

Corporate finance and corporate governance in ASEAN economies

This background report aims to take stock of main developments in capital markets and corporate governance in the region, to help inform the discussions on the review of the ASEAN Corporate Governance Scorecard.

Please cite as: OECD (2023), *Corporate finance and corporate governance in ASEAN economies*, <https://www.oecd.org/corporate/background-note-corporate-finance-and-corporate-governance-asean-economies.htm>

© OECD 2023.

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the Member countries of the OECD.

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Table of contents

Introduction	5
1 Corporate landscape	7
1.1. Corporate sector overview	7
1.2. Trends in the use of public equity	11
1.3. Trends in the use of corporate bonds	13
1.4. Ownership structure of listed companies	15
1.5. Sustainability and resilience	18
2 Regulatory frameworks in ASEAN economies	28
2.1. Sustainability and resilience	28
2.2. Company groups	32
2.3. The role of institutional investors and stewardship	34
2.4. The growth of new digital technologies	35
2.5. Issues on the board	38
References	45
Annex A. Methodology for data collection and classification	49

FIGURES

Figure 1.1. Listed companies in ASEAN economies as of end-2021	8
Figure 1.2. Balance sheet of ASEAN non-financial listed companies	9
Figure 1.3. Liabilities of ASEAN non-financial listed companies	9
Figure 1.4. Corporate leverage in ASEAN economies	10
Figure 1.5. Sales and profits of non-financial listed companies in ASEAN	10
Figure 1.6. Profitability of non-financial listed companies from main ASEAN economies	11
Figure 1.7. Initial and secondary public offerings by non-financial companies in ASEAN economies	12
Figure 1.8. Equity capital raised by non-financial companies, 2012-2021	12
Figure 1.9. IPO and SPO proceeds by non-financial companies by industry, 2012-2021	13
Figure 1.10. Corporate bond landscape in ASEAN economies	14
Figure 1.11. Corporate bond issuances in ASEAN economies	15
Figure 1.12. Corporate bond issuances non-financial companies in ASEAN economies, 2012-2021	15
Figure 1.13. Investors' holdings as of end-2021	16
Figure 1.14. Ownership concentration by the largest three shareholders as of end-2021	17
Figure 1.15. Assets under management of funds labelled as or focusing on ESG and climate	20
Figure 1.16. Green corporate bond issuances	21
Figure 1.17. Social, sustainability and sustainability-linked corporate bond issuances	21
Figure 1.18. Distribution of sustainability-related corporate bonds between 2013 and 2021	22
Figure 1.19. Industry composition of sustainability-related corporate bonds between 2013-2021	22

Figure 1.20. Disclosure of sustainability information by listed companies	23
Figure 1.21. Use of sustainability standards by listed companies	24
Figure 1.22. Assurance of a sustainability report by an independent third party	25
Figure 1.23. Executive compensation linked to sustainability matters	26
Figure 1.24. Board committees responsible for sustainability	27

TABLES

Table 1. Corporations as owners by location and listed status as of end-2021	17
Table 2. Public sector holdings as of end-2021	18
Table 3. Climate change-related commitments of the ASEAN economies	19
Table 4. Disclosure provisions on company groups	33
Table 5. Roles and responsibilities of institutional investors and related intermediaries	35
Table 6. Virtual and hybrid shareholder meetings	37
Table 7. Board independence requirements for listed companies	40
Table 8. Board-level committees	41

Introduction

Global capital markets experienced important developments and structural changes during the last two decades. For example, the decreasing number of listed companies in advanced economies and the rise of Asian listed corporations have impacted the global composition of listed companies. By the end of 2021, Asian stock exchanges hosted 56% of the total number of companies globally. Company group structures, which are a common characteristic of Asian and ASEAN (Association of Southeast Asian Nations) markets, have supported many businesses to achieve economies of scale, synergies and efficiencies. Many of these are now under the scope of regulators, as some of these group companies list their shares on public markets. Considering the greater complexity inherent in such structures, this has brought new challenges to regulators to ensure equal treatment of shareholders.

The increase in assets under management by institutional investors has turned them into important shareholders in listed corporations, concentrating significant stakes in some markets. In addition, the emergence of new and unexpected risks such as the COVID-19 pandemic has also shed light on some of the weaknesses in the management of such risks. Importantly, climate change has emerged as one of the key topics that concern investors and corporations, and societies at large. Companies and regulators have been giving increased consideration to sustainability risks and opportunities in response to demands by investors, who are requesting better information to assess companies' value and their investment and/or voting decisions.

All these developments and the road to recovery from the COVID-19 pandemic will require well-functioning capital markets that can allocate significant financial resources for long-term and sustainable investments, and a corporate governance framework that gives investors, executives, corporate directors and stakeholders the tools and incentives to make sure that corporate practices are adapted to the new reality. Against this background, in November 2021, the OECD Corporate Governance Committee launched a review of the G20/OECD Principles of Corporate Governance to update the Principles in light of recent evolutions in capital markets and corporate governance policies and practices.

ASEAN corporations have also been part of these developments and have been impacted by all these changes. This background note was developed to help support the discussions on the review of the ASEAN Corporate Governance Scorecard and takes stock of main developments in capital markets and corporate governance in the region. The first chapter takes stock of the major trends and current state of the capital market landscape in the six ASEAN economies participating in the ASEAN Corporate Governance Scorecard, namely: Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam (hereafter "ASEAN economies"). The second chapter takes stock of the corporate governance regulatory framework that relates to the main trends observed in capital markets and also to key issues that were the subject of the OECD's recently completed review of the G20/OECD Principles of Corporate Governance.

This background note was developed during the OECD's review process and takes into consideration the priority issues agreed for the review. It was completed and issued just prior to the expected adoption of the revised G20/OECD Principles of Corporate Governance in June 2023.¹ The note was prepared by

¹ For more information on the revised G20/OECD Principles on Corporate Governance, please see: OECD, *Review of the G20/OECD Principles of Corporate Governance*, <https://www.oecd.org/corporate/review-oecd-g20-principles-corporate-governance.htm>.

Akiko Shintani, Alejandra Medina, Tugba Mulazimoglu and Yun Tang under the supervision of Serdar Çelik and Daniel Blume, all from the Capital Markets and Financial Institutions Division of the OECD Directorate for Financial and Enterprise Affairs. It benefits from survey responses and comments from the capital markets regulators and experts from Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam. This background note also received support from the Government of Japan.

1 Corporate landscape

This chapter takes stock of the major trends and current state of the capital market landscape in the six ASEAN economies participating in the ASEAN Corporate Governance Scorecard, namely: Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam.

1.1. Corporate sector overview

In the last two decades, ASEAN economies have witnessed an annual real GDP growth of 5% and the region's combined GDP had surpassed USD 3 trillion in 2021. By 2022, their GDP continued its growth to USD 3.5 trillion, equivalent to 3.5% of the world's GDP.² If ASEAN economies are grouped as a single economy, they would have ranked as the 11th largest economy in 2000. Following its sustained growth over the last two decades, ASEAN would now rank as the fifth largest economy by the end of 2022. ASEAN is today a global hub for manufacturing and trade, while being one of the fastest-growing consumer markets in the world. However, the growth dynamic and level of development still differs within the region.

Following the 1997 Asian financial crisis, ASEAN economies devoted great efforts to build market resilience. A stable macroeconomic scenario, a series of reforms and regional efforts to operate as a block have provided a platform for growth. The corporate sector has been the engine of growth in the region, and along with GDP growth, the number of listed companies in ASEAN economies has almost doubled since 2000. As of the end of 2021, 3 768 companies were listed on ASEAN exchanges (see Figure 1.1, Panel A).

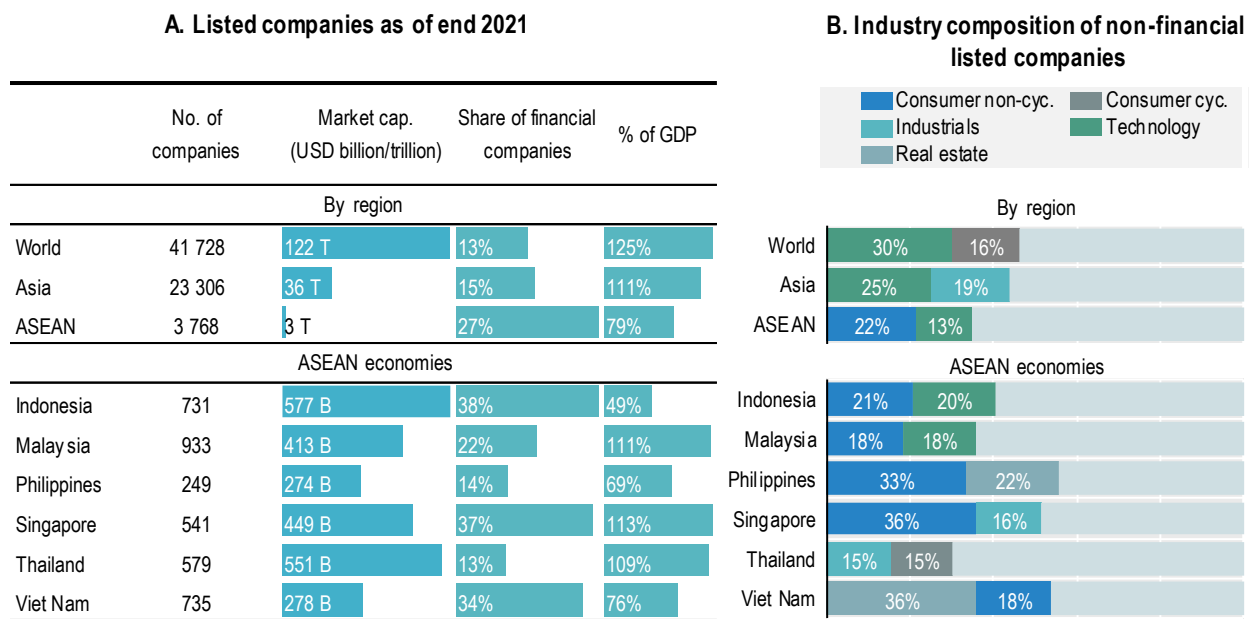
With an increasing number of companies joining the public markets, the equity market capitalisation exceeds GDP levels in Malaysia, Singapore and Thailand. Indonesia, despite being the largest market among ASEAN economies (USD 577 billion), its market capitalisation only represents 49% of GDP, highlighting that the contribution of listed corporations to the overall economy has significant room for growth. Malaysia is the largest market by number of listed companies, representing 25% of the region's listed companies, followed by Indonesia. Measured by market capitalisation, Indonesia is the largest market, representing 23% of the regional market capitalisation, followed by Thailand, which accounts for 22% of the region's market capitalisation.

With respect to industry composition, financial companies represent more than one-third of the market value in Indonesia, Singapore and Viet Nam (Figure 1.1, Panel A). In Malaysia, the Philippines and Thailand, financial companies, mostly banks, account for 13-22% of the total market capitalisation. Indeed, the banking sector in ASEAN economies has a prominent position as provider of financing to the corporate sector. Estimates show that between 80-100% of the corporate financing in Indonesia, the Philippines and Viet Nam corresponds to bank loans. The reliance on bank loans is not as high in Singapore, Malaysia and Thailand, where debt markets are more developed. However, bank loans remain the main source of corporate financing (Zurich Insurance Group, 2021^[11]).

² The calculation is based on World Development Indicators Database and IMF World Economic Outlook Database, April 2023.

When excluding the financial sector, listed companies in the consumer non-cyclical sector are dominant in most ASEAN economies, and well above the levels in other parts of Asia and globally. Notably in Singapore and the Philippines, companies in the consumer non-cyclical sector make up over one-third of the total market capitalisation. In Malaysia and Indonesia, consumer non-cyclical is also the largest industry in terms of market capitalisation, followed by technology. In Thailand, both industrial and consumer cyclical companies represent around 15% of the market capitalisation. Differently from ASEAN peers, in Viet Nam, real estate represents 36% of the market capitalisation.

Figure 1.1. Listed companies in ASEAN economies as of end-2021

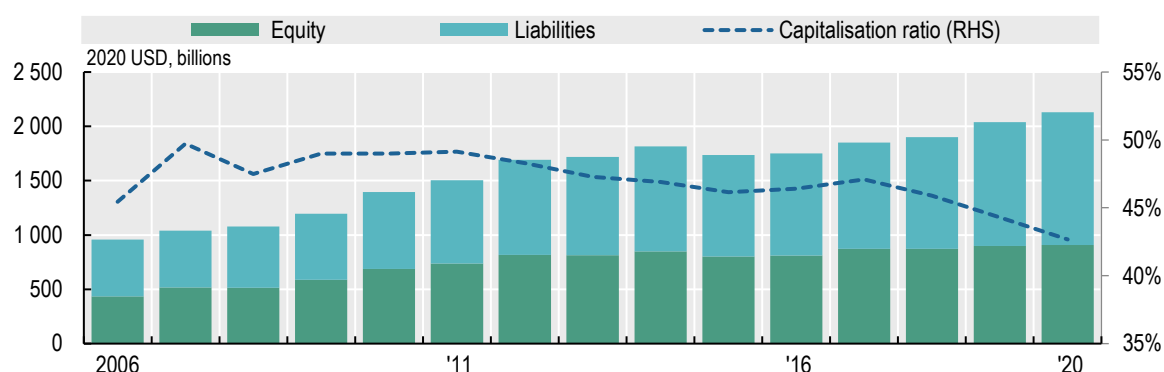


Note: In Panel A, "T" stands for trillion, and "B" stands for billion.

Source: OECD Capital Market Series dataset, Refinitiv Datastream, see Annex for details.

Along with the increasing number of listed companies in ASEAN economies, the aggregate balance sheet of listed companies grew by 50% over the last decade. Book equity also grew, although only by one-third over the same period (Figure 1.2). Therefore, the capitalisation ratio (book equity over assets) was 43% in 2020, much lower than the 50% observed at the global level (OECD, 2021^[2]). Indeed, since 2011, there has been a consistent drop in the capitalisation ratio of non-financial listed companies, from 49% in 2011 to 44% in 2019, and 43% in 2020, when listed companies tapped the debt market in response to the COVID-19 crisis. Lower capitalisation ratios make companies less resilient to overcoming unexpected shocks.

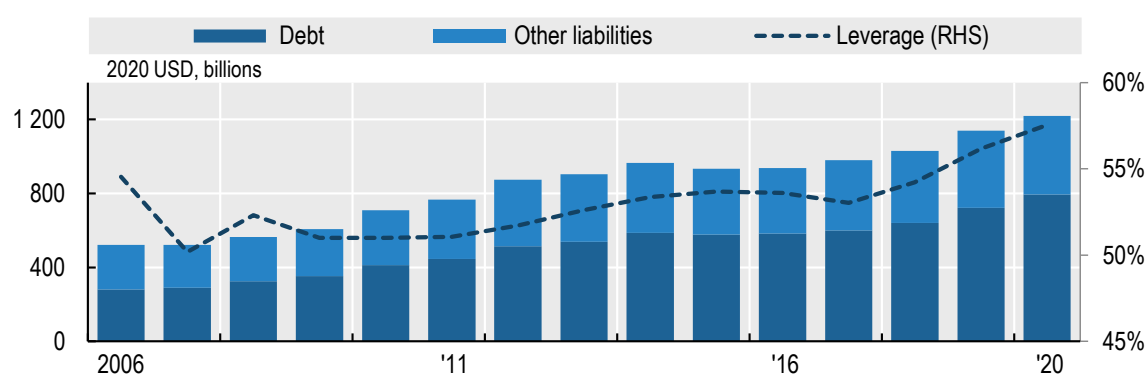
Figure 1.2. Balance sheet of ASEAN non-financial listed companies



Source: OECD Capital Market Series dataset, Refinitiv Datastream, see Annex for details

Liabilities, mainly in the form of financial debt and accounts payable, have grown steadily since 2006. Aggregate leverage, measured as the ratio of liabilities to assets, went from being 55% in 2006 to 58% in 2020. In particular, the proportion of financial debt has been rising, reaching 65% of total liabilities in 2020 compared to 54% in 2006 (Figure 1.3).

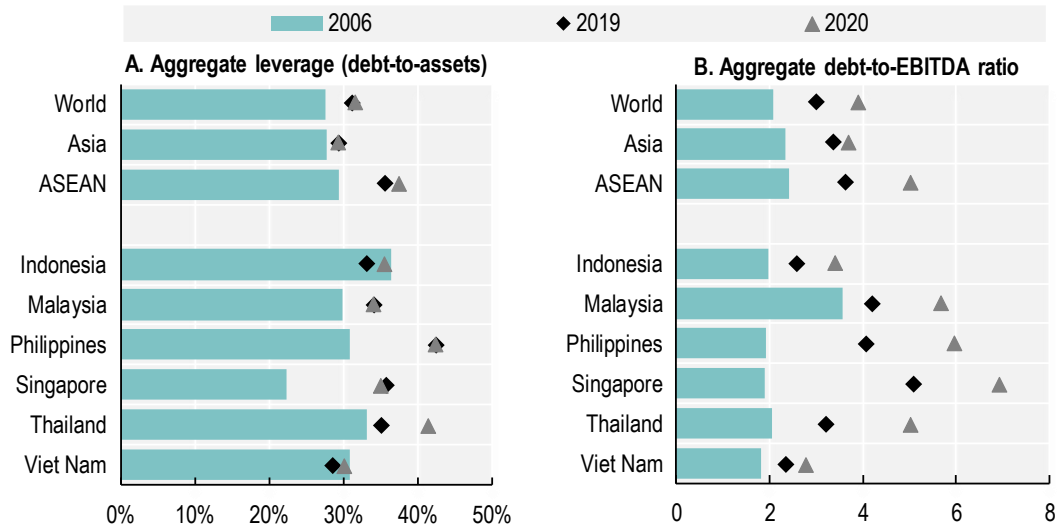
Figure 1.3. Liabilities of ASEAN non-financial listed companies



Source: OECD Capital Market Series dataset, Refinitiv Datastream, see Annex for details

At the country level, debt patterns also show significant differences. Focussing only on financial debt, the increase under different measures has been substantial in some economies. For example, when measuring leverage as the debt-to-assets ratio, listed companies in Singapore, the Philippines and Thailand have experienced an increase of over 8 percentage points between 2006 and 2020 (Figure 1.4). In Malaysia, aggregate leverage increased 4 percentage points, and in Viet Nam and Indonesia, companies slightly decreased their leverage levels in 2019 and 2020 when compared with 2006. When looking at the debt-to-EBITDA ratio, the increase is much more pronounced. Despite the growth in balance sheets, there has been a consistent decrease in profits over the last decade. Therefore, the debt-to-EBITDA ratio increased. Corporations in Singapore, Thailand and the Philippines showed an increase in this ratio from around 2.0x in 2006 to around or over 5.0x in 2020. The economic slowdown resulting from the COVID-19 pandemic has further increased this ratio. Debt-to-EBITDA at the corporate level remained around 3x in 2020 in Indonesia and Viet Nam. Since Debt-to-EBITDA is a measure of a company's ability to pay off its debt, it is often used by lenders to determine a company's risk level, and by investors to determine a company's ability to pay dividends. Therefore, a higher ratio may raise concerns in the current high interest rate environment, where refinancing large amounts of debt could be challenging.

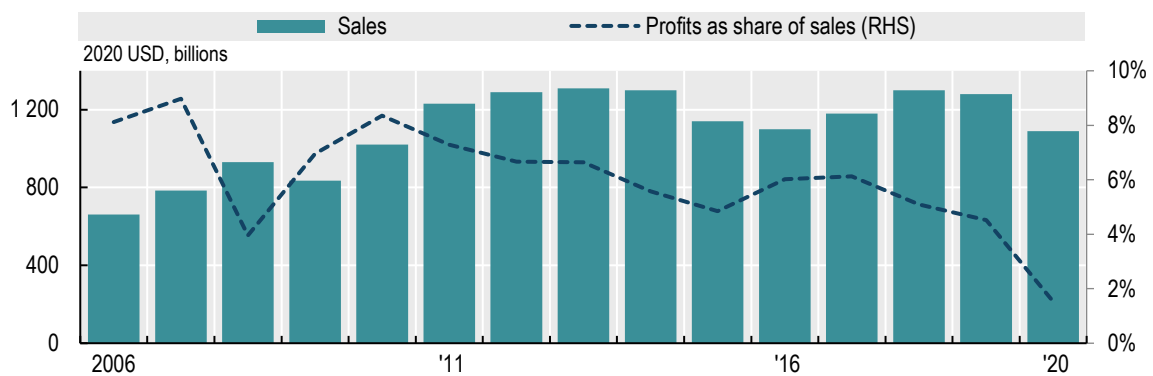
Figure 1.4. Corporate leverage in ASEAN economies



Source: OECD Capital Market Series dataset, Refinitiv Datastream, see Annex for details.

