each item that is included. In other words, outcomes reported in this paper are *subjective to* the author's judgments and may not necessarily reflect the true state of the quality of corporate governance in each economy.

## 6.2. Number of items used for scoring

Out of total 103 questions, only 55 questions are used in evaluation of corporate governance rules and regulations. The remaining 48 questions are not included in evaluation either because the question is intended to verify the fundamental structure of corporate governance or because it is not relevant to the evaluation. The number of questions that are included for each of the five areas of corporate governance is as follows:

- rights of shareholders : 16
- equitable treatment of shareholders : 9
- role of stakeholders : 2
- disclosure and transparency : 15
- board responsibilities : 13

## 6.3. Method of scoring

6.3.1. Two types of questions on rules and regulations are included in the scoring. The first type of question is that where a "YES" answer is preferable in ensuring better corporate governance. The other type of question is that where a "YES" answer is considered undesirable. The list of questions for which the "YES" answer is considered undesirable is given in Appendix 2.

6.3.2. For desirable questions, a value of one is assigned if the answer is "YES" and value of zero is assigned if it is answered "NO". For undesirable questions, value of one



is assigned if it is answered “NO” and value of zero is assigned if it is answered “YES”.

6.3.3. Scoring does not reflect differences in quantitative items such as number of shares required or number of days. Same value of one is assigned if answer is “YES” for desirable question and if answer is “NO” for undesirable question ignoring differences in quantitative differences.

6.3.4. Scoring is constructed following five steps described below

The five areas of corporate governance are numbered from A to E, as shown in Appendix 2. Each area contains a different number of questions that are classified as A. 1, A. 2, ... B.1, B.2. A value of one is assigned to each of these questions. There are seven questions in the area of rights of shareholders. Consequently, a total value of seven is assigned to the area of rights of shareholders.

The value of one that is assigned to each of the questions is allocated equally to each of its sub-questions. For example, there are three sub-questions under question A.3. Therefore, a value of  $1/3$  is allocated to each these three sub-questions. Each sub-question earns the value allocated if the answer to the questions is “YES” for desirable questions.

Calculate the total value earned by the sub-questions. This yields the total value for each of the questions.

Calculate the total value for each high-level item (A, B, C, D and E). For instance, there are seven questions in item A (right of shareholders). The maximum value for this item is seven, which happens if all sub-questions in the right of shareholders item are answered “YES”.

Calculate ratios of each economy’s earned value to total possible value. If economy X has a value of 6 in the item A (rights of shareholders) then the ratio is  $6/7$ . The ratio is  $3/4$  if economy Y earns a value of 3 in item B (equitable treatment of shareholders) since the total possible value for this item is four.

Calculate final scores of each economy assigning the following weights to the

five corporate governance items. Two different weight schemes are applied to check the sensitivity of the weights assigned.

| Area of corporate governance | A. The Rights of Shareholders | B. Equitable Treatment of Shareholders | C. Role of Stakeholders | D. Disclosure and Transparency | E. Board Responsibilities | Sum  |
|------------------------------|-------------------------------|--|-------------------------|--------------------------------|---------------------------|------|
| Weight 1                     | 30%                           | 10%                                    | 5%                      | 15%                            | 40%                       | 100% |
| Weight 2                     | 20%                           | 20%                                    | 10%                     | 20%                            | 30%                       | 100% |

#### 6.4. Weighted scoring results

Results of the weighted scores of corporate governance rules and regulations are summarized in Table 2. China scores the highest and Singapore scores the lowest. This is true for both weighting schemes. It should, however, be noted that differences in scores among economies are not statistically significant, as is discussed in the following paragraph.

Table 2: Weighted scoring results

|             | China | Philippines | Korea | Thailand | Malaysia | Indonesia | Hong Kong | Taiwan | Singapore |
|-------------|-------|-------------|-------|----------|----------|-----------|-----------|--------|-----------|
| Weighting 1 | 0.79  | 0.76        | 0.66  | 0.63     | 0.64     | 0.63      | 0.66      | 0.63   | 0.61      |
| Weighting 2 | 0.78  | 0.74        | 0.67  | 0.61     | 0.59     | 0.59      | 0.58      | 0.58   | 0.53      |

Figure 1: Rating result (Weighting 1)

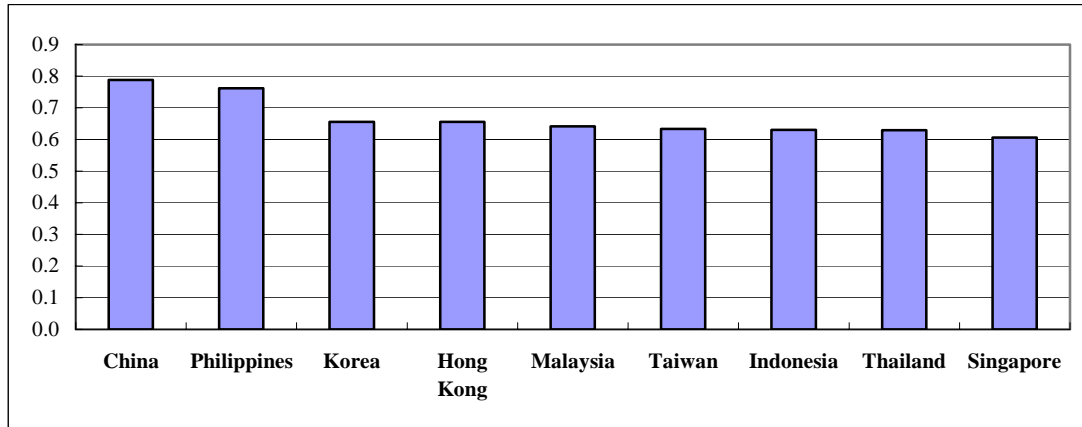
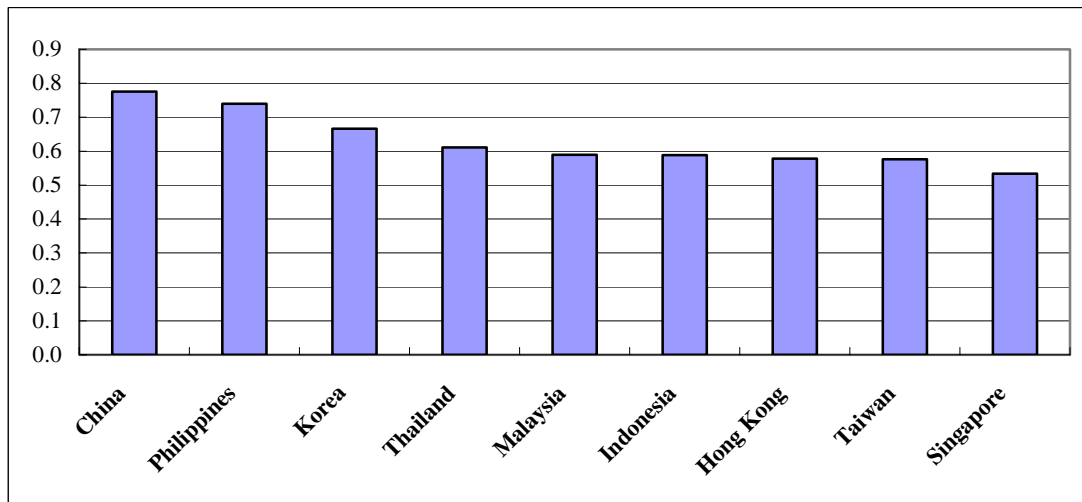


Figure 2: Rating result (Weighting 2)



6.5. Scores for five areas of corporate governance are presented Table 3. This is an un-weighted score. The ranking of economies by un-weighted score are not very different from the rankings of weighted scores as presented in Table 2. Using un-weighted scores, China and the Philippines rank first and second. Singapore ranks lowest. The results are similar when the scores are weighted. One notable difference is Hong Kong, which ranks 9<sup>th</sup> using un-weighted scores but which ranks 4<sup>th</sup> using weighted scoring.

6.6. Tables 4-A to Table 4-E shows ranks and scores for each area of corporate governance.

Table 3. Scores for five areas of corporate governance

| Rank |             | A                      | B                                   | C                    | D                           | E                      | Sum   |
|------|-------------|------------------------|-------------------------------------|----------------------|-----------------------------|------------------------|-------|
|      |             | Rights of Shareholders | Equitable Treatment of Shareholders | Role of Stakeholders | Disclosure and Transparency | Board Responsibilities |       |
| 1    | China       | 0.766                  | 1.0                                 | 0.5                  | 0.778                       | 0.722                  | 3.766 |
| 2    | Philippines | 0.865                  | 0.667                               | 0.5                  | 0.833                       | 0.722                  | 3.587 |
| 3    | Korea       | 0.611                  | 0.917                               | 0.5                  | 0.778                       | 0.519                  | 3.325 |
| 4    | Thailand    | 0.639                  | 1.0                                 | 0.5                  | 0.528                       | 0.426                  | 3.093 |
| 5    | Indonesia   | 0.782                  | 0.938                               | 0.5                  | 0.5                         | 0.315                  | 3.035 |
| 6    | Taiwan      | 0.865                  | 0.917                               | 0                    | 0.722                       | 0.250                  | 2.754 |
| 7    | Malaysia    | 0.698                  | 0.75                                | 0                    | 0.528                       | 0.648                  | 2.624 |
| 8    | Hong Kong   | 0.778                  | 0.75                                | 0                    | 0.389                       | 0.648                  | 2.565 |
| 9    | Singapore   | 0.833                  | 1.0                                 | 0                    | 0.528                       | 0.204                  | 2.565 |

