

CPA AUSTRALIA ASIA-PACIFIC GOVERNANCE SURVEY

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EXECUTIVE SUMMARY

The CPA Australia *Asia-Pacific Governance Survey* is a ground-breaking, first time look at perceptions of market and corporate governance in eight markets: Australia, China, Hong Kong, Indonesia, Malaysia, New Zealand, Singapore and Vietnam.

The survey provides a snapshot of the views of shareholders, professionals/business owners and management executives in the selected markets and provides a high level comparison of data between markets.

The CPA Australia *Asia-Pacific Governance Survey* used a questionnaire, which asked respondents to record their degree of agreement with a number of statements, as well as respond to open and demographic questions.

The perceptions of respondents were analysed between the three key groups within each market. They were also analysed between the eight markets. Eight indices were constructed to enable effective comparison between markets.

The indices are:

- political interference
- accountability and transparency
- corruption and fraud
- laws and regulations
- shareholder protection
- reporting standards
- auditing standards, and
- company compliance.

The intention of the findings is not to create a league table of nations. Indeed, it is essential that the findings for every market be read in close reference to the local environment, political landscape, size and scope of the markets involved and maturity of the respective stock exchanges concerned.

That said, some key differences are evident in the findings:

- Accountability and transparency is considered more positively in Indonesia, Singapore and Vietnam, and less positively in China, Malaysia and New Zealand.
- Political interference is considered more of a problem in China and Malaysia and less of a problem in Hong Kong, Singapore and Vietnam.
- Corruption and fraud are considered a significantly bigger issue in China, Indonesia, Malaysia and Vietnam.
- Laws and regulations are considered more positively in Indonesia and Singapore and more negatively in Malaysia and New Zealand.
- Shareholder protection is more positive in Indonesia and more negative in Australia and New Zealand.
- Reporting standards are more negative in China and New Zealand and more positive in Indonesia.
- Auditing standards are more negative in Australia, China and New Zealand and more positive in Hong Kong and Indonesia.
- Company compliance is more negative in China and Malaysia and more positive in Indonesia.

Overall, more respondents from China, Indonesia and Vietnam expect market and corporate governance to improve in the future.

With these findings in mind, we trust this first *Asia-Pacific Governance Survey* provides the basis for further evaluation by policy makers and regulators alike and lays the groundwork for a further, longitudinal study into future trends in market and corporate governance throughout the region. CPA Australia looks forward to being a leader in those discussions.

ABOUT THE SURVEY

The CPA Australia *Asia-Pacific Governance Survey* is a study of market and corporate governance.

The survey was conducted in Australia, China, Hong Kong, Indonesia, Malaysia, New Zealand, Singapore and Vietnam. The main objectives of the research were to identify perceptions of governance in the selected markets and to undertake comparative analysis between the markets. The survey sought responses from the following three key groups in each market:

- shareholders
- professionals/business owners
- management executives

The survey was conducted between 10 September and 18 November 2013 in two phases. Phase one included data collection from Australia, Hong Kong and Indonesia, and phase two from China, Malaysia, New Zealand, Singapore and Vietnam. Given that this research was undertaken for the first time, in addition to piloting the survey and seeking feedback from relevant experts in different jurisdictions, the two-phase approach was selected to allow for any issues identified during phase one to be addressed prior to phase two. The first phase was conducted between 10 September and 12 September 2013. Following preliminary analysis and review of the primary data it was identified that the two statements that addressed corruption as a serious problem in government and business should also be presented in a more neutral form. As a result, two statements were added to the market governance section of the questionnaire: "There is a problem with corruption in government" and "There is a problem with corruption in business". These statements were added so that corruption can be assessed as a problem even if it is not considered a serious problem. The second phase was conducted between 30 October and 18 November 2013.

The 2013 survey was conducted on behalf of CPA Australia by Nature Pty Ltd.

QUESTIONNAIRE

The survey instrument was developed by CPA Australia. Respondents were advised of the purpose of the research and were informed that their responses were anonymous. Respondents were further advised that the survey aimed to find out perceptions about governance and that there were no right or wrong answers.

The survey instrument included the following four sections:

- screening section – to ensure respondents satisfied set criteria
- market governance section
- corporate governance section
- demographic section

For the market and corporate governance sections, respondents were asked to respond to a number of statements on a six point scale: strongly disagree, tend to disagree, neither agree nor disagree, tend to agree, strongly agree, and not sure. There were also open-ended questions in relation to the most urgent issue that needs to be addressed in market and corporate governance and questions that asked respondents to assess governance in the last two years and their expectations for the future.

The market and corporate governance statements were developed based on governance theory and practice and were reviewed by experts.

The Australian, Hong Kong, New Zealand and Singaporean questionnaires were administered in English. In China the questionnaire was in Chinese, in Malaysia in Bahasa Malaysia, the Indonesian questionnaire was administered in Bahasa Indonesia, and in Vietnam in Vietnamese.

DATA COLLECTION

In each market, the survey was conducted online among randomly selected shareholders, professionals /business owners and management executives who were registered with a research panel. To be able to participate in the survey respondents were required to satisfy the following characteristics:

- shareholders: ≥25 years old, who held investments in shares – outside of superannuation/retirement savings
- professionals/business owners: ≥25 years old, who had been working full or part time for two or more years
- management executives: ≥25 years old, who had been working full or part time for two or more years, as owner, chairman, director, self-employed, CEO, president, CFO, COO, senior management, middle management or manager of a company with over 20 employees

Nature Pty Ltd was responsible for all aspects of data collection, including the programming of the online survey, coordinating random selection of respondents from the research panels, forwarding the survey to respondents and undertaking primary analysis of data.

SAMPLE

In total, there were 1269 valid online questionnaires completed, including 160 respondents from Australia, 152 from China, 158 from Hong Kong, 165 from Indonesia, 154 from Malaysia, 164 from New Zealand, 160 from Singapore and 156 from Vietnam. Table 1 shows the categories for each market's respondents.

TABLE 1. RESPONDENTS FROM EACH CATEGORY PER MARKET

	Australia	China	Hong Kong	Indonesia	Malaysia	New Zealand	Singapore	Vietnam	Total
Total	160	152	158	165	154	164	160	156	1,269
Shareholders	53	51	53	56	52	58	51	52	426
Professionals / Business Owners	52	50	55	56	52	56	52	52	425
Management Executives	55	51	50	53	50	50	57	52	418

GOVERNANCE INDEX SCORES

The statements in the market governance and corporate governance sections of the questionnaire were grouped based on the issues they addressed to create eight governance index scores. Statements related to general views on governance that did not offer market specific perceptions, statements that were similar in content, and issues covered by single statements were excluded. For each statement included in each index, the following process has been adopted:

1. the 'positive' or 'negative' direction for each statement was taken into account. All negative directional statements were flipped so that all statements were in the same direction. Note that this means that the greater the score the more positive it is, and the lower the score the more negative it is.
2. the sum of all the scores across the statements in the index was calculated (for example if there were four statements, this created a variable with scores between four and 20).

The resulting distribution of scores was then normalised to a 0-10 point scale. The average of the normalised score is taken which gives the index score (an individual score for each theme of between 0 and 10). The index scores created are:

1. Political interference
2. Accountability and transparency
3. Corruption and fraud
4. Laws and regulations
5. Shareholder protection
6. Reporting standards
7. Auditing standards
8. Company compliance

Figure 1 provides the statements of each index score.

FIGURE 1. INDICES AND STATEMENTS

POLITICAL INTERFERENCE

- I think there is no political interference in business
- I think there is no political interference in the judiciary
- There must be less political interference in the judiciary

LAWS AND REGULATIONS

- There are appropriate laws and regulations to ensure good governance
- There is appropriate enforcement of laws and regulations for good governance
- Most people obey the laws

AUDITING STANDARDS

- Auditing standards are adequate
- Auditing standards are complied with
- I think external auditors are independent

ACCOUNTABILITY AND TRANSPARENCY

- The government is accountable
- Listed companies are accountable
- Listed companies are transparent
- The government is transparent

CORRUPTION AND FRAUD

- Companies face problems because of corruption
- Fraud is a big issue for business
- I think corruption in the government is a serious problem
- I think corruption in business is a serious problem
- I think the government is serious about tackling corruption

PRESENTATION OF RESULTS

COMPANY COMPLIANCE

- Listed companies comply with the corporate governance code
- Companies comply with laws and regulations

SHAREHOLDER PROTECTION

- Shareholder rights are adequately protected
- The rights of minority shareholders are adequately protected

REPORTING STANDARDS

- Financial reports provide users with all the necessary information
- Financial reports are trustworthy
- Company reporting is adequate
- Company reporting is trusted
- Companies report on compliance with the code of governance
- Listed entities report on their compliance with the code of corporate governance adequately
- Information disclosed by companies is adequate

The results of the governance index scores are represented first, followed by the results in alphabetical order by market.

All percentage results shown in this report have been rounded to the nearest whole number and may not equal 100 per cent.

The governance indices allow comparison in perceptions between markets. Comparison between indices within each market should be made with caution. The strength of the scores within each theme will vary depending on the strength of the statements within it, so be mindful when comparing index performance within a market.

KEY FINDINGS

The governance index scores provide an overview of perceptions for the eight themes across the eight markets:

1. Political interference
2. Accountability and transparency
3. Corruption and fraud
4. Laws and regulations
5. Shareholder protection
6. Reporting standards
7. Auditing standards
8. Company compliance

These indices allow for comparison between markets. Figure 2 provides the governance index scores by market. Overall, respondents from Indonesia have significantly more positive views on six indices, followed by respondents from Singapore who are considerably more positive on four indices than respondents from other markets. Respondents from China have significantly more negative views on six indices, followed by New Zealand and Malaysia with five.

Responses from Indonesia suggest that while there is a considerably higher perceived problem with corruption and fraud in comparison to the other markets, accountability and transparency, laws and regulations, shareholder protection, reporting and auditing standards and company compliance are significantly more positive than other markets.

Responses from Singapore are considerably more positive suggesting respondents there think there is little political interference, more accountability and transparency, little corruption and fraud and better laws and regulations. Malaysia, on the other hand, scores significantly lower than other markets in these four indices.

Political interference is perceived to be significantly more of an issue in China and Malaysia and much less of an issue in Hong Kong, Singapore and Vietnam. Accountability and transparency is considerably lower in China, Malaysia and New Zealand, indicating that respondents from these markets are much less likely to think positively about government and company accountability and transparency. Corruption and fraud is perceived to be significantly more problematic in China, Indonesia, Malaysia and Vietnam. Laws and regulations are perceived to be more positive in Indonesia and Singapore and less so in Malaysia and New Zealand.

Responses from Australia are average in relation to the other markets in regard to political interference, accountability and transparency, and laws and regulations. Australian scores are significantly higher in relation to corruption and fraud, indicating that they are perceived as much less of an issue than in China, Indonesia, Malaysia and Vietnam.

FIGURE 2. GOVERNANCE INDEX SCORES BY MARKET

	Australia	China	Hong Kong	Indonesia	Malaysia	New Zealand	Singapore	Vietnam
Political Interference	3.7	3.2	4.3	3.8	3.2	3.9	4.4	4.9
Accountability	5.5	4.9	5.7	6.8	5.1	5.1	6.3	6.1
Corruption and Fraud	4.5	3.3	4.2	2.2	2.5	4.7	4.0	2.9
Laws and Regulations	6.7	7.1	7.0	7.6	5.8	6.6	7.4	7.0
Shareholder Protection	4.7	5.5	5.3	7.3	5.5	4.3	5.6	5.8
Reporting Standards	5.6	5.3	6.0	7.3	5.7	5.2	6.0	5.8
Auditing Standards	5.7	5.5	6.6	7.7	6.3	5.9	6.2	6.7
Company Compliance	6.7	5.9	6.7	7.5	6.2	6.4	6.5	6.6

■ Significantly higher than other markets

■ Significantly lower than other markets

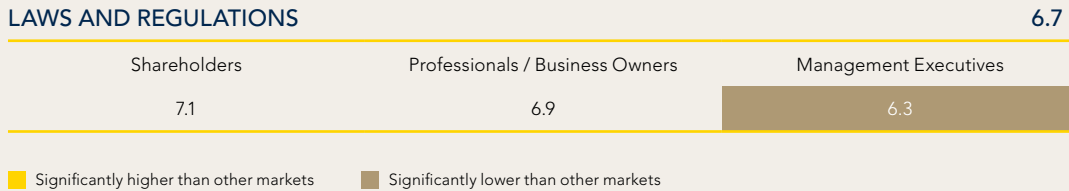
Figure 2 also indicates that there are considerable differences between markets on perceptions of shareholder protection, reporting and auditing standards and company compliance. While responses from Singapore and Vietnam are neither significantly higher nor lower than other markets in all four indices, Indonesia is much higher in all four. This suggests that respondents from Indonesia are less likely than those from the other markets to think that there are problems in relation to shareholder protection, reporting and auditing standards and company compliance. Only respondents from Hong Kong are also considerably more likely to think that there are no issues in relation to auditing standards.

The New Zealand scores are notably lower in shareholder protection and reporting and auditing standards. China is significantly less positive in reporting and auditing standards and company compliance, while Australia is less positive in shareholder protection and auditing standards.

While the results presented in Figure 2 reflect the significant differences between markets, there are also major differences between respondents by category: shareholders, professionals/business owners and management executives. These should be taken into consideration in understanding the differences between markets.

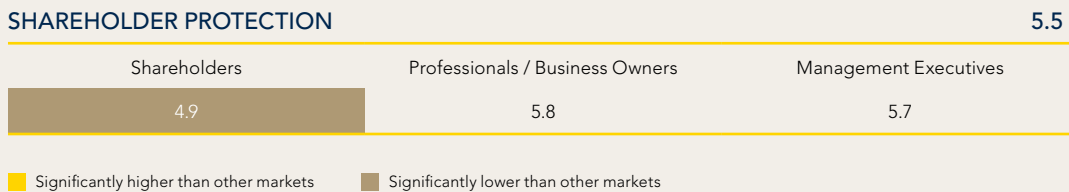
In Hong Kong, New Zealand, Singapore and Vietnam there are no significant differences between respondents, indicating that the views of shareholders, professionals/business owners and management executives are fairly consistent. There is one significant difference in Australia and China, two in Malaysia and four in Indonesia. In the case of Australia, it is notable that management executives are far less positive than the other cohorts about the country's laws and regulations (Figure 3).

FIGURE 3. SIGNIFICANT DIFFERENCES IN AUSTRALIA



In China, while there is a high degree of consistency across all other groups, shareholders are less positive with regards to shareholder protection (Figure 4).

FIGURE 4. SIGNIFICANT DIFFERENCES IN CHINA



The key findings from each market are presented in alphabetical order by market.

In Malaysia, shareholders are significantly more positive about reporting standards and company compliance (Figure 5).

FIGURE 5. SIGNIFICANT DIFFERENCES IN MALAYSIA

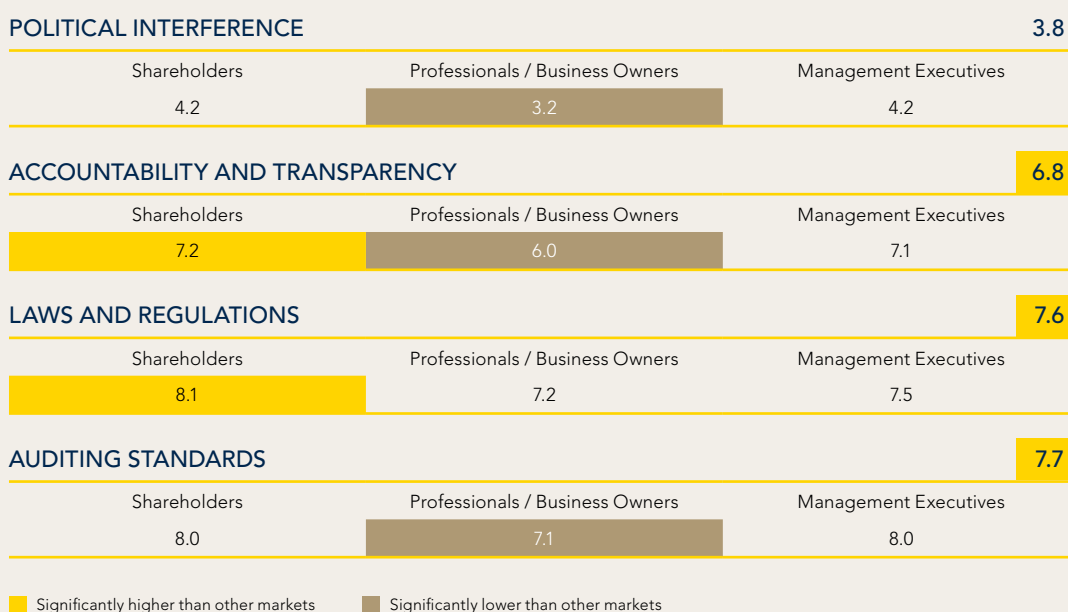


The greatest number of significant differences between shareholders, professionals/business owners and management executives are found in Indonesia. While overall Indonesia rates higher in accountability and transparency, laws and regulations, shareholder protection, reporting standards, auditing standards and company compliance, there are a number of significant

differences between the groups of respondents (Figure 6).

Shareholders are considerably more positive regarding accountability and transparency, and laws and regulations. Comparatively, professionals/business owners are much less positive regarding these aspects, as well as political interference.

FIGURE 6. SIGNIFICANT DIFFERENCES IN INDONESIA



While Indonesia appears significantly more positive in most themes, there are more notable differences between the different groups of respondents, indicating more limited agreement within the sample than is the case in all other markets.

MARKET RESULTS: AUSTRALIA

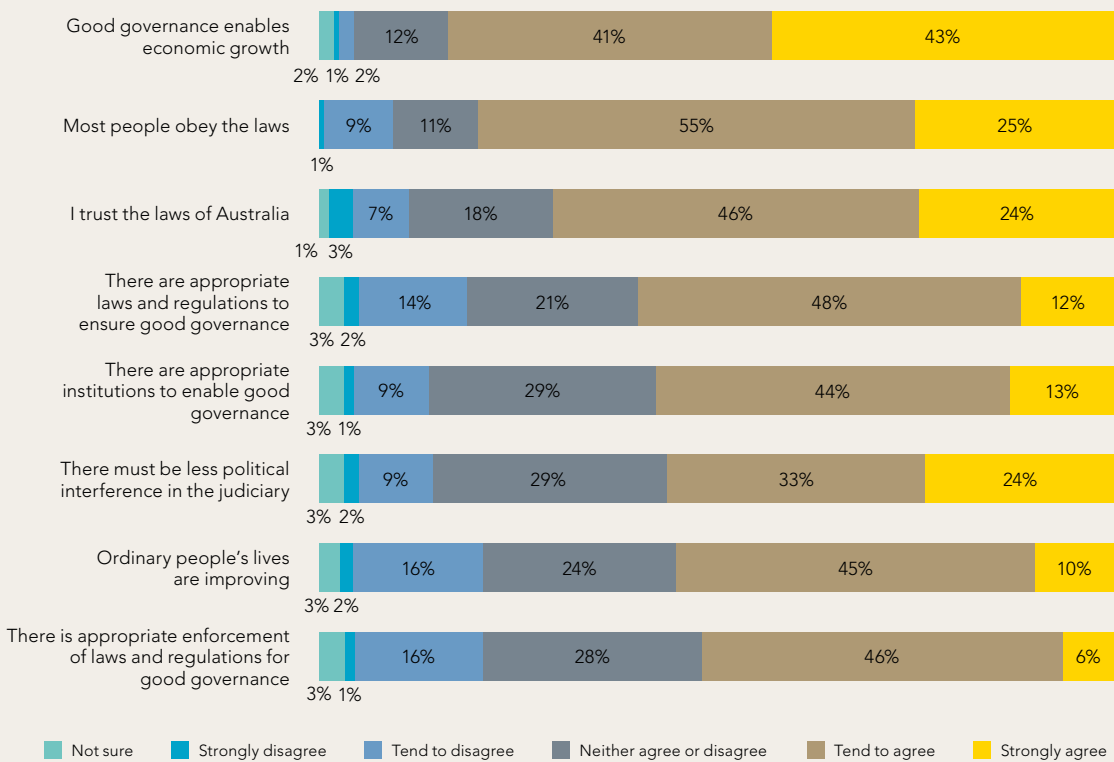
MARKET GOVERNANCE

In Australia, good governance is widely believed to enable economic growth and the majority of respondents think that the country's laws are obeyed and trusted. Respondents believe that appropriate laws, regulations and institutions exist to ensure good governance. However, 57 per cent of respondents tend to agree or strongly agree that there needs to be less political interference in the judiciary.

Without deeper investigation on this point alone, it is difficult to extrapolate what this finding refers to specifically.

Figure 7 provides the statements where respondents in Australia tend to agree or strongly agree the most.

FIGURE 7. HIGHER AGREEMENT IN MARKET GOVERNANCE ISSUES



MARKET RESULTS: AUSTRALIA (CONTINUED)

There are very few significant differences between the perceptions of the three groups of respondents in Australia (Table 2). However, professionals/business owners responded less positively to the relationship between good governance and economic growth, and management executives appear less positive than shareholders and professionals/business owners in regard to most people obeying the country's laws.

TABLE 2. AGREEMENT BY GROUP OF RESPONDENTS

	TEND TO AGREE & STRONGLY AGREE				TEND TO DISAGREE & STRONGLY DISAGREE			
	TOTAL	Shareholders	Professional / Business Owners	Management Executives	TOTAL	Shareholders	Professional / Business Owners	Management Executives
Good governance enables economic growth	84%	89%	75%	87%	3%	0%	2%	5%
Most people obey the laws	80%	87%	83%	71%	9%	4%	12%	13%
I trust the laws of Australia	71%	64%	73%	75%	10%	8%	12%	11%
There are appropriate laws and regulations to ensure good governance	60%	58%	62%	60%	16%	11%	12%	24%
There are appropriate institutions to enable good governance	58%	51%	60%	62%	11%	13%	8%	11%
There must be less political interference in the judiciary	56%	60%	46%	62%	11%	8%	15%	11%
Ordinary people's lives are improving	55%	55%	54%	56%	18%	19%	13%	22%
There is appropriate enforcement of laws and regulations for good governance	52%	45%	54%	56%	18%	15%	17%	20%

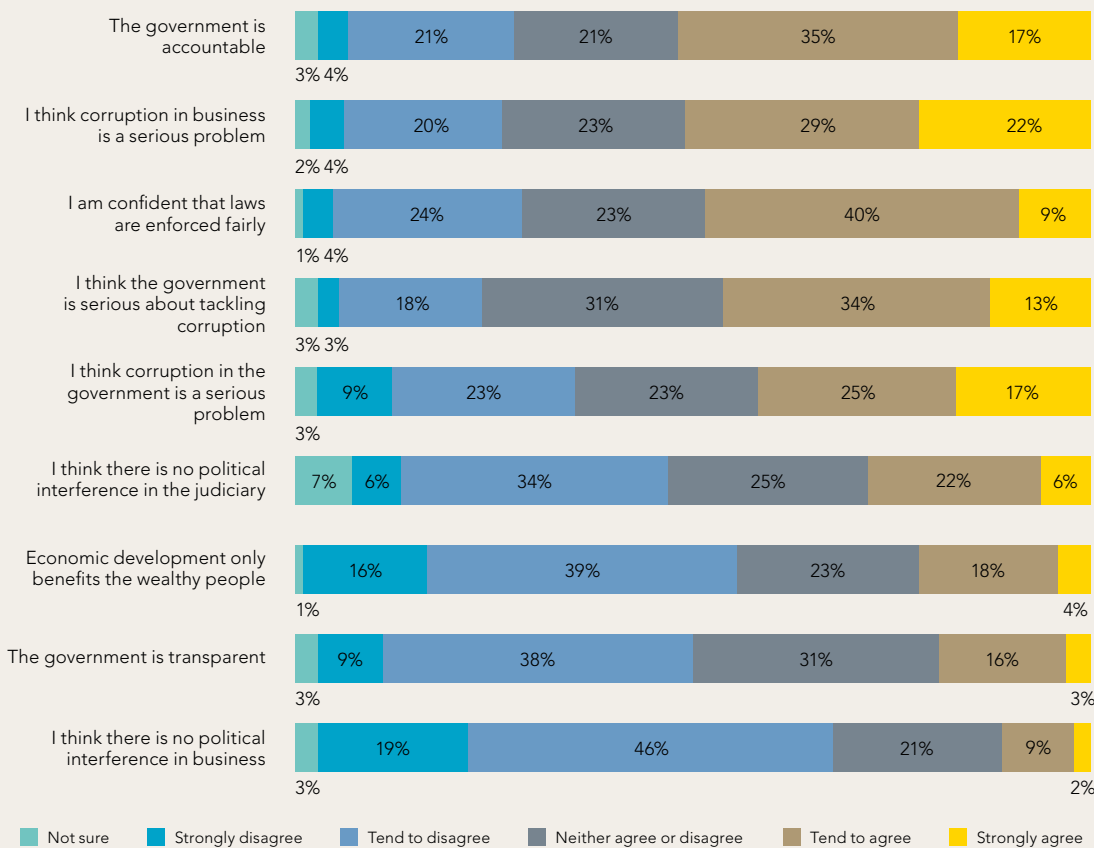
■ Significantly higher than average ■ Significantly lower than average

MARKET RESULTS: AUSTRALIA (CONTINUED)

The issues that Australian respondents show less agreement with are listed in Figure 8. The majority of respondents (52 per cent) tend to agree or strongly agree that the government is accountable but only 19 per cent tend to agree or strongly agree that the government is transparent. The question did not distinguish between different levels of government.

Perceptions in relation to the existence of corruption and tackling corruption appear to be mixed. Corruption in business is seen as a serious problem by the majority of respondents. Of those surveyed, 47 per cent tend to agree or strongly agree that the government is serious in tackling corruption, while 31 per cent of respondents neither agree nor disagree.

FIGURE 8. LOWER AGREEMENT IN MARKET GOVERNANCE ISSUES



There are no significant differences in the perceptions reported in Figure 8 above between shareholders, professionals/business owners and management executives.

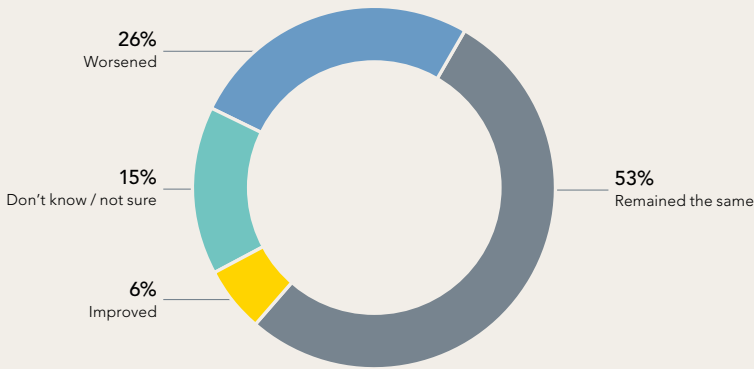
Figure 9 provides the perceptions of market governance over the past two years. Just over half of all respondents (52 per cent) believe that

things remained the same over the past two years, followed by those who believe that it worsened (22 per cent). Management executives deem there has been some improvement but shareholders and professionals/business owners are less positive. Ultimately, however, any differences between the groups are insignificant.

