Asian Corporate Governance Association

Value Up, Asia

Aligning governance with shareholder value

Special report – May 2025

ASIAN CORPORATE GOVERNANCE ASSOCIATION
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About ACGA

The Asian Corporate Governance Association (ACGA) is an independent, non-profit membership organisation dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia. ACGA was founded in 1999 from a belief that corporate governance is fundamental to the long-term development of Asian economies and capital markets.

ACGA is funded by a network of sponsors and member companies, including leading pension and investment funds, financial institutions, listed companies, accounting firms, and educational institutions. It is incorporated under the laws of Hong Kong and is managed by a secretariat based there. Its governing Council comprises directors from around Asia and other parts of the world.

More information on ACGA's council and global membership base can be accessed here.

Acknowledgements

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The need for CG reform in Asian markets has never been more urgent; the prospects for reform never more tantalizing. Over the last decade, the returns from most Asian markets have been lacklustre. Anecdotal evidence suggests that both foreign institutional and domestic retail investors have shifted investment assets away from their home markets to look elsewhere for returns. With valuations low, companies find it more attractive to list outside their home markets; they have been courted and pulled to Wall Street. This has prompted regulators in Asia to re-assess how to make their markets attractive with greater attention to addressing measures to promote value creation of companies.

Japan was the first to understand the potential of such programmes. After launching their CG and stewardship codes in 2014 with various updates over the years, in early 2023 Japan's financial regulator announced its Action Program. Helped by favourable macroeconomic developments, the TOPIX 100 which had been moribund in the years before soared 50% in the following 18 months. That was the cue for regulators across the region to launch their own similarly styled programmes.

Outside Japan, the outcomes from the CG reform initiatives have been patchy. But it is early innings. Indeed, it took almost ten years for Japanese regulators to cap a raft of foregoing initiatives with their Action Program. In many other Asian markets, there have been advances in areas including CG codes, guidelines for more effective boards, better governance practices and improved capital management. As they put forward their plans, **the key message from regulators to issuers is that corporate governance needs to move beyond compliance to value-creation and shareholder returns**. This is now an existential challenge for the markets. If companies do not provide investors with more compelling returns, investor safeguards and increased transparency, both domestic and international investors will look elsewhere. Domestic markets will then cease to serve the purpose of providing sources of capital for corporates, raising the cost of capital and lowering economic growth.

From a governance perspective, the major challenge is that Asian markets are dominated by companies with controlling shareholders whose interests often diverge from those of minorities. Shareholder value may not be paramount if the shares are not seen as currency for expansion and acquisitions. Rather, issuing shares to fund acquisitions could dilute the ownership stake of the controlling shareholders. Higher valuations may lead to larger inheritance tax liabilities at family-controlled companies. Instead, value can be extracted through various forms of related-party transactions while maintaining control of the financial resources of the company. For investors, this has translated to sub-par returns in many Asian markets.

The tantalizing prospect now comes from a growing wave of regulators in the region pushing for CG reforms that focus corporate boards and director responsibility towards shareholder value. Not just in Japan: Korea, China, Taiwan, Singapore, Malaysia, Thailand and even India have put forward transformation plans of some form for their corporates. Progress in this reform effort will not be a straight line. But if the direction going forward is towards value creation and shareholder returns, this could herald a paradigm shift that potentially brings investors back to these markets. Progress over the next few years will be critical for this shift to gain traction and credibility.

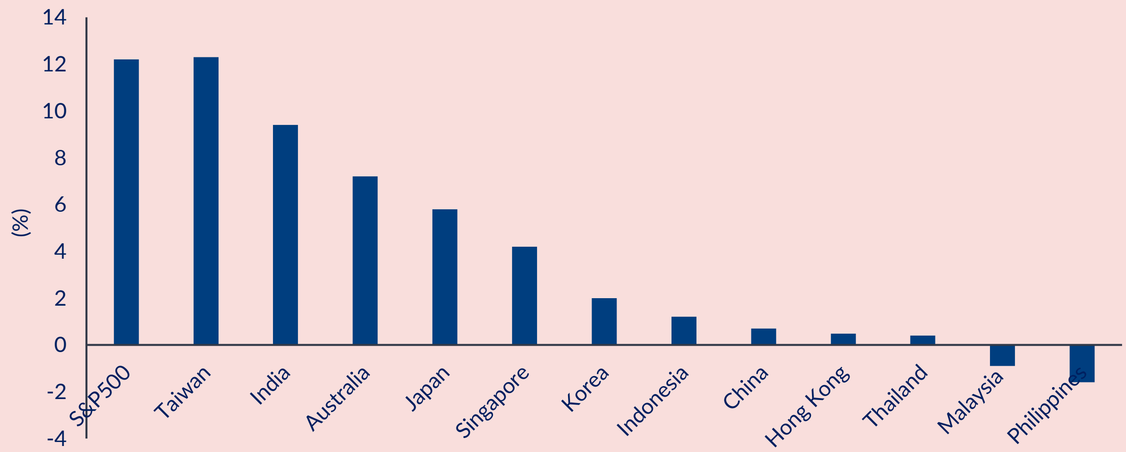
In this report, we provide an overview of reform efforts that refocus attention on shareholder value and underscore the importance of good governance. We also offer recommendations on necessary ingredients for successful reform. We are at an early stage on this journey for most Asian markets. Policy makers, regulators, asset owners and asset managers, director institutes and corporates all have a role to play. Asian markets need a whole-hearted effort to Value Up or risk irrelevance.

Setting the scene: Returns and valuations in Asian markets

In the ten years to end April 2025, the S&P500 has provided an annualised total shareholder return (TSR) of 12.2%. In Asia, the only market with similar returns was Taiwan at 12.3% in USD terms for its MSCI constituents. India comes next at 9.4% followed by Japan (5.8%) and Singapore (4.2%) while MSCI Korea's annualised USD return was just 2%. Of the markets which ACGA covers, six had annualised TSR over the last ten years in USD at 1% or lower, with Philippines and Malaysia having negative returns when taking into account currency depreciation. Higher risk and geopolitical concerns coupled with significantly lower returns in recent years: it is no surprise that many investors have reduced weightings in Asia.

Figure 1:

10-year annualised TSR (US$) of MSCI constituents



Source: Bloomberg, MSCI. Data provided by CLSA

Japan's market returns are instructive. While its 10-year TSR in USD terms is 5.8% annualised, however the last five-year annualised TSR was 8.7% in USD. The TSR for the earlier five years to April 2020 was 2.6%; the Action Program together with improved macro fundamentals ratcheted it up 3x to almost 9% for the subsequent five years. When companies focus on shareholder value and have the growth opportunities that Asia presents, the vim can return to markets.

The poor returns for most Asia results in low valuations generally, other than India and Taiwan. The average PB of the Asian markets stands at 1.5x. Korea and Hong Kong are at the lowest book multiple in the region, at about 0.9x for their MSCI constituents. Thailand, Philippines, Japan, Malaysia and China are at 1.2x to 1.4x. Singapore is at the regional average of 1.5x. As this is a market cap weighted average, more than half of the stocks would be below the market average given that larger companies would generally be at higher PB multiples. The distribution within each market will vary but with eight of the eleven main markets in Asia trading at overall PB of 1.5x or lower, over half of their companies would be trading at discounts to book value. Either their auditors are not forceful enough to push for write-downs of assets, or these companies are essentially worth more unlisted rather than as listed entities.

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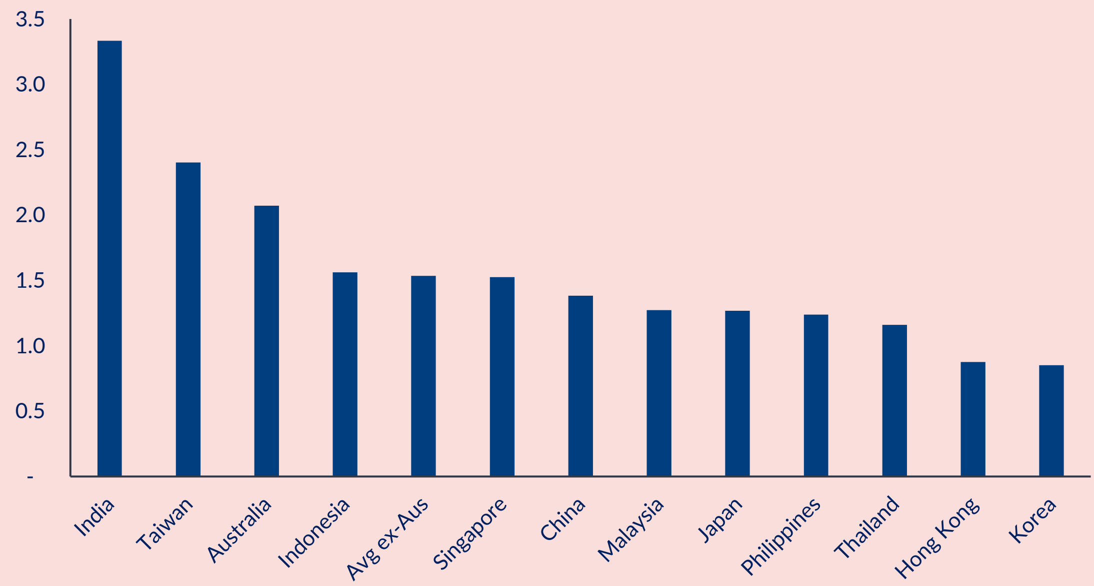
Figure 2:

MSCI Index FY25 PB (x)



Source: FactSet, CLSA

Low valuations generally are due to poor financial ratios. Return on equity (ROE) is the most closely related profitability ratio linked to PB. MSCI Hong Kong has the lowest ROE of the markets in our study; based on analysis of MSCI index constituents, the market is also one of the lowest for average PB. Thailand, Malaysia as well as Korea and Japan have average market ROEs at around 9%. Again, given that this is size weighted, likely over half of their companies would have significantly lower ROEs, generating returns below their cost of equity. Not meeting their cost of capital, a significant number of companies in these markets are effectively destroying shareholder value.

Figure 3:

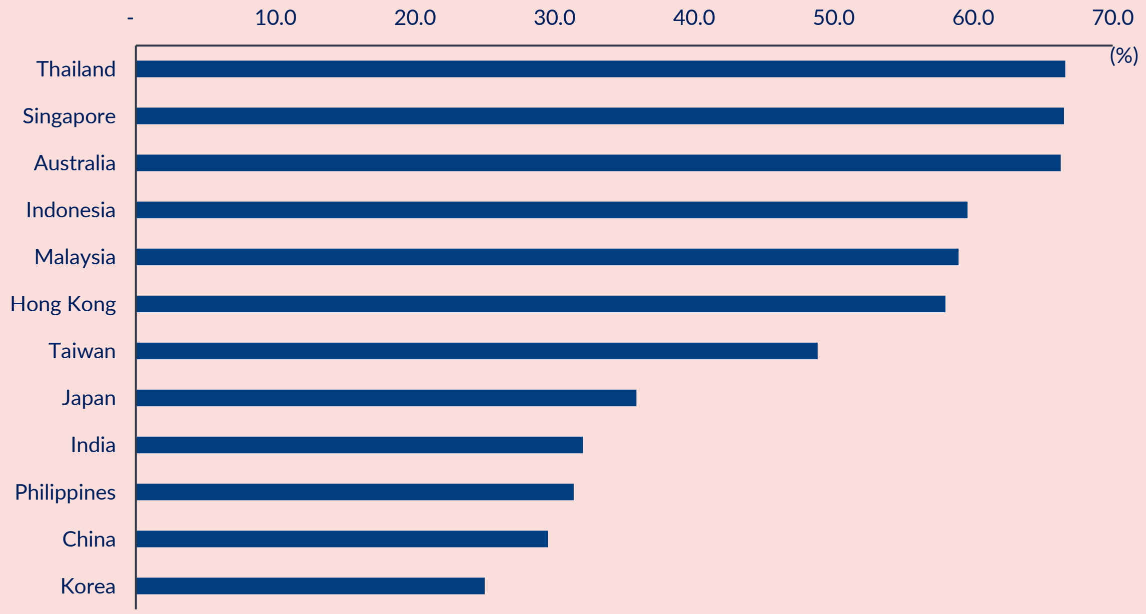
MSCI constituents FY24 ROE (%)

Source: FactSet, CLSA

The final ratio we examined was dividend payouts as this feeds into retained earnings and ROE. Low payouts may also indicate companies are not sharing the value-created with shareholders, a concern particularly if the incremental return on capital is low. Korea has the lowest payout ratio in the region at 25%; with the low average ROE for the market, high retained earnings is a drag on the market ROE unless there is a change in dividend policies of its companies. China, Philippines and India have low payout ratios but there are growth opportunities and ROEs are relatively high in these markets. However, Japan at 36% average payout ratio with a number of companies generating low ROE (average market ROE at 9.4%) is indicative that a significant part of the market is still destroying value through building up cash balances and/or re-investing in businesses with low returns.

Figure 4:

FY24 payout ratio of MSCI constituents



Source: FactSet, CLSA

Asia's shareholder value programmes

Given the poor financial performance across many of the major markets in the region, the need to address the issue of low TSR has become urgent. Japan led the way with its shareholder focused initiatives in 2023. Since 2024, policies with a similar focus have been launched in Korea, China and Taiwan. Other markets have sought to improve the quality of their companies through their respective value creation approaches, transformation programmes, updates of CG codes and other measures. Below is a summary overview of these initiatives across Asia, followed by recommendations for successful Value Up style programmes. In the following market chapters, we examine these initiatives in greater detail.

Japan's Action Program

In early 2023, Japanese regulators put forward two complementary initiatives to drive shareholder value, which capped nearly ten years of CG and stewardship reforms for the market. First, in March 2023, the Tokyo Stock Exchange (TSE) announced an action plan which was followed back-to-back the next month by the Financial Services Agency (FSA) announcing its Action Program.

With its "Action to Implement Management that is Conscious of Cost of Capital and Stock Price", TSE was henceforth "requesting" companies on both the Prime and Standard Markets (comprising approximately 85% of the market by number of companies) to promptly "implement management that is conscious of cost of capital and stock price". At that point, around half of Prime issuers and 60% of Standard had PB ratios of less than one with return on equity (ROE) below 8%, i.e. generating returns below their approximate cost of equity. The TSE asked each firm to analyse its cost of capital and profitability, develop a detailed response with targets, timelines and specific actions, and disclose this to the market. Issuers were urged to implement these actions without delay and keep shareholders updated through "proactive dialogue." TSE emphasized that company boards should be involved every step of the way.

Following this, in April 2023 the FSA announced its "Action Program for Accelerating Corporate Governance Reform: From Form to Substance". The statement emanated from the agency's Council of Experts on the follow-up to the CG and Stewardship Codes that had been launched in 2014 and each updated twice in the following years. The Action Program emphasized improvements in three main areas:

1) Management issues: Encouraging greater awareness of cost of capital, profit making, sustainability, and human capital.
2) Effectiveness of independent directors: Performance of the board, nomination and remuneration committees, and director quality.
3) Company-investor dialogue: Enhancing disclosure and addressing legal and market environment issues, in particular shareholder rights.

The FSA underscored that it was vital to move the focus of reform from form to substance and that producing ever-more detailed CG regulatory requirements might undermine the purpose of reform, namely "boosting the growth of listed companies and the increase of corporate value over the mid- to long-term".

For good measure, in August 2023 Japan's Ministry of Economy, Trade and Industry (METI) also updated the Guidelines for Corporate Takeovers, placing greater responsibility on corporate boards to objectively evaluate takeover proposals so as to maximize corporate value for shareholders and encouraged directors to take a more active role in considering both divestitures and acquisitions as strategic tools for enhancing corporate value.

These initiatives were well-received by the market. Launched as the country appeared to be coming out of deflation and with the yen depreciating making Japanese assets more attractive for international investors, the Topix 100 gained over 50% in the space of about 18 months from the 1,300 level in early 2023 to reach 2,000 by July 2024.

Figure 5:

Japan's Topix 100

Source: Yahoo Finance

Reforms aimed at improving shareholder value continue to be rolled out. In March this year, the FSA launched a consultation to update the Stewardship Code. In April, METI released guidance on enhancing a company's earning power including encouraging appropriate risk-taking and encouraging management to take a longer-term perspective, while compensation and CEO evaluation should be based on executing policies that enhance the company's earnings power. There are issues that remain including unwinding "allegiant" cross-shareholdings, providing full financial and non-financial disclosures ahead of AGMs, and companies still find ways to ward off takeover proposals. However, Japan has built up momentum on these reforms and has pole position regionally for advancing shareholder value led by initiatives of its regulators.

Korea's Value Up

The strong market reaction to the Japanese Action Programme appears to have prompted regulators in other markets to conceive plans of their own. The other large North Asian market which has had a persistent valuation discount often linked with its governance practices is Korea. A little under a year after the launch of the programme by Japan, Korea's Financial Services Commission (FSC) launched the Corporate Value Up Program (CVP) in February 2024.

The CVP encourages companies to voluntarily announce value-enhancement plans, set mid- to long-term strategies, and disclose both financial and non-financial KPIs. To recognize companies that perform well, the Korea Value-up Index was introduced by the Korea Exchange (KRX) in September 2024. However, the composition of the index drew criticism as initially more than half of its 100 constituent companies had not produced a Value Up plan when the index was launched although this has improved now to 60 of the 105 companies in the index currently having disclosed a CVP plan.

While there were some indications that there could be tax incentives to induce companies to participate in CVP, these have not been tabled by the National Assembly, controlled by the Democratic Party which is an opposition party to that of the then-President who has since been impeached. Presidential elections are now slated for 3rd of June. Meanwhile the Democratic Party has put forward its own "Boost Up" plan, the primary plank of which is an amendment to the Commercial Code to explicitly articulate directors' fiduciary responsibility not just to the company but to all shareholders. It also seeks to mandate cumulative voting for director elections of companies with assets over KRW 2 trillion (approximately USD 1.4 billion) and requiring separate elections for two audit committee members (presently just one).

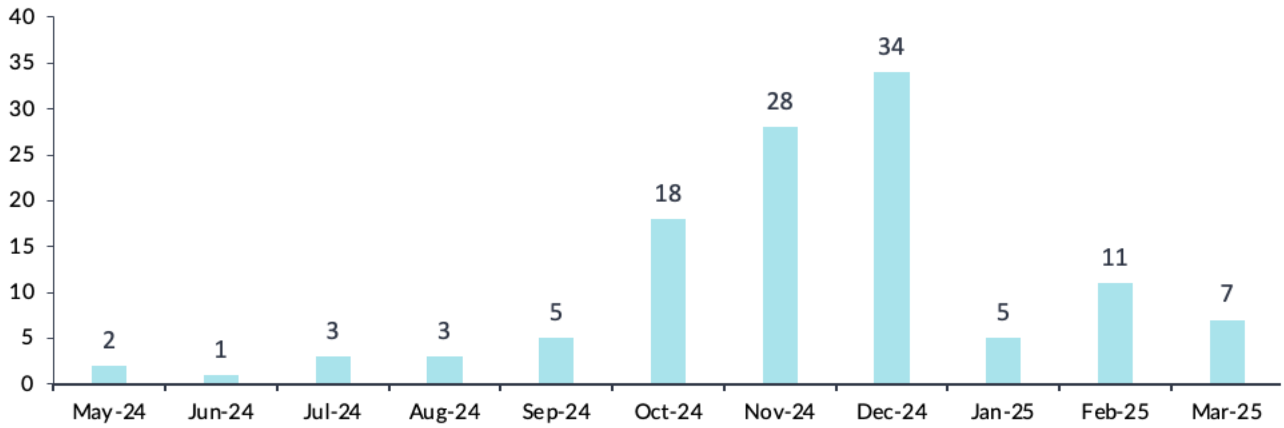
ACGA wrote a letter to both main parties and authored a short commentary on the need for these amendments in December 2024. A revised bill focusing on directors' fiduciary duty to all shareholders and permitting hybrid AGMs was passed by the National Assembly in February this year but vetoed by the current interim President. There have been strong objections to the amendments from Korean corporates, in particular the *chaebols,* owing to perceived greater liability, including criminal liability, that it might entail for directors; as a result the concern is directors might become excessively risk averse. After the presidential elections, if the Democratic Party gains control of the executive arm of government, we believe that the amendments to the Code will be re-tabled.

There are some notably positive outcomes of the CVP. According to KRX, the average stock price of companies that made full disclosures was up 4.9% in 2024, significantly outperforming the broader KOSPI index which declined by 9.6% over the year; however, we note that many of the companies made their disclosures in Q4. Other shareholder return measures also showed improvements. Treasury stock buybacks reached KRW 18.8 trillion (US$13.6 bn) in 2024, more than doubling from KRW 8.2 trillion in 2023 and marking the highest level since 2009. Treasury stock cancellations almost tripled, from KRW 4.8 trillion in 2023 to KRW 13.9 trillion (US$ 10.1 bn) in 2024, the highest amount recorded in the past seven years.

However, valuation challenges for the broader market remain. The number of KOSPI-listed companies trading at PB below 1 increased from 520 at the end of 2023 to 573 at the end of 2024; similarly on the KOSDAQ, the number of companies with PB below 1 rose from 548 to 791 over 2024.

Figure 6:

Participation in Korea's Corporate Value Up Program (as of 26 March 2025)



Source: KRX

Participation of listed companies in the CVP grew particularly in the latter half of 2024, but in Q1 2025 fell to less than one-third of what it was in Q4. Scepticism remains as to whether the CVP can lead to substantive changes, given lack of significant incentives and binding obligations from the corporates. The presidential election in early June will be an important marker for whether the executive and the legislature will be aligned and work more cohesively with their respective Value Up and Boost Up programmes going forward.

China: Market Value Management

At about the same time as Korea announced its Value Up programme, China introduced a similar plan. In April 2024, the State Council released an iteration of the "National Nine Articles" outlining key tasks for fostering the "high-quality development of capital markets" which included creating market value management guidelines for listed companies. The China Securities Regulatory Commission (CSRC) released a public consultation in September, culminating in the finalised "Guidelines for the Supervision of Listed Companies No. 10 – Market Value Management" issued last November.

The Guidelines define market value management as "strategic management actions" aimed to boost a company's "investment value and its capacity to deliver shareholder value". It sets out a toolkit of measures which include cash dividends, share buybacks, investor relations, information disclosure, M&A, equity incentives and employee stock ownership plans. Most of these measures are already encouraged or required by existing regulations.

The Guidelines iterate the board's central role in leading market value management: the board chair should proactively drive the implementation of market value decisions. The board secretary is tasked with overseeing investor communication and information disclosure; directors and senior executives are expected to actively participate, especially in investor relations events. However, beyond these responsibilities of the board and management, the Guidelines do not include specific measures on improving corporate governance.

Unlike other programmes in the region, China's market value management initiative is mandatory for two groups of companies. Those listed on the major domestic indices (e.g., CSI indices, STAR 50, ChiNext index, BSE 50) must develop a "market value management policy", while issuers with PB ratios below 1 for a full year will need to set out a "value enhancement plan". The policy for the first group may remain undisclosed, but companies with PB below 1 need to make their plan public.

Figure 7:

China companies subject to mandatory market value management

Companies	Required document	Disclosure requirement
Major index constituents, including those listed on the CSI 300, CSI 500, STAR 50 & 100, ChiNext, ChiNext Mid-cap 200, BSE 50	Market value management policy	Disclose the policy development; Report on the policy implementation during the annual results briefing
Companies with a PB ratio below 1 for a full year	Valuation enhancement plan	Disclose the plan itself; Report on the plan implementation during the annual results briefing

Source: CSRC

Central State Owned Enterprises (SOEs) are subject to additional guidelines issued in December 2024 by the State-owned Assets Supervision and Administration Commission (SASAC). These guidelines raise the bar for governance structures, information disclosure, and evaluations of SOEs. It envisions governance with "effective checks and balances" under Party leadership. The SOEs are required to produce and disclose high-quality ESG reports and to be "role models in the capital markets". Market value management is to be incorporated into the performance reviews of senior executives.

The number of companies disclosing policies and plans on market value management has surged in recent months, propelled by the efforts of regulators together with local governments, media and service providers. As of 30 April 2025, 400 issuers have publicly disclosed their policies on the websites of the respective exchanges and another 223 companies published their plans. So far, two companies provide English versions of their plans.

In preparing this report, we examined in detail plans and policies of 20 of the largest A-share listed companies and those disclosed by another 170 companies. Of the 20 largest by market capitalisation, 15 companies have developed a policy, eight of which have been made public. Among these eight companies, one (Zijin Mining) stood out with more specific and actionable disclosures; its policy details the roles of the board and management and addresses key measures in detail. Others describe board responsibilities, but provide only limited concrete steps or company-specific information on areas such as investor relations, cash dividends and M&A.

A common weakness across most companies is the lack of any real evaluation mechanism on the effectiveness of their policies/plans. While the supervisory role of the board is mentioned in these plans, investor relations receive the most extensive discussion. The emphasis primarily focuses on cultivating a positive corporate image rather than fostering meaningful dialogue with investors.

Five publicly listed banks have released a plan, given their persistent low PB ratios. We find that corporate governance receives greater emphasis in the plans provided by the banks, including enhancing the role of INEDs in regard to related-party transactions and profit distribution. Many of the banks' plans continue to emphasize the key role of Party leadership in their corporate governance.

Only a few of those with announced *policies* (major index constituents) link market value management with corporate strategies. The companies with *plans* (those with low PB) generally did include company-specific strategies. However, both sets of companies generally overlook investor-company dialogue and few explicitly recommend dialogue between investors and the board.

From our survey of the companies, we find that those which provide policies on market value management (as opposed to plans) in general do not provide much specificity linking their policies to the respective company's strategic objectives. Meaningful announcements often come from companies that produce plans and specific market strategies. But these are a small minority. China's market value management guidelines are an important initiative but will need further iterations to include greater focus on capital management, cost of capital, interaction between board members and investors, director training as well as evaluation of progress and transparent accountability to gain broader traction and potentially have an impact on market valuations.

Value creation policies across the rest of Asia

Other markets in the region have also launched initiatives that relate to improving shareholder value and returns.

Greater China

One of the most comprehensive plans announced for companies to refocus on shareholder value is from **Taiwan**. In mid-2024, the Taiwan Stock Exchange (TWSE) launched an initiative called "Strengthening the Capital Market and Enhancing Market Value" to boost corporate value, improve dialogue between investors and companies as well as to promote growth in certain emerging industries, specifying digital technology, green energy and biotech.

While participation is voluntary, several steps are being taken to encourage participation. In August 2024, TWSE revised its "Corporate Governance Best Practice Principles", the equivalent of its CG code, specifically to encourage issuers to prioritise shareholder value. The exchange provided a template to guide companies in formulating their respective corporate value enhancement plans. The template is largely modelled on the framework developed by the Tokyo Stock Exchange and comprises three sections: "Current Status Analysis", "Policies and Action Plans" and "Communication and Monitoring". The analysis of companies' current situation addresses the performance of key financial metrics – weighted average cost of capital (WACC), return on invested capital (ROIC), ROE, PB and PE – against industry averages in the Taiwan market and requires an evaluation of board independence, effectiveness and transparency. Notably, the board is expected to assess the company's overall position and determine whether its intrinsic value is adequately reflected in its market valuation. Based on this analysis, board committees are expected to develop and disclose short, medium, and long-term measures which should be outlined in the policies and action plans section of the template.

TWSE also launched the "IR Engage" platform to facilitate interactions between investors and companies. The annual CG evaluation of issuers was updated to include a new question on value enhancement by companies.

As of 30 April 2025, only nine out of 1,039 TWSE-listed companies have published a corporate value enhancement plan. We find that these plans evaluate current business operations and financial health but generally lack detail on future strategies and do not provide frameworks to assess the effectiveness of proposed measures. From our discussions, we understand that the TWSE plans to refine the template and to publish best-practice examples. It targets to raise participation to 10% of listed companies, i.e. to reach

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100, by end 2025. For the Enhancing Market Value initiative to have greater impact on market perceptions, we believe the target for participation over the medium-term should be at least half of the listed issuers.

Hong Kong has yet to launch a dedicated Value Up initiative. However, it has encouraged issuers to go beyond the Listing Rules to step up their capital management efforts, while noting China's market value management and other similar initiatives in the region. Issuers are also being nudged to prioritise shareholder value through mandatory disclosure of their dividend policies. This requirement was set out in the CG Code amendments announced by the Hong Kong Exchanges and Clearing (HKEX) in December 2024, together with other measures aimed to enhance board independence, effectiveness and diversity.

Earlier, in April 2024, the exchange completed its consultation on treasury shares, allowing issuers to retain repurchased shares as treasury stock, rather than mandating their cancellation, and to resell these shares under specific conditions.