Table 4-A: Scores for rights of shareholders

| Ranking | Economy     | Average | t-value | p-value | Observations |
|---------|-------------|---------|---------|---------|--------------|
| 1       | Philippines | 0.865   | -       | -       | 6            |
| 2       | Taiwan      | 0.865   | 0.00    | 1.000   | 6            |
| 3       | Singapore   | 0.833   | 0.16    | 0.877   | 6            |
| 4       | Indonesia   | 0.782   | 0.25    | 0.807   | 6            |
| 5       | Hong Kong   | 0.778   | 0.03    | 0.980   | 6            |
| 6       | China       | 0.766   | 0.06    | 0.952   | 6            |
| 7       | Malaysia    | 0.698   | 0.28    | 0.783   | 6            |
| 8       | Thailand    | 0.639   | 0.24    | 0.815   | 6            |
| 9       | Korea       | 0.611   | 0.12    | 0.907   | 6            |

Table 4-B: Scores for equitable treatment of shareholders

| Ranking | Economy   | Average | t-value | p-value | Observations |
|---------|-----------|---------|---------|---------|--------------|
| 1       | Singapore | 1.000   | -       | -       | 4            |
| 2       | China     | 1.000   | 0.00    | 1.000   | 4            |
| 3       | Thailand  | 1.000   | 0.00    | 1.000   | 4            |
| 4       | Indonesia | 0.938   | 1.00    | 0.356   | 4            |

|   |             |       |      |       |   |
|---|-------------|-------|------|-------|---|
| 5 | Taiwan      | 0.917 | 0.20 | 0.848 | 4 |
| 6 | Korea       | 0.917 | 0.00 | 1.000 | 4 |
| 7 | Hong Kong   | 0.750 | 0.63 | 0.550 | 4 |
| 8 | Malaysia    | 0.750 | 0.00 | 1.000 | 4 |
| 9 | Philippines | 0.667 | 0.24 | 0.816 | 4 |

Table 4-C: Scores for role of stakeholders

| Ranking | Economy     | Average | t-value | p-value | Observations |
|---------|-------------|---------|---------|---------|--------------|
| 1       | China       | 0.500   | -       | -       | 2            |
| 2       | Thailand    | 0.500   | 0.00    | 1.000   | 2            |
| 3       | Indonesia   | 0.500   | 0.00    | 1.000   | 2            |
| 4       | Korea       | 0.500   | 0.00    | 1.000   | 2            |
| 5       | Philippines | 0.500   | 0.00    | 1.000   | 2            |
| 6       | Singapore   | 0.000   | 1.00    | 0.423   | 2            |
| 7       | Taiwan      | 0.000   | .       | .       | 2            |
| 8       | Hong Kong   | 0.000   | .       | .       | 2            |
| 9       | Malaysia    | 0.000   | .       | .       | 2            |

Table 4-D: Scores for disclosure and transparency

| Ranking | Economy     | Average | t-value | p-value | Observations |
|---------|-------------|---------|---------|---------|--------------|
| 1       | Philippines | 0.833   | -       | -       | 6            |
| 2       | China       | 0.778   | 0.24    | 0.817   | 6            |
| 3       | Korea       | 0.778   | 0.00    | 1.000   | 6            |
| 4       | Taiwan      | 0.722   | 0.24    | 0.813   | 6            |
| 5       | Thailand    | 0.528   | 0.77    | 0.457   | 6            |
| 6       | Singapore   | 0.528   | 0.00    | 1.000   | 6            |
| 7       | Malaysia    | 0.528   | 0.00    | 1.000   | 6            |
| 8       | Indonesia   | 0.500   | 0.11    | 0.916   | 6            |
| 9       | Hong Kong   | 0.389   | 0.45    | 0.661   | 6            |

Table 4-E: Scores for board responsibilities

| Ranking | Economy     | Average | t-value | p-value | Observations |
|---------|-------------|---------|---------|---------|--------------|
| 1       | Philippines | 0.722   | -       | -       | 9            |
| 2       | China       | 0.722   | 0.00    | 1.000   | 9            |
| 3       | Malaysia    | 0.648   | 0.35    | 0.727   | 9            |
| 4       | Hong Kong   | 0.648   | 0.00    | 1.000   | 9            |
| 5       | Korea       | 0.519   | 0.62    | 0.541   | 9            |
| 6       | Thailand    | 0.426   | 0.44    | 0.669   | 9            |
| 7       | Indonesia   | 0.315   | 0.53    | 0.605   | 9            |
| 8       | Taiwan      | 0.250   | 0.32    | 0.754   | 9            |
| 9       | Singapore   | 0.204   | 0.25    | 0.807   | 9            |

## **Investor perception**

### **7. Investor evaluation of corporate governance practices**

7.1. The second survey covered investor evaluation of corporate governance *practices*, looking at investors' perceptions of the quality of corporate governance practiced in each of the nine economies. A total of 25 investors – 17 fund managers and 8 analysts – participated in the survey. These 25 respondents *do not* necessarily represent the population of all investors who have investment exposure in East Asian economies. The authors, however, do not find any reason to believe that the investors are biased toward any particular economy. The survey was conducted during the period from July-August 2005.

7.2. The survey consists of 10 questions directed to the quality of corporate governance practices and 2 questions directed to the identity of the respondent. The list of questions is presented below. Each question is scored on a one to five scale where five represents the best practice or the respondent strongly agrees with the statement given, and one represents worst practice or the respondent strongly disagrees. A sample questionnaire is attached in Appendix 3.

- Q 1. How do you evaluate the overall quality of corporate governance practiced in each country?
- Q 2. Shareholder rights are protected.
- Q 3. Management respects shareholder value.
- Q 4. Accounting reports including annual and semi-annual reports are accurate and reliable.
- Q 5. Disclosures are made timely and adequately.
- Q 6. Board supervises the management independently and effectively.
- Q 7. Corporate governance rules and regulations are enforced effectively.
- Q 8. Financial intermediaries including accountants and auditors can be trusted.
- Q 9. The legal system, including courts and prosecutors, is fair and independent.

Q 10. Foreign investors are accorded the same treatment as local investors.

**A. Please identify yourself**

Fund manager

Analyst at a fund management company

Analyst at a brokerage firm

Sales person at a brokerage firm

**B. Please mark economies in which you are investing or economies which you are analyzing**

7.3. Question 1 aims to evaluate the overall quality of corporate governance practiced in each of nine economies and the remaining questions 2-10 evaluate the quality of specific areas of corporate governance in each of nine economies.

The results to question 1 (which evaluates the overall quality of corporate governance) are presented in Table 5, and the total score for the 10 questions is presented in Table 6. The t-value in the tables is test statistic of the difference in average scores between two economies sitting next to each other in the table. For example, the t-value in the Hong Kong row tests whether the average score for Hong Kong is statistically different from the average score for Singapore. The p-value provides the statistical significance of the t-value.

7.4. In question 1, Singapore and Hong King score the highest and the second highest respectively. Singapore scores 4.0 and Hong Kong scores 3.88 out of maximum score of 5. The t-value of 0.53 in the Hong Kong row means that Hong Kong's average score is not statistically significant. Indonesia and China score the lowest and the second from the lowest respectively. There is no statistical difference in average score between Indonesia and China. Korea, Malaysia, Taiwan and Thailand are in the middle range while the Philippines scores a little lower than these economies.



7.5. Looking at the total score for the 10 questions, Singapore and Hong King score the highest and the second highest respectively. China and Indonesia score the lowest and the second from the lowest respectively. Taiwan, Korea, Malaysia and Thailand fall in the middle range with no statistical difference. The Philippines falls between the middle range group and the lower range group. These results are consistent with results of the average scores to question 1, which evaluates the overall quality of corporate governance practiced in the economies.

Table 5: Scores for Question 1 on overall quality of corporate governance practiced

| Ranking | Economy     | Average | t-value | p-value | Observations |
|---------|-------------|---------|---------|---------|--------------|
| 1       | Singapore   | 4.00    | -       | -       | 25           |
| 2       | Hong Kong   | 3.88    | 0.53    | 0.598   | 25           |
| 3       | Korea       | 2.68    | 5.55    | 0.000   | 25           |
| 4       | Malaysia    | 2.60    | 0.42    | 0.674   | 25           |
| 5       | Taiwan      | 2.60    | 0.00    | 1.000   | 25           |
| 6       | Thailand    | 2.50    | 0.45    | 0.652   | 24           |
| 7       | Philippines | 2.08    | 1.64    | 0.109   | 24           |
| 8       | China       | 1.72    | 1.57    | 0.123   | 25           |
| 9       | Indonesia   | 1.57    | 0.78    | 0.439   | 21           |

Table 6: Total score for all 10 questions

| Ranking | Economy                     | Total | Fund manager | Analysts |
|---------|-----------------------------|-------|--------------|----------|
| 1       | Singapore                   | 40.18 | 40.88        | 38.66    |
| 2       | Hong Kong                   | 39.24 | 39.59        | 38.46    |
| 3       | Taiwan                      | 26.26 | 27.35        | 23.77    |
| 4       | Korea                       | 26.11 | 25.12        | 28.25    |
| 5       | Thailand                    | 25.64 | 25.88        | 25.09    |
| 6       | Malaysia                    | 25.25 | 26.71        | 22.04    |
| 7       | Philippines                 | 19.75 | 21.06        | 16.34    |
| 8       | Indonesia                   | 17.60 | 17.99        | 16.58    |
| 9       | China                       | 17.03 | 16.94        | 17.21    |
|         | Number of people questioned | 25    | 17           | 8        |