During the 2006-11 period, the significant increase in total assets has also been accompanied by growth in both sales and profits. As assets grew from USD 957 billion in 2006 to USD 1 500 billion in 2011, sales almost doubled (Figure 1.5). As in the rest of the world, the global financial crisis generated a significant contraction in profits in ASEAN listed companies. Profits recovered in 2010, reaching USD 85 billion, 1.6 times the amount in 2006. However, after 2011, despite the continued growth of listed companies' assets, sales and profits did not grow at a similar pace. Indeed, during the last decade, assets grew further to USD 2 120 billion, while sales stagnated around the 2011 level. At the same time, corporate profits dropped to USD 57 billion in 2019, and due to the consequences of the COVID-19 crisis, they further dropped to USD 17 billion in 2020. Since 2010, profits as share of sales followed a declining trend, showing a reduced capacity of corporations in the region to generate profits.

Figure 1.5. Sales and profits of non-financial listed companies in ASEAN

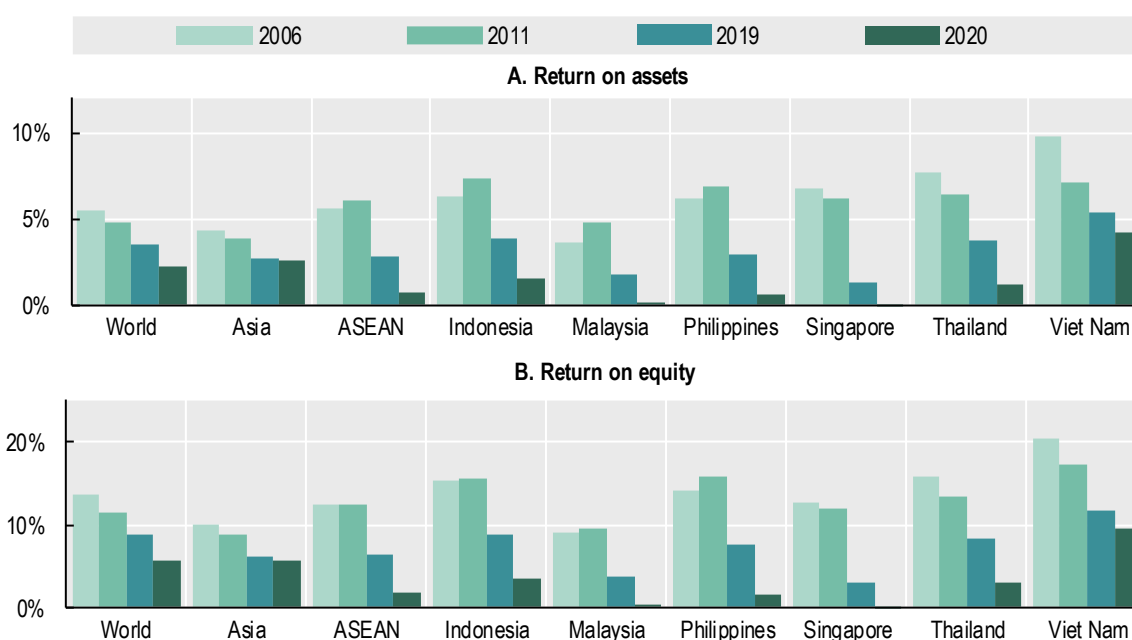


Source: OECD Capital Market Series dataset, Refinitiv Datastream, see Annex for details.

The decrease in profits is also visible at the country level. Across ASEAN economies, non-financial corporations experienced a significant drop in profits during the last decade, similar to what has been observed in Asia and globally. However, a sharp decline in return on equity (ROE) is observed in ASEAN corporations between 2011 and 2019 (Figure 1.6, Panel B). ROE dropped by around eight percentage points for companies in Indonesia, the Philippines and Singapore, and around five percentage points for

companies in Malaysia and Thailand. When measuring companies' profitability with return on assets (ROA), the trend is similar (Figure 1.6, Panel A). It is worth mentioning that, overall, non-financial companies in Viet Nam have shown the highest profitability, followed by Thai and Indonesian companies.

Figure 1.6. Profitability of non-financial listed companies from main ASEAN economies



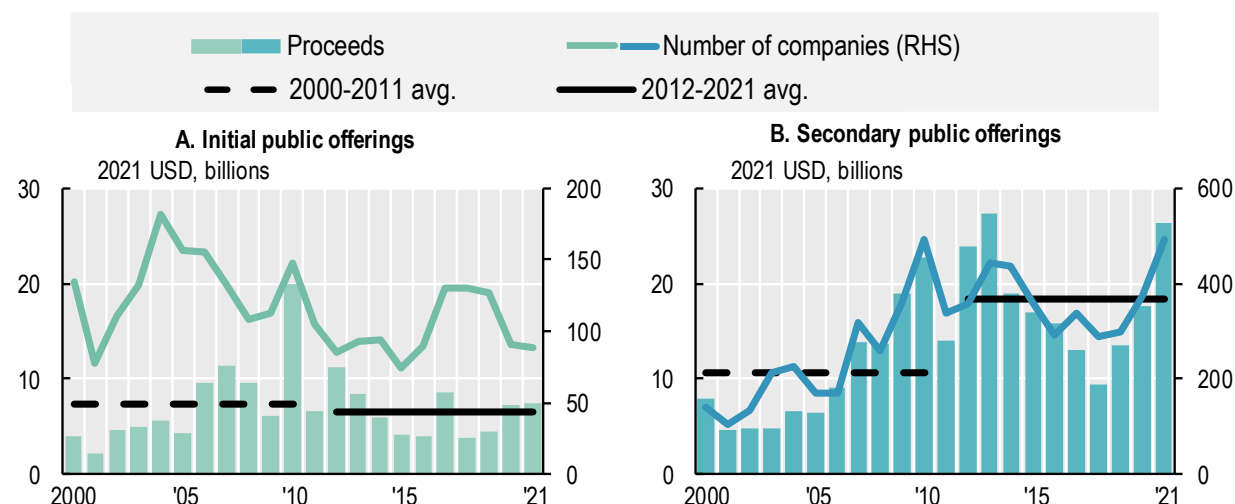
Source: OECD Capital Market Series dataset, Refinitiv Datastream, see Annex for details.

1.2. Trends in the use of public equity

Over the last two decades, ASEAN companies have extensively used equity markets to raise capital through both initial public offerings (IPOs) and secondary public offerings (SPOs). Together 2 547 non-financial companies had an initial public offering raising a total amount of USD 154 billion. Between 2000 and 2011, on average over USD 7.4 billion of new equity capital was raised annually through IPOs by non-financial companies. This amount dropped to an annual average of USD 6.5 billion over the 2012-21 period. This was accompanied by a decrease in the number of IPOs during that decade.

Importantly, once a company is listed, it can raise more capital via secondary public offerings, as it already discloses information to the public and has an investor base. Thus, despite the observed decline in the IPO market during the last decade, secondary public offerings have surged. On average, almost 370 companies raised USD 18 billion each year. The secondary public offerings activity increased particularly during a crisis when non-financial companies extensively use the equity market to raise funds to overcome temporary downturns. Indeed, during the COVID-19 crisis, there has been a historically high number of 493 already-listed companies raising a total amount of USD 26 billion. The same pattern has been observed during the aftermath of the 2008 financial crisis, when around 490 already-listed companies issued USD 23 billion of new equity.

Figure 1.7. Initial and secondary public offerings by non-financial companies in ASEAN economies



Source: OECD Capital Market Series dataset, see Annex for details.

The use of public equity varies across ASEAN economies. Relative to GDP, the most active markets between 2012-21 were Malaysia, Singapore and Thailand where the total capital raised represented over 1.2% of their domestic GDP (Figure 1.8). These three markets also surpassed the level of capital raising activity in Asia (0.9% of GDP) and at the global level (0.7% of GDP). Companies in Thailand ranked first both in number of IPOs, and total equity raised via IPOs and SPOs. Malaysian companies ranked second in the amount of capital raised in IPOs driven by a few large IPOs. Most of the companies that went public in the Philippines were substantially larger (USD 76 million median IPO size) than the other markets where the median size of IPOs was between USD 5-17 million. Notably, the median size of IPO companies in ASEAN economies remains small compared to Asia and the world.

Figure 1.8. Equity capital raised by non-financial companies, 2012-2021

	Number of IPOs	Size of IPOs (USD millions)	Total IPO raised (USD billions)	Total SPO raised (USD billions)	Total equity raised (% of GDP)
By region					
World	11 978	39	1 768	4 998	0.7%
Asia	6 893	36	773	1 937	0.9%
ASEAN	994	13	65	183	0.8%
ASEAN economies					
Indonesia	256	11	10	29	0.4%
Malaysia	180	10	19	35	1.5%
Philippines	33	76	6	21	0.8%
Singapore	177	12	7	39	1.2%
Thailand	270	17	22	54	1.5%
Viet Nam	78	5	2	5	0.2%

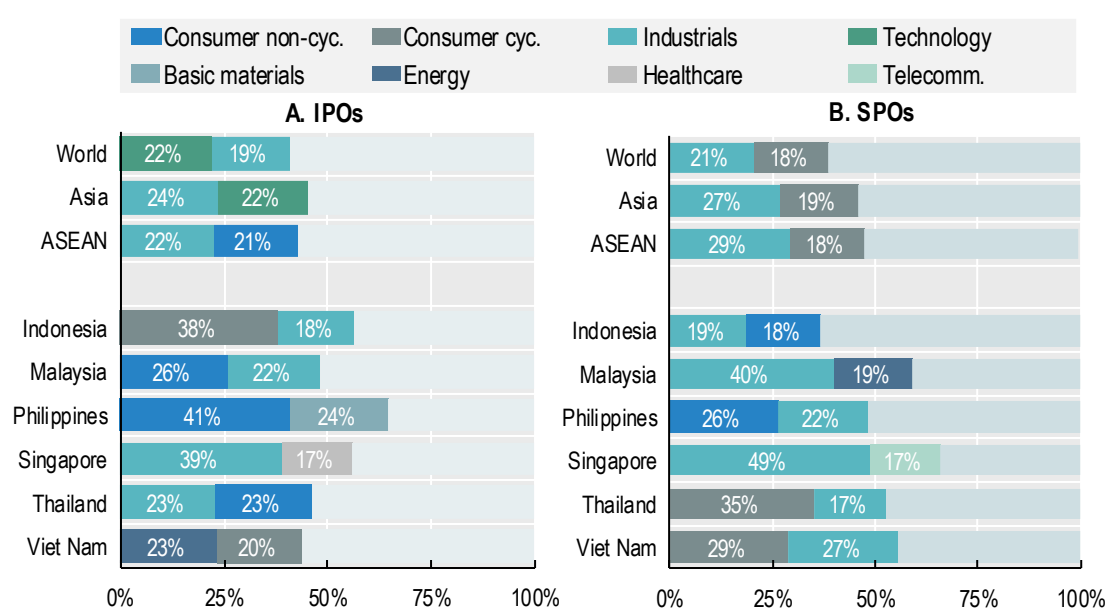
Note: The size of IPOs is calculated by taking the median value of all IPOs.

Source: OECD Capital Market Series dataset, see Annex for details.

In terms of industry composition, the most active industries in ASEAN economies according to the capital raised via IPOs are industrials and consumer non-cyclical, whereas in Asia and at the global level, the lead industries are industrials and technology (Figure 1.9). Industrials and consumer cyclical are the most active

industries raising capital via secondary public offerings at the global level, in Asia and in ASEAN economies. It is worth noting that within ASEAN economies some differences arise. For example, industrial companies dominate IPOs in Singapore and Thailand, and rank second in Indonesia and Malaysia. Following industrials, consumer non-cyclical and consumer cyclical companies have also raised a significant share of the IPO and SPO proceeds. In Malaysia and the Philippines, companies in consumer non-cyclical raised a total of 26% and 41% of IPO proceeds respectively. Different from the main trends, in Viet Nam energy companies represent the largest share of IPO proceeds, whereas healthcare companies account for 17% of the IPO proceeds in Singapore, and basic material companies are responsible for a quarter of the capital raised via IPOs in the Philippines. Energy companies have been active in raising capital through secondary public offerings in Malaysia and telecommunication companies raised a significant amount of capital via SPOs in Singapore.

Figure 1.9. IPO and SPO proceeds by non-financial companies by industry, 2012-2021



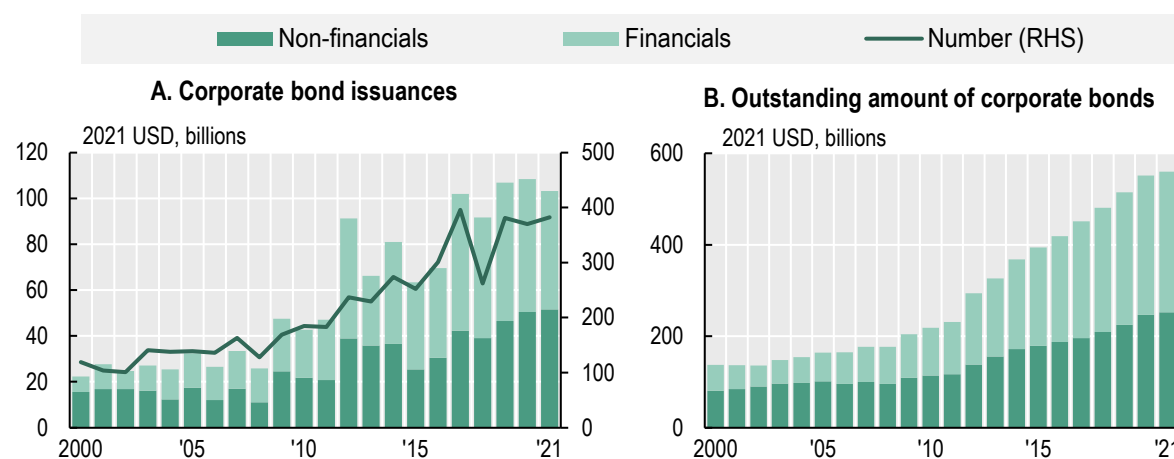
Source: OECD Capital Market Series dataset, see Annex for details.

1.3. Trends in the use of corporate bonds

In line with the global trends, corporate bonds have gained increasing importance as a source of financing for ASEAN companies. Particularly there has been a considerable shift from bank loans to corporate bonds in the aftermath of the 2008 financial crisis (Becker and Ivashina, 2014^[3]). During the last decade the annual average amount of corporate bonds issued was USD 88 billion, almost three times that of the previous decade (Figure 1.10, Panel A). Together, over 3 000 companies used corporate bond markets to raise a total amount of USD 880 billion between 2012 and 2021. Non-financial companies issued USD 394 billion, the equivalent to 45% of the total capital raised, and the remaining USD 486 billion corresponded to financial companies. This distribution of issuances between non-financial and financial companies is similar to that in Asia, where non-financial companies represent 46% of total issuances. As a result, the outstanding stock of corporate bonds by ASEAN companies in 2021 reached an all-time high at USD 558 billion, with non-financial companies responsible for USD 251 billion (45% of the total) (Figure 1.10, Panel B). Despite the strong growth, ASEAN economies lag behind Asia. Indeed, the total corporate bond

issuances by ASEAN companies during the last decade accounted for 6% of the total issued in Asia, much lower than its contribution to Asian GDP (11%).³

Figure 1.10. Corporate bond landscape in ASEAN economies



Source: OECD Capital Market Series dataset, Refinitiv, see Annex for details.

Corporate bond markets in ASEAN economies show significant differences. Overall, Singapore and Thailand are the two largest corporate bond markets, accounting for over 60% of total issuances in the region between 2000 and 2021. One important feature is the significant increase in the issuance of corporate bonds across all ASEAN economies since early 2000. Specifically, in Indonesia, the Philippines and Thailand, corporate bond issuances more than doubled in the 2008-14 period compared to the 2000-07 period. This has been driven by both financial and non-financial companies. In Malaysia and Singapore, the total proceeds raised increased by more than 40% in the 2008-14 period compared to 2000-07, and it was mainly driven by financial companies. During the 2015-21 period, corporate bond issuances almost doubled in Thailand and Singapore compared to the 2008-14 period. The increase in Thailand is mostly driven by non-financial companies, while in Singapore financial companies are driving the growth in corporate bond issuances.

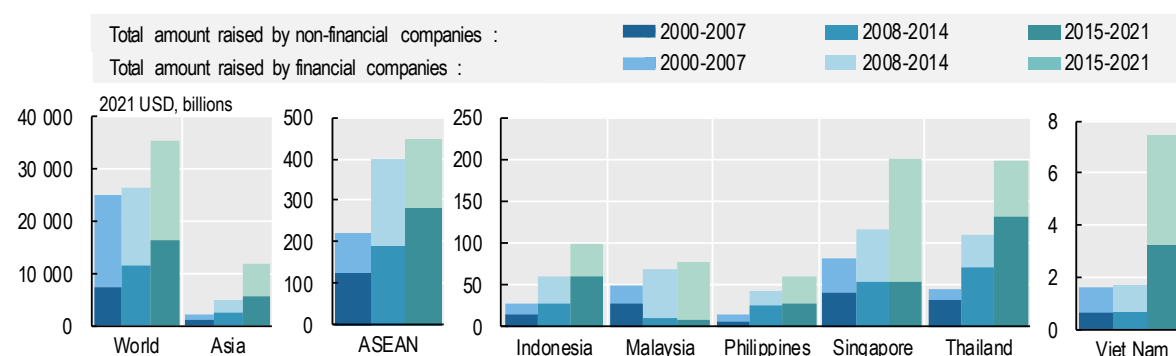
It is important to note that the corporate bond market is at an earlier stage in Viet Nam. Indeed, the market only started in 2000 and is targeted at institutional investors. The size of the market is relatively small compared to other ASEAN markets. However, non-financial companies in Viet Nam more than quadrupled their corporate bond issuances during the 2015-21 period compared to 2008-14, showing signs of a growing use of corporate bonds as a source of financing. Importantly, in 2021, corporate bond issued by state-owned enterprises⁴ represented 19% of the outstanding amount of corporate bonds (ADB, 2022^[4]).

The share of bonds issued by non-financial companies also differs across countries. Indeed, in Malaysia, Singapore and Viet Nam, the amount of capital raised via corporate bonds by financial companies surpassed the amount issued by non-financial companies (Figure 1.11). On the contrary, in the other ASEAN economies, non-financial companies absorb a larger share of total corporate bond issuances compared to financial companies.

³ The calculation is based on the IMF World Economic Outlook Database.

⁴ State-owned enterprises in Viet Nam are defined as those where the state owns more than 50% of the equity capital.

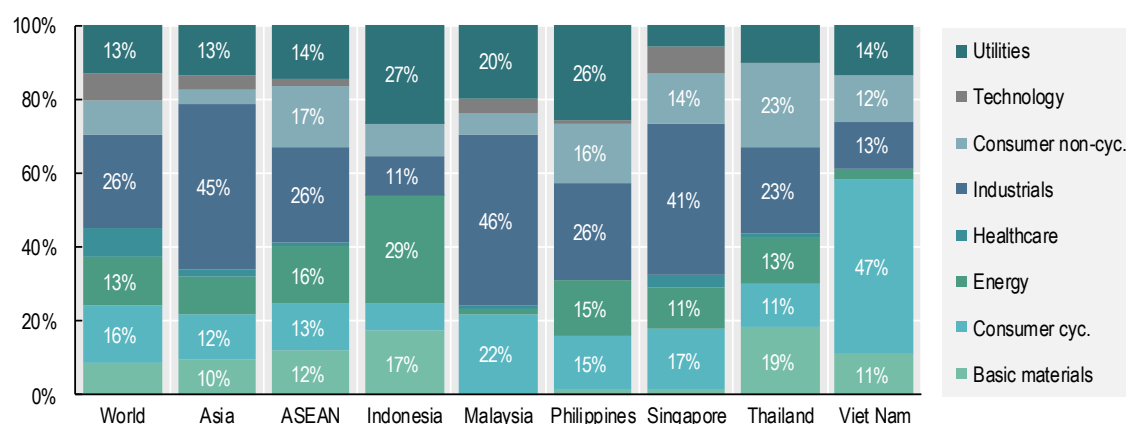
Figure 1.11. Corporate bond issuances in ASEAN economies



Source: OECD Capital Market Series dataset, Refinitiv, see Annex for details.