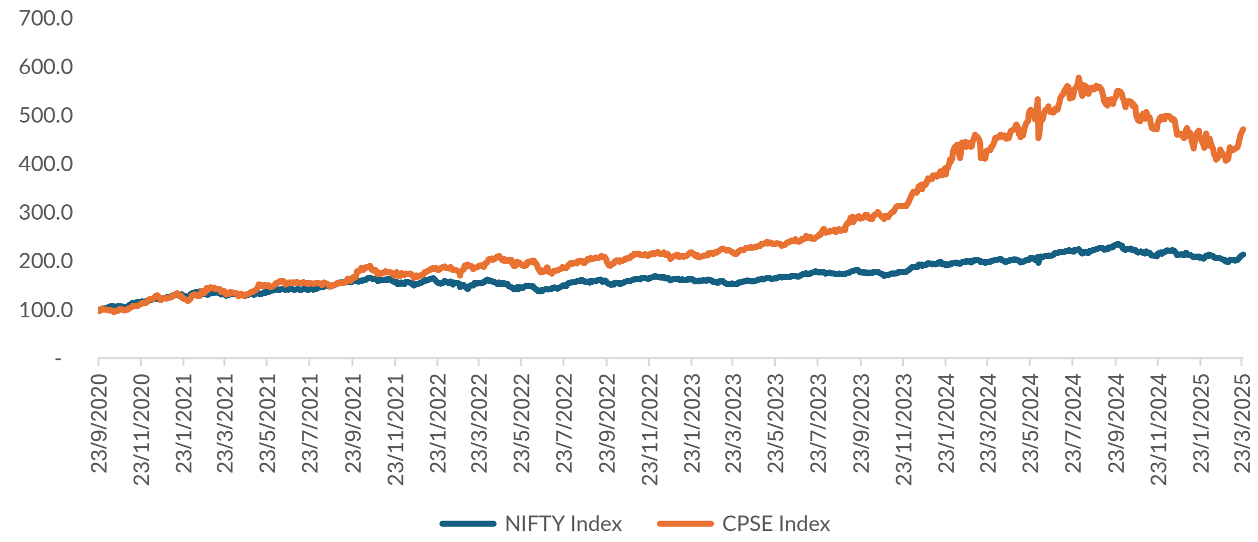
The push by regulators for companies to consider shareholder value as a central element of their corporate governance is not absent in the Hong Kong market but mainly derives from the dual-listed mainland Chinese companies that are subject to CSRC oversight. Mainland companies are now some 80% of the total market capitalisation for Hong Kong. However, the MSCI Hong Kong index (MSCI-HK) which focuses on Hong Kong businesses trades at 0.9x PB, the second lowest in the region and similar to the valuations of MSCI-Korea. MSCI-HK constituents generate the lowest ROE in the region at 7.1% for FY24 (see page 5 above). There is a strong case for a similar programme focusing on company quality and shareholder value to be rolled out to all Hong Kong equities.

India

The Indian market has provided strong returns in recent years given the excitement of economic growth and pro-business policies. The market does not have the same issues of poor performance and low valuations seen in most other Asian markets. Thus India has no explicit Value Up programme. Recent initiatives including deregulation measures and digitalization should continue to provide a business-friendly environment for companies. In the past five years, the most remarkable progress on value creation has been in the state-controlled segment. Revised capital guidelines and disinvestment policies of Central Public Sector Enterprises (CPSEs) have led to astonishing returns: while the Indian market as measured by the NIFTY 50 index is up 53% over three years to mid-2024, the CPSE index was up 232%.

Figure 8:

Performance Comparison: Nifty CPSE Index vs Nifty 50 Index



Source: ACGA Research, Bloomberg

The Department of Investments and Public Asset Management (DIPAM) has driven the reforms with the CPSEs. The head of DIPAM for the last five years, Tuhin Kanta Pandey, was appointed Chairman of the market regulator, SEBI, in March 2025, potentially a promising development for similar policies to induce value creation to be rolled out for the broader market.

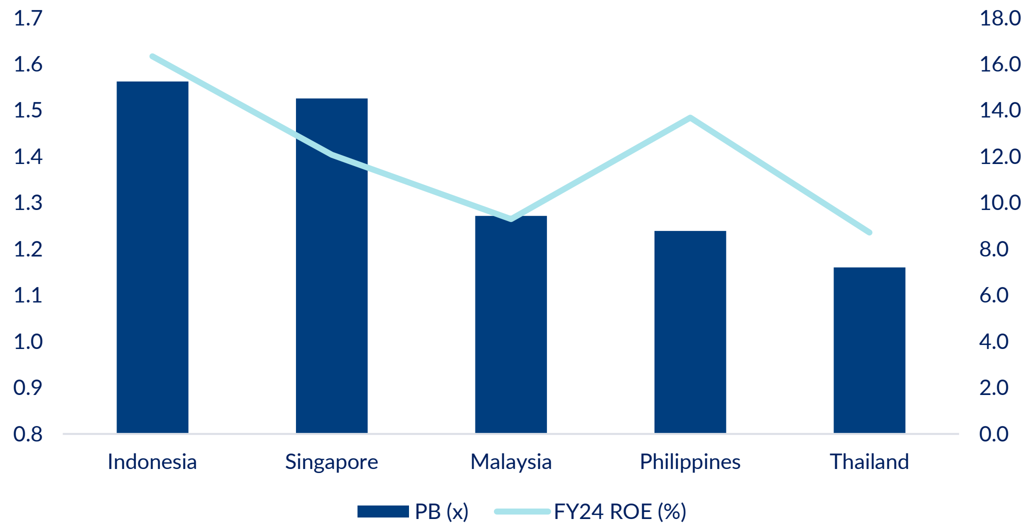
ASEAN

In the ASEAN region, initiatives to promote value-creation have been introduced in Singapore and Malaysia, while Thailand appears to be preparing a comprehensive plan. The Philippines was early to the game, launching a premium board of higher quality companies in 2009; however, the momentum on this dissipated, underscoring how plans without proper execution will wither. Meanwhile the Indonesian market generates a reasonable ROE, trading at one of the highest PB valuations and there are no signs of it launching any Value Up type programme.

Although market volumes and new listings have been lacklustre, **Singapore** does not have a pressing valuation problem for its larger capitalised companies. Based on constituents of the MSCI Singapore Index, the market trades at 1.5x PB and offers an attractive yield with a payout ratio of 66%, one of the highest in the region. The market ROE has doubled since hitting a cyclical low in 2020 reaching 12.1% in 2024. Singapore Exchange Regulations (SGX RegCo) has nevertheless introduced in July 2024 a three-pronged “value focus” initiative aimed at enhancing long-term shareholder value. The initiative has three priorities. First is to improve board quality, i.e. for companies to have high-calibre boards capable of driving strategic decisions that enhance shareholder value. The second priority is to empower shareholders through mechanisms that allow active engagement to influence company decisions, thereby promoting transparency and accountability. The third priority is to modify market mechanisms with changes in regulations to encourage corporates to focus on long-term value creation.

Figure 9:

ASEAN markets: ROE and PB (MSCI constituents)



Source: FactSet, MSCI, CLSA

Complementing this, the Monetary Authority of Singapore (MAS) in February 2025 launched a S$5 billion Equity Market Development Programme (EQDP). The objectives of the market development programme are to strengthen the local fund management ecosystem and increase investment in Singapore-listed equities. It includes tax incentives, adjustments to its Global Investor Programme to attract more capital to the market and streamlining regulatory processes for IPOs.

The "value focus" programme in Singapore is voluntary. Market ROE and overall valuations are reasonable for the larger index companies. However, market returns have been lacklustre and capital raising through IPOs in the last two years has been barely US$30 million per year, with more delistings than new listings in recent years which has led to a decline in total number of listed companies. The greater urgency in the market is to attract new listings which greater liquidity and higher market valuations could attract. The efforts to inject funds to the market via the EQDP is a commendable initiative in this direction. Our key recommendation is that the mandates come with stringent stewardship requirements on asset managers to encourage greater investor engagement with companies and their boards. Singapore also needs to consider longer-term measures to improve market liquidity, including mechanisms to channel the high level of retirement savings into the local market.

In **Malaysia**, there has been an awareness that effort was needed to enhance the attractiveness to investors of its larger listed companies. The Government Linked Company (GLC) Transformation programme was launched in 2004: a ten-year period stretching to 2015, focused on an initial list of 20 government-linked companies which had relatively impressive results. In 2022, Bursa Malaysia launched a broader PLC Transformation (PLCT) programme, adapted for the broader market. While participation is voluntary and open to all companies, as at end-2024, some 326 companies representing 65% by market capitalisation of the Malaysian equities market were participants in the PLCT programme.

The programme sets out five pillars for companies to improve their investability, ranging from being purpose and performance driven, to improving stakeholder relations to being digitally enabled and contributing to nation building. The programme was designed to be voluntary rather than prescriptive and therefore does not set out specific financial metrics for companies to target. While it did incorporate improving enterprise governance, this did not include specifying board and senior management responsibility in relation to improving shareholder value and returns. Emphasis was placed on strengthening the investor relations function, with less focus on independent directors and the board's interaction with investors to improve its oversight function.

Despite significant participation by listed companies, the overall impact of this voluntary programme has not been encouraging. The ROE of the market has been on a downtrend since 2014. The main market index, the FTSE Bursa Malaysia KLCI, has traded within a range in the last three years and ended 2024 at similar levels to when the programme was launched.

The PLCT programme was launched with just a three-year time frame and expires at the end of 2025. Bursa expects the efforts and outcomes driven by the programme to continue beyond the end of the programme. Given the focus and potential impact of various Value Up style initiatives across the region, we expect a version 2.0 of the PLCT, emphasizing capital management more explicitly and requiring a greater role for corporate boards to drive shareholder value.

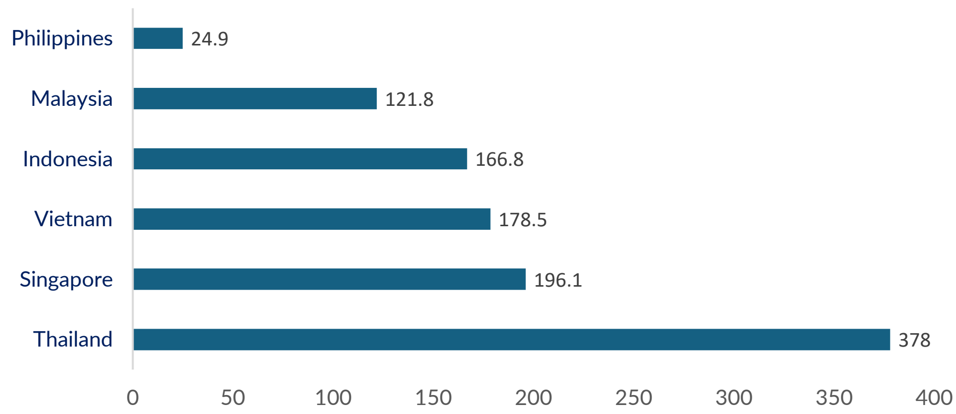
Thailand has yet to launch a Value Up initiative for its stock market but based on recent discussions we have held with regulators, plans are advanced to do so. As with many APAC exchanges, the stimulus to launch some form of programme to enhance valuations of locally listed companies has arisen as foreign institutional interest in the local market has waned. The average ROE for the Thai MSCI over the last five years has been a pedestrian 8.7%, one of the lowest in the Asia Pacific region. The local bourse lost 17% in 2024 alone in dollar terms. Thai market PB valuations have fallen from 1.8x in 2020 to just 1.2x thus far in 2025.

The **Philippines** has not yet formalised any Value Up strategy. Based on recent discussions with regulators, we understand there are no formal plans yet to do so. Ironically the Philippines was possibly the first to propose a Value Up approach for its market. Dubbed the Maharlika Board, the proposal was promoted by senior executives at the stock exchange as early as 2009. The Maharlika Board proposal sought to address dwindling turnover and weak valuations by establishing a separate index which would distinguish listed companies that meaningfully subscribe to and promote higher corporate governance practices. However, the initiative appears to have failed to gain enough support among listed companies and other vested interests.

The Philippines now has the lowest market capitalization (US$ 325 billion as of February 2025) of any stock market in ASEAN referenced here. It also had the lowest traded annual value in 2023 at just $24.9 billion. It is a singular example of how implementation and execution is crucial for current Value Up programmes across the region to have a meaningful impact.

Figure 10:

ASEAN public equity markets annual traded value 2023 (US$bn)



Source: OECD

Similarly, **Indonesia** has not announced any plans for Value Up initiatives. The most notable recent initiative is the launch in March of Daya Anagata Nusantara Investment Management Agency known as Danantara Indonesia. This newly-established sovereign wealth fund (SWF) will assume ownership and control of some of the country's largest SOEs, including listed banks, the government-controlled telecoms company as well as the electricity monopoly, the state-owned oil and gas conglomerate and the national mining company.

With a starting capital of more than US$900 billion, it will be one of the world's largest SWFs. Danantara Indonesia states that it will drive economic growth by implementing good governance, enhancing asset efficiency, attracting global investments, and strengthening Indonesia's competitiveness in strategic sectors. There will likely be significant challenges including the stifling bureaucracy and perceived endemic graft within many of the SOEs. The proposed governance structure raises concerns over political interference and potential conflicts of interest.

Shareholder value programmes: Key success factors

The following chapters provide detailed descriptions and analyses of the shareholder value policies introduced in each of the markets. The challenges in each market as well as the cultural and corporate norms in each country differ, hence the approach that suits will vary. However, we believe there are certain features that are essential to address if market-wide initiatives to improve shareholder value are to succeed.

Key elements to drive shareholder value are capital management, understanding of cost of capital and strategies of businesses to drive shareholder value. Boards need to be actively involved in setting the direction, including strategy, policy, implementation and culture; directors also need to play a greater role in communicating with investors to obtain direct feedback and understand the concerns and views of the market. Policy makers and regulators need to provide appropriate incentives for companies to make the shift which would include multi-stakeholder coordination and engagement. Our recommendations to policy makers, corporates and other stakeholders for the successful implementation of Value Up style programmes are summarized in Figure 11.

Just as execution of company plans should be evaluated annually, similarly regulators could also periodically assess the effectiveness of the programmes and the incentives to induce meaningful participation. The realignment of thinking on corporate governance to shareholder value is at an early stage, as our review of the respective markets demonstrates. But for capital markets to serve the purpose of providing capital and appropriate returns to investors, this is the direction that markets need to take.

Figure 11:

Key success factors for shareholder value programmes

1	**Capital management**	Improved capital management and profitability ratios are key for sustainably higher valuations and shareholder returns. This would cover a formal and explicit dividend policy as well as judicious allocation of capital. An awareness of cost of capital and how this serves as a hurdle rate for new investments is part of expected financial discipline.
2	**Measurable targets**	The relevant financial targets will vary by sector, industry and the business model of a company. Targets and guidance of companies should move beyond revenue and EPS growth to metrics that reflect profitability e.g. ROE, ROA, ROCE or ROIC, and targets on performance relative to industry benchmarks.
3	**Annual evaluation and KPIs**	Annual evaluations measuring success relative to targets are a key performance incentive. Relevant targets for management to drive shareholder value should be part of KPIs, assessed annually and factor as a key element of compensation of senior executives.
4	**Board involvement**	Strategy and direction should emanate from the board which is also responsible for overseeing execution of policy. Company boards need to be closely involved in setting policies for shareholder value and tracking management for delivering on these. Interactions between the board (not just IR) and investors is key for the board to understand market concerns, help determine strategies, and to communicate effectively with investors on strategy and direction.
5	**Board competency**	With greater responsibility on the board to set strategy that drives shareholder value, it is imperative that board members understand operational value drivers and relevant financial metrics for the businesses.
6	**Assessment of regulators**	Beyond setting guidelines, regulators have a role to provide templates and best practices regarding disclosures relevant to shareholder value initiatives. Company plans should not be generic to the extent of being meaningless. Assessment of plans could be through committees set up by regulators with external experts. Regulators should periodically assess the effectiveness of the programme and any adjustments that may be required.
7	**Incentives to corporates**	If corporates are not yet running their business in the interest of driving shareholder value, they need more than regulatory push but also incentives to participate, potentially including their status in a premium segment of the market requiring higher standards of the issuers.
8	**Multi stakeholder coordination**	Changing mindsets and the prevalent corporate culture is a major task and requires various stakeholders–policy makers, regulators, industry bodies, asset owners and asset managers-–to be aligned for effecting change.

Source: ACGA Research

Japan: Corporate governance reforms for shareholder returns

Anuja Agarwal, Research Head, Japan and India

Japan's corporate governance reforms are primarily voluntary, guided by a "comply or explain" framework under the Corporate Governance Code and Tokyo Stock Exchange (TSE) guidelines. However, regulatory and market pressures create strong incentives to comply – companies face reputational risks if they ignore reforms.

The Financial Services Agency's (FSA) "Action Program for Accelerating Corporate Governance Reform: From Form to Substance," was published on 26 April 2023, and TSE's "Action on Cost of Capital-Conscious Management and Other Requests" was issued on 31 March 2023. Together with revisions to Japan's Stewardship Code and the Corporate Governance Code, the Action Programs have driven tangible progress in reducing cross-shareholdings, enhancing board independence, improving management consciousness for capital efficiency, some improvements in gender diversity and increasing focus on privatization of subsidiaries.

New listing criteria from TSE are also aligned with corporate governance reforms and companies risk shifting to lower segments or delisting if they do not meet requirements. As of February 2025, according to data provided by JPX, 91% of Prime Listed companies (1,485) and 49% of Standard Listed companies (771) have disclosed relevant plans. TSE does not itself judge the effectiveness of these action plans but based on a process of investor engagement and feedback publishes good and bad examples on its website. We also saw 94 de-listings from the TSE in 2024 in a drive for quality, the highest number since 2013 and the first ever decrease in the total number of companies in the market.

In this section of our report, we note promising areas for development in 2025 which can maintain reform momentum and further steps to be taken. The next phase of reforms will be focused on human capital development, and we recommend director training to be made mandatory. Schroders reports that 44% of Japanese companies are net cash as of December 2023.[1] Thus, there will be renewed emphasis on corporate growth and appropriate capital allocation with the aim of achieving sustainable returns.

Further, on 19 March 2025, ACGA wrote an open letter recommending releasing Yuho reports before AGMs and on the alignment of record dates closer to AGMs. On 28 March 2025, the Financial Services Agency (FSA) and Financial Services Minister Kato requested all listed companies to release Yuho before their AGMs: this will be an important measure to track during the forthcoming proxy season.

Two other significant developments to track are the progress of beneficiary shareholding disclosure rules and the Code of Corporate Conduct from TSE on Management Buyouts (MBOs) and consolidation of subsidiaries. Japan offers a blueprint for other Asian economies seeking to modernize their capital markets. However, to replicate the success of Japanese regulators, it is important to track the evolution of reforms in Japan and to gain insight into the process behind it, whilst acknowledging that each country must work out its own reform journey and that there is no "one size fits all" solution.

[1] https://www.schroders.com/en/global/individual/insights/how-japanese-companies-could-help-boost-your-income/

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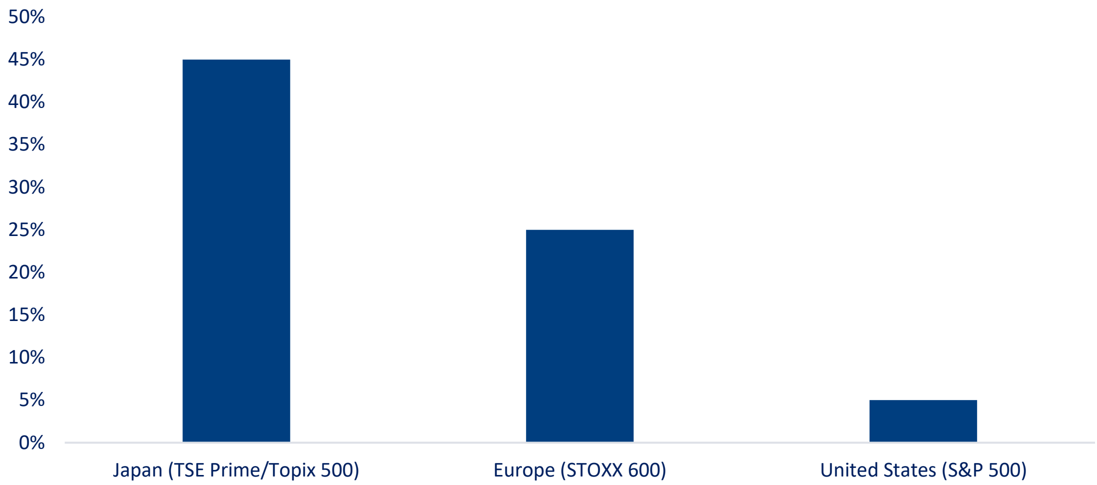
The paradox of Japanese markets: World-class companies, low returns
Since the bursting of its stock market bubble in the early 1990s, Japan's equity markets have presented a paradox: globally competitive companies with cutting-edge technology and strong fundamentals traded at depressed valuations, plagued by low returns on equity (ROE) and price-to-book (PB) ratios. As an example, as of 1 July 2022, the ratio of companies whose PB is lower than one within major stock indices is 43% in Japan (TOPIX 500) compared to 5% in the U.S. (S&P 500) and 24% in Europe (STOXX 600)[2]. At the same time, in 2020, Japan was the world's third-largest economy, accounting for 5.9% of global GDP.[3]

Figure 12:

Price/Book ratios global comparison



Source: Bloomberg. Data provided by JPX, as of 1 July 2022

In the early 2000s, then-Prime Minister Junichiro Koizumi called for "privatization reforms," and in early 2010s, late-Prime Minister Shinzo Abe introduced "corporate governance reforms."[4] Since then, there has been an ongoing wave of reforms linking governance to tangible financial metrics, fostering stakeholder collaboration, and deploying innovative regulatory tools.

There are many reasons behind the rally in Japanese markets, including an end to the deflationary spiral and geo-political dynamics as investors diversified assets across markets; but governance and regulatory reforms have also contributed to removing structural issues and unlocking shareholder value.

The Japanese market: Evolution of reforms
Phase 1 of reforms - Abenomics and the Corporate Governance Code
Amid mounting economic challenges, Prime Minister Shinzo Abe launched Abenomics in the 2010s, introducing the "three arrows" strategy: aggressive monetary easing, fiscal stimulus, and structural reforms. This third arrow focused on enhancing corporate governance to address inefficiencies, leading to the implementation of the Stewardship Code in 2014 and the Corporate Governance Code in 2015 to improve transparency and accountability among Japanese companies.

The first phase of reforms focused on creating a clear framework to address and remove the structural inefficiencies and have been summarized in Figure 13 below.

[2] https://www.jpx.co.jp/english/equities/follow-up/b5b4pj000004yqcc-att/b5b4pj0000051c57.pdf
[3] https://www.visualcapitalist.com/cp/the-worlds-largest-economies-1970-2020/
[4] https://corpgov.law.harvard.edu/2023/11/05/unlocking-hidden-value-through-engagement/

Figure 13:

Structural reforms launched in 2012-2021 and their significance

Year	Milestone	Comments
2014	Ito Review	Modelled on the UK's Kay Review, the Ito Reviews in 2014 and 2017 put corporate governance, capital efficiency and investor dialogue under a spotlight through detailed analysis and policy recommendations.
2014	Stewardship Code	Institutional investors were encouraged to actively monitor, engage with, and exercise voting rights at companies, promoting better governance and accountability. Revised in 2017, 2020 and undergoing third revision currently.
2015	Corporate Governance Code	Required companies to secure shareholder rights, treat shareholders equally, improve board independence, and ensure timely and transparent disclosure. Revised in 2018 and 2021.
2015	Revision to Companies Act	Enhanced board governance by offering an Audit and Supervisory Board and emphasized role of independent directors.

Source: ACGA Research

a) The 2014 Ito Review emphasized 8% ROE as a benchmark for capital efficiency, and stated: "If one decomposes ROE into the factors of return on sales, asset turnover ratio, and financial leverage and then compare these with the US and Europe, there is not much difference with respect to asset turnover ratio and financial leverage, therefore indicating that the low ROE of Japanese companies is largely caused by their low profitability".[5]

The study further identified excessive cash hoarding and lack of management awareness on cost of capital and ROE as key reasons for capital inefficiency. Thus, the underpinning logic behind the reforms was determined through detailed studies and analysis, hence the reforms were relevant and material for the corporates. The 2017 Ito Review formalized a framework (Guidance for Collaborative Value Creation) for constructive engagement between companies and investors to support sustainable growth.

[5] https://www.meti.go.jp/policy/economy/keiei_innovation/kigyoukaikei/ito_review__released_august2014_en.pdf

Figure 14:

Capital productivity of Japanese, US and European companies, Ito Review, 2014[6]

		ROE	ROS	Turnover ratio	Leverage
Japan	Manufacturing	4.6%	3.7%	0.92	2.32
	Non Manufacturing	6.3%	4.0%	1.01	2.80
	Total	5.3%	3.8%	0.96	2.51
U.S.	Manufacturing	28.9%	11.6%	0.86	2.47
	Non Manufacturing	17.6%	9.7%	1.03	2.88
	Total	22.6%	10.5%	0.96	2.69
Europe	Manufacturing	15.2%	9.2%	0.80	2.58
	Non Manufacturing	14.8%	8.6%	0.93	3.08
	Total	15.0%	8.9%	0.87	2.86

Note 1) Based on actual business results of 2012 calendar year. Financial and real estate industries are excluded.

Note 2) Companies included in this analysis were those included in TOPIX 500, S&P 500, and Bloomberg European 500 and whose data were available.

(Source) Analysis by Misaki Capital Inc. (Bloomberg data was analyzed based on the initial analysis by Naoki Kamiyama of Merrill Lynch)

Source: ITO Review, 2014

b) Japan's Stewardship Code was first established in 2014 and has since been revised twice, in 2017 and 2020, with a third revision currently under public consultation as of May 2025. Similarly, the Corporate Governance Code was introduced in 2015 and has been revised twice, in 2018 and 2021. These updates reflect Japan's ongoing commitment to strengthening corporate governance standards and aligning with international best practices. Both codes adopt a "comply or explain" approach and are designed to work together to foster sustainable corporate value and better investor-company dialogue in Japan. Together they helped foster long term value-creation based on continuous engagement between listed companies and institutional investors.

[6] ROS = Return on sales

Figure 15:

Corporate Governance/ Stewardship codes

Corporate Governance Code	Stewardship Code
Securing the rights and equal treatment of shareholders	Establish and disclose a clear stewardship policy
Appropriate cooperation with stakeholders other than shareholders	Establish and disclose a clear conflict of interest policy
Ensuring appropriate information disclosure and transparency	Monitor investee companies for sustainable growth
Responsibilities of the board	Constructive engagement based on common understanding
Dialogue with shareholders	Establish a voting policy that is not mechanical and contributes to sustainable growth
	Periodic reporting on stewardship activities, including voting
	Develop skills and resources for engagement, make judgments aligning with investment strategy based on in-depth knowledge
	Service providers should provide stewardship-enhancing services.

c) A critical aspect of the 2015 Corporate Governance Code was the introduction of annual board assessments of cross-shareholdings, requiring disclosure of their purpose and justification of returns exceeding cost of capital. These requirements were further enhanced by the FSA in 2023 and 2024. We note that many asset managers include percentage of crossholdings as a criterion in their voting guidelines.

Governance in practice: Japan Exchange's sale of SGX shares sets a precedent

On 30 March 2018, Japan Exchange Group (JPX), which operates the Tokyo Stock Exchange and serves as frontline regulator to listed companies in Japan, announced that the 53.1mm shares (4.95%) in the Singapore Exchange Ltd (SGX) which it had purchased in 2007, with "the aim of constructing a cooperative relationship", would be sold "sequentially" (i.e. a portion each year) over the next three years:

On the other hand, Japan's Corporate Governance Code (the Code), which was introduced in 2015, requires listed companies to examine and explain the economic rationale and future outlook of holding shares of other listed companies for reasons other than pure investment purposes. Following a review of the requirements under the Code, JPX reached the view that the existing cooperative relationship with SGX would continue even without holding the shares of SGX[7]

[7] https://www.jpx.co.jp/english/corporate/news-releases/0010/b5b4pj0000022zaq-att/b5b4pj0000022zbm.pdf

Both the codes brought about significant changes in behaviour from other stakeholders in the financial markets as well. As an example, asset owners and managers both showed compliant action in line with recommended practices.

Governance in practice: GPIF mandated stewardship for external managers in 2017[8]

GPIF, the leading pension fund in Japan, and the world's largest by assets, required its external managers to implement the following steps:

- Adopt Japan's Stewardship Code.
- Establish strong internal governance and oversight for stewardship activities.
- Appropriately manage conflicts of interest.
- Integrate ESG (Environmental, Social, and Governance) factors into their investment process; publicly disclose detailed proxy voting records.

d) Supervisory Function of the Board of Directors (Company with Audit/Supervisory Committee, Outside Directors) – In June 2014, an amendment to the Companies Act which came into practice on 1 May 2015 enabled Japanese companies to adopt a governance model which strengthened the role of the board. Traditionally Japanese companies have used the "kansayku-kai" model of corporate governance (statutory auditor board but without voting rights) and to date, adoption of the "three committee system" – the closest model to Westen style corporate governance – has been limited at only 4.9% of Prime listed companies.[9] The third option of Company with Audit/ Supervisory committee that was introduced in 2015 has seen better acceptance. According to data provided by JPX, currently 44.2% of Prime listed companies have adopted this model. There is still progress needed but this has brought into focus the role of board governance.

Phase 2: Catalytic reforms by TSE, FSA and METI

On 4 April 2022, the TSE underwent a major reorganization, consolidating its previous five market segments – First Section, Second Section, Mothers, JASDAQ (Standard), and JASDAQ (Growth) – into three new segments: Prime Market, Standard Market, and Growth Market. The TSE requires listed companies to maintain a minimum tradable share ratio as part of its continued listing and delisting criteria. The minimum ratios are 35% or higher for the Prime Market and 25% or higher for Standard and Growth Markets. Shares held by banks, insurance companies, and other financial institutions are generally excluded from the definition of tradable shares if they are held as cross-shareholdings or for purposes other than trading. The TSE's framework is designed to exclude stakes that are essentially illiquid, regardless of whether the holder is a financial institution, business corporation, or individual.

Companies not meeting the new criteria were allowed to remain listed temporarily, provided they disclose plans and progress toward compliance. The expiration of these transitional measures depends on each company's fiscal year, after which non-compliant companies face a one-year improvement period before possible delisting or shifting to a lower segment.