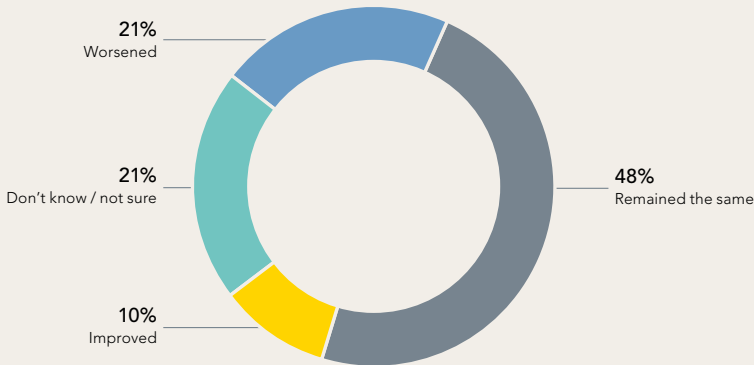
MARKET RESULTS: AUSTRALIA (CONTINUED)

FIGURE 9. PERCEPTION OF HOW MARKET GOVERNANCE HAS CHANGED OVER THE PAST TWO YEARS

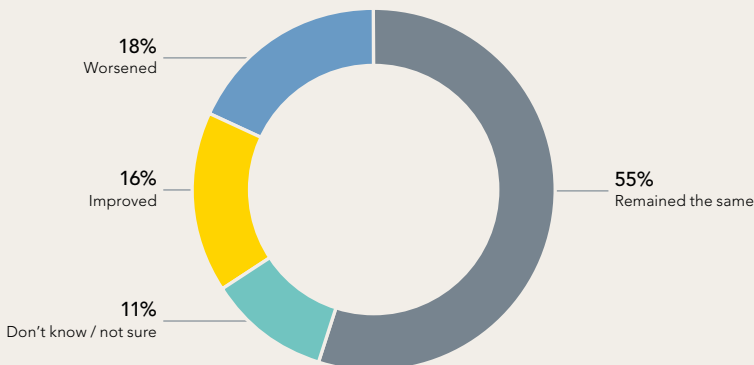
Shareholders



Professionals / Business Owners



Management Executives



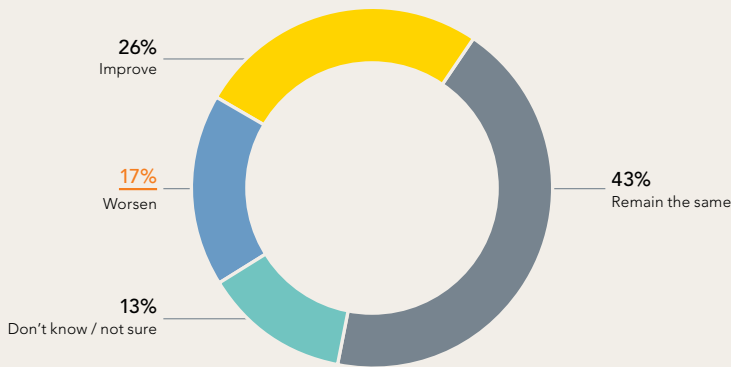
■ Significantly higher than average
 ■ Significantly lower than average

Looking forward, views among these groups are more polarised and have some significant differences (Figure 10). Overall, 44 per cent of respondents believe things will remain the same and 35 per cent that they will improve. Only 9 per cent believe that things will worsen. However, when this data is segmented across the three cohorts, management executives are significantly more optimistic about the future and shareholders are least optimistic.

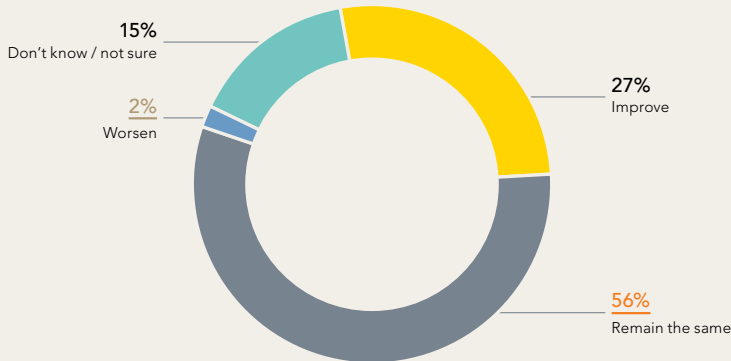
MARKET RESULTS: AUSTRALIA (CONTINUED)

FIGURE 10. PERCEPTION OF HOW MARKET GOVERNANCE WILL CHANGE IN THE FUTURE

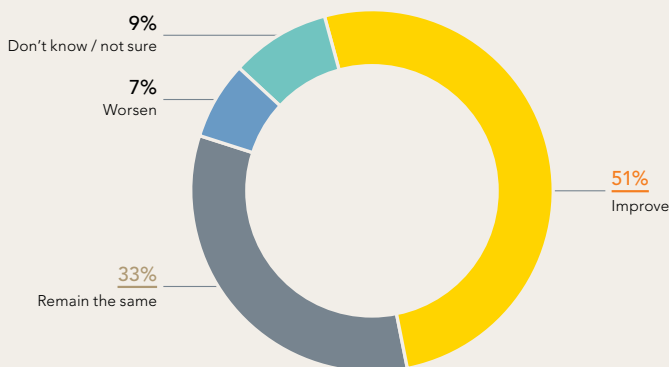
Shareholders



Professionals / Business Owners



Management Executives



■ Significantly higher than average
 ■ Significantly lower than average

MARKET RESULTS: AUSTRALIA (CONTINUED)

More management executives agree with the proposition that market governance will improve and not stay the same. This may indicate a clearer understanding of actions to improve market governance or it may be an indication that changes in other spheres affect these views.

Shareholders on the other hand, are more likely to agree with the view that market governance will worsen in the future, while professionals/business owners are much less likely to think that it will worsen and more likely to believe it will remain the same.

In response to the open question: "What would you say is the most urgent issue that needs to be addressed in relation to market governance in Australia?" a number of varied themes emerged. A large proportion of respondents (42 per cent) either did not have a view or didn't express a view. The most frequently cited issues, which only represent 32 per cent of all responses, were:

- corruption of civil servants, councils, state government or bureaucracy (6 per cent)
- taxes are too high, complicated or unfair tax system (5 per cent)
- lack of stability in the financial market, poor financial products, poor regulation and controls (5 per cent)
- insider trading (4 per cent)
- monopolies and unfair trading, protection for small traders, and protection for minority shareholders (4 per cent)
- the rule of law, too many loopholes in the legislations, and inappropriate law enforcement (4 per cent)
- lack of transparency (3 per cent)

Overall, Australian respondents appear to find the rule of law in Australia to be an important aspect of market governance and believe that there are appropriate laws, which are adequately enforced, and appropriate institutions for good governance. The majority further believes that the lives of most people are improving and economic development does not only benefit wealthy people.

RESPONDENTS' COMMENTS

"CORRUPTION IN LOCAL COUNCILS AND STATE GOVERNMENT"

"COMPLIANCE WITH TIMELY DISCLOSURE AND STRONGER PENALTIES FOR NON-DISCLOSURE OR MISLEADING STATEMENTS"

"THAT EVERYONE PAYS A FAIR TAX AND NOT JUST LOWER AND MIDDLE CLASSES"

MARKET RESULTS: AUSTRALIA (CONTINUED)

CORPORATE GOVERNANCE

Figure 11 provides the Australian responses to corporate governance statements. The graph lists the areas in order of most agreement, representing tend to agree and strongly agree responses. In Australia, corporate governance is widely seen to improve when government accountability and financial transparency improves. Further, it is generally believed that there are appropriate institutions to enable good governance.

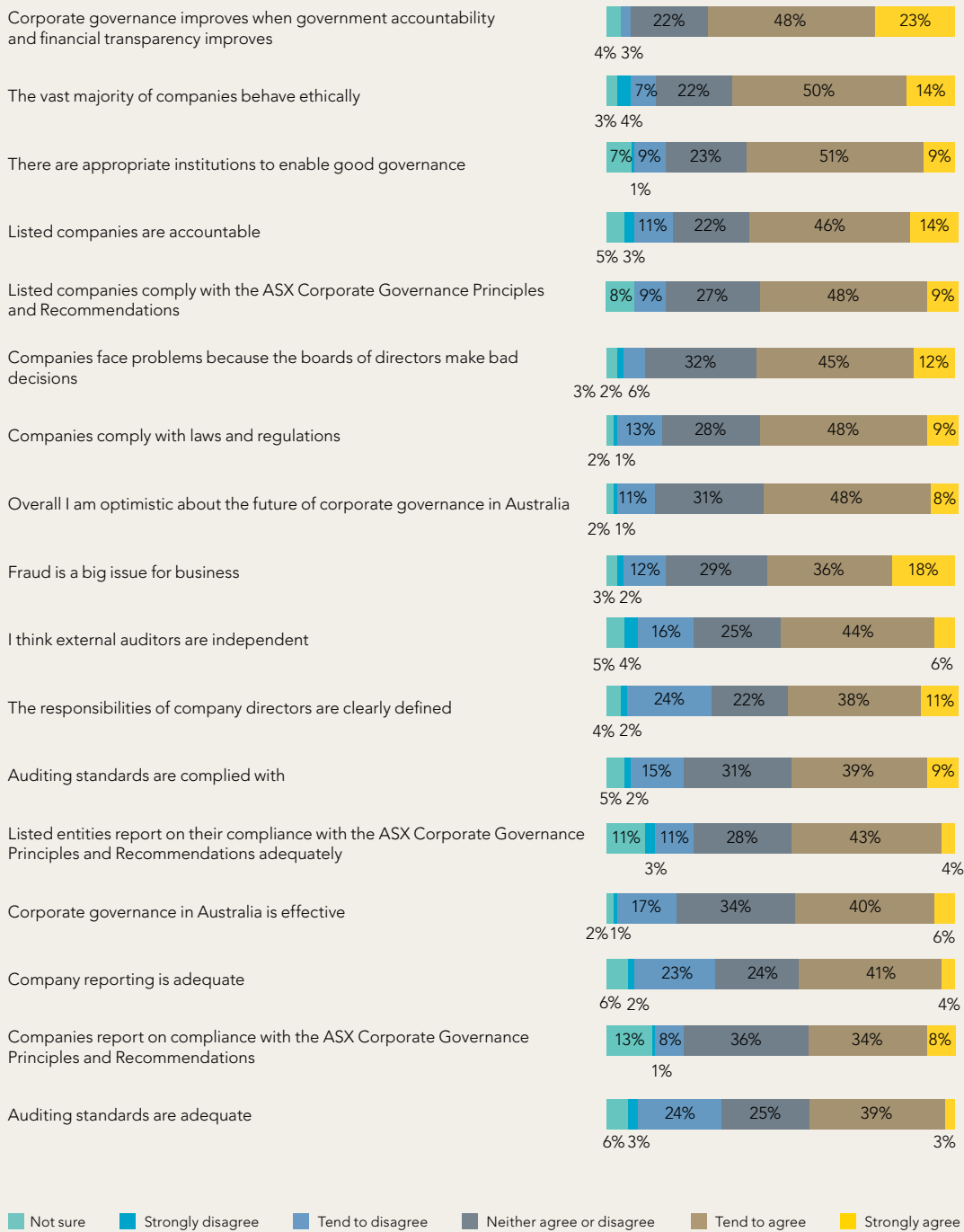
Most respondents believe that the vast majority of companies behave ethically, comply with laws and regulations and that listed companies are accountable and comply with the ASX Corporate Governance Principles and Recommendations.

In relation to the independence of external auditors, 50 per cent of respondents tend to agree or strongly agree that external auditors are independent, 25 per cent neither agree nor disagree and 20 per cent tend to disagree or strongly disagree. More respondents agree that auditing standards are complied with (48 per cent) than think that they are adequate (41 per cent).

While 60 per cent of respondents tend to agree or strongly agree that listed companies are accountable, 44 per cent think that company reporting is adequate, 41 per cent think that financial reports provide users with all the necessary information and 39 per cent think that financial reports are trustworthy. Opinions appear relatively polarised regarding the extent to which financial reports are seen as trustworthy, and provide users with the necessary information.

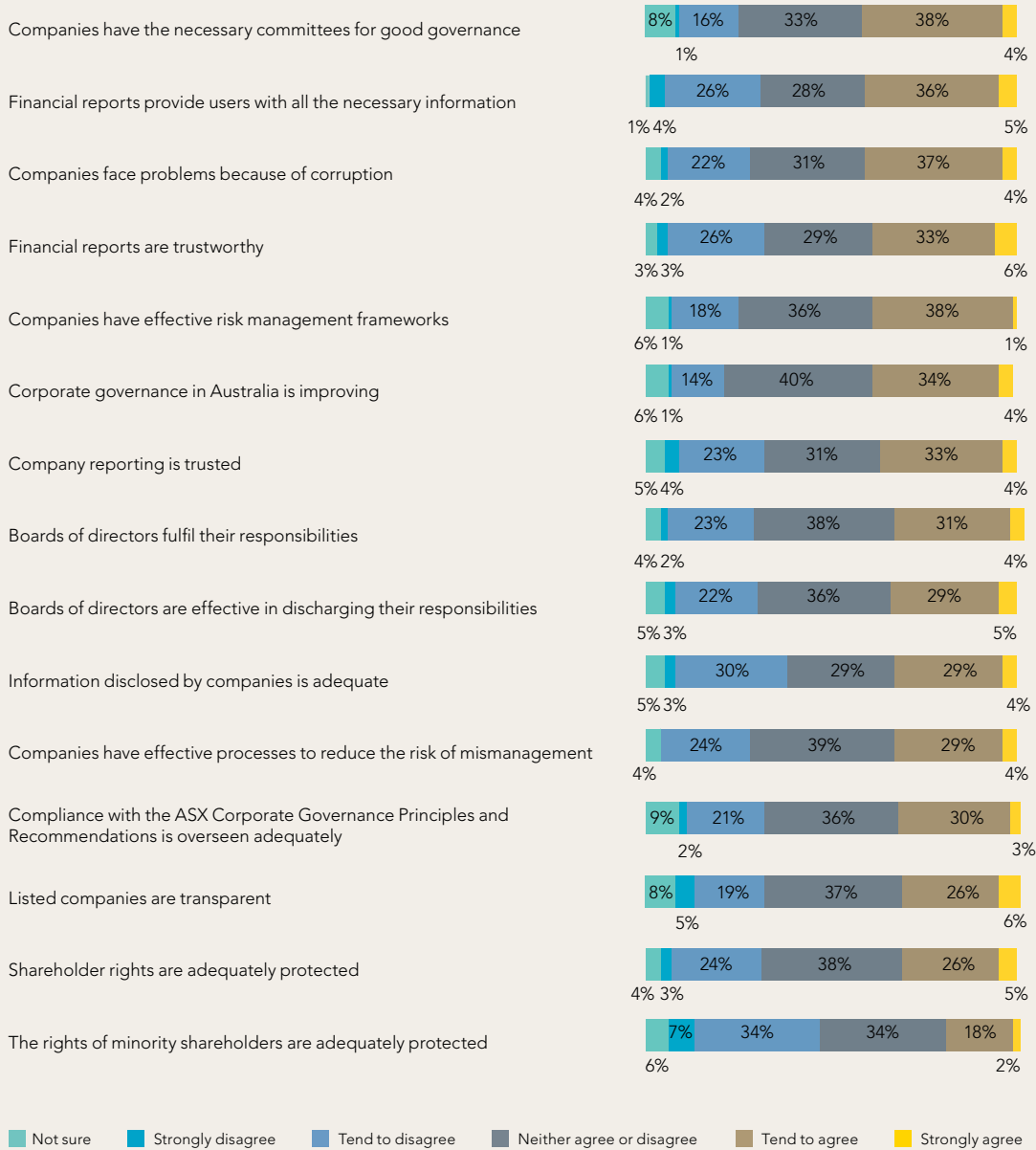
MARKET RESULTS: AUSTRALIA (CONTINUED)

FIGURE 11. CORPORATE GOVERNANCE IN AUSTRALIA



MARKET RESULTS: AUSTRALIA (CONTINUED)

FIGURE 11. CORPORATE GOVERNANCE IN AUSTRALIA (CONTINUED)



MARKET RESULTS: AUSTRALIA (CONTINUED)

Overall, there is a relatively high level of indifference – respondents who neither agree nor disagree – with many aspects of corporate governance in Australia, despite the fact that respondents had the option to respond by stating they are not sure about a specific aspect.

There are three significant differences between the three groups of respondents:

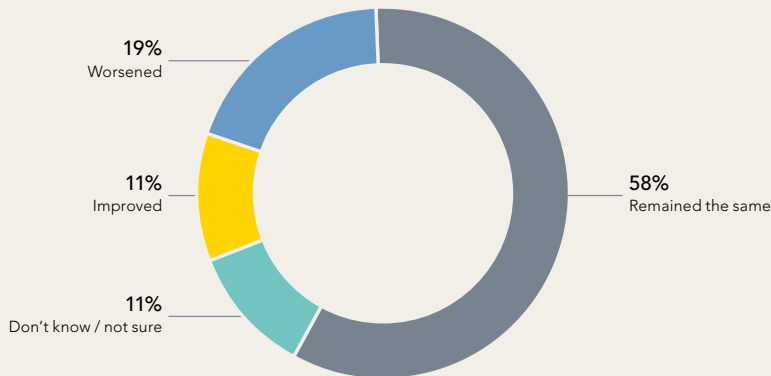
- shareholders exhibit significantly less agreement with the statement – “Companies have effective processes to reduce the risk of mismanagement”
- management executives exhibit significantly more agreement with the statement – “Listed companies are transparent”
- management executives exhibit significantly less agreement with the statement – “The rights of minority shareholders are adequately protected”

The majority of all respondents (55 per cent) think that corporate governance remained the same over the past two years (Figure 12), 14 per cent believe it improved and 16 per cent that it worsened. While more shareholders thought that it worsened and more management executives thought it improved, the differences between the groups are not significant.

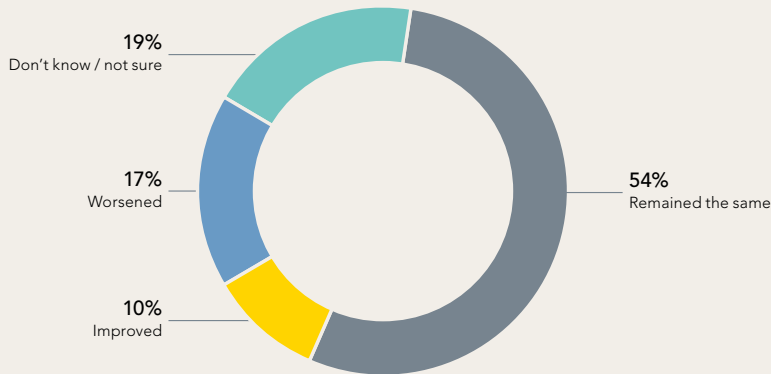
MARKET RESULTS: AUSTRALIA (CONTINUED)

FIGURE 12. PERCEPTION OF HOW CORPORATE GOVERNANCE HAS CHANGED OVER THE PAST TWO YEARS

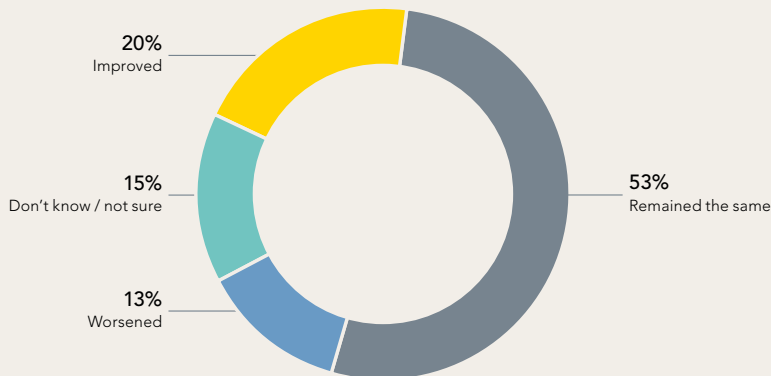
Shareholders



Professionals / Business Owners



Management Executives



■ Significantly higher than average ■ Significantly lower than average

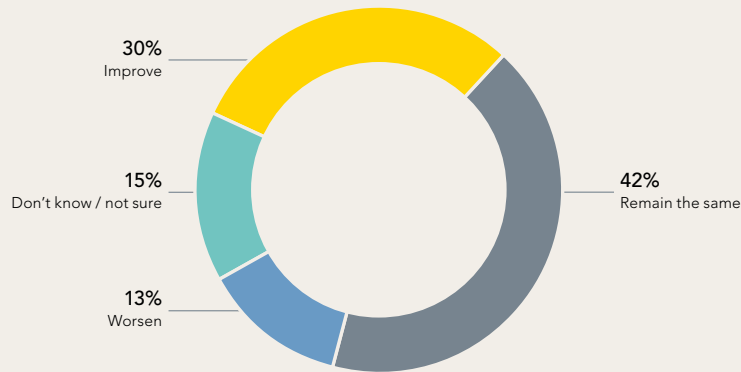
Figure 13 below provides the perceptions for the future. Overall, 33 per cent of respondents expect improvements in corporate governance, 43 per cent anticipate things to remain the same and 9 per cent expect things to deteriorate.

A significantly higher percentage of management executives, than professionals / business owners and shareholders, report that they expect corporate governance to improve. Shareholders and professionals/business owners report higher agreement with worsening corporate governance in the future, but not significantly.

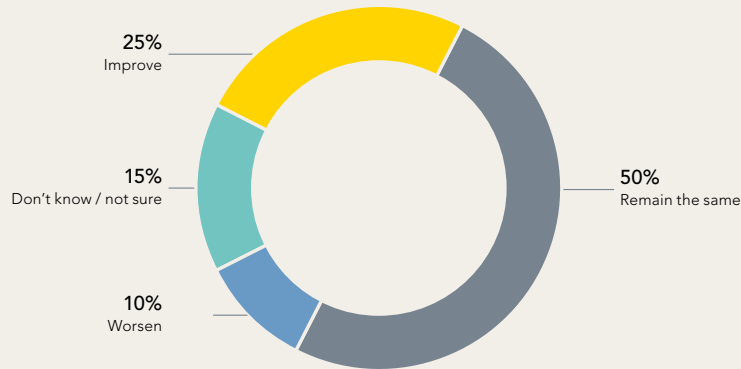
MARKET RESULTS: AUSTRALIA (CONTINUED)

FIGURE 13. PERCEPTION OF HOW CORPORATE GOVERNANCE WILL CHANGE IN THE FUTURE

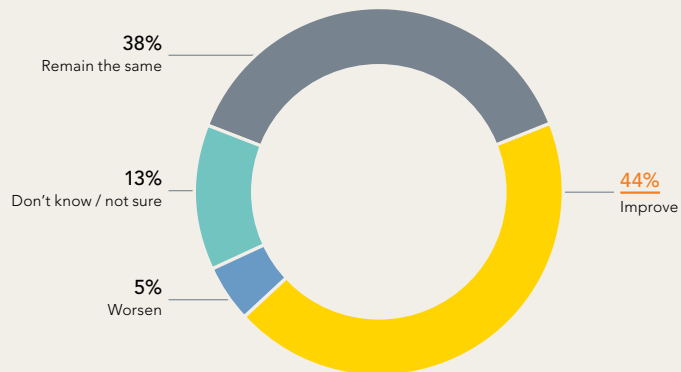
Shareholders



Professionals / Business Owners



Management Executives



■ Significantly higher than average
 ■ Significantly lower than average

MARKET RESULTS: AUSTRALIA (CONTINUED)

In response to the open question – “What would you say is the most urgent issue that needs to be addressed in relation to corporate governance in Australia” a number of themes emerged. A large proportion of respondents (54 per cent) answered with do not know or did not provide a response at all. The most frequently cited issues, which represent 27 per cent of all responses, include:

- insufficient legislation, unstable regulatory framework on corporate governance, and many loopholes (4 per cent)
- slow action, light penalty on the unethical practices and violations (4 per cent)
- lack of transparency (4 per cent)
- rights of minority shareholders are not adequately protected (3 per cent)
- boards of directors and shareholders are not made accountable (3 per cent)
- fraud is a big issue for business (3 per cent)
- CEOs get paid too much (3 per cent)
- boards of directors are not independent (3 per cent)

Overall, respondents appear to be reasonably satisfied with the Australian governance framework and compliance with it. They are more likely to view problems faced by companies as a result of bad board decisions rather than unethical behaviour.

While 19 per cent of respondents tend to agree or strongly agree with the statement: “The government is transparent in the market governance section”, 32 per cent agree that listed companies are transparent in the corporate governance section. The protection of the rights of shareholders and particularly minority shareholders are the issues that respondents think are least satisfactory.