A breakdown of the total proceeds from corporate bonds by industry reveals that industrial companies represent the largest share of the capital raised via corporate bonds worldwide (26%) and in Asia (45%) (Figure 1.12). ASEAN economies are no exception as industrial companies represent around a quarter of corporate bond issuances in the region. The dominance of industrial companies is similar to that observed in equity offerings, where industrial companies constitute 22% of the capital raised in IPOs and 29% in SPOs in ASEAN economies. Consumer non-cyclical represent 17% of bond issuances among ASEAN corporations, followed by energy companies (16%). In Malaysia, Singapore and the Philippines, industrial companies correspond to 46%, 41% and 26% of corporate bond issuances. In Indonesia, energy and utility companies represent over half of the corporate bond issuances. Consumer cyclical companies are responsible for almost half of the capital raised in Viet Nam via corporate bonds. It is important to point out that bonds from technology companies are negligible in ASEAN economies, except in Singapore.

Figure 1.12. Corporate bond issuances non-financial companies in ASEAN economies, 2012-2021



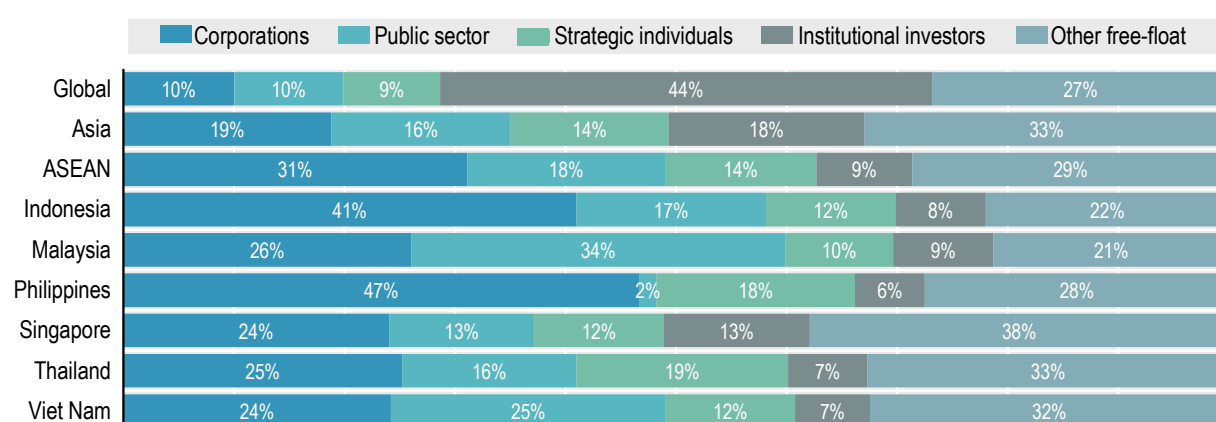
Source: OECD Capital Market Series dataset, Refinitiv, see Annex for details.

1.4. Ownership structure of listed companies

At the global level, institutional investors are the largest investor category, holding 44% of the global market capitalisation, followed by corporations and the public sector with 10% each, and strategic individuals owning 9%. The remaining 27% of the market capitalisation is held by shareholders that are not required to disclose their ownership as they have not reached the threshold of disclosure.

ASEAN listed companies show a different landscape of corporate ownership compared to the global picture and to other Asian countries. As shown in Figure 1.13, corporations are the largest owner of ASEAN listed companies, reflecting the prominent existence of company group structures. Indeed, 31% of the listed equity is owned by corporations, compared to 19% in Asia and 10% at the global level. In countries such as Indonesia and the Philippines, group structures are more prominent as 41% and 47% of listed companies are owned by corporations. The public sector appears to be the second largest owner of ASEAN companies holding 18% of the listed equity, particularly in Malaysia and Viet Nam, where the public sector owns 34% and 25% of the listed equity respectively. The presence of institutional investors is relatively small in ASEAN economies, where they own a modest 9% of the total market capitalisation compared to their global holdings (44%) and to their holdings in Asia (18%). In Singapore, the holdings of institutional investors are relatively higher, accounting for 13% of the listed equity.

Figure 1.13. Investors' holdings as of end-2021

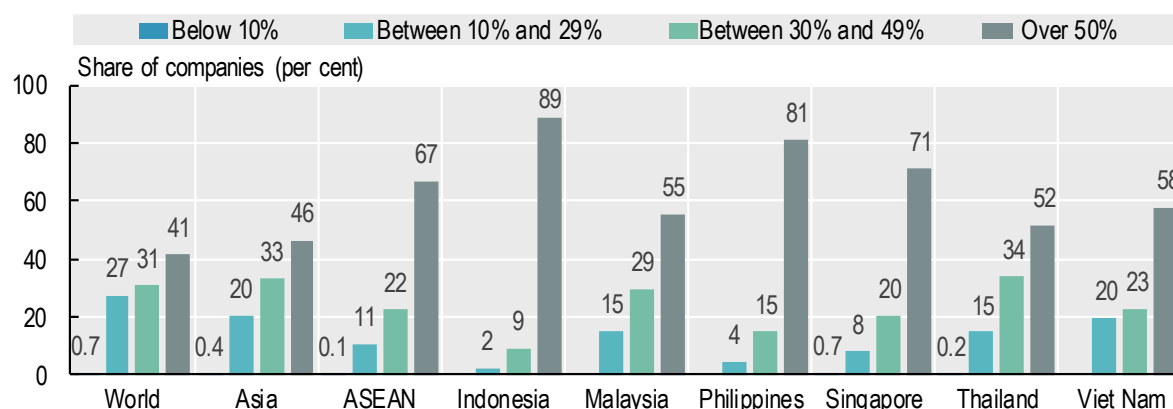


Note: Investors are classified following De La Cruz, Medina and Tang (2019^[5]), "Owners of the world's listed companies", www.oecd.org/corporate/Owners-of-the-Worlds-Listed-Companies.htm.

Source: OECD Capital Market Series dataset, FactSet, Refinitiv, Bloomberg, see Annex for details.

The ownership structure in most markets around the world shows a high degree of concentration and ASEAN markets are no exception. Figure 1.14 shows the share of companies with different levels of combined ownership for the three largest shareholders. In 11% of the ASEAN listed companies, the three largest shareholders together hold between 10% and 29% of the equity. In 22% of them, the three largest shareholders hold between 30% and 49% of the equity. Importantly, in 67% of ASEAN listed companies, the three largest shareholders own over half of the listed equity. However, the degree of ownership concentration varies across countries. Ownership concentration is especially high in Indonesia and the Philippines, where the largest three shareholders hold over 50% of the equity in at least eight out of 10 companies. In Malaysia, Thailand and Viet Nam the ownership concentration is lower. In fact, in around 55% of the listed companies, the largest three shareholders hold over 50% of the equity.

Figure 1.14. Ownership concentration by the largest three shareholders as of end-2021



Source: OECD Capital Market Series dataset, FactSet, Refinitiv, Bloomberg, see Annex for details.

Corporations are prominent owners of listed companies in ASEAN economies. Indeed, non-domestic corporations are important owners in some of these markets (Table 1). For instance, in Singapore and Indonesia around 15% of the market capitalisation is held by non-domestic corporations. Moreover, a large share of the market capitalisation in ASEAN markets is in the hands of other listed companies. As shown in the fourth column of Table 1, in the Philippines 29% of the listed equity is held by other listed companies and this number is 19% in Indonesia and Thailand. Often, these holdings of listed companies correspond to companies listed abroad, e.g. Indonesia where non-domestic public listed corporations hold 12% of the total market capitalisation and Singapore where this share is 13%.

Table 1. Corporations as owners by location and listed status as of end-2021

	Share of market capitalisation owned by:					
	Corporations	Non-domestic corporations	Domestic corporations	Publicly listed corporations	Non-domestic public listed corporations	Domestic public listed corporations
Indonesia	41%	14%	27%	19%	12%	7%
Malaysia	26%	7%	19%	11%	6%	5%
Philippines	47%	4%	42%	29%	3%	25%
Singapore	24%	16%	9%	17%	13%	3%
Thailand	25%	8%	18%	19%	6%	12%
Viet Nam	24%	9%	15%	13%	6%	8%

Source: OECD Capital Market Series dataset, FactSet, Refinitiv, Bloomberg, see Annex for details.

The public sector has gained importance as an owner of listed equity during the last two decades, mostly driven by the listing of minority shares of state-owned enterprises (SOEs) as a result of partial privatisation processes. In addition, the public sector has also increased its presence in the stock market through the establishment of sovereign wealth funds and public pension funds, among others. Nowadays, the public sector has controlling holdings in 1 898 listed companies around the world and most of them are in Asia, with 180 of them listed on ASEAN exchanges. The public sector holds 10% of the global listed equity, and this number is 18% in ASEAN economies (Figure 1.13). The table below shows an overview of listed companies controlled by the public sector. State control here is defined as any state holding of at least 25% of the listed equity (Table 2). By the end of 2021, the 180 ASEAN listed companies controlled by states had a total market capitalisation of USD 675 billion. These state-controlled listed companies are

often much larger than other listed companies. Indeed, despite constituting a moderate share of total number of listed companies, they represent a large share in terms of market capitalisation. For instance, in ASEAN economies, on average these state-controlled companies represent 8% of the number of listed companies, while they correspond to 28% of the market capitalisation in their respective markets.

Table 2. Public sector holdings as of end-2021

	Market cap. of state-controlled companies (USD million)	No. of listed companies under state control	Average state holdings ⁵	State-controlled listed companies (share of total market capitalisation)	State-controlled listed companies (share of total number of companies)
By region					
World	13 630 234	1 898	55%	11%	6%
Asia	8 437 187	1 392	54%	24%	9%
ASEAN	675 340	180	58%	28%	8%
ASEAN economies					
Indonesia	144 389	48	66%	25%	9%
Malaysia	207 540	61	54%	51%	11%
Philippines	410	1	38%	0%	1%
Singapore	135 596	14	49%	31%	5%
Thailand	110 793	18	53%	21%	4%
Viet Nam	76 613	38	58%	33%	18%

Note: State control is defined as any state holding of at least 25% of the listed equity. Control is not restricted to the state where the company is listed: a company listed in Viet Nam can be controlled by a state different from the Vietnamese state. The definition of state used here may differ from that is used in individual jurisdictions, see the Annex for details.

Source: OECD Capital Market Series dataset, FactSet, Refinitiv, Bloomberg, see Annex for details.

1.5. Sustainability and resilience

ASEAN economies in their aim to achieve sustainable development, and to mitigate the social and environmental risks linked to climate change, have made significant commitments in line with the Paris Agreement on Climate Change and the United Nations 2030 Agenda for Sustainable Development. They also adopted a regional agenda, known as the ASEAN Community Vision 2025 to work towards a Community that is “politically cohesive, economically integrated and socially responsible” (ACMF, 2020^[6]). However, country-specific policy strategies are still needed for a more balanced, inclusive and environmentally sustainable development, as ASEAN economies are geographically, culturally and economically diverse (IMF, 2018^[7]).

In the meantime, financing the transition to a sustainable economy requires significant investments. In particular, the Paris Agreement includes a commitment to finance the climate transition with the aim of: “aligning financial flows with a pathway towards low greenhouse gas emissions and climate-resilient development” (UN, 2015^[8]). To fulfil the goals of the Paris Agreement, public investment has a key role to play. However, a significant amount of private investment is required to finance the activities for the adaptation to and mitigation of climate risks. For the energy industry alone to reach net zero emissions by 2050, global annual clean energy investments will need to more than triple to around USD 4 trillion by 2030 (IEA, 2021^[9]).

⁵ The state holdings correspond to the average within the companies identified as being under state control.

Table 3. Climate change-related commitments of the ASEAN economies

Member Country	Commitment
Indonesia	<ul style="list-style-type: none"> To reduce 31.89% of GHG emissions by 2030, and a further 43.2% conditionally from 2015 level To increase new and renewable sources of energy to at least 23% by 2025 and 31% by 2050
Malaysia	<ul style="list-style-type: none"> To reduce 45% of economy-wide carbon intensity⁶ by 2030 To increase the total installed capacity of renewable energy to 31% by 2025 and 40% by 2035
Philippines	<ul style="list-style-type: none"> To reduce 2.71% of GHG emissions by 2030, and a further 72.29% conditionally from 2020 level To increase renewable energy capacity to at least 20 000 MW by 2040
Singapore	<ul style="list-style-type: none"> To reduce emissions to around 60 MtCO₂e in 2030 To deploy at least 2 GWp of solar power by 2030 and 200 MW of energy storage systems beyond 2025
Thailand	<ul style="list-style-type: none"> To reduce GHG emissions by 30%-40% compared to the 2018 level by 2030 To increase the installed capacity of renewable energy to 30% in energy mix by 2036
Viet Nam	<ul style="list-style-type: none"> To reduce 15.8% of GHG emissions by 2030, and a further 27.7% conditionally from 2014 level To increase the utilisation rate of renewable energy from about 7% in 2020 to more than 10% in 2030

Source: EY, (2022_[10]), Trending: Sustainable responsible investment in Malaysia and the region, https://assets.ey.com/content/dam/ey-sites/ey-com/en_my/topics/climate-change/ey-trending-sri-in-malaysia-and-the-region-final-22022022.pdf, Government of Singapore (2022_[11]), Nationally Determined Contributions – Second Update, Republic of Indonesia (2022_[12]), [Enhanced Nationally Determined Contribution, https://unfccc.int/sites/default/files/NDC/2022-09/23.09.2022_Enhanced%20NDC%20Indonesia.pdf](https://unfccc.int/sites/default/files/NDC/2022-09/23.09.2022_Enhanced%20NDC%20Indonesia.pdf), Ministry of Natural Resources and Environment of Thailand (2022_[13]), [Thailand's long-term low greenhouse gas emission development strategy, unfccc.int/sites/default/files/resource/Thailand%20LT-LEDS%20%28Revised%20Version%29_08Nov2022.pdf](https://unfccc.int/sites/default/files/resource/Thailand%20LT-LEDS%20%28Revised%20Version%29_08Nov2022.pdf), Socialist Republic of Viet Nam (2022_[14]), Nationally Determined Contribution, updated in 2022, <https://unfccc.int/documents/622541>.

According to the International Energy Agency (IEA), investment levels in clean energy in Southeast Asia will also have to increase. In the first scenario, including only the current policy pathways in the region, a threefold increase is required in investment amounting to an annual average of USD 80 billion by the late 2020s. In the second scenario, which aims to attain the Paris Agreement goal to limit the temperature to “well below 2°C” alongside the goals on energy access and air pollution in the region, the required investment significantly increases to an annual average USD 150 billion (IEA, 2022_[15]).

To finance these required investments that will enable the green transition, private investors have already begun to play an important role. In particular, asset managers through their portfolio selection and engagement with companies have been giving increased consideration to ESG risk factors more recently. According to a 2020 survey on sustainable investing, globally there has been a significant increase in the size of assets under management invested under sustainable criteria in the last few years. At the start of 2020, these assets represented 35.9% of total assets under management, up from 33.4% in 2018. Investors from Australia, Canada, Europe, Japan, New Zealand and the United States allocated around USD 35 trillion of their assets to investment vehicles that claimed to be sustainable (GSI Alliance, 2021_[16]).

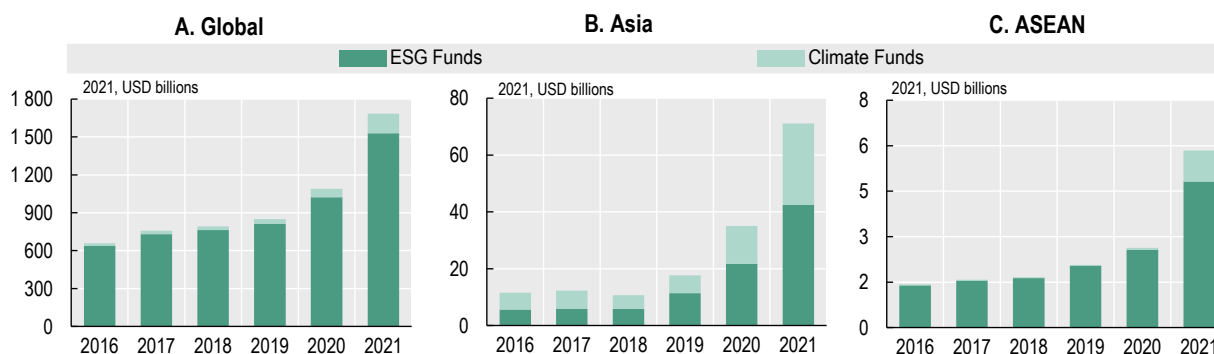
According to PwC, Asia-Pacific is expected to be the region with the highest growth in ESG assets under management. The report forecasts that sustainable assets will more than triple in the region to USD 3.3 trillion in 2026 (PwC, 2022_[17]). According to the same report, surveyed institutional investors noted the importance of regulation in driving the integration of ESG into assets managers' investment strategies. The ASEAN Finance Ministers' and Central Bank Governors' Meeting in 2019 recognised the importance of sustainable finance and decided to embark on the construction of its own taxonomy. Despite

⁶ Carbon intensity refers to greenhouse gas (GHG) intensity from seven GHGs namely carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃)

the individual features of each ASEAN member state, it was agreed that building a common understanding of what is sustainable is key to foster sustainable investment in the region (Asean Taxonomy Board, 2021^[18]). Such initiative combined with regulatory efforts to improve the disclosure of sustainability-related information by companies in the region may provide a basis for increasing the number of more sustainable projects.

Within the information available, a small subset of investment funds can be identified as sustainable. However, the numbers should be taken with caution, since labelling a product as sustainable may not necessarily translate into asset managers contributing to more social and environmental sustainability. In addition, there are several data limitations in determining whether or not a fund is sustainable. In the following figures, funds that labelled themselves by including “ESG” or “sustainable investing” in their names are identified as sustainable funds. Focussing only on investment funds, it shows that assets under management of global ESG funds reached USD 1.7 trillion in 2021 (Figure 1.15, Panel A). This was mainly the result of the highest net inflows into these funds in 2020 and 2021 - USD 241 billion and USD 586 billion, respectively. While the value of assets under management of climate funds was very modest between 2016 and 2019, during 2020 and 2021 climate funds grew due to large inflows. In line with global trends, assets under management of ESG and climate funds in Asia also increased in 2020 and 2021, reaching over USD 70 billion (Panel B). As of 2021, funds in the ASEAN region accounted for 9% of the total assets under management of funds in Asia with USD 6 billion (Panel C). In ASEAN economies, assets under management of climate funds in 2021 accounted for a higher share corresponding to 17% of the total assets under management of ESG funds.

Figure 1.15. Assets under management of funds labelled as or focusing on ESG and climate



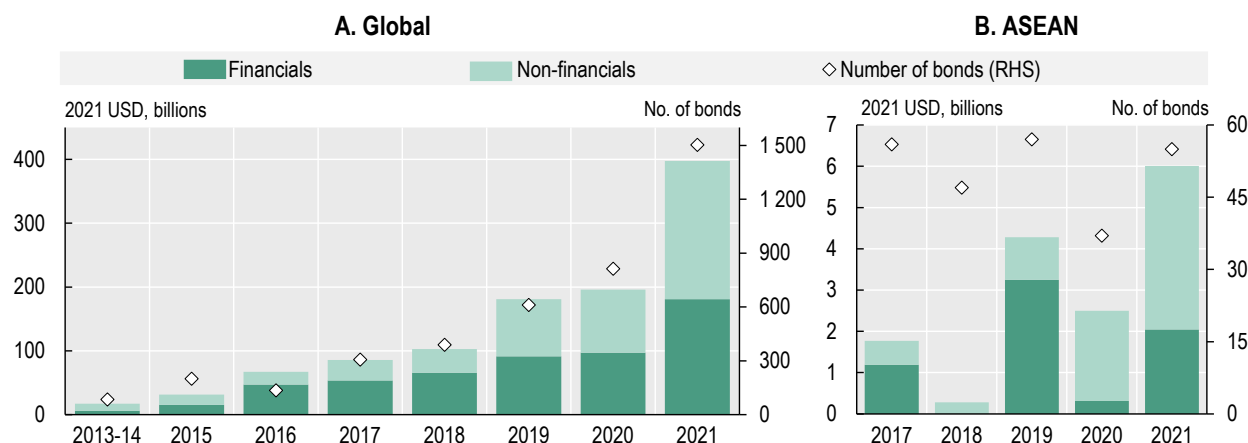
Note: Funds retrieved from Refinitiv Funds Screen classified as Climate Funds or ESG Funds in the case their names contain, respectively, climate or ESG relevant acronyms and words such as ESG, sustainable, responsible, ethical, green and climate (and their translation in other languages). Funds without any asset value are excluded.