Figure 3: Total score for all 10 questions

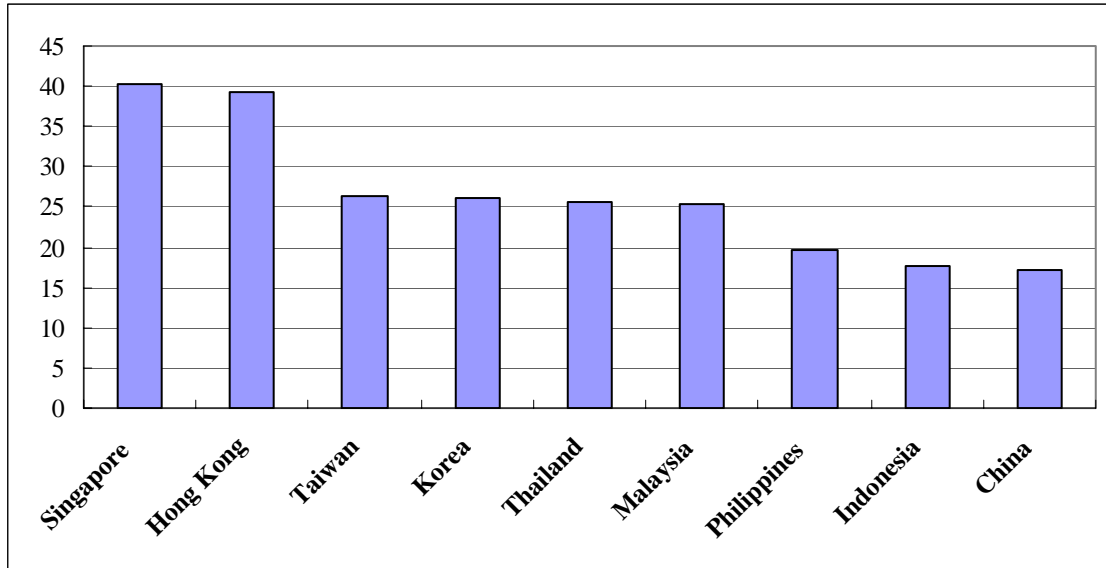


Figure 4: Total score for all 10 questions: fund managers

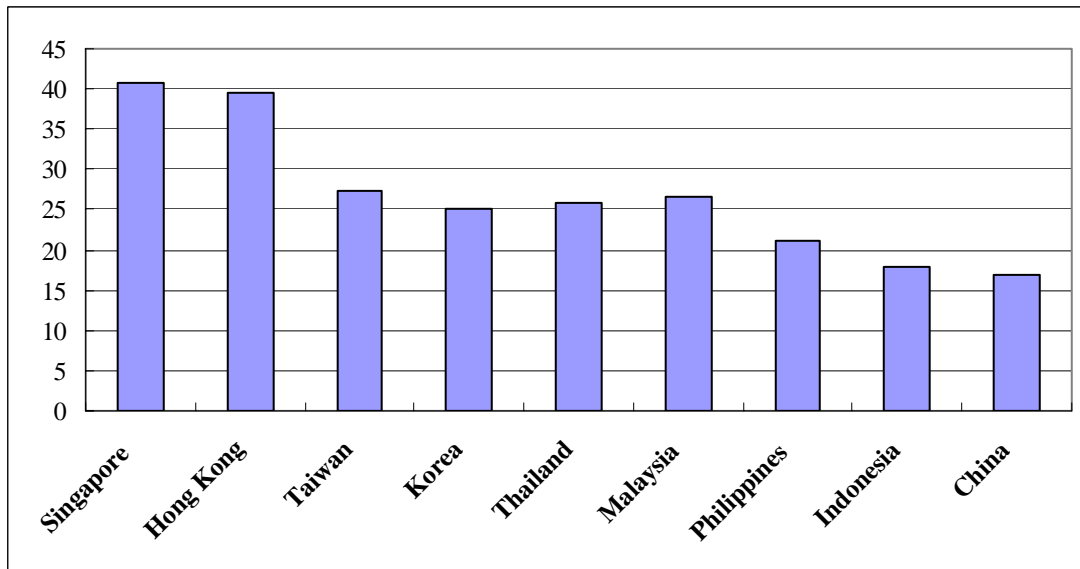
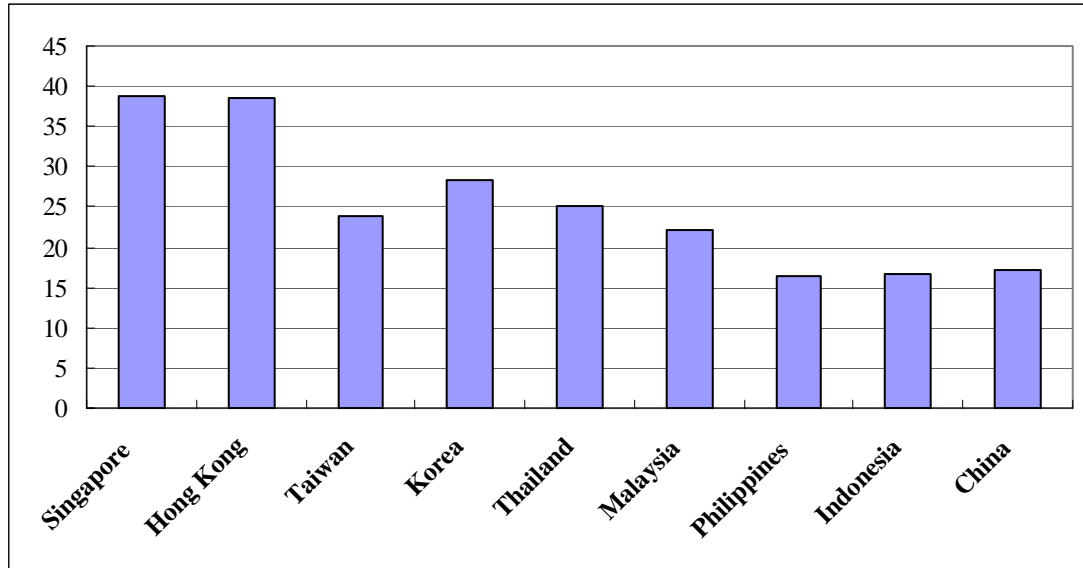


Figure 5: Total scores for all 10 questions: analysts



7.6. The rankings of average scores for each of 10 questions are consistent with the rankings of average score for all 10 questions. Singapore and Hong Kong belong to the top group in all 10 questions; Korea, Malaysia, Taiwan and Thailand belong to middle group; and China and Indonesia belong to the lower group. The Philippines belongs between the middle and low group.

Table 7: Average score for each question

| Question number | China | Hong Kong | Indonesia | Korea | Malaysia | Philippines | Singapore | Taiwan | Thailand |
|-----------------|-------|-----------|-----------|-------|----------|-------------|-----------|--------|----------|
| 1               | 1.72  | 3.88      | 1.57      | 2.68  | 2.60     | 2.08        | 4.00      | 2.60   | 2.50     |
| 2               | 1.88  | 3.96      | 1.72      | 2.40  | 2.40     | 1.83        | 4.08      | 2.32   | 2.58     |
| 3               | 1.80  | 3.80      | 2.00      | 2.68  | 2.60     | 2.08        | 4.04      | 2.56   | 2.83     |
| 4               | 1.64  | 4.12      | 1.80      | 2.64  | 2.84     | 2.17        | 4.28      | 2.54   | 2.46     |
| 5               | 1.64  | 3.64      | 1.84      | 2.72  | 2.48     | 1.88        | 3.96      | 2.80   | 2.38     |
| 6               | 1.68  | 3.48      | 1.80      | 2.48  | 2.28     | 1.96        | 3.88      | 2.52   | 2.58     |
| 7               | 1.88  | 3.72      | 1.72      | 2.44  | 2.36     | 1.88        | 3.96      | 2.40   | 2.38     |
| 8               | 1.64  | 4.04      | 1.58      | 2.60  | 2.72     | 1.79        | 4.08      | 2.84   | 2.75     |
| 9               | 1.39  | 4.48      | 1.57      | 2.83  | 2.65     | 2.00        | 4.23      | 2.96   | 2.73     |
| 10              | 1.76  | 4.12      | 2.00      | 2.64  | 2.32     | 2.08        | 3.68      | 2.72   | 2.46     |
| Total           | 16.99 | 39.04     | 17.37     | 26.06 | 25.30    | 19.60       | 39.80     | 25.68  | 25.89    |