RESPONDENTS’ COMMENTS

“TRANSPARENCY OF COMPANY OPERATION AND ACCOUNTABILITY TO SMALLER SHAREHOLDERS”

“DIRECTORS NEED TO CONCENTRATE MORE ON SHAREHOLDERS AND NEED TO BE MORE INDEPENDENT AND MORE BROADLY BASED”

“DIRECTORS’ ACCOUNTABILITY AND RIGHTS OF MINORITY SHAREHOLDERS”

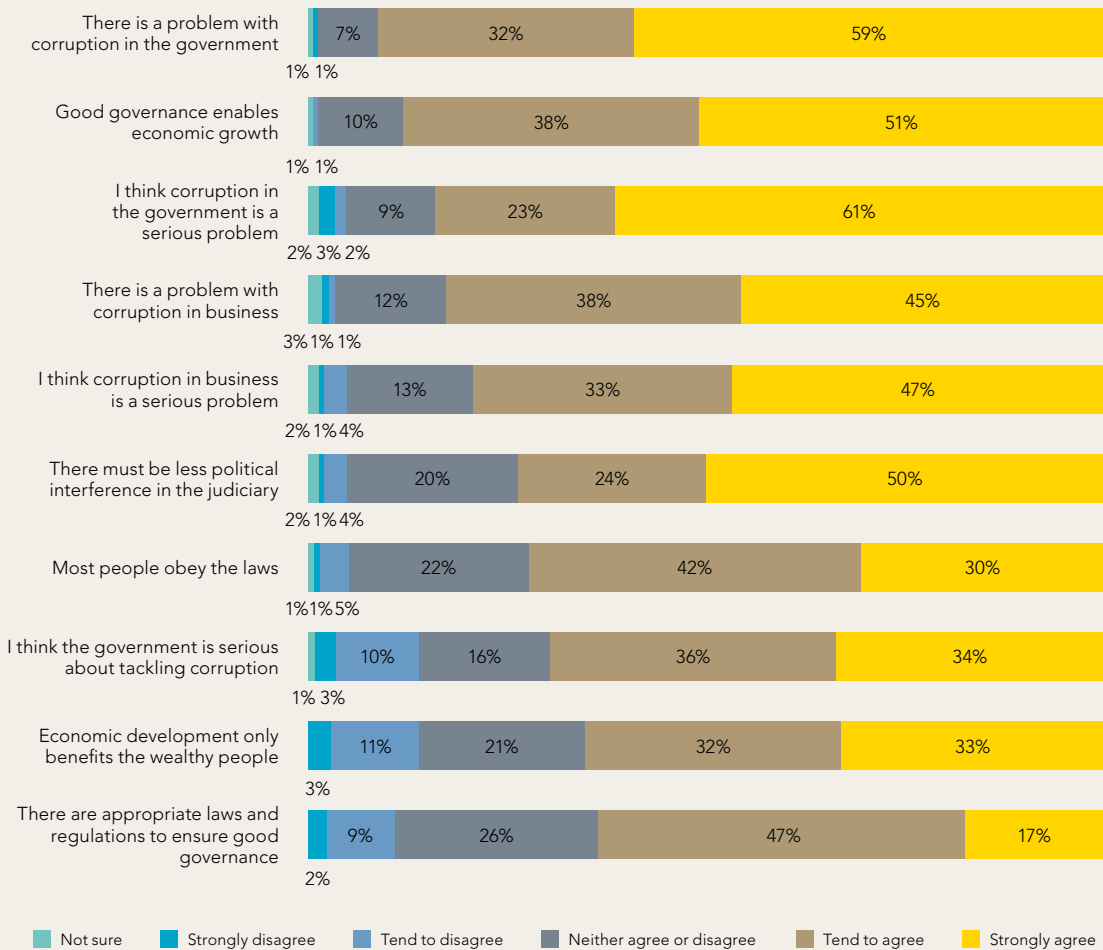
MARKET RESULTS: CHINA

MARKET GOVERNANCE

In China, while good governance is seen to enable economic growth, the survey revealed that corruption is an important issue, with high levels of agreement across most related statements. However, on the positive side, it is widely perceived that the government is serious about tackling corruption.

Figure 14 provides a breakdown of combined responses on market governance, which are most agreed with by respondents. Interestingly, in the top eight areas of most agreement, respondents show high levels of assent with the statements about general compliance with the law, appropriateness of laws and regulations to enable good governance but also with corruption being seen as a serious issue in government and in business.

FIGURE 14. HIGHER AGREEMENT IN MARKET GOVERNANCE ISSUES



MARKET RESULTS: CHINA (CONTINUED)

There are very few significant differences between perceptions of the three groups of respondents in China as shown in Table 3 below. Management executives are significantly less likely than shareholders and professionals/business owners to agree that corruption in government is a serious problem.

Professionals/business owners are less positive about the need for less political interference in the judiciary and more positive that economic development only benefits wealthy people.

TABLE 3. AGREEMENT BY GROUP OF RESPONDENTS

	TEND TO AGREE & STRONGLY AGREE				TEND TO DISAGREE & STRONGLY DISAGREE			
	TOTAL	Shareholders	Professional/ Business Owners	Management Executives	TOTAL	Shareholders	Professional/ Business Owners	Management Executives
There is a problem with corruption in the government	91%	94%	90%	90%	1%	0%	0%	2%
Good governance enables economic growth	88%	86%	86%	92%	1%	2%	0%	0%
I think corruption in the government is a serious problem	84%	88%	90%	75%	5%	8%	0%	8%
There is a problem with corruption in business	83%	82%	88%	78%	3%	4%	0%	4%
I think corruption in business is a serious problem	80%	84%	82%	73%	5%	4%	2%	10%
There must be less political interference in the judiciary	74%	80%	60%	80%	5%	6%	6%	2%
Most people obey the laws	72%	73%	72%	73%	5%	4%	6%	6%
I think the government is serious about tackling corruption	70%	73%	60%	76%	13%	10%	16%	12%
Economic development only benefits the wealthy people	65%	57%	76%	63%	14%	14%	10%	18%
There are appropriate laws and regulations to ensure good governance	64%	63%	66%	63%	11%	10%	12%	10%

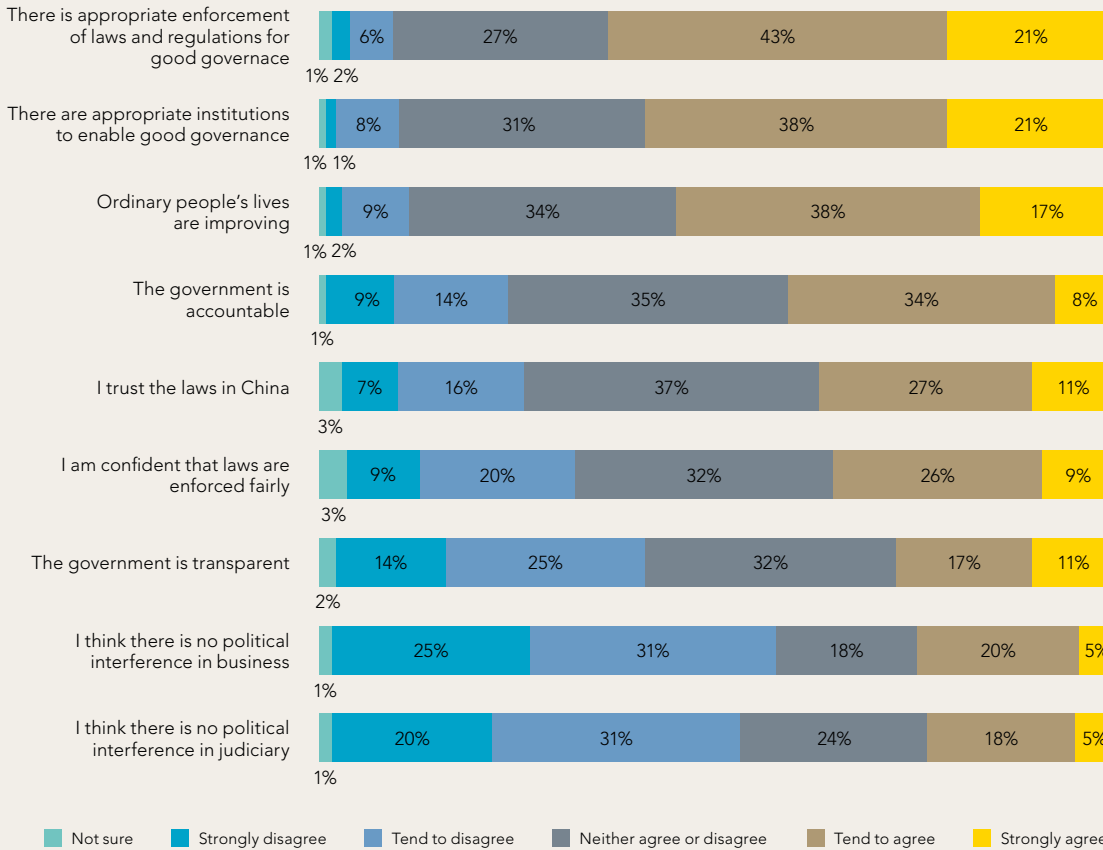
■ Significantly higher than average ■ Significantly lower than average

MARKET RESULTS: CHINA (CONTINUED)

The issues Chinese respondents show less agreement with are listed in Figure 15. The majority of respondents think that there is political interference in business and the judiciary. They are also more likely to agree that the government is accountable but less likely to believe that it is transparent. The question did not make a distinction regarding the level of government.

In the statements presented in Figure 15, a relatively large number of respondents neither agree nor disagree with many of the issues presented, particularly in relation to trusting the laws, government accountability and ordinary people’s lives improving. There are no significant differences in the perceptions reported in Figure 15 below between shareholders, professionals/ business owners and management executives.

FIGURE 15. LOWER AGREEMENT IN MARKET GOVERNANCE ISSUES



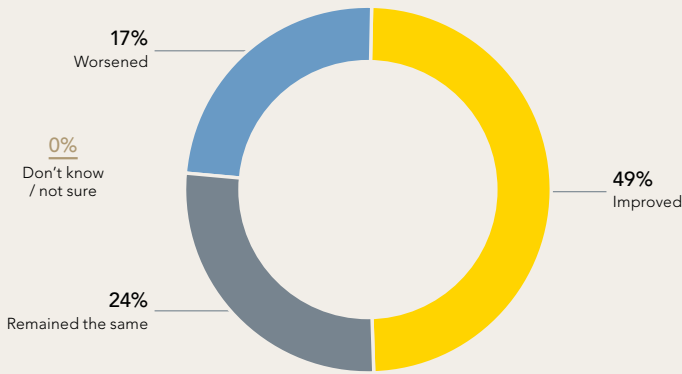
The changes in market governance over the past two years are generally regarded as positive, with 47 per cent of respondents agreeing that things have improved (Figure 16). The number of respondents who agree that things stayed the same or worsened are similar with 24 per cent

and 22 per cent respectively. Shareholders are significantly less likely than the other groups to not know or not be sure about the changes in market governance over the past two years, while management executives are considerably more likely.

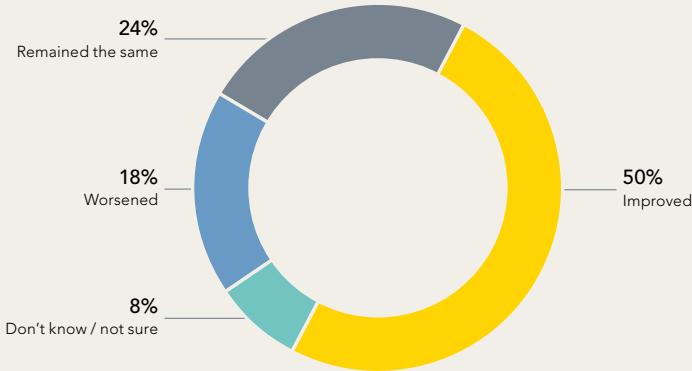
MARKET RESULTS: CHINA (CONTINUED)

FIGURE 16. PERCEPTION OF HOW MARKET GOVERNANCE HAS CHANGED OVER THE PAST TWO YEARS

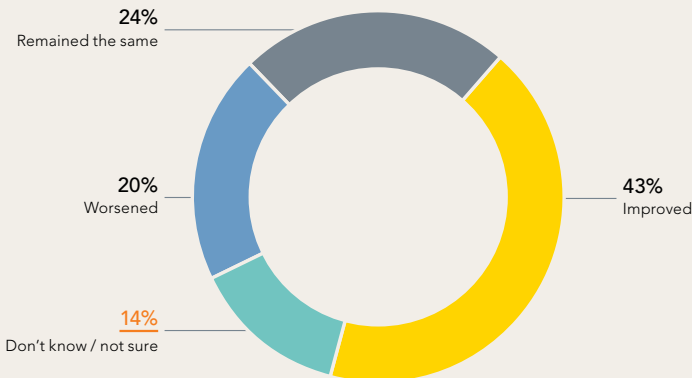
Shareholders



Professionals / Business Owners



Management Executives



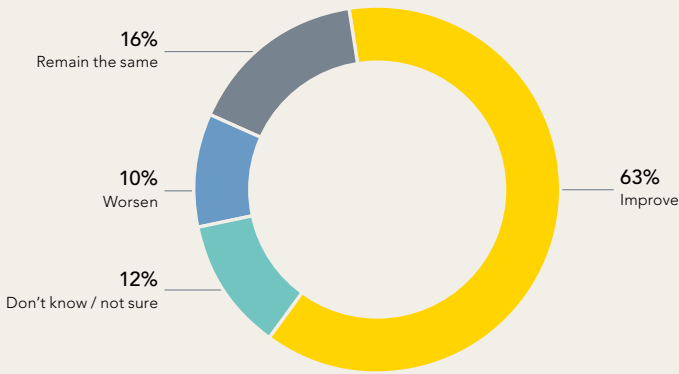
■ Significantly higher than average ■ Significantly lower than average

As indicated in Figure 17, 61 per cent of respondents are optimistic that in the future market governance will improve. Only 8 per cent of those surveyed expect it to worsen, 14 per cent believe it will remain the same and 17 per cent do not know or are not sure. There are no significant differences between the groups.

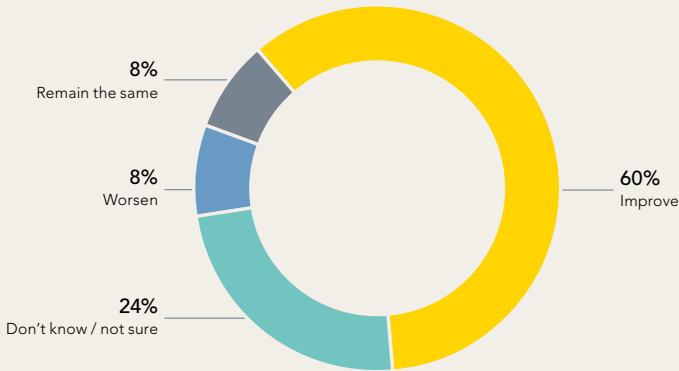
MARKET RESULTS: CHINA (CONTINUED)

FIGURE 17. PERCEPTION OF HOW MARKET GOVERNANCE WILL CHANGE IN THE FUTURE

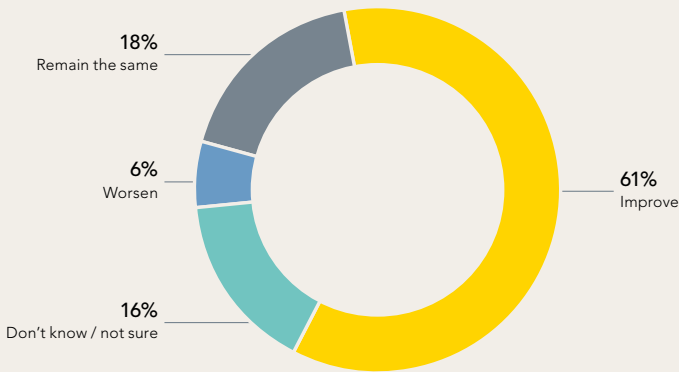
Shareholders



Professionals / Business Owners



Management Executives



■ Significantly higher than average
 ■ Significantly lower than average

MARKET RESULTS: CHINA (CONTINUED)

In response to the open question – “What would you say is the most urgent issue that needs to be addressed in relation to market governance in China” the responses are more consistent than in other markets, showing higher agreement on identified themes. Only 1 per cent of respondents said they did not know or did not respond. Otherwise, the top eight themes, representing 94 per cent of all responses, were:

- the rule of law, judicial justice, too many loopholes in the legislations, and inappropriate law enforcement (20 per cent)
- corruption (unspecific) (18 per cent)
- corruption of civil servants, councils, state government and bureaucracy, and government not listening to the general public (15 per cent)
- monopolies and unfair trading, protection for small traders, protection for minority shareholders, ensure fair competition and free market (14 per cent)
- too much political interference (for example in business and the judiciary) (11 per cent)
- an inappropriate management system, better market supervision and governance, and deepen reform (7 per cent)
- corruption of corporates (4 per cent)
- lack of transparency (4 per cent)

Overall, Chinese respondents appear concerned about corruption and political interference in business and the judiciary. However, many also think that market governance improved over the last two years and the majority expect it to improve further in the future.

RESPONDENTS' COMMENTS

“PLUG THE LEGAL LOOPHOLES AND HAVE FIRMS STRICTLY REGULATED”

“STRENGTHEN THE LEGAL SYSTEM AND BOLSTER GOVERNANCE”

“THERE SHOULD BE A CLEAR DEMARCATION OF FUNCTIONS OF GOVERNMENT AND BUSINESS; CLEAR SEPARATION OF JUDICIAL AND POLITICAL SYSTEMS; GOVERNMENT’S ROLE SHOULD BE INDEPENDENT OF THE JUDICIAL SYSTEM”

CORPORATE GOVERNANCE

Figure 18 provides the Chinese responses to the corporate governance statements in the questionnaire. It lists the areas in order of most agreement – representing tend to agree and strongly agree responses.

In China, corruption and fraud appear to be important issues, with high levels of agreement across most related statements. However, it is also widely believed that most companies behave ethically and comply with laws and regulations. Perceptions about the future of corporate governance in China are generally positive but there is less agreement with the effectiveness of corporate governance currently.

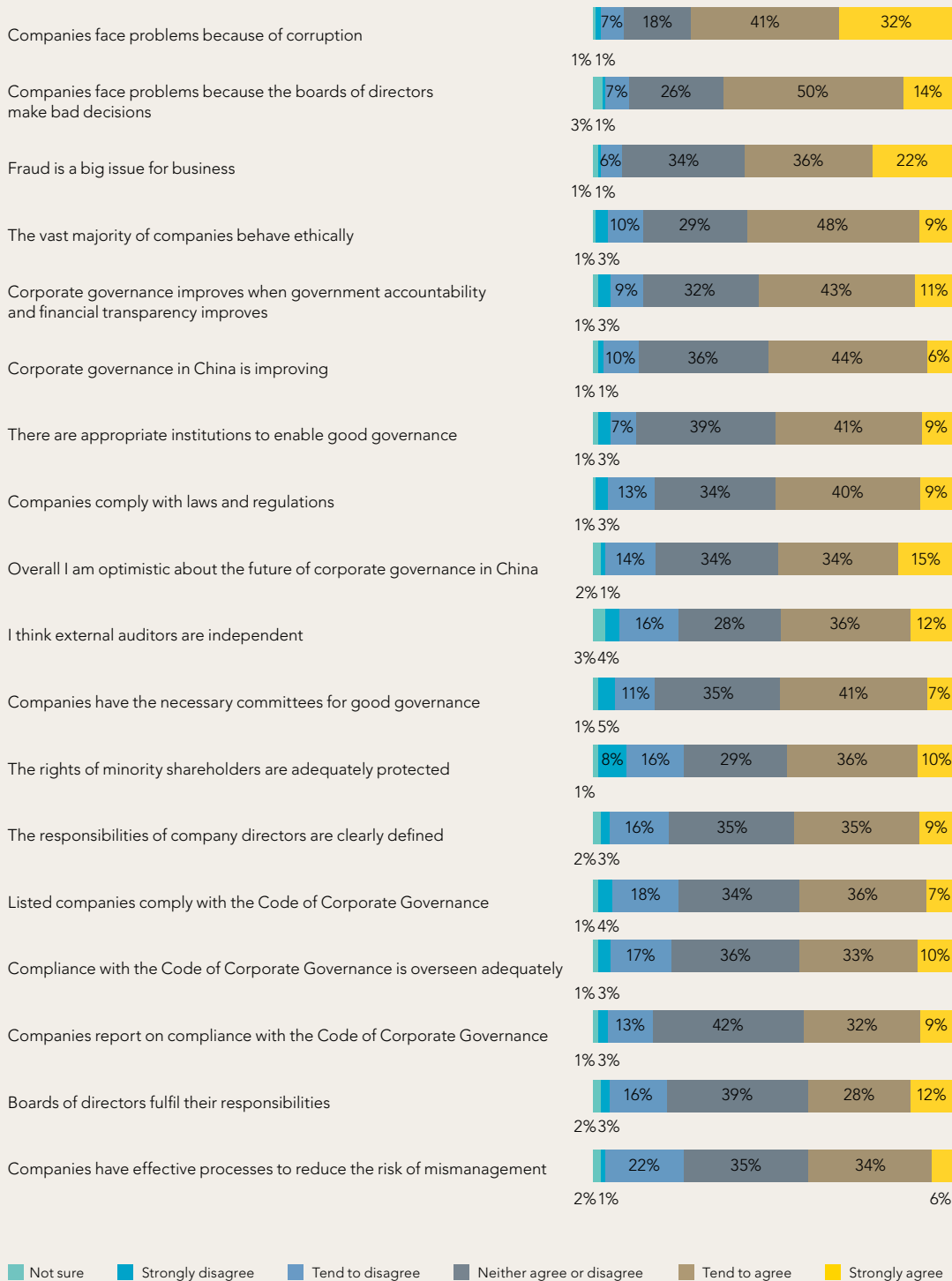
In regard to financial reporting 35 per cent of respondents consider that they provide users with all necessary information and 31 per cent consider them to be trustworthy.

There is little disagreement with statements that relate to compliance with the governance code, the adequacy of oversight of compliance and reporting on compliance with it.

In relation to audit, 38 per cent of respondents agree that auditing standards are complied with, 36 per cent that auditing standards are adequate and 48 per cent that external auditors are independent.

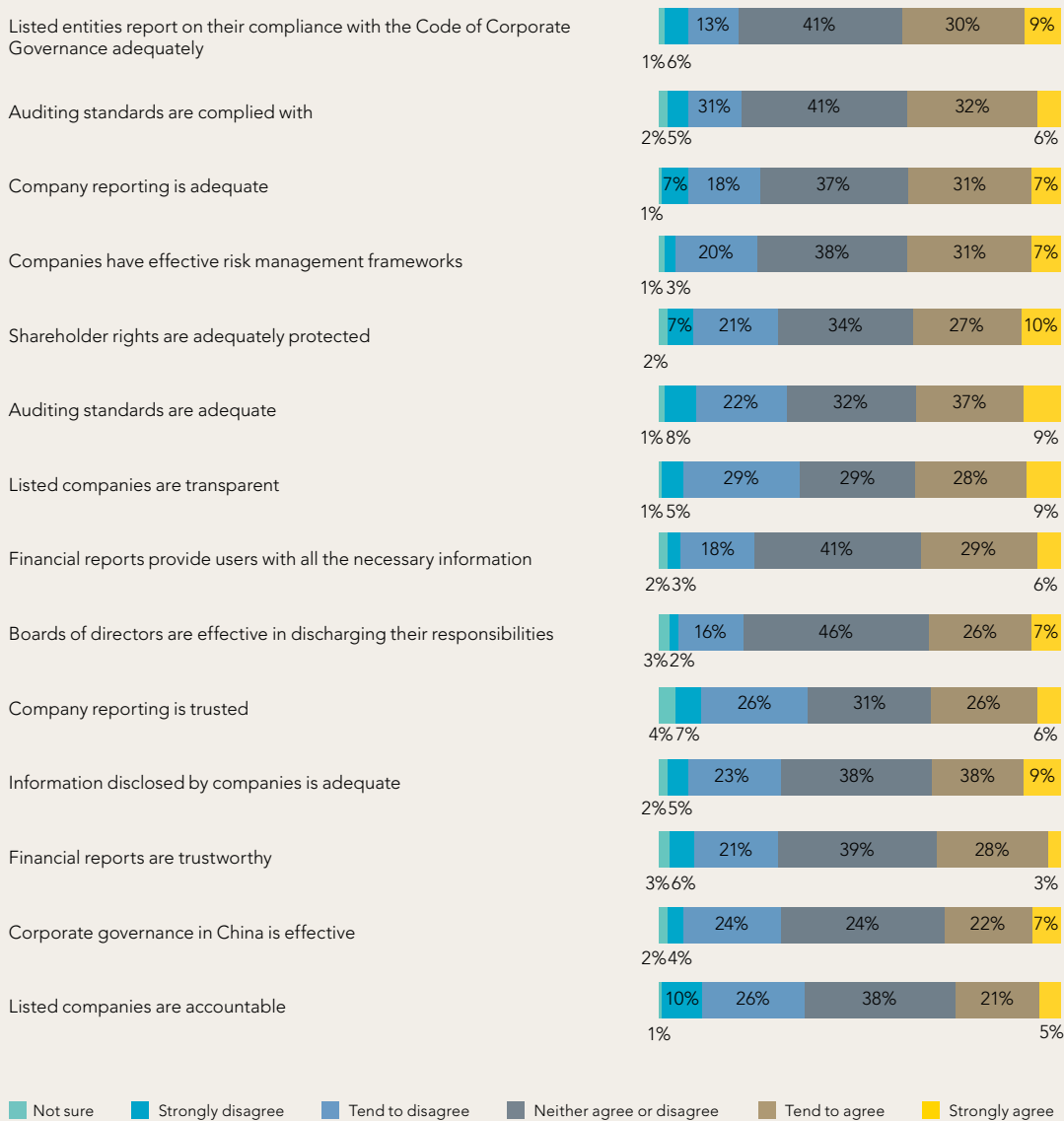
MARKET RESULTS: CHINA (CONTINUED)

FIGURE 18. CORPORATE GOVERNANCE IN CHINA



MARKET RESULTS: CHINA (CONTINUED)

FIGURE 18. CORPORATE GOVERNANCE IN CHINA (CONTINUED)



MARKET RESULTS: CHINA (CONTINUED)

Overall, there is a relatively high level of indifference – respondents that neither agree nor disagree – with many aspects of corporate governance in China, despite the fact that respondents had the option to respond by stating they are not sure about a specific aspect.

The significant differences between the three groups of respondents are:

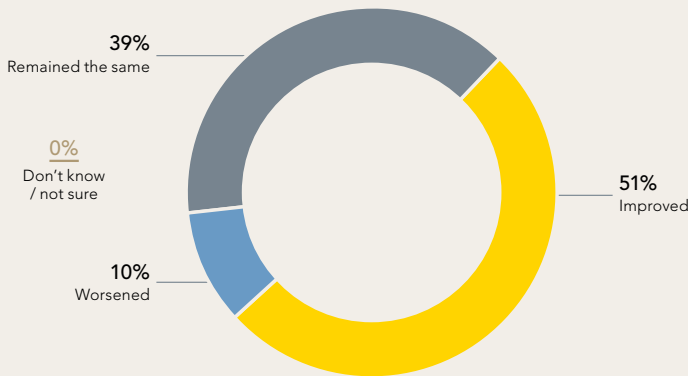
- shareholders exhibited significantly less agreement with the statement – “The rights of minority shareholders are adequately protected”
- management executives exhibited significantly less agreement and professionals/business owners more agreement with the statement – “Listed companies comply with the corporate governance code”
- management executives exhibited significantly less agreement with the statement – “Financial reports provide users with all the necessary information”
- management executives exhibited significantly less agreement and professionals/business owners more agreement with the statement – “Corporate governance in China is effective”

Figure 19 shows respondents’ views on changes to corporate governance over the past two years. Most respondents are of the view that corporate governance either improved (44 per cent) or remained the same (38 per cent). Only 11 per cent of respondents believe it worsened and 7 per cent do not know or are not sure how corporate governance changed. Interestingly, more shareholders think that corporate governance improved than management executives or professionals/business owners, but these differences between the groups are not significant. The only considerable difference is that shareholders are less likely to not know or not be sure how corporate governance changed.