Source: Refinitiv, OECD calculations.

With the development of sustainable debt securities, companies have been raising funds for their sustainability-related objectives via corporate bonds. Currently, there are four main types of sustainability-related bonds: green, social, sustainable and sustainability-linked. Green bonds are debt instruments where the proceeds are exclusively used to finance or re-finance, in part or in full, new and/or existing eligible green projects and account for the larger share of funds raised by green bonds (ICMA, 2021^[19]). Green bonds have gained popularity over time. In 2021, green bond issuances reached USD 217 billion by non-financial companies and USD 181 billion by financial companies (Figure 1.16, Panel A). Globally, between 2013 and 2021, USD 1 trillion in green bonds was issued by financial and non-financial corporations. The market for green bonds is still in a growing stage in ASEAN economies. Green bonds issued by ASEAN corporations between 2017 and 2021 represented only 1.5% of the global amount issued during the same period, lower than the 1.9% ASEAN corporate bonds represent in total global corporate

bond issuances. Between 2017 and 2021, non-financial companies in the ASEAN region raised USD 8 billion and financial companies raised USD 6.8 billion by issuing green bonds (Panel B).

Figure 1.16. Green corporate bond issuances

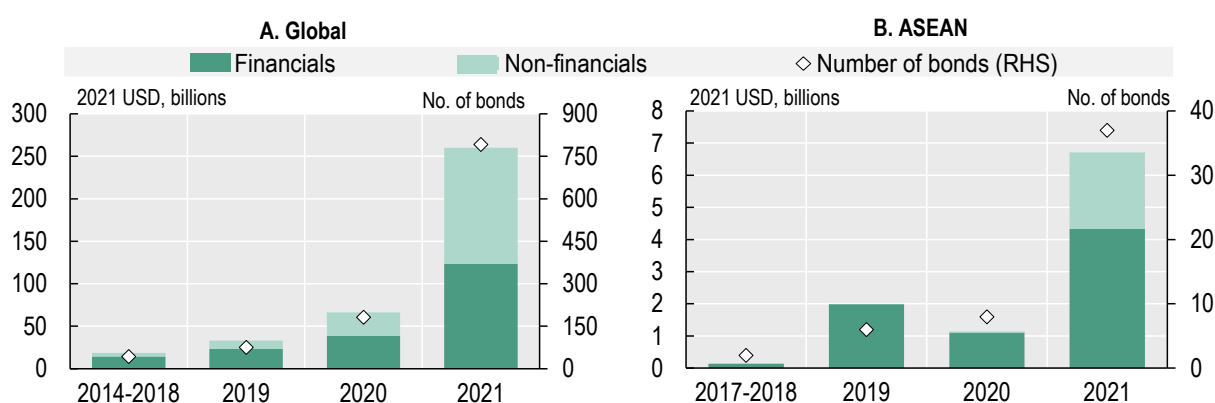


Source: OECD Corporate Sustainability dataset, Refinitiv, Bloomberg.

As explained before, in addition to green bonds, there are three other common types of sustainable debt securities: social, sustainability and sustainability-linked bonds. The proceeds raised from “social bonds” are directed to projects that have a positive social impact and those raised from “sustainability bonds” are invested in projects that are expected to have a positive environmental and social impact (ICMA, 2021^[20]) (ICMA, 2021^[21]). The main feature of “sustainability-linked bonds” is that these bonds are linked to whether the issuer achieves predefined sustainability objectives (ICMA, 2020^[22]).

Globally, between 2014 and 2021, USD 378 billion worth of social, sustainability and sustainability-linked bonds were issued by companies, around one-third of the funds was raised via green bonds (Figure 1.17, Panel A). Between 2017 and 2021, ASEAN companies raised almost USD 10 billion by issuing these three types of corporate bonds and corresponded to 2.6% of the total amount raised by these bonds globally (Panel B).

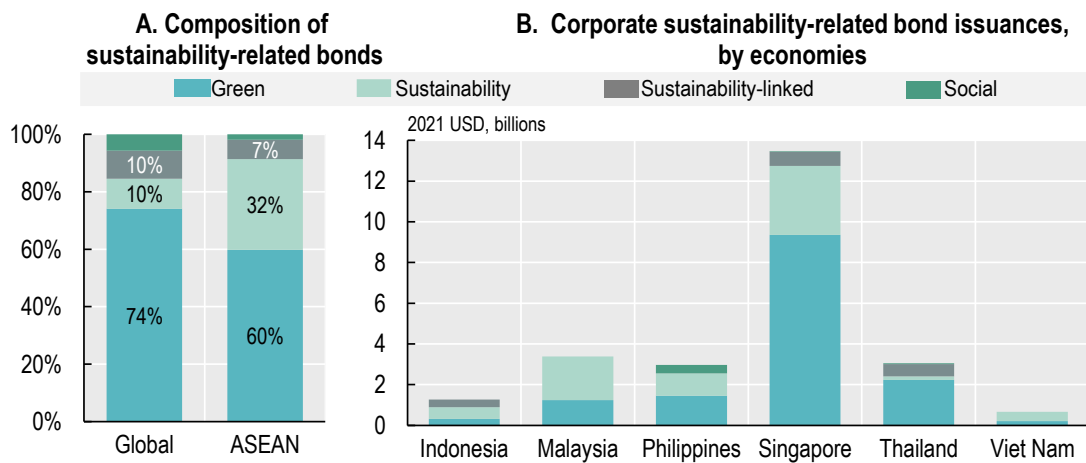
Figure 1.17. Social, sustainability and sustainability-linked corporate bond issuances



Source: OECD Corporate Sustainability dataset, Refinitiv, Bloomberg.

Among the four different types of sustainability-related corporate bonds, funds raised globally via green bonds have the highest share in total funds raised, corresponding to 74% (Figure 1.18, Panel A). This is followed by sustainability and sustainability-linked bonds with funds each representing 10% of the total. Social bonds only represent 6%. In ASEAN economies, sustainability bonds represent a higher share in the total amount issued in sustainability-related corporate bonds compared to the global composition, while green bonds represent a lower share. Among ASEAN economies, companies in Singapore are the most frequent users of the sustainability-related bonds, with total funds raised between 2013 and 2021 representing more than half of the region’s total issuances (Panel B).

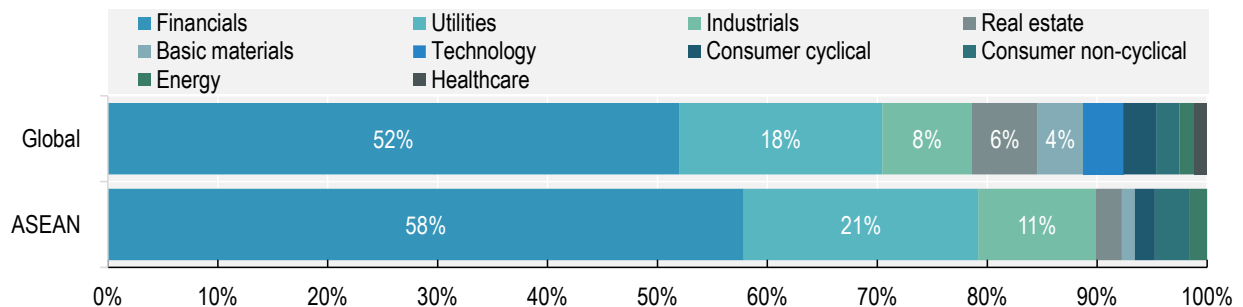
Figure 1.18. Distribution of sustainability-related corporate bonds between 2013 and 2021



Note: Proceeds in the figure include sustainability-related corporate bonds by both financial and non-financial companies.
 Source: OECD Corporate Sustainability dataset, Refinitiv, Bloomberg.

Globally, half of the total amount of funds raised between 2013 and 2021 via these four types of bonds (green, social, sustainable and sustainability-linked) was issued by financial companies (Figure 1.19). Utility and industrial companies accounted for 18% and 8% of total funds, respectively. In ASEAN economies, the top three industries issuing sustainability-related bonds were financials representing 58% of the proceeds, followed by utilities with 21% and industrials with 11%.

Figure 1.19 Industry composition of sustainability-related corporate bonds between 2013-2021

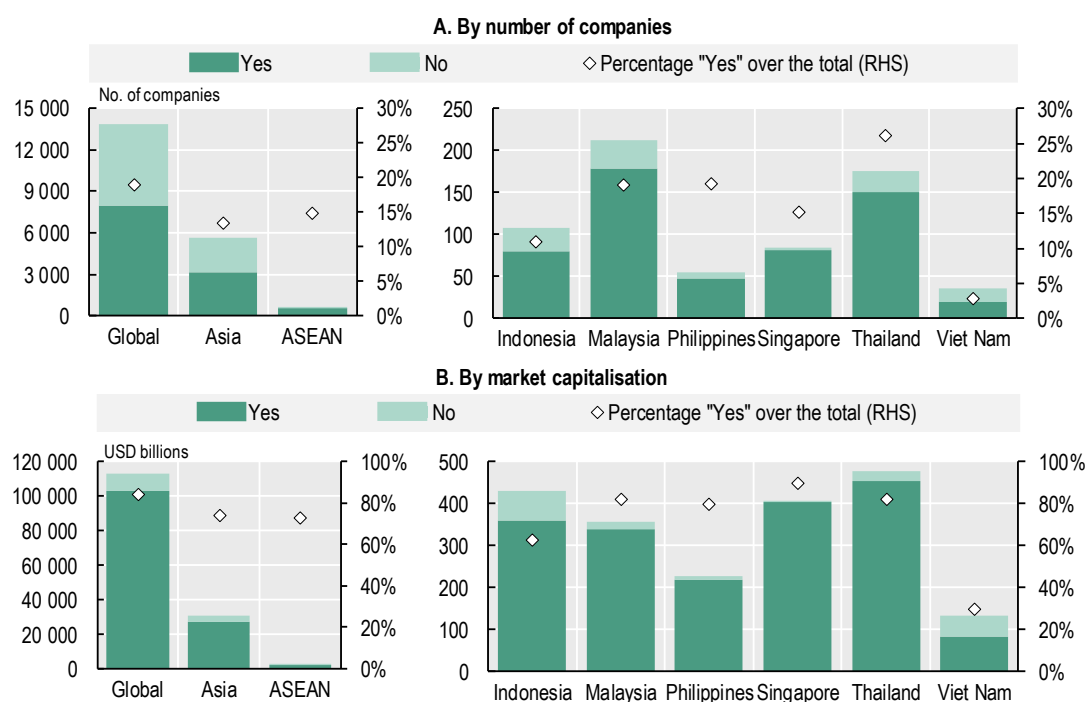


Source: OECD Corporate Sustainability dataset, Refinitiv, Bloomberg.

For shareholders to exercise their rights on an informed basis, the disclosure of material sustainability information is key. Some regulators have already mandated or recommended the disclosure of sustainability information. However, even in jurisdictions where sustainability disclosure is not mandatory, a significant number of companies have been reporting on sustainability risks and opportunities.

From the companies' perspective, out of the 42 000 listed companies globally, almost 8 000 disclosed a sustainability report or an integrated report that includes sustainability issues in 2021 (Figure 1.20, Panel A). These companies generally are among the largest in global capital markets, representing 84% of the global market capitalisation (Panel B). In Asia and ASEAN economies, the number of companies disclosing sustainability information via reports - either in a separate sustainability report or as a part of another company report - is more than 3 000 and around 600, respectively (Panel A). While, by number, these companies correspond to a lower share of all listed companies (on average 14%), by market capitalisation they represent more than 70% of the total market capitalisation in each region (Panel B). Among ASEAN economies, companies from Singapore that disclose sustainability issues represent the highest share with 90% of the total market capitalisation.

Figure 1.20. Disclosure of sustainability information by listed companies



Note: The dots represent the number (market capitalisation) of companies responding "Yes" over the total number (market capitalisation) of listed companies.

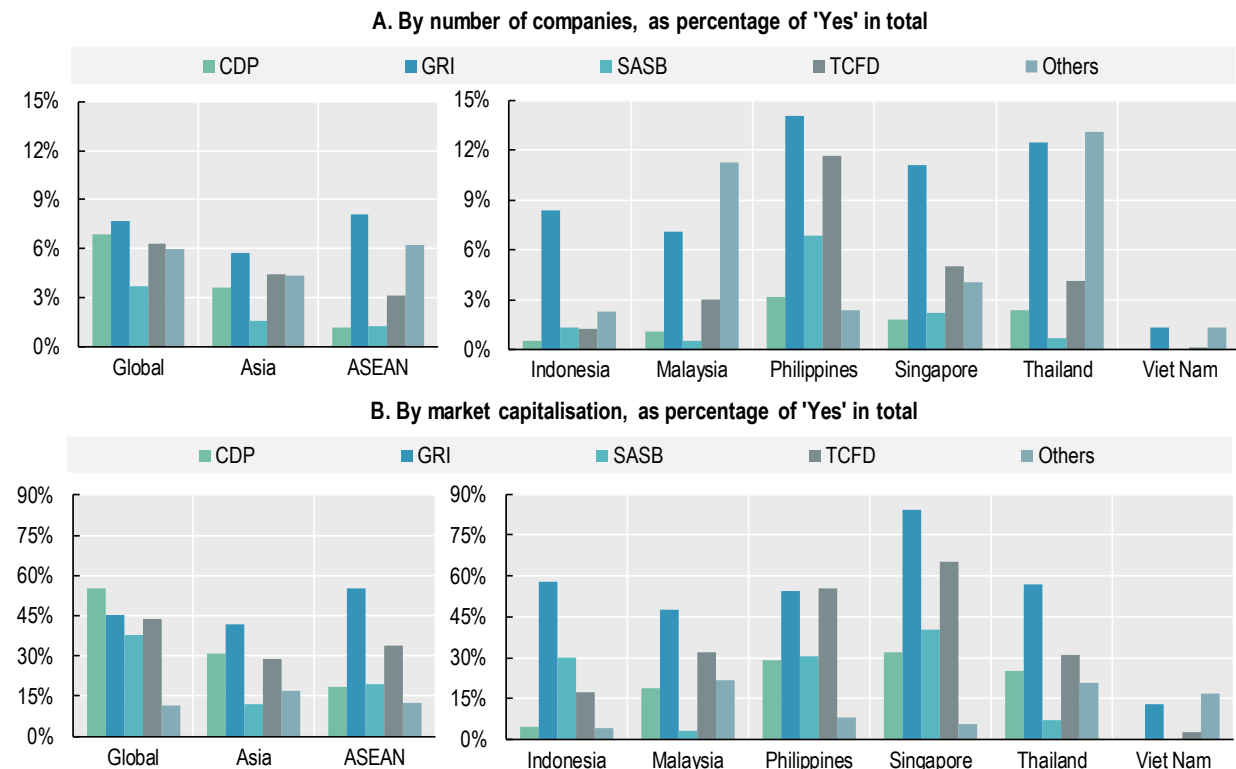
Source: OECD Corporate Sustainability dataset, Refinitiv, Bloomberg.

There is currently a multitude of ESG standards and frameworks being used by companies to disclose sustainability-related information. They vary on the issues they cover, their level of detail and main audience. For instance, the Task Force on Climate-Related Financial Disclosures' (TCFD) recommendations focus on climate-related issues while others, such as the Sustainability Accounting Standards Board (SASB) cover ESG issues more broadly. In general, the target audience are investors, but there are a couple of standards aiming at informing multiple stakeholders about non-financial results, notably the Global Reporting Initiative Standards (GRI Standards).

Globally, the Carbon Disclosure Project's (CDP) questionnaires are used by 2 891 companies representing 55% of the global market capitalisation, followed by the GRI Standards with a disclosure by 3 247 companies accounting for 45% of the global market capitalisation. The TCFD's recommendations are used by 2 639 companies that account for 44% of the global market capitalisation and SASB Standards are followed by 1 572 companies that comprise 38% of global market capitalisation (Figure 1.21).

Among ASEAN listed companies the preferred reporting standard is the GRI Standards, used by 304 companies representing around 55% of the regional market capitalisation. This is more than the share of companies using it at the global level. In the region, other reporting standards, including some local standards, are also used by listed companies.

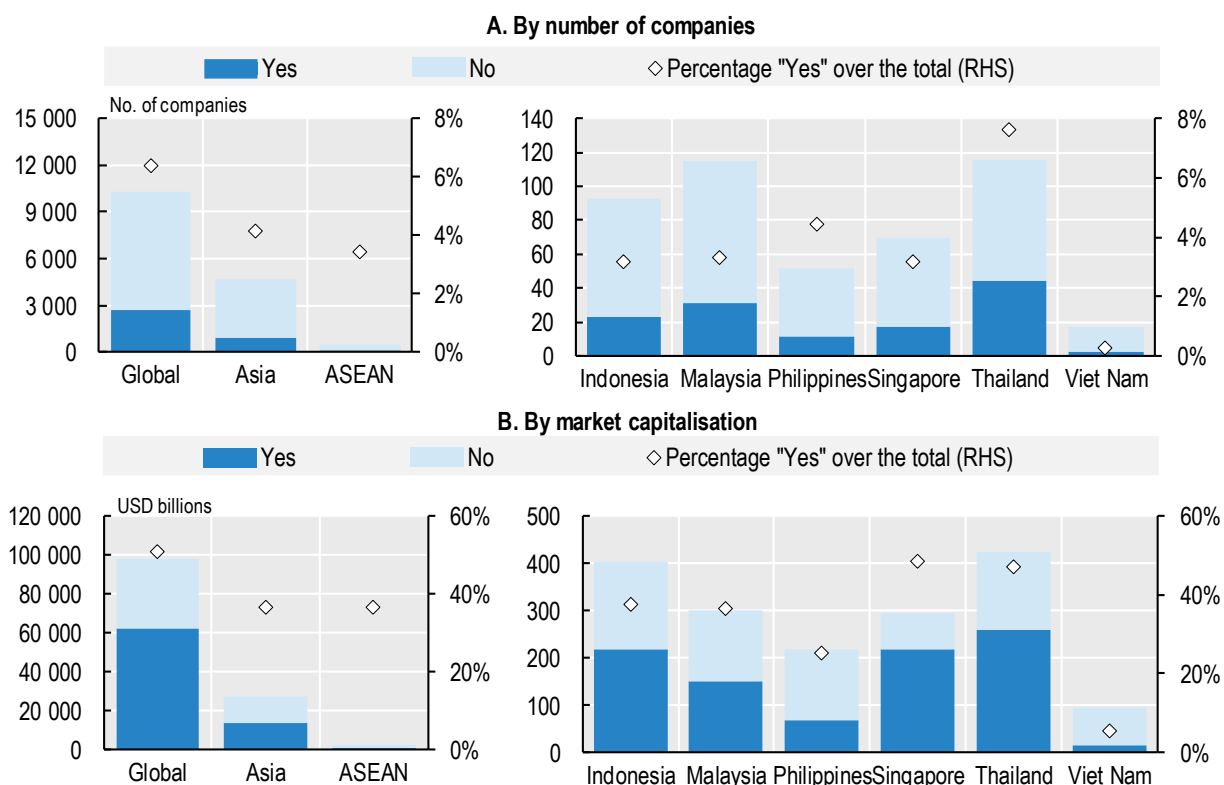
Figure 1.21. Use of sustainability standards by listed companies



Source: OECD Corporate Sustainability dataset, Refinitiv, Bloomberg.

Another critical issue in the disclosure of sustainability information is assurance. When information is not assured by a third-party based on robust methodologies, it could undermine confidence in the disclosed information. Globally, from the universe of around 8 000 companies that disclose sustainability information, only around 2 700 companies have obtained assurance of the information by an independent third party (Figure 1.22, Panel A). By market capitalisation, these companies represent 51% of the global market capitalisation. In Asia and ASEAN economies, assurance levels are lower compared to the global share. Companies representing 36% of the ASEAN regional market capitalisation hired a third party to conduct an external assessment of their sustainability reports (Panel B). Among ASEAN economies, Singapore and Thailand have the highest share of companies by market capitalisation that assured the disclosed sustainability information.