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**< Appendix 1> Summary of Questionnaires and Answers**

|                                      |  | China        | Taiwan                           | Hong Kong  | Indonesia                       | Korea                             | Malaysia  | Philippines | Singapore                             | Thailand   |
|--------------------------------------|--|--------------|----------------------------------|--|---------------------------------|-----------------------------------|---|-------------|---------------------------------------|--|
| <b>A. The Rights of Shareholders</b> |  |              |                                  |  |                                 |                                   |   |             |                                       |  |
| <b>1</b>                             | <b>What periodic information are listed companies required to disclose?</b>  |              |                                  |  |                                 |                                   |   |             |                                       |  |
| 1.1                                  | Annual reports   | Yes          | Yes                              | Yes  | Yes                             | Yes                               | Yes   | Yes         | Yes                                   | Yes  |
| 1.2                                  | Unaudited semi-annual reports  | Yes          | No                               | Yes  | Yes                             | Yes                               |   | Yes         | Yes                                   | Y/N (yes for Financial institutions)                         |
| 1.3                                  | Quarterly financial statements   | Yes          | Yes                              | Y/N (yes for growth enterprise market; no for main board listed companies) | Yes                             | Yes                               | Yes   | Yes         | Yes                                   | Yes  |
| 1.4                                  | AGM minutes  | Yes          | Yes                              | No   | No                              | No                                | Yes   |             | Yes                                   | Yes  |
| 1.5                                  | AGM attendance records   | Yes          | Yes                              | No   | No                              | No                                | Yes   |             | Yes                                   | Yes  |
| 1.6                                  | Audit Committee Report (if have Audit Committee)   | No           | No                               | No   | Yes                             | Yes                               | Yes   |             | No                                    | Yes  |
| <b>2</b>                             | <b>Convening of shareholder meetings</b>   |              |                                  |  |                                 |                                   |   |             |                                       |  |
| 2.1                                  | Time of notice (days before meeting)   | 30days above | AGM: 20/30 days, EGM: 10/15 days | AGM: 21 days, 28 days EGM: 14/21 days                                      |                                 | 2 weeks                           | 14-21 days  | 2 weeks     | 14-21 days                            | 7 Days   |
| 2.2                                  | Thresholds for requesting or convening an 10% share extraordinary shareholder meeting, including number of shares, number of shareholders and minimum holding period required. |              | 3% share                         | 5% share   | 10% share                       | 1.5-3% share, 6 month-holding     | 2 or more members holding more than 10% of the issued share | None        | 5% of shareholding or 100 members     | 20% of issued shares or 25 shareholders owning 10% of shares |
| 2.3                                  | Legal minimum quorum requirements for EGM (Quorum means the minimum number of shareholders attending the EGM)  | None         | 50% of voting shares             | 2 persons  | 1/2 of independent shareholders | None                              | Up to company, usually 2 members                            |             | Up to company, usually 2 shareholders | 20% of issued shares or 25 shareholders owning 10% of shares |
| 2.4                                  | Is non-voting shares allowed?  | No           | Yes                              | No   | Yes                             | Yes (but preferred stock allowed) | No  | Yes         | Yes                                   | Yes  |

|      | China  | Taiwan  | Hong Kong | Indonesia  | Korea                      | Malaysia                  | Philippines   | Singapore                        | Thailand                          |   |
|------|--|---|-----------|--|----------------------------|---------------------------|---|----------------------------------|-----------------------------------|---|
| 2.5  | Is multiple voting shares allowed?   | No  | No        | No   | No                         | No                        | No  | No                               | No                                |   |
| 3    | Can shareholders vote by   |   |           |  |                            |                           |   |                                  |                                   |   |
| 3.1  | proxy  | Yes   | Yes       | Yes  | Yes                        | Yes                       | Yes   | Yes                              | Yes                               |   |
|      | a. Any document required   | Yes   | Yes       | Yes  | Yes                        | Yes                       | Yes   | Yes                              | Yes                               |   |
|      | b. Any notarization required   | No  | No        | Yes  | Yes                        | No                        | Yes   | No                               | Yes                               |   |
| 3.2  | mail   | No  | No        | Yes  | Yes                        | Yes                       | No  | No                               | No                                |   |
| 3.3  | other means (such as electronic voting, please specify)  | Yes   | No        | No   | No                         | No                        | No  | No                               | No                                |   |
| 4    | Do shareholders have the right to vote on:   |   |           |  |                            |                           |   |                                  |                                   |   |
| 4.1  | Appointment/Removal of directors   | Yes   | Yes       | Yes  | Yes                        | Yes                       | Yes   | Yes                              | Yes                               |   |
| 4.2  | Appointment/Removal of auditors  | Yes   | No        | Yes  | Yes                        | Yes                       | No  | Yes                              | Yes                               |   |
| 4.3  | Authorizing share capital  | Yes   | Yes       | Yes  | Yes                        | Yes                       | Yes   | Yes                              | Yes                               |   |
| 4.4  | Issuing share capital  | Yes   | Yes       | Yes  | Yes                        | No                        | No  | Yes                              | Yes                               |   |
| 4.5  | Dissapplication of pre-emption rights  | Yes   | Yes       | Yes  | Yes                        | No                        | Yes   | No                               | Yes                               |   |
| 4.6  | Amendments to company articles or statute  | Yes   | Yes       | Yes  | Yes                        | Yes                       | Yes   | Yes                              | Yes                               |   |
| 4.7  | Remuneration of board members  | Yes   | Yes       | Yes  | Yes                        | Yes                       | Yes   | Yes                              | Yes                               |   |
| 4.8  | Major corporate transactions (acquisitions, disposals, mergers, takeovers)   | Yes   | Yes       | Yes  | Yes                        | Yes                       | Yes   | Yes                              | Yes                               |   |
| 4.9  | Transaction with related parties   | Yes   | No        | Yes  | Yes                        | No                        | Yes   | Yes                              | Yes                               |   |
|      | Size of related party transaction subject to shareholder voting  | above RMB30 millions and 5% of shareholders' equity |           | if value transaction > 3% of the net tangible assets or HK\$10 million | None                       |                           | ≥5% of net tangible assets  | 2/3 of outstanding capital stock | 5% of NTA                         | THB 10 million or 3% of net tangible assets |
| 4.10 | Can shareholders nominate a candidate of director?   | Yes   | Yes       | Yes  | Yes                        | Yes                       | Yes   | Yes                              | No                                |   |
|      | If yes, what is the requirement to do so? (i.e. number of shares or number of shareholders required to make such nomination) | subject to company Articles                         |           | 5% or 100 members  | 10% of legal voting rights | No particular requirement | ≥5% of voting rights, or not less than 100 members holding shares | No particular requirement        | 5% of shareholding or 100 members |   |
|      |  | China   | Taiwan    | Hong Kong  | Indonesia                  | Korea                     | Malaysia  | Philippines                      | Singapore                         | Thailand                                    |

|      |  |                                    |                               |                            |  |   |  |  |   |   |
|------|--|------------------------------------|-------------------------------|----------------------------|--|---|--|--|---|---|
| 4.11 | Can shareholder propose an agenda at shareholder meeting?  | Yes                                | Yes                           | Yes                        | Yes  | Yes   | Yes  | Yes  | Yes   | Yes   |
|      | if yes, what is the requirement to do so? (i.e. number of shares or number of shareholders required to make such proposal) | minimum holding 5% of total shares | depending on company rules    | 5% shares or 100 members   | 10% of legal voting rights                       | 0.5% of voting share, 6-month holding                             | ≥5% of voting rights, or not less than 100 members | No particular requirement  | 5% of shareholding or 100 members             | 1/3 of issued shares  |
| 5    | What are the minimum number of shares required to approve the solution?  |                                    |                               |                            |  |   |  |  |   |   |
| 5.1  | Appointment of directors   | 50% of attending shares            | Yes                           | ordinary resolution (>50%) | 1/2 of the total shares with legal voting rights | More than 1/2 of shares attending the AGM and 1/4 of total shares | Ordinary resolution, simple majority               | Cumulative voting mandatory for stock corporations, and candidates receiving the highest votes for the position allowed in the articles of incorporation/ by-laws are proclaimed elected | Simple majority of members present and voting | as noted in each company's Articles of Association                      |
|      | Removal of directors   | 50% of attending shares            | Yes (67% of attending shares) | ordinary resolution (>50%) | 1/2 of the total shares with legal voting rights | More than 2/3 of shares attending the AGM and 1/3 of total shares | Ordinary resolution, simple majority               | 2/3 of the Outstanding Capital Stock   | Simple majority of members present and voting | 75% of shareholders present, owning more than 50% of outstanding shares |



|                                    | <b>China</b>                   | <b>Taiwan</b> | <b>Hong Kong</b>   | <b>Indonesia</b>  | <b>Korea</b>   | <b>Malaysia</b>   | <b>Philippines</b>  | <b>Singapore</b>                                     | <b>Thailand</b>  |
|------------------------------------|--------------------------------|---------------|--|---|--|---|---|--|--|
| <b>5.2 Appointment of auditors</b> | <b>50% of attending shares</b> | <b>No</b>     | <b>special resolution(75% majority), can be amended to ordinary resolution</b> | <b>1/2 of the total shares with legal voting rights</b> | <b>More than 1/2 of shares attending the AGM and 1/4 of total shares</b> | <b>Ordinary resolution, simple majority; An election of directors shall take place each year.</b> | <b>No particular statutory rule, but by practice external auditors appointed by formal resolution (majority of quorum) in the annual stockholders meeting</b> | <b>Simple majority of members present and voting</b> | <b>50% of shareholders present and voting at the AGM</b> |
| <b>Removal of auditors</b>         | <b>50% of attending shares</b> | <b>No</b>     | <b>special resolution(75% majority), can be amended to ordinary resolution</b> | <b>1/2 of the total shares with legal voting rights</b> | <b>More than 2/3 of shares attending the AGM and 1/3 of total shares</b> | <b>Ordinary resolution, simple majority</b>   | <b>No particular statutory rule, but appointment of external auditors usually on an annual basis, and there is usually no need to remove at mid term.</b>     | <b>Simple majority of members present and voting</b> | <b>50% of shareholders present and voting at the AGM</b> |