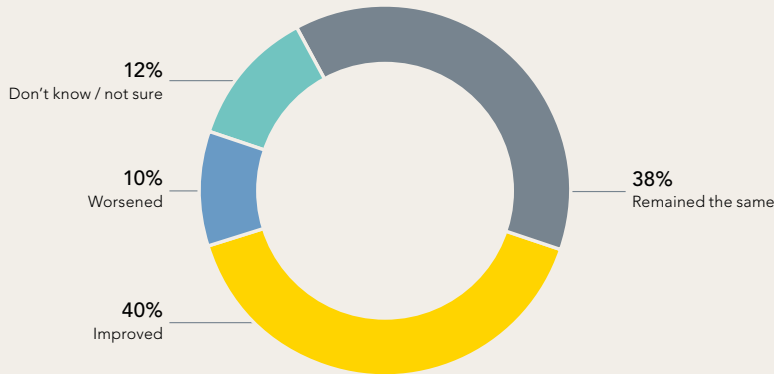
MARKET RESULTS: CHINA (CONTINUED)

FIGURE 19. PERCEPTION OF HOW CORPORATE GOVERNANCE HAS CHANGED OVER THE PAST TWO YEARS

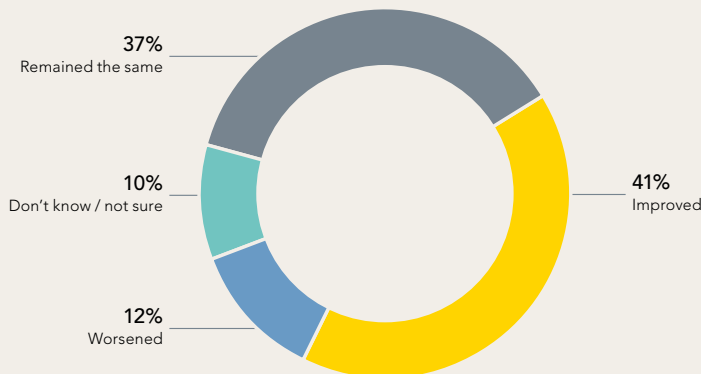
Shareholders



Professionals / Business Owners



Management Executives



■ Significantly higher than average
 ■ Significantly lower than average

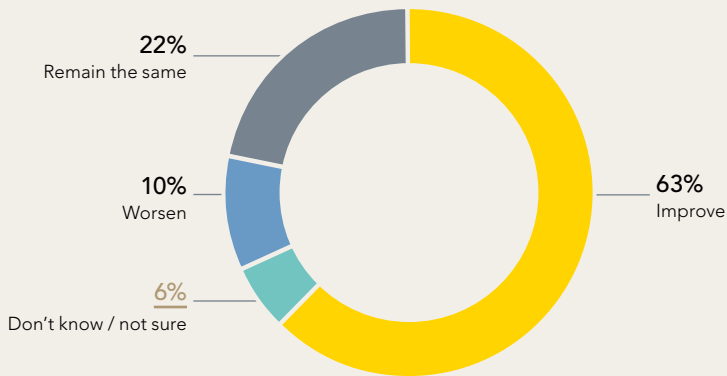
In relation to the perceptions for the future, 57 per cent of all respondents expect improvements in corporate governance, 22 per cent expect things to remain the same and 7 per cent expect deterioration (Figure 20). Overall, there is more optimism for the future than the assessment of the recent past.

A significantly higher percentage of professionals/business owners and lower percentage of shareholders reported that they do not know or are not sure as to how corporate governance will change in the future.

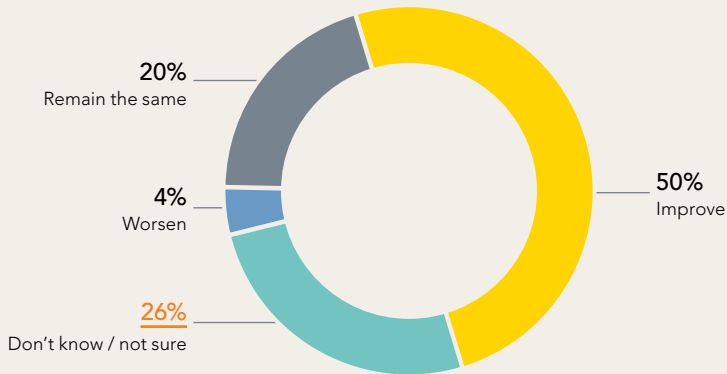
MARKET RESULTS: CHINA (CONTINUED)

FIGURE 20. PERCEPTION OF HOW CORPORATE GOVERNANCE WILL CHANGE IN THE FUTURE

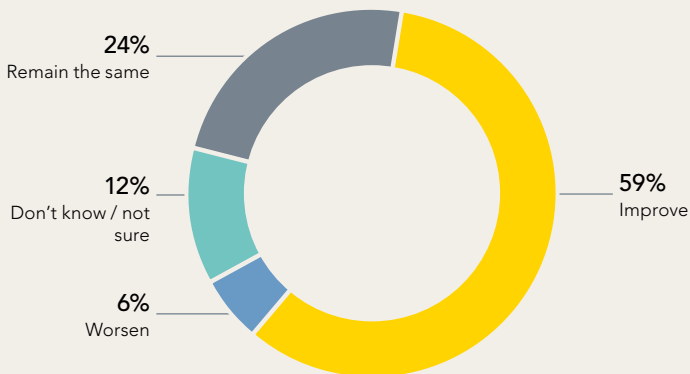
Shareholders



Professionals / Business Owners



Management Executives



■ Significantly higher than average
 ■ Significantly lower than average

MARKET RESULTS: CHINA (CONTINUED)

In response to the open question of “What would you say is the most urgent issue that needs to be addressed in relation to corporate governance in China” a number of themes emerged. The top eight themes listed below represent 62 per cent of all responses. Only 1 per cent said they do not know and 1 per cent said nothing. The most frequently cited issues include:

- fraud is a big issue for business and dishonesty (11 per cent)
- insufficient legislation, unstable regulatory framework on corporate governance and many loopholes (9 per cent)
- companies do not have a sound culture, system, orientation, goals and competitive policies (9 per cent)
- companies face problems because of corruption (such as insider trading and breach of confidence) (8 per cent)
- poor compliance and law enforcement (7 per cent)
- lack of transparency and reliability in financial reports (7 per cent)
- lack of transparency (such as in company management and government operation) (7 per cent)
- tighter control and good governance (unspecified) (5 per cent)

Overall, respondents identify corruption as an issue but they think that the government is doing what is needed to address it and expect further improvements in market and corporate governance in the future.

RESPONDENTS' COMMENTS

“MORE STRINGENT REGULATION ON COMPANIES; PREVENT CORPORATE FRAUD”

“BETTER LEGISLATION AND SUPERVISION”

“EMPHASIS ON SOUND CORPORATE CULTURE AND SYSTEMS”

MARKET RESULTS: HONG KONG

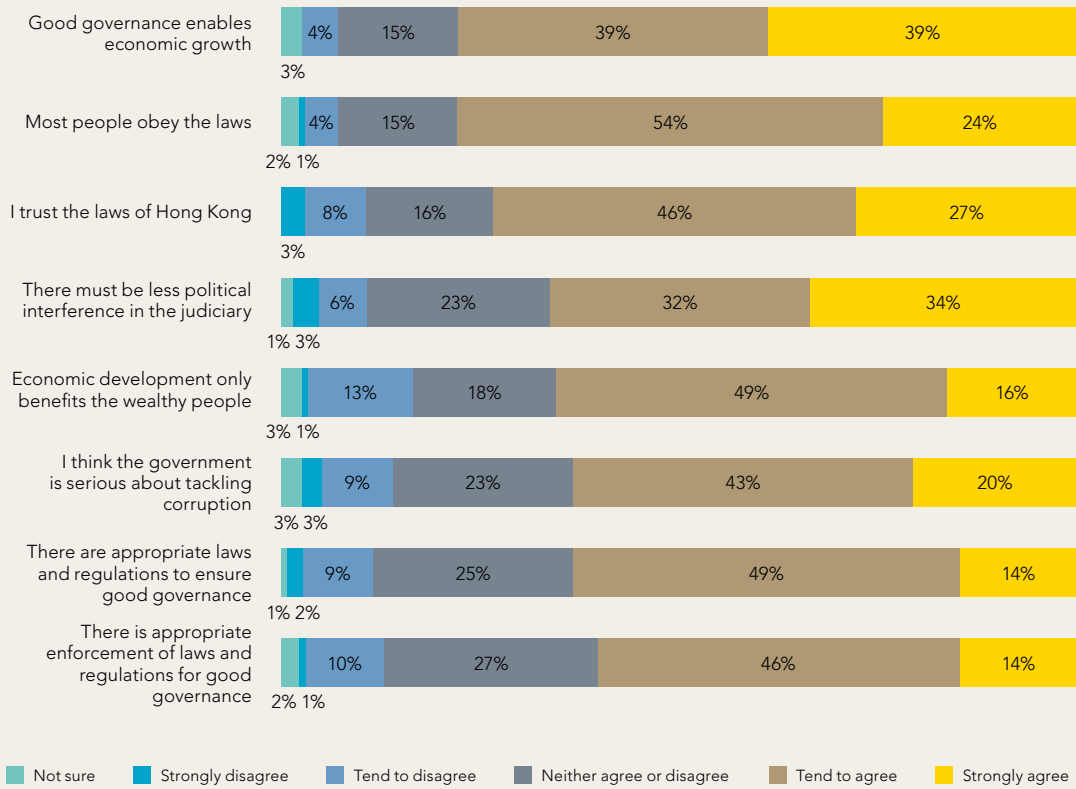
MARKET GOVERNANCE

In Hong Kong, most respondents trust the laws and believe they are obeyed and enforced. However, while good governance is widely seen as an enabler of economic growth, most of those surveyed also believe that economic development only benefits the wealthy.

In the top eight areas of most agreement as shown in Figure 21, respondents show high

agreement with the statements about the rule of law and there does not appear to be major concern about corruption. Political interference in the judiciary is seen as something that should be addressed but people generally think that there is appropriate infrastructure for good governance and laws and regulations for good governance are enforced.

FIGURE 21. HIGHER AGREEMENT IN MARKET GOVERNANCE ISSUES



MARKET RESULTS: HONG KONG (CONTINUED)

There are few significant differences between perceptions of the three groups of respondents in Hong Kong (Table 4). Management executives are significantly more likely to agree that good governance enables economic growth and professionals/business owners more likely to disagree that there should be less political interference in the judiciary.

TABLE 4. AGREEMENT BY GROUP OF RESPONDENTS

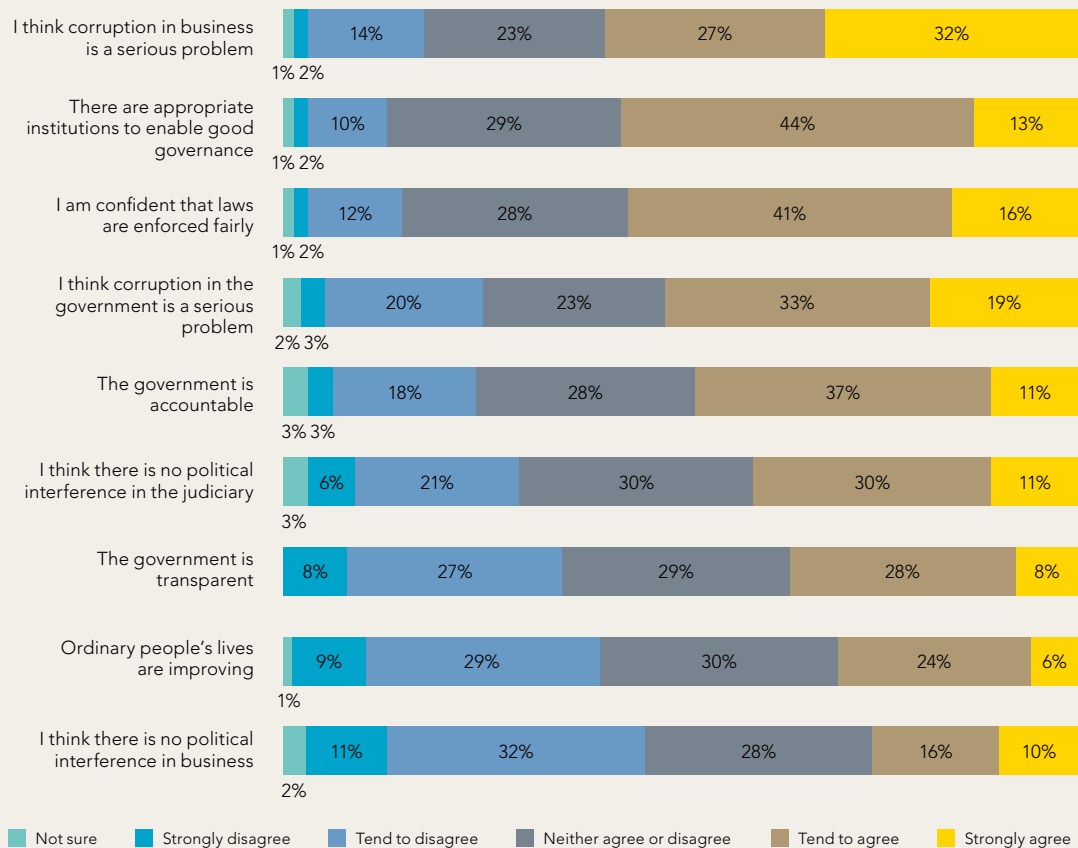
	TEND TO AGREE & STRONGLY AGREE				TEND TO DISAGREE & STRONGLY DISAGREE			
	TOTAL	Shareholders	Professional/ Business Owners	Management Executives	TOTAL	Shareholders	Professional/ Business Owners	Management Executives
Good governance enables economic growth	78%	77%	69%	88%	4%	6%	7%	0%
Most people obey the laws	78%	79%	71%	84%	5%	6%	5%	4%
I trust the laws of Hong Kong	73%	72%	71%	78%	11%	13%	15%	4%
There must be less political interference in the judiciary	66%	60%	64%	74%	9%	6%	16%	6%
Economic development only benefits the wealthy people	65%	64%	65%	66%	14%	17%	11%	14%
I think the government is serious about tackling corruption	63%	58%	64%	68%	11%	11%	11%	12%
There are appropriate laws and regulations to ensure good governance	63%	60%	62%	68%	11%	15%	11%	6%
There is appropriate enforcement of laws and regulations for good governance	60%	58%	64%	58%	11%	13%	13%	6%

■ Significantly higher than average ■ Significantly lower than average

MARKET RESULTS: HONG KONG (CONTINUED)

The issues Hong Kong respondents show least agreement with are listed in Figure 22. Many think that corruption is a major issue in business and government. They are also more likely to agree that the government is accountable but less likely to believe that it is transparent. The question did not make a distinction regarding the level of government. There are no significant differences in the perceptions reported in Figure 22 between shareholders, professionals/business owners and management executives.

FIGURE 22. LOWER AGREEMENT IN MARKET GOVERNANCE ISSUES

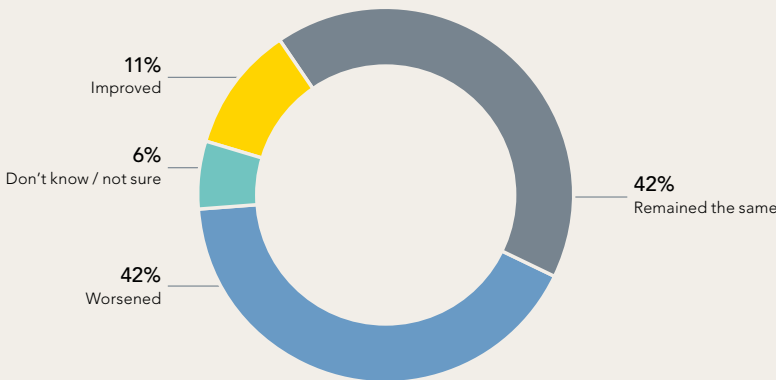


Market governance over the past two years is considered to have remained static by 40 per cent of all respondents, while 39 per cent believe it has worsened (Figure 23). Only 15 per cent of respondents believe that market governance improved, and 6 per cent are not sure or do not know. There are no significant differences in perceptions between the three respondent groups.

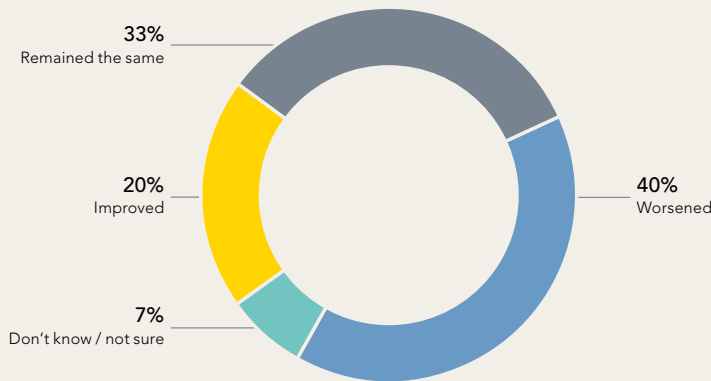
MARKET RESULTS: HONG KONG (CONTINUED)

FIGURE 23. PERCEPTION OF HOW MARKET GOVERNANCE HAS CHANGED OVER THE PAST TWO YEARS

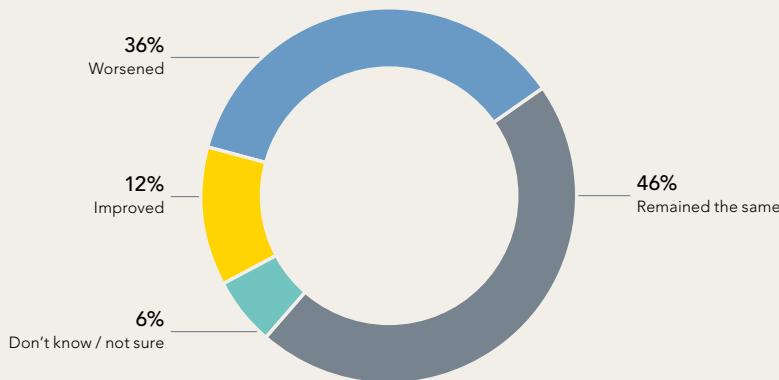
Shareholders



Professionals / Business Owners



Management Executives



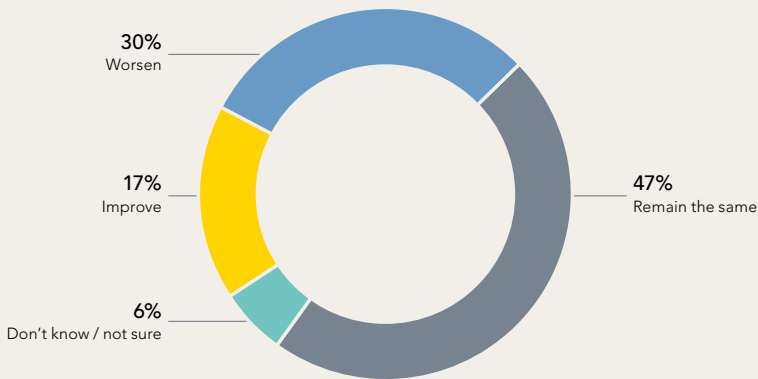
■ Significantly higher than average
 ■ Significantly lower than average

Figure 24 shows that respondents appear to expect that the future will be similar to the recent past, with 42 per cent stating that they expect market governance to remain the same. Also, slightly more people expect things to worsen (27 per cent) than improve (23 per cent). The only significant differences between the groups are found in professionals/business owners who are less likely than shareholders and management executives to think that things will stay the same, and more likely to think that they'll improve.

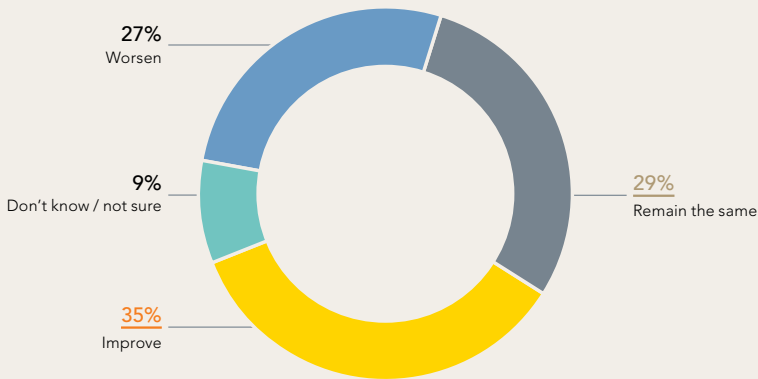
MARKET RESULTS: HONG KONG (CONTINUED)

FIGURE 24. PERCEPTION OF HOW MARKET GOVERNANCE WILL CHANGE IN THE FUTURE

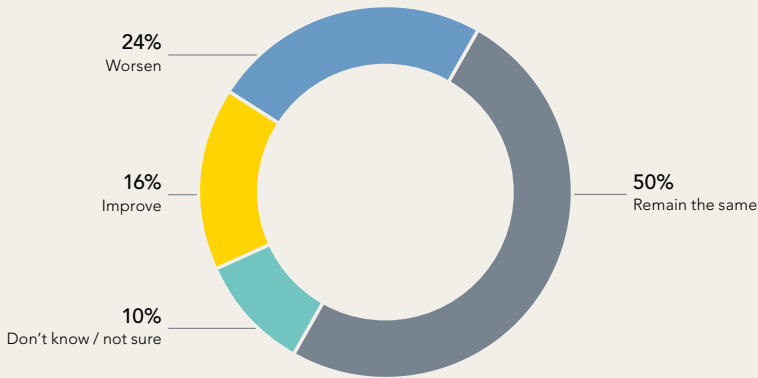
Shareholders



Professionals / Business Owners



Management Executives



■ Significantly higher than average
 ■ Significantly lower than average

MARKET RESULTS: HONG KONG (CONTINUED)

In response to the open question: “What would you say is the most urgent issue that needs to be addressed in relation to market governance in Hong Kong?” the responses are largely fragmented. The top eight themes listed below represent 47 per cent of all responses. 13 per cent said they do not know and 26 per cent said nothing. The themes that were mentioned the most were:

- housing issues (21 per cent)
- wealth disparity and poverty (6 per cent)
- corruption of civil servants, councils, state government and bureaucracy (4 per cent)
- too much political interference (such as in business and in the judiciary) (4 per cent)
- we need to change our chief executive or prime minister (4 per cent)
- cost of living is too high, inflation and high price of source materials (3 per cent)
- monopolies and unfair trading, protection for small traders, and protection for minority shareholders (3 per cent)
- immigration issues (3 per cent)

Overall, respondents from Hong Kong trust the laws and their enforcement and believe that there are appropriate market governance mechanisms. They also think that market governance remained the same or deteriorated in the last two years and most do not expect improvements in the future.

RESPONDENTS' COMMENTS

“HOUSING IS TOO EXPENSIVE”

“STANDARD OF LIVING HAS DECREASED IN RECENT YEARS AS HOUSING PRICES, RENT AND ALSO STAPLES IN GENERAL MAY LEAVE MANY PEOPLE WITH LITTLE DISPOSABLE INCOME AFTER TAXES. THE GOVERNMENT SHOULD WORK HARDER TO CONTROL HOUSING AND COMMODITIES PRICES AT A MORE AFFORDABLE LEVEL”

“HIGH RENTAL AND HOUSING FOR THE MIDDLE INCOME FAMILY”

MARKET RESULTS: HONG KONG (CONTINUED)

CORPORATE GOVERNANCE

Figure 25 provides the Hong Kong responses to the corporate governance statements of the questionnaire. The graph lists the areas in order of most agreement – representing tend to agree and strongly agree responses.

In Hong Kong, 61% of respondents strongly agree or tend to agree that fraud is a big issue for business and 58% that companies face problems because boards of directors make bad decisions.

Perceptions are generally positive across many corporate governance aspects. However, there is also a high degree of indifference towards many aspects, with respondents neither agreeing nor disagreeing. The protection of minority shareholder rights is perceived to be the area of most concern.

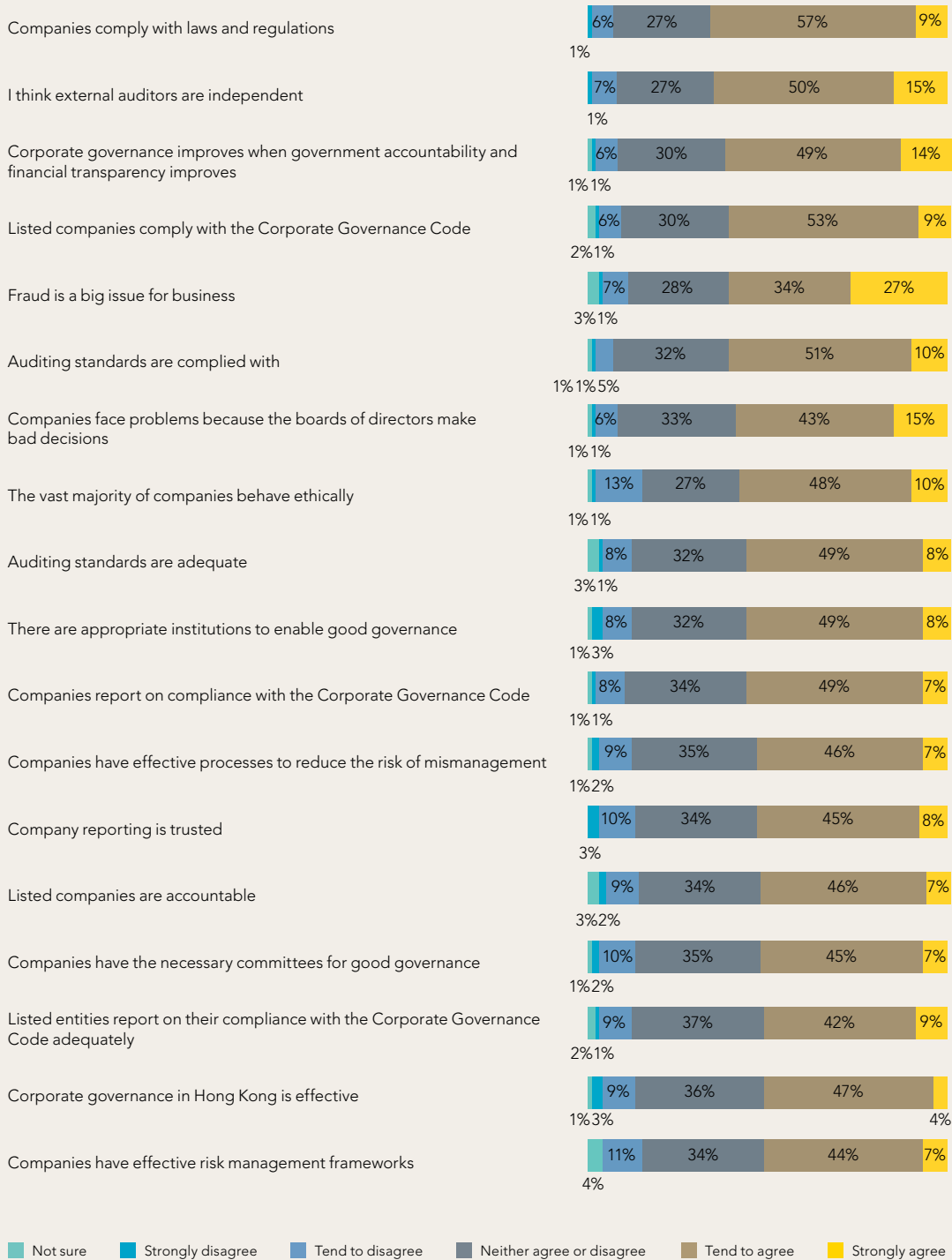
Views on financial reporting appear positive, with 48 per cent of respondents considering they provide users with all necessary information, 48 per cent think they are adequate and 45 per cent consider them trustworthy. However, there are numerous respondents who neither agreed nor disagreed with the effectiveness of financial reports.