Figure 1.22. Assurance of a sustainability report by an independent third party

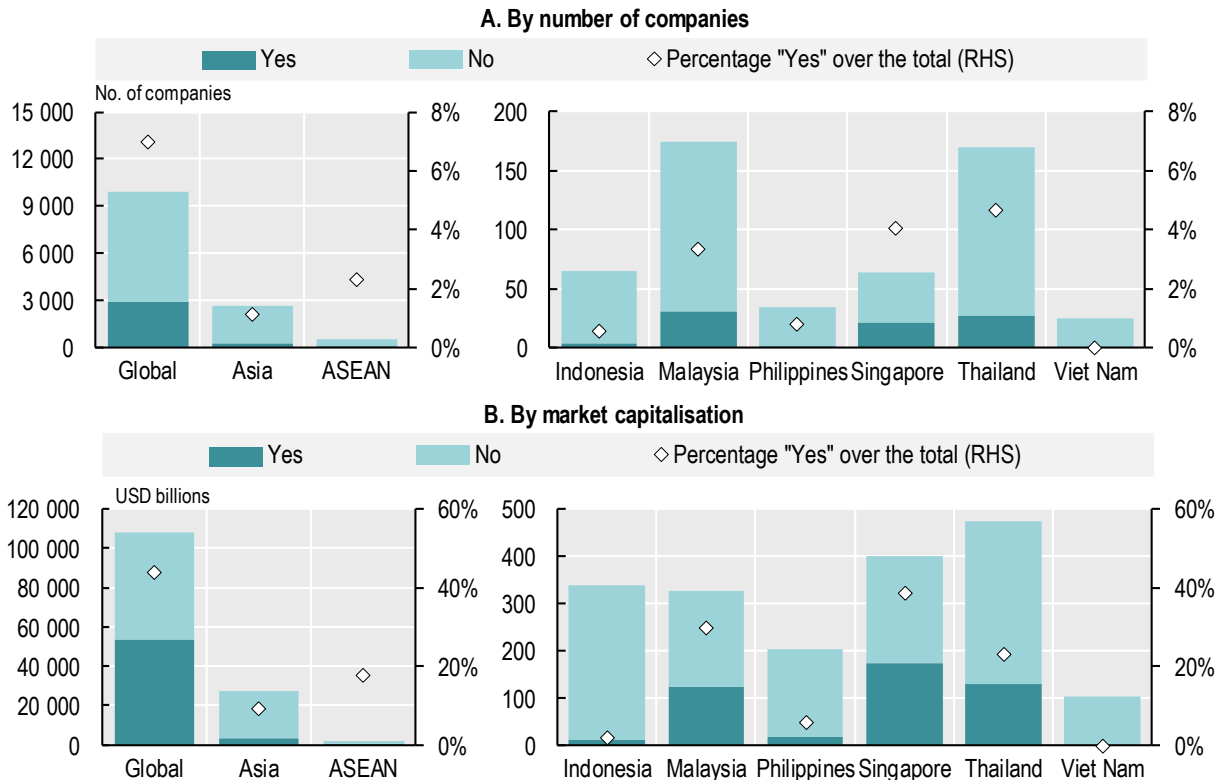


Note: The dots represent the number (market capitalisation) of companies responding "Yes" over the total number (market capitalisation) of listed companies.

Source: OECD Corporate Sustainability dataset, Refinitiv, Bloomberg.

In addition to disclosing sustainability information, and providing assurance of the information, companies also include ESG metrics in their executive compensation plans in order to hold management accountable for ESG-related performance. Globally, companies representing 85% of global market capitalisation have their executive compensation policies linked to general performance measures (OECD, 2023^[23]). Importantly, companies representing 44% of the global market capitalisation include a variable executive remuneration based on sustainability factors (Figure 1.23, Panel B). This share is equivalent to around 3 000 companies globally (Panel A). In ASEAN economies, companies representing 18% of the regional market capitalisation have a performance compensation policy linked to sustainability factors. This share is twice that of Asia where companies representing only 9% of the region's market capitalisation include sustainability factors in their compensation plans. Among ASEAN economies, Malaysia, Singapore and Thailand stand out with a higher share of companies linking their compensation policies to sustainability factors.

Figure 1.23. Executive compensation linked to sustainability matters

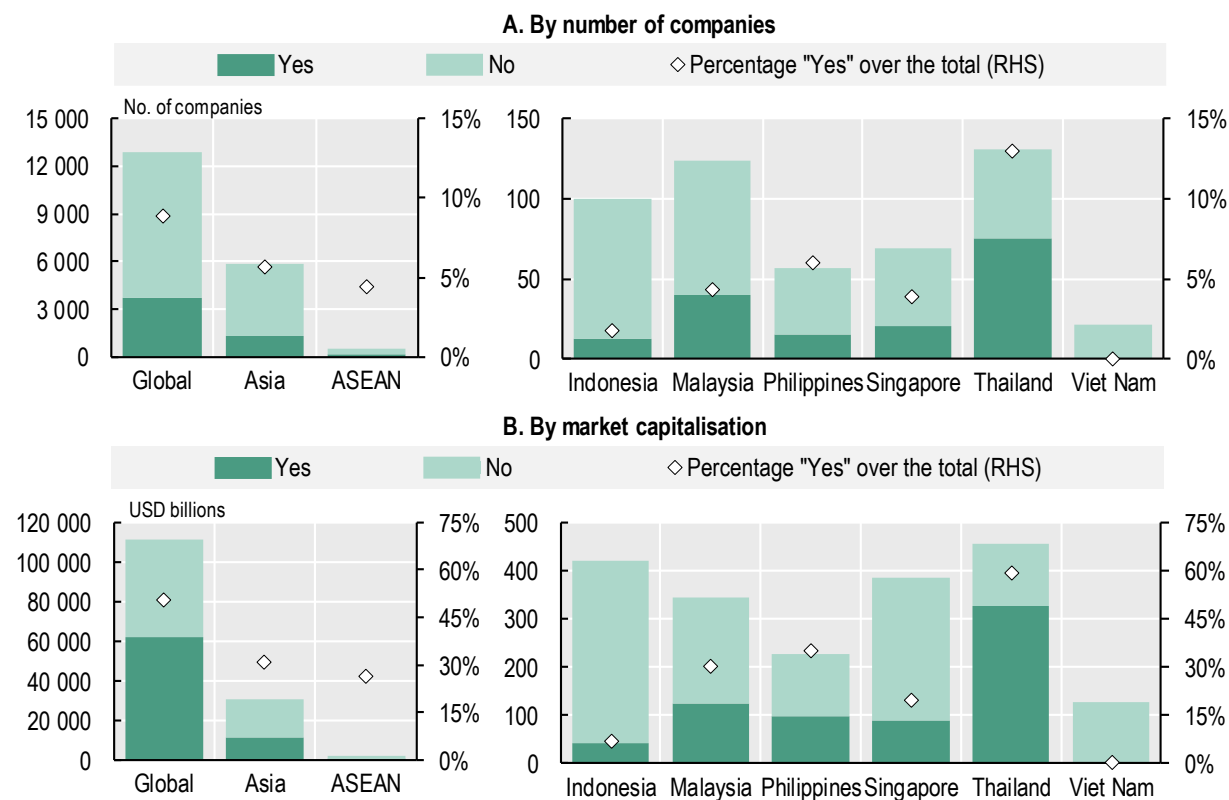


Note: The dots represent the number (market capitalisation) of companies responding "Yes" over the total number (market capitalisation) of listed companies.

Source: OECD Corporate Sustainability dataset, Refinitiv.

The G20/OECD Principles of Corporate Governance recommend boards to fulfil certain key functions, including risk management. Importantly, within firm's overall risk management strategy, directors should also ensure that their own board structure, composition and procedures integrate consideration of sustainability risks. For that purpose, companies have been increasingly creating a committee responsible for overseeing the management of sustainability risks and opportunities. Companies representing around half of the world's market capitalisation have established a committee responsible for overseeing the management of sustainability risks and opportunities reporting directly to the board (Figure 1.24, Panel B). In Asia and ASEAN economies, companies representing 31% and 27% of the market capitalisation, respectively, have a board level committee responsible for the decision making on sustainability matters. Thailand stands out for having a higher number of companies with specialised sustainability board committees and these companies also represent the highest share of local market capitalisation (59%). Malaysia and the Philippines also have a higher share in terms of market capitalisation compared to the regional one.

Figure 1.24. Board committees responsible for sustainability



Note: The dots represent the number (market capitalisation) of companies responding “Yes” over the total number (market capitalisation) of listed companies.

Source: OECD Corporate Sustainability dataset, Bloomberg.

2 Regulatory frameworks in ASEAN economies

This chapter provides an overview of the regulatory frameworks across several relevant issues in the six ASEAN jurisdictions, including Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam. This chapter is mainly based on the survey responses from the six participating countries. In November 2021, the OECD Corporate Governance Committee launched the review of the G20/OECD Principles of Corporate Governance, identifying 10 priority areas in light of recent evolutions in capital markets and corporate governance policies and practices (OECD, 2022^[24]). Discussions in this chapter include some of the priority issues as relevant to the regulatory frameworks and practices in the region.

2.1. Sustainability and resilience

The COVID-19 pandemic revealed or exacerbated pre-existing weaknesses in corporate governance and major shifts in capital markets. Among these are the management of climate change and other sustainability-related risks, and the insufficient resilience of companies to unanticipated crises. Already a number of jurisdictions have begun focusing on the disclosure of climate-related risks and opportunities. Among the priority areas for the revisions of the G20/OECD Principles, climate change and other sustainability issues and its implications for corporate governance have been an area of particular focus, notably not only in relation to corporate disclosure, but also shareholder rights, the responsibilities of company boards and the role of stakeholders.

2.1.1. Sustainability-related disclosure

Regulators in Asia and around the world have increasingly adopted mandatory or voluntary sustainability-related disclosure provisions. ASEAN economies have been a part of this trend. All of the six jurisdictions require or recommend companies to disclose material sustainability-related information, including on environmental and social issues. As referred to in 1.5, disclosure of material sustainability-related information is key for investors' well-informed decision making. In **Indonesia**, the Financial Services Authority (OJK), as part of the efforts to create a financial system that applies sustainable principles, introduced a new regulation in 2017 that requires financial services providers, issuers and public companies to implement sustainable finance in their business activities (OJK, 2017^[25]). Financial institutions, issuers, and public companies⁷ are required to prepare and disclose a sustainability report that contains information on the sustainability strategy, governance, and performance among others.

In **Malaysia**, the Bursa Malaysia Listing Requirements (LR) require listed companies to disclose a sustainability statement in their annual reports. For listed companies on the Main Market, the sustainability statement must include information on the governance structure in place for the oversight of sustainability,

⁷ A public company is defined as a company whose shares have been owned by at least 300 shareholders and has a paid-up capital of at least three billion rupiah or a number of shareholders and paid-up capital determined by government regulation.

the scope and basis for the sustainability statement, and how the company's material sustainability matters are identified and managed. In September 2022, the Bursa Malaysia amended the LR in relation to the sustainability reporting framework for both the Main Market and the ACE Market, and companies in these markets are required to disclose broader items, as discussed below (Bursa Malaysia, 2022^[26]).

In **the Philippines**, the Securities and Exchange Commission of Philippines (SECP) in 2016 updated the Code of Corporate Governance for Publicly-Listed Companies (CG Code for PLCs), which follows a comply or explain disclosure requirement, and recommended that listed companies start disclosing their ESG performance. In 2019, the SECP also published the sustainability reporting guidelines that are built upon international standards, which include the GRI sustainability reporting framework, the International Integrated Reporting Council framework, the SASB standards, and the TCFD's recommendations. The guidelines also required the PLCs to start issuing their Sustainability Reports in 2020 (SECP, 2019^[27]).

In **Singapore**, the Singapore Exchange (SGX) introduced a mandatory sustainability-related disclosure regime in 2016. SGX extended the sustainability-related disclosure regime to include disclosure of climate-related risks among other ESG issues (SGX, 2021^[28]). The primary components of the sustainability report include: material ESG factors; climate-related disclosure consistent with the TCFD's recommendations; policies and targets to each material ESG factor identified; sustainability reporting framework; and board statement and associated governance structure for sustainability practices.

In **Thailand**, in 2020, the Securities and Exchange Commission of Thailand (SECT) announced the mandatory use of a new reporting standard, named One Report, which is a consolidated form of an annual registration statement and annual report, in order to enhance the ESG disclosure standards which went into effect in 2022 (SECT, 2021^[29]). The new form includes requirements to disclose environmental and social policy and guidelines as well as some specific indicators, including GHG emissions.

In **Viet Nam**, in 2020, the Ministry of Finance issued a guidance on public disclosure requiring listed companies to report their corporate objectives on environment and social issues, as well as impacts on the environment and society, including GHG emissions (SSC, 2020^[30]). This took effect in 2021.

Among the six jurisdictions, some require or recommend sustainability-related disclosures to be consistent with internationally accepted core standards, while the standards vary. In **Malaysia** and **Singapore**, climate-related disclosures should be consistent with the TCFD's recommendations. In **Viet Nam**, in 2016, the SSC in collaboration with the IFC published a guide for listed companies to adopt and better implement the disclosure of environmental and social information, building on the GRI reporting framework (SSC, 2016^[31]), which implies calling for information on the company's impact on the environment.

A phased approach for newly implemented disclosure requirements is observed in some of the surveyed jurisdictions. In **Indonesia**, the effective implementation dates of the new regulation differ by size and business classification of the entities (the earliest being 2019 for commercial banks and the latest by 2025 for pension funds), while the regulator calls for the earlier implementation by financial services institutions that are also issuers and public companies.⁸ In **Malaysia**, companies listed on the Main Market are required to disclose some additional information (such as data and performance targets) for annual reports issued with the financial year ending on or after 31 December 2023 and other items (such as climate-related disclosure aligned with the TCFD's recommendations) for annual reports issued with the financial year ending on or after 31 December 2025, while the ACE Market listed companies⁹ are allowed to take

⁸ Article 3(2) of OJK Regulation 51/POJK.03/2017.

⁹ Quantitative criteria of listing requirements for the Main Market includes uninterrupted profit of three to five full financial years with aggregate after-tax profit of at least 20 million Malaysian Ringgit (RM), a total market capitalisation of at least RM 500 million, and minimum of 1,000 public shareholders holding not less than 100 share each. The ACE Market, designed for companies with growth prospects, does not have requirements on profit and market capitalisation, while the companies should have at least 200 public shareholders holding note less than 100 shares each (Bursa Malaysia, 2022^[46]).

more time, i.e., for annual reports issued with the financial year ending on or after 31 December 2025 and 31 December 2026, respectively (Bursa Malaysia, 2022^[26]). In **Singapore**, the climate-related reporting rules mandated by the SGX require issuers to follow a phased approach in accordance with the industries identified by the TCFD as most affected by climate change and the transition to a lower-carbon economy. In 2022, all issuers were required to implement measures on a “comply or explain” basis; in 2023, it will be mandatory for issuers in the (i) financial, (ii) agriculture, food, and forest products, and (iii) energy industries; in 2024, for issuers in the (i) materials and buildings, and (ii) transportation industries (SGX, 2021^[28]).

Not all six jurisdictions require or recommend disclosure of metrics if a company publicly sets a sustainability-related goal or target. In **Indonesia**, the sustainability report should include not only both environmental and social performance, but also an overview of sustainability performance in economic aspects. In **Malaysia**, the listing rules require companies to disclose information including data on 11 common themes¹⁰, including on emissions management and diversity. In **Singapore**, the sustainability report should set out the issuer's targets for the forthcoming year in relation to each material ESG factor identified. Targets should be considered for defined short-, medium- and long-term horizons, and if not consistent with those used for strategic planning and financial reporting, the reasons for the inconsistency should be disclosed (SGX, 2021^[28]). In **Thailand**, the regulator suggests that it is a good practice and useful for investors to disclose targets, while disclosure is not mandatory.

Sustainability-related disclosures reviewed by an independent, competent and qualified assurance or attestation service provider may enhance investors' confidence in the information disclosed and the possibility to compare sustainability-related information between companies. As described in 1.5, in 2021, companies representing 51% of global market capitalisation disclosed sustainability-related information reviewed by an external service provider, while companies representing 84% of market capitalisation published sustainability reports. The regulatory frameworks in the surveyed six jurisdictions have started including provisions on assurance attestations, keeping them voluntary (in **Indonesia**, **Malaysia**, and **Singapore**¹¹).

2.1.2. Board responsibilities

Regarding responsibilities of the board in general, Chapter 6 of the G20/OECD Principles states “[t]ogether with guiding corporate strategy, the board is chiefly responsible for monitoring managerial performance and achieving an adequate return for shareholders, while preventing conflicts of interest and balancing competing demands on the corporation.” The responsibilities may naturally include taking sustainability risks and opportunities into consideration, in particular if they could affect the company's value, even if the regulatory framework does not specify them explicitly. Proposed revisions to the Principles under consideration for adoption in 2023 would further underscore the relevance of these matters (OECD, 2022^[24]). Reflecting the growing importance of these issues for companies, all of the six jurisdictions have at least some provisions that clearly articulate the responsibilities of the board to ensure that governance practices, disclosure, strategy, risk management and internal control systems adequately consider material sustainability risks and opportunities.

In **Indonesia**, financial services institutions are required to prepare a sustainable finance action plan which should be arranged by the board of directors and approved by the Board of Commissioners.¹² More

¹⁰ The 11 common themes include anti-corruption, community/society, diversity, energy management, health and safety, labour practices and standards, supply chain management, data privacy and security, water, waste management and emissions management. For emissions management, companies are required to disclose Scope 1, Scope 2 and Scope 3 (at least for the categories of business travel and employee commuting) emissions.

¹¹ For Indonesia, Appendix II, I.2 of OJK Regulation 51/POJK.03/2017. For Malaysia, paragraph 6.2(e) of Practice Note 9 of Bursa Securities Listing Requirements. For Singapore, Rule 711A of Singapore Exchange Rulebooks.

¹² Articles 4(1) and 4(4) of OJK Regulation 51/POJK.03/2017.

generally, financial services providers, issuers, and public companies are required to implement sustainable finance in their business activities by using principles of responsible investment, sustainable business strategies and practice, and social and environmental risk management among others.¹³ It could be argued that the board is expected to take a lead role in drafting and implementing these principles.

In **Malaysia**, the Malaysian Code on Corporate Governance sets out best practices and guidance to strengthen board oversight and the integration of sustainability considerations in the strategy and operations of companies (SCM, 2021^[32]). Particularly, the Code recommends that the board together with management takes responsibility for the governance of sustainability in the company including setting the company's sustainability strategies, priorities and targets.¹⁴ The board is also recommended to take appropriate actions to ensure that it stays abreast of and understands the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.¹⁵

In several jurisdictions, the board responsibilities are approached from the point of view of disclosure requirements and recommendations. In **the Philippines**, listed companies are recommended to disclose the board's oversight of climate-related risks and opportunities; the risks and opportunities that the organization has identified over the short, medium, and long-term; the processes for identifying and assessing the related risks; and the metrics used in assessing in line with the companies' strategy and risk management processes (SECP, 2019^[27]). In **Singapore**, the mandatory sustainability report should include "a statement of the Board that it has considered sustainability issues in the issuer's business and strategy, determined the material ESG factors and overseen the management and monitoring of the material ESG factors." Companies are also required to "describe the roles of the Board and the management in the governance of sustainability issues" (SGX, 2021^[28]). In **Viet Nam**, companies are required to disclose the assessments by the board of directors of the company's operations, including the assessment related to environmental and social responsibilities, while specifying the risks probably affecting the production and business operations or the realisation of the company's objectives, including environmental risks.¹⁶

In **Thailand**, the Corporate Governance Code refers to the board responsibilities for environmental and social issues mainly from the perspectives of innovation and responsible business. For example, Principle 5.1 of the Code states "[t]he board should prioritise and promote innovation that creates value for the company and its shareholders together with benefits for its customers, other stakeholders, society, and the environment, in support of sustainable growth of the company." Here, the Code recommends the board to consider not only financial profits for shareholders, but also benefits for its stakeholders, the society and the environment.

