

Concluding Remarks
Corporate Governance: Challenges and Opportunities in Asia

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Hon'ble judges and distinguished guests: good afternoon.

As we come to a close, please allow me to briefly recap what happened during the past two days.

ADB is committed to promoting corporate governance in Asia-Pacific, not only for the success of the projects that it finances, but more importantly to promote sustainable development through stronger institutions and companies.

In the session led by our colleagues at IFC, we heard about private sector and government perspectives on corporate governance, and the importance of corporate governance in making investment decisions. We also saw how corporate governance codes and scorecards (such as the one in ASEAN), are important tools for fostering good governance and development.

Our friends from the Financial Times expertly guided us through the nooks and crannies of corporate relationships. We saw how the effectiveness of the Boards lies not only in structures and processes, but also in behaviors and relationships. We then looked at shareholders as “activists” and how their relationship with corporations has changed over time. We also reflected on how “corporate governance is a response to corporate scandals” and is “all about alignment of interests.”

Our partners from the London School of Economics, the National University of Singapore, and the University of New South Wales looked at issues of mixed ownership, the state-owned enterprises, and diverse boards. We saw how various governance models impact firms in Asia. Investor protection and shareholder rights were also discussed, particularly how rights are enforced in different institutional settings. Bringing in diversity to the Board reduces group think, but we should take a closer look at the data before we design policies to achieve desirable outcomes.

Our discussions over the past two days have shown that Asia-Pacific has made great strides in developing and promoting corporate governance.

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The ASEAN Corporate Governance Scorecard serves as a useful analytical tool... to monitor progress on corporate governance. Data shows that ASEAN firms have continuously improved in areas such as disclosure, shareholder rights, management responsibility, good accounting practices, and corporate social responsibility, among others.¹

In South Asia, a notable example is Pakistan's SOE reform program, where ADB assisted in addressing issues like financial transparency and compliance monitoring. Under this program, performance evaluation criteria were set for CEOs and other senior board members of the SOEs, and the government approved a change which mandated presence of a woman on the board of the SOEs.

The developed economies in Asia too are constantly implementing corporate governance reforms, with visible results. Reforms in Japan² are showing success in boosting corporate competitiveness. The Boards at most Topix companies now have at least two outside directors (although female directors are still far and few). Protectionist cross-shareholdings continues to be an issue. Indeed, it is not just developing countries but also developed countries that need to continuously work on corporate governance.

Many experts have concluded that there is no "one-size-fits-all" model for corporate governance, particularly in the Asian setting. Each country must adopt its own approach given its own economic, social, and cultural conditions. Experts are of the view that Western models cannot simply be applied as is particularly in the Asian scenario where many corporations are either family or state-owned. In 2011, Credit Suisse reported that 55.3% of all listed companies across Asia were family firms. It is predicted that by 2025, the number of billion-dollar firms in Asia will be nearly equivalent to those in the west, majority of which will be family-run.³

Asian countries have a lot to learn from each other in promoting corporate governance, and the same goes for international institutions such as ADB. Knowledge sharing and capacity building events such as this conference provide us with the opportunity to collaborate and learn.

Before I conclude, let me acknowledge those who have worked hard to make this conference a success. Our sincere thanks to our friends from IFC, the London School of Economics, the National University of Singapore, the University of New South Wales and the Financial Times, for guiding us through the technical sessions. Thank you as well to the resource speakers, panelists and the participants who have enriched our discussions. I would also like to recognize ADB's organizing team from the Office of the General Counsel, the Governance Thematic Group, and the Private Sector Operations Department for all their efforts in making this event possible.

¹ See: <https://www.adb.org/sites/default/files/publication/375481/asean-cgscorecard-2015.pdf>

² Taken from: <https://www.bloomberg.com/professional/blog/japans-corporate-governance-overhaul-2/>

³ https://www.cfainstitute.org/about/press/release/Pages/09262017_136539.aspx

We are honored to have members of the judiciary, regulators, executives and legal professionals join us here. We hope that you found the conference useful and we look forward to future cooperation in this area.

Thank you, and enjoy the rest of your stay in Manila.