There is little disagreement with statements that relate to compliance with the governance code, the adequacy of oversight of compliance and reporting on compliance with it.

In relation to audit, 61 per cent of respondents agree that auditing standards are complied with, while over half (57 per cent) believe that auditing standards are adequate and almost two thirds (65 per cent) agree that external auditors are independent.

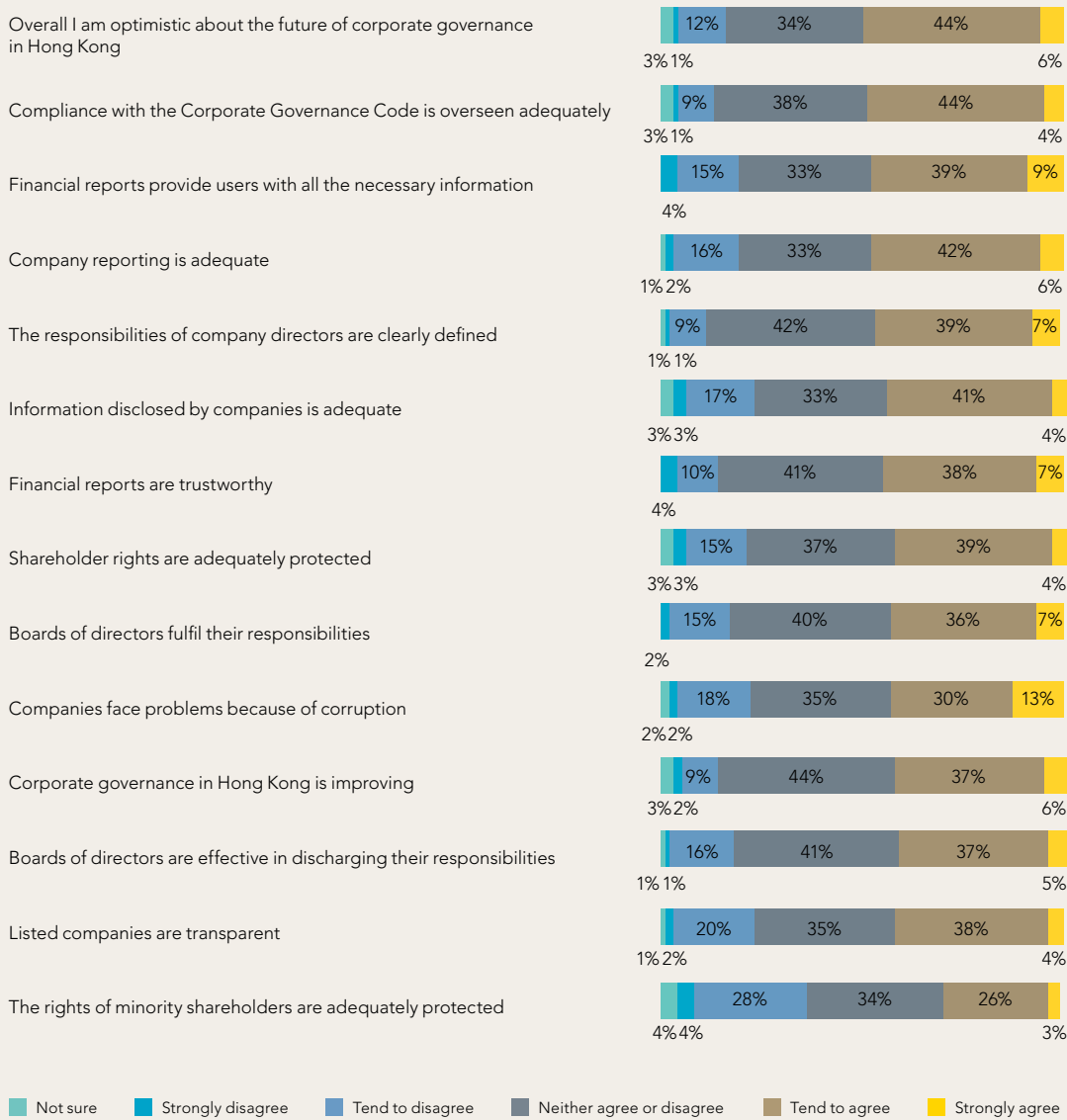
MARKET RESULTS: HONG KONG (CONTINUED)

FIGURE 25. CORPORATE GOVERNANCE IN HONG KONG



MARKET RESULTS: HONG KONG (CONTINUED)

FIGURE 25. CORPORATE GOVERNANCE IN HONG KONG (CONTINUED)



MARKET RESULTS: HONG KONG (CONTINUED)

Overall, in Hong Kong there is a relatively low level of disagreement with the corporate governance issues addressed, but a high level of indifference – respondents neither agreed nor disagreed. This is despite the fact that respondents had the option to respond by stating they are not sure about a specific aspect.

The significant differences between the three groups of respondents are:

- management executives are significantly more likely to agree and shareholders were significantly more likely to disagree that companies comply with laws and regulations
- professionals/business owners are significantly less likely and management executives significantly more likely to agree that listed companies are accountable
- management executives are significantly more likely to agree while shareholders significantly more likely to disagree that companies have the necessary committees for good governance
- management executives exhibited significantly more agreement and shareholders less agreement that compliance with the code of corporate governance is overseen adequately

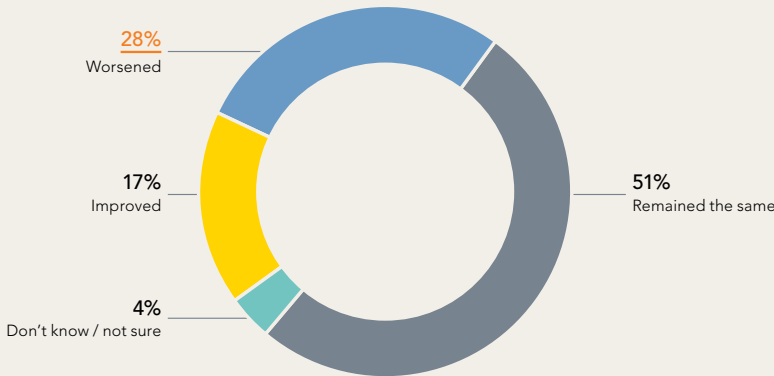
Figure 26 shows respondents' views on corporate governance over the past two years. Most respondents are of the view that corporate governance remained the same (59 per cent). Only 16 per cent think it has improved, while 19 per cent believe it has worsened and 6 per cent do not know or are not sure how corporate governance changed.

Interestingly, fewer management executives thought that corporate governance improved than shareholders or professionals/business owners, but these differences between the groups are not significant. However, considerably more management executives thought that corporate governance remained the same while significantly more shareholders thought it worsened.

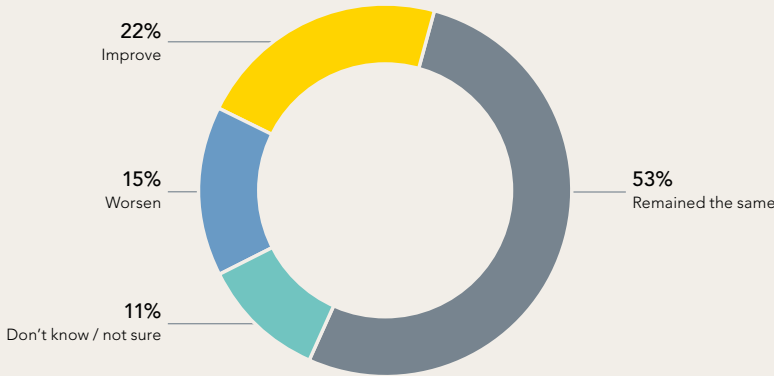
MARKET RESULTS: HONG KONG (CONTINUED)

FIGURE 26. PERCEPTION OF HOW CORPORATE GOVERNANCE HAS CHANGED OVER THE PAST TWO YEARS

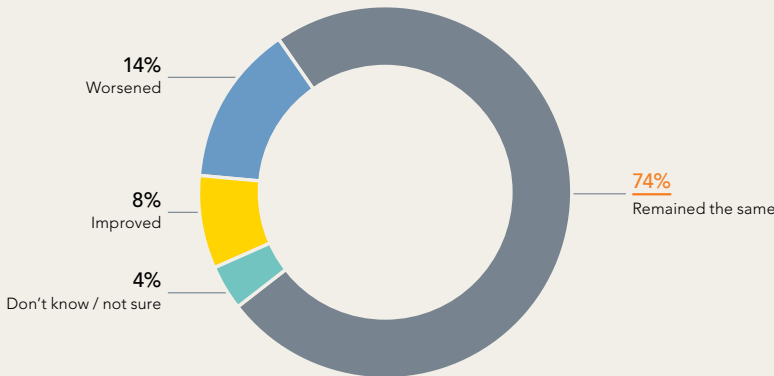
Shareholders



Professionals / Business Owners



Management Executives



■ Significantly higher than average
 ■ Significantly lower than average

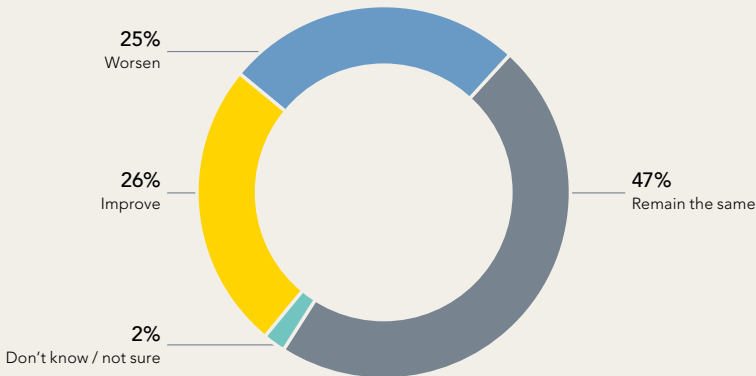
In relation to the perceptions for the future, 51 per cent of all respondents expect corporate governance to remain the same, 26 per cent expect an improvement and 17 per cent expect deterioration (Figure 27). More respondents believe that corporate governance will improve in the future than think that it has improved in the past two years, but overall the expectation is that things will remain the same.

A significantly higher percentage of professionals/business owners reports that they do not know or are not sure how corporate governance will change in the future, and a significantly higher percentage of management executives expect it to remain the same.

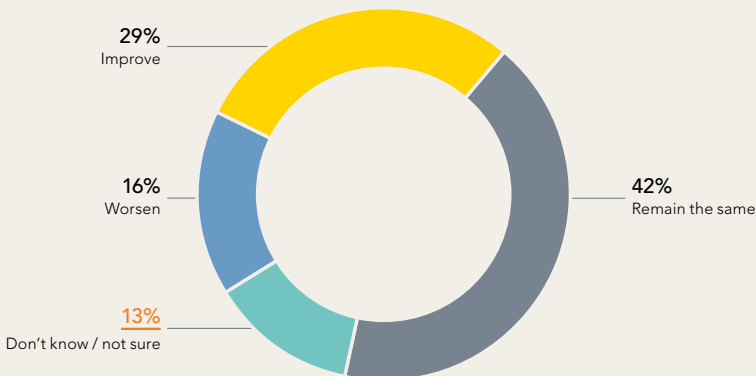
MARKET RESULTS: HONG KONG (CONTINUED)

FIGURE 27. PERCEPTION OF HOW CORPORATE GOVERNANCE WILL CHANGE IN THE FUTURE

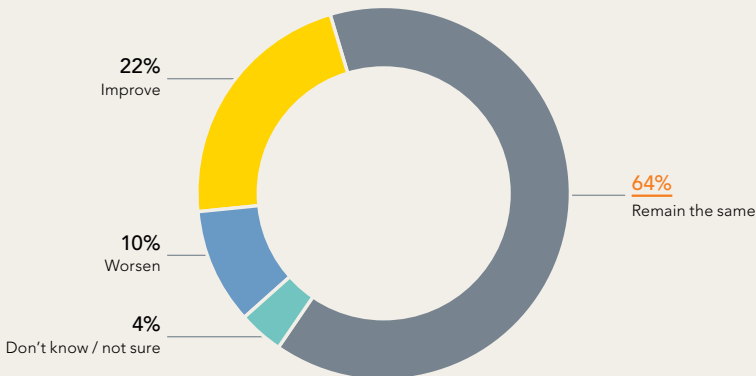
Shareholders



Professionals / Business Owners



Management Executives



■ Significantly higher than average
 ■ Significantly lower than average

MARKET RESULTS: HONG KONG (CONTINUED)

In response to the open question: “What would you say is the most urgent issue that needs to be addressed in relation to corporate governance in Hong Kong?” 15 per cent of respondents said they did not know and 44 per cent said nothing. Of the remainder, the top eight responses included:

- a lack of transparency (5 per cent)
- insufficient legislation, unstable regulatory framework on corporate governance, and many loopholes (4 per cent)
- fraud is a big issue for business (3 per cent)
- the rights of minority shareholders are not adequately protected (3 per cent)
- Companies face problems because of corruption and dishonesty (for example insider trading and breach of confidence) (2 per cent)
- lack of transparency and reliability in the financial report (2 per cent)
- lack of guidelines, supervision on foreign investments and foreign companies (2 per cent)
- prevention of monopolistic activities and unfair competition (2 per cent)

Overall, the majority of respondents feel that corporate governance has remained the same and expect it to do so in the future. There is a high level of indifference with many aspects of corporate governance, but there is also strong agreement that companies comply with the law and the corporate governance code. Compliance with auditing standards and auditor independence are also perceived very positively in relation to the other aspects of corporate governance.

RESPONDENTS' COMMENTS

“MORE TRANSPARENCY OF THE LISTED COMPANIES TOWARDS MINORITY SHAREHOLDERS”

“SET UP REGULATORY FRAMEWORK”

“UNIVERSALLY RECOGNIZED CORPORATE GOVERNANCE FRAMEWORK AND STANDARDS FOR DISCLOSURES; LAW ENFORCEMENT”

MARKET RESULTS: INDONESIA

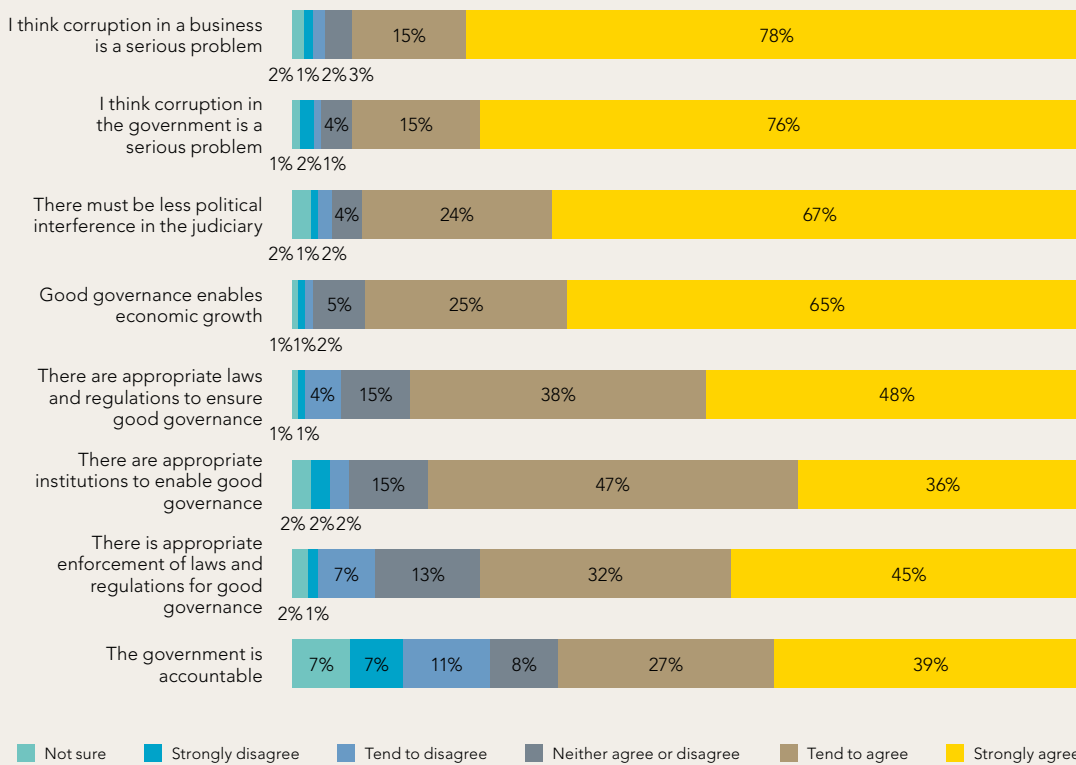
MARKET GOVERNANCE

Corruption appears to be a prominent issue for Indonesia in both government and business. There also appears to be significant agreement that there should be less political interference in the judiciary.

As shown below in Figure 28, despite the issues identified in relation to corruption, most respondents agree that good governance enables economic growth and that there are appropriate laws, regulations and institutions

to enable good governance. Corruption in business and government are seen as the most serious problems in Indonesia, with 93 per cent and 92 per cent of respondents respectively tending to agree or strongly agree. However in contrast, most respondents believe that there are appropriate institutions and laws and regulations for good governance which are enforced. The apparent conflict between these two positions is difficult to explain without further research.

FIGURE 28. HIGHER AGREEMENT IN MARKET GOVERNANCE ISSUES



MARKET RESULTS: INDONESIA (CONTINUED)

Unlike findings in some of the other markets, there are more significant differences between perceptions of the three groups of respondents in Indonesia (see Table 5 below), which may explain some of the contradictory views expressed.

Professionals/business owners are significantly less likely to agree that good governance enables economic growth and there is appropriate

enforcement of laws and regulations for good governance. They are also more likely to disagree with the view that corruption is a serious problem for business and government, and that there must be less political interference in the judiciary. Shareholders are more likely to agree that the government is accountable.

TABLE 5. HIGHER AGREEMENT BY GROUP OF RESPONDENTS

	TEND TO AGREE & STRONGLY AGREE				TEND TO DISAGREE & STRONGLY DISAGREE			
	TOTAL	Shareholders	Professional/ Business Owners	Management Executives	TOTAL	Shareholders	Professional/ Business Owners	Management Executives
I think corruption in a business is a serious problem	93%	91%	93%	94%	2%	0%	7%	0%
I think corruption in the government is a serious problem	92%	91%	91%	92%	3%	0%	7%	2%
There must be less political interference in the judiciary	92%	96%	89%	89%	2%	0%	7%	0%
Good governance enables economic growth	91%	93%	84%	96%	4%	2%	9%	0%
There are appropriate laws and regulations to ensure good governance	85%	91%	86%	79%	5%	2%	9%	4%
There are appropriate institutions to enable good governance	83%	82%	86%	81%	5%	4%	7%	4%
There is appropriate enforcement of laws and regulations for good governance	76%	84%	66%	79%	8%	5%	16%	4%
The government is accountable	67%	79%	61%	60%	18%	9%	20%	25%

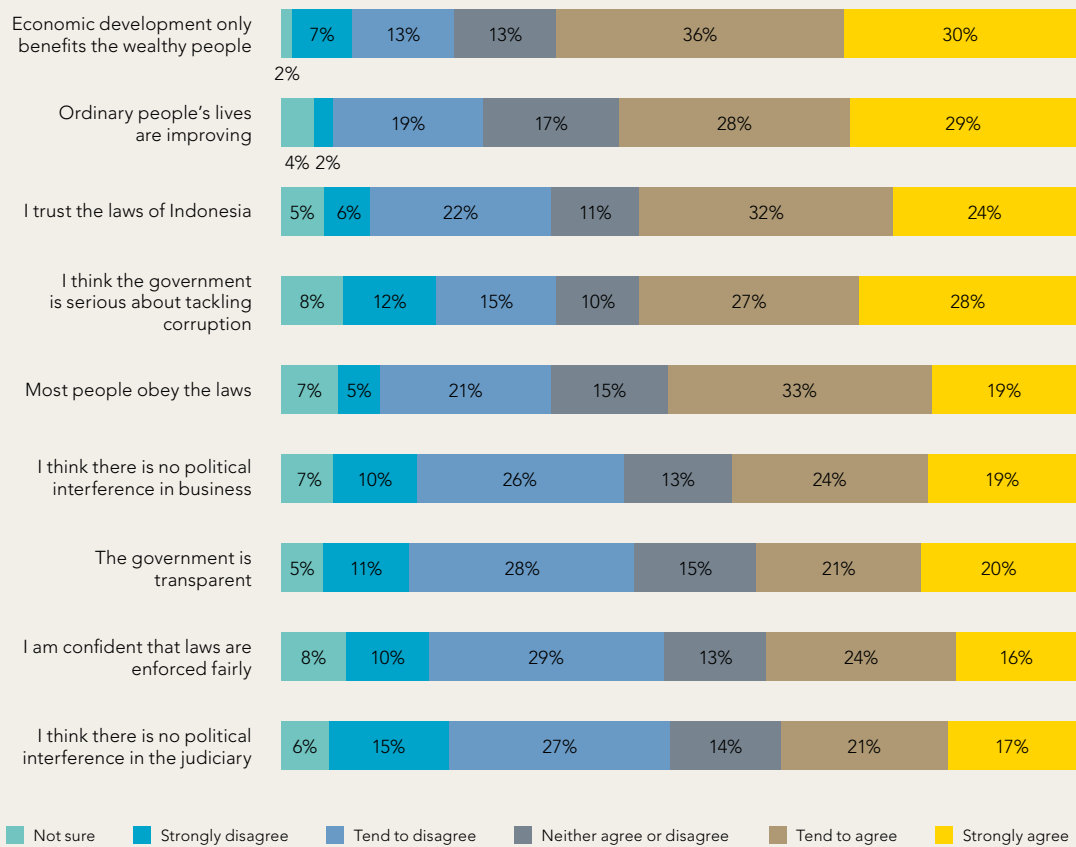
■ Significantly higher than average ■ Significantly lower than average

MARKET RESULTS: INDONESIA (CONTINUED)

The issues respondents from Indonesia showed less agreement with are listed in Figure 29. In another example of the apparent conflict in overall results, two thirds of respondents (66 per cent) think that economic development only benefits the wealthy, and 57 per cent also think that the

lives of ordinary people are improving. Political interference in business and the judiciary is also seen as an issue, however most respondents trust the laws of Indonesia and believe the government is serious in tackling corruption.

FIGURE 29. LOWER AGREEMENT IN MARKET GOVERNANCE ISSUES



MARKET RESULTS: INDONESIA (CONTINUED)

Unlike many other markets surveyed, where few significant differences are found in the perceptions of shareholders, professionals/business owners and management executives

on the nine statements of lower agreement, a number of significant differences are identified in the Indonesian sample. Table 6 provides the differences, including the significant ones.

TABLE 6. LOWER AGREEMENT BY GROUP OF RESPONDENTS

	TEND TO AGREE & STRONGLY AGREE				TEND TO DISAGREE & STRONGLY DISAGREE			
	TOTAL	Shareholders	Professional/ Business Owners	Management Executives	TOTAL	Shareholders	Professional/ Business Owners	Management Executives
Economic development only benefits the wealthy people	65%	64%	71%	60%	20%	23%	18%	19%
Ordinary people's lives are improving	58%	63%	46%	64%	21%	13%	34%	17%
I trust the laws of Indonesia	55%	68%	43%	55%	28%	16%	43%	26%
I think the government is serious about tackling corruption	55%	66%	48%	51%	27%	14%	34%	32%
Most people obey the laws	52%	64%	43%	47%	27%	14%	34%	32%
I think there is no political interference in business	44%	50%	30%	51%	36%	27%	54%	28%
The government is transparent	41%	52%	27%	43%	39%	25%	54%	38%
I am confident that laws are enforced fairly	39%	50%	21%	47%	39%	30%	55%	32%
I think there is no political interference in the judiciary	38%	43%	27%	43%	42%	29%	61%	38%

■ Significantly higher than average ■ Significantly lower than average

Shareholders are generally more positive about law-related issues, government's tackling of corruption and government transparency. Comparatively, professionals/business owners are less positive across these factors, as well as political interference and improvement in the lives of ordinary people.

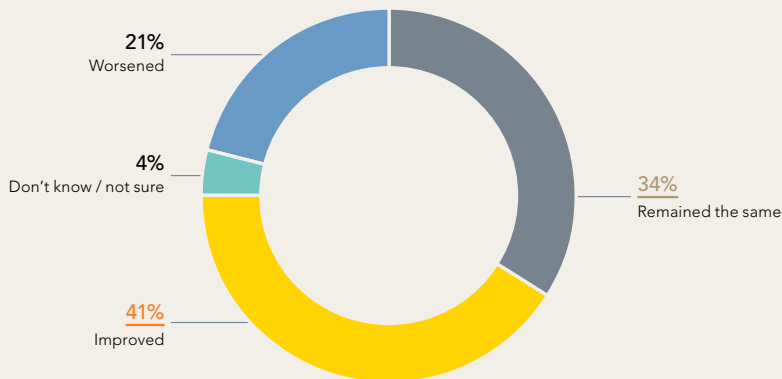
As illustrated in Figure 30, market governance over the past two years is considered to have been static by 49 per cent of respondents.

Similar views are expressed in relation to deterioration (25 per cent) or improvement (24 per cent) in market governance. Again, shareholders are significantly more likely to think that market governance improved and less likely to think that it remained the same than the other two groups, while professionals/business owners are considerably less likely to think it has improved and more likely to think it has remained the same.