We can see the corresponding increase in delistings in 2024 in Figure 16 below.

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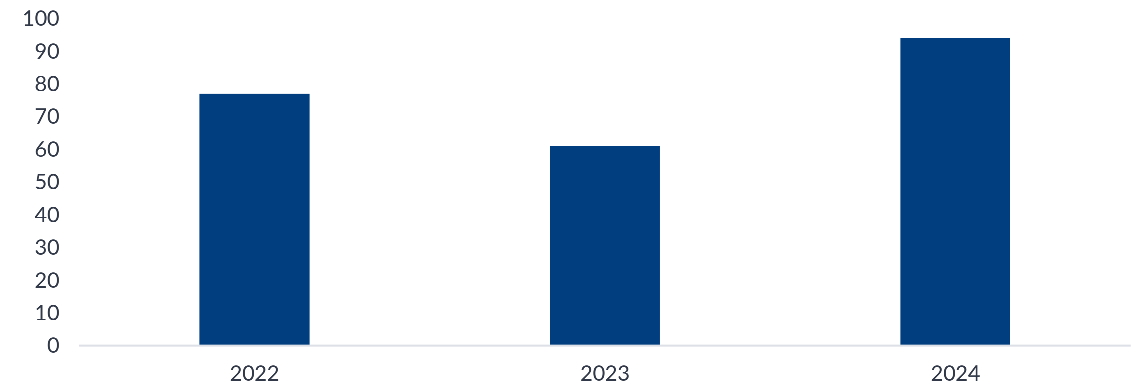
[8] Source: https://www.gpif.go.jp/en/investment/pdf/gpif_stewardship_activities_report_in_2017.pdf

[9] According to data provided by JPX.

Figure 16:

Number of delistings on Tokyo Stock Exchange (2022-2024)

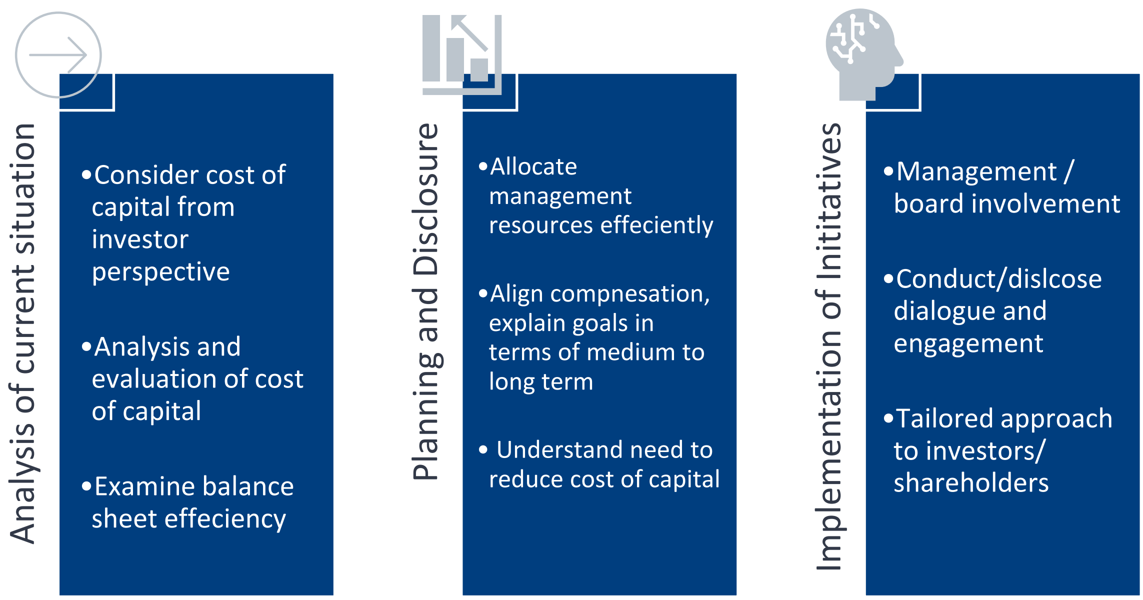


Source: JPX data

In March 2023, the TSE launched a major initiative as part of its ongoing corporate governance reforms. The programme, known as the "Action to Implement Management that is Conscious of Cost of Capital and Stock Price," targeted all companies listed on the Prime and Standard Markets. Companies were urged to publicly disclose their strategies and concrete actions to improve capital efficiency, such as setting targets for ROE and PB, and to enhance dialogue with shareholders.

Figure 17:

Main pillars of TSE's 2023 Corporate Governance initiative[10]



This directive focused on increasing awareness of capital management, promoting company-investor dialogue, improving transparency through better disclosures and finally, increasing effectiveness of Independent directors.

[10] https://www.jpx.co.jp/english/equities/follow-up/02.html

Since January 2024, the TSE has published a monthly list of companies on the Prime and Standard Markets that disclose their actions in response to the request for "management that is conscious of cost of capital and stock price." This list identifies which companies have made disclosures, which are still "under consideration," and which have not disclosed at all. As of February 2025, according to data provided by JPX, 91% of Prime Listed companies (1,485) and 49% of Standard Listed companies (771) have disclosed.

The TSE has also been publishing good and bad case studies to encourage higher quality disclosures and align corporates efforts with investor expectations. In November 2024, the TSE revised the monthly list of disclosed companies to encourage active engagement with investors. Some 242 Prime Market companies, mostly smaller ones, indicated they would like to have more engagements.

As an example, Hitachi's Corporate Governance Report (December 2024) demonstrates strong alignment with TSE's disclosure expectations and global best practices.

- Hitachi Board: 9 out of 12 directors are independent; transparent KPIs in their renumeration policy.
- Their cross shareholdings are subject to annual review, active reduction and transparent rationale.
- The company's Mid-term Management Plan 2024, as shown below, has clear targets with awareness of cost of capital

Figure 18:

Hitachi's Action plan as of December 2024[11]

[Action to Implement Management that is Conscious of Cost of Capital and Stock Price] [Updated on December 23, 2024]

Under the Mid-term Management Plan 2024, the Company sets fiscal 2024 performance targets, which are 5-7% Annual growth rate for revenue (FY 2021-FY 2024 CAGR), 12% Adjusted EBITA margin, 600 yen EPS*, 1.2 trillion yen Core free cash flows (cumulative for 3 years), and 10% return on invested capital (ROIC), and the Company is working to generate cash and enhance shareholder returns.

* Calculated using the number of shares before the share split (effective on July 1, 2024)

(1) Further strengthening cash generation capability and deepening ROIC management

The Company aims to grow EPS and core free cash flows per share (CFPS) by maximizing cash flows from operating activities through expansion of the Lumada business, which is a revenue growth driver, sales growth and improvement of profitability by reviewing business processes, reduction of loss costs through risk management and strengthening of working capital monitoring including early collection of accounts receivable, and by strengthening cash generation capability through careful monitoring of each capital investment item.

In addition, the Company introduced ROIC as a KPI for business management from fiscal 2019 to accelerate management that emphasizes capital efficiency, with the aim of sustainably generating returns that exceed the weighted average cost of capita (WACC), which is the cost of raising invested capital. To achieve the 10% ROIC targeted, the Company will further deepen ROIC management by utilizing the ROIC tree and developing internal KPIs for each business and formulating and reviewing of business strategies.

(2) Increasing shareholder returns

The Company views the return of profits to shareholders through enhancing corporate value from mid-to long-term perspective and paying dividends and repurchase of its shares as an important managerial issue. The policy of the Company regarding dividends is to aim for the stable payment of dividends while also securing the funds necessary for investment dividends are determined by comprehensively taking into account factors such as financial performance trends, the financial situation, and the dividend payout ratio. The Company flexibly repurchases its shares depending on factors such as capital needs and the business environment. In accordance with its mid- to long-term management strategy, the Company utilize undistributed profits in areas such as M&A, research and development, and capital expenditure, in order to secure competitiveness and grow the business as a global enterprise.

Based on the above policy, the Company increased dividends in fiscal 2023 and resolved, at the Board of Directors meeting held on April 26, 2024, to acquire treasury stock up to 200 billion yen in fiscal 2024.

Details of the measures taken to realize management in the Company that is conscious of capital costs and stock prices are disclosed in the Company's Mid-term Management Plan, Annual Securities Report, and Integrated Report, etc.

[11] https://www.hitachi.com/IR-e/corporate/governance/governance.pdf. Page 4.

METI and FSA's Complementary Measures

In April 2023, Japan's FSA published the "Action Program for Accelerating Corporate Governance Reform: From Form to Substance." This initiative, developed by the Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Corporate Governance Code, aims to move Japanese corporate governance beyond box-ticking and compliance, focusing instead on real, substantive improvements in how companies are run. The Action Program emphasized improvements in three main areas:

1. Management issues: Encouraging greater awareness of cost of capital, profit making, sustainability, and human capital.
2. Effectiveness of independent directors: Performance of the board, nomination and remuneration committees, and director quality.
3. Company-investor dialogue: Enhancing disclosure and addressing legal and market environment issues (i.e., shareholder rights).

The FSA underscored that it was vital to move the focus of reform from form to substance and that producing ever-more detailed CG regulatory requirements might undermine the purpose of reform, namely "boosting the growth of listed companies and the increase of corporate value over the mid- to long-term".

Japan's FSA has also played an active role in promoting the reduction of cross shareholdings by Japanese companies in the following ways:

- The FSA took administrative action against four major Japanese non-life insurers in December 2023, and these companies subsequently pledged to eliminate all cross-shareholdings-totalling around ¥6.5 trillion (as of March 2024) by 2030.
- 2024 Measures: Introduced stricter disclosure rules for firms reclassifying cross-held shares as "pure investments," closing certain loopholes.

Governance in practice: Japanese corporates announcing zero cross holding targets

In June 2023, Japan's three major megabanks, Mitsubishi UFJ Financial Group (MUFG), Sumitomo Mitsui Financial Group (SMFG), and Mizuho Financial Group, publicly set ambitious targets to unwind a significant portion of their cross-shareholdings over the coming years. The combined target for the three banks is approximately ¥850 billion (c. US$ 5.4 billion) in cross-shareholdings to be sold over three years

In September 2023, Aisin Corp announced in their mid-term plan that they will sell "over ¥100bn" of crossholdings, aiming to eventually reduce these to zero by 2025. [12]

Japan's Ministry of Economy, Trade and Industry (METI) announced [13] its "Guidelines for Corporate Takeovers," in August 2023. These guidelines place greater responsibility on corporate boards to objectively evaluate all takeover proposals with a clear focus on maximizing corporate value. This framework encouraged directors to take a more active role in considering both divestitures and acquisitions as strategic tools for enhancing corporate value. This was also important for boards to consider takeover offers seriously, rather than be guided by management to dismiss proposals without serious review and consideration.

[12] https://www.aisin.com/en/investors/settlement/uploads/Mid%20Long-term%20IR_presentation_en.pdf
[13] https://www.meti.go.jp/english/press/2023/0831_001.html

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The process set in action through METI's guidelines is a longer-term direction to the market and will require regular updates and vigilant monitoring by both investors and regulators to ensure progress.

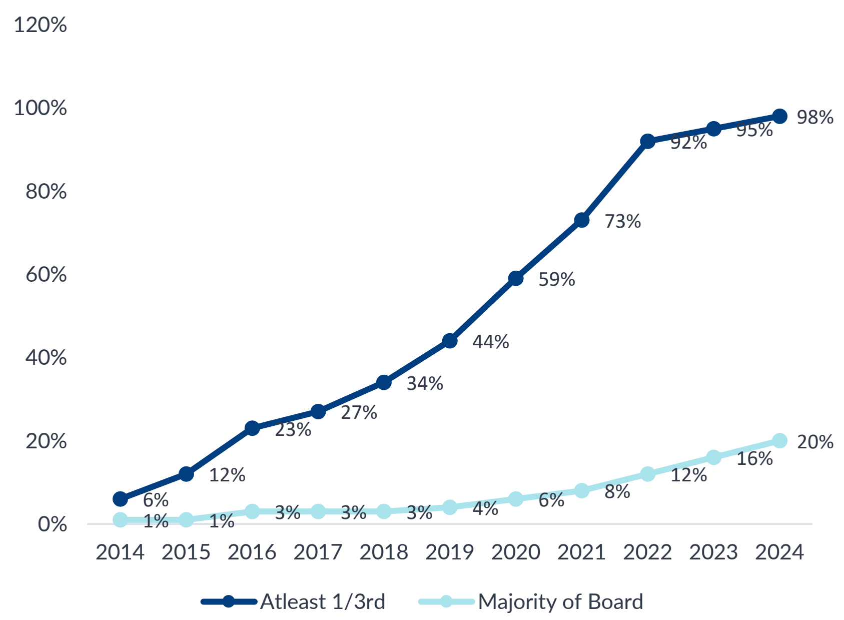
Governance in practice: Nidec's acquisition of Takisawa[14]

In August 2023, precision equipment maker Nidec announced a US$118 million hostile takeover bid for machine tool maker Takisawa. This deal was particularly notable because Takisawa's board ultimately approved the offer, marking a significant shift in Japanese M&A culture. Nidec's CEO publicly stated that the revised METI Guidelines were pivotal for the success of the transaction.

In the charts below we show data supporting the progress of governance reforms mentioned above.

Figure 19:

Board Independence at TSE Prime-listed companies



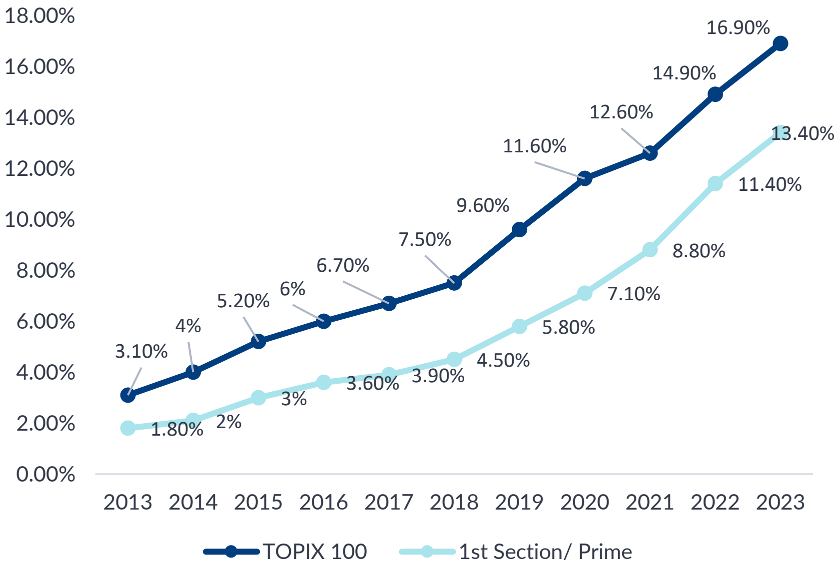
The proportion of Prime Market companies with at least one-third independent directors rose sharply from 63% in 2020 to 94% in 2022. Now more than 90% of Prime listed companies have adopted Nomination/ Compensation committees, even if these are advisory in nature. The focus has now shifted to director training and updating their skill matrix. Human capital development should remain a focus area for corporates in the future.

Source: TSE, September 2024

[14] https://www.reuters.com/business/nidecs-acquisitive-ceo-hails-new-japan-rules-aimed-making-takeovers-easier-2023-07-23/

Figure 20:

Percentage of Female Directors/ Officers in listed companies

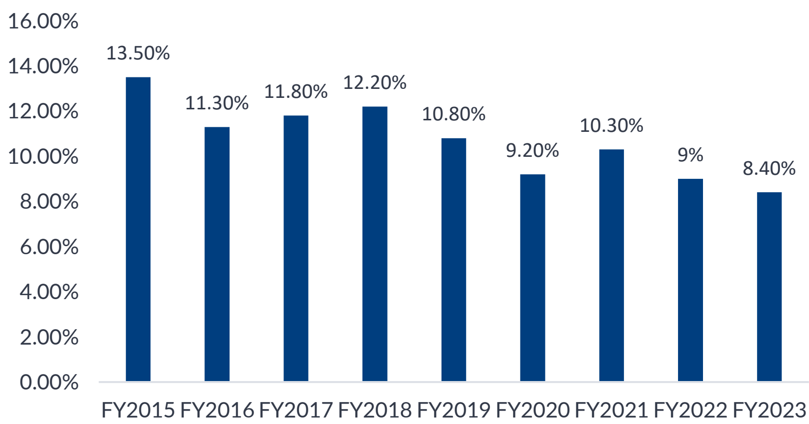


Japan still lags the US and Europe in overall female board representation. The government has set a target of 30% female board members by 2030, with an interim goal for all Prime-listed companies to have at least one female executive by FY 2025. Some official guidelines and policy documents expand the definition of female board members to include not just directors, but also executive officers and auditors, which has ignited a lot of debate.

Source: Gender Equality Bureau Cabinet office, 2024

Figure 21:

Topix 500, Company average strategic shareholding (percentage of net assets)



As of May 2024, nearly 70% of Prime listed companies have announced plans to reduce their positions in other companies.[15] The number of reclassifications (where shares held as cross-shareholdings are reclassified to shares held for pure investment purposes) peaked in 2022.[16]

Source: Topix 500 Annual securities report, FY2023

Japan continues to account for two-thirds of activist and engagement events in Asia. The total number of shareholder proposals has increased from 48 in June 2021 to 129 in June 2024, as seen in Figure 22 below.

[15] https://alumia.lu/the-5-trends-driving-japanese-stocks-in-2025/
[16] https://www.troweprice.com/en/lv/insights/tracking-progress-on-japan-efforts-to-unwind-cross-shareholdings

Figure 22:

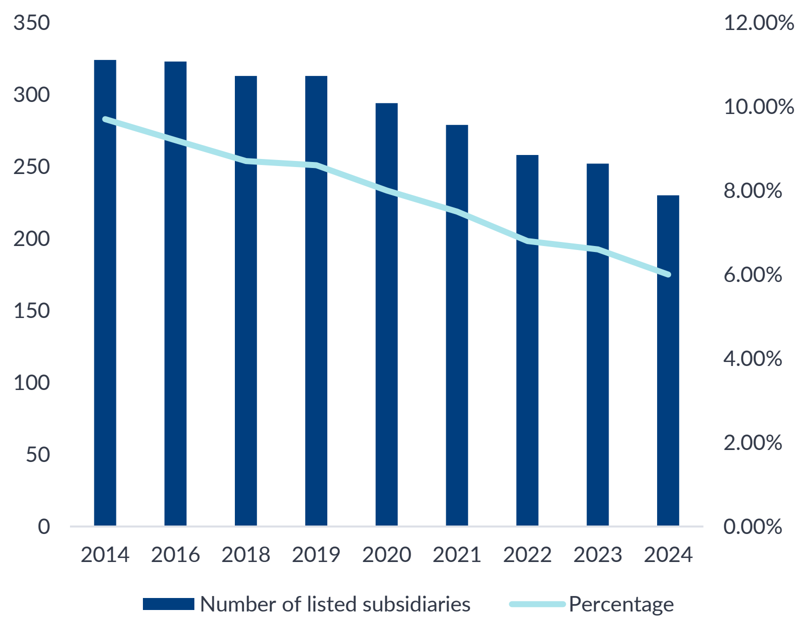
Institutional investor proposals

Proposal theme	Jun-21	Jun-22	Jun-23	Jun-24
Finance related (dividend increase, share repurchase etc.)	17	40	33	36
Governance related (appointment/ dismissal of directors, changes to articles of incorporation)	13	28	27	29
Disclosure (cost of capital, officer compensation etc.)	5	18	11	16
Management strategy	0	1	1	2
Total number of proposals	48	133	116	129

Source: Sumitomo Mitsui Trust Bank

Figure 23:

Number of listed subsidiaries (2014 to 2024)



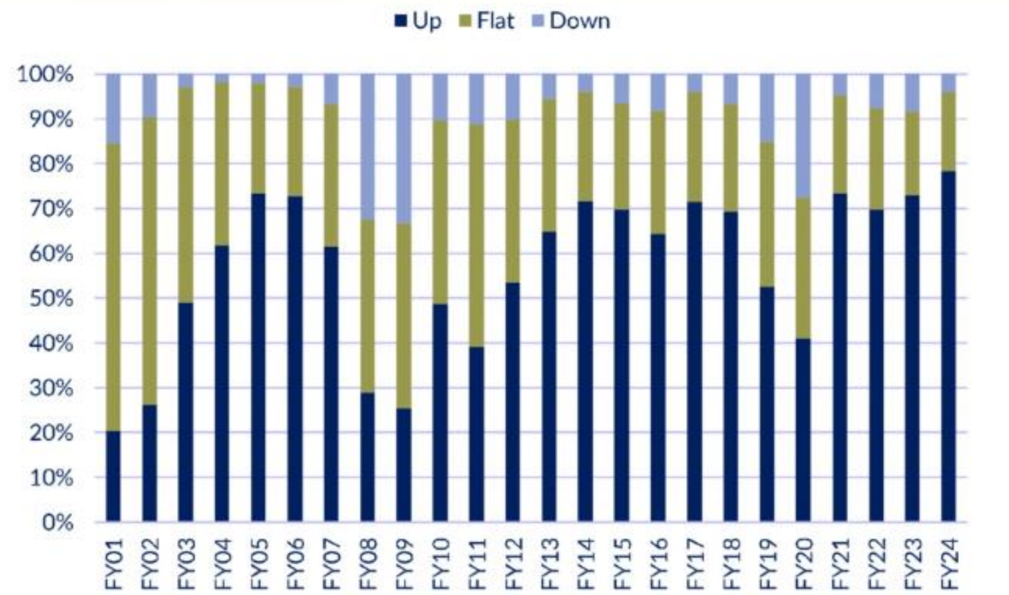
The number and percentage of listed subsidiaries is declining gradually, mainly through the parent company making subsidiaries wholly owned or selling off their stake in the subsidiaries. Investor feedback is that parent-subsidiary listings have some value as 'transitional' structures during business restructurings. However, at some stage the parent needs to decide whether to sell or form a business alliance with the subsidiary or convert it into wholly owned and take it private.

Source: JPX, Current Initiatives at Tokyo Stock Exchange, March 2025

At the same time, the number of companies with a single shareholder owning in the range of 20%-50% is also increasing. In response, TSE is looking at higher disclosure and transparency requirements on parent child subsidiary relationships to address that.

Figure 24:

Topix-500 companies' dividend changes

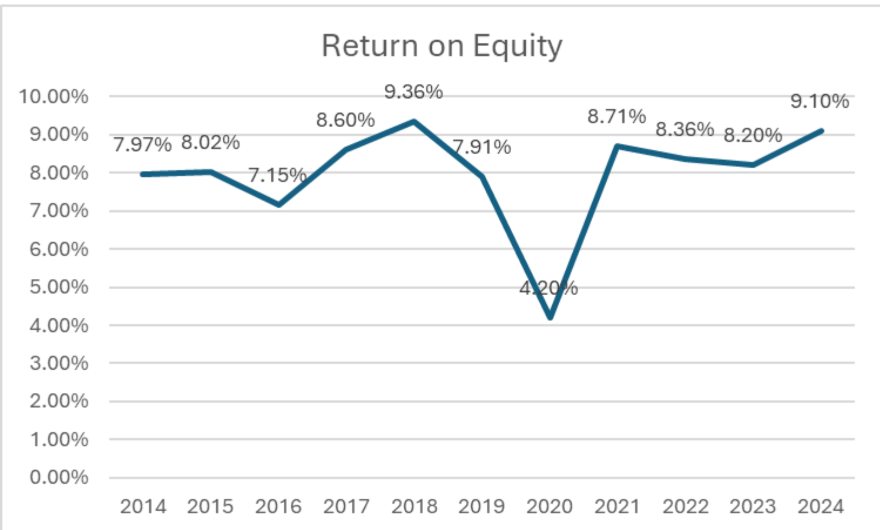


Source: CLSA, "Learning through Earning"

Over 78% of Japanese companies hiked dividends in just-ended FY24, the most yet. Companies are also buying back shares at a significantly higher rate, with announced buybacks of ¥3.8trn in April alone, representing 20% of a total ¥18.9trn in FY24 in a single month. Topix dividends per share have grown at 9.5%/year since April 2013, against 7.2% for the S&P and 4.1% for Europe's Stoxx-600.[17] Listed Japanese companies' payout ratio rose to 67.4% last year from 57.1% in 2023.[18]

Figure 25:

Return on Equity for Japanese companies



ROE has not shown dramatic progress yet, but these changes take time to trickle down and make a difference. Ultimately sound capital allocation along with a focus on human capital development will make a difference in sustainable long term returns.

Source: Neuberger Berman analysis, Bloomberg data as of January 2025

[17] CLSA -Earning through Learning

[18] https://www.japantimes.co.jp/business/2025/01/20/markets/record-share-buybacks-2024/

The next phase: Unfinished agenda from compliance to value creation

While there has been substantial progress for Japanese corporate governance reforms there is still a long way to go, in particular for companies to carry through regulatory reforms. Below we track some areas of promise for continued momentum of corporate governance reforms in Japan.

- In April 2025, Japan's Financial Services Minister Kato and the FSA formally requested that all listed Japanese companies disclose their annual securities reports, known as *Yuho*, before their annual general meetings (AGMs). Minister Kato stated that the most desirable outcome would be for Yuho reports to be made public at least three weeks before AGMs, allowing investors ample time to review detailed financial and governance information. The FSA formed a liaison group to discuss implementation and next steps.
- From April 2025, all companies listed on TSE's Prime Market (approximately 1,600) are required to disclose key corporate information, including financial results and timely disclosures, in both Japanese and English. This move aims to make Japanese capital markets more accessible and attractive to international investors.[19]
- The TSE has announced plans to make the development of investor relations (IR) systems mandatory for listed companies. This proposal is scheduled to take effect in July 2025 and aims to ensure that all listed companies establish a system for providing information and building relationships with shareholders and investors.[20]
- The TSE is overhauling the Code of Corporate Conduct to mandate more robust minority shareholder protections in management buyout (MBO) and consolidation situations. This includes taking an opinion from a Special Committee, not just from an independent third party. The majority opinion of the Special Committee should be that the transaction is fair to general shareholders. Effective from July 2025, this is an important development in view of ongoing industry consolidation.
- We look forward to further initiatives on director training and human capital development from FSA and TSE in this year's iteration of their Action programs.
- An important initiative to track is the progress of disclosure of beneficiary ownership through the legislative process. This is currently in the draft proposal of stewardship code revision but might be incorporated in Company Law as well.

On 30 April 2025, METI's study group released guidance on how to enhance earning power of a company, summarized in Figure 26. Principle 2 on taking appropriate risk is especially important in view of emphasis on growth and capital allocation given the net cash position of many Japanese companies. Principle 5 on annual re-evaluation of the CEO is also a powerful message in relation to execution and evaluation.

[19] https://asia.nikkei.com/Business/Markets/Tokyo-exchange-to-require-English-disclosures-by-Prime-market-firms

[20] https://www.jpx.co.jp/english/news/1020/20250430-01.html

Figure 26:

Guidance from METI's study group on how to enhance earning power of companies

Principle	Description	Actions to be Taken by the Management Team
1. Building a Value Creation narrative	Build a value creation narrative with your company's competitive advantage.	- Formulate a value creation story, focusing on overall optimization leveraging the group's strengths
		- Discuss not only from profit-and-loss perspective but also from balance sheet and cashflow perspectives
2. Encourage appropriate risk-taking by management	Encourage management to take appropriate risks, such as business portfolio restructuring and growth investments, to realize the value creation story.	- Execute business portfolio realignments and growth investments to realize the value creation story, considering capital efficiency and business growth potential
3. Encouraging management to take a medium- to long-term perspective	The board should encourage management to adopt a medium- to long-term, growth-oriented perspective, avoiding short-termism.	- Execute operations from a medium- to long-term perspective based on the value creation story, without excessive focus on short-term results
		- Consider shareholder returns based on medium- and long-term growth
4. Ensure appropriate decision-making processes and systems in management	Ensure management has processes and systems for prompt, decisive decision-making, while avoiding micromanagement.	- Form a strong management team to build and realize the value creation story
		- Build a system for multi-perspective discussion and decision-making, avoiding internal logic and considering changes in the business environment
5. Ensuring the effectiveness of Nomination and Compensation policies	Select the most appropriate CEO, formulate a compensation policy, and annually evaluate the CEO in line with Principles 1–4 to determine reappointment.	- Establish a system to select and train appropriate CEO candidates
		- Execute operations to realize the value creation story and report progress to the board
		- Execute operations for the following fiscal year and beyond based on board evaluation results

Source: ACGA Secretariat. Translated on a best effort basis[21]

Lessons for Asia: Why Japan's reforms have gained traction

We have summarized below a list of factors which we identify have contributed to corporate governance reforms gaining traction in Japan. However, it is important to keep in mind that other Asian countries will need to assess what factors work both culturally and structurally for their market regimes as well as quantitative measures which may underpin their corporates progress. While these factors can be illustrative of Japan's reform journey, there is no "one size fits all" and ultimately each country will need to carve out its own path for companies to focus on value creation.

Japanese regulators have made it the direct responsibility of the board to ensure policies and strategies are aligned towards creating shareholder value, oversight of management to ensure they are tracking against targets, and communication between board members with investors (not just via the investor relations function). Correspondingly, regulators in Japan have emphasized that it is important for asset owners and asset managers to be able to exercise stewardship responsibilities through voting and engagement, as has been demonstrated, for example, by Japan's Government Pension Investment Fund's (GPIF) policies and activities.