|                               | China                   | Taiwan                        | Hong Kong                  | Indonesia  | Korea  | Malaysia                             | Philippines   | Singapore                                     | Thailand                                       |
|-------------------------------|-------------------------|-------------------------------|----------------------------|--|--|--------------------------------------|---|---|--|
| 5.3 Authorizing share capital | 2/3 of attending shares | Yes (67% of attending shares) | ordinary resolution (>50%) | 1/2 of the total shares with legal voting rights | More than 2/3 of shares attending the AGM and 1/3 of total shares  | Ordinary resolution, simple majority | Ratification of board resolution providing for increase in Authorized Capital Ratification by 2/3 of Outstanding Capital Stock of board resolution calling for increase   | Simple majority of members present and voting | 75% of voting rights of attending shareholders |
| 5.4 Issuing share capital     | 2/3 of attending shares | Yes                           | ordinary resolution (>50%) | 1/2 of the total shares with legal voting rights | In principle, It is a resolution of a board of directors. But It can be a resolution of the AGM by company's by-law and if so, the minimum number of 1/2 of shares attending the AGM and 1/4 of total shares are required. | Ordinary resolution, simple majority | Issuance of shares from the unissued Authorized Capital Stock is within board jurisdiction, but must respect pre-emptive rights of stockholders, and there can be no declaration and issuance of stock dividends without prior approval of 2/3 of Outstanding Capital Stock | Simple majority of members present and voting | 75% of voting rights of attending shareholders |
|                               | China                   | Taiwan                        | Hong Kong                  | Indonesia  | Korea  | Malaysia                             | Philippines   | Singapore                                     | Thailand                                       |

|     |   |                         |                               |                                   |   |   |                                       |  |   |  |
|-----|---|-------------------------|-------------------------------|-----------------------------------|---|---|---------------------------------------|--|---|--|
| 5.5 | Dissapplication of pre-emption rights     |                         | No                            | under the listing rules           | 1/2 of the total shares with legal voting rights  | Resolution by a board of directors                                | None                                  | Pre-emptive rights of stockholders can only be removed or affected by a formal provision in the articles of incorporation, which can be effected only with the ratificatory vote of 2/3 of outstanding capital stock | Not applicable                                | n/a  |
| 5.6 | Amendments to company articles or statute | 2/3 of attending shares | Yes (67% of attending shares) | Special resolution (75% majority) | Attendance of 2/3 of the total shares with legal voting rights and approved by at least 2/3 of such votes | More than 2/3 of shares attending the AGM and 1/3 of total shares | Special resolution, not less than 75% | Ratification of board resolution providing for an amendment in the articles of incorporation by 2/3 of outstanding capital stock   | 75% of members present and voting             | 75% of all voting rights of attending shareholders |
| 5.7 | Remuneration of board members             | 50% of attending shares | Yes (>50%)                    | Ordinary resolution (>50%) at AGM |   | More than 1/2 of shares attending the AGM and 1/4 of total shares | Ordinary resolution, simple majority  | When not provided for in the By-laws, remuneration of directors needs the approval of majority of the outstanding capital stock  | Simple majority of members present and voting | 2/3rds of shareholders present                     |
|     |   | China                   | Taiwan                        | Hong Kong                         | Indonesia   | Korea   | Malaysia                              | Philippines  | Singapore                                     | Thailand   |

|     |  |                         |                               |  |  |   |  |   |   |   |
|-----|--|-------------------------|-------------------------------|--|--|---|--|---|---|---|
| 5.8 | Major corporate transactions (acquisitions, disposals, mergers, takeovers)   | 2/3 of attending shares | Yes (67% of attending shares) | Ordinary resolution  | Attended by 3/4 of the total shares with legal voting rights and approved by more than 3/4 of such votes | More than 2/3 of shares attending the AGM and 1/3 of total shares | Special resolution, not less than 75% majority | Ratification by 2/3 of the outstanding capital stock      | Simple majority of members present and voting | 75% of voting rights of attending shareholders  |
| 5.9 | Transaction with related parties   | 50% of attending shares | Yes                           | If the transaction is above the deminimis limits   | Attended by at least 1/2 of independent shareholders and approved by more than 1/2 of such votes         | Resolution by a board of directors                                | Ordinary resolution, simple majority           | Ratification by 2/3 of the outstanding capital stock      | Simple majority of members present and voting | 75% approval needed, if transaction is greater than THB 10 million or 3% of net tangible assets |
| 6   | How can shareholders seek redress if their rights are violated?  |                         |                               |  |  |   |  |   |   |   |
| 6.1 | Derivative action /derivative lawsuit  | No                      | Yes                           | No (under common law. Statutory derivate action is expected pursuant to pending changes in companies ordinance.) | Yes  | Yes (Derivative lawsuit)  | Yes  | Yes   | Yes   | Yes   |
|     | If yes, what is the requirement to do so? (i.e. number of shares or number of shareholders required to make such proposal) |                         |                               | Shareholders holding 3% of shares within 1 years   |  | 0.01% share, 6 month holding                                      |  | Limitations under the Supreme court and the Interim Rules | Any shareholder                               | Total of 5% of issued shares  |
| 6.2 | Class action lawsuit   | No                      | No                            | No   | No   | Yes   | Yes  | Yes   | No  | No  |

|  | China                      | Taiwan                                   | Hong Kong                  | Indonesia                        | Korea  | Malaysia                                | Philippines  | Singapore       | Thailand   |
|--|----------------------------|--|----------------------------|----------------------------------|--|---|--|-----------------|--|
| If yes, what is the requirement to do so? (i.e. number of shares or number of shareholders required to make such proposal) |                            |  |                            |                                  | 50 members, 0.01% share                          | Procedural limitations                  | Limitations under the Rules of Court and the Interim Rules of Procedure                |                 |  |
| 7 Does staggered election term allowed?  | No                         | No                                       | No                         |                                  | Yes  | Yes                                     | No   | Yes             | Yes  |
| <b>B. Equitable Treatment of Shareholders</b>  |                            |  |                            |                                  |  |   |  |                 |  |
| 1 Is one-share-one-vote required? (Different from convening EGM)   | Yes                        | Yes                                      | Yes                        | Yes                              | Yes  | Yes                                     | No   | Yes             | Yes  |
| 2 Is cumulative voting allowed for minority shareholders when they vote for election of directors or outside directors?    | No                         | Yes                                      | No                         | Yes                              | Yes  | No                                      | Yes  | No              | Yes  |
| 3 Insider trading  |                            |  |                            |                                  |  |   |  |                 |  |
| 3.1 Does the law define who insiders are?  | Yes                        | Yes                                      | Yes                        | Yes                              | Yes  | Yes                                     | Yes  | Yes             | Yes  |
| 3.2 Are insiders required disclosing their transactions?   | Yes                        | Yes                                      | Yes                        | Yes                              | Yes  | Yes                                     | Yes  | Yes             | Yes  |
| 3.3 How many days required to disclose the transaction after insider trading occurs?                                       | No specific regulation     | No specific regulation                   | 3 days                     | 2 days                           | 10 days  |   | No specific regulation   | 2 business days | 3 days/1 month   |
| 3.4 Penalties attached to the offence of insider trading   |                            |  |                            |                                  |  |   |  |                 |  |
| Civil liability (Please specify the liable amount)   | Yes                        | Yes (3 times)                            | Yes                        | No                               | Yes (difference of fair price and trading price) | Yes                                     | Yes (an amount not exceeding triple the amount of the transaction plus actual damages) | Yes (no limit)  | Yes (twice the benefits gained from trading or at least THB 500,000; blacklisting) |
| Fines (please specify the fine amount)   | Yes (1-5 times of trading) | Yes (NT\$10 million to NT\$2000 million) | Yes (up to HK\$10 million) | Yes (maximum Rp 15.000.000.000 ) | Yes (maximum 20 million Won)                     | Yes (Not less than one million ringgit) | Yes (not less than P50,000 nor more than P5,000,000)                                   | Yes (\$250,000) | Yes (twice the benefits gained from trading or at least THB 500,000; blacklisting) |
|  | China                      | Taiwan                                   | Hong Kong                  | Indonesia                        | Korea  | Malaysia                                | Philippines  | Singapore       | Thailand   |
| Imprisonment   | Yes                        | Yes                                      | Yes                        | Yes                              | Yes  | Yes                                     | Yes  | Yes             | Yes  |

|                                       |   |   |                |   |  |  |  |   |                |  |
|---------------------------------------|---|---|----------------|---|--|--|--|---|----------------|--|
| <b>4</b>                              | <b>Related party-transactions</b>   |   |                |   |  |  |  |   |                |  |
| 4.1                                   | Does the legal and regulatory framework require disclosure of the transaction?                | Yes   | Yes            | Yes   | Yes  | Yes  | Yes  | Yes   | Yes            | Yes  |
| 4.2                                   | What is the minimum amount of transaction that is subject to approved by shareholders?        | Above RMB30 millions and 5% of shareholders' equity             | No minimum     | If value transaction > 3 % of the net tangible assets or HK\$10 million   | Every related party transaction regardless the amount of transaction | Only major corporate transactions  | Yes (≥5% of net tangible assets)   | None indicated  | 5% of NTA      | If transaction is greater than THB 10 million or 3% of net tangible assets |
| 4.3                                   | How many days should the transaction be disclosed after it takes place?                       | No requirement  | 5 days         | Immediately   | Within 2 days  | 1 day  | Immediately  | None indicated  | Immediately    |  |
| 4.4                                   | Are related persons required to abstain from voting on the transactions?                      | Yes   | Yes            | Yes   | Yes  | Yes  | Yes  | Yes   | Yes            | Yes  |
| <b>C. Role of Stakeholders</b>        |   |   |                |   |  |  |  |   |                |  |
| <b>1</b>                              | <b>Employees' rights</b>  |   |                |   |  |  |  |   |                |  |
| 1.1                                   | Is it required to disclose employees' safety and welfare?                                     | Yes   | No             | No  | No   | Yes  | No   | Yes   | No             | No   |
| 1.2                                   | What priority do employee wages and benefits have in the event of insolvency ?                | Employees are put in the first place in the event of insolvency | First priority | Employees' claims(wages, salaries, severance payments, in lieu of notice, etc.) have priority over the claims of ordinary creditors, statutory debts owing to the government and liquidators/recipients fees. | The employee wages is priority                                       | The first priority for last 3-months wages, accumulated severance payments for last 3-years and compensation for work related injuries | Second, after costs and expenses of winding up, including the taxed costs of petitioner, remuneration of liquidator and costs of audit | Priority in claims against the properties of the insolvent employer | First priority | Protected by law   |
| 1.3                                   | Is ESOP (Employee Share Option Program), or other long-term employee incentive plan required? | No  | No             | No  | No   | Yes  | No   | No  | No             | No   |
|                                       |   | China   | Taiwan         | Hong Kong   | Indonesia  | Korea  | Malaysia   | Philippines   | Singapore      | Thailand   |
| 2                                     | Is it required to disclose if any environmental issue occurs?                                 | Yes   | No             | No  | Yes  | No   | No   | Yes   | No             | Yes  |
| <b>D. Disclosure and Transparency</b> |   |   |                |   |  |  |  |   |                |  |