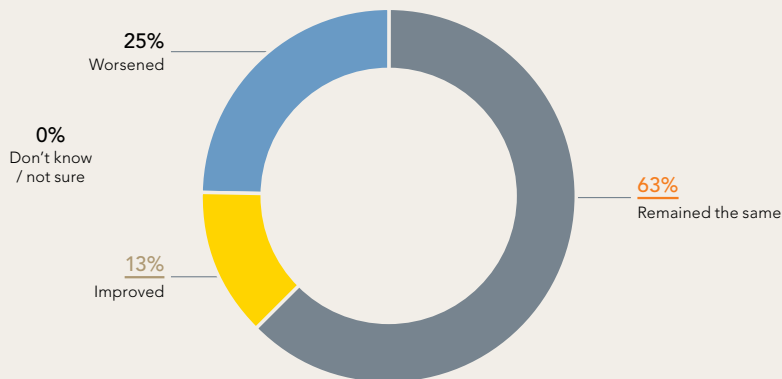
MARKET RESULTS: INDONESIA (CONTINUED)

FIGURE 30. PERCEPTION OF HOW MARKET GOVERNANCE HAS CHANGED OVER THE PAST TWO YEARS

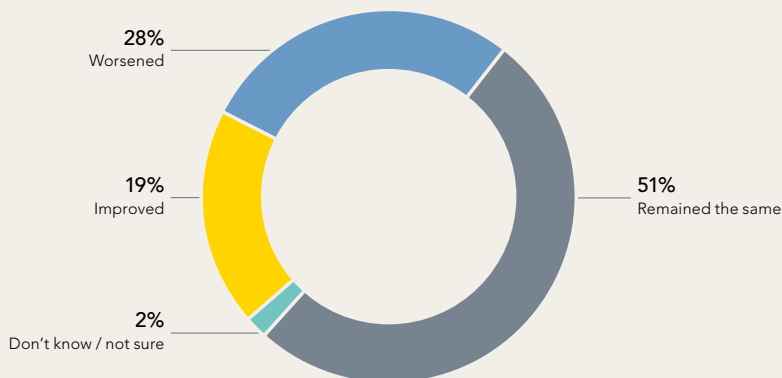
Shareholders



Professionals / Business Owners



Management Executives



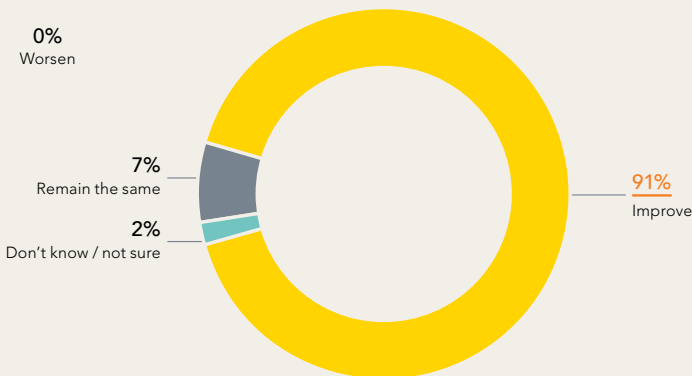
■ Significantly higher than average
 ■ Significantly lower than average

The vast majority of respondents (82 per cent) think that market governance will improve in the future, however across the three cohorts, shareholders are more confident of this than management executives (Figure 31). Only 4 per cent of management executives think that governance will worsen, while none of the shareholders and professionals/business owners surveyed believe things will deteriorate.

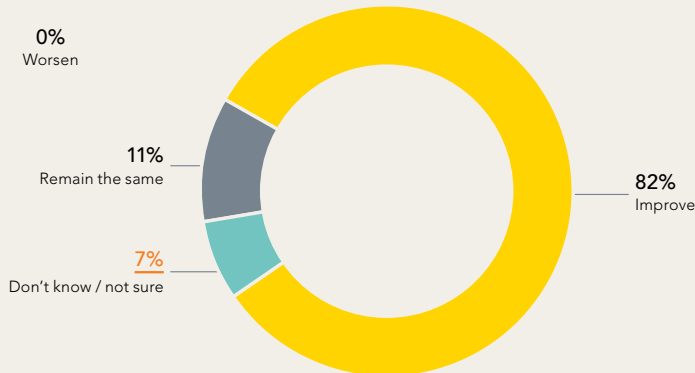
MARKET RESULTS: INDONESIA (CONTINUED)

FIGURE 31. PERCEPTION OF HOW MARKET GOVERNANCE WILL CHANGE IN THE FUTURE

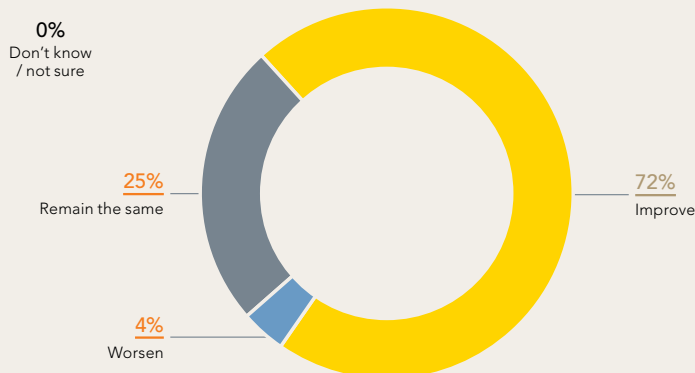
Shareholders



Professionals / Business Owners



Management Executives



■ Significantly higher than average
 ■ Significantly lower than average

MARKET RESULTS: INDONESIA (CONTINUED)

In response to the open question: “What would you say is the most urgent issue that needs to be addressed in relation to market governance in Indonesia” the responses were highly concentrated. The top eight themes listed below represent 92 per cent of all responses:

- corruption (unspecific) (31 per cent)
- the rule of law, too many loopholes in the legislations and inappropriate law enforcement (15 per cent)
- unstable economic state, poor economic growth, poor value of currency and overseas debt (13 per cent)
- better development of infrastructure, town planning and community (10 per cent)
- monopolies and unfair trading, protection for small traders and protection for minority shareholders (7 per cent)
- corruption of civil servants, councils, state government and bureaucracy (5 per cent)
- social and cultural human rights, human morality, race equality and freedom of speech (5 per cent)
- cost of living is too high, inflation and high price of source materials (5 per cent)

Overall, respondents from Indonesia identify corruption as a major issue but also think that the country has the appropriate infrastructure in place for good governance. They are also very optimistic that market and corporate governance will improve in the future.

RESPONDENTS' COMMENTS

“CUMBERSOME BUREAUCRACY, CORRUPTION, BRIBES (GRATUITIES), TRADE CARTELS, MONOPOLIES, EXTORTION, JUDGES WHO ARE EASILY BRIBED AND POLITICIANS WHO INTERVENE IN BUSINESS”

“IMPROVING THE LAW AND FIGHTING CORRUPTION”

“THE PROBLEM OF THE ECONOMIC STATE AND CORRUPTION IN INDONESIA”

MARKET RESULTS: INDONESIA (CONTINUED)

CORPORATE GOVERNANCE

Figure 32 provides the responses from Indonesia to the corporate governance statements of the questionnaire. The graph lists the areas in order of most agreement – representing tend to agree and strongly agree responses. According to the results, companies are seen to have effective risk management frameworks, clearly defined responsibilities for commissioners and appropriate committees to enable good governance.

In Indonesia, 94 per cent of respondents agree or strongly agree that fraud is a big issue for business, and 83 per cent believe that companies face problems because of corruption. However, 60 per cent also think that the vast majority of companies behave ethically, 70 per cent believe that companies have effective processes to reduce the risk of mismanagement and 76 per cent think that companies have effective risk management frameworks.

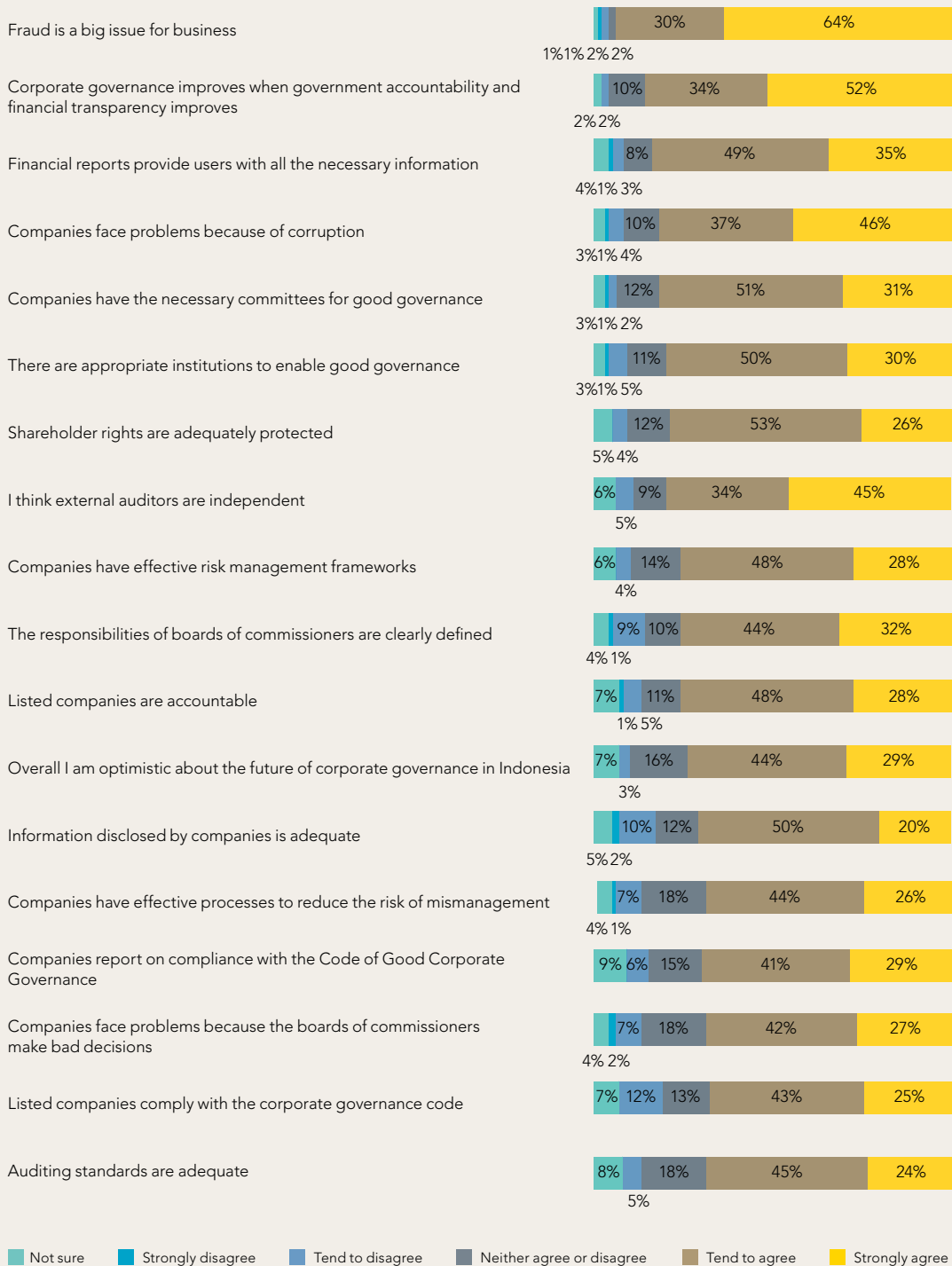
Views on financial reporting also appear positive. The vast majority (84 per cent) of respondents consider that financial reports provide users with all necessary information. Further, two thirds (66 per cent) consider them adequate and 68 per cent consider them to be trustworthy.

Most respondents agree with statements that relate to compliance with the governance code, the adequacy of oversight of compliance and reporting on compliance with it.

In relation to audit, 65 per cent of respondents agree that auditing standards are complied with, 69 per cent that auditing standards are adequate and 79 per cent that external auditors are independent.

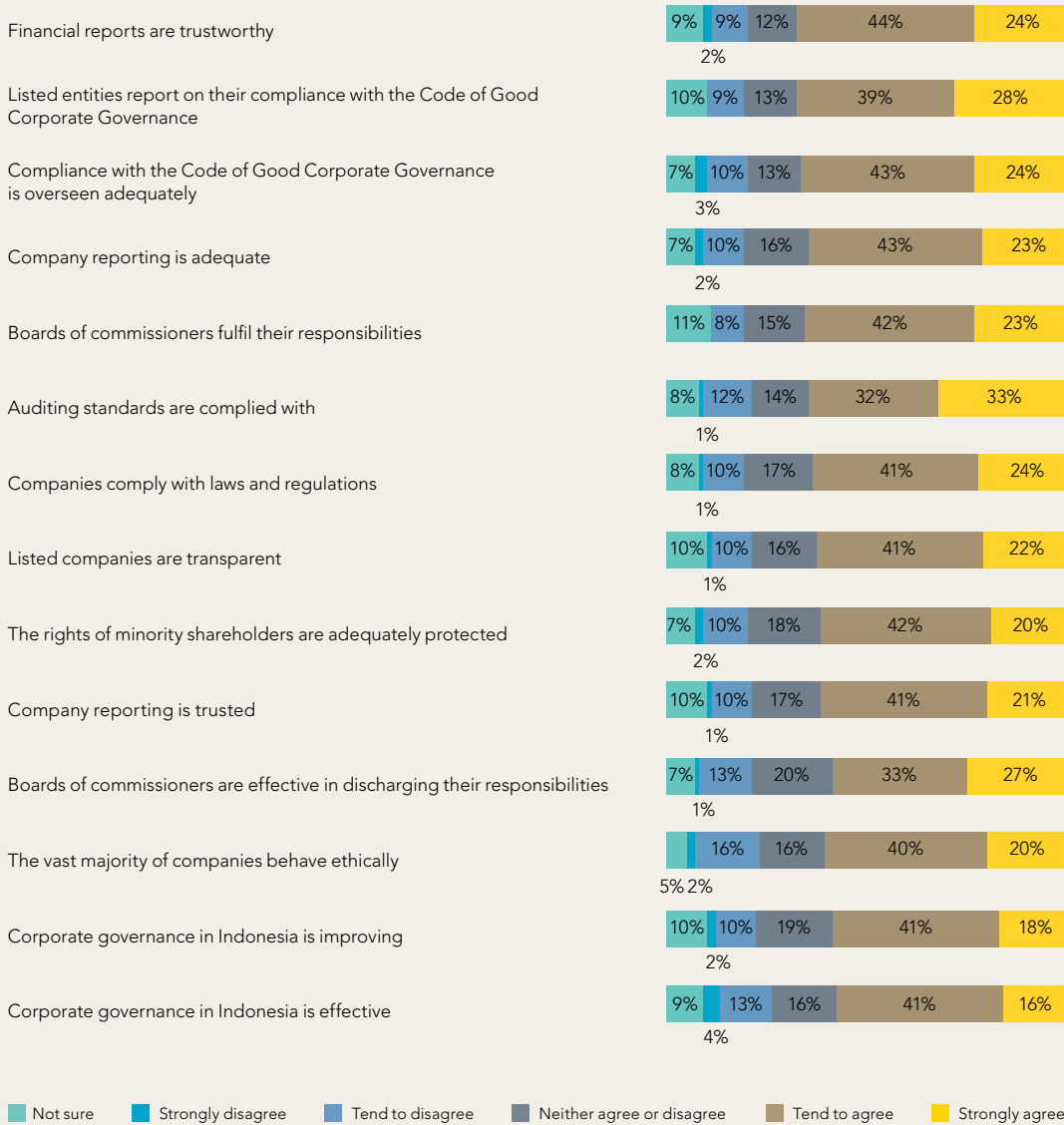
MARKET RESULTS: INDONESIA (CONTINUED)

FIGURE 32. CORPORATE GOVERNANCE IN INDONESIA



MARKET RESULTS: INDONESIA (CONTINUED)

FIGURE 32. CORPORATE GOVERNANCE IN INDONESIA (CONTINUED)



MARKET RESULTS: INDONESIA (CONTINUED)

Overall, in Indonesia there is a relatively low level of disagreement and indifference (neither agree / nor disagree responses) with the corporate governance issues addressed and a high level of agreement. However, several issues are identified. In addition to corruption and fraud, most agree that companies face problems because the boards of commissioners make bad decisions.

There are a number of significant differences between the three groups of respondents, which included:

- shareholders are significantly more likely to agree that shareholder rights are adequately protected, external auditors are independent, and the responsibilities of company directors are clearly defined. They are also more likely to think that auditing standards are adequate, that information disclosed by companies and their reporting is adequate and trusted, and that the majority of companies behave ethically.
- professionals/business owners are significantly less likely to think that listed companies are accountable and report on their compliance with the code of corporate governance adequately, that auditing standards are adequate, and that corporate governance in Indonesia is improving.

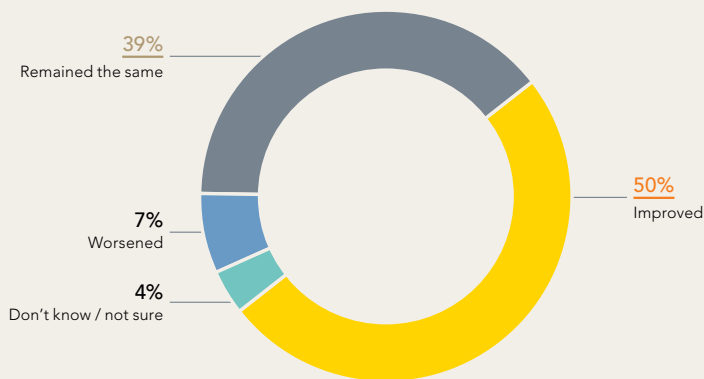
Figure 33 shows respondents' views on corporate governance over the past two years. Most respondents are of the view that corporate governance remained the same (53 per cent). However, 35 per cent think it has improved, 9 per cent believe it has worsened and 3 per cent do not know or are not sure if corporate governance changed.

Shareholders are again more positive in their assessment of the changes in corporate governance in the past two years, with 50 per cent thinking it has improved and 39 per cent of the view that it has remained the same. These are significantly different to the perceptions of professionals/business owners and management executives who are more likely to think that it remained the same. Very few from any sub-group think that corporate governance has worsened.

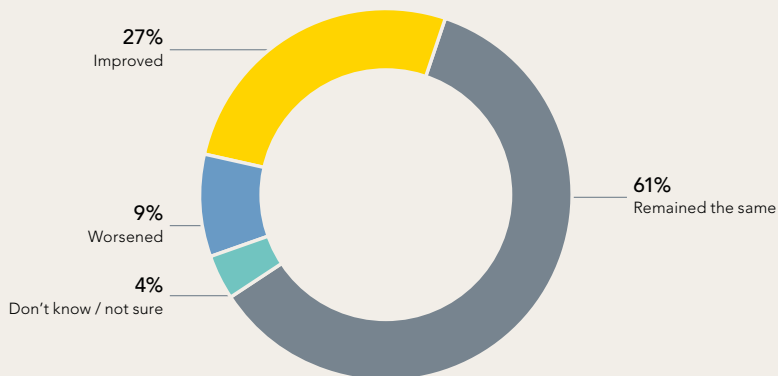
MARKET RESULTS: INDONESIA (CONTINUED)

FIGURE 33. PERCEPTION OF HOW CORPORATE GOVERNANCE HAS CHANGED OVER THE PAST TWO YEARS

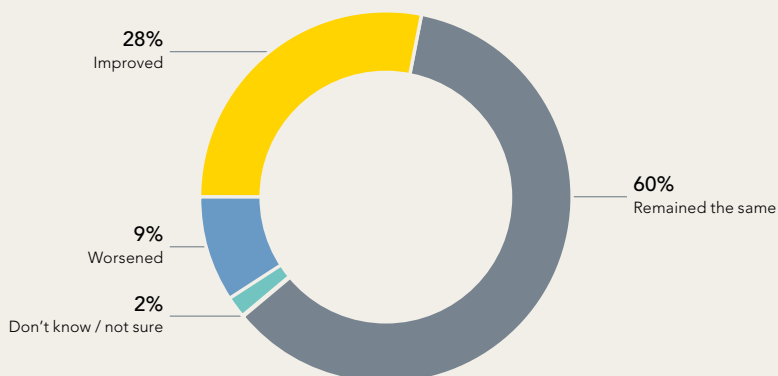
Shareholders



Professionals / Business Owners



Management Executives



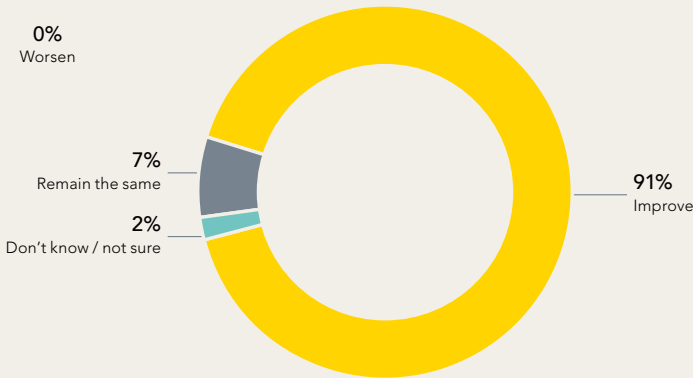
■ Significantly higher than average
 ■ Significantly lower than average

The future of corporate governance in Indonesia appears very positive with 35 per cent indicating that it has improved in the past two years and most expressing a view that it will further improve in the future (Figure 34). Overall, 84 per cent of all respondents expect corporate governance to improve, 13 per cent expect it to remain the same and none of those surveyed expect a deterioration. Again, shareholders are the most positive, but not significantly so. Management executives are considerably less positive but remain optimistic when compared to respondents from other markets.

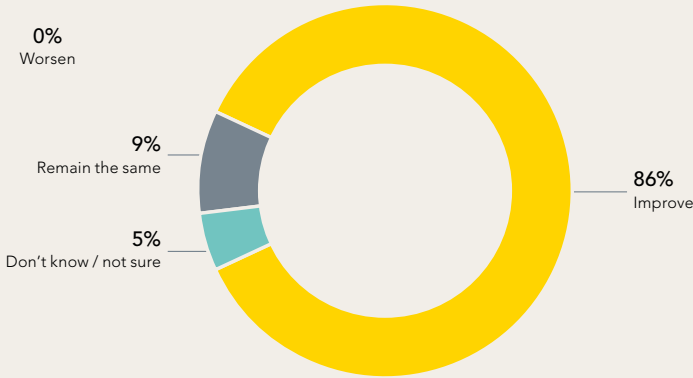
MARKET RESULTS: INDONESIA (CONTINUED)

FIGURE 34. PERCEPTION OF HOW CORPORATE GOVERNANCE WILL CHANGE IN THE FUTURE

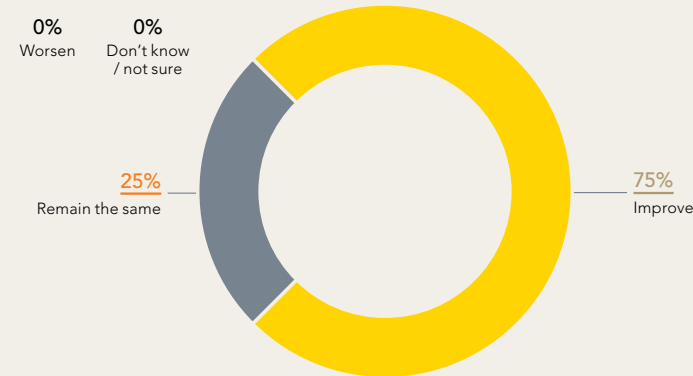
Shareholders



Professionals / Business Owners



Management Executives



■ Significantly higher than average
 ■ Significantly lower than average

MARKET RESULTS: INDONESIA (CONTINUED)

In response to the open question: “What would you say is the most urgent issue that needs to be addressed in relation to corporate governance in Indonesia?” a number of themes emerged. The top 10 themes listed below represent 72 per cent of all responses. The most frequently cited issues include:

- companies face problems because of corruption and dishonesty (such as insider trading and breach of confidence) (16 per cent)
- poor human resource management and lack of skilled labour force (8 per cent)
- lack of transparency (8 per cent)
- insufficient legislation, unstable regulatory framework on corporate governance and many loopholes (8 per cent)
- lack of transparency and reliability in the financial report (8 per cent)
- poor compliance and law enforcement (7 per cent)
- bad economic environment (5 per cent)
- difficulty of getting various licenses and permits granted (4 per cent)
- companies face problems because of mismanagement (4 per cent)
- companies do not behave ethically and lack of social responsibilities (4 per cent)

Overall, respondents agree that corporate governance has improved in the last two years and the vast majority expect it to improve in the future. Fraud and corruption are considered important issues but there is also general agreement that appropriate institutions for good governance exist.

RESPONDENTS' COMMENTS

“THE PREVENTION OF
CORRUPTION AND
INSIDER TRADING”

“MANAGEMENT TRANSPARENCY
AND THE ERADICATION OF
CORRUPTION, COLLUSION
AND NEPOTISM”

“TIGHTEN UP OVERSIGHT OF
COMPANIES. YOU WANT TO
PROSECUTE ANY VIOLATIONS”

MARKET RESULTS: MALAYSIA

MARKET GOVERNANCE

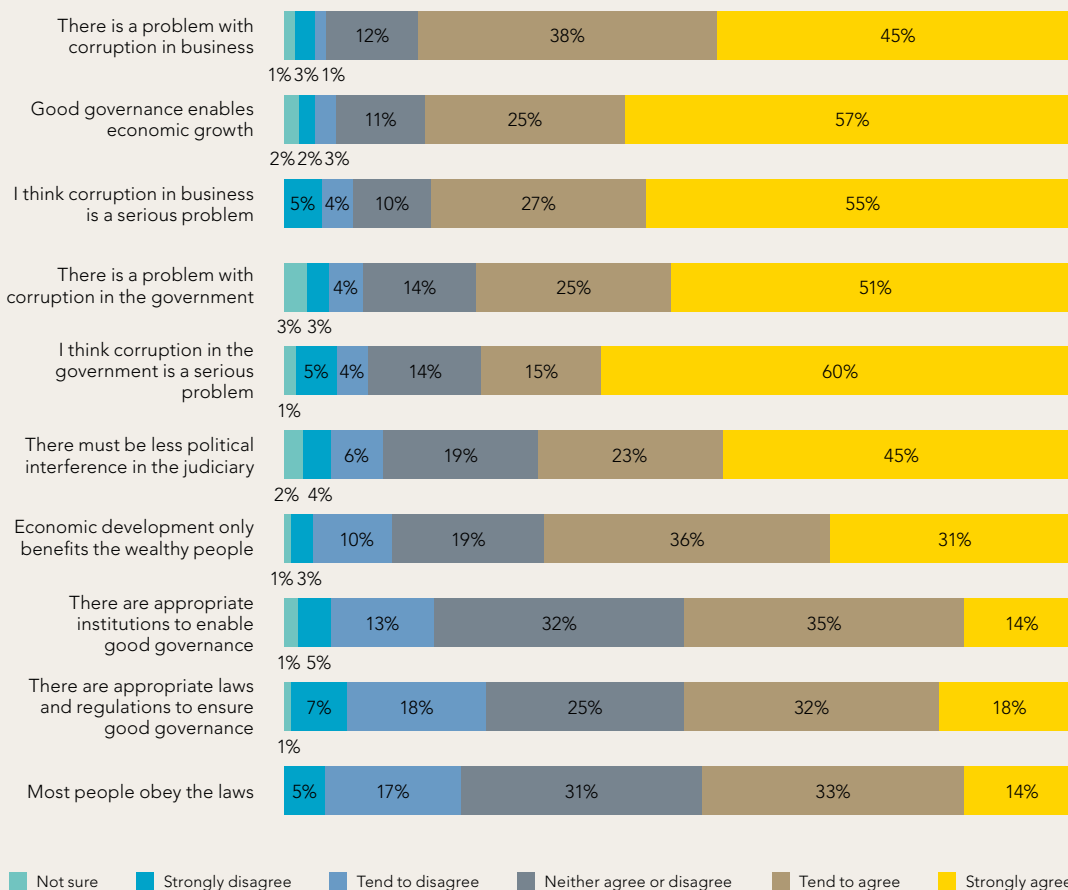
The survey found a high level of agreement that there are issues of corruption and political interference in Malaysia. However, there is also a widespread view that there are appropriate institutions, laws and regulations to enable good governance (Figure 35).