[21] 「「稼ぐ力」を強化する取締役会 5 原則」、「「稼ぐ力」の強化に向けたコーポレートガバナンスガイダンス」を策定しました（METI/経済産業省）

Key factors supporting Japanese corporate governance reforms:

- **The Ito Review** in 2014 demonstrated there was significant study and analysis done by Japanese regulators and policy makers to identify factors holding back Japanese corporates. The reform measures implemented were underpinned by solid research identifying market specific issues to be addressed.
- **Capital management with tangible financial metrics**: Reforms tied corporate governance to ROE, PB, and cost of capital—metrics easily understood by corporates and investors. These could be measured and progress aligned to reforms verified.
- **Multi-Stakeholder alignment**: Regulators (TSE/FSA), policymakers (METI), and investors (GPIF) have collaborated to engender a shift in corporate mindsets. There was a whole eco-system supporting these reforms, not an isolated effort by one agency.
- **Liquidity and scale**: Japan's US$6 trillion equity market provided room for institutional capital to drive change. The corporate governance and stewardship codes encouraged constructive dialogue to unlock value.
- **Name-and-shame accountability**: TSE's public compliance lists created peer pressure and demonstrated out of the box thinking from the regulators. The impact has been significant: at the start of the initiative, just 40% of companies had responded, but by the end of the year, that had jumped to 84%.[22] This worked due to the Japanese culture of saving face, but other countries might have to find what works best to incentivize corporates in their culture.
- **Regulators clearly going for quality over quantity**: TSE restructuring into three market segments and requiring stricter listing criteria gave a stark choice to Japanese companies to remain listed.
- **TSE publishing good and bad case studies** to ensure companies come out with plans that are specific to their targets and a roadmap how these will be achieved.

Investors will be actively monitoring progress against all metrics across Japanese and Asian corporates to see how these factors play out in the region. While Japan has emerged as a regional leader in implementing systematic corporate governance reforms, it still lags on many metrics against developed markets globally. It will need to maintain momentum to both address headwinds stemming from geopolitical challenges and to progressively increase the level of ambition in creating value and stimulating growth at the company level. ACGA will continue to monitor the outcome of reforms in Japan and will watch with interest whether, as one of the largest developed financial markets in Asia, Japan plays catch up with global peers and in the process lead the region towards higher standards.

[22] https://www.nikkoam.com.hk/articles/2025/five-reasons-were-still-bullish-on-japan-february-2025

Korea: Value Up?

Stephanie Lin, Research Head, Korea and Singapore

In February 2024, the Financial Services Commission (FSC) launched the Corporate Value-up Program (CVP) to address the persistent undervaluation of Korean companies—a phenomenon often referred to as the "Korea Discount." [23] The CVP is a voluntary initiative encouraging listed companies to enhance corporate value through improved financial and non-financial disclosures.

Participating firms are expected to announce value-enhancement plans, set key targets, and develop mid- to long-term strategies to achieve them. In September 2024, the Korea Exchange (KRX) introduced the Korea Value-up Index, comprising 100 companies selected based on criteria such as market capitalization, profitability, payout ratios, price-to-book ratios, and return on equity.

Participation in the CVP has gradually increased, particularly in the final quarter of 2024. At the time of writing, a total of 153 companies have announced their participation in the CVP with 148 that have made full disclosures and five giving prior notice to disclose. Early outcomes of the CVP have been mixed. According to KRX data, companies that disclosed full Value Up plans outperformed the broader KOSPI index in 2024. However, it is too early to draw a definitive link, as many companies joined the programme only in the final quarter. One area of improvement in 2024 was in share buybacks and treasury share cancellations, both of which reached record highs in terms of value. However, challenges remain. Company valuations and capital efficiency continue to lag. There is no independent mechanism to assess the quality or implementation of disclosed plans, and the Value-up Index has faced criticism for including companies with weak shareholder practices or unclear commitment to the CVP's goals. only in the final quarter. One area of improvement in 2024 was in share buybacks and treasury share cancellations, both of which reached record highs in terms of value. However, challenges remain. Company valuations and capital efficiency continue to lag and the Value-up Index has faced criticism for including companies with weak shareholder practices or unclear commitment to the CVP's goals.

Many investors remain sceptical about the programme's effectiveness, pointing to the absence of binding obligations and meaningful incentives. In particular, proposed benefits for best practice companies—such as awarding extra points for exemptions from the periodic external auditor designation requirement, reducing penalties for audit-related deficiencies, or postponing sanctions for inadequate disclosure—have raised concerns about sending the wrong signal and potentially undermining core governance safeguards.

These developments are unfolding amid political uncertainty. Following the impeachment and removal of former President Yoon Suk Yeol—who briefly declared martial law in December 2024—an early presidential election is scheduled for June 2025. Although corporate governance reform has gained broader public traction, the outlook remains uncertain.

Looking ahead, sustained and credible government leadership and a coherent corporate governance reform roadmap will be critical to the CVP's long-term effectiveness and for broader corporate governance reform in Korea. Hence the outcome of the Presidential election and potential alignment between executive and legislative arms of government is key. Without consistent policy direction and oversight, momentum may fade, and efforts to address structural issues—such as board independence and effectiveness, shareholder rights, and capital management—could stall or be diluted.

[23] https://www.fsc.go.kr/eng/pr010101/81778?utm_source=chatgpt.com

The Corporate Value Up Program

The CVP comprises two main components. The first is a voluntary disclosure framework under which participating companies are encouraged to formulate and publicly share medium- to long-term strategies for increasing their corporate values. Participating companies are expected to identify a combination of financial and non-financial key performance indicators (KPIs) aligned with their value-enhancement objectives. Financial KPIs may include metrics related to valuation—such as price-to-book (PB) and price-to-earnings (PE) ratios —as well as capital efficiency indicators like return on equity (ROE), return on invested capital (ROIC), cost of equity, and weighted average cost of capital (WACC). Companies may also disclose shareholder return metrics, including dividend payout ratios, treasury share retirements, and total shareholder return, alongside growth indicators such as revenue, profit, and asset expansion. On the non-financial side, KPIs typically focus on governance-related factors, particularly protection of shareholder rights, board independence and accountability, and integrity of external auditing.[24]

As part of their participation, companies are encouraged to set mid- to long-term targets within these areas and present actionable strategies to achieve them. Examples of such strategies might include increased investment in research and development, restructuring or diversification of business portfolios, and the adoption of shareholder-friendly capital management practices.

The second component of the CVP is the Korea Value-up Index, officially introduced by KRX in September 2024. The index is intended to recognize and highlight companies that demonstrate meaningful progress in corporate value enhancement.[25] In doing so, it serves as a benchmarking tool for institutional investors. Along with the Value-up Index, a total of 13 index-linked ETFs and futures products were listed in November 2024.

KRX's Value-up Index selection framework

KRX selects 100 companies for inclusion in the Korea Value-up Index through a five-stage screening process designed to identify firms with strong corporate value and shareholder return. Eligible companies must be listed on the KOSPI or KOSDAQ and meet certain baseline criteria, including market capitalisation and liquidity. The five-stage screening process is as follows[26]:

1. Representative Companies: Companies must be among the top 400 by market capitalisation, representing approximately 90% of the total cumulative market cap.
2. Profitability: Companies are disqualified if they have recorded net losses in each of the past two years or have posted an overall cumulative deficit during that period.
3. Shareholder Return: Companies must demonstrate consistent shareholder return practices by either distributing dividends or retiring treasury shares in each of the last two years.
4. Market Evaluation: Companies must rank in the top 50% in terms of price-to-book ratio (PB), either across all industries or within their respective sector.
5. Capital Efficiency: Among companies that meet the previous four criteria, the final selection is based on return on equity (ROE), with firms ranked by industry.

In addition, companies which disclosed corporate Value Up plans earlier—by 23 September 2024—were given special consideration for inclusion, provided they met minimum standards for profitability, market capitalisation, and liquidity. From June 2025, only award-winning firms from the CVP and those actively

[24] https://www.fsc.go.kr/eng/pr010101/81778?utm_source=chatgpt.com
[25] https://engkind.krx.co.kr/valueup/resoroom.do?method=valueupResoroomMain#
[26] https://engkind.krx.co.kr/valueup/resoroom.do?method=valueupResoroomMain#

implementing their plans will be eligible for such exceptions and priority will be given to companies that have disclosed a Value Up plan; from June 2026, the index will focus primarily on companies that have followed through on their Value Up initiatives. Companiess under surveillance, with low liquidity, or experiencing recent capital erosion are excluded from consideration. The index is rebalanced annually and employs a 15% cap on individual stock weights to prevent overconcentration.

Market reaction and reception

Since its announcement, the CVP has been met with cautious scepticism by market participants. The central criticism revolves around the programme's lack of both compelling incentives ("carrots") and enforceable obligations ("sticks"). As a wholly voluntary initiative, the programme heavily relies on companies taking the lead, without clear and attractive rewards for participation or consequences for opting out.

The FSC and KRX have defended this soft-touch approach, citing the limited effectiveness of past reform efforts that relied on overly rigid regulatory and prescriptive guidelines. They also draw a parallel to Japan's capital market reforms under the Tokyo Stock Exchange (TSE), which achieved results only over the course of a decade through sustained peer pressure and market expectations rather than direct enforcement. However, the scepticism arises because Korea's corporate landscape—particularly the entrenched influence of family-controlled chaebols—presents deeper structural challenges that may not be adequately addressed by a purely voluntary framework.

Among the few incentives initially proposed to encourage corporate participation in the CVP was the prospect of tax relief, including potential deductions in corporate, dividend and inheritance taxes. The high inheritance tax in particular is said to have created a disincentive for controlling shareholders of chaebols to pursue higher stock valuations. Inheritance tax rates in Korea are among the highest globally. Under the current system, inherited assets exceeding KRW 3 billion (approximately US$2.1 million) are subject to a top tax rate of 50%. When the inheritance involves a controlling stake in a large corporation, an additional surcharge applies, raising the effective tax rate to as high as 60%. However, amendments to inheritance tax policy require legislative approval by the National Assembly. With the Democratic Party securing a decisive majority in the April 2024 general election, the prospect of near-term changes appears limited, as proposals to reduce inheritance tax are often viewed as benefiting high-net-worth individuals and may not align with the party's priorities.

Investors have expressed concerns that certain incentives proposed for recipients of the Best Practice Companies Awards under the CVP risk undermining core corporate governance principles. In particular, the proposed measures—such as awarding additional points toward exemption from the periodic external auditor designation requirement (a rule introduced in 2018 to enhance audit independence following major accounting scandals), mitigating penalties from audit reviews, and deferring KRX sanctions for unfaithful disclosure—may send the wrong signal by appearing to trade regulatory accountability for programme recognition. These concerns have been further amplified by reports that some business groups began lobbying for the adoption of mechanisms such as poison pills and dual-class share structures following the CVP's launch early last year—measures that could entrench management control and ultimately weaken long-term shareholder value.

Another concern with the CVP is that the board's involvement in developing and approving companies' Value Up plans remains optional. In its May 2024 press release, the FSC stated, "If needed, the board of directors

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may engage more actively by having the plan reported to them, followed by deliberation and approval," and noted that including board meeting dates and agendas in the plan could help enhance its credibility.[27]

The composition of the Value-up Index has drawn significant criticism from investors and other market participants. While the index was expected to highlight undervalued companies with strong shareholder return practices, many of its constituents were companies with relatively low dividend payouts and limited visible commitment to enhancing shareholder value. Concerns were further amplified by the inclusion of many companies that had not formally pledged participation in the Value Up Program, as well as others embroiled in management disputes. According to KRX, 60 out of the 105 companies currently in the Index have disclosed a CVP plan. This disconnect between the index's stated objectives and its actual composition raised doubts about its credibility and sparked broader concerns over the programme's effectiveness in driving meaningful corporate governance reforms. In response to market feedback, KRX conducted a "special rebalancing" in December 2024, adding five companies widely regarded by investors as strong candidates due to their high dividend payouts: KB Financial Group, Hana Financial Group, SK Telecom, KT, and Hyundai Mobis.[28] These companies were initially excluded for not meeting the KRX's PB thresholds (based on the recent two-year average, companies must have either a PB within the top 50% of their industry) but were later included to address concerns over the index's credibility and relevance. The next scheduled rebalancing is set for June 2025.

CVP progress report

Since the official launch of the CVP in May 2024, corporate participation has gradually increased, with a discernible rise in activity toward the end of 2024. Early participation was limited, with two companies disclosing plans in May 2024, followed by a modest pace of new disclosures through the summer months. A more substantial increase was observed in the final quarter of 2024 with 80 companies disclosing plans. However, this has since fallen off with just 23 companies producing these plans in Q1 2025.[29]

As of March 26, 2025, a total of 126 companies had disclosed Value Up plans. Among these, 117 companies provided full disclosures, while 9 submitted preliminary notices. Of the companies with full disclosures, 100 are listed on the KOSPI and 17 on the KOSDAQ. The 100 KOSPI-listed companies account for approximately 45% of the market capitalization of the KOSPI market.

[27] https://www.fsc.go.kr/eng/pr010101/82213?srchCtgry=&curPage=6&srchKey=&srchText=&srchBeginDt=&srchEndDt=

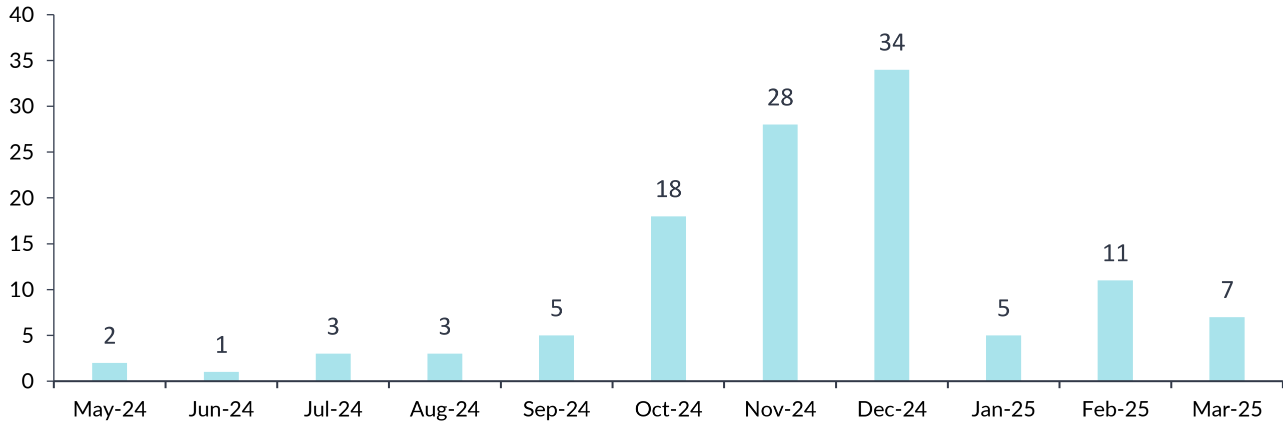
[28] https://global.krx.co.kr/board/GLB0501070000/bbs#view=20662
https://docs.publicnow.com/viewDoc?filename=37151%5CEXT%5C04E9C619481BCB98C4374EF2A9E915075363C4DE_CFE241DC43E6D877CA2E54E67566812F95E6D58F.PDF&utm_source=chatgpt.com

[29] Data provided by KRX.

18th Floor, Wilson House, 19-27 Wyndham Street, Central, Hong Kong Tel 852 2160 1788 Fax 852 2147 3818

Figure 27:

Status of corporate participation in CVP (as of 26 March 2025)

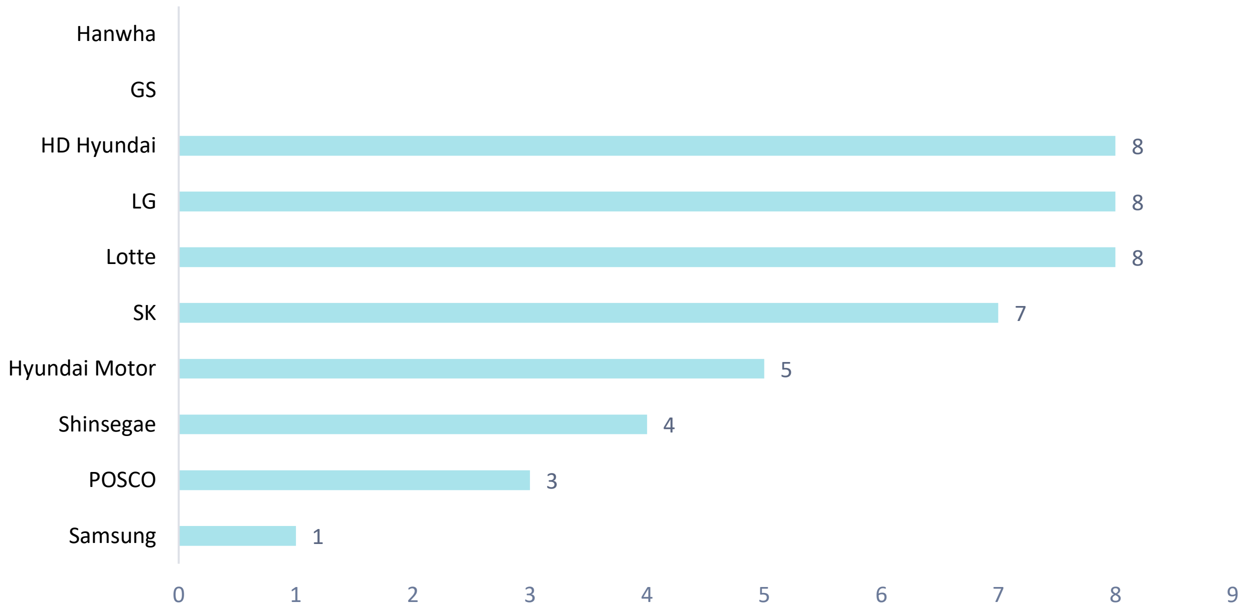


Source: KRX

An analysis of participation among Korea's ten largest business groups by asset size shows varying levels of involvement. A total of 44 companies affiliated with these groups have disclosed plans. HD Hyundai, LG, and Lotte each had eight affiliated companies participate, followed by SK Group with seven and Hyundai Motor Group with five. Other major groups, including Shinsegae, POSCO, Hanwha, and GS Group, had fewer participating companies. To date, Samsung Electronics—the largest listed company in Korea—has not disclosed a Value Up plan, although within the group, Samsung Fire & Marine Insurance, has joined the programme.

Figure 28:

CVP participation by affiliates of the top 10 conglomerates



Source: KRX

Some 103 out of 117 companies (approximately 88%) disclosed their Value Up plans only from October 2024 onward. However there has been a significant drop in Q1 2025 from the end of last year. It is thus too early to fully assess the impact and effectiveness of the CVP.

Preliminary data from KRX suggests that companies making full CVP disclosures saw their stock prices rise by an average of 4.9% year-on-year in 2024, significantly outperforming the broader KOSPI index, which declined by 9.6% over the same period. However, drawing a definitive link between CVP participation and stock performance may be premature, as 85 of the 102 companies included in this analysis joined the programme in the final quarter of 2024. A clearer positive, in 2024, treasury stock buybacks and cancellations by listed companies showed a marked increase. Buybacks surged to KRW 18.8 trillion—more than double the KRW 8.2 trillion recorded in 2023—reaching their highest level since 2009. Treasury stock cancellations also rose significantly, from KRW 4.8 trillion in 2023 to KRW 13.9 trillion in 2024, the highest amount in seven years.

Despite these improvements, persistent valuation challenges remain evident. The number of KOSPI-listed companies with a PB ratio below 1 increased from 520 at the end of 2023 to 573 at the end of 2024. A similar trend was observed on the KOSDAQ, where the number of companies with a PB below one rose from 548 in 2023 to 791 in 2024.

KCGF's assessment of Corporate Value Up plans

Since the launch of the Corporate Value-up Program (CVP), the Korea Corporate Governance Forum (KCGF)-a Seoul-based corporate governance advocacy non-profit-has been actively contributing to public discussions around the program's development. As part of its efforts to provide feedback, KCGF has been evaluating and grading the Value Up plans disclosed by companies.

KCGF's assessments are based on five main criteria:

1. The board of directors' understanding of the cost of equity (CoE) and the existence of a capital allocation policy.
2. The company's understanding of total shareholder return (TSR) and its approach to shareholder friendliness.
3. The composition and accountability of the board of directors.
4. Whether repurchased shares are subsequently cancelled.
5. Alignment between management and shareholders, including the use of equity-based compensation to incentivize key personnel.

To date, KCGF has publicly graded the Value Up plans of 15 companies. Seven firms, Meritz Financial, Shinhan Financial, Woori Financial, Hyundai Motor, KB Financial, JB Financial, and SK Square have received grades ranging from A- to A+. In contrast, companies like Kiwoom Securities, Mirae Asset, SK Inc., and SK Hynix have been graded C or lower. LG Electronics notably received an F for its Value Up plan.

CVP, the catalyst for further CG reform

While the CVP is still evolving and may be premature to draw definitive conclusions about its full impact, it has contributed to raising awareness of shareholder value and corporate governance issues in Korea. Supported by a growing retail investor base that emerged during the COVID-19 period, general shareholders are becoming increasingly active in asserting their rights and engaging in public discussions on corporate governance practices.

This shift has also prompted regulators to pay closer attention to capital market transactions that could harm minority shareholder interests. In a rare move in August 2024, the Financial Supervisory Service (FSS) intervened in Doosan Group's proposed restructuring plan following concerns over unfair treatment of minority shareholders. The FSS rejected the initial proposal, issued multiple directives to revise the securities report—a mandatory disclosure document outlining key details of a proposed securities transaction—and called on the Group to strengthen its communication with minority shareholders. Facing heightened shareholder opposition and regulatory pressure, the restructuring plan involving Doosan Enerbility, Doosan Robotics, and Doosan Bobcat was ultimately withdrawn in December 2024.

Regulatory scrutiny continued into late 2024 and 2025. In November 2024, the FSS suspended Korea Zinc's planned new share issuance, which involved selling approximately 3.73 million new shares—around 18% of its existing share capital—at a significant discount. The FSS cited inadequate disclosure regarding the purpose of the transaction and raised concerns about its timing, especially as it followed closely on the heels of a major share buyback at a much higher price just days earlier. Most recently, in April 2025, the FSS scrutinized Hanwha Aerospace's proposed capital increase of KRW 3.6 trillion (approximately USD 2.5 billion), demanding clearer justification due to insufficient information provided to shareholders.

In parallel with heightened regulatory intervention, the momentum for reform extended to the legislative arena. Following its landslide victory in the April 2024 general election, the opposition Democratic Party introduced its own corporate governance reform initiative, known as the "Boost-Up Project," aimed at amending various provisions of the Commercial Code. In November 2024, the party formally submitted a bill proposing six key changes:

- Extending directors' duty of loyalty to include all shareholders, not just the company.
- Prohibiting listed companies with assets over KRW 2 trillion (approximately US$1.4 billion) from opting out of cumulative voting.
- Requiring two separate elections for audit committee members instead of one.
- Renaming "outside directors" as "independent directors".
- Allowing hybrid shareholder meetings, combining physical and virtual formats.
- Raising the minimum ratio of independent directors for smaller listed companies (with assets under KRW 2 trillion) from one-fourth to one-third.

In February 2025, a revised bill focusing on two of these items – extending directors' duty of loyalty to all shareholders and permitting hybrid AGMs – was submitted. Although the bill passed in the Democratic Party-controlled National Assembly, it was ultimately vetoed by Acting President Han Duck-soo on 1 April 2025.

Amendment to directors' duty of loyalty

One of the most debated aspects of the ongoing corporate legislative reform is the proposed amendment to the directors' duty of loyalty under the Korean Commercial Code.

Currently, Article 382-3 of the Code requires directors to act "in good faith for the interest of the company." While this language mirrors provisions found in other jurisdictions, Korea's Supreme Court has historically interpreted it narrowly viewing the "interest of the company" strictly as the interest of the legal corporate entity, rather than that of its shareholders.

To address this gap, lawmakers have proposed amending the duty of loyalty to include the "proportional interests of shareholders." Efforts to introduce this change began during the 21st National Assembly in 2022 but lapsed when the legislative term ended in May 2024. A similar bill was reintroduced in June 2024 by a Democratic Party lawmaker in the 22nd National Assembly, reviving momentum for reform.

Supporters of the amendment, including many foreign investors consulted by ACGA, argue that explicitly recognizing shareholders' interests would strengthen board accountability and enhance governance standards. They contend that this change would require boards to more carefully consider the interests of minority shareholders, particularly during capital transactions such as mergers and acquisitions, or issuances of convertible bonds or treasury shares—situations where controlling shareholders' or management's interests could diverge from those of the broader shareholder base. In December 2024, ACGA issued an open letter to support the legislative change to clarify directors' duty of loyalty in the Commercial Code.

However, the proposal has faced strong opposition from the business community, which argues that expanding the duty of loyalty could restrict companies' ability to act swiftly in making business decisions or pursuing growth strategies. They warn that directors could become overly risk-averse, fearing legal liability, and specifically criminal liability, for decisions made in the ordinary course of business.

Amendment to the Financial Investment Services and Capital Markets Act

In response to the proposed amendment to the Commercial Code, the People Power Party—despite its initial support—subsequently shifted its position and proposed revisions to the Financial Investment Services and Capital Markets Act (FSCMA) as an alternative means of addressing concerns surrounding corporate transactions, including mergers, spin-offs, comprehensive share exchanges or transfers, and business transfers.

The proposed amendments to the FSCMA would eliminate the existing practice of determining merger ratios based solely on stock prices. Instead, merger valuations would be based on a combination of stock price, asset value, and income-based value to ensure fairer outcomes. Furthermore, listed companies would be required to prepare and publicly disclose detailed statements specifying the purpose, anticipated effects, and terms—such as pricing and ratios—of proposed mergers or acquisitions, and to obtain and disclose external assessments of these terms.

The road ahead for the CVP

Despite ongoing political uncertainty, FSC and KRX reaffirmed commitment to the CVP during ACGA's March 2025 delegation visit. The regulators emphasized that the initiative would continue to develop regardless of political changes and noted its efforts to gather feedback from foreign investors.

In early April 2025, KRX launched a survey to collect investor input on the CVP. Starting in May 2025, KRX will annually recognize ten companies that demonstrate best practices under the programme. It also plans to publish a white paper featuring model disclosures, analyses of shareholder returns, and perspectives from both domestic and international market participants.

The first formal rebalancing of the Korea Value-up Index is scheduled for June 2025, with investors closely monitoring what companies would be included. Looking ahead, KRX aims to integrate stakeholder feedback more systematically and plans to make the disclosure of a Value Up plan a formal requirement for index inclusion starting in 2026.

Recommendations for the next phase of reform

To date, corporate governance reform in Korea has been fragmented and lacked a clear, coordinated direction. To achieve meaningful and lasting progress, Korea would benefit from a comprehensive and overarching corporate governance reform strategy that integrates initiatives like the CVP with broader efforts to strengthen shareholder rights and address deeply rooted governance challenges.

Although the CVP—designed to enhance corporate valuations and shareholder returns—has been in place for just over a year, and its full impact is as yet too early to assess, ACGA supports its continued evolution. We believe the CVP should be developed alongside complementary reforms aimed at tackling other equally fundamental governance challenges.

A successful governance reform agenda will require a strong supporting ecosystem. Strengthening board effectiveness is essential and should include legislative clarification of directors' duties, improvements in board evaluation and training practices, and greater board independence. Updating Korea's Stewardship Code—which has remained unchanged since its initial release in 2017, aside from guideline revisions in March 2024 following the launch of the CVP—will be crucial to fostering more active and responsible institutional investor participation and enhancing effective engagement between shareholders and corporate boards.

Equally important are stronger protections and enhanced rights for minority shareholders. Expanding the current "3% rule" to be extended to election of two audit committee members, rather than just one, would be a positive step forward. Addressing longstanding issues in AGM procedures and proxy voting infrastructure would further safeguard minority shareholder rights and elevate standards of corporate governance across the market.

We make the following observations and recommendations in relation to the continued development of the CVP:

Safeguarding governance standards: One of ACGA's primary concerns with the current direction of the CVP is the risk that corporate governance standards may be diluted by offering regulatory concessions as rewards to best practice companies in CVP. While encouraging companies to join the programme is important, it must not come at the expense of fundamental safeguards. Some proposed incentives—such as awarding extra points for exemptions from the periodic external auditor designation requirement, reducing penalties for audit-related deficiencies, or postponing sanctions for inadequate disclosure—risk undermining the initiative's core objective of improving governance quality and transparency, and may send the wrong signal to the market.

The external auditor designation rule introduced in 2018 was widely regarded as a significant advance for the Korean market, coming in response to a series of major accounting scandals. Under this system, companies are allowed to choose their auditor for six years, after which the FSS designates an external auditor for the following three years. This measure was designed to reduce conflicts of interest, promote audit independence, and improve financial accountability. Offering exemptions from such a safeguard as rewards to best practices companies in the Value Up Program sends a contradictory and troubling message—that governance protections are negotiable. In ACGA's view, this may risk compromising the integrity and credibility of the programme and should be reconsidered.

Encouraging transparency through balanced disclosure: ACGA supports KRX's plan to annually recognize ten companies that demonstrate best practices in their Value Up disclosures, as we understand will be a measure to be introduced in its upcoming white paper. Public recognition of exemplary efforts is a positive step, but it is equally important to highlight what poor disclosure looks like, i.e. indicating which companies have produced plans that are not sufficient. Doing so would provide companies with practical guidance on how to improve and send a clearer signal about the expectations underlying the programme.