|          |   |                |        |           |           |                         |               |  |           |          |
|----------|---|----------------|--------|-----------|-----------|-------------------------|---------------|--|-----------|----------|
| <b>1</b> | <b>What information must be contained in the company's annual report?</b>     |                |        |           |           |                         |               |  |           |          |
| 1.1      | General information on the company /main business                             | Yes            | Yes    | Yes       | Yes       | Yes                     | Yes           | Yes  | Yes       | Yes      |
| 1.2      | Audited annual accounts   | Yes            | Yes    | Yes       | Yes       | Yes                     | Yes           | Yes  | Yes       | Yes      |
| 1.3      | Personal details of company's directors                                       | Yes            | Yes    | Yes       | Yes       | Yes                     | Yes           | Yes  | Yes       | No       |
| 1.4      | Basis of the board remuneration   | Yes            | Yes    | Yes       | No        | Yes                     | Yes           | Yes  | No        | No       |
| 1.5      | Operating risks   | Yes            | Yes    | No        | Yes       | Yes                     | No            | Yes  | No        | No       |
| 1.6      | Business operation and competitive position                                   | Yes            | No     | No        | Yes       | Yes                     | Yes           | Yes  | No        | No       |
| 1.7      | Consolidated financial reports  | Yes            | Yes    | Yes       | Yes       | Yes                     | Yes           | Yes  | Yes       | Yes      |
| 1.8      | Management discussion and analysis (MD&A)                                     | Yes            | Yes    | No        | Yes       | Yes                     | Yes           | Yes  | Yes       | Yes      |
| 1.9      | Information on Corporate Governance (CG code, CG structure & practice)        | Yes            | No     | Yes       | No        | Yes                     | Yes           | Yes  | Yes       | No       |
| 1.10     | Does minutes of board meeting can be obtained by shareholders?                | Yes            | Yes    | No        | Yes       | Yes                     | No            | Yes  | No        | No       |
|          | If so, what are requirements for shareholder to obtain it?                    | No requirement |        |           |           | No special requirements | Not Prescribe | For legitimate purpose consistent with his right as a stockholders |           |          |
| <b>2</b> | <b>Ownership Structure</b>  |                |        |           |           |                         |               |  |           |          |
| 2.1      | Is it required to disclose Top 10 shareholders?                               | Yes            | No     | No        | No        | No                      | Yes           | Yes  | Yes       | Yes      |
| 2.2      | Is it required to disclose shareholders with 5% shares or above?              | Yes            | No     | Yes       | Yes       | Yes                     | Yes           | Yes  | Yes       | Yes      |
| 2.3      | Is director shareholding required to disclose?                                | Yes            | Yes    | Yes       | Yes       | Yes                     | Yes           | Yes  | Yes       | Yes      |
| 2.4      | Is management shareholding required to disclose?                              | Yes            | Yes    | No        | No        | Yes                     | No            | Yes  | No        | Yes      |
| 3        | Are directors required to report their transactions of the company stocks?    | Yes            | Yes    | Yes       | Yes       | Yes                     | Yes           | Yes  | Yes       | Yes      |
| <b>4</b> | <b>Auditing/Accounting</b>  |                |        |           |           |                         |               |  |           |          |
|          |   | China          | Taiwan | Hong Kong | Indonesia | Korea                   | Malaysia      | Philippines  | Singapore | Thailand |
| 4.1      | Are companies required to have their financial statements externally audited? | Yes            | Yes    | Yes       | Yes       | Yes                     | Yes           | Yes  | Yes       | Yes      |

|                                  | <b>If so, how often? (annually/semi-annually/quarterly)</b>                            | <b>Annually</b> | <b>Annually, semi-annually, quarterly</b> | <b>Annually</b> | <b>Annually/semi-annually/quarterly</b> | <b>Annually/semi-annually/quarterly</b> | <b>Annually</b> | <b>At least Annually</b> | <b>Annually</b> | <b>Annually; semi-annually for financial institutions</b> |
|----------------------------------|--|-----------------|---|-----------------|---|---|-----------------|--------------------------|-----------------|---|
| 4.2                              | <b>Is internal audit (separate unit) required?</b>                                     | Yes             | Yes                                       | No              | No                                      | Yes                                     | Yes             | Yes                      | No              | No  |
| 4.3                              | <b>Is a rotation of audit firms mandatory?</b>   | No              | No  | No              | Yes                                     | Yes                                     | No              | Yes                      | No              | No (Yes for banks only)                                   |
|                                  | <b>If so, how should it be rotated?</b>  |                 |   |                 | 5 years                                 | 6 years                                 |                 | 5 years                  |                 | 5 years for banks   |
| 5                                | <b>Is it required to have company website, with up-to-date information?</b>            | Yes             | Yes                                       | No              | No                                      | No                                      | No              | No                       | No              | No  |
| 5.1                              | <b>Business operation</b>  |                 |   |                 |   |   |                 |                          |                 |   |
| 5.2                              | <b>Financial statement</b>   |                 |   |                 |   |   |                 |                          |                 |   |
| 5.3                              | <b>Press release</b>   |                 |   |                 |   |   |                 |                          |                 |   |
| 5.4                              | <b>Shareholding structure</b>  |                 |   |                 |   |   |                 |                          |                 |   |
| 5.5                              | <b>Organization structure</b>  |                 |   |                 |   |   |                 |                          |                 |   |
| 5.6                              | <b>Corporate group structure</b>   |                 |   |                 |   |   |                 |                          |                 |   |
| 5.7                              | <b>Annual report downloadable</b>  |                 |   |                 |   |   |                 |                          |                 |   |
| 5.8                              | <b>Be provided in both local language and English</b>                                  |                 |   |                 |   |   |                 |                          |                 |   |
| 6                                | <b>Is attendance records of board member disclosed?</b>                                | Yes             | No  | No              | No                                      | Yes                                     | Yes             | Yes                      | Yes             | No  |
| <b>E. Board Responsibilities</b> |  |                 |   |                 |   |   |                 |                          |                 |   |
| 1                                | <b>Are the following documents required?</b>   |                 |   |                 |   |   |                 |                          |                 |   |
| 1.1                              | <b>Corporate Governance related rules</b>  | Yes             | No  | Yes             | No                                      | Yes                                     | Yes             | Yes                      | Yes             | No  |
| 1.2                              | <b>Code of ethics or business conduct</b>  | Yes             | No  | Yes             | No                                      | No                                      | Yes             | No                       | No              | No  |
| 1.3                              | <b>Corporate mission</b>   | Yes             | No  | Yes             | Yes                                     | No                                      | Yes             | No                       | No              | No  |
| 2                                | <b>Are the following committees required to be carried out by independent members?</b> |                 |   |                 |   |   |                 |                          |                 |   |
| 2.1                              | <b>Audit Committee</b>   | Yes             | No  | Yes             | Yes                                     | Yes                                     | Yes             | Yes                      | Yes             | Yes   |
| 2.2                              | <b>Compensation Committee</b>  | Yes             | No  | Yes             | No                                      | No                                      | No              | Yes                      | Yes             | No  |
| 2.3                              | <b>Nomination Committee</b>  | Yes             | No  | Yes             | No                                      | Yes                                     | No              | Yes                      | Yes             | No  |
| 3                                | <b>Quality of the Audit Committee Report</b>   |                 |   |                 |   |   |                 |                          |                 |   |
| 3.1                              | <b>Attendance</b>  | Yes             | No  | Yes             | No                                      | Yes                                     | Yes             | Yes                      | N/A             | No  |
|                                  |  | China           | Taiwan                                    | Hong Kong       | Indonesia                               | Korea                                   | Malaysia        | Philippines              | Singapore       | Thailand  |
| 3.2                              | <b>Internal control</b>  | No              | No  | Yes             | No                                      | Yes                                     | Yes             | Yes                      |                 | No  |
| 3.3                              | <b>Management control</b>  | Yes             | No  | Yes             | No                                      | Yes                                     | No              | Yes                      |                 | No  |
| 3.4                              | <b>Proposed auditors</b>   | Yes             | No  | Yes             | No                                      | Yes                                     | No              | Yes                      |                 | No  |