2.1.3. Dialogue with shareholders and stakeholders

General shareholder meetings provide an important forum for a structured decision-making process. Direct dialogue between companies, stakeholders and shareholders may also play an essential role in informing management's decision-making process and in building investors' and stakeholders' trust in a long-term business strategy.

Part of the surveyed jurisdictions have provisions to highlight the importance of such dialogue. In **Indonesia**, the companies are encouraged to coordinate and collaborate with relevant stakeholders for sustainable development of the society.¹⁷ In **Malaysia**, in addition to general shareholder rights at general

¹³ Articles 2(1) and 2(2) of OJK Regulation 51/POJK.03/2017.

¹⁴ Practice 4.1 of the Malaysian Code on Corporate Governance [as at 28 April 2021].

¹⁵ Practice 4.3 of the Malaysian Code on Corporate Governance [as at 28 April 2021].

¹⁶ Articles I.5. and IV.1. of Appendix IV of Circular 96/2020/TT-BTC.

¹⁷ Articles 2(2) h. of OJK Regulation 51/POJK.03/2017.

meetings in the Companies Act 2016,¹⁸ the Malaysian Code on Corporate Governance¹⁹ recommends the engagement between board, senior management and shareholders to be interactive and include robust discussion on the company's performance and long-term strategies, which address the right of shareholders to engage with the board and management on sustainability matters relevant or material to the company. Also, as part of the process of identification of sustainability matters, which is required to be disclosed in the sustainability statement, the company is expected to engage with relevant internal and external stakeholders to better identify sustainability risks and opportunities. The stakeholder engagement process begins by identifying the company's key stakeholders and understanding their needs and expectations regarding the company's sustainability-related impacts. A stakeholder engagement on the prioritisation of material sustainability matters should also be undertaken, as the priorities of each stakeholder group are considered and accorded differing weighting (Bursa Malaysia, 2022^[33]). The **Philippines** recommends the companies to engage with the stakeholders to have a grasp on the sustainability threats and opportunities (SECP, 2019^[27]).

Similarly, in **Singapore**, engagement with shareholders is differentiated from dialogue with stakeholders. The reporting guide issued by Singapore Exchange (SGX, 2016^[34]) states “[t]he issuer's responsibility on disclosure, including annual reports and sustainability reports, is first and foremost to current and potential shareholders, i.e., the investing public. Interaction of the issuer with its other stakeholders is also of interest to investors for its relevance to sustainability across the value chain of the issuer. [...] The material outcomes of such engagement should be included in the sustainability report.”²⁰

The Corporate Governance Code in **Thailand** could be characterised as emphasising the board's responsibilities to consider non-financial performance, including impact on stakeholders and society.²¹ The Code recommends the board to identify stakeholder engagement and stakeholder groups, and to address their concerns and expectations.

2.2. Company groups

Today's equity markets are characterised by high levels of ownership concentration in publicly listed companies. As illustrated in Figure 1.14, the three largest owners hold more than 50% of the equity capital in over 41% of listed companies at the global level, and in 67% of ASEAN listed companies. However, there are important differences with respect to the categories of owners that make up the largest owners. As discussed in 1.4, corporations are the largest owner of ASEAN listed companies, reflecting the prominent existence of company group structures. Indeed, 31% of the listed equity is owned by corporations, compared to 19% in Asia and 10% at the global level. The often predominant role played by company groups in capital markets around the world create new challenges for policy makers to ensure sound market incentives for capital formation and effective capital allocation.

2.2.1. Disclosure

Definitions of company groups used for the purpose of oversight vary across jurisdictions, reflecting the legal and business environment in each country, focusing on aspects such as the controlling relationship of group companies and their parent, companies' domicile and suitability of inclusion in consolidated financial reporting, among other aspects. Sources of definitions of company groups are also diverse (Securities regulations in Indonesia, both company law and securities regulation in Malaysia, and listing rules in addition to securities law in Singapore) (OECD, 2020^[35]) Well-managed company groups, if they

¹⁸ Section 71 (1)(a).

¹⁹ Practice 13.4.

²⁰ Article 3.6. of Sustainability Reporting Guide and Toolkits (3rd Edition).

²¹ Guideline 1.2.1 of the Corporate Governance Code for listed companies 2017.

have adopted protocols and governance guidelines at group level, can help to achieve economies of scale, synergies, and other efficiencies. Nevertheless, company groups may give rise to inequitable treatment of shareholders and stakeholders. The regulator and supervisors in the region have addressed such risks by enhancing regulatory frameworks on: risk management; governance policies; access to key information about activities of group companies; independent directors; permissible group structures; disclosure; and controlling persons (OECD, 2022^[36]).

On disclosure provisions on company groups, all of the six jurisdictions require listed companies to disclose major shareholder ownership. **Indonesia, Malaysia, Singapore** and **Viet Nam** set the threshold for determining mandatory disclosure of major shareholders at 5%, while in **Thailand**, the 10 largest shareholders of each listed company should be disclosed. Also, disclosure of beneficial ownership adds clarity on who directs and controls a company, especially when a private corporation and/or a holding company is common owner of listed companies (OECD, 2022^[36]). Such disclosure to the public is mandatory in **Indonesia**, the **Philippines**, **Thailand** and **Viet Nam**, while voluntary in **Malaysia**. In **Singapore**, the disclosure to the public is mandatory only to the extent of deemed interests held by directors, CEO and substantial shareholders.

Company groups are often complex structures that involve several layers of subsidiaries, including across different sectors and jurisdictions. These structures may limit the ability of non-controlling shareholders of the parent and subsidiary companies to influence corporate policies and understand the risks involved. The majority of the six jurisdictions requires disclosure of corporate group structures. In **Thailand**, a group shareholding diagram shall be illustrated in the annual report. In **Indonesia**, a listed company is required to disclose its corporate group structure that includes beneficial owners and subsidiaries (OECD, 2022^[36]).

Other control arrangements, including special voting rights, cross-shareholdings and shareholdings of directors, are required to be disclosed in some jurisdictions. Half of the six jurisdictions (**Malaysia**, **Philippines** and **Thailand**) require the disclosure of special voting rights. **Singapore** and **Thailand** are the jurisdictions that have a mandatory disclosure provision on cross-shareholding, while in **Indonesia**, cross-shareholding is prohibited by the Company Law. All jurisdictions mandate disclosure of shareholding of directors and/or key executives.

Table 4. Disclosure provisions on company groups

	Major share ownership (threshold)	Beneficial owners	Corporate group structures	Special voting rights	Cross shareholdings	Shareholdings of directors
Indonesia	● (5%)	●	●	● ⁴	- ⁵	●
Malaysia	● (5%) ¹	■ ²	●	●	-	●
Philippines	● (5%, 10% and 20 and 100 largest shareholders)	●	●	●	-	●
Singapore	● (5%)	● ³	-	●	●	●
Thailand	● (10 largest shareholders)	●	●	●	●	●
Viet Nam	● (5%)	●	●	-	-	●

Key: ● = mandatory disclosure to public; ◆ = voluntary disclosure to public; ■ = mandatory reporting to the regulator/authorities; "-" No explicit requirement/recommendation,

Note:

¹ In **Malaysia**, the requirement to disclose is for substantial shareholders holding at least 5% of voting shares. The definition of a major shareholder differs from a substantial shareholder. A major shareholder refers to a person who has an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is (a) 10% or more of the total number of voting shares in the corporation, or (b) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation.

² In **Malaysia**, under section 56 of Companies Act 2016, any company may require its shareholders to indicate the persons for whom the shareholder holds the voting share by names and other particulars if the shareholder holds the voting shares as trustee.

³ In **Singapore**, the disclosure to public is mandatory only to the extent of deemed interests held by directors, CEO and substantial shareholders.

⁴ In **Indonesia**, it is mandatory for the specific regulated issuers that are allowed to have multiple voting rights which have innovation and high growth rates that conduct public offering in the forms of shares. In addition, issuers regulated in this provision should meet certain criteria such as utilizing the technology to innovate product that increase productivity and economic growth, having shareholders who have significant contributions in the utilization of technology, having minimum total assets of at least 2 trillion rupiah (about USD 132 million), and others as promulgated by article 3 OJK Regulation No 22/POJK.04/2021.

⁵ In **Indonesia**, cross-shareholding is prohibited.

Source: OECD Survey. (OECD, 2022^[36]), *Good Policies and Practices for Corporate Governance of Company Groups in Asia*, <https://www.oecd.org/corporate/good-policies-practices-for-corporate-governance-company-groups-in-asia.htm>

2.2.2. Board responsibilities

In order to fulfil their responsibilities, it is important for board members to have access to and ensure that they obtain accurate, relevant and timely information. In cases where a publicly traded company is a part of a group, effective management of group-wide risks and implementation of group-wide objectives could be achieved by ensuring board members' access to key information about the activities of its subsidiaries. One example of good practices is “[t]he company’s code of ethics prohibits the withholding or delayed disclosure of relevant information to the board and there are effective enforcement mechanisms for ensuring that information is not withheld from the board” (OECD, 2017^[37]). All of the six jurisdictions have provisions that enable the board or management of a parent company to examine the books and records of their subsidiaries.²² Board members' access to information about activities of group companies beyond these issues is ensured in several jurisdictions e.g. **Thailand**²³ and **Viet Nam**²⁴.

2.3. The role of institutional investors and stewardship

While the presence of institutional investors is relatively small in ASEAN markets as shown in 1.4, they are one of the key categories of owners in global stock markets. Considering the importance of institutional investors' willingness and ability to make informed use of their shareholder rights and effectively exercise their ownership duties in investee companies, Chapter 3 of the G20/OECD Principles includes a number of recommendations. It includes recommendations for institutional investors “to disclose their corporate governance and voting policies with respect to their investment” (Principle III.A); and to disclose “how they manage material conflicts of interest that may affect the exercise of key ownership rights regarding their investments” (Principle III.C). Also, Principle II.D states that “[s]hareholders, including institutional shareholders, should be allowed to consult with each other on issues concerning their basic shareholder rights as defined in the Principles, subject to exceptions to prevent abuse.”

Globally, the corporate governance framework facilitates and supports engagement by institutional investors with their investee companies in many jurisdictions. Stewardship codes have become a

²² OECD (2022^[36]), *Good Policies and Practices for Corporate Governance of Company Groups in Asia*, www.oecd.org/corporate/good-policies-practices-for-corporate-governance-company-groups-in-Asia.htm

For the Philippines, Section 73, Republic Act No. 11232, Revised Corporation Code of the Philippines.

²³ In **Thailand**, ‘a listed holding company (whose primary business is to hold a controlling interest of other companies) is required to have in place sufficient measures to supervise the course of business of their subsidiaries and affiliated companies and oversee the accuracy and completeness of the disclosure for such subsidiaries and affiliated companies.’ (Clause 23(4) of Tor Jor. 39/2559)(OECD, (2022^[36]), *Good Policies and Practices for Corporate Governance of Company Groups in Asia*, www.oecd.org/corporate/good-policies-practices-for-corporate-governance-company-groups-in-Asia.htm)

²⁴ In **Viet Nam**, whenever requested by the parent company's legal representative, the subsidiary company's legal representative shall provide reports, documents and information that are necessary for preparation of the consolidated financial statements and other consolidated reports of the parent company and subsidiary companies.

well-established practice as a complementary tool to disclosure requirements for institutional investors on their engagement and voting policies. It is observed that Asian jurisdictions have widely adopted stewardship codes (OECD, 2022^[38]). Out of the six jurisdictions, four (**Indonesia, Malaysia, Singapore and Thailand**) have adopted stewardship codes as frameworks for engagement by institutional investors (Table 5).

Table 5. Roles and responsibilities of institutional investors and related intermediaries

	Framework for engagement by institutional investors (Public / private / mixed initiative)	Target institutions
Indonesia	Public: Code of Conduct for Investment Managers (OJK Regulation 17/POJK.04/2022)	Fund managers
	Public: The Application of Corporate Governance of Investment Manager (OJK Regulation 10/POJK.04/2018)	Investment managers
	Public: Good Corporate Governance for Insurance Companies (OJK Regulation 73/POJK.05/2016)	Insurance companies
	Public: Pension Fund Governance (OJK Regulation 15/POJK.05/2019)	Pension funds
Malaysia	Private: The Malaysian Code for Institutional Investors 2022	Asset owners, asset managers and service providers (including proxy advisors)
	Public: Principles on Good Governance for Government Linked Investment Companies	Government Linked Investment Companies
	Private: Guidelines on Corporate Governance for Capital Market Intermediaries	Capital market intermediaries
Singapore	Private: Singapore Stewardship Principles	Institutional investors, including asset owners and asset managers
	Private: IMAS Guidelines on Corporate Governance	IMAS members: Investment funds and asset managers
Thailand	Public: Investment Governance Code for Institutional Investors (I Code)	Institutional investors

Source: OECD survey. ; OECD (2021^[39]), *OECD Corporate Governance Factbook 2021*, <https://www.oecd.org/corporate/corporate-governance-factbook.htm>.

Stewardship codes and regulations in the region target institutional investors and aim at encouraging their engagement with investee companies, and they typically do not include recommendations for the latter. Considering that II.C.4 of the G20/OECD Principles refer to various shareholder rights, including “to ask questions to the board [...], to place items on the agenda of general meetings, and to propose resolutions,” investee companies are expected to behave in such a way to enable institutional investors to effectively engage with the companies, while ensuring that all the shareholders are treated equally.

Finally, III.D of the G20/OECD Principles recommends that proxy advisers (and other service providers that provide analysis and advice relevant to investor decisions) should “disclose and minimise conflicts of interest that might compromise the integrity of their analysis or advice.” Additionally, it is observed that ESG considerations have been embedded into stewardship codes in several jurisdictions (OECD, 2022^[38]). It is also argued that the increased attention and investor demand for ESG ratings and data have implications for corporate governance (OECD, 2022^[38]).

2.4. The growth of new digital technologies

The growth of new digital technologies has impacted and changed dramatically how corporations, capital markets, regulators and the economy at large function. The COVID-19 pandemic triggered a rapid adoption of new digital tools that changed how people work and, in many instances, how decision processes were organised. This is particularly the case in corporate governance, where remote shareholder participation was adopted by necessity around the world. The COVID-19 pandemic presented for many jurisdictions an opportunity to upgrade their regulatory frameworks.

Remote shareholder participation can help improve shareholder engagement by reducing their time and costs to participate. The COVID-19 pandemic led to a substantial increase in remote annual shareholder

meetings (OECD, 2022^[40]). Globally, there are jurisdictions that allow only hybrid general shareholder meetings (where certain shareholders attend the meeting physically and others virtually), while others also allow meetings on a fully virtual format (where all shareholders attend the meeting virtually). II.C.2 of the G20/OECD Principle states “[p]rocesses and procedures for general shareholder meetings should allow for equitable treatment of all shareholders. Company procedures should not make it unduly difficult or expensive to cast votes.” It is important to ensure that all shareholders are treated equally whether attending physically or virtually.

All of the six surveyed jurisdictions have adopted new regulations or removed restrictions on general shareholder meetings in hybrid or virtual format. Before and during the pandemic, a variety of regulatory measures were observed globally, ranging from jurisdictions where virtual general shareholder meetings were permitted only if they were unavoidable or allowed in bylaws, to jurisdictions encouraging or even mandating the facilitation of remote participation (OECD, 2022^[40]). The regulatory frameworks of the six countries are characterised as neutral or encouraging to facilitate remote shareholder participation. In **the Philippines**, the law provides for the conduct of remote meetings and allows equal participation of all shareholders,²⁵ while the Circular²⁶ provides for the mechanics. In **Singapore**, the Ministry of Law introduced the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings) Orders which provide SGX-listed issuers the option of conducting fully virtual or hybrid general meetings amid the COVID-19 situation.²⁷ The **Thai** Government has cancelled and replaced the previous announcement²⁸ with a new decree²⁹ that took effect from April, 2020. The decree allows listed companies to conduct general shareholder meetings where attendees do not have to be at the same place, while still able to discuss and share views through electronic means. It included removing certain limitations on electronic meetings, including a rule that required at least one-third of the quorum to be present in the same location in **Thailand**.

It is worth noting that several surveyed jurisdictions clarified some conditions concerning where listed companies are allowed to hold hybrid and virtual shareholder meetings. In **Malaysia**, the SCM issued the Guidance and FAQs on the Conduct of General Meetings for Listed issuers to guide listed companies on the conduct of general meetings during the pandemic, which was at different junctures to align with the prevailing movement and gathering restrictions (or relaxation). (SCM, 2022^[41]). In **Indonesia**, public companies are allowed to hold virtual general shareholder meetings where all shareholders attend the meeting virtually, while the Chair, one member of the board of directors, and/or one member of the supervisory board (called the Board of Commissioners) should attend physically.³⁰

²⁵ Sections 49, 50, and 52, Revised Corporation Code of the Philippines.

²⁶ Securities and Exchange Commission’s Memorandum Circular No. 6, Series of 2020, Guidelines on the Attendance and Participation of Directors, Trustees, Stockholders, Members, and Other Persons of Corporations in Regular and Special Meetings Through Teleconferencing, Video Conferencing and Other Remote or Electronic Means of Communication.

²⁷ These Orders will cease on 1 July 2023. The Companies, Business Trusts and Other Bodies (Miscellaneous Amendments) Bill 2023 has been introduced in Parliament to facilitate virtual or hybrid meetings from 1 July 2023. SGX has published a guidance on the conduct of hybrid and physical general meetings by SGX-listed issuers, including safeguards to ensure shareholders’ rights to participate fully in general meetings.

²⁸ Announcement of the National Council for Peace and Order No. 74/2557 on Teleconferences through Electronic Means.

²⁹ Royal Decree on Teleconferences through Electronic Means B.E. 2563.

³⁰ Article 8 of OJK Regulation 16/POJK.04/2020.

Table 6. Virtual and hybrid shareholder meetings

	Provisions allowing remote meetings (L, R, C, -, NP)		Code of conduct for remote meetings (L, R, C, -)	Equal participation of all shareholders (L, R, C, -)
	Hybrid meetings	Virtual meetings		
Indonesia	L	L ¹	L	L, C
Malaysia ²	L	L	C	L, C
Philippines	L	L	L	L
Singapore	L, R	L	C	C
Thailand	L	L	L	L
Viet Nam	L	L	-	-

Key: L= specified by law or regulations; R = specified by the listing rule; C= specified by recommendations by the codes or principles; “ - ” = absence of a specific requirement or recommendation; NP = not permitted.

Note:

¹In **Indonesia**, public companies are allowed to hold virtual general shareholder meetings where all shareholders attend the meeting virtually, while the Chair, one member of the Board of Director, and/or one member of the Board of Commissioners should attend physically (Article 8 of OJK Regulation 16/POJK.04/2020).

²In **Malaysia**, companies are allowed to leverage technology to hold general shareholder meetings unless the constitution of a company explicitly prohibits it (item 1 of Frequently Asked Questions on Virtual General Meetings issued by the Companies Commission of Malaysia (dated 8 June 2021).

Source: OECD Survey. OECD (2020^[42]), National corporate governance related initiatives during the COVID-19 crisis, <https://www.oecd.org/corporate/National-corporate-governance-related-initiatives-during-the-covid-19-crisis.htm>.

II.C of the G20/OECD Principles states “[s]hareholders should have the opportunity to participate effectively and vote in general shareholder meetings and should be informed of the rules, including voting procedures, that govern general shareholder meetings.” Due care is required to ensure that remote meetings do not decrease the possibility for shareholders to engage with and ask questions to boards and management in comparison to physical meetings. Globally, some jurisdictions have issued guidance to facilitate the conduct of remote meetings, including for handling shareholder questions, responses, and their disclosure, with the objective of discouraging cherry-picking of questions by boards and management, and enhancing transparency around how questions are collected, combined, answered, and disclosed.

Among the surveyed jurisdictions, the **Malaysian** Code on Corporate Governance³¹ states “[t]he board must ensure that the conduct of a virtual general meeting (fully virtual or hybrid) supports meaningful engagement between the board, senior management and shareholders. This includes having in place the required infrastructure and tools to support among others, a smooth broadcast of the general meeting and interactive participation by shareholders. Questions posed by shareholders should be made visible to all meeting participants during the meeting itself” (SCM, 2022^[41]). In the **Philippines**, companies are required to issue their internal procedures embodying the mechanisms for participation in meetings and voting through remote communication, including measures to ensure that all shareholders have the opportunity to participate in the meeting and mechanisms to enable shareholders to vote during the meeting, as well as procedures for documenting the meeting and making the record of the meeting.³²

To manage remote participation, many companies rely on technology vendors. When choosing service providers, it is important to consider that they have the appropriate professionalism as well as data handling and digital security capacity to support the conduct of fair and transparent shareholder meetings. Such processes should allow for the verification of shareholders’ identity through secured authentication of

³¹ Practice 13.5.