A useful model in this regard is Japan's Tokyo Stock Exchange (TSE), which not only showcases strong disclosure practices but also publishes anonymized examples of poor disclosures. TSE also classifies companies into three categories: those making genuine efforts to improve, those that require further improvement, and those that fail to disclose altogether. This approach helps guide companies to understand the quality of current disclosures and what they need to do to meet the expectations of the market. Korea would benefit from adopting a similar system that includes constructive critique as well as commendation.

Targeting chronic underperformance: While the Value Up Program is intended to be voluntary, ACGA believes that some degree of pressure is warranted for companies that have persistently underperformed. A logical starting point would be companies with a price-to-book (PB) ratio below 1 and ROE below 5% for more than 18 months. These companies should be strongly encouraged—or even required—to publish a Value Up plan outlining specific measures they intend to take to improve their valuation and better engage with shareholders.

Aligning the Value-up Index: The Value-up Index is intended to showcase companies that demonstrate leadership in capital efficiency and best practice companies with corporate governance. As such, it should serve as a credible benchmark for institutional investors, particularly those with long-term mandates. Inclusion in the Index should thus be contingent upon companies having a publicly disclosed Value Up plan and having achieved demonstrable improvements in governance practices.

If the index is populated by companies that have not meaningfully engaged with the programme or that exhibit poor governance, it risks becoming a symbolic gesture. For substantive change, we look forward to enhanced coordination of the respective stakeholders who each have a role to play in advancing the CVP and Korea's reforms.

China: Top-down drive, mixed disclosures

Lake Wang, Research Head, Greater China

China's market value management initiative directly responds to the broader policy priority of fostering high-quality capital market development, as outlined in the 2024 "National Nine Articles". Guidelines No.10, issued by the China Securities Regulatory Commission (CSRC) in November 2024, provide a formal definition and a toolkit of measures based on existing regulations. Most significantly, the board is assigned a leadership role in market value management, with clearly outlined responsibilities for directors and management.

Listed central state-owned enterprises (SOEs) are subject to stricter oversight. In December 2024, the State-owned Assets Supervision and Administration Commission (SASAC) introduced additional guidelines for these SOEs. Recently, some local SASAC and CSRC branches issued their own guidance.

What sets China's approach apart from that of regional peers is its mandatory nature for two groups of listed companies:

1. Major index constituents are required to formulate a "market value management policy" (*shizhi guanli zhidu* 市值管理制度);
2. Issuers with price to book (PB) ratios below 1 for a full year must develop and disclose a "value enhancement plan" (*guzhitisheng jihua* 估值提升计划), as per the CSRC's guidelines.

The pace of implementation has been accelerating. As of 30 April 2025, 400 issuers had disclosed a market value management policy and 223 companies had published a value enhancement plan on the websites of the Shanghai, Shenzhen and Beijing stock exchanges. Of the top 20 A-share issuers by market capitalisation, 15 formulated a policy, with eight making it public, while five banks published a plan.[30]

To understand how these high-level guidelines are being applied, ACGA has conducted in-depth reviews of disclosures from the top 20 issuers and a targeted survey of 170 others. Key recurring themes include a well-defined role for the board, weak assessment frameworks, investor relations constrained by a focus on shaping public opinion, and a lack of concrete steps to improve board effectiveness in market value management.

The market value management initiative is a significant step forward but requires further development and refinement. Future iterations should place greater emphasis on capital management, cost of capital, board-investor engagement, director training, and the evaluation of progress. Transparent accountability will also be essential to build broader support and enhance the initiative's potential impact on market valuations.

China's market value management: a short history

The idea of market value management first appeared in a policy document issued by the SASAC in 2005. It gained greater prominence in 2014 when the State Council endorsed it in the second "National Nine Articles", which had key policy guidelines for capital markets. However, the concept remained ambiguous, leading to

[30] China's banking sector, alongside real estate, is a major source of issuers with persistently low PB ratios. Of the 42 banks listed on the A-share market, all but China Merchants Bank and Chengdu Bank were trading below book value as of 27 March 2025, according to the Chinese Securities Journal. The five banks mentioned here were trading at PB ratios between 0.52 and 0.65 on 7 May 2025.

cases of misapplication. Indeed, the CSRC itself acknowledged in 2015 that market participants had varying interpretations of its "essence and meaning." [31]

In April 2024, the State Council released the third iteration of the "National Nine Articles", which outlined key tasks for fostering the "high-quality development of capital markets". [32] Among these tasks was to create market value management guidelines for listed companies. That year in September, the CSRC released draft guidelines for public consultation amid a downturn in A-share markets. These efforts culminated in the release of the "Guidelines for the Supervision of Listed Companies No. 10 – Market Value Management" (Guidelines) in November 2024.

Figure 29:

Market value management: from concept to practice

Sep 2005	SASAC required local state assets regulators to study the feasibility of setting market value indicators in performance reviews of state shareholders in a policy document about the split-share structure reform.
May 2014	"National Nine Articles" encouraged listed companies to formulate market value management policies.
May 2022	SASAC released a plan to improve the quality of listed companies owned by central SOEs, requiring them to focus more on "capital market performance" and incorporate "value realisation" into performance evaluations.
2023	China Baowu Steel and China State Construction Engineering were selected as pilot companies.
Jan 2024	SASAC planned to incorporate market value management into performance reviews of senior management at listed entities of centrally SOEs.
Apr 2024	2024 "National Nine Articles" set the task of developing guidelines for market value management.
Sep 2024	CSRC published the draft guidelines for public feedback.
Nov 2024	CSRC issued the official guidelines.

Source: ACGA Research

The current framework and its limitations

The Guidelines define market value management as "strategic management actions" aimed at boosting a company's "investment value and its capacity to deliver shareholder value" (Article 2). More importantly, it establishes the board's central role in leading market value management, clearly defining the responsibilities of the board and management. The board chair should proactively drive the implementation of market value decisions; the board secretary is tasked with overseeing investor communication and information disclosure; and directors and senior executives are expected to actively participate, especially in investor relations events.

Additionally, the Guidelines set out measures for market value management, including cash dividends, share buybacks, investor relations, information disclosure, M&A, equity incentives and employee stock ownership plans. Issuers are encouraged to adopt measures suited to their specific circumstances to better align investment value with company quality. Notably, most of these measures are already encouraged or required by existing regulations.

[31] http://www.csrc.gov.cn/csrc/c100029/c1000238/content.shtml

[32] https://www.gov.cn/zhengce/content/202404/content_6944877.htm

Figure 30:

Market value management measures in context

Measure	Regulation	Date
Cash dividends	Guidelines for the Supervision of Listed Companies No.3 – Cash Dividends	Last amended in Dec 2023
Share buybacks	Rules for Share Repurchase by Listed Companies	Last amended in Dec 2023
M&A	Opinions on Deepening Reforms for Mergers and Acquisitions of Listed Companies	Issued in Sep 2024
Investor relations	Guidelines on Investor Relations Management of Listed Companies	Last amended in Apr 2022
Equity incentives and employee share ownership	Opinions on Further Improving the Quality of Listed Companies by the State Council	Issued in Oct 2020

Source: ACGA Research

China's market value management initiative is mandatory for two groups of companies: those listed on the major indices must develop a "market value management policy" (policy), while issuers with PB ratios below 1 for a full year must develop a "value enhancement plan" (plan). The policy itself may remain undisclosed, but the plan must be made public.

Companies should specify in the policies: (1) the responsibilities of the board and management; (2) measures for monitoring financial metrics such as market capitalisation, PB and price to earnings (PE) ratios; and (3) contingent measures for significant price drops.[33] In contrast, there are no detailed content parameters for plans, except that they must be clear, actionable, and free from potentially misleading language.

Figure 31:

Scope of mandatory market value management

Company	Required document	Disclosure requirement
Major index constituents, including those listed on the CSI 300, CSI 500, STAR 50 & 100, ChiNext, ChiNext Mid-cap 200, BSE 50	Market value management policy	Disclose the policy development; Report on the policy implementation during the annual results briefing
Companies with a PB ratio below 1 for a full year	Valuation enhancement plan	Disclose the plan itself; Evaluate its implementation and report on it during the annual results briefing

Source: CSRC

While the Guidelines define the board's responsibilities, they largely sidestep other governance issues pertinent to market value management such as board independence and competency. The term "corporate governance" is mentioned once: when "making major decisions on corporate governance, daily operations, M&A and financing", the board "should fully consider the interests and returns of investors", adhere to prudent operations, and avoid reckless business expansion (Article 4).

Lastly, there is inadequate emphasis on capital management. The Guidelines call for enhanced profitability and operational efficiency but fall short of providing specific guidance. Consequently, issuers are required to monitor market valuation metrics such as market capitalisation, PE and PB ratios, yet ROE, ROIC and WACC are not mentioned.

[33] Significant price drops are defined as a 20% decline over 20 trading days or a 50% decline from the highest closing price within one year.

Central bank facilitates share buybacks

In a move related to market value management, the People's Bank of China (PBOC) in October 2024 launched a specialised re-lending facility to support share buybacks and shareholding increases by listed companies and their major shareholders.[34] The scheme initially offered RMB300 billion (US$42 billion) in loans to 21 commercial banks at an interest rate of 1.75%. These banks can, in turn, lend to both private and state-owned listed companies to fund share repurchases or bolster their holdings, with rates capped at 2.25%.

This facility dwarfs the total value of shares repurchased by A-share issuers in 2024, which reached a record RMB147.6 billion (US$20.5 billion), according to the CSRC. By 10 April 2025, over 450 issuers had accessed RMB 90 billion (US$12.5 billion) in loans via the scheme, as reported by the China Securities Journal.

The SOE dimension

Major SOEs have been at the forefront of legitimate market value management practices. In 2023, SASAC selected China Baowu Steel and China State Construction Engineering as pilot companies. The state assets regulator further announced in January 2024 a plan to incorporate market value management into performance reviews at other listed companies owned by central SOEs.

These listed central SOEs are now subject to additional guidelines issued by the SASAC in December 2024. The guidelines, titled the "Opinions on Improving and Strengthening Market Value Management of Listed Companies Owned by Central Enterprises", raise the bar for governance structures, information disclosure, and evaluations. Specifically, it envisions governance with "effective checks and balances" under Party leadership and requires these SOEs to produce and disclose high-quality ESG reports.[35] Moreover, market value management will be incorporated into the performance reviews of senior executives.

What about listed local SOEs? They far outnumber their central counterparts. As of 31 March 2025, there were 976 local SOEs listed on the A-share market, compared with 472 central SOEs, according to the China Association for Public Companies (CAPCO).

Following SASAC's lead, local branches of the commission and other government agencies have begun issuing their own guidance or convening meetings to advance market value management. On 8 April 2025, for instance, the Shanghai SASAC unveiled guidelines urging SOEs under its remit to develop tailored plans and polices, alongside other instructions and supportive measures. On the same day, the Zhejiang SASAC hosted a symposium in collaboration with the provincial branches of the People's Bank of China (PBOC) and CSRC, joined by local SOEs, on using the PBOC lending facilities for share buybacks. However, as ACGA members have observed, the push from local SASACs across the country has been uneven so far.

[34] Major shareholders are defined as those holding 5% of more of a company's shares, according to the PBOC's announcement.
[35] http://www.sasac.gov.cn/n2588035/n16549643/n16549895/n16550040/c32377016/content.html

Figure 32:

Local guidelines on market value management (all issued in April 2025)

Province/City	Issuing body	Document	Number of listed local SOEs in the region
Shanghai	SASAC	Opinions on Strengthening Market Value Management of State-Owned Listed Companies in the City	87
Shandong	SASAC and CSRC	Memorandum of Cooperation on Promoting the High-Quality Development of State-Controlled Listed Companies	71
Anhui	SASAC and CSRC	Notice on Matters Regarding Strengthening Market Value Management of Listed Companies Controlled by Provincially Supervised SOEs	45
Sichuan	SASAC	Opinions on Improving the Quality of Listed Companies Controlled by Provincially Supervised SOEs	37

*Number of listed local SOEs as of 31 March 2025 Source: ACGA research, CAPCO

Figure 33:

Meetings aimed at advancing market value management, all held in April 2025

Province/City	Participants	Number of listed local SOEs in the region
Guangdong	SASAC, CSRC, PBOC; local listed SOEs	122
Zhejiang	SASAC, CSRC, PBOC; local listed SOEs	82
Beijing	SASAC, local listed SOEs	57
Tianjin	SASAC, local listed SOEs	16

*Number of listed local SOEs as of 31 March 2025 Source: ACGA research, CAPCO

Rising adoption

The number of companies disclosing policies and plans has surged in recent months, propelled by the combined efforts of stock exchanges, local governments, media and even service providers. As of 30 April 2025, 400 issuers had publicly disclosed their policies on the websites of the Shanghai, Shenzhen, and Beijing Stock Exchanges, while 223 companies had published their plans. Notably, two companies —China Minsheng Bank and crop protection company ADAMA —provided English versions of their plans.

Figure 34:

Pressure and support: highlights of adoption

Local push	Local SASACs and other government agencies in Guangdong, Jiangsu, Zhejiang, Hunan and Beijing have recently convened meetings to push forward market value management.
Templates	In November 2024, both the Shenzhen and Shanghai Stock Exchanges released a template for value enhancement plans.
Sharing and training	In December 2024, the Shanghai Stock Exchange hosted a symposium with issuers to discuss market value strategies. More recently, it organised training sessions for SOEs.
Media spotlight	Major media outlets, including Xinhua News Agency and the China Securities Journal, have published articles highlighting the progress in implementing market value management.
IT tools	Beijing VRV Software has developed a specialised product for market value management.

Source: ACGA Research

Gameplans of the top 20 companies

Among the top 20 A-share issuers by market capitalisation, 15 companies have developed a policy, eight of which have made it public. [36] Additionally, five banks have released a plan.

Figure 35:

Policies and plans by the top 20 A-share issuers (as of 30 April 2025)

Market value management policy		Value enhancement plan	
Company	**Disclosure date (dd/mm/yy)**	**Company**	**Disclosure date (dd/mm/yy)**
Midea	27/12/2024	Bank of China	26/3/2025
Wuliangye Yibin	6/3/2025	Industrial and Commercial Bank of China	28/3/2025
CATL	15/3/2025	Agricultural Bank of China	28/3/2025
Zijin Mining	22/3/2025	Industrial Bank	28/3/2025
Sinopec	24/3/2025	Postal Savings Bank of China	28/3/2025
BYD	24/3/2025		
PetroChina	31/3/2025		
China Yangtze Power	30/4/2025		
Kweichow Moutai	Passed by the board, not disclosed		
China Merchants Bank	Passed by the board, not disclosed		
China Shenhua Energy	Passed by the board, not disclosed		
China Telecom	Passed by the board, not disclosed		
Ping An Insurance	Passed by the board, not disclosed		
Foxconn Industrial Internet	Passed by the board, not disclosed		
China Life Insurance	Passed by the board, not disclosed		

Source: the Shanghai and Shenzhen Stock Exchanges

Eight policies

To evaluate the quality of disclosure, we focus on three areas across the eight policies: responsibilities of the board and management, major market value management measures, and evaluation mechanisms. We further assess the granularity of these disclosures using an internally developed four-point scale: "no explanation", "generic and broadly applicable", "generic with some specifics" and "specific". "Generic and broadly applicable" denotes disclosures outlining broad principles without any company- or industry-specific information or tangible steps—essentially boilerplate statements applicable to nearly any company. "Generic with some specifics" refers to disclosures that incorporate some company or industry-specific information and steps within otherwise abstract principles.

[36] Market capitalisation as of 10 March 2025.

Shades of market value management: disclosure examples (italicised by ACGA)

Specific

- **Zijin Mining on M&A:** “The company will adhere to a resource-first strategy, allocating resources globally with a focus on *major global mineral belts, large-scale resources, and significant resource project acquisitions in China and neighbouring countries*…”
- **Zijin Mining on equity incentives**: “To address the shortage of highly qualified foreign talent, the company will further explore feasible *long-term incentive plans for foreign employees through its Hong Kong-listed entity*.”

Generic with some specifics

- **CATL on cash dividends**: “Reasonably determine the annual dividend ratio, *appropriately increase the frequency of dividends*, and actively implement the dividend plan.”
- **BYD on M&A**: “The company should focus on its core business, pay attention to *key points of the industry and supply chain*, respect changes in market, economic, and industry cycles, and carry out mergers and acquisitions at appropriate times to optimise resource allocation.”

Generic and broadly applicable

- **Sinopec on cash dividends:** “The company will formulate a reasonable dividend policy to enhance investors’ sense of gain, based on its development stage and operational situation.”
- **Midea on information disclosure**: “The company must ensure that the disclosed information is true, accurate, complete, concise, clear, and easily understandable, without any false records, misleading statements, or significant omissions.”

No explanation

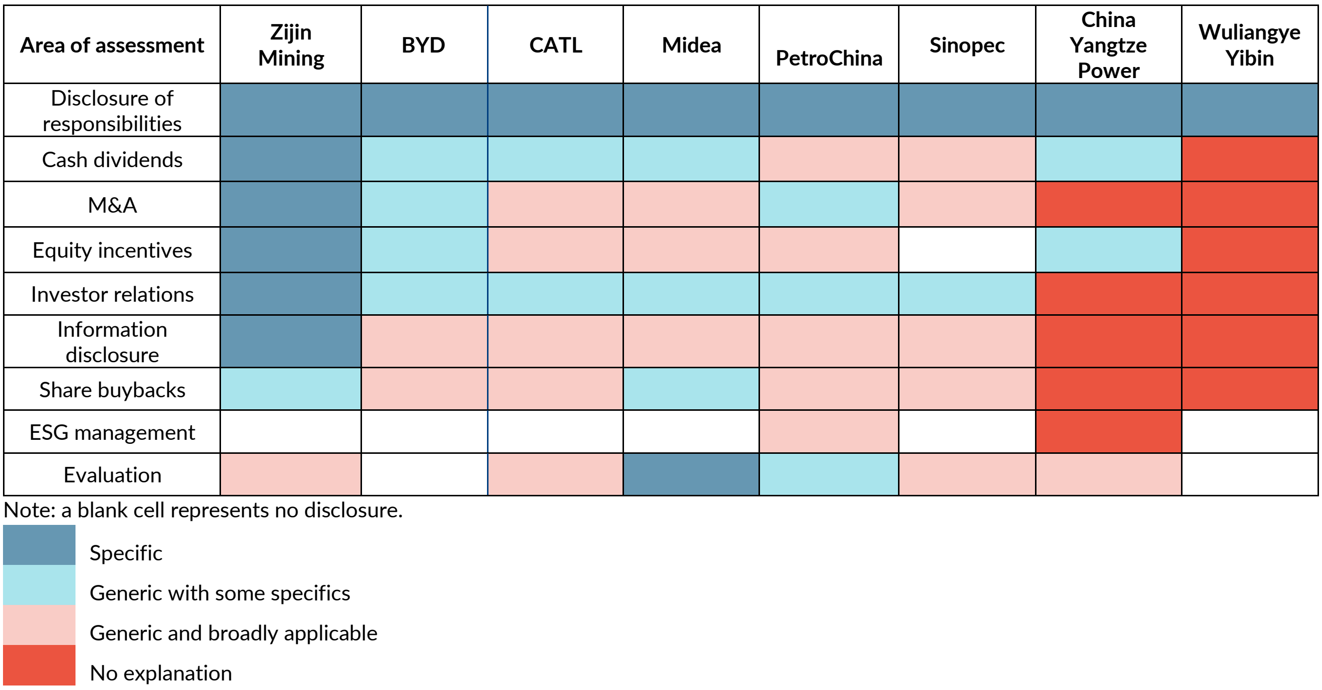
- **Wuliangye Yibin:** “The company should focus on its core business to enhance operational efficiency and profitability. At the same time, it may enhance its investment value by comprehensively utilising the following methods based on its actual situation:
  - Mergers and acquisitions
  - Equity incentives
  - Cash dividends
  - Investor relations management
  - Information disclosure
  - Share buybacks
  - Other compliant methods”

Among the eight sample companies, Zijin Mining’s specific and actionable disclosures stand out as leading. Its policy details the roles of the board and management and addresses almost every key measure in detail. In contrast, Wuliangye Yibin fails to deliver a substantive and decisive plan, and its disclosures are weaker in comparison with the other companies in the sample. Although it discusses the responsibilities of the board and management, it merely lists measures in bullet points and makes no mention of the assessment.

Falling in between are the policies of BYD, CATL, Midea, PetroChina, Sinopec and China Yangtze Power. While they clearly describe board responsibilities, they provide only limited concrete steps or company-specific information on areas such as investor relations, cash dividends and M&A.

A common weakness across most companies is the lack of a robust evaluation mechanism. Midea is the exception, as it commits to annual evaluations of policy implementation.

Figure 36:



Note: a blank cell represents no disclosure.

Clear responsibilities, weak evaluations

As required by the Guidelines, all the policies recognise the board's leadership role in managing market value. The board chair, sometimes referred to as the "chief responsible person" (*diyi fuzeren* 第一负责人) or "main responsible person" (*zhuyao fuzeren*, 主要负责人), supervises the implementation of the board's decisions on value enhancement, while the board secretary takes on a more hands-on role in managing day-to-day operations. Meanwhile, directors and senior executives attend investor relations events and contribute to decision-making processes.

The Board of Directors Office (BoD Office) is frequently designated as the "implementation department" (*juti zhixing bumen* 具体执行部门). PetroChina and Sinopec involve multiple departments in the process, whereas both BYD and Midea assign execution responsibilities to their Investor Relations Departments.

However, the approach to evaluating boards for their pivotal role in market value management remains unclear. Of the eight companies, only Midea plans to perform annual evaluations, using financial metrics such as PE, PB, ROE and debt-to-asset ratio. Five others—Zijin Mining, CATL, PetroChina, Sinopec and China Yangtze Power—refer to assessments without specifying the frequency, while BYD and Wuliangye Yibin do not mention any evaluation mechanisms at all. PetroChina, despite limiting itself to periodic assessments, plans to incorporate market value management into the KPIs of senior executives.

Figure 37:

Leadership and execution of market value management

Company	Leadership	Responsible Person	Implementation Lead	Implementation Department
BYD	BoD	Not mentioned	Board Secretary	Invest Relations Department
Zijin Mining	BoD	Board Chair	Board Secretary	BoD Office
CATL	BoD	Not mentioned	Board Secretary	BoD Office
Sinopec	BoD	Board Chair	Board Secretary	BoD Office, Finance Department, Capital Operations Department
PetroChina	BoD	Not mentioned	Board Secretary	Finance Department, Planning Department, Human Resources Department, Enterprise Culture Department
Wuliangye Yibin	BoD	Not mentioned	Board Secretary	BoD Office
Midea	BoD	Not mentioned	Board Secretary	Invest Relations Department
China Yangtze Power	BoD	Board Chair and General Manager	Board Secretary	BoD Office, Strategic Development Department

Source: ACGA research and company disclosures

Key measures, unevenly addressed

All eight issuers incorporate the key measures outlined by the CSRC into their policies. Additionally, PetroChina and China Yangtze Power identify "ESG management" as a separate measure.

However, not all measures are addressed with the same depth. Investor relations receive the most extensive discussion, with each company outlining concrete steps. Yet, the emphasis primarily focuses on cultivating a positive corporate image rather than fostering meaningful dialogue with investors. PetroChina explicitly emphasises the importance of strengthening "two-way" communication with shareholders, while Zijin Mining plans to enhance the professionalism and international outlook of its investor relations team. Conversely, discussions around information disclosure are the most generic. While all state similar, high-level principles, only Zijin Mining identifies specific areas to enhance transparency.

The disclosure of future dividend strategies is high on symbolism but low on specifics. Zijin Mining distinguishes itself by aiming to gradually increase its dividend payout ratio and by highlighting the involvement of independent directors (INEDs) and shareholders in decision-making. Other companies set general goals within broad principles. For instance, BYD and Midea will annually set minimum dividend payout ratios, while CATL plans to increase the frequency of dividend payouts when appropriate. PetroChina, on the other hand, simply notes that it will strictly follow the dividend policy outlined in its articles of association.

M&A is another area dominated by formulaic statements. CATL and Midea use nearly identical language to describe their M&A and restructuring principles, while Sinopec aligns its M&A focus with regulatory priorities. BYD provides slightly more clarity, focusing its M&A efforts on "key points of the industry chain and supply chain".[37] Zijin Mining goes further, not only specifying potential areas for M&A but also addressing the balance between acquisitions and independent exploration.

Governance: the missing link

As noted earlier, the Guidelines only lightly touch on governance, aside from an emphasis on the board's responsibility. Unfortunately, these leading companies generally do not propose measures to enhance board effectiveness for market value management. Only Zijin Mining highlights the role of INEDs in dividend decisions; others either repeat the same broad principle on governance found in the Guidelines or omit governance altogether.

China's banking sector response: Five plans

In late March 2025, five major banks unveiled their plans (Figure 35). While these plans are filled with policy terms such as "new quality productive forces" (xinzhi shengchanli 新质生产力) and "five major articles" (wupian dawenzhang 五篇大文章), they are firmly anchored in company-specific strategies. Each bank highlights its own strategic positioning and outlines broad steps to enhance operational efficiency, profitability and risk management.

On another positive note, governance receives greater emphasis in these plans. Notably, the Agricultural Bank of China articulates a three-pronged strategy, with particular attention to minority shareholder interests. This includes enhancing the role of INEDs, especially regarding related-party transactions and profit distribution. The Industrial Bank, on the other hand, highlights an "organic integration of Party leadership with corporate governance".

Furthermore, sustainability reporting is included for all but one bank to enhance information transparency. The Agricultural Bank goes a step further by aiming to reinforce sustainability governance and weave sustainability into its broader corporate strategy.

The discussions on dividends are less compelling. All five banks are quick to showcase past dividend payments, with four specifically mentioning interim dividends paid in 2024. Yet only the Agricultural Bank explicitly commits to "actively issuing interim dividends" in the future. Three banks also address future dividend payout ratios: the Bank of China and the Industrial and Commercial Bank of China (ICBC) aim to keep dividend payout at reasonable levels, while the Industrial Bank seeks to steadily increase its ratio. Separately, the Agricultural Bank offers a more concrete measure by allowing its H-shareholders to receive cash dividends in renminbi.

Similarly, investor relations features prominently in these plans, with all banks detailing the communication tools and channels they have used and intend to use. Again, the focus is more on image promotion and shaping public opinion than on fostering genuine investor-company dialogue. An upside surprise comes from the Industrial Bank, which appears to be open to investor participation in governance. In its own words, the bank will track the expectations of market stakeholders and "use 'outside eyes' to scrutinise 'internal management'".

[37] https://www.szse.cn/disclosure/listed/bulletinDetail/index.html?3e772f83-e0c6-4aec-9ae2-301622b3cfad

Lastly, evaluation frameworks are limited. Only the Industrial Bank explicitly mentions conducting annual reviews, while the other four merely state that they will review outcomes in line with regulatory requirements. However, bigger questions remain: will the evaluation focus on business, financial or other outcomes, and what key metrics will be used?

Key themes from a targeted review of 170 policies and plans

Beyond the policies and plans disclosed by the top 20 companies, ACGA reviewed an additional 85 policies and 85 plans released by companies as at 31 March 2025. Our analysis applied a targeted approach, focusing on the alignment of plans with corporate strategies, the board's role, evaluation mechanisms, investor-company dialogue and governance. Below are the key highlights.

Alignment with corporate strategies

Only a few policies link market value management with corporate strategies. Dong-E-E-Jiao stands out by referencing its five-year strategic development plan, "1238 strategy", and aiming to lead market value management in the traditional medicine industry. Meanwhile, Luxshare Precision aligns its M&A strategy with its "three five-year plans".

In contrast, all the plans include company-specific strategies, though with varying detail. Among the more detailed examples, Hunan Valin Steel presents five strategies for strengthening its core business, with clear goals for product mix, carbon emissions, and branding; Ping An Bank outlines six strategies aimed at achieving high-quality development. Still, companies such as Shanxi Taigang Stainless and real estate developer Shanghai Industrial Development offer only brief summaries of their strategies to improve competitive advantage.

The board's role

The board's leadership role is recognised across all policies, with clear delineation of the responsibilities of the board and management. Ten issuers, including Beijing Compass Technology, Sino Wealth Electronic and Wanfeng Auto Wheel, consider market value management as a core task for the board.

Evaluation mechanism

Less than half of all issuers (46%, 39 out of 85) have expressed a plan to assess the policy implementation or report on progress to the board. Only Avary Holding, a Shenzhen-listed maker of printed circuit boards, commits to conducting annual evaluations with specific evaluation areas (e.g., the effectiveness of public opinion monitoring, the quality of information disclosure, external awards).

The overwhelming majority of plans explicitly mention annual evaluations, as required by the CSRC Guidelines. Notable outliers: Realcan Pharmaceutical, Lu Thai Textile and RiseSun Real Estate Development do not mention any assessments at all.

Investor-company dialogue

This set of plans and policies generally overlook investor-company dialogue. Most companies still treat investor relations primarily as a tool to "correctly guide market expectations". Only a few appear to welcome investor discussion on their governance. For example, Ping An Bank aims to "strengthen the interaction between management and investors" and to use this engagement to improve its governance. Similarly,

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Liaoning Port plans to leverage investor relations to gauge market expectations and improve governance and corporate value.

Governance

More than half of the policies published under the CSRC's "market value management" programme (62% or 53 out of 85) refer to governance in general terms, yet very few offer specific measures to improve it. For instance, China Merchants Expressway requires INEDs to participate in investor relations events, while cable TV operator JiShi Media specifies essential skills for personnel involved in market value management.