|     |   |                   |   |                   |                   |  |  |                              |                   |                   |
|-----|---|-------------------|---|-------------------|-------------------|--|--|------------------------------|-------------------|-------------------|
| 3.5 | Financial report review   | Yes               | No  | Yes               | No                | Yes  | No   | Yes                          | No                |                   |
| 3.6 | Legal compliance  | Yes               | No  | Yes               | No                | No   | No   | Yes                          | No                |                   |
| 3.7 | Conclusion or opinion   | Yes               | No  | Yes               | No                | Yes  | No   | Yes                          | No                |                   |
| 4   | <b>Board composition</b>  |                   |   |                   |                   |  |  |                              |                   |                   |
| 4.1 | Any minimum/maximum limitation of number of directors?                        | 5 to 19 directors | Min 5, no maximum   | Min 3, no maximum | Min 2, no maximum | Min 3, no maximum  | Min 2, no maximum  | 5-15 persons                 | Min 2, no maximum | Min 5, no maximum |
| 4.2 | What is the minimum number/proportion of INED?                                | 1/3 of directors  | Listing rules: since 2002 for new listing applicants only | Min 3             | 30% of directors  | Min 3 and 1/2 of total number of directors for listed firms with asset more than 2 trillions | 2 directors or 1/3 of the board of directors,, whichever is the higher | 20% or 2, whichever is lower | 1/3 of directors  | Min 3             |
| 4.3 | Is the separation of Chairman and CEO required?                               | No                | No  | Yes               | No                | No   | No   | Yes                          | No                | No                |
| 5   | What is the minimum number of board meetings to be held per year?             | 2                 | 4   | 4                 | No limitation     | No limitation. usually, quarterly  | No limitation  | 12                           | No limitation     | 4                 |
| 6   | <b>Directors' qualification</b>   |                   |   |                   |                   |  |  |                              |                   |                   |
| 6.1 | Minimum professional experience   | Yes               | No  | No                | No                | No   | No   | Yes                          | No                | No                |
| 6.2 | Does law or regulations require continuing training for board directors?      | Yes               | No  | No                | No                | No   | Yes  | Yes                          | No                | No                |
| 6.3 | Minimum professional experience for INED                                      | Yes               | Yes   | Yes               | No                | No   | No   | Yes                          | No                | No                |
| 6.5 | Any continuing education requirement for INED?                                | Yes               | Yes   | No                | No                | No   | Yes  | Yes                          | No                | No                |
| 7   | Is specific investor relation person required?                                | Yes               | No  | Yes               | Yes               | No   | No   | Yes                          | No                | No                |
| 8   | <b>Remuneration of board members</b>  |                   |   |                   |                   |  |  |                              |                   |                   |
| 8.1 | Is remuneration of directors required to disclose?                            | Yes               | Yes   | Yes               | Yes               | Yes, but not individually  | Yes  | Yes                          | Yes               | Yes               |
| 8.2 | Is remuneration of INEDs required to disclose?                                | China             | Taiwan  | Hong Kong         | Indonesia         | Korea  | Malaysia   | Philippines                  | Singapore         | Thailand          |
| 8.3 | Is there a regulation that governs director's stock option? If so, specify it | Yes               | Yes   | Yes               | No                | Yes  | Yes  | Yes                          | Yes               | No                |
| 9   | Limitation on serving as director   | No                | Yes   | Yes               | No                | Yes (max 15% of total shares)  | No   | Yes                          | No                | Yes               |

|     |   |  |     |               |    |         |                           |          |    |     |
|-----|---|--|-----|---------------|----|---------|---------------------------|----------|----|-----|
| 9.1 | Is there a limit to the number of boards on which an individual executive director may serve? | Yes (3 for Independent directors, 1 for other directors) | No  | No            | No | No      | Yes (10 for listed firms) | No       | No | Yes |
| 9.2 | Is there a limit to the number of boards on which an individual outside director may serve?   | Yes (no more than 3 companies)                           | Yes | No            | No | No      | Yes                       | No       | No | Yes |
| 10  | What is the maximum election term for board member?   | 3 years for each term and no limitation for reelection   | No  | Every 3 years | No | 3 years | 3 years                   | Annually | No | No  |

## <Appendix 2> List of Questions

Questions that are included in scoring are marked in the column of “Scoring item”. Question that are considered undesirable if the answer is “YES” are marked in the column of ‘Reverse item’.

| <b>A. The Rights of Shareholders</b> |  |              |              |
|--------------------------------------|--|--------------|--------------|
|                                      |  | Scoring item | Reverse item |
| <b>1</b>                             | <b>What periodic information are listed companies required to disclose?</b>  |              |              |
|                                      | 1.1 Annual reports   |              |              |
|                                      | 1.2 Unaudited semi-annual reports  |              |              |
|                                      | 1.3 Quarterly financial statements   | O            |              |
|                                      | 1.4 AGM minutes  |              |              |
|                                      | 1.5 AGM attendance records   |              |              |
|                                      | 1.6 Audit Committee Report (if have Audit Committee)   |              |              |
|                                      |  |              |              |
| <b>2</b>                             | <b>Convening of shareholder meetings</b>   |              |              |
|                                      | 2.1 Time of notice (days before meeting)   | O            |              |
|                                      | 2.2 Thresholds for requesting or convening an extraordinary shareholder meeting, including number of shares, number of shareholders and minimum holding period required. |              | O            |
|                                      | 2.3 Legal minimum quorum requirements for EGM (Quorum means the minimum number of shareholders attending the EGM)  |              | O            |
|                                      | 2.4 Is non-voting shares allowed?  | O            | O            |
|                                      | 2.5 Is multiple voting shares allowed?   |              | O            |
|                                      |  |              |              |
| <b>3</b>                             | <b>Can shareholders vote by</b>  |              |              |
|                                      | 3.1 proxy  | O            |              |
|                                      | a. Any document required   |              | O            |
|                                      | b. Any notarization required   |              | O            |
|                                      | 3.2 mail   | O            |              |
|                                      | 3.3 other means (such as electronic voting, please specify)  | O            |              |
|                                      |  |              |              |
| <b>4</b>                             | <b>Do shareholders have the right to vote on:</b>  |              |              |
|                                      | 4.1 Appointment/Removal of directors   | O            |              |
|                                      | 4.2 Appointment/Removal of auditors  | O            |              |
|                                      | 4.3 Authorizing share capital  |              |              |
|                                      | 4.4 Issuing share capital  |              |              |
|                                      | 4.5 Dissapplication of pre-emption rights  |              |              |
|                                      | 4.6 Amendments to company articles or statute  |              |              |
|                                      | 4.7 Remuneration of board members  | O            |              |
|                                      | 4.8 Major corporate transactions (acquisitions, disposals, mergers, takeovers)   | O            |              |
|                                      | 4.9 Transaction with related parties   | O            |              |
|                                      | Size of related party transaction subject to shareholder voting  |              | O            |
|                                      | 4.10 Can shareholders nominate a candidate of director?  | O            |              |
|                                      | If yes, what is the requirement to do so? (i.e. nubmer of shares or number of shareholders required to make such nomination)   |              | O            |
|                                      | 4.11 Can shareholer propose an agenda at shareholder meeting?  | O            |              |
|                                      | if yes, what is the requirement to do so? (i.e. nubmer of shares or  |              | O            |

|          |  |  |   |   |
|----------|--|--|---|---|
|          |  | number of shareholders required to make such proposal)   |   |   |
| <b>5</b> |  | <b>What are the minimum number of shares required to approve the solution?</b>   |   |   |
| 5.1      |  | Appointment of directors   |   | O |
|          |  | Removal of directors   |   | O |
| 5.2      |  | Appointment of auditors  |   | O |
|          |  | Removal of auditors  |   | O |
| 5.3      |  | Authorizing share capital  |   | O |
| 5.4      |  | Issuing share capital  |   | O |
| 5.5      |  | Dissapplication of pre-emption rights  |   | O |
| 5.6      |  | Amendments to company articles or statute  |   | O |
| 5.7      |  | Remuneration of board members  |   | O |
| 5.8      |  | Major corporate transactions (acquisitions, disposals, mergers, takeovers)   |   | O |
| 5.9      |  | Transaction with related parties   |   | O |
| <b>6</b> |  | <b>How can shareholders seek redress if their rights are violated?</b>   |   |   |
| 6.1      |  | Derivative action /derivative lawsuit  | O |   |
|          |  | If yes, what is the requirement to do so? (i.e. number of shares or number of shareholders required to make such proposal) |   | O |
| 6.2      |  | Class action lawsuit   | O |   |
|          |  | If yes, what is the requirement to do so? (i.e. number of shares or number of shareholders required to make such proposal) |   | O |
| <b>7</b> |  | <b>Does staggered election term allowed?</b>   | O | O |

|   |  |  |   |   |
|---|--|--|---|---|
| <b>B. Equitable Treatment of Shareholders</b> |  |  |   |   |
| <b>1</b>                                      |  | <b>Is one-share-one-vote required? (Different from convening EGM)</b>  | O |   |
| <b>2</b>                                      |  | <b>Is cumulative voting allowed for minority shareholders when they vote for election of directors or outside directors?</b> | O |   |
| <b>3</b>                                      |  | <b>Insider trading</b>   |   |   |
| 3.1   |  | Does the law define who insiders are?  |   |   |
| 3.2   |  | Are insiders required disclosing their transactions?   | O |   |
| 3.3   |  | How many days required to disclose the transaction after insider trading occurs?   |   | O |
| 3.4   |  | Penalties attached to the offence of insider trading   |   |   |
|   |  | Civil liability (Please specify the liable amount)   | O |   |
|   |  | Fines (please specify the fine amount)   | O |   |
|   |  | Imprisonment   | O |   |
| <b>4</b>                                      |  | <b>Related party-transactions</b>  |   |   |
| 4.1   |  | Does the legal and regulatory framework require disclosure of the transaction?   | O |   |
| 4.2   |  | Must related-party transactions be approved by the shareholders?   | O |   |
| 4.3   |  | How many days should the transaction be disclosed after it takes place?  |   |   |
| 4.4   |  | Are related persons required to abstain from voting on the transactions?   | O |   |