³² Section 13 of the SEC Memorandum Circular No. 6, Series of 2020, Guidelines on the Attendance and Participation of Directors, Trustees, Stockholders, Members, and Other Persons of Corporations in Regular and Special Meetings Through Teleconferencing, Video Conferencing and Other Remote or Electronic Means of Communication.

attendees and ensure equal participation as well as the confidentiality and security of votes cast prior to the meeting. In **Indonesia**, listed companies are allowed to hold hybrid or virtual shareholder meetings, with the use of the system either by an electronic voting platform provider or on their own. The service providers are required to ensure the security and reliability of the system and to inform the companies in the event of system changes or development.³³ Also, the platforms are required to have features to display the rules or procedures, meeting materials, and agenda items, and to record all interactions in the general shareholder meetings.³⁴

2.5. Issues on the board

To fulfil its role of monitoring managerial performance and providing strategic guidance to the management, “[t]he board should be able to exercise objective independent judgment on corporate affairs.” (V.E. of the G20/OECD Principles). Considering high ownership concentration and the prominent existence of company group structures in ASEAN economies, as illustrated in 1.4, ensuring board independence is particularly important to protect minority shareholders. Setting up board committees and increased diversity in the board could enhance objective judgement by the board.

2.5.1. Board independence

VI.E of the G20/OECD Principles describes the importance of board independence, by stating, “[i]n order to exercise its duties of monitoring managerial performance, preventing conflicts of interest and balancing competing demands on the corporation, it is essential that the board is able to exercise objective judgement. In the first instance this will mean independence and objectivity with respect to management with important implications for the composition and structure of the board.” The Principles also refer to ensuring the board’s independence from controlling shareholders. This is a particularly important point in the ASEAN jurisdictions, due to high levels of concentrated ownership and the strong presence of company group structures.

Out of the six surveyed jurisdictions, all except Indonesia have or allow one-tier boards, whereby executive and non-executive board members may be brought together in a unitary board system. In all of the five countries, the separation of the role of chief executive and chair is required or recommended, while in **Indonesia** this separation also occurs due to its use of a two-tier board system that does not allow for management to serve on the supervisory board. The G20/OECD Principles refer to the separation as good practice, because “it can help to achieve an appropriate balance of power, increase accountability and improve the board’s capacity for decision making independent of management.”³⁵

Independence from substantial shareholders is also a key factor in the definition of independence of the board member. Shareholding thresholds of “substantial” for assessing independence vary across the six jurisdictions, from 1% in **Thailand** and **Viet Nam** to 20% in **Indonesia** (Table 7). While national approaches to defining independence vary, other typical criteria include the absence of relationships with the company, its group and its management, the external auditor of the company, as well as the absence of remuneration, directly or indirectly, from the company or its group other than directorship fees. Regulations in the several surveyed jurisdictions also include the absence of a family relationship with the current board members, executives, or major shareholders (e.g., **Singapore**³⁶).

Setting minimum numbers or ratios of independent directors are common across the six jurisdictions. In **Indonesia’s** two-tier board system, there are requirements on the minimum number and ratio of

³³ Article 6 of OJK Regulation 16/POJK.04/2020.

³⁴ Article 10(1) of OJK Regulation 16/POJK.04/2020.

³⁵ VI.E.

³⁶ Mainboard Rule 210(5)(d)(ii) and Catalist Rule 406(3)(d)(ii).

independent members of the Board of Commissioners that serve as the supervisory board. In cases where the supervisory board members are two persons, one of them should be an independent member. In the event that the Board of Commissioners has more than two members, at least 30% of them should be independent.³⁷ **Viet Nam** also differentiates the minimum number of independent board members depending on the board size: a company should have at least one independent director if the board consists of one to five members, and at least two and three for the board size of six to eight and nine to eleven members respectively. In **Singapore**, a majority of independent directors is recommended for companies if the Chair is not independent.

The factors in the definition of independence also include the maximum tenure for a director to still be considered independent and the effect at the expiration of the term. The maximum term of office ranging from nine to twelve years is set in the six ASEAN jurisdictions (Table 7), which can be compared to the global situation in which setting the term is less common, where 28 out of 50 jurisdictions have such requirement or recommendations (OECD, 2021^[39]).

The details of the maximum tenure for a director and whether, at the expiration of tenure, the director is still regarded as independent, vary across the six surveyed countries. In **Indonesia**, maximum term of office for independent supervisory board members, called commissioners, is two periods of the board term (maximum five years for each period). Independent commissioners can be appointed for more than two periods as long as they explain why they consider themselves independent at the general shareholder meeting.³⁸ In **Viet Nam**, the maximum tenure is set by governmental regulation.³⁹ In **Thailand** and the **Philippines**, the maximum term of nine years is recommended by the codes.⁴⁰

The framework in **Malaysia** could be characterised as having two layers, consisting of the listing rule and the recommendation by the Malaysian Code on Corporate Governance. Under the listing rules (effective 1 June 2023), a director shall not serve as an independent director in a listed company or its related corporations for a cumulative period of more than 12 years. In addition, a company should disclose in the notice of the annual general meeting a statement justifying the nomination of an individual as an independent director, and explaining why there is no other eligible candidate, if such individual had cumulatively served as an independent director of the company or any one or more of its related corporations for more than 12 years before and observed the requisite 3-year cooling off period. (Bursa Malaysia, 2022^[43]) Prior to the effective date, listed companies with an independent director of more than 20 years (“affected long-serving IDs”) are strongly encouraged to expedite the replacement or re-designation of such directors as soon as possible before 1 June 2023. Furthermore, the Malaysian Code on Corporate Governance recommends that the tenure of an independent director should not exceed a cumulative term of nine years.⁴¹ Upon completion of the nine years, an independent director may continue to serve on the board as non-independent director. If the board continues to retain the independent director after the ninth year, the board should seek annual shareholders’ approval through a two-tier voting process.

Singapore is another jurisdiction which has revised the regulation on this issue recently. Under the new regime effective from 11 January 2023, the SGX Listing Rules require independent directors to be subject to a nine-year tenure limit. Independent directors who have served beyond such limit must be redesignated as non-independent at the next annual general meeting of the issuer, with effect from the annual general meeting held for the financial year ending on or after 31 December 2023. (SGX, 2022^[44]).

³⁷ Article 20(2) and (3) of OJK Regulation 33/POJK.04/2014.

³⁸ Article 25 of OJK Regulation 33/POJK.04/2014.

³⁹ 154(2) of Enterprise Law 2020.

⁴⁰ For Thailand, Principle 3.2.5 of the Corporate Governance Code 2017. For the Philippines, Recommendation 5.3, Code of Corporate Governance for Publicly Listed Companies (CG Code for PLCs, 2016).

⁴¹ Practice 5.3 of the Malaysian Code on Corporate Governance [as of 28 April 2021].

Table 7. Board independence requirements for listed companies

	Tiers	Board independence requirements		Key factors in the definition of independence			
		Separation of the CEO and Chair of the board (as applicable to 1-tier boards)	Minimum number or ratio of independent directors	Maximum term of office & effect at the expiration of term ¹		Independence from “substantial shareholders”	
						Requirement	Shareholding threshold of “substantial” for assessing independence
Indonesia	2	-	[30%]	10 ²	[Explain]	[Yes]	[20%]
Malaysia	1	Recommended	1/3 or 2	[12] ³ (9) ⁴	No independence Explain – re-designate as a non-independent director or adopt two tier voting process	Yes (major shareholder)	10% or more of total number of voting shares in the corp.; or 5% or more of number of voting shares where such person is largest sh of corp.
Philippines	1	Recommended	20% (1/3)	(9)	Explain	Yes	2% ⁵
Singapore ⁶	1	Recommended	(Majority)* [1/3]	[9]	[No independence]	(Yes)	5%
Thailand	1	Recommended	1/3 or 3	(9)	Explain	Yes	1% ⁷
Viet Nam	1+2	Required	1 if board size is 1-5 members; 2 if board size is 6-8; 3 if board size is 9-11.	10 ⁸	Explain	Yes	1%

Key: [] = requirement by the listing rule; () = recommendation by the codes or principles; “-” = absence of a specific requirement or recommendation. For 2-tier boards, separation of the Chair from the CEO is assumed to be required as part of the usual supervisory board/management board structure unless stated otherwise.

Note:

¹Maximum term of office & effect at the expiration of term refers to the maximum tenure for a director to still be considered independent and if, at the expiration of tenure, the director is still regarded as independent, or needs an explanation regarding her/his independence.

²In **Indonesia**, maximum term of office for independent supervisory board members (called commissioners in Indonesia) is two periods of the board term (with maximum of five years per period). Independent commissioners can be appointed for more than two periods as long as they explain why they consider themselves independent at the General Shareholder Meeting.

³In **Malaysia**, the 12-year tenure limit would take effect from 1 June 2023 onwards. Notwithstanding the effective implementation of said requirement, listed companies with independent directors of more than 20 years (“affected long-serving IDs”) are strongly encouraged to expedite the replacement or re-designation of such directors as soon as possible before 1 June 2023. Should a company appoint a person who had before cumulatively served as an independent director of the listed issuer or any one or more of its related corporations for more than 12 years and observed the requisite 3-year cooling off period, the company shall make an announcement to the exchange and provide a statement justifying the appointment of the person as an independent director and explaining why there is no other eligible candidate.

⁴In **Malaysia**, Practice 5.3 of the Malaysian Code on Corporate Governance recommends that the tenure of an independent director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as non-independent director. If the board continues to retain the independent director after the ninth year, the board should seek annual shareholders’ approval through a two-tier voting process. Under the two-tier voting process, shareholders’ votes at general meeting will be cast to - Tier 1: only the Large Shareholder(s) of the company votes; and Tier 2: shareholders other than Large Shareholders votes. The decision for the above resolution is determined based on the vote of Tier 1 and a simple majority of Tier 2. The resolution is deemed successful if both Tier 1 and Tier 2 votes support the resolution. However, the resolution is deemed to be defeated where the vote between the two tiers differs or where Tier 1 voter(s) abstained from voting.

⁵In **the Philippines**, Code of Corporate Governance for Publicly Listed Companies (Explanation d. of the Recommendation 5.3) states that an independent director refers to a person who is not an owner of more than 2% of the outstanding shares of the covered company, its subsidiaries, associates, affiliates, or related companies.

⁶In **Singapore**, a majority of independent directors is recommended for companies if the Chair is not independent. The SGX Listing Rules previously required the appointment of independent directors who have served beyond nine years to be subject to a two-tier vote requiring approval by the majority of (i) all shareholders; and (ii) all shareholders excluding shareholders who also serve as directors or the CEO and their associates. These rules were amended on 11 January 2023. Under the new regime, the SGX Listing Rules require independent directors to be subject to a nine-year tenure limit. Independent directors who have served beyond such limit must be redesignated as non-independent at the next annual general meeting of the issuer, with effect from the annual general meeting held for the financial year ending on or after 31 December 2023.

⁷In **Thailand**, a board member is considered independent if the person holds shares not exceeding one per cent of the total number of shares with voting rights of the applicant, its parent company, subsidiary company, associate company, major shareholder or controlling person, including shares held by related persons of such independent director.

⁸In **Viet Nam**, the maximum term of office for independent board members is two periods of the five-year board member term, or 10 years.

Source: OECD Survey. OECD (2021^[39]), OECD Corporate Governance Factbook 2021, <https://www.oecd.org/corporate/corporate-governance-factbook.htm>

2.5.2. The role of board committees

Setting up board committees may help and support the work of the board of directors. VI.E.2 of the G20/OECD Principles states “[b]oards should consider setting up specialised committees to support the full board in performing its functions, particularly in respect to audit, and, depending upon the company’s size and risk profile, also in respect to risk management and remuneration. When committees of the board are established, their mandate, composition and working procedures should be well defined and disclosed by the board.” Traditional committees include audit, nomination, and remuneration committees. Audit committees are considered to be particularly important, reflecting their role in overseeing the relationship with the external auditor as well as the effectiveness and integrity of the internal control system.

All the surveyed jurisdictions have requirements or recommendations to set up the three committees with an independent chair and with a specific minimum number or ratio of independent members (Table 8). In **Malaysia**, financial institutions are required to have an independent chair for the audit, nomination and remuneration committees. In **Viet Nam**, when a company has a one-tier board, setting up the audit committee is mandatory. In this case, the company should have (i) at least one fifth of the board being independent members, (ii) the chair of the audit committee being an independent member and (iii) all other members of the audit committee being non-executive members. In the two-tier board system, where the supervisory board is overseeing the board of directors, there is no requirement to have an independent member in the supervisory board.

Table 8. Board-level committees

	Audit committee			Nomination committee			Remuneration committee		
	Establi- shment	Chair indepe- ndence	Minimum number or ratio of independent members	Establi- shment	Chair indepe- ndence	Minimum number or ratio of independent members	Establi- shment	Chair indepe- ndence	Minimum number or ratio of independent members
Indonesia	L	L	100%	L	L	(33%)	L	L	(33%)
Malaysia	R; L (financial institutions)	R; L (financial institutions)	>50%	R; L (financial institutions)	C;L (financial institutions)	>50%	C;L (financial institutions)	L (financial institutions)	>50%
Philippines	C and L	C	>50%	C and L	C	>50%	C	C	>50%
Singapore ¹	L R	R	>50% (50%)	R	R	(>50%)	R	R	(>50%)
Thailand	L	L	100%	C	C	>50%	C	C	>50%
Viet Nam ²	L	L	At least the Chair must be independent	C	C	>50%	C	C	>50%

Key: L = requirement by law or regulations; R = requirement by the listing rule; C = recommendation by the codes or principles; () = recommended by the codes or principles; "-" = absence of a specific requirement or recommendation.

Note:

¹In **Singapore**, where a listed company adopts a dual class share structure, the majority of each of the committees, including the respective chairmen, must be independent.

² In **Vietnam**, when a company has a one-tier board, setting up the audit committee is mandatory. In this case, the company should have (i) at least one fifth of the board being independent members, (ii) the chair of the audit committee being an independent member and (iii) all other members of the audit committee being non-executive members. In the two-tier board system, where the supervisory board is overseeing the board of directors, there is no requirement to have an independent member in the supervisory board.

Source: OECD Survey. OECD (2021^[39]), OECD Corporate Governance Factbook 2021, <https://www.oecd.org/corporate/corporate-governance-factbook.htm>

While the G20/OECD Principles do not provide specific recommendations on how often boards and committees should meet, several surveyed jurisdictions have provisions about minimum frequency of the meeting of the board as well as of audit, nomination, and remuneration committees. In **Indonesia**, the required frequency of the meeting is at least once per month for the board of directors and at least once in two months for the Board of Commissioners. The regulation requires the audit committee to meet more frequently (at least once in three months) than the nomination and remuneration committees (at least once in four months). **Thailand** is another jurisdiction with recommended minimum frequency of the meeting, six times per year for the board of directors, four times per year for the audit committees, and twice per year for the nomination and remuneration committees.⁴²

Other jurisdictions aim at ensuring the commitment of the members of the board as well as the committees by setting up minimum attendance ratios and requiring disclosure of the record. In **Singapore**, although there are no specific mandated requirements about the minimum frequency of the meeting of the board, there are provisions requiring directors to attend and actively participate in the board and board committee meetings.⁴³

Other committees may be established to advise the board on additional issues. To support the board in its oversight of risk management, some companies have established a risk committee or expanded the role of the audit committee, following regulatory requirements or recommendations on risk management and the evolution of the nature of risks. Other committees include, for example, a sustainability committee to advise the board on environmental and social risks and opportunities, as well as a technology committee on the management of digital security risks and on the company's digital transformation. Ad hoc or special committees can also be temporarily set up to respond to specific needs or corporate transactions. The majority of the surveyed jurisdictions have provisions on the separate risk committee (**Malaysia**⁴⁴), while sometimes taking proportionate and flexible approaches into consideration (in **Indonesia**⁴⁵ and **the Philippines**⁴⁶). In **Singapore**⁴⁷ and **Thailand**⁴⁸, the listing rule allows the board to delegate responsibility for risk governance either to the audit committee or a separate board risk committee. **Indonesia** has

⁴² Guideline 3.9.2 of Corporate Governance Code for listed companies 2017, and 2.1 of the Principles of Good Corporate Governance for Listed Companies 2012.

⁴³ 1.5 of the Code of Corporate Governance 2018.

⁴⁴ Step Up Practice 10.3 of the Malaysian Code on Corporate Governance 2021 recommends that the board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

⁴⁵ All commercial banks are required to establish the risk management committee (under the Board of Directors), while financing companies with total assets of more than 200 billion rupiah are required to establish the risk monitoring committee (under the Board of Commissioners) (Article 16 of OJK Regulation 18/POJK.03/2016 and Article 28(1)b of OJK Regulation 29/POJK.05/2020).

⁴⁶ Recommendation 3.4. of the Code of Corporate Governance for Public Companies and Registered Issuers.

⁴⁷ Practice Guidelines 9: Risk Management and Internal Controls in SGX Listing Rules.

⁴⁸ Principle 6.1.5 of the Corporate Governance Code for listed companies 2017.

mandatory provisions of setting up the Information Technology steering committee for all commercial banks and Non-bank financial institutions with total assets of more than one trillion rupiah.⁴⁹

2.5.3. Diversity on boards and in senior management

Companies' efforts to enhance diversity of the board, including with respect to gender, could be observed in several aspects of activities of the company. In **the Philippines**, the Code recommends the board to have a policy on board diversity. A board diversity policy is not limited to gender diversity. It also includes diversity in age, ethnicity, culture, skills, competence, and knowledge. On gender diversity policy, the Code explains that increasing the number of female directors, including female independent directors is a good example.⁵⁰ From the perspective of disclosure, **Thailand** has a corporate governance code recommendation that the board explicitly disclose in the company's annual report and on the website its diversity policies and details relating to directors, including directors' age, gender, qualifications, experience, shareholding percentage, years of service as director, and director position in other listed companies.⁵¹

The nomination and election of board members are also key stages for improving the diversity of the board. In **Malaysia**, the listing rules⁵² require listed companies to disclose in the annual report policy on board composition the mix of skills, independence and diversity (including gender diversity). Listed companies are also required to appoint at least one woman director on their boards.⁵³ Additionally, the Malaysian Code on Corporate Governance⁵⁴ recommends that appointments of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background, and gender. The Code also recommends that the board comprise at least 30% women directors.⁵⁵ In **Singapore**, it is recommended that the board disclose the channels and criteria used in the search and nomination process for identifying appropriate candidates, and how the board, with its collective skills, experience and diversity, meets the needs of the company.⁵⁶

Talent development and succession planning for CEO and other key executives are also long-term strategic tools to enhance diversity. In **Malaysia**, the Malaysian Code on Corporate Governance⁵⁷ emphasises the quality of gender diversity policies for both the board and senior management. The guidance stresses the need for concrete action plans, numerical targets, and mechanisms to track performance against established targets. In **Singapore**, it is recommended that the nomination committee make recommendations to the board on the review of succession planning for directors, in particular for the chair and the CEO, as well as key management personnel.⁵⁸

Finally, board and committee evaluations provide an opportunity to improve board practices and the performance of its members. V.E.4 of the G20/OECD Principles states "Boards should regularly carry out evaluations to appraise their performance and assess whether they possess the right mix of background and competences." In **Singapore**, the Practice Guidance on the Code of Corporate Governance⁵⁹

⁴⁹ Article 8(1) of OJK Regulation 4/POJK.05/2021.

⁵⁰ Recommendation 1.4 of the Code of Corporate Governance for Publicly Listed Companies (2016).

⁵¹ Guideline 3.1.4 of Corporate Governance Code for listed companies 2017.

⁵² Paragraph 15.08A(3)(a) of Bursa Malaysia Main Market Listing Requirements.

⁵³ Paragraph 15.02 (1)(b) of Bursa Malaysia Main Market Listing Requirements. Effective 1 September 2022 for listed issuers with market capitalisation of RM2billion and above as at 31 December 2021; and 1 June 2023 for other listed issuers.

⁵⁴ Practice 5.5 of the Malaysian Code on Corporate Governance [as at 28 April 2021].