The plans provide more strategies or steps on governance. China Minsheng Bank aims to bolster corporate governance in three key areas: the dynamic between the Party Committee and the board, the board's decision-making process, and the effective performance of duties by INEDs. Meanwhile, shopping mall operator Wu Shang Group addresses board competency, with plans to implement director training on compliance and information disclosure.

Next steps

As adoption gains momentum in China, ACGA encourages listed companies to go beyond mere compliance and thoughtfully align regulatory guidelines with their strategic goals. Regulators, in turn, are advised to track progress, assess disclosure quality, and provide practical examples of best practices. ACGA also believes that market value management is unlikely to achieve its intended objectives without stronger corporate governance. Clearer guidance on incorporating market value management into board evaluation, alongside strengthened board training, would provide much-needed support.

Taiwan: Participation is key

Lake Wang, Research Head, Greater China

The Taiwan stock market has performed strongly in recent years, with its benchmark Taiwan Stock Exchange Capitalization Weighted Stock Index (TAIEX) reaching all-time highs in 2024. Based on the data from 2020 to 2024 covering MSCI Taiwan Index constituents, Taiwan has led the region in PB and ROE ratios, while its dividend payout ratio has been on par with the regional average.

Yet, the market is heavily driven by one leading company: Taiwan Semiconductor Manufacturing Company (TSMC). Its share of TAIEX's market capitalisation rose from 17% in 2017 to 38% by the end of 2024, according to a report by the Taiwanese Central Bank. [38] Meanwhile, the electronics industry, where TSMC operates, accounted for approximately 70% of the index's market capitalisation by year-end 2024.

Against this backdrop, in mid-2024, the Taiwan Stock Exchange (TWSE) launched "Strengthening the Capital Market and Enhancing Market Value" (*zhuangda zibenshichang, tisheng shichangjiazhi* 壯大資本市場、提升市場價值) as a comprehensive initiative designed to boost corporate value, improve dialogue between investors and companies, and promote growth in emerging industries, particularly digital technology, green energy and biotech. As the name implies, the initiative appears intended to fortify the broader market and cultivate new drivers, thereby reducing reliance on a single firm or industry.

Participation in the initiative is voluntary but since August 2024, TWSE has taken steps to encourage involvement. It has revised its CG Code to encourage issuers to prioritise shareholder value; provided a "corporate value enhancement plan" template; updated its annual CG evaluation to include a new question on value enhancement, and launched the "IR Engage" platform to facilitate interactions between investors and companies.

As of 30 April 2025, only nine out of 1,039 TWSE-listed companies have published a corporate value enhancement plan. A review by ACGA found that these plans evaluate current business operations and financial health well. However, they generally lack detail on future strategies and do not provide robust frameworks to assess the effectiveness of proposed measures.

Looking ahead, TWSE plans to refine the template and publish best-practice examples, with the goal of raising participation to 10% of listed companies by the end of 2025. ACGA encourages Taiwan to aim for at least 50% participation over time. Improving the initiative's English disclosures and encouraging director training related to corporate value enhancement would also be beneficial.

Taiwan's framework: comprehensive, voluntary

In February 2024, TWSE set out four focus areas for the year ahead, underscoring the aim of enhancing corporate value and increasing overall market capitalisation. [39] In line with this, the exchange launched the "Strengthening the Capital Market and Enhancing Market Value" initiative in mid-2024. This comprehensive programme spans corporate, investor and industry dimensions, with strategies and goals outlined below.

[38] https://knowledge.cbc.gov.tw/front/references/inpage/A9222CF0-2A05-F011-9115-00505694F3B3
[39] https://www.twse.com.tw/market_insights/en/detail/ff8080818d397607018de2e1c79f0197

Figure 38:

Objectives of TWSE's *Strengthening the Capital Market and Enhancing Market Value* initiative

Pillar	Strategies
Company	- Encourage listed companies to prioritise shareholder value - Improve sustainability reporting
Industry development	- Promote the growth of new economy industries (e.g., green energy, digital technology and biotech) - Facilitate collaboration and interaction across industry value chains
Investor	- Develop the IR Engage engagement platform - Encourage issuers with a market cap above NT$10 billion to hold at least two investor briefings per year - Develop Taiwan-themed ESG indices - Hold capital introduction events - Improve information disclosure platforms - Enhance English disclosures

Source: TWSE, ACGA Research

Steps to incentivise participation

Several key strategies, including improved sustainability reporting and stronger investor engagement, were set out in the 2023 "Sustainable Development Action Plans" issued by the Financial Supervisory Commission (FSC), Taiwan's financial regulator. Since August 2024, the TWSE has implemented other elements of the initiative, focusing particularly on incentivising companies to enhance shareholder value and deepen dialogue with shareholders. Below are key highlights of these efforts.

A revision to the CG code

In August 2024, the TWSE introduced a new provision (Article 13.3) to its "Corporate Governance Best-Practice Principles", the equivalent of its CG code. This provision encourages issuers to develop and disclose plans to improve corporate value, report proposed measures to the board and communicate them with investors.

A template for value enhancement

Alongside this provision, the exchange provided a template to guide companies in formulating a "corporate value enhancement plan".[40] We note that the template is largely modelled on the framework developed by the Tokyo Stock Exchange and comprises three sections: "Current Status Analysis", "Policies and Action Plans" and "Communication and Monitoring".

The analysis of current situation covers not only the performance of key financial metrics–such as WACC, ROIC, ROE, PB and PE – against industry averages in the Taiwan market, but also an evaluation of board independence, effectiveness and transparency. Notably, the board is expected to assess the company's overall position and determine whether its intrinsic value is adequately reflected in its market valuation.

Based on this analysis, board committees are expected to develop and disclose short, medium, and long-term measures which should be outlined in the policies and action plans section of the template. The TWSE highlights five broad areas for companies to consider: product or service mix, technological competitiveness, supply chain resilience, managerial strategies, including R&D, investment, marketing, human resources, and corporate governance, including board independence and effectiveness.

[40] https://www.selaw.com.tw/Chinese/RegulatoryInformationResult?sysNumber=LW10831132

Lastly, in the communication and monitoring section, companies are encouraged to engage in dialogue with investors about their plans and to provide updates on their progress at least annually.

A new page on the MOPS

On 14 October 2024, the TWSE launched a page titled "Corporate Value Enhancement Plan Zone" on the Market Observation Post System (MOPS), the platform for issuer announcements, reports and notices. [41] This page enables investors to search for companies that have disclosed a plan and review the details. Currently, the page is available only in Chinese.

A new question in the CG evaluation

A key tool used by the TWSE to incentivise sound governance is its annual corporate governance evaluation, now in its 12th year.[42] In December 2024, the TWSE unveiled the metrics for the 2025 CG evaluation. [43] Among the new additions is Question 1.5, which asks whether a company has developed a "corporate value enhancement plan" and disclosed it on the MOPS.

A platform for investor-company dialogue

Another tangible step is the launch of the IR Engagement Platform by Taiwan Index Plus, a subsidiary of TWSE, in November 2024. The platform, still under development, is designed to facilitate online bookings of venues for investor briefings, provide ESG rating information, and matchmake engagement between investors and companies. According to the TWSE, as of April 2025, 732 companies—586 on the TWSE and 146 on the Taipei Exchange (TPEX), the over-the-counter market—along with 55 institutional investors had registered users.

Nine plans: strong on business analysis, weak on measures and evaluations

As of 30 April 2025, only nine out of 1,039 TWSE-listed companies had disclosed a plan under the initiative on the MOPS. On the bright side, all nine offer specific and, at times, candid evaluations of their business operations and financial position, addressing key metrics such as WACC, ROE, ROIC and PB. SCI Pharmtech, for instance, acknowledges the burden of higher labour costs in Taiwan compared to mainland China and India, opting to prioritise net profit margin over total asset turnover.

Board governance also receives attention in most cases. Seven of the nine companies, excluding SCI Pharmtech and Yem Chio, evaluate their board's independence, effectiveness, and information transparency to varying degrees. Simple Mart Retail, Groundhog and Excel Cell Electronic highlight the experience and expertise of independent directors by name. In contrast, HY Electronic, Gourmet Master, Taiwan Sanyo Electric and Tatung provide a more generic overview of their board's independence and collective skill set.

However, when it comes to future strategies, most disclosures fall short in detail. All but two companies—Taiwan Sanyo Electric and Groundhog—limit themselves to broad measures and goals, often in just two paragraphs. Moreover, only three issuers—Simple Mart Retail, Excel Cell Electronics and Gourmet Master—

[41] https://mopsov.twse.com.tw/mops/web/index

[42] This assessment covers nearly all companies listed on the TWSE, evaluating their performance in areas such as board structure and effectiveness, protection of shareholder rights, information disclosure and sustainability reporting. It combines self-assessments from the companies with evaluations by the TWSE's Corporate Governance Center. Results are disclosed in seven brackets: the top 5%, the bottom 20%, and five 15% tiers in between, with company names arranged by stock ticker. Additionally, top performers are honoured in a ceremony.

[43] https://cgc.twse.com.tw/evaluationCorp/listEn

commit to improving board diversity and independence as part of their short-term measures. Simple Mart Retail stands out by setting diversity goals for the 2025 director elections, but its target of at least one female director on the board lags behind regulatory requirements. [44]

More importantly, these plans lack a robust evaluation mechanism. Only HY Electronic mentions "periodic assessments" to track implementation. Sanyo Electric and Tatung, meanwhile, stress the importance of ensuring investors fully grasp the plans and strategies through ongoing dialogue.

Figure 39:

TWSE-listed companies with a corporate value enhancement plan

Company (Ticker)	Sector	Disclosure date (dd/mm/yy)
SCI Pharmtech (4119.TT)	Pharmaceutical manufacturing	20/11/2024
Excel Cell Electronic (2483.TT)	Electronic components	26/12/2024
Groundhog (6906.TT)	Software and technology services	27/12/2024
Tatung (2371.TT)	Electrical equipment	31/12/2024
Yem Chio (4306.TW)	Basic materials	3/3/2025
Simple Mart Retail (2945.TT)	Retail	7/3/2025
Taiwan Sanyo Electric (1614.TT)	Electrical appliances	17/3/2025
HY Electronic (6573.TT)	Semiconductors	8/4/2025
Gourmet Master (2723.TT)	Coffee and bakery chain stores	25/4/2025

Source: MOPS

Next steps

In September 2024, the FSC unveiled an ambitious plan to develop Taiwan into an important asset management hub for the Asia region, for which "strengthening the capital market" is a key pillar. For the TWSE, the "Strengthening the Capital Market and Enhancing Market Value" initiative will remain a priority not only in 2025, but also over the medium to long term. According to ACGA's discussions with the TWSE, the exchange intends to refine the current template, publish best-practice cases, and potentially explore developing relevant indices. Yet, given the initiative's voluntary nature, a more immediate question is how to encourage broader participation. TWSE has set a goal of achieving 10% participation among listed companies by the end of 2025.

For the initiative's long-term success, ACGA encourages Taiwan to target at least 50% participation over time. Gathering investor feedback and providing updates in line with regional best practices will also be critical. To facilitate international investor participation, improving English-language disclosure, such as offering an English version of the dedicated MOPS page, would be helpful. Lastly, with director training already widespread in Taiwan, industry bodies should be encouraged to organise training specifically focused on enhancing corporate value.

[44] Starting in 2025, listed companies whose boards do not comprise at least one-third women must explain the reasons and present improvement measures, according to the FSC's "Sustainable Development Action Plans".

Hong Kong: Nudges, not yet a push

Lake Wang, Research Head, Greater China

Hong Kong has yet to introduce a specific Value Up initiative. However, Hong Kong Exchanges and Clearing (HKEX) has revised its CG code to strengthen dividend policy disclosures and nudge issuers towards better capital management, alongside other incremental steps to enhance shareholder value. Meanwhile, issuers dual-listed in Hong Kong and mainland China may find themselves subject to China's market value management initiative.

While mainland Chinese companies represent approximately 80% of the market capitalisation in Hong Kong, the quality of HKEX-listed companies remains a concern.[45] MSCI Hong Kong index constituents have one of the lowest ROE and PB ratios across the region. As the Value Up momentum builds across Asia, there is a strong case for a similar programme focusing on company quality and shareholder value to be rolled out for Hong Kong as well.

The ripple effect: China to Hong Kong

Companies dual-listed in Hong Kong and mainland China could still be subject to China's market value management policies. This includes 145 A- and H-share firms as at 2 May 2025, as well as Hong Kong and offshore-incorporated companies such as China Mobile, CNOOC and SMIC.

As discussed in the chapter on China's value management programme, a growing number of A- and H- share issuers have begun disclosing their policies or plans for market value management. Notable examples include BYD, ICBC, BOC, PetroChina and Zijin Mining.

Incremental steps

HKEX introduced a new mandatory disclosure requirement for dividend policies in December 2024 as part of a broader overhaul of its CG Code and related listing rules.[46] The move aimed to prod issuers into prioritising capital management through greater transparency, with capital management identified as one of five focus areas in this round of revisions.[47] The exchange also encouraged issuers to go beyond disclosure, noting China's market value management and other similar efforts in the region.

Earlier, in April 2024, HKEX relaxed listing rules, allowing issuers to retain repurchased shares as treasury stock and resell them under specific conditions. Additionally, it provided guidance in October 2023 on conditions under which companies may conduct automatic share buybacks during the 30 days preceding the release of financial results.

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[45] https://www.hkex.com.hk/Market-Data/Statistics/Consolidated-Reports/China-Dimension?sc_lang=en#select1=0&selection=Main-Board&select2=1&data=rpt_data_ChinaDimension_MB_MC_China

[46] More specifically, issuers with a dividend policy must now disclose its aims, the key decision-making factors, and confirm whether the board's dividend decisions align with the policy. Those without a dividend policy must explain why. All issuers are required to clarify any significant changes in dividend rates. If no dividend is paid, companies must explain the reasons and outline measures to enhance shareholder returns.

[47] https://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/June-2024-Review-of-CG-Code/Consultation-Paper/cp202406.pdf

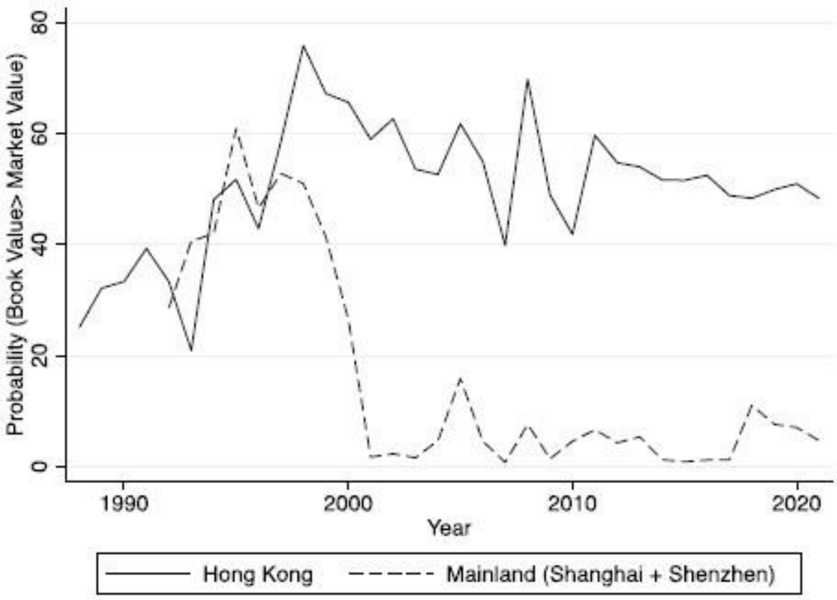
Time to seize the regional momentum

According to our data, MSCI Hong Kong Index constituents have demonstrated strong performance in dividend payouts, with an average payout ratio of 62.1% from 2020 to 2024. On the flip side, their performance in ROE and PB metrics lags behind, with an average ROE of 6.19% and a PB of 1.05 over the same period—both falling short of regional averages.

The issue of low PB ratios in Hong Kong's stock market is explored in depth in the 2022 Hong Kong Economic Policy Green Paper, published by the University of Hong Kong. In a chapter focusing on Hong Kong's role as an international finance centre, Pingyang Gao, Ruijing Meng, and Yang You reveal a "prevalent and persistent" low valuation problem.[48] Notably, over half of HKEX-listed firms traded below book value for most of the period from 1990 to 2020, compared to less than 10% in the A-share market during the same period. As they put it, "Almost at any point since 2000, half of the firms in Hong Kong are worth more dead than alive". The authors identify weak corporate governance as *the* culprit for this chronically low valuation and emphasise the urgent need for reform.

Figure 40:

The fraction of companies with book value higher than market value



Source: Hong Kong Economic Policy Green Paper 2022

Concerns about the quality of Hong Kong-listed companies are hardly new. In a 2019 speech, Julia Leung, then Deputy CEO of the Securities and Futures Commission (SFC), noted "a consistent theme" emerging from research and stakeholder feedback: the low turnover and liquidity in some parts of the market are linked to "perceived problems with the listed companies and the securities".[49]

[48] https://www.hkubs.hku.hk/wp-content/uploads/2022/09/green_papers_2022_eng_s.pdf
[49] https://www.sfc.hk/-/media/EN/files/ER/PDF/Speeches/IPO-Sponsors-and-Regulations---Keynote-Speech_final_INT.pdf

ACGA has previously addressed the issue of market quality in the Greater China Chapter of CG Watch 2023 and through submissions to regulatory consultations.[50] More recently, we presented a case study on New World Development, underscoring governance weaknesses, particularly relating to board independence, as a salient factor behind its financial difficulties.[51]

The 2025 Hong Kong Economic Policy Green Paper once again urges Hong Kong to raise its governance standards, alongside other proposed measures to tackle challenges in the stock market. [52] Specifically, it recommends adopting best practices from developed markets such as the US. As Asia rides its Value Up wave, Hong Kong does not need to look far for reform inspiration. Now could be the moment for the city to seize regional momentum and refine its strategy for boosting corporate value.

Should Hong Kong adopt market value management-style policies?

This question arose during a meeting of the Legislative Council's Panel on Financial Affairs on 5 February 2024. Council member So Cheung-wing questioned Eddie Yue, Chief Executive of the Hong Kong Monetary Authority (HKMA), on whether Hong Kong should push listed companies to conduct share buybacks and increase dividends, citing the State Council's directive on market value management for SOEs.[53] Short on time, Mr. Yue responded that such decisions are largely up to individual companies and that the issue falls under the SFC's remit.

Mr. So later put the same question to Tim Lui, the then-SFC Chairman, and Julia Leung, the Commission's CEO.[54] Ms. Leung welcomed the State Council's directive, highlighting the importance of Hong Kong's equity markets to China's SOEs. She added that dividend policies are influenced by macroeconomic factors and pointed to HKEX measures to facilitate share buybacks and the resale of repurchased shares.

[50] https://www.acga-asia.org/cgwatch-detail.php?id=501; https://www.acga-asia.org/advocacy-list.php?date=2022&cid=1&country=5&id=465
[51] https://www.acga-asia.org/blog-detail.php?date=2025&cid=&country=&id=100
[52] https://www.hkubs.hku.hk/wp-content/uploads/2025/01/Green-Paper-Final_English.pdf
[53] https://webcast.legco.gov.hk/public/zh-HK?meetingid=M24020022&start=3530
[54] https://webcast.legco.gov.hk/public/zh-HK?meetingid=M24020022&start=8623

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India: Deregulation, digitalisation and disinvestment

Anuja Agarwal, Research Head, Japan and India

India has no explicit Value Up program but recent initiatives on increasing ease of doing business, through deregulation and digitalization, should lead to a more transparent and business-friendly governance framework for all listed companies. The intent for strategic national wealth creation and inclusive growth through revised capital management guidelines and strategic disinvestment[55] of select Public Sector Undertakings (PSUs) called Central Public Sector Enterprise (CPSE) reforms is a noteworthy and successful initiative that has not received much attention from investors. The revised guidelines are mandatory for CPSEs and we recommend these should be extended to all PSUs.

The recent initiatives by National Financial Reporting Authority (NFRA) and Securities Exchange Board of India (SEBI) to require approval procedures of Related Party Transactions by Audit committees and easing of IPO norms for professionally managed companies should help improve corporate governance in promoter dominated landscape.

Following a delegation to India in March, ACGA sent an open letter to regulators setting out a number of recommendations, including lowering thresholds for shareholder proposals from the current 10% and increasing shareholder engagement with independent directors as well as board governance reforms for all PSUs. While India does not have a low valuation issue for its equity market, these measures should help enhance longer term returns for shareholders.

Deregulation

India's GDP has more than doubled in the past ten years, rising from US$2.1 trillion in 2015 to US$4.3 trillion in 2025 —a growth of over 100%.[56] Because of the high growth being forecast in earnings, Indian companies generally do not trade at book value discounts, but good governance is significant in maintaining sustainable shareholder returns.

India suffers from so-called "regulatory cholesterol" which impacts the ability to do business: of the 69,233 compliance rules that companies have to follow, 37.8% (almost two out of every five) carry imprisonment clauses.[57] More than half of these imprisonment clauses carry a sentence of at least one year. The decriminalization of 63 offences such as late filing of statutory returns and other non-fraudulent offences has been the subject of a major reform programme announced by Finance Minister Nirmala Sitharaman during the presentation of the Economic Survey 2023-24. This move is part of a broader government initiative to enhance the "Ease of Doing Business"[58] and create a more business-friendly regulatory environment[59].

The Securities and Exchange Board of India (SEBI) introduced the Industry Standards Forum (ISF) in July 2023 to coordinate the views of industry participants on the implementation and formation of new regulation and circulars, a significant step toward structured self-regulation in Indian markets. By involving industry bodies and practitioners directly in the standard-setting process, ISF is intended to ensure that regulatory implementation is both effective and responsive to operational realities.

[55] https://dipam.gov.in/disinvestment-policy
[56] https://www.eurasiantimes.com/historic-achievement-for-india-as-economy-crosses-us4-trillion/
[57] https://www.orfonline.org/research/jailed-for-doing-business
[58] https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2042114
[59] https://bfsi.economictimes.indiatimes.com/budget/union-budget-2024/economic-survey-fm-sitharaman-decriminalizes-63-offences-to-boost-business/111922201

ISF in action
Based on ISF's recommendations, SEBI deferred the mandatory ESG value chain disclosures and their assurance requirements by one year, making them voluntary initially. This adjustment allowed companies more time to adapt and ensured smoother compliance for the financial year 2024-25 and beyond.[60]

Digitalisation
MCA21 is a flagship e-Governance project by the Ministry of Corporate Affairs (MCA). Its primary goal is to provide easy and secure access to MCA services, enabling companies and professionals to fulfil statutory obligations under the Companies Act and related laws through an online portal.

Recent e-initiatives of MCA

- Conversion of 54 forms to Stright Through Process (STP) which earlier required approval of field offices.
- Convening Annual General Meeting (AGM) and Extra-ordinary General Meeting (EGM) of a company through Video Conference (VC)
- Setting up e-adjudication portal for adjudication of offences related to the Companies Act.
- Introducing e-Form SPICe+ along with a linked form called AGILE PRO-S for providing different services at one place such as name registration, incorporation, allotment of Permanent Account Number (PAN) for operating bank account, etc.

Disinvestment
Public sector undertakings (PSUs) are entities where the government, either at the central or state level, holds a majority stake of at least 51% of the paid-up share capital. Historically listed PSUs have traded at a discount to private companies due to market perception of poor governance and efficiency.[61] Central Public Sector Enterprises (CPSEs) are a smaller subset of PSUs and refers only to companies where the Central Government holds at least 51% of the share capital.

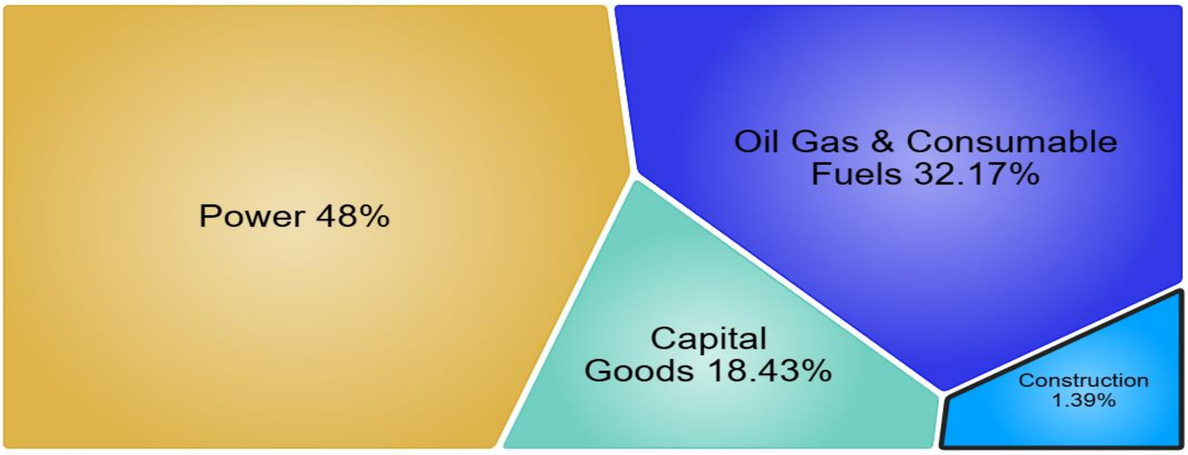
The NSE CPSE Index tracks the performance of select government-owned companies. The CPSE ETF was constructed to facilitate Government of India's initiative to disinvest some of its stake in selected CPSEs.[62] The Nippon India CPSE ETF is the only ETF that follows the Nifty CPSE Index and is available for trading on both NSE and BSE.

The NSE CPSE Index is energy heavy (Figure 41) in terms of sector distribution but with Life Insurance Corporation (LIC) having listed only in 2022, it is possible that it meets the criteria for inclusion in NSE CPSE Index in future, and financial sector starts getting represented.

[60] https://assets.kpmg.com/content/dam/kpmgsites/in/pdf/2025/01/firstnotes-sebi-introduces-certain-key-changes-in-brsr-reporting.pdf.coredownload.inline.pdf
[61] https://www.jmflresearch.com/JMnew/JMCRM/analystreports/pdf/India%20PSUs.pdf
[62] https://www.niftyindices.com/Factsheet/ind_Nifty_CPSE.pdf

Figure 41:

Sectoral Distribution of Nifty CPSE Index



Source: Niftyindices.com, as of April 2025

The Department of Investment and Public Asset Management (DIPAM) under the Ministry of Finance, manages government equity in public sector companies and is also responsible for undertaking minority stake sales, strategic disinvestments and privatisations. DIPAM issued capital management guidelines in 2024 but has been working on various initiatives since 2020.

According to DIPAM's capital management guidelines document:

> "Value creation in the CPSEs is being prioritized through a balanced policy of capital management of CPSEs based on dividend pay-outs, buy-back, bonus shares, splitting of shares and improving the performance and efficiency of the CPSEs with reference to key parameters such as CAPEX, EBIDTA, Return on net-worth or Return on Capital Employed, Asset Turnover Ratio, and other financial ratios."[63]

The practice of announcing a specific disinvestment target in the budget ended with the Interim Budget for FY2024-25. The government stated that this change was part of a calibrated strategy to maximize value rather than chase numerical goals, reflecting a broader and more flexible approach to managing public sector assets.

Figure 42:

Revised Capital Management Guidelines (2024)

Dividend Policy	Minimum 30% of Profit after Tax (PAT) or 4% of net worth (whichever higher); interim dividends encouraged.
Buybacks	For CPSEs with market price < book value for 6 months, net worth ⩾ ₹3,000 crore, cash ⩾ ₹1,500 crore
Bonus shares	For CPSEs with reserves ≥ 20x paid-up equity
Share splits	For listed CPSEs with market price > 150x face value for 6 months

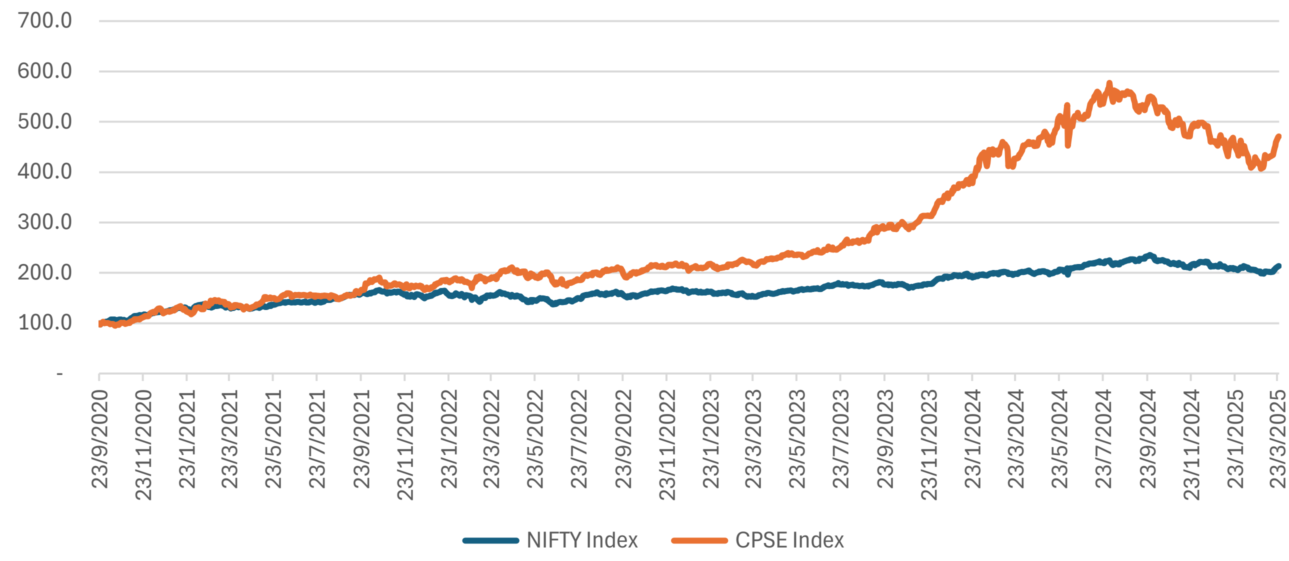
Source: ACGA Research

[63] https://dipam.gov.in/capital-restructuring

The CPSE Index's outperformance in recent years (Figure 43) can largely be attributed to a re-rating of public sector stocks by the market, combined with stronger dividend yields and government reforms which have been ongoing since 2020.[64] These reforms include linking compensation to performance KPIs in Memorandums of Understanding (MOUs), encouraging balanced capital allocation in form of capex and dividends and promoting long-term thinking.