|                                |
|--------------------------------|
| <b>C. Role of Stakeholders</b> |
|--------------------------------|

|          |   |   |  |
|----------|---|---|--|
| <b>1</b> | <b>Employees' rights</b>  |   |  |
| 1.1      | Is it required to disclose employees' safety and welfare?                                     |   |  |
| 1.2      | What priority do employee wages and benefits have in the event of insolvency ?                |   |  |
| 1.3      | Is ESOP (Employee Share Option Program), or other long-term employee incentive plan required? | O |  |
| <b>2</b> | <b>Is it required to disclose if any environmental issue occurs?</b>                          | O |  |

|                                       |   |   |   |
|---------------------------------------|---|---|---|
| <b>D. Disclosure and Transparency</b> |   |   |   |
| <b>1</b>                              | <b>What information must be contained in the company's annual report?</b>         |   |   |
| 1.1                                   | General information on the company /main business                                 |   |   |
| 1.2                                   | Audited annual accounts   | O |   |
| 1.3                                   | Personal details of company's directors   | O |   |
| 1.4                                   | Basis of the board remuneration   | O |   |
| 1.5                                   | Operating risks   |   |   |
| 1.6                                   | Business operation and competitive position                                       |   |   |
| 1.7                                   | Consolidated financial reports  | O |   |
| 1.8                                   | Management discussion and analysis (MD&A)   |   |   |
| 1.9                                   | Information on Corporate Governance (CG code, CG structure & practice)            | O |   |
| 1.10                                  | Does minutes of board meeting can be obtained by shareholders?                    | O |   |
|                                       | If so, what are requirements for shareholder to obtain it?                        |   | O |
| <b>2</b>                              | <b>Ownership Structure</b>  |   |   |
| 2.1                                   | Is it required to disclose Top 10 shareholders?                                   | O |   |
| 2.2                                   | Is it required to disclose shareholders with 5% shares or above?                  |   |   |
| 2.3                                   | Is director shareholding required to disclose?                                    | O |   |
| 2.4                                   | Is management shareholding required to disclose?                                  | O |   |
| <b>3</b>                              | <b>Are directors required to report their transactions of the company stocks?</b> | O |   |
| <b>4</b>                              | <b>Auditing/Accounting</b>  |   |   |
| 4.1                                   | Are companies required to have their financial statements externally audited?     | O |   |
|                                       | If so, how often? (annually/semi-annually/quarterly)                              |   |   |
| 4.2                                   | Is internal audit (separate unit) required?                                       | O |   |
| 4.3                                   | Is a rotation of audit firms mandatory?   | O |   |
|                                       | If so, how should it be rotated?  |   | O |
| <b>5</b>                              | <b>Is it required to have company website, with up-to-date information?</b>       | O |   |
| 5.1                                   | Business operation  |   |   |
| 5.2                                   | Financial statement   |   |   |
| 5.3                                   | Press release   |   |   |
| 5.4                                   | Shareholding structure  |   |   |

|     |   |   |  |
|-----|---|---|--|
| 5.5 | Organization structure                                  |   |  |
| 5.6 | Corporate group structure                               |   |  |
| 5.7 | Annual report downloadable                              |   |  |
| 5.8 | Be provided in both local language and English          |   |  |
| 6   | <b>Is attendance records of board member disclosed?</b> | O |  |

|                                  |   |   |   |
|----------------------------------|---|---|---|
| <b>E. Board Responsibilities</b> |   |   |   |
| <b>1</b>                         | <b>Are the following documents required?</b>  |   |   |
| 1.1                              | Corporate Governance related rules  | O |   |
| 1.2                              | Code of ethics or business conduct  | O |   |
| 1.3                              | Corporate mission   |   |   |
| <b>2</b>                         | <b>Are the following committees required to carried out by independent members?</b> |   |   |
| 2.1                              | Audit Committee   | O |   |
| 2.2                              | Compensation Committee  | O |   |
| 2.3                              | Nomination Committee  | O |   |
| <b>3</b>                         | <b>Quality of the Audit Committee Report</b>  |   |   |
| 3.1                              | Attendance  |   |   |
| 3.2                              | Internal control  |   |   |
| 3.3                              | Management control  |   |   |
| 3.4                              | Proposed auditors   |   |   |
| 3.5                              | Financial report review   |   |   |
| 3.6                              | Legal compliance  |   |   |
| 3.7                              | Conclusion or opinion   |   |   |
| <b>4</b>                         | <b>Board composition</b>  |   |   |
| 4.1                              | Any maximum limitation of number of directors?                                      |   | O |
| 4.2                              | Is there the minimum number/proportion of INED?                                     | O |   |
| 4.3                              | Is the separation of Chairman and CEO required?                                     | O |   |
| <b>5</b>                         | <b>What is the minimum number of board meetings to be held per year?</b>            | O |   |
| <b>6</b>                         | <b>Directors' qualification</b>   |   |   |
| 6.1                              | Minimum professional experience   |   |   |
| 6.2                              | Does law or regulations require continuing training for board directors?            | O |   |
| 6.3                              | Minimum professional experience for INED  |   |   |
| 6.4                              | Any continuing education requirement for INED?                                      |   |   |
| <b>7</b>                         | <b>Is specific investor relation person required?</b>                               | O |   |
| <b>8</b>                         | <b>Remuneration of board members</b>  |   |   |
| 8.1                              | Is remuneration of directors required to disclose?                                  | O |   |
| 8.2                              | Is remuneration of INEDs required to disclose?                                      |   |   |
| 8.3                              | Is there a regulation that governs director's stock option? If so, specify it       |   |   |
| <b>9</b>                         | <b>Limitation on serving as director</b>  |   |   |

|           |     |   |   |  |
|-----------|-----|---|---|--|
|           | 9.1 | Is there a limit to the number of boards on which an individual executive director may serve? | O |  |
|           | 9.2 | Is there a limit to the number of boards on which an individual outside director may serve?   | O |  |
|           |     |   |   |  |
| <b>10</b> |     | <b>What is the maximum election term for board member?</b>                                    | O |  |

**Appendix 3: Questionnaires on corporate governance practices in nine East Asian countries**

**Instruction;** Please score 1-5, where 1 is the worst and 5 is the best practiced

**1 How do you evaluate overall quality of corporate governance practiced in each country?**

1 Poorest      2 Poor      3 Moderate      4 Good      5 Best

China  
Hong Kong  
Indonesia

Korea  
 Malaysia  
 Philippines  
 Singapore  
 Taiwan  
 Thailand

**2 Shareholder rights are protected.**

|                   |          |          |       |                |
|-------------------|----------|----------|-------|----------------|
| 1                 | 2        | 3        | 4     | 5              |
| Strongly disagree | Disagree | Moderate | Agree | Strongly agree |

**3 Management respects shareholder value**

|                   |          |          |       |                |
|-------------------|----------|----------|-------|----------------|
| 1                 | 2        | 3        | 4     | 5              |
| Strongly disagree | Disagree | Moderate | Agree | Strongly agree |

**4**

|                   |          |          |       |                |
|-------------------|----------|----------|-------|----------------|
| 1                 | 2        | 3        | 4     | 5              |
| Strongly disagree | Disagree | Moderate | Agree | Strongly agree |

**5 Disclosures are made timely and adequately**

|                   |          |          |       |                |
|-------------------|----------|----------|-------|----------------|
| 1                 | 2        | 3        | 4     | 5              |
| Strongly disagree | Disagree | Moderate | Agree | Strongly agree |

**6 Board supervises the management independently and effectively**

|                   |          |          |       |                |
|-------------------|----------|----------|-------|----------------|
| 1                 | 2        | 3        | 4     | 5              |
| Strongly disagree | Disagree | Moderate | Agree | Strongly agree |

**7 Rules and regulations on corporate governance are enforced effectively.**

|                   |          |          |       |                |
|-------------------|----------|----------|-------|----------------|
| 1                 | 2        | 3        | 4     | 5              |
| Strongly disagree | Disagree | Moderate | Agree | Strongly agree |

**8 The financial intermediaries including accountants and auditors can be trusted.**

|                   |          |          |       |                |
|-------------------|----------|----------|-------|----------------|
| 1                 | 2        | 3        | 4     | 5              |
| Strongly disagree | Disagree | Moderate | Agree | Strongly agree |



**9 Legal system including courts and prosecutors are fair and independent**

|                   |          |          |       |                |
|-------------------|----------|----------|-------|----------------|
| 1                 | 2        | 3        | 4     | 5              |
| Strongly disagree | Disagree | Moderate | Agree | Strongly agree |

**10 Foreign investors are equally treated as local investors**

|                   |          |          |       |                |
|-------------------|----------|----------|-------|----------------|
| 1                 | 2        | 3        | 4     | 5              |
| Strongly disagree | Disagree | Moderate | Agree | Strongly agree |

**A Please identify yourself**

Fund manager

Analysts at fund management company

Analysts at borkerage firm

Sales person at brokerage firm

**B Please mark countries in which you are investing or countries on which you are analyzing**

China

Hong Kong

Indonesia

Korea

Malaysia

Philippines

Singapore

Taiwan

Thailand