⁵⁵ Practice 5.9 of the Malaysian Code on Corporate Governance [as at 28 April 2021].

⁵⁶ Practice Guidance 4, Practice Guidelines on the Code of Corporate Governance.

⁵⁷ Guidance 5.10 of the Malaysian Code on Corporate Governance [as at 28 April 2021].

⁵⁸ 4.1 (a) of Guidelines on Corporate Governance.

⁵⁹ Practice Guidance 5.

encourages the nominating committee to decide how the board's performance may be evaluated and proposes objective performance criteria and to consider the board's composition (balance of skills, experience, independence, knowledge of the company, and diversity).

References

- ACMF (2020), *Roadmap for ASEAN Sustainable Capital Markets*, [6]
https://www.theacmf.org/images/downloads/pdf/ACMF_Roadmap_high.resolution.pdf.
- ADB (2022), *Asia Bond Monitor March 2022*, [4]
https://asianbondsonline.adb.org/vietnam/market_summary/vn_market_summary_202203.pdf.
- Asean Taxonomy Board (2021), *ASEAN Taxonomy for sustainable finance - version 1*, [18]
https://asean.org/wp-content/uploads/2022/06/ASEAN_Taxonomy_V1_final_310522.pdf.
- Becker, B. and V. Ivashina (2014), "Cyclicality of credit supply: Firm level evidence", *Journal of Monetary Economics*, Vol. 62, pp. 76-93, <https://doi.org/10.1016/j.jmoneco.2013.10.002>. [3]
- Bursa Malaysia (2022), *Bursa Malaysia Enhances Sustainability Reporting Framework*, [26]
https://www.bursamalaysia.com/sites/5bb54be15f36ca0af339077a/content_entry5c11a9db758f8d31544574c6/63312a2439fba20d86ba8e16/files/26Sept_2022_Bursa_Malaysia_Enhances_Sustainability_Reporting_Framework_With_New_Climate_Change_Reporting.pdf?1664169009.
- Bursa Malaysia (2022), *Bursa Malaysia Strengthens Board Effectiveness through Enhancements to the Main and ACE Markets Listing Requirements*, [43]
https://www.bursamalaysia.com/bm/about_bursa/media_centre/bursa-malaysia-strengthens-board-effectiveness-through-enhancements-to-the-main-and-ace-market-listing-requirements#:~:text=To%20promote%20board%20quality%20and,and%20its%20group%20of%20corporation.
- Bursa Malaysia (2022), *Listing Criteria*, [46]
https://www.bursamalaysia.com/listing/get_listed/listing_criteria.
- Bursa Malaysia (2022), *Sustainability Reporting Guide and Toolkits (3rd Edition)*, [33]
<https://bursasustain.bursamalaysia.com/droplet-details/resources/sustainability-reporting-guide-3rd-edition>.
- De La Cruz, A., A. Medina and Y. Tang (2019), "Owners of the World's Listed Companies", OECD Capital Market Series, Paris, <http://www.oecd.org/corporate/Owners-of-the-Worlds-Listed-Companies.htm>. [5]
- EY (2022), *Trending: Sustainable responsible investment in Malaysia and the region*, [10]
https://assets.ey.com/content/dam/ey-sites/ey-com/en_my/topics/climate-change/ey-trending-sri-in-malaysia-and-the-region-final-22022022.pdf.

- Government of Singapore (2022), *Nationally Determined Contributions-Second Update*, [11]
<https://unfccc.int/sites/default/files/NDC/2022-11/Singapore%20Second%20Update%20of%20First%20NDC.pdf>.
- GSI Alliance (2021), *Global Sustainable Investment Review 2020*, [16]
<http://www.gsi-alliance.org/wp-content/uploads/2021/08/GSIR-20201.pdf>.
- ICMA (2021), “Green Bond Principles”, [19]
<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>.
- ICMA (2021), “Social Bond Principles”, [21]
https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Social-Bond-Principles_June-2022v3-020822.pdf.
- ICMA (2021), “Sustainability Bond Guidelines”, [20]
<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>.
- ICMA (2020), “Sustainability-Linked Bond Principles”, [22]
<http://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-Principles-June-2020-171120.pdf>.
- IEA (2022), *Southeast Asia Energy Outlook 2022*, [15]
<https://iea.blob.core.windows.net/assets/e5d9b7ff-559b-4dc3-8faa-42381f80ce2e/SoutheastAsiaEnergyOutlook2022.pdf>.
- IEA (2021), *Net Zero by 2050 A Roadmap for the Global Energy Sector*, [9]
<https://www.iea.org/reports/net-zero-by-2050>.
- IMF (2018), *ASEAN and the IMF: Staying on Track with the Sustainable Development Goals*, [7]
<https://www.imf.org/en/News/Articles/2018/11/07/NA110718-ASEAN-and-the-IMF-Staying-on-Track-with-Sustainable-Development-Goals> (accessed on November 2022).
- Ministry of Natural Resources and Environment of Thailand (2022), *Thailand’s long-term low greenhouse gas emission development strategy*, [13]
http://unfccc.int/sites/default/files/resource/Thailand%20LT-LEDS%20%28Revised%20Version%29_08Nov2022.pdf.
- OECD (2023), *Sustainability Policies and Practices for Corporate Governance in Latin America*, [23]
<https://doi.org/To be published>.
- OECD (2022), *Digitalisation and corporate governance*, [40]
<https://doi.org/10.1787/296d219f-en>.
- OECD (2022), *Good Policies and Practices for Corporate Governance of Company Groups in Asia*, [36]
<https://doi.org/www.oecd.org/corporate/good-policies-practices-for-corporate-governance-company-groups-in-Asia.htm>.
- OECD (2022), *Institutional investors and stewardship*, [38]
<https://doi.org/10.1787/1ce75d38-en>.
- OECD (2022), *Public Consultation on Draft Revisions to the G20/OECD Principles of Corporate Governance*, [24]
<https://www.oecd.org/corporate/public-consultation-review-G20-OECD-principles-corporate-governance.pdf>.
- OECD (2021), *OECD Corporate Governance Factbook 2021*, [39]

- <https://www.oecd.org/corporate/corporate-governance-factbook.htm>.
- OECD (2021), *The Future of Corporate Governance in Capital Markets Following the COVID-19 Crisis*, OECD Publishing, Paris, <https://doi.org/10.1787/efb2013c-en>. [2]
- OECD (2020), *Duties and Responsibilities of Boards in Company Groups*, Corporate Governance, OECD Publishing, Paris, <https://doi.org/10.1787/859ec8fe-en>. [35]
- OECD (2020), *National corporate governance related initiatives during the Covid-19 crisis A survey of 37 jurisdictions*, <https://www.oecd.org/daf/ca/national-corporate-governance-related-initiatives-during-the-covid-19-crisis.htm>. [42]
- OECD (2017), *Methodology for Assessing the Implementation of the G20/OECD Principles of Corporate Governance*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264269965-en>. [37]
- OECD (2015), "G20/OECD Principles of Corporate Governance", *OECD Publishing, Paris*, <http://dx.doi.org/10.1787/9789264236882-en>. [45]
- OJK (2017), *Regulation of Financial Services Authority NO. 51/POJK.03/2017 on Application of Sustainable Finance to Financial Services Institution, Issuer and Publicly Listed Companies*, <https://www.ojk.go.id/keuanganberkelanjutan/en/regulation/detailregulation/2922/regulation-of-financial-services-authority-no-51-pojk-03-2017-on-application-of-sustainable-finance-to-financial-services-institution-issuer-and-publicly-listed-companies>. [25]
- PwC (2022), *Asset and wealth management revolution 2022*, <https://www.pwc.com/gx/en/financial-services/assets/pdf/pwc-awm-revolution-2022.pdf>. [17]
- Republic of Indonesia (2022), *Enhanced Nationally Determined Contribution*, https://unfccc.int/sites/default/files/NDC/2022-09/23.09.2022_Enhanced%20NDC%20Indonesia.pdf. [12]
- SCM (2022), *Guidance note and FAQs on the Conduct of General Meetings for Listed Issuers*, <https://www.sc.com.my/api/documentms/download.ashx?id=c5fbbbcd-3ab0-40ce-a22b-e8bb1d1fe0a8>. [41]
- SCM (2021), *Corporate Governance*, <https://www.sc.com.my/regulation/corporate-governance>. [32]
- SECP (2019), *Sustainability Reporting Guideline for Public-listed Companies*, <https://www.sec.gov.ph/wp-content/uploads/2019/10/2019MCNo04.pdf>. [27]
- SECT (2021), *Form 56-1 One Report*, <https://www.sec.or.th/onereport>. [29]
- SGX (2022), *Consultation Paper on Board Renewal and Remuneration Disclosures*, <https://www.sgx.com/regulation/public-consultations/20221027-consultation-paper-board-renewal-and-remuneration>. [44]
- SGX (2021), *Sustainability Reporting*, <https://www.sgx.com/sustainable-finance/sustainability-reporting>. [28]
- SGX (2016), *Practice Note 7.6 Sustainability Reporting Guide*, <https://rulebook.sgx.com/rulebook/practice-note-76-sustainability-reporting-guide>. [34]

- Socialist Republic of Viet Nam (2022), *Nationally Determined Contribution, updated in 2022*, [14]
<https://unfccc.int/documents/622541>.
- SSC (2020), *96/2020/TT-BTC*, [30]
https://ssc.gov.vn/webcenter/portal/ubck/pages_r/l/chitit?dDocName=APPSSCGOVVN162136400.
- SSC (2016), *Environmental and Social Disclosure Guide*, [31]
https://sseinitiative.org/wp-content/uploads/2014/08/20161212_ES-Disclosure-Guideline-ENGLISH.pdf.
- UN (2015), *United Nations Framework Convention on Climate Change*, [8]
http://unfccc.int/files/essential_background/convention/application/pdf/english_paris_agreement.pdf.
- Zurich Insurance Group (2021), *ASEAN: The resilience of banks*, [1]
<https://www.zurich.com/-/media/project/zurich/dotcom/economics-and-markets/docs/2021/topical-thoughts/asean-the-resilience-of-banks.pdf?rev=25c750cf3d5e4db3a8ca156091dea45a&hash=3E7E588659AF2862075BAF77D2ACC209>.

Annex A. Methodology for data collection and classification

In this report ASEAN, as a region, includes the following six jurisdictions: Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam. Asia, as a region, includes the following 18 jurisdictions: Bangladesh, Cambodia, People's Republic of China, Hong Kong (China), India, Indonesia, Japan, Korea, Lao PDR, Malaysia, Mongolia, Pakistan, Philippines, Singapore, Sri Lanka, Chinese Taipei, Thailand and Viet Nam.

A. Balance sheet information for non-financial listed firms

The information presented in Section 1.1 is based on Refinitiv. The unbalanced global panel dataset contains financial statement information for non-financial listed companies between 2005 and 2020. The universe covers 50 376 companies registered in 133 countries.

Financial information cleaning

The raw financial dataset contains several firm-year observations when a company reports for different purposes. To construct a panel with a unique firm-year observation, the following steps are applied:

- Financial companies are excluded
- Firms listed on an over-the-counter (OTC) market are excluded
- Security types classified as “units” and “trust” are excluded
- Firms identified as delisted are excluded
- For firms with multiple observations but different countries of domicile, their true country of domicile is manually checked to remove the duplicates
- Financial statements covering a 12-month period are used
- Companies with at least one observation showing negative assets or negative fixed assets are excluded

Financial information is adjusted by annual US Consumer Price Index changes and information is reported in 2020 USD. The information on reported sales is collected for a representative regional sample of listed companies. Sales data reported in interim quarterly financial statements are collected for all quarters in 2019 and the ones available in 2020. Financial companies are excluded from the sample.

B. Listing information

The information presented in Figure 1.1 is based on Refinitiv Eikon Screener and the following criteria are used to clean the data:

- Security type classified as “units” and “trust” are excluded
- For firms with multiple listings, only primary listings are kept
- For firms with multiple observations but different countries of domicile, their true country of domicile is manually checked to remove the duplicates.
- Firms trading on over-the-counter (OTC) markets and those listed on multilateral trading facilities (MTFs) are excluded.

- Special Purpose Acquisition Companies (SPACs) are excluded.
- Investment funds are excluded.
- Real Estate Investment Trusts (REITs) are excluded.

C. Public equity data

The information on initial public offering (IPOs) and secondary public offerings (SPOs or follow-on offerings) presented in Section 1.2 is based on transaction and/or firm-level data gathered from several financial databases, such as Refinitiv (Eikon Screener, Datastream), FactSet and Bloomberg. Considerable resources have been committed to ensuring the consistency and quality of the dataset. Different data sources are checked against each other and, the information is also controlled against original sources, including regulator, stock exchange and company websites and financial statements.

Country coverage and classification

The dataset includes information about all initial public offerings (IPOs) and secondary public offerings (SPOs or follow-on offerings) by financial and non-financial companies. All public equity listings following an IPO, including the first-time listings on an exchange other than the primary exchange, are classified as a SPO. If a company is listed on more than one exchange within 180 days, those transactions are consolidated under one IPO. The country breakdown is carried out based on the stock exchange location of the issuer. It is possible that a company becomes listed in more than one country when going public. The financial databases record a dual listing as multiple transactions for each country where the company is listed. However, there is also a significant number of cases where dual listings are reported as one transaction only based on the primary market of the listing. For this reason, the country breakdown based on the stock exchange is based on the primary market of the issuer. The IPO and SPO data are collected on a deal basis via commercial databases in current USD values. Issuance amounts initially collected in USD were adjusted by 2021 US Consumer Price Index (CPI). Initial public offering and secondary offering statistics are presented in this report using the Refinitiv Business Classification (TRBC) Industry Description.

Exclusion criteria

With the aim of excluding IPOs and SPOs by trusts, funds and special purpose acquisition companies the following exclusion criteria are used:

- Financial companies that conduct trust, fiduciary and custody activities
- Asset management companies such as health and welfare funds, pension funds and their third-party administration, as well as other financial vehicles
- Open-end investment funds
- Other financial vehicles
- Grant-making foundations
- Asset management companies that deal with trusts, estates and agency accounts
- Special Purpose Acquisition Companies (SPACs)
- Closed-end investment funds
- Trading on over-the-counter (OTC) markets
- Security types classified as “units” and “trust”
- Real Estate Investment Trusts (REITs)

Industry classification

Refinitiv Datastream uses the Refinitiv Business Classification (TRBC) Industry Description. The economic sectors used in the analysis are the following economic sectors: Basic Materials, Industrials, Cyclical Consumer Goods / Services, Non-Cyclical Consumer Goods / Services, Energy, Technology, Telecommunications, Financials, Healthcare and Utilities.

D. Corporate bond data

Data presented on corporate bond issuances in Section 1.3 are based on OECD calculations using data obtained from Refinitiv Eikon that provides international deal-level data on new issues of corporate bonds that are underwritten by an investment bank. The database provides a detailed set of information for each corporate bond issue, including the identity, nationality and sector of the issuer; the type, interest rate structure, maturity date and rating category of the bond, the amount of and use of proceeds obtained from the issue. Convertible bonds, deals that were registered but not consummated, preferred shares, sukuk bonds, bonds with an original maturity less than or equal to one year or an issue size less than USD 1 million are excluded from the dataset. The analyses in the report are limited to bond issues by non-financial companies. The industry classification is carried out based on the Refinitiv Business Classification (TRBC) Industry Description. The country breakdown is carried out based on the issuer's country of domicile. Yearly issuance amounts initially collected in USD were adjusted by 2021 US Consumer Price Index (CPI).

Given that a significant portion of bonds are issued internationally, it is not possible to assign such issues to a certain country of issue. For this reason, the country breakdown is carried out based on the country of domicile of the issuer.

Early redemption data

For the calculation of the outstanding amount of corporate bonds provided in Figure 1.10, Panel B, in a given year, issues that are no longer outstanding due to being redeemed earlier than their maturity should also be deducted. The early redemption data are obtained from Refinitiv Eikon and cover bonds that have been redeemed early due to being repaid via final default distribution, called, liquidated, put or repurchased. The early redemption data are merged with the primary corporate bond market data via international securities identification numbers (i.e. ISINs).

Industry classification

For industry classification, dataset on corporate bonds uses the Refinitiv Business Classification (TRBC) Industry Description. The economic sectors used in the analysis are the following economic sectors: Basic Materials, Industrials, Cyclical Consumer Goods / Services, Non-Cyclical Consumer Goods / Services, Energy, Technology, Financials, Healthcare, and Utilities.

E. Corporate sustainability data

The information on sustainability issues presented in Section 1.5 is based on a firm-level dataset containing records for up to 13 800 listed companies with a total of USD 113 trillion market capitalisation listed on 83 markets in 2021. The coverage may vary depending on the selected issue. The main data sources, Refinitiv and Bloomberg, were controlled against each other to ensure consistency. The disclosed data contains information on sustainability reporting, the external audit of sustainability reporting, the presence of a sustainability committee reporting directly to the board, and executive remuneration linked to sustainability factors and targets. Sustainability disclosure by trusts, funds or special purpose acquisition companies was excluded from the sample under analysis.

F. Green, social, sustainability-linked and sustainability corporate bonds data

The information on green, social, sustainable and sustainability-linked corporate bonds is collected from Refinitiv and Bloomberg. The dataset provides a detailed set of information for each bond issue, including the identity, nationality and industry of the issuer; the type, interest rate structure, maturity date and rating category of the bond, the amount of and use of proceeds obtained from the issue. The issuance amounts, initially collected in USD, were adjusted by 2021 US Consumer Price Index (CPI). The different data sources are checked against each other to ensure consistency. Bonds issued by agencies, governments, treasuries, central banks, universities or other supra-national entities are excluded from this analysis.

G. Ownership data

The main source of information is the FactSet Ownership database. This dataset covers companies with a market capitalisation of more than USD 50 million and accounts for all positions equal to or larger than 0.1% of the issued shares. Data are collected as of end of 2021 in current USD, thus no currency nor inflation adjustment is needed. The data are complemented and verified using Refinitiv and Bloomberg. Market information for each company is collected from Refinitiv. The dataset includes the records of owners for 29 453 companies listed on 92 markets covering 98% of the world market capitalisation. For each of the countries/regions presented, the information corresponds to all listed companies in those countries/regions with available information.

The information for all the owners reported as of the end of 2021 is collected for each company. Some companies have up to 5 000 records in their list of owners. Each record contains the name of the institution, the percentage of outstanding shares owned, the investor type classification, the origin country of the investor, the ultimate parent name, among other things.

The table below presents the five categories of owners defined and used in this report following (De La Cruz, Medina and Tang, 2019^[5]). Different types of investors are grouped into these five categories of owners. In many cases, when the ultimate owner is identified as a Government, a Province or a City and the direct owner was not identified as such, ownership records are reclassified as public sector. For example, public pension funds that are regulated under public sector law are classified as government, and sovereign wealth funds (SWFs) are also included in that same category.

For the information provided in Table 2, the control is not restricted to the state where the company is listed. It can be any state, e.g. a company listed in Viet Nam can be controlled by a state different from the Vietnamese state. Therefore, the definition of state used in the table may differ from that used in individual jurisdictions.

Table A.1. Categories of owners defined and used in the report

Investor category	Categories of owners	
	Investor type	
Private corporations and holding companies	Business Association	Operating Division
	Employee Stock Ownership Plan	Private Company
	Holding Company	Public Company
	Joint Venture	Subsidiary
	Non-profit organisation	
Public sector	Government	Regional Governments
	Sovereign Wealth Manager	Public Pension Funds
Strategic individuals and family members	Individual (Strategic Owners)	Family Office

Investor category	Categories of owners	
	Investor type	
Institutional investors	Bank Investment Division	Mutual Fund Manager
	Broker	Other
	College/University	Pension Fund
	Foundation/Endowment Manager	Pension Fund Manager
	Fund of Funds Manager	Private Banking/Wealth Management
	Fund of Hedge Funds Manager	Private Equity Fund/Alternative Inv.
	Hedge Fund	Real Estate Manager
	Hedge Fund Manager	Research Firm
	Insurance Company	Stock Borrowing/Lending
	Investment Adviser	Trust/Trustee
	Market Maker	Umbrella Fund
	Mutual Fund-Closed End	Venture Capital/Private Equity
Other free-float including retail investors	Shares in the hands of investors that are not required to disclose their holdings. It includes the direct holdings of retail investors who are not required to disclose their ownership and institutional investors that did not exceed the required thresholds for public disclosure of their holdings.	