Figure 43:

Nifty CPSE Index vs Nifty 50 Index



Source: ACGA Research, Bloomberg.

Notwithstanding this outperformance, the Nifty CPSE index is still at a discount on both PE and PB metrics and provides a substantially higher dividend yield than the broader market (Nifty 50) (Figure 44). Given the success of the CPSE Index, it makes sense for the government to extend reforms to all PSUs. This could cover more sectors like banks and insurance companies.

Figure 44:

Nifty CPSE vs Nifty 50 valuation metrics

Metric	Nifty CPSE (Apr 2025)	Nifty 50 (Apr 2025)
P/E Ratio (x)	12.3	22.0
P/B Ratio (x)	2.10	3.60
Dividend Yield	3.57%	1.27%

Source: ACGA Research, Bloomberg

[64] https://www.tribuneindia.com/news/business/cpsess-dividend-distribution-reaches-rs-1-50-lakh-crore-in-fy25-govt-share-at-rs-74000-crore-dipam-secretary/amp

Despite these positive developments, some challenges remain. As of March 2025, over 625 positions of independent directors are vacant in Central PSUs in India[65]. This represents approximately 86% of the independent director positions remaining unfilled, a significant increase from previous years.

As many as 97% of the 2,133 companies listed on the NSE mainboard have at least one-woman director on board, but nearly half of the companies without a woman director belong to PSUs[66]. The data also reveals a decline in female participation on PSU boards over the years. For instance, in FY18, 67 out of 71 listed PSUs had at least one-woman director, equating to 94.4% participation. However, this figure has dropped to 67.1% as of March 2025, with only 53 out of 79 listed PSUs having a woman on their board.[67]

Corporate governance initiatives by other stakeholders

There have been other notable developments in India's corporate governance landscape which are relevant for all publicly listed companies. The National Financial Reporting Authority (NFRA), India's audit regulator and SEBI have introduced several measures recently to strengthen the role of audit committees and approval of Related Party Transactions (RPTs). This move should help improve governance in promoter-dominated companies.

SEBI has eased minimum promoter contribution norms to boost IPO process in India[68]. There are many prominent, new-age, professionally managed companies which do not have a designated promoter, for instance Zomato and Swiggy. But there are some parameters specified by SEBI. No non-financial investor should own more than 10%, and there is still a one-year lock in for all pre-IPO investors. here are companies like ICICI Bank that are not new listings but do not have any promoter either.

India's stewardship codes for institutional investors have developed over the last decade, driven by sectoral regulators, to promote responsible ownership, transparent voting, and active engagement in listed companies. Figure 45 below sets out developments in Indian Stewardship codes aimed at different financial market participants.

Figure 45:

Key milestones for Indian Stewardship Codes

Year	Regulator	Coverage	Key Requirement
2017	IRDAI	Insurance companies	Stewardship policy, active engagement, voting
2018	PFRDA	Pension funds	Stewardship code, annual reporting
2019	SEBI	Mutual funds, AIFs	Stewardship code, mandatory voting, disclosures
2023	SEBI	REITs, InvITs (large holders)	Stewardship principles, policy formulation

Source: ACGA Research

[65] https://www.indianmandarins.com/news/over-600-positions-of-independent-director-vacant-in-central-psus-/30434
[66] https://www.cnbctv18.com/business/psus-account-for-nearly-half-of-the-companies-without-women-directors-on-board-19570684.htm
[67] Source: preimeinfobase.com
[68] https://www.moneycontrol.com/news/business/markets/sebi-eases-minimum-promoter-contribution-norms-to-help-companies-eyeing-an-ipo-12728869.html

The codes have strengthened the role of institutional investors in corporate governance, though the fragmented approach has led to some challenges in uniformity and enforcement. Even then, they have been impactful in initiating active ownership practices among institutional investors. For example, Life Insurance Company of India, India's largest asset owner, prioritizes voting in companies it has more than 5% stake, has at least quarterly engagements with all portfolio companies, and is in process of building an ESG Policy.

Singapore's value focused approach

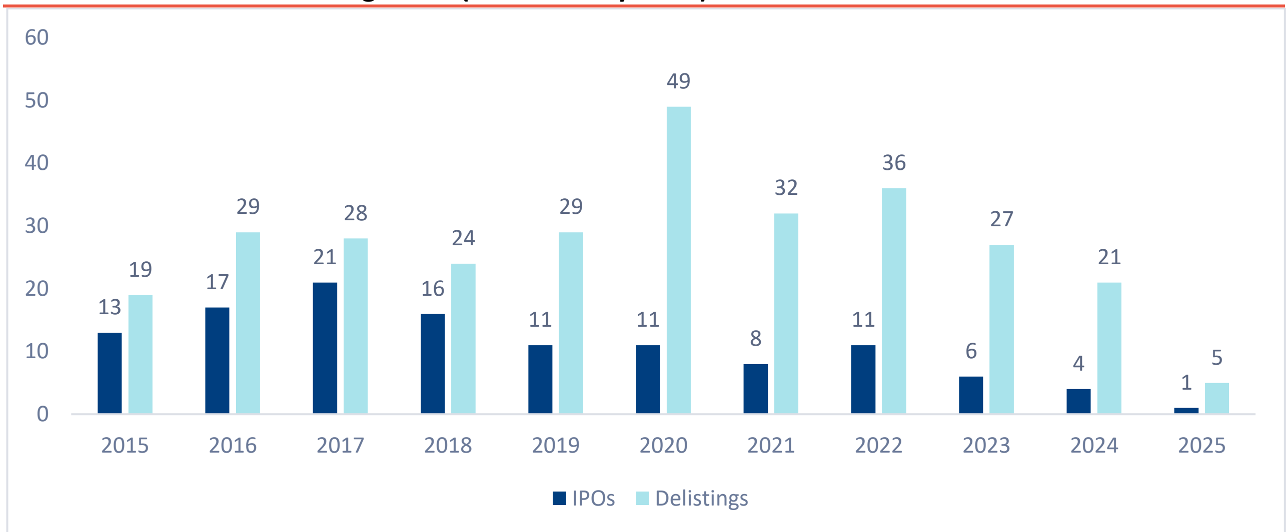
Stephanie Lin, Research Head, Korea and Singapore

Singapore's capital market has faced persistent structural challenges, particularly in attracting new listings and sustaining vibrant secondary market activity. IPO numbers have remained low compared to regional peers. In 2023, SGX recorded only six IPOs, raising around US$35 million—significantly trailing Indonesia (79 IPOs, US$3.6 billion), Thailand (37 IPOs, US$1.1 billion), and Malaysia (32 IPOs, US$801 million).[69] The trend continued in 2024, with Singapore registering just four IPOs to the Catalist board (raising US$31 million), while Malaysia, Thailand and Indonesia reported 29, 31 and 41 IPOs, respectively.[70]

Other longstanding challenges also persist: trading remains concentrated in a few large-cap stocks, while mid- and small-cap segments suffer from low liquidity and valuations and limited analyst coverage. Retail investor participation remains modest, further dampening market vibrancy.

Figure 46:

Annual SGX IPO and delisting trend (as of 21 May 2025)



Sources: SGX, Maybank Securities, Bloomberg

In its response to ongoing concerns about structural weaknesses in Singapore's equity market, in 2024, SGX Exchange Regulation (SGX RegCo) introduced a three-pronged "value focus" approach aimed at enhancing long-term shareholder value. The approach focuses on: (1) enhancing board quality through measures such as a nine-year limit on independent director tenure, mandatory board diversity policies, and improved disclosure of CEO and director remuneration; (2) reducing market friction by reviewing how SGX conducts trading queries; and (3) strengthening market discipline by giving shareholders a greater voice. While some regulations targeting board effectiveness were implemented earlier, they are now unified under this broader framework.

Complementing this, the Monetary Authority of Singapore (MAS) convened the Equities Market Review Group in August 2024 to examine structural weaknesses. Based on its recommendations, MAS launched a S$5 billion Equity Market Development Programme (EQDP) in February 2025 and announced its first set of

[69] https://www.ey.com/en_my/newsroom/2024/01/multiple-crosswinds-superseded-global-ipos-despite-market-rally-in-2023?utm_source=chatgpt.com

[70] https://www.ey.com/en_sg/newsroom/2025/01/2024-ipo-wrapped-americas-and-emeia-recover-asia-pacific-lags?utm_source=chatgpt.com

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measures aiming at strengthening the competitiveness of the market.[71] The programme focuses on strengthening the local fund management ecosystem and increasing investment in Singapore-listed equities. The first set of measures targets both demand and supply: boosting investor interest and liquidity, while supporting a pipeline of higher-quality listings. These are accompanied by a pro-enterprise regulatory approach that will also aim to improve investor confidence and also support a shift toward a more disclosure-based listing regime.[72]

ACGA recognises the intent behind Singapore's value-focused strategy to address structural challenges in its capital markets and supports its emphasis on shareholder value and a broader ecosystem approach. The shift toward a disclosure-based listing regime will require strong enforcement, investor protection, and corporate governance to succeed.

We view the strategy's initial focus on board quality as a logical entry point, with measures such as director tenure limits, diversity requirements, and improved pay disclosures marking important progress. A full review of the Corporate Governance Code by MAS would reinforce this momentum.

However, the strategy's success will also depend on fostering a stronger stewardship culture. While institutional investors are being encouraged to engage more actively in the initial set of measures announced by MAS, stewardship standards are not yet explicit in fund manager selection. We hope this gap will be addressed in upcoming policy updates that is scheduled to come out by the end of the year.

We are also cautious over removing safeguards like SGX's Watch-List without an effective alternative, as it plays a valuable role in market discipline. Attracting quality listings —not just higher numbers— we believe remains a priority.

Finally, we recommend strengthening minority shareholder protections through legal reforms, such as a class action framework. We look forward to the next phase of reforms, including proposals on investor engagement, retail participation, cross-border partnerships, and post-trade efficiency.

Ultimately, the long-term success of Singapore's value-focused reforms will hinge on core governance fundamentals: active and effective boards, responsible institutional investors, credible enforcement, and legal mechanisms that support transparency and accountability. We view these elements as key for raising market quality and delivering better outcomes for shareholders, especially in the small- and mid-cap segment.

SGX's three pronged approach to value creation

In July 2024, SGX RegCo CEO Tan Boon Gin outlined SGX's "value focus" approach to enhancing shareholder value in a keynote speech at the ISCA-SAC BOD Masterclass.[73] The approach is built on three pillars which we examine in further detail below:

1. Improving board quality – Promoting high-calibre boards capable of making strategic decisions that drive long-term shareholder value.
2. Modifying market mechanisms – Enabling shareholders to more actively engage with and influence company decisions, strengthening transparency and accountability.

[71] https://www.mas.gov.sg/news/media-releases/2025/a-comprehensive-set-of-measures-to-strengthen-singapores-equities-market
[72] https://www.mas.gov.sg/news/media-releases/2025/a-comprehensive-set-of-measures-to-strengthen-singapores-equities-market
[73] https://www.sgxgroup.com/media-centre/20240730-keynote-speech-tan-boon-gin-ceo-sgx-regco-inaugural-isca-sac-bod

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3. Decreasing market friction – Reviewing and refining its approach to company queries to strike a better balance between regulatory disclosure requirements and the market's natural role in price discovery, aiming for more targeted interventions and fewer unnecessary trading disruptions.

First pillar: Strengthening board governance

The first pillar of SGX's value focus initiative aims to enhance board independence, diversity, and transparency. In recent years, SGX has introduced key measures to strengthen corporate governance, including a nine-year cap on independent director tenure, mandatory board diversity policies with set targets, and individual-level disclosure of director and CEO remuneration.

From 31 December 2024, companies have been required to disclose director and CEO remuneration on a named basis in annual reports, detailing fixed salary, performance-linked bonuses, benefits in kind, stock options, and share-based incentives. However, there is no requirement to specify the structure of incentive plans or their alignment with corporate strategy.

To reinforce board independence, a hard cap on independent director tenure was introduced in January 2023, replacing the previous two-tier shareholder approval mechanism. The rule, which took effect for financial years ending 31 December 2023, prevents independent directors from serving beyond nine years. To promote board diversity, SGX mandated in January 2022 that listed companies adopt and disclose a board diversity policy, including specific targets, implementation plans, and timelines.

According to the *Singapore Board Diversity Review 2024*,[74] conducted by the Council for Board Diversity, the implementation of the nine-year tenure cap for independent directors (INEDs) has prompted a wave of board refreshment across listed companies. Rather than simply rotating long-serving directors between boards, the study found an influx of new talent. Specifically, first-time directors—those new to SGX-listed boards—accounted for 66% of board appointments among the largest 100 companies in 2023, an increase from 47% in 2022.

Following the introduction of mandatory board diversity policy disclosures in early 2022, SGX's review of company disclosures for FY2022 identified that approximately 90% of companies had adopted a board diversity policy tailored to their specific needs. Among the aspects of diversity highlighted, 97% referenced gender, 99% cited skills and experience, and 91% included age and board tenure as important considerations. However, when it comes to setting and acting on diversity targets, only 41% of companies disclosed having such targets. Of these, about 21% outlined plans to achieve their targets, and only 11% reported on their progress towards meeting them.[75]

As of 31 December 2024, the percentage of women on the boards of the top 100 Singapore-listed companies stands at 25.1%. However, when considering all companies listed on the SGX, the percentage drops to 16.1%.[76] As at end-2023, all-male boards were still common, making up 11% of the top 100 and 38% of all companies listed in Singapore.[77]

For the next step in this pillar, we understand that the Corporate Governance Code, last updated in 2018, may be reviewed, although a specific timeline has yet to be announced.

[74] https://www.councilforboarddiversity.sg/wp-content/uploads/2024/06/Council-for-Board-Diversity-Singapore-Board-Diversity-Review-2024.pdf
[75] https://www.councilforboarddiversity.sg/wp-content/uploads/2023/11/State-of-board-diversity-disclosures-of-SGX-listed-issuers.pdf?utm_source=chatgpt.com
[76] Source: Council for Board Diversity, Singapore: https://www.councilforboarddiversity.sg/resources/latest-statistics/
[77] https://www.councilforboarddiversity.sg/wp-content/uploads/2024/06/Council-for-Board-Diversity-Singapore-Board-Diversity-Review-2024.pdf

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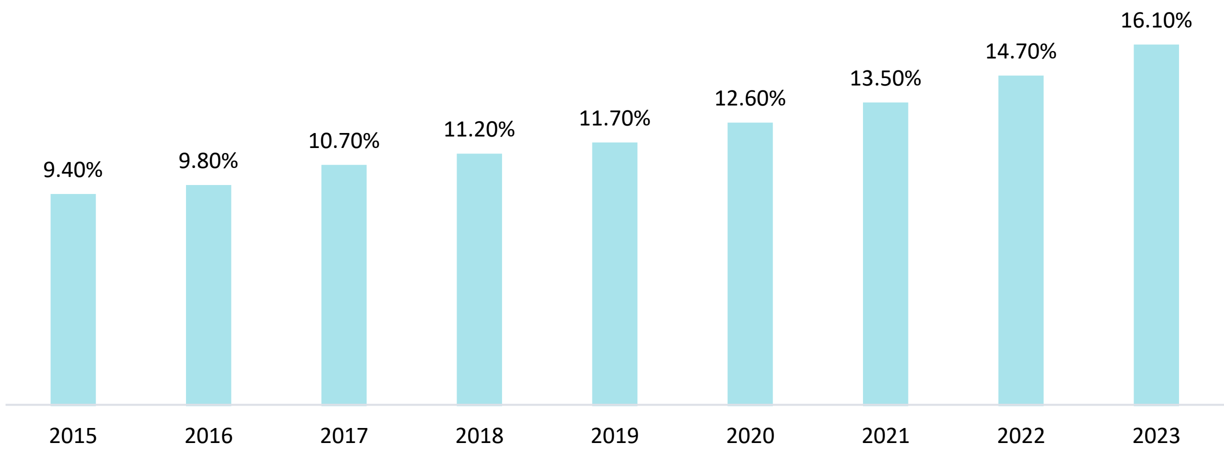
Figure 47:

Female board representation across all SGX-Listed companies



Source: Council for Board Diversity Singapore

Second pillar: Encouraging market discipline
The second pillar of SGX's value-focused initiative emphasizes market discipline. Extending beyond procedural confines of trading and price efficiency, SGX views market discipline as the ability of investors to directly engage with companies, ensuring that their concerns are heard and addressed effectively.

In 2024, SGX RegCo proposed amendments to its Listing Rules to make it easier for shareholders to convene requisitioned general meetings. Although shareholders have long held this right, the process was often hindered by administrative hurdles and reliance on company cooperation for logistics and communication. The updated rules reduce these barriers by requiring issuers to support shareholders in organizing such meetings. In its consultation response, ACGA welcomed SGX's efforts to streamline the process but noted that the 10% threshold to requisition a meeting remains high compared with markets like Hong Kong, where a 5% threshold is required.

Additionally, SGX is collaborating with organisations such as the Securities Investors Association (Singapore) (SIAS) to strengthen investor participation in corporate governance. SIAS regularly submits questions at shareholder meetings, and SGX has actively supported efforts to ensure that companies provide thoughtful and substantive responses. Going forward, there is a greater focus on expanding the scope of these inquiries beyond governance and operational matters to include company strategy and approaches to delivering long-term shareholder value.

Third pillar: Decrease market frictions
The final pillar of the value-focused initiative involves SGX revising its approach to public trading queries, following concerns that such queries may have created a "chilling effect" which has discouraged corporate actions such as share buybacks. Originally introduced to address unexplained spikes in trading volumes or prices and to reinforce companies' disclosure obligations, the public query system is now under consideration for phase-out under the new approach, which places greater emphasis on private engagement to determine whether the particular unusual trading activity requires disclosure of material information.

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MAS's Equity Market Development Programme

Another key component of the shareholder value creation strategy is the S$5 billion Equity Market Development Programme (EQDP), announced by MAS in February 2025 (falling under the market discipline pillar). This programme aims to strengthen the local fund management ecosystem by investing through selected fund managers who focus on Singapore-listed equities, with the goal to ultimately boosting investor interest and strengthening the vibrancy of the equities market.

The EQDP and associated measures were developed with input from the Equities Market Review Group, which MAS established in August 2024, to recommend strategies for strengthening the development and competitiveness of Singapore's equities market. In its first set of recommendations released in February 2025, the Review Group proposed a mix of demand-side, supply-side, and regulatory measures.[78] These include initiatives to:

- Increase investor participation and market liquidity (demand)

A new government-backed investment programme will channel capital into funds focused on Singapore-listed equities, encouraging greater institutional participation. Tax incentives and enhancements to the Global Investor Programme aim to attract more capital into the market. The equity research ecosystem will also be strengthened, with greater support for research coverage of mid- and small-cap companies and broader dissemination channels.

- Attract high-quality listings (supply), and

New tax incentives and financial support measures have been introduced to make Singapore a more attractive listing venue for growth companies and fund managers. These include a 20% corporate tax rebate for new primary listings, a 10% rebate for secondary listings involving share issuance, and a 5% concessionary tax rate for newly listed fund managers that distribute a portion of their profits as dividends. Complementary efforts will continue to develop a strong pipeline of listing-ready local enterprises through enterprise development initiatives.

- Streamline the listing process through a more disclosure-based regulatory regime

The proposed changes aim to streamline SGX's listing and regulatory processes. SGX RegCo will take full responsibility for listing suitability and prospectus disclosures, shifting to a disclosure-focused model. Prospectus requirements will be simplified, and secondary listings will be able to use overseas prospectuses with minimal modification. SGX also targets a six to eight week review timeline. Notably, public trading queries and alerts will be phased out to reduce market disruptions, and the SGX Watch-List could be removed to ease compliance burdens.

SGX released a consultation paper related to these sets of regulatory measures on 15 May, to which ACGA will be submitting a detailed response.

Initial assessment of the value focused strategy

ACGA welcomes the fact that regulators are placing shareholder value at the heart of their reform agenda and are taking a holistic, ecosystem-wide approach rather than focusing on isolated rule changes. This broader perspective acknowledges that value creation depends on multiple, interconnected elements of the

[78] https://www.mas.gov.sg/news/media-releases/2025/a-comprehensive-set-of-measures-to-strengthen-singapores-equities-market

governance framework. Importantly, the inclusion of board quality and effectiveness as a key pillar SGX's three-pronged, value-focused approach is well received, as strong boards are critical to driving sustainable shareholder value. In our CG Watch 2023 report, we supported recent governance reforms in Singapore—such as the nine-year tenure cap for independent directors, mandatory board diversity policies, and enhanced disclosure of CEO and director remuneration. A comprehensive review of the Corporate Governance Code would be a logical and timely next step in advancing this reform agenda.

MAS's EQDP initiative, which includes a S$5 billion allocation through selected fund managers, aims to enhance market liquidity and strengthen discipline by rewarding well-governed companies and discouraging poor performers. We understand the intent to let market forces influence corporate behaviour, but would observe that for this approach to succeed, investors must play a more active role. A stronger stewardship ecosystem is essential to ensure that market forces translate into better corporate outcomes. A review and strengthening of the Singapore Stewardship Code, possibly under a more empowered oversight body, could help clarify expectations and improve investor accountability.

The initiative provides an important opportunity to raise stewardship standards across the investment ecosystem. While the initial set of measures announced encourages institutional investors to step up engagement and hold investee companies accountable, stewardship quality has not yet been clearly factored into the selection criteria for fund managers. Stewardship plays a critical role in promoting responsible corporate behaviour, encouraging long-term value creation, and ensuring that capital is allocated efficiently and sustainably. The MAS may consider explicitly including investor stewardship as a core criterion for selecting asset managers in subsequent policy announcements expected later this year to incentivize more meaningful engagement with investee companies on governance issues. Stronger stewardship expectations would help deepen accountability, reinforce market discipline, and contribute to a healthier capital market ecosystem.

Companies must also step up. Basic investor relations (IR) practices—such as maintaining a direct contact point for investors—remain lacking among many Singapore-listed firms. In ACGA's 2023 survey of 15 large and mid-cap Singapore companies, we found that four did not provide any investor contact details on their websites, while the remaining companies—except one—only listed a generic IR email, without naming a specific IR contact or providing direct email and phone details for investor outreach. Strengthening investor communications, especially through proactive engagement by independent directors with investors on strategy and governance issues, should be a priority.

We acknowledge the regulators' intention to reduce prescriptive regulation and the urgency of attracting more listings. However, from the perspective of long term growth, it will be crucial to balance these concerns with a focus on attracting quality listings rather than simply increasing the number of listings. In this context, we also note the proposal to remove SGX's Watch-List for companies that underperform financially. The Watch-List provides an important tool for transparency and accountability for investors by identifying companies with prolonged financial underperformance. Removing it without a replacement may weaken market discipline, reduce investor oversight, and hinder the goal of improving long-term shareholder value.

The proposed alternative—requiring issuers to disclose on SGXNET when they have recorded pre-tax losses for three consecutive years—may not provide equivalent visibility. Public announcements can be easily overlooked, particularly by retail investors, and do not offer the same sustained, centralized monitoring function that a watch-list provides. This raises concerns that investors may not receive timely or clear signals about companies facing ongoing financial difficulties.

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Furthermore, the removal of the Watch-List may potentially lead to an increase in “zombie” listings, where financially weak companies remain on the exchange for extended periods without substantive recovery. Such companies could depress overall market valuation and reduce liquidity by occupying capital and investor attention that might otherwise be directed towards stronger, higher-quality issuers. This outcome would be counterproductive to SGX’s broader goals of enhancing market vibrancy and long-term shareholder value.

Similarly, we acknowledge the need to address the current issue where companies tagged with a "Trade with Caution" (TWC) label remain on the list indefinitely. However, we are concerned that a fixed two-week validity period may be too short, as investigations into potential irregularities often take longer than two weeks to conclude. Instead of applying a rigid time frame, we suggest that the TWC label be removed once the underlying concerns have been resolved and it is confirmed that there are no outstanding issues with the company.

Since strengthening shareholder protection is already identified as a next step for the Review Group, Singapore should consider introducing a formal class action system. The current lack of comprehensive collective redress mechanisms limits minority shareholders’ ability to seek effective legal remedies, undermining the enforcement of shareholder rights and weakening corporate accountability.

The value-focused approach needs to be built on strong governance foundations—namely, active participation by boards and investors, credible enforcement, and robust safeguards to ensure transparency and accountability. Ensuring these elements remain secure across the broader market we believe is key to achieve the ultimate objectives of these measures.

Malaysia: Transformation programme V2.0?

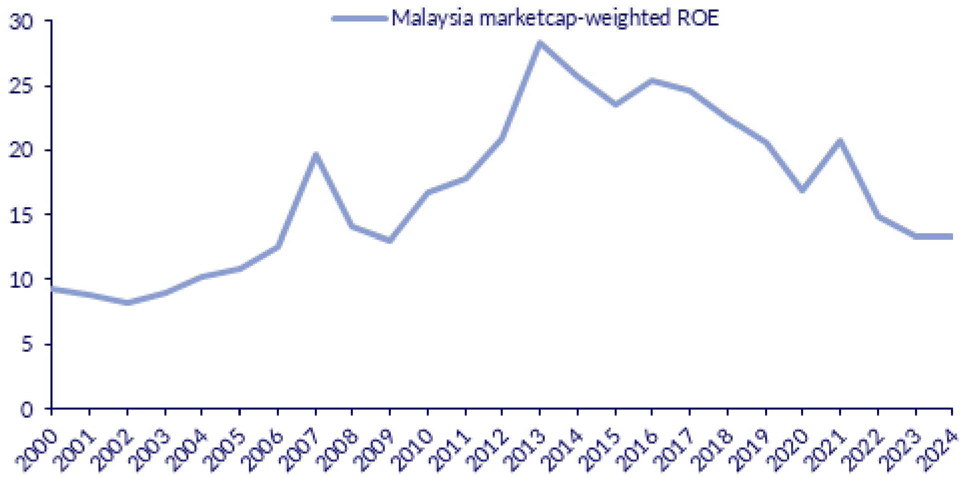
Amar Gill, Secretary General

From the early 2000s, there has been an awareness in Malaysia that an effort was needed to enhance the attractiveness to investors of its larger listed companies. The Government Linked Company (GLC) Transformation programme was launched in 2004: a ten-year period stretching to 2015, focused on an initial list of 20 government-linked companies. This resulted in impressive performance including total shareholder return of 11.1% over the period for these companies, slightly ahead of the market return. In 2022, Bursa Malaysia launched a broader PLC Transformation (PLCT) programme that was adapted for the broader market. While participation is voluntary, all listed companies, not just the GLCs, are eligible to participate. At end-2024, some 326 companies representing 65% by market capitalisation of the Malaysian equities market were participants in the PLCT programme.

Bursa Malaysia notes that the companies that participate in the programme are at a significant 39.7% PE premium over the rest of the market as at end 2024 and they provide a 37% higher dividend yield. Yet, despite significant participation by listed companies, the overall impact of this voluntary programme has not yet been transformative. The ROE of the market, by companies in the CLSA Research coverage, has been on a downtrend since 2014. The main market index, the FTSE Bursa Malaysia KLCI, has traded in a range in the last three years and ended 2024 at similar levels to when the programme was launched (and is presently slightly lower).

Figure 48:

Malaysia market-cap weighted ROE[79]



Source: CLSA

The PLCT programme sets out five pillars for companies to improve their investability, ranging from being purpose and performance driven, improving stakeholder relations to being digitally enabled and contributing to nation building. However, the programme was designed to be not only voluntary but also non-prescriptive and therefore does not set out specific financial metrics for companies to target. While it did incorporate improving enterprise governance, this did not extend to specifying board and senior management responsibility in relation to improving shareholder value and returns. Emphasis was placed on strengthening the investor relations function, rather than on the role of independent directors and the board's overall interaction with investors to improve its oversight function.

[79] Weighted average market ROE based on 67 stocks under CLSA coverage

The current PLCT programme was launched with just a three-year time frame and expires at the end of 2025. With the objective of influencing board talent, corporate governance and longer-term strategies of participating companies, Bursa expects the efforts and outcomes driven by the programme to continue beyond 2025. Given the Value Up initiatives across the region, we expect a likely version 2.0 of the PLCT, emphasizing more explicitly on capital management and the role of corporate boards to be more effective in driving shareholder value.