Corruption in business is seen as the most serious problem in Malaysia, as 83 per cent of respondents tend to agree or strongly agree that it is a problem and 82 per cent that it is a serious problem. Similarly, 76 per cent of respondents tend to agree

or strongly agree that there is a problem with corruption in government and 68 per cent think that there must be less interference in the judiciary.

However, despite these views on corruption in business and government, 49 per cent of respondents tend to agree or strongly agree that there are appropriate institutions to enable good governance, 50 per cent think that there are appropriate laws and regulations for good governance and 47 per cent believe most people obey the laws.

FIGURE 35. HIGHER AGREEMENT IN MARKET GOVERNANCE ISSUES



MARKET RESULTS: MALAYSIA (CONTINUED)

There are a few significant differences between perceptions of the three groups of respondents in Malaysia as shown below in Table 7.

Professionals/business owners are significantly less likely to think corruption in government is a serious problem, while management executives

are considerably more likely to agree that it is. Shareholders are significantly more likely to agree that there are appropriate laws and regulations to ensure good governance and that most people obey the laws.

TABLE 7. HIGHER AGREEMENT BY GROUP OF RESPONDENTS

	TEND TO AGREE & STRONGLY AGREE				TEND TO DISAGREE & STRONGLY DISAGREE			
	TOTAL	Shareholders	Professional / Business Owners	Management Executives	TOTAL	Shareholders	Professional / Business Owners	Management Executives
There is a problem with corruption in business	83%	88%	79%	82%	4%	4%	2%	6%
Good governance enables economic growth	82%	87%	77%	84%	5%	2%	4%	8%
I think corruption in business is a serious problem	82%	81%	81%	84%	8%	10%	6%	10%
There is a problem with corruption in the government	76%	83%	67%	78%	7%	6%	6%	10%
I think corruption in the government is a serious problem	75%	75%	63%	88%	9%	8%	15%	4%
There must be less political interference in the judiciary	68%	71%	65%	68%	10%	12%	10%	10%
Economic development only benefits the wealthy people	68%	71%	63%	68%	13%	12%	19%	8%
There are appropriate institutions to enable good governance	49%	48%	44%	56%	18%	19%	15%	18%
There are appropriate laws and regulations to ensure good governance	49%	62%	46%	40%	25%	23%	27%	24%
Most people obey the laws	47%	62%	38%	42%	22%	21%	31%	14%

■ Significantly higher than average

■ Significantly lower than average

MARKET RESULTS: MALAYSIA (CONTINUED)

The issues respondents from Malaysia showed less agreement with are listed in Figure 36. Only 15 per cent of respondents tend to agree or strongly agree that the government is transparent, 19 per cent tend to agree or strongly agree that there is no political interference in business and 23 per cent tend to agree or strongly agree that there is no political interference in the judiciary.

Many respondents (38 per cent) neither agree nor disagree about whether they trust the laws of Malaysia, and slightly fewer feel the same way about their enforcement (30 per cent).

There are no significant differences in the perceptions reported in Figure 36 below between shareholders, professionals/business owners and management executives.

FIGURE 36. LOWER AGREEMENT IN MARKET GOVERNANCE ISSUES

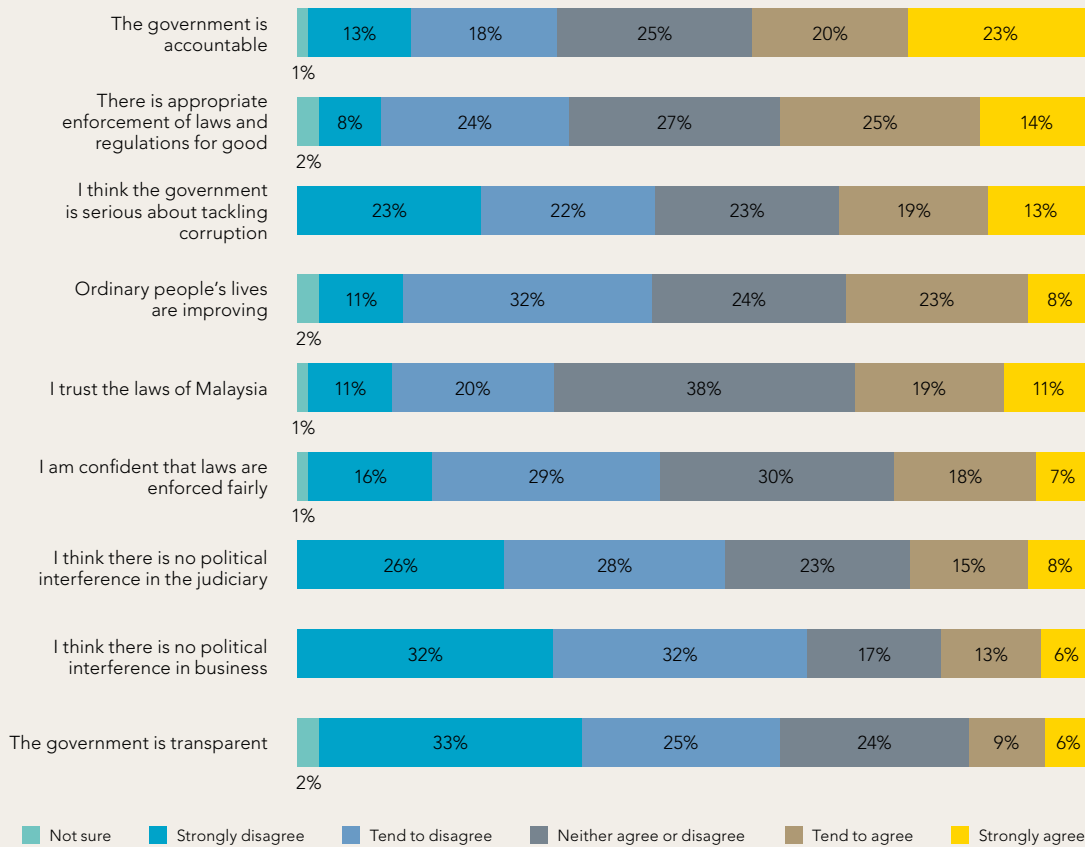
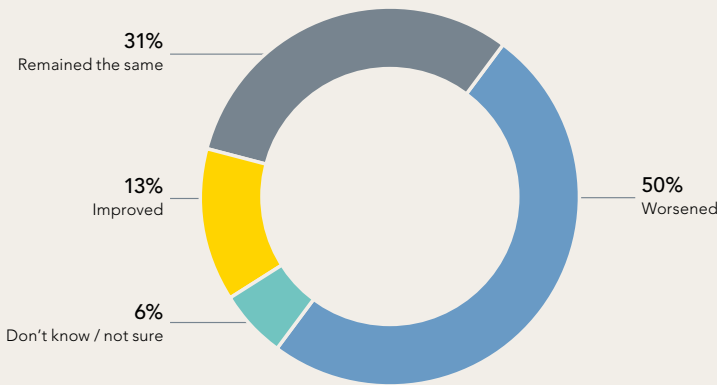


Figure 37 provides the Malaysian respondents' perception of market governance over the past two years, which is widely perceived to have worsened (47 per cent of all respondents). Only 16 per cent of those surveyed believe that market governance has improved, and 31 per cent believe that it remained the same. There are no significant differences between the three groups of respondents.

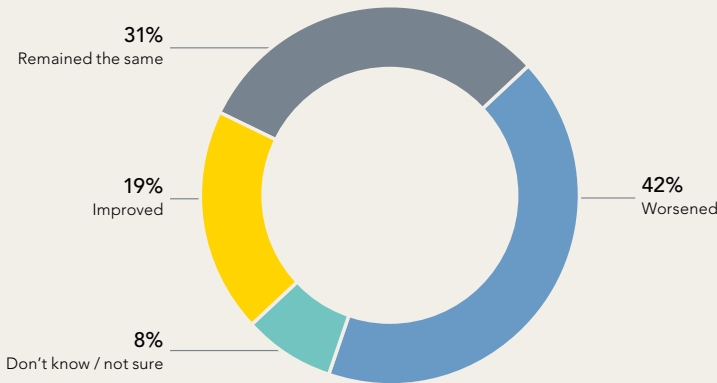
MARKET RESULTS: MALAYSIA (CONTINUED)

FIGURE 37. PERCEPTION OF HOW MARKET GOVERNANCE HAS CHANGED OVER THE PAST TWO YEARS

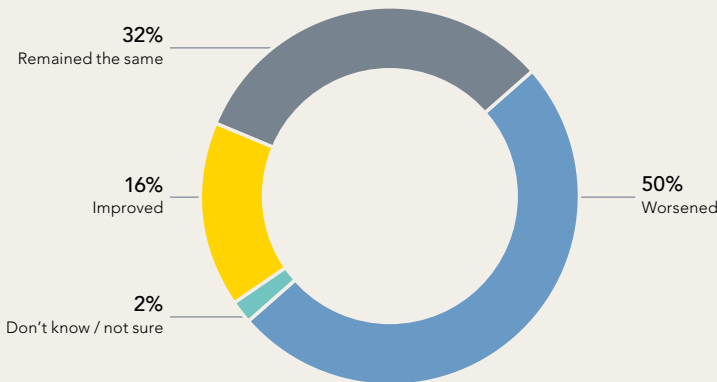
Shareholders



Professionals / Business Owners



Management Executives



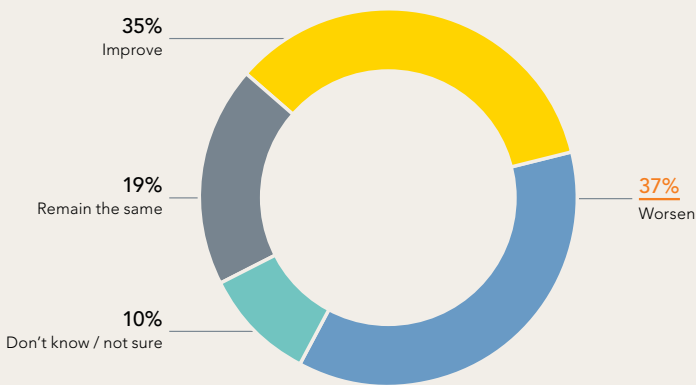
■ Significantly higher than average
 ■ Significantly lower than average

While only 16 per cent of respondents think that market governance improved in the past two years, 44 per cent think that it will improve in the future, 25 per cent think that it will worsen and 24 per cent that it will remain the same (Figure 38). Significantly more shareholders think that market governance will deteriorate in the future than professional/business owners and management executives.

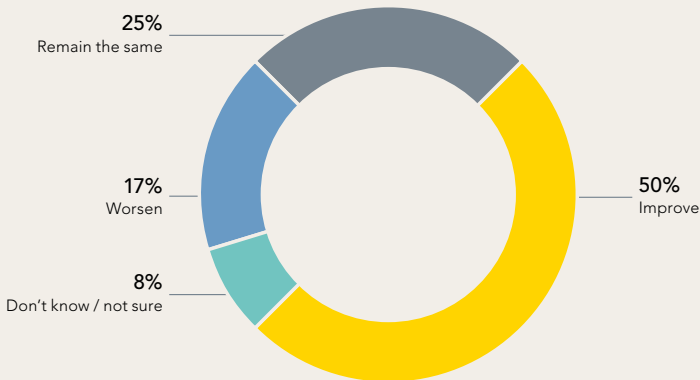
MARKET RESULTS: MALAYSIA (CONTINUED)

FIGURE 38. PERCEPTION OF HOW MARKET GOVERNANCE WILL CHANGE IN THE FUTURE

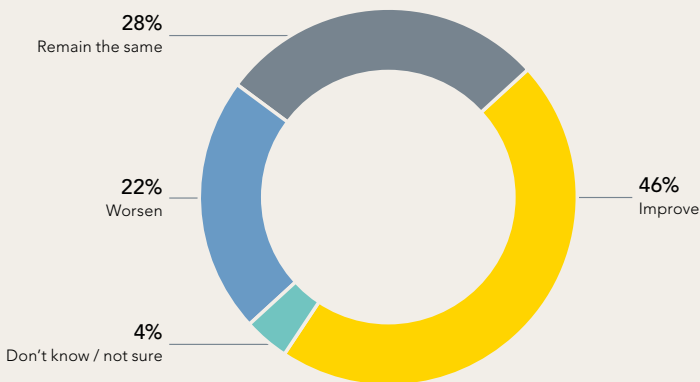
Shareholders



Professionals / Business Owners



Management Executives



■ Significantly higher than average
 ■ Significantly lower than average

MARKET RESULTS: MALAYSIA (CONTINUED)

In response to the open question: “What would you say is the most urgent issue that needs to be addressed in relation to market governance in Malaysia?” the responses were rather concentrated. While every respondent expressed a view, the top eight themes listed below represent 74 per cent of responses:

- corruption (unspecific) (27 per cent)
- corruption of civil servants, councils, state government and bureaucracy, and government not listening to the general public (10 per cent)
- cost of living is too high, inflation and high price of source materials (8 per cent)
- social and cultural human rights, human morality, race equality and freedom of speech (7 per cent)
- the rule of law, judicial justice, too many loopholes in the legislations and inappropriate law enforcement (6 per cent)
- too much political interference (such as in business and the judiciary) (5 per cent)
- lack of transparency (5 per cent)
- unstable economic state, poor economic growth, poor value of currency and overseas debt (5 per cent)

Overall, respondents from Malaysia identify corruption as a major issue in both business and government. Respondents were also uncertain about their trust in the laws of Malaysia and their enforcement and believe there is political interference in business and the judiciary.

More respondents think that market governance has worsened than those who feel it has remained the same, but more expect it to improve in the future than remain the same or worsen.

RESPONDENTS' COMMENTS

“POVERTY, CORRUPTION AND ILLEGAL IMMIGRANTS”

“MAIN ISSUE IS TO CONTROL INFLATIONARY PRESSURES AND ERADICATE CORRUPTION IN THE GOVERNMENT AND JUDICIARY BRANCHES”

“1) A LOT OF CRIME DAY AFTER DAY

2) INCREASING PRICE IN HOUSEHOLD ITEMS

3) LACK OF HOUSE FOR LOWER PEOPLE TO OWN/BUY”

MARKET RESULTS: MALAYSIA (CONTINUED)

CORPORATE GOVERNANCE

Figure 39 provides the responses from Malaysia to the corporate governance statements of the questionnaire. The chart lists the areas in order of most agreement – representing tend to agree and strongly agree responses. Respondents identify fraud and corruption as the main issues businesses face.

In Malaysia, 84 per cent of respondents tend to agree or strongly agree that fraud is a big problem for business and 77 per cent think that companies face problems because of corruption. Over two thirds (68 per cent) also tend to agree or strongly agree that companies face problems because the boards of directors make bad decisions. However, 59 per cent tend to agree or strongly agree that there are appropriate institutions to enable good governance.

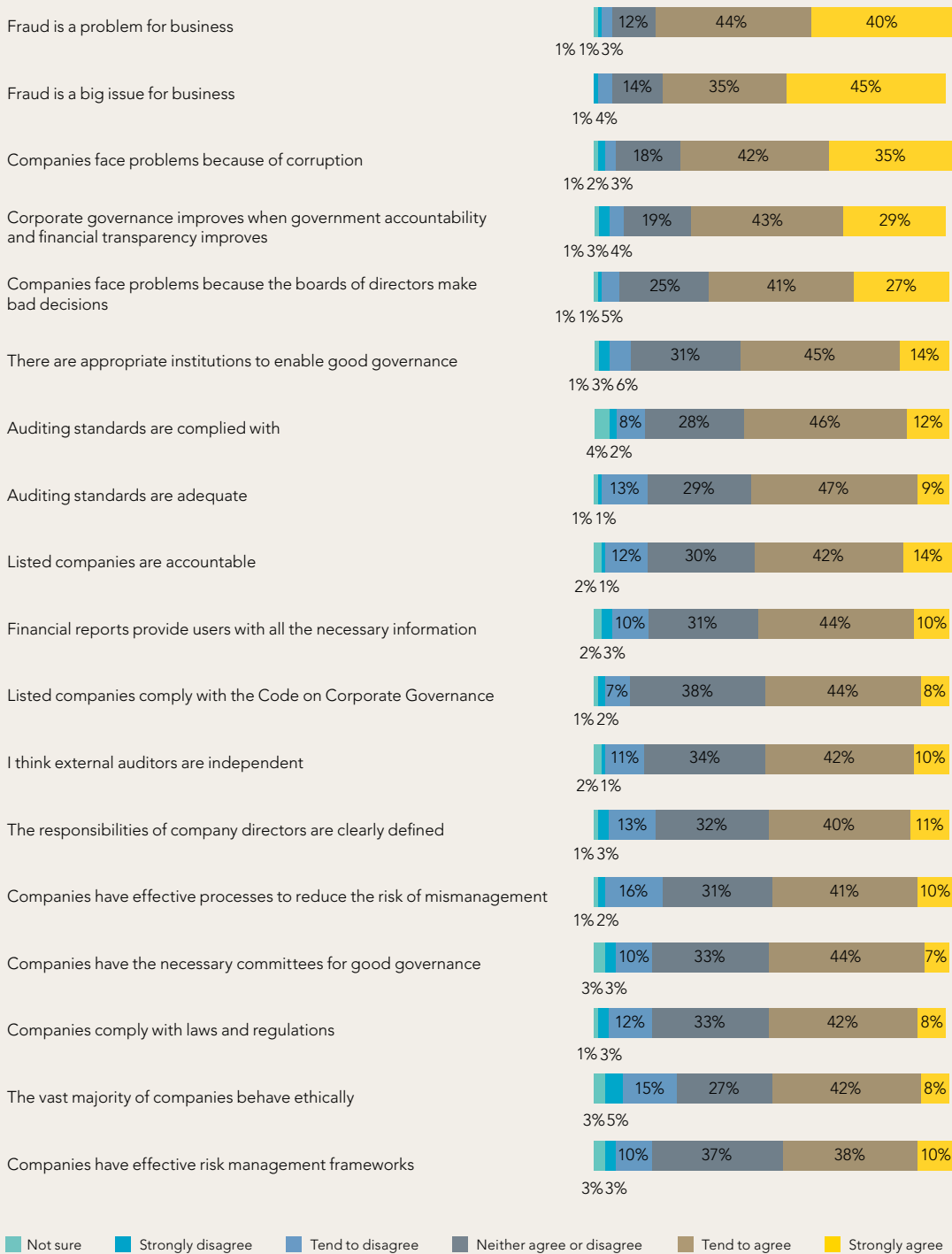
While 54 per cent of respondents tend to agree or strongly agree that financial reports provide users with all the necessary information, 44 per cent think company reporting is adequate. Only 36 per cent tend to agree or strongly agree that financial reports are trustworthy and 39 per cent that company reporting is trusted.

In relation to compliance with the governance code, 52 per cent tend to agree or strongly agree that listed companies comply with the corporate governance code, 48 per cent that companies report on compliance with the code adequately, but 41 per cent agree or strongly agree that compliance with the code is overseen adequately.

In relation to audit, 58 per cent of respondents tend to agree or strongly agree that auditing standards are complied with, 56 per cent that auditing standards are adequate and 52 per cent that external auditors are independent.

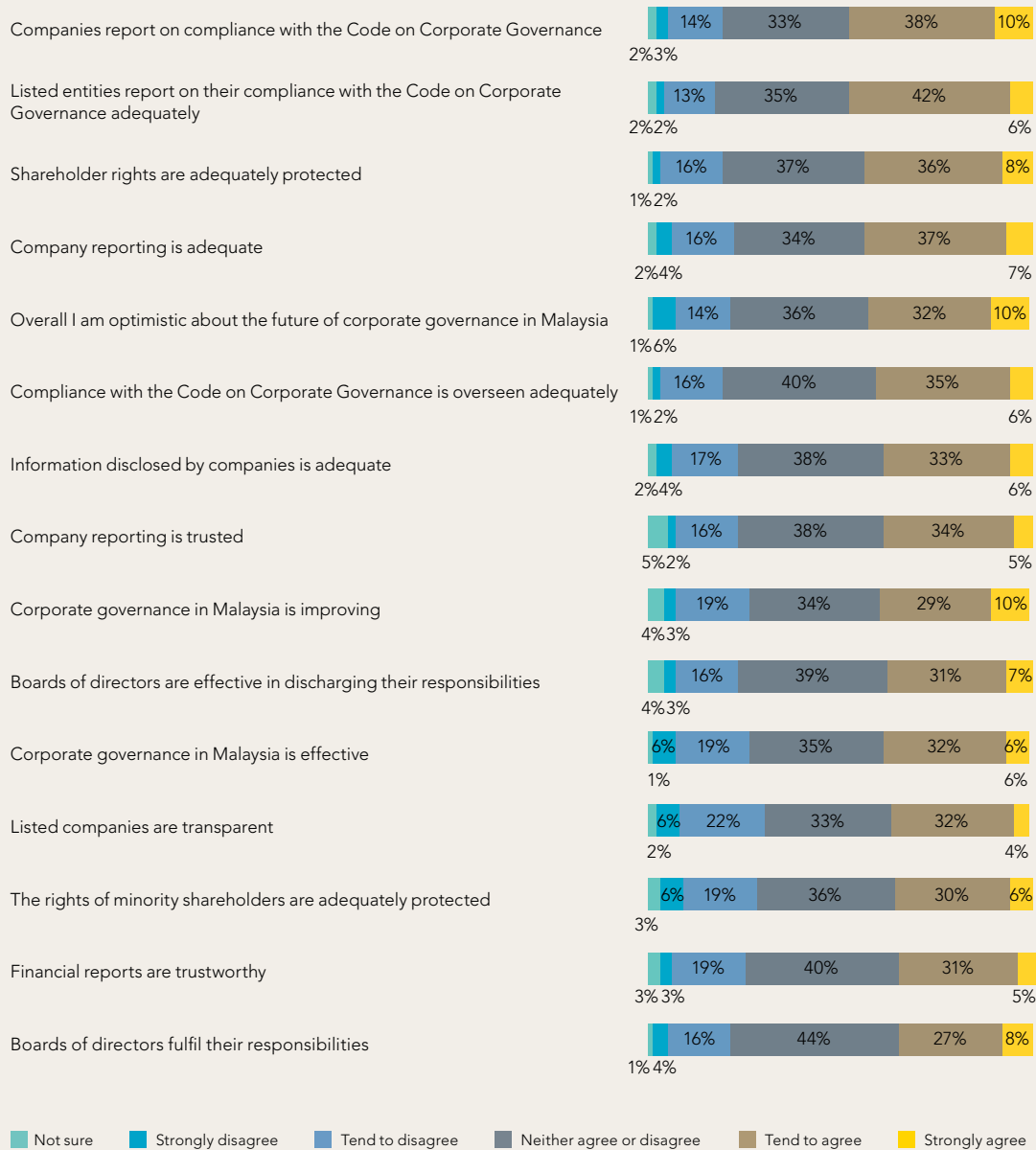
MARKET RESULTS: MALAYSIA (CONTINUED)

FIGURE 39. CORPORATE GOVERNANCE IN MALAYSIA



MARKET RESULTS: MALAYSIA (CONTINUED)

FIGURE 39. CORPORATE GOVERNANCE IN MALAYSIA (CONTINUED)



MARKET RESULTS: MALAYSIA (CONTINUED)

Overall, in Malaysia there is a relatively low level of agreement and high level of indifference with many of the corporate governance statements, with the majority of respondents neither agreeing nor disagreeing.

The significant differences between the three groups of respondents are:

- shareholders are more likely to agree that corporate governance improves when government accountability and financial transparency improves
- shareholders are more likely to agree that auditing standards are complied with, while management executives were significantly less likely to agree
- shareholders are more likely to agree and professionals/business owners less likely to agree that companies comply with laws and regulations
- shareholders were more likely to agree that the vast majority of companies behave ethically

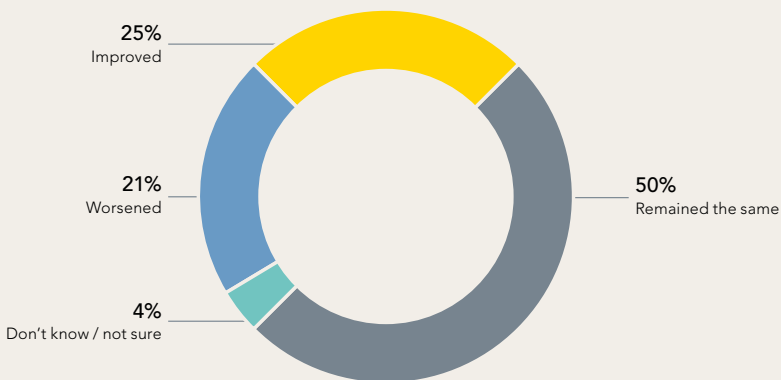
Figure 40 shows respondents' views on corporate governance over the past two years. More respondents are likely to think that corporate governance remained the same (44 per cent) than improved (31 per cent). Overall, 21 per cent of respondents think that corporate governance worsened and 5 per cent do not know or are not sure.

There are some differences between the different groups of respondents, with professionals/business owners being more likely to believe that corporate governance improved rather than worsened, but these differences are not significant.

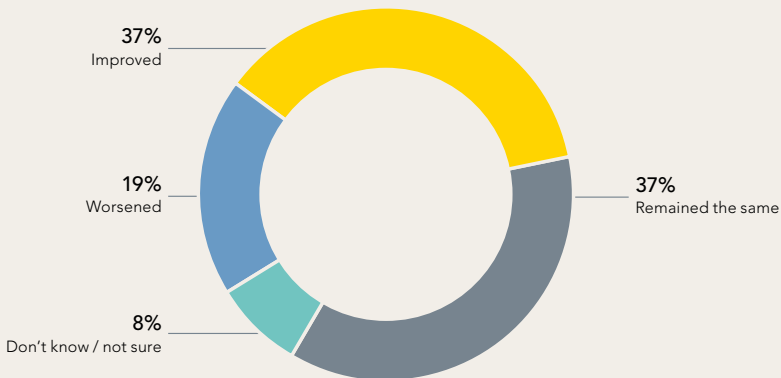
MARKET RESULTS: MALAYSIA (CONTINUED)

FIGURE 40. PERCEPTION OF HOW CORPORATE GOVERNANCE HAS CHANGED OVER THE PAST TWO YEARS

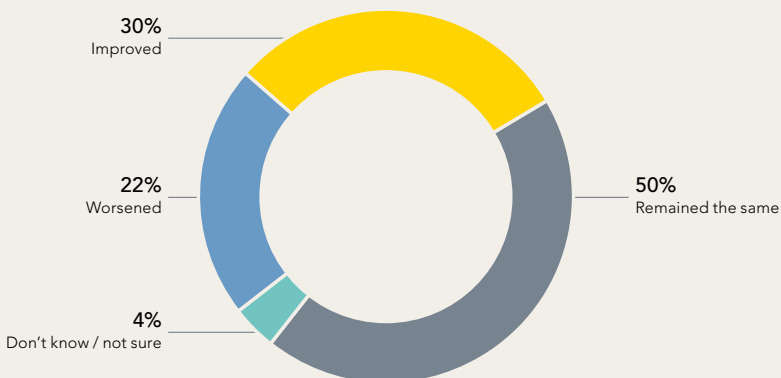
Shareholders



Professionals / Business Owners



Management Executives



■ Significantly higher than average
 ■ Significantly lower than average

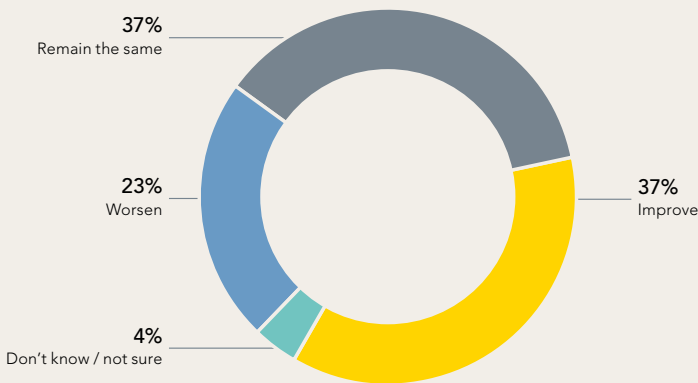
The future of corporate governance in Malaysia appears more positive than the assessment of the recent past (Figure 41). Overall, 44 per cent of all respondents expect corporate governance to improve, 19 per cent expect it to remain the same, and 19 per cent expect deterioration. In addition, 8 per cent of respondents are not sure or do not know how corporate governance will change in the future.

While shareholders are more likely to believe that corporate governance will remain the same or worsen, these differences between the groups are not significant. Management executives, however, are significantly more likely to not know or not be sure about how corporate governance will change in the future.

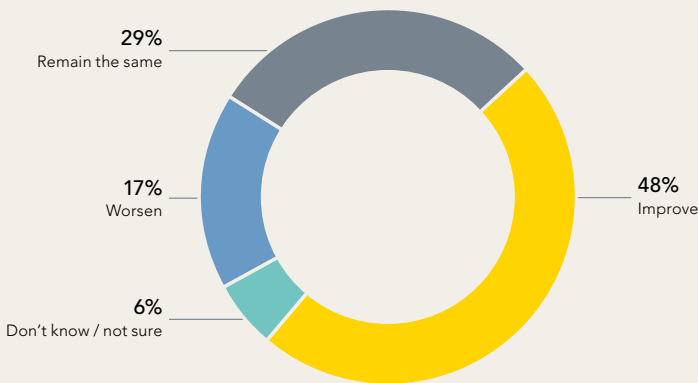
MARKET RESULTS: MALAYSIA (CONTINUED)

FIGURE 41. PERCEPTION OF HOW CORPORATE GOVERNANCE WILL CHANGE IN THE FUTURE

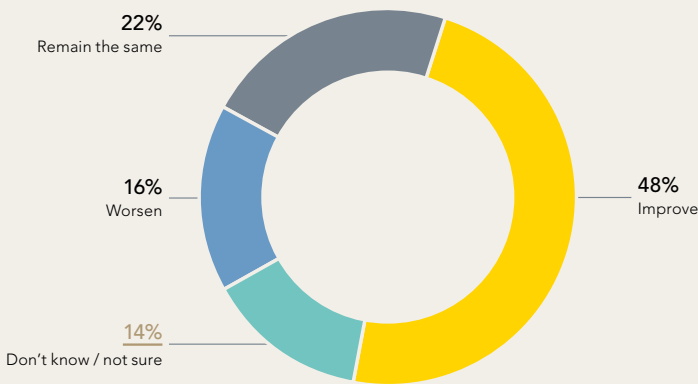
Shareholders



Professionals / Business Owners



Management Executives



■ Significantly higher than average
 ■ Significantly lower than average

MARKET RESULTS: MALAYSIA (CONTINUED)

In response to the open question “What would you say is the most urgent issue that needs to be addressed in relation to corporate governance in Malaysia?” a number of themes emerged. The top 10 themes (the last four themes all represent 3 per cent and are included) listed below represent nearly half (46 per cent) of responses. Overall, none of those surveyed said they do not know and just 1 per cent did not provide a response. The most frequently cited issues include:

- companies face problems because of corruption (such as insider trading and breach of confidence) (12 per cent)
- fraud is a big issue for business and dishonesty (8 per cent)
- bad political environment (for example corruption, bureaucracy and biased policies) (5 per cent)
- a lack of transparency (such as company management and government operation) (5 per cent)
- poor compliance and law enforcement (3 per cent)
- tighter control and good governance (unspecified) (3 per cent)
- boards of directors are not independent (3 per cent)
- employee rights and welfare need to be better protected (3 per cent)
- lack of transparency and reliability in the financial report (3 per cent)
- too much government and political influence on policy and business activity (3 per cent)

Overall, fraud and corruption are considered the most important issues in Malaysia in government and business. More respondents are optimistic about improvements of corporate governance in the future than those who think that it has improved in the past two years.

RESPONDENTS' COMMENTS

“ENSURE INDEPENDENT DIRECTORS ARE TRULY INDEPENDENT OF CONTROLLING SHAREHOLDERS AND CAN DISCHARGE THEIR FIDUCIARY DUTIES WITHOUT FEAR OR FAVOUR”

“DIRECTOR INSIDER TRADING AND STOCK MANIPULATION”

“HAVING A CLEAN GOVERNMENT WILL RESOLVE MANY OF THE CORPORATE ISSUES”

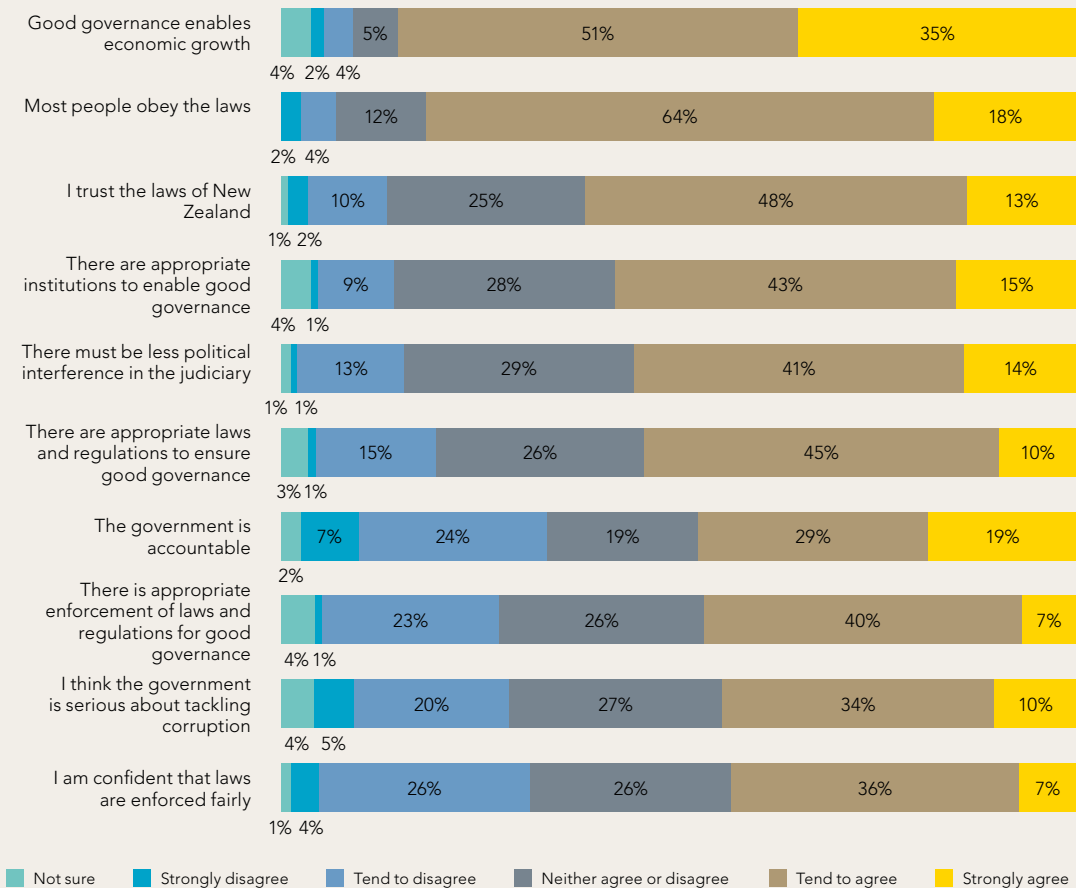
MARKET RESULTS: NEW ZEALAND

MARKET GOVERNANCE

In New Zealand, as illustrated in Figure 42, there is a high level of agreement that good governance enables economic growth, that people obey and trust the country's laws and that there are appropriate institutions to enable good governance. However, there is some polarisation in agreement that the government is accountable.

Unlike many other markets surveyed, responses from New Zealand do not place corruption among issues with higher agreement.

FIGURE 42. HIGHER AGREEMENT IN MARKET GOVERNANCE ISSUES



MARKET RESULTS: NEW ZEALAND (CONTINUED)

There are only two significant differences between perceptions of the three groups of respondents in New Zealand (Table 8), indicating little variability between respondents' perceptions.

Professionals/business owners are significantly less likely to trust the laws of New Zealand, while shareholders are considerably more likely to trust them.

TABLE 8. HIGHER AGREEMENT BY GROUP OF RESPONDENTS

	TEND TO AGREE & STRONGLY AGREE				TEND TO DISAGREE & STRONGLY DISAGREE			
	TOTAL	Shareholders	Professional / Business Owners	Management Executives	TOTAL	Shareholders	Professional / Business Owners	Management Executives
Good governance enables economic growth	85%	86%	79%	92%	5%	7%	5%	4%
Most people obey the laws	82%	81%	84%	80%	7%	7%	7%	6%
I trust the laws of New Zealand	62%	72%	50%	62%	13%	10%	14%	14%
There are appropriate institutions to enable good governance	58%	64%	50%	60%	10%	10%	7%	14%
There must be less political interference in the judiciary	55%	55%	55%	56%	14%	21%	9%	12%
There are appropriate laws and regulations to ensure good governance	54%	59%	46%	58%	16%	14%	21%	14%
The government is accountable	48%	50%	46%	46%	31%	28%	36%	30%
There is appropriate enforcement of laws and regulations for good governance	47%	53%	38%	50%	23%	19%	29%	22%
I think the government is serious about tackling corruption	45%	50%	36%	48%	24%	26%	27%	20%
I am confident that laws are enforced fairly	43%	48%	36%	46%	30%	28%	39%	22%

■ Significantly higher than average ■ Significantly lower than average

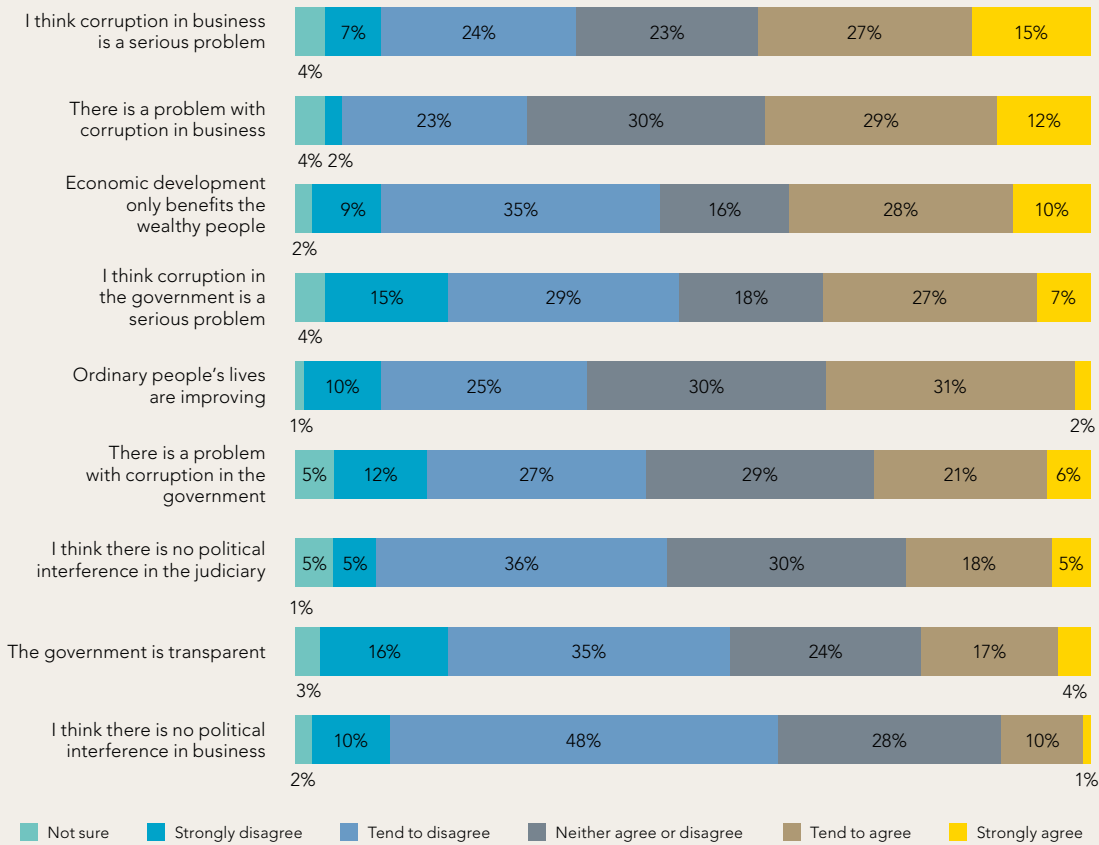
MARKET RESULTS: NEW ZEALAND (CONTINUED)

The issues respondents from New Zealand showed less agreement with are listed in Figure 43. More than 50 per cent of respondents tend to disagree or strongly disagree with the statements “the government is transparent” and “there is no political interference in business”. Corruption in business is considered an issue for more respondents than corruption in government,

with 42 per cent tending to agree or strongly agreeing that corruption is a serious problem in business, while a third (34 per cent) thought this was the case for government.

A relatively high percentage of respondents neither agreed nor disagreed with statements that concern market governance in New Zealand.

FIGURE 43. LOWER AGREEMENT IN MARKET GOVERNANCE ISSUES



MARKET RESULTS: NEW ZEALAND (CONTINUED)

There are a number of significant differences in the perceptions reported in Figure 43 between shareholders, professionals/business owners and management executives, as illustrated in Table 9.

Shareholders are significantly less likely to think corruption in government is a serious problem, more likely to think that the lives of ordinary

people are improving and less likely to think that economic development only benefits wealthy people. Professionals/business owners are considerably more likely to think that corruption in government is a problem and less likely to think that the lives of ordinary people are improving.

TABLE 9. LOWER AGREEMENT BY GROUP OF RESPONDENTS

	TEND TO AGREE & STRONGLY AGREE				TEND TO DISAGREE & STRONGLY DISAGREE			
	TOTAL	Shareholders	Professional / Business Owners	Management Executives	TOTAL	Shareholders	Professional / Business Owners	Management Executives
I think corruption in business is a serious problem	42%	38%	46%	42%	31%	38%	20%	36%
There is a problem with corruption in business	41%	45%	38%	40%	25%	28%	20%	28%
Economic development only benefits the wealthy people	38%	28%	43%	44%	44%	53%	39%	38%
I think corruption in the government is a serious problem	34%	21%	46%	36%	43%	55%	29%	46%
Ordinary people's lives are improving	34%	45%	20%	36%	35%	34%	39%	30%
There is a problem with corruption in the government	27%	16%	39%	28%	38%	52%	25%	38%
I think there is no political interference in the judiciary	23%	24%	21%	24%	41%	29%	52%	44%
The government is transparent	21%	24%	16%	24%	51%	48%	59%	46%
I think there is no political interference in business	12%	14%	7%	14%	58%	57%	63%	54%

■ Significantly higher than average ■ Significantly lower than average

Figure 44 provides perceptions of changes to market governance over the past two years, which is widely perceived to have remained the same (44 per cent of all respondents). Only 13 per cent of all respondents think that market governance has improved, and 20 per cent believe that it worsened.

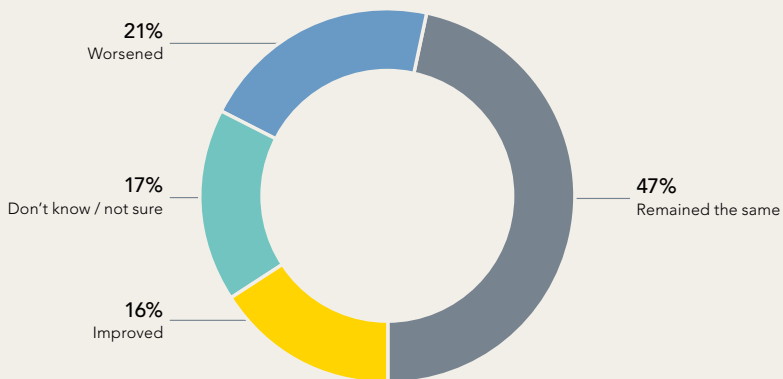
Almost a quarter of all respondents don't know or are not sure how it has changed.

There are no significant differences between the three groups of respondents.

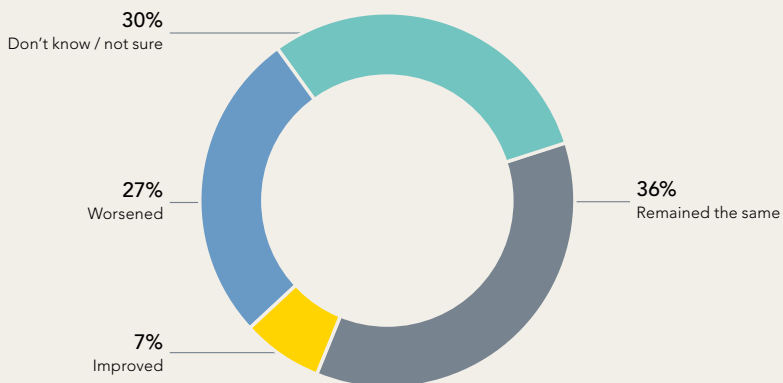
MARKET RESULTS: NEW ZEALAND (CONTINUED)

FIGURE 44. PERCEPTION OF HOW MARKET GOVERNANCE HAS CHANGED OVER THE PAST TWO YEARS

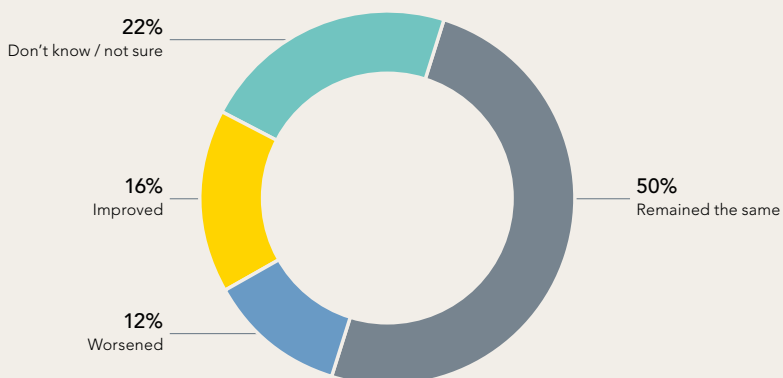
Shareholders



Professionals / Business Owners



Management Executives



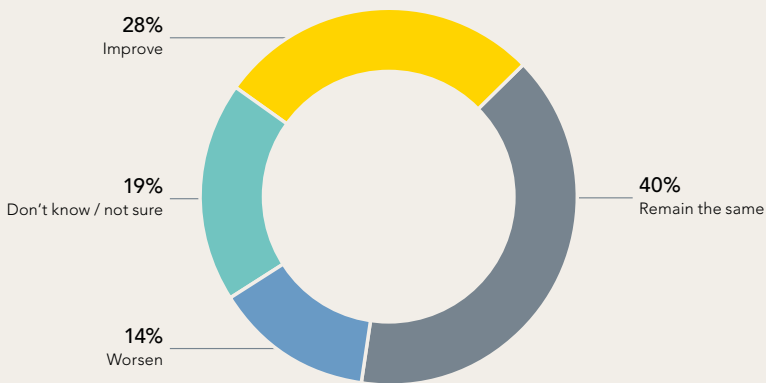
■ Significantly higher than average ■ Significantly lower than average

While 35 per cent of respondents think that market governance will stay the same, 32 per cent believe it will improve, 13 per cent think it will worsen, and 20 per cent are not sure or do not know (Figure 45). Management executives are significantly more likely to think that market governance will improve than shareholders and professionals/business owners.

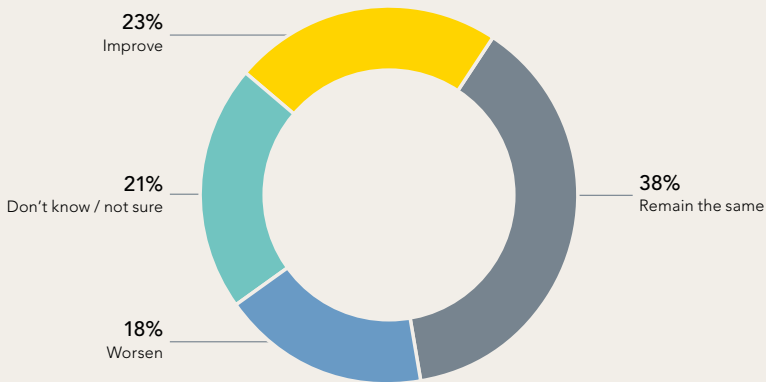
MARKET RESULTS: NEW ZEALAND (CONTINUED)

FIGURE 45. PERCEPTION OF HOW MARKET GOVERNANCE WILL CHANGE IN THE FUTURE

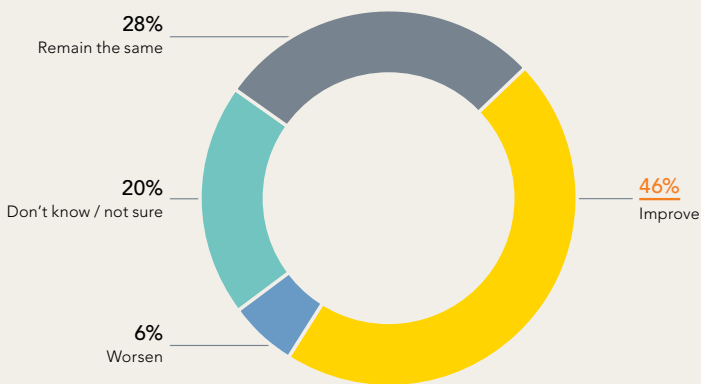
Shareholders



Professionals / Business Owners



Management Executives



■ Significantly higher than average
 ■ Significantly lower than average

MARKET RESULTS: NEW ZEALAND (CONTINUED)

In response to the open question: “What would you say is the most urgent issue that needs to be addressed in relation to market governance in New Zealand?” the responses are rather dispersed. The top eight themes listed below represent 40 per cent of responses. The themes that were mentioned the most were:

- corruption of civil servants, councils, state government and bureaucracy, and government not listening to the general public (8 per cent)
- taxes are too high, complicated, unfair tax system and tax evasion (6 per cent)
- the rule of law, judicial justice, too many loopholes in the legislations and inappropriate law enforcement (6 per cent)
- lack of accountability (unspecified) (6 per cent)
- corruption of corporates (4 per cent)
- exploitation of low wage workers and unfair minimum wage (4 per cent)
- housing issues (price or rent too high, and lack of state houses) (3 per cent)
- wealth disparity and poverty (3 per cent)

Overall, respondents from New Zealand are very positive in relation to the rule of law and the governance infrastructure. As is the case in other jurisdictions, they are more likely to think that the government is accountable but less likely to think that it is transparent.

More respondents think that market governance will improve in the future than those who believe that it has improved in the last two years. There is a high degree of uncertainty in assessing the past and predicting the future with more than one in five respondents being unsure as to how market governance has changed and how it is expected to change.

RESPONDENTS' COMMENTS

“ENFORCE EXISTING LAWS FIRST BUT MAKE MEANINGFUL PENALTIES FOR WHITE COLLAR CRIME, THEN ADDRESS OTHER ISSUES”

“GOVERNMENT NEEDS TO CONSIDER PUBLIC OPINION”

“SHARE OF REVENUE FROM NZ COMPANIES GOING OFFSHORE AND FOREIGN COMPANIES AVOIDING THEIR TRUE TAX LIABILITY IN NZ”

MARKET RESULTS: NEW ZEALAND (CONTINUED)

CORPORATE GOVERNANCE

Figure 46 provides the responses from New Zealand to the corporate governance statements of the questionnaire. The chart lists the areas in order of most agreement – representing tend to agree and strongly agree responses. In New Zealand, 68 per cent of respondents tend to agree or strongly agree that fraud is a problem for business. Interestingly, 61 per cent tend to agree or strongly agree that companies face problems because the boards of directors make bad decisions and 31 per cent tend to agree or strongly agree that boards of directors are effective in discharging their responsibilities.

In relation to reporting, 36 per cent of respondents tend to agree or strongly agree that company reporting is adequate and financial reports are trustworthy, while 34 per cent agree or strongly agree that financial reports provide users with all the necessary information and 29 per cent think that the information disclosed by companies is adequate.