GLCT: 2004-15

The earlier Government Linked Company Transformation (GLCT) Programme was launched in 2004 by the government as part of a revamp of the government holding company, Khazanah Nasional Berhad and aimed to transform 20 participating GLCs (subsequently 17 companies after restructurings and mergers) into stronger and more resilient corporates. Among the GLCs in this transformation exercise were major listed companies including CIMB Group, Malayan Banking, Malaysia Airports, Sime Darby, Telekom Malaysia and Tenaga Nasional.[80]

Integral to the programme, were key performance indicators (KPIs) and performance-linked compensation with performance contracts for senior executives. The reforms included board composition and leadership changes at the GLCs. The three key principles of the programme were (1) national development strategies, (2) performance focus, and (3) governance, shareholder value and stakeholder management.[81] According to the principles set out on the government website, the programme explicitly focused on the creation of "economic and shareholder value through improved performance". The guidelines also emphasized the concept of Economic Profit and defined in terms of Invested Capital x (ROIC – WACC)[82]. Two years after the launch, from 2007, annual progress reviews were undertaken with report cards assessing the implementation and transformation initiatives of each of the GLCs.

Highlights of the overall outcomes announced by the government holding company, Khazanah Nasional were impressive:[83]

- ⇒ Net profit growth of 10.2% per annum
- ⇒ Economic profit surged 31% from RM3.2bn to RM 4.2bn.
- ⇒ Market cap growth of 2.9 times
- ⇒ Return on equity (ROE) averaged 11% per annum
- ⇒ Total shareholder return of 11.1% per annum.

PLCT: 2022-25

The PLC Transformation (PLCT) Programme launched by Bursa Malaysia about seven years after conclusion of the GLCT programme aims to adopt practices from the successful delivery of the earlier programme. However, the PLCT was launched by the exchange while the GLCT was driven by a government committee together with Khazanah Nasional, the government holding company which is a controlling shareholder in these companies. Thus, there are some key differences in the two programmes. Bursa's PLCT is not prescriptive and has been broadened for applicability to all public listed companies (PLCs), including GLCs. The programme is voluntary but provides certain incentives for companies to participate including discounts to Bursa's portal for all listed companies' data including analysts' consensus estimates and peer

[80] Full list of participating GLCs: https://www.khazanah.com.my/news_press_releases/glcs-succesfully-complete-and-graduate-from-10-year-glc-transformation-programme/
[81] FAQs – PCG
[82] GLC TRANSFORMATION MANUAL – PCG: Initiative 9: Intensifying Performance Management
[83] https://www.bursamalaysia.com/reference/public_listed_companies_transformation/faqs

comparisons; participating companies also enjoy profiling privileges through Bursa's activities including participation in PLCT Programme Champions webinars.

The PLCT Programme was launched on 2 March 2022 with the release of the first guidebook. According to Bursa, information sharing programmes will continue until 2025. The timeline and some of the themes coincide with the government's Twelfth Malaysia Plan which runs from 2021 to 2025. The guidelines developed in the programme are intended to influence board talent, corporate governance and longer-term strategies or direction-setting of participating PLCs. Bursa expects the efforts and outcomes driven during the programme to continue beyond 2025. At the end of this year, we believe an assessment will be undertaken on whether and how the PLCT might be continued into future years.

Overview of the PLCT Programme

The PLCT Programme seeks to transform the performance and attractiveness to investors of Malaysia's public listed companies.[84] It was developed as a response to a decline in profitability and growth ratios observed even before the COVID-19 pandemic. According to Bursa, the programme aims to reposition PLCs from merely "keeping up" with market standards to "stepping up" as high-performing enterprises. By addressing challenges such as diminished growth narratives and global competition for investment funds, the programme seeks to revitalise corporate performance and enhance attractiveness of the market.

Bursa Malaysia highlights four main objectives and five pillars (see text box on next page) of the programme. The four objectives are:

- Transformative Growth: To equip companies with the tools and knowledge to transition from being mere followers ("keeping up") to setting industry benchmarks ("stepping up"). This includes enhancing corporate governance, financial robustness, and improving strategic clarity.
- Sustainability and ESG Drive: To encourage adoption of sustainable business practices through robust ESG frameworks and measurable KPIs, thereby improving credibility and long-term investability for the Malaysian market.
- Digital and Operational Excellence: To accelerate digital adoption by sharing cutting-edge practices and ensuring that companies harness digital solutions to drive operational efficiency and competitive advantage.
- Collaborative and Transparent Ecosystem: To build a supportive network where PLCs share transformation stories, engage in sector-specific challenges, and benefit from peer-to-peer learning initiatives. This collaborative approach is reinforced through a digital dashboard and various engagement events organised by Bursa.

Participation and impact of PLCT

Participation in the PLCT is encouraged rather than mandated. The programme is non-prescriptive: listed companies are at liberty to tailor the recommendations to their needs. There is no scoring of companies based on their performance against the framework of the programme.

[84] https://www.bursamalaysia.com/reference/public_listed_companies_transformation/overview

Figure 49:

Number of participating PLCs by market segment

	Number of participating companies	% of participating PLCs
MAIN Market	264	81%
ACE Market	50	15%
LEAP Market	12	4%

Source: Bursa Malaysia, as of 31 December 2024

Figure 50:

PLCT five pillars

The transformation framework is built on five pillars with digital guidebooks to drive change in each of these areas:

1. Purpose and performance driven
   The first pillar focuses on strengthening market strategies, enhancing both financial and non-financial performance metrics, sound governance, and risk management, to build companies with a clear and compelling purpose. Aspects highlighted under this pillar are: market strategy, financial and non-financial performance measurement, key business drivers, governance and regulatory compliance as well as risk management.

2. Sustainable, socially responsible and ethical
   This pillar emphasizes integrating responsible practices into business, including ESG drivers such as carbon footprint management and labour practices, robust governance, and measurable sustainability KPIs.

3. Strengthened stakeholder management and investor relations
   The third pillar aims to enhance how companies engage with investors and stakeholders via an appropriate investor relations strategy and proactive communication management. Among the objectives are to institutionalise stakeholder management and IR as a shared responsibility and collective effort within the organisation.

4. Digitally enabled operations
   The fourth pillar encourages companies to adopt digital strategies involving core operations as well as to encourage technological innovations and build a skilled digital workforce.

5. Nation building
   The final pillar promotes contributions to economic development through initiatives including upskilling talent, fostering entrepreneurship, supporting quality education and ensuring social inclusion and equitable growth.

Source: Bursa Malaysia

As of December 2024, 326 PLCs are participants, covering 64% of the total market capitalization. 81% of participants are from the MAIN Market, 15% from the ACE Market segment and 4% from the smaller LEAP segment. Participating companies are from across main sectors led by industrial products and consumer services as well as other sectors including energy, utilities and financial services.

Companies may join as "Participants" or "Champions". Participants are PLCs that seek to improve by accessing capacity-building resources and engagements; Bursa will highlight their commitment publicly. Meanwhile, leading practitioners in a topic or area promoted by the programme who not only commit to transformation but are willing to share their insights via webinars, workshops, and peer-learning sessions are designated as Champions. Twenty-seven or 8% of the participating companies in the programme are classified as Champions.[85]

In addition to the guidebooks,[86] the programme features various engagement initiatives such as masterclasses, demo days, and innovation challenges that aim to foster continual learning and benchmarking. A digital dashboard provided by Bursa ensures transparency, sharing progress and best practices to inspire a virtuous cycle of improvement among PLCs.

The initiative is strengthened by collaborations with government-linked investment companies (GLICs) including the large asset owners and managers domestically including Khazanah Nasional, Permodalan Nasional Berhad (PNB) and public pension fund providers, Kumpulan Wang Amanah Pension (KWAP), Lembaga Tabung Haji (LUTH), Lembaga Tabung Angkatan Tentera (LTAT) and the Employees Provident Fund (EPF). Through discussions and webinars, these partners help promote best practices, encourage disclosure and transparency, and drive the adoption of digital and sustainable strategies across investee companies.

Performance and market impact

A publicly available digital dashboard has been created track progress, share outcomes, and inspire continuous improvements among PLCs. According to Bursa Malaysia, comparative analyses indicate that PLCT members tend to perform better than non-participants. Preliminary data received from Bursa[87] indicate that the price-earnings (PE) ratios of these companies at end 2024 averaged 24.3x compared to 17.4x average PE for companies that did not participate in the PLCT – a significant 39.7% premium. With higher payouts, PLCT companies had an average dividend yield of 2.47%, more than a-third higher than 1.8% yield for non-PLCT companies, according to Bursa.

[85] The full list of participating companies and the Champions can be found on the Bursa Malaysia dashboard: https://www.bursamalaysia.com/reference/public_listed_companies_transformation/digital_dashboard

[86] https://www.bursamalaysia.com/reference/public_listed_companies_transformation/guidebooks

[87] Email exchange with ACGA

Figure 51:

FBM KLCI

Source: Yahoo Finance

Although approximately 65% of the market capitalisation of the exchange have formally announced participation in the programme, however, the impact on market direction has not been compelling. From the 1,600 level in March 2022, the main market index, the FBM KLCI, traded down to below 1,400 a year later. After rallying back up, it ended 2024 back at around 1,600 and at the time of writing is now slightly below where the index was when the programme was launched.

PLCT V2.0 beyond 2025?

Bursa Malaysia has not been explicit about the fate of the programme beyond 2025. We expect that it will be reviewed to determine whether it continues with possible adjustments for the following years. Given the lack of significant market impact to date, it seems premature to end the programme this year. Yet for the programme to be meaningful for investors it needs stronger focus on capital management with the aim of raising ROE of the companies and the market, and with a similar focus on economic profit as was integral to the earlier GLC Transformation Programme.

Also important is a greater role and direct responsibility for corporate boards. The current PLCT emphasizes improved investor relations, as a function with a more central role in the respective companies. However, the direction, strategic initiatives and corporate culture emanate from each company's board. Tangible improvements to drive shareholder value requires explicit board direction and oversight. If, as we expect, the PLCT programme is reviewed and adjusted for 2026 and beyond, greater responsibility of directors and investor interaction with board members coupled with a stronger focus on capital management and profitability will be key for improving long-term shareholder returns.

Other ASEAN Markets: Thailand, Philippines and Indonesia

Chris Leahy, Special Advisor, Southeast Asia

Of the other ASEAN markets, our recent meetings with regulators indicate that Thailand is close to announcing a Value Up style programme. There is less urgency in Indonesia given valuations are less depressed. The Philippines arguably takes the mantle for being the first of the Asian markets for a programme to boost shareholder returns but that was in 2009; the initiative has dissipated since and it serves now to underscore the importance of maintaining the momentum of reforms in the face of potential resistance by influential parties that may have divergent interests.

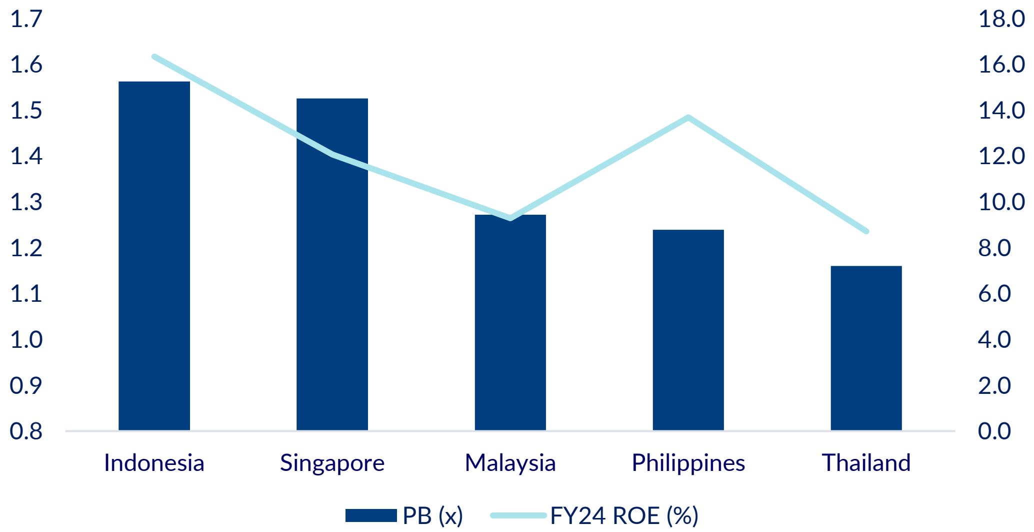
Thailand: A work in progress

Thailand has yet to launch a Value Up initiative for its stock market, but based on discussions we have held with the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET) plans are advanced to do so.

As with many Asia Pacific exchanges, the stimulus to launch some form of programme to enhance valuations of locally-listed companies has arisen as foreign institutional interest in the local market has waned. The average return on equity (ROE) for the Thai stock market over the last five years (2020-2024) has been a pedestrian 8.7%, one of the lowest in the Asia Pacific region. The local bourse lost 17% in 2024 alone in dollar terms[88]. Thai market price to book valuations have slid from 1.8x in 2020 to just 1.2x on 2025 estimated book value.

Figure 52:

ASEAN markets ROE and PB (MSCI constituents)



Source: FactSet, MSCI, CLSA

[88] https://focus.world-exchanges.org/issue/june-2024/market-statistics

With better returns elsewhere globally, the Thai market's influence within the MSCI World Index has shrunk, with 35 Thai counters within the MSCI in 2024, compared with 41 in 2020. Low liquidity, poor corporate governance and company scandals have exacerbated an already weak macroeconomic picture to leave the Thai market firmly in the doldrums. International investors tend to have long memories when it comes to corporate governance misdeeds and the Thai market has seen a number of serious corporate scandals recently, including Stark Corporation (publication by directors of false and misleading information); Thonburi Healthcare Group (Chairman charged with fraud and money laundering) and Energy Absolute (procurement fraud).

Value Up v1.0

The Thai government, led by the Ministry of Finance (MoF) recently launched two specific initiatives designed to stimulate the local bourse. These initiatives are the genesis of what is planned to emerge as a fully-fledged corporate Value Up programme. The first programme, launched in December 2023 is the ThaiESG fund initiative, also known as the Thai Sustainable Mutual Fund programme.

ThaiESG funds use a mutual fund structure to target and achieve national strategic goals relating to sustainability as well as to support long-term savings in the capital market. The investment policy of ThaiESG funds are required to focus on investment in companies that demonstrate outstanding sustainable or environmental considerations. To encourage retail participation in ThaiESG, the MoF provides individual investors with tax relief on funds invested in the schemes as long as they are then held for a minimum of five years.

For asset managers, the ThaiESG programme permits investment in eligible shares listed on the SET, either on the main board or the Market for Alternative Investment (MAI) board, provide they possess one or more of the following attributes shown in the Figure 53 below.

Figure 53:

Eligibility criteria of the Thai ESG programme

Eligibility Criteria	Comments
Companies selected by the SET or other pre-approved assessors as having "outstanding" environmental or ESG standards.	Existing ratings are undertaken locally by SET. In a recent meeting with ACGA, the SEC stated its plan to transition the ratings from SET to FTSE Russell's ESG scores to provide a more independent assessment of ESG and corporate governance.
Companies that disclose greenhouse gas emissions as well as a strategy and targets to achieve emissions in line with Thailand's NDCs.	Companies must also announce their annual carbon footprint, which must be independently assessed and monitored by an auditor acceptable to the SEC.
Companies with excellent governance.	Defined by Thai regulators as any company that has received a Corporate Governance Report from the Thai Institute of Directors scored at 90 points or higher. Companies must also disclose their goals, plans and progress towards increasing the value of the business, something the SEC and SET described as a "corporate value up plan".

Source: ACGA Research

Both the SEC and SET state that the Thai ESG Funds programme has been a success, with the number of shares evaluated by SET ESG ratings increasing from 193 companies in 2023 to 228 companies in 2024, extending to around 82% of Thai market capitalisation, thus materially expanding eligible assets.[89] According to SET, the number of non-rated companies which disclosed GHG emissions increased by 43% in 2024, incentivized to seek future eligibility for the Thai ESG Funds. The SET also penalizes any companies that announce negative ESG issues by excluding them from eligibility for the ESG index, providing a disincentive to poor performance.

According to the SEC, as of February 2025, 53 ThaiESG funds held a combined net asset value of THB 32.4bn (US$975mn). The SEC also notes that Thai ESG Funds have grown in NAV by 357% by December 2024 compared with January 2024. While it is impossible to definitively identify and attribute specific additional NAV growth over and above market-related beta, the results seem encouraging.

The second initiative from Thai authorities that forms part of the backdrop to forthcoming value-up plans is the Vayupak Fund 1. A US$4.5bn Ministry of Finance Thailand sponsored fund managed by two local asset managers, Vayupak Fund 1 launched in September 2024, with capital from institutional and domestic retail investors, including institutional investors commercial banks, life and non-life insurance companies, social-security funds, provident funds, and the Thai Government Pension Fund. Its purpose is to support the Thai market by injecting liquidity into what has been one of the poorest performing stock markets in the region.

The Vayupak Fund 1 invests in local equity and debt securities that offer above average returns, and demonstrate long-term stability and sustainability within their business processes. Eligible securities include Thai-listed companies within the SET100 index that hold a SET ESG Rating of level A or higher and companies outside of the SET100 with a SET ESG Rating of level AA or higher. Investment in the fund is a long-term

[89] https://www.set.or.th/th/market/news-and-alert/newsdetails?id=92878601&symbol=SET

commitment, with a lock up of ten years, As of February 2025, the Vayupak Fund 1 has assets under management of THB150.7 bn (US$4.5bn).

Jump starting the market

The domestic success of ThaiESG and the Vayupak Fund initiatives has encouraged the SEC and SET to deploy a similar structure for their upcoming Value Up initiative, expected to be announced formally in the coming weeks.

Motivation for the programme, expected to be known as Jump Plus (Jump+), derives from the significant number of Thai-listed companies trading at discounts to their book value. According to the SET, more than 60% of listed companies trade below their book value. Valuations for local companies are depressed by several factors, including political uncertainty, perceived weak corporate governance standards among many listed companies and thin liquidity relative to most North Asian markets.

We understand that rather than focussing solely on environmentally driven disclosure and scores, Jump+ will take a more holistic approach to corporate governance by encouraging listed companies to sign up voluntarily to greater disclosure based on the following key areas:

Business operation and operating results: Companies will be encouraged to disclose business information on a more detailed and holistic basis, such as information related to their business operations and products, including revenues and income derived from each specific product as well as research and development spend.

Disclosure of goals and business plans: companies will be expected to disclose more detailed information related to their industry and competition, for example demand/supply dynamics, competing and alternative products and more detailed information on competitors. In addition, companies should provide detailed disclosure on the company's strategic plans, such as business investment plans, and expenses management/reduction objectives. The disclosure must include specific goals and targets to enhance corporate value, which ACGA interprets as a clear strategic plan to narrow and then eradicate the existing discount to book value (if there is one). The company is also expected to disclose details of risks and risk mitigation strategies that may affect the strategic plan.

Disclosure of goals and plans for environmental management: Companies are expected to provide a roadmap for greenhouse gas emission reductions, with the aim of executing the plan within two years from the date of disclosure. Data disclosure by companies must meet the minimum disclosure threshold of 85 per cent based on the SET's ESG Data Platform.

On-going engagement with investors and analysts: Companies are required to provide a detailed update to investors and market analysts on the progress of their Jump+ plan at least annually, either direct or via the Jump+ platform.

A company's Jump+ plan must be adopted formally by the board of directors of the listed company and must be approved by the SET. ACGA understands that discussions between the SEC, SET and the MoF are advanced to provide tax holidays to Jump+ company participants on the additional profits earned due to the adoption of a company's Jump+ plan, although no details as to how this will be implemented and measured have yet been announced. In addition to the obvious tax incentives, the SET says it will offer discounted listing fees to Jump+ participants as well as roadshow support and facilities and ongoing board training on ESG, funded by the Capital Development Market Fund.

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Long road ahead

The Thai market's Jump+ plan is part of a coordinated effort by Thai regulators and the government to address the increasing problem of Thailand's shrinking stock market, a problem common across ASEAN exchanges. A major overhaul of the Securities Code is planned with specific measures designed to encourage greater investment, such as a loosening of rules on share buy-backs, the possible introduction of dual class shares and a tightened rules on related party transactions.

In discussions with ACGA, the SEC and SET described their Jump+ plans as part of a much larger long term strategy to change the landscape of listed companies and encourage the long term investment flows into the market. Special emphasis was placed on attracting foreign investment.

The SEC and SET state that in informal feedback sessions with foreign and domestic institutional investors, a corporate value-up programme was seen as helpful, and more disclosure among listed companies, especially in English, was needed. However, as the SEC and SET acknowledge, the macroeconomic environment will remain the key factor in improving sentiment towards the Thai market.

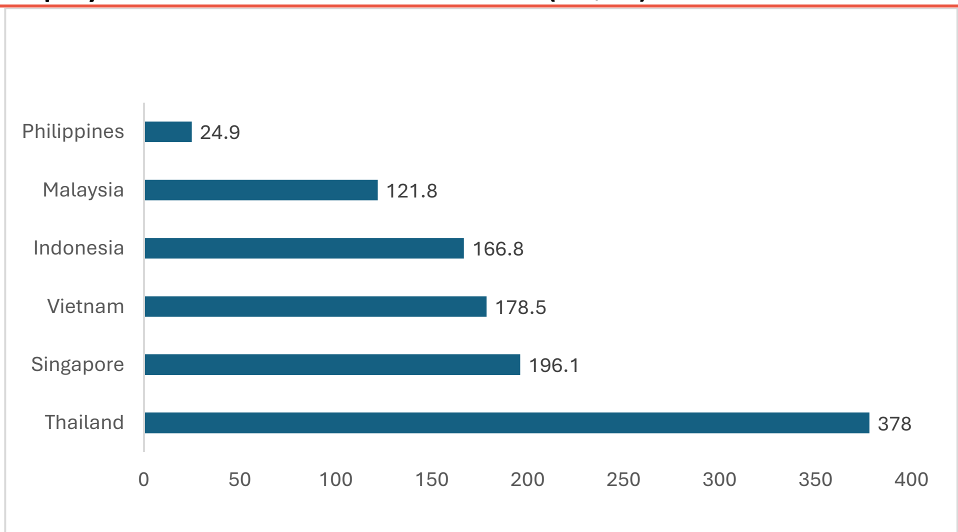
Philippines: Value Up or catch-up?

While the Philippines stock market suffers from many of the same challenges as most other Asian markets, it has yet to formalize any Value Up strategy. Based on recent discussions with the Securities and Exchange Commission (SEC), we understand that there are no formal plans yet to do so.

Ironically the Philippines was one of the first markets in Asia - if not the first - to propose a Value Up market. Dubbed the Maharlika Board (loosely translated from Tagalog as, "nobleman") the proposal was promoted to the international investment community, including ACGA, by senior PSE executives as early as 2009. The Maharlika Board proposal sought to address dwindling turnover and weak valuations by establishing a separate index of the Philippine Stock Exchange that would distinguish listed companies that meaningfully subscribe to and promote higher corporate governance practices: a genuine Value Up market. The original documents promoting the initiative are still available on the ACGA website and can be found here. Sadly, these appear to be all that remain of the initiative which, we understand, failed to gain enough support among listed companies and other vested interests.

Figure 54:

ASEAN public equity markets annual traded value 2023 (US$bn)



Source: OECD

The need for market reforms is clear. The Philippines had the lowest market capitalisation - US$234 billion in 2023 - of any stock market in ASEAN[90]. It also had the lowest traded annual value in 2023 – at just US$24.9 billion. Philippine companies comprise just 0.7% of the MSCI Emerging Asia index, the lowest of all ASEAN markets.

Another limit on growth in the local exchange is a dearth of domestic investment institutions. Existing state pensions and social security systems are very small and are limited legally in the amount of equity instruments in which they may invest. According to OECD data, domestic institutional investors owned just 7% of listed companies in 2023, compared with 47% owned by other corporations.

Concentrated ownership is a significant limit on growth of the domestic capital markets: the OECD estimates that just 15 major domestic conglomerates accounted for more than 20% of GDP in 2018, a number it acknowledges likely understates the actual economic dominance of these corporations. The ten largest domestic banks – eight of which are part of family-controlled conglomerates – hold 60% of all banking sector assets. The Philippines' banking system is awash with liquidity, fueled by huge annual overseas remittances - more than US$38bn in 2024. Loans to companies, especially to sister companies of banks within family-controlled conglomerates, mean access to capital is plentiful without the necessity of suffering equity dilution at the local listed company level.

A glimmer of hope?

While the SEC, in discussions with ACGA, acknowledged that there were no immediate plans by regulators to launch any Value Up initiative, it it is clear-eyed about the need for market reforms but is hampered by limited financial and political capital. One of the SEC's biggest recent achievements was the Revised Securities Regulations Code in 2020, a much needed reform of securities legislation from the 1930s. More recent initiatives include clearer responsibilities for directors and corporate officers, tighter disclosure rules on results of shareholder meetings and beneficial ownership and mandatory sustainability reporting from this year.

Securities rules tightening, while welcome, will only take the stock market so far. If the Philippines is going to grow its stock market and increase liquidity, more fundamental reform is needed. There are a few early signs that reform may just be on its way. The SEC confirmed to ACGA that a major overhaul of its CG Code is underway and is expected to be announced soon. While we wait to see the details, we understand that the revised Code will still be based on a comply-or-explain basis. This format, popular in Asian markets, most often represents a compromise between regulators keen to being seen to move governance standards forward and vested business interests, principally listed companies, keen to maintain the convenient status quo. At some point, regulators will need to find the political capital and support for a stronger push on companies to improve standards. Maintaining the comply-or-explain approach will merely encourage regulation cherry-picking and mediocre compliance.

The government is also taking action to reform its state-owned sector. The number of state-owned entities, referred to as government-owned or -controlled corporations (GOCCs) has been reduced meaningfully to some 53 separate entities. Efforts to improve governance and rationalize businesses have continued since the formation of the Governance Commission for Government-Owned or -Controlled Corporations (GCG) by the GOCC Governance Act of 2011. Curiously, the Philippines has no public listed GOCCs. That may be about to change with speculation that GOCC lender, Land Bank of the Philippines, is preparing to list.

[90] ASEAN for the purposes of this report and data cited herein refers to the markets of Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

The GOCC banks alongside the central bank were tapped to provide seed capital for the Maharlika Investment Fund (MIF), the Philippines' first attempt to establish a sovereign wealth fund (SWF) and a flagship project of President Marcos Jr. Such funds in some Asian and international markets have served as important catalysts for improving corporate governance standards locally. For the MIF to achieve this, strong accountability systems will be key.

The governance regime in the Philippines is largely still comply-or-explain driven. That needs to change. The OECD[91] makes a number of important recommendations for the future development of the country's capital markets and these align closely with our own recommendations from CG Watch. These include:

1. Streamline the listing requirements and cumbersome filing process;
2. Strengthen board independence requirements and enforcement;
3. Strengthen further rules on related party transactions;
4. Address concerns on cross-shareholdings, which concentrate control and suppress the pressure for the return of capital to shareholders:
5. Increase the focus of listing company candidates on shareholder returns, especially by establishing minimum payout ratios; and
6. Provide incentives to listed companies to deliver greater value to their shareholders.

The introduction of these measures would go a long way to promoting a Value Up environment, whether or not the regulator ultimately decides to launch a formal initiative.

Indonesia: SOE reform first

Indonesia has not announced any plans for Value Up initiatives. Such a plan would most likely emanate from Otoritas Jasa Keuangan (OJK) the country's chief securities regulator, that tends to drive corporate governance reforms in the country. As with many ASEAN markets, there has been a focus on ESG and sustainability reporting. In January, the Indonesian Stock Exchange (IDX) announced plans for a revised ESG Reporting standard, based on the ASEAN Exchanges Common ESG Metrics. The ASEAN ESG reporting metrics are the primary reference for ESG Metric Reporting for companies listed on ASEAN exchanges and have been used for ESG reporting across most ASEAN markets.

The IDX notes that as of December 2024, 882 listed companies, representing 94% of the total number of publicly listed companies on IDX, have published Sustainability Reports for the 2023 reporting year. IDX also states its hope that improved ESG reporting standards among local companies will help create long-term value for the company, stakeholders, and the broader community. That sounds like a nod to the Value Up strategy, but the lack of any concrete plans suggests otherwise.

The most notable recent initiative towards meaningful corporate governance reform is the launch in March of Daya Anagata Nusantara Investment Management Agency known as Danantara Indonesia. This is the newly-established sovereign wealth fund (SWF) for Indonesia that will assume management of some of the country's largest SOEs, including Bank Mandiri, Bank Rakyat Indonesia, Bank Negara Indonesia, Perusahaan Listrik Negara, the electricity monopoly, Pertamina the ageing state-owned oil and gas conglomerate, Mineral Industri Indonesia, a state-owned minerals miner and Telkom Indonesia. With a starting capital of more than US$900 billion, Danantara Indonesia will be one of the world's largest SWFs. Assets under management are expected to grow to US$982 billion by 2029, Danantara Indonesia claims that it will drive economic growth by implementing good governance, enhancing asset efficiency, attracting global investments, and strengthening Indonesia's competitiveness in strategic sectors. The formation of the SWF was supported by several legislative reforms, including a separation of the regulatory and operational

[91] OECD Capital Market Review of the Philippines 2024

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functions of the SOEs and the introduction of the Business Judgment Rule which protects SOE management from liability for investment losses incurred provided decisions were made in good faith and without conflicts of interest.

Whether Danantara Indonesia will ultimately become one of the region's better-managed SWFs, and serve as a proponent of higher CG standards in Indonesia, remains to be seen. The stifling bureaucracy and endemic graft within many of the country's SOEs suggest that Danantara will be hard pressed to implement meaningful reform. And the proposed governance structure of the SWF itself, suggests scope for political interference, and conflicts of interest. Danantara will report direct to President Prabowo's office and will have three governing bodies: a Supervisory Board, chaired by the Minister of SOEs; a Managing Board, responsible for daily operations and investments; and an Advisory Board, which provides strategic guidance and comprises two former presidents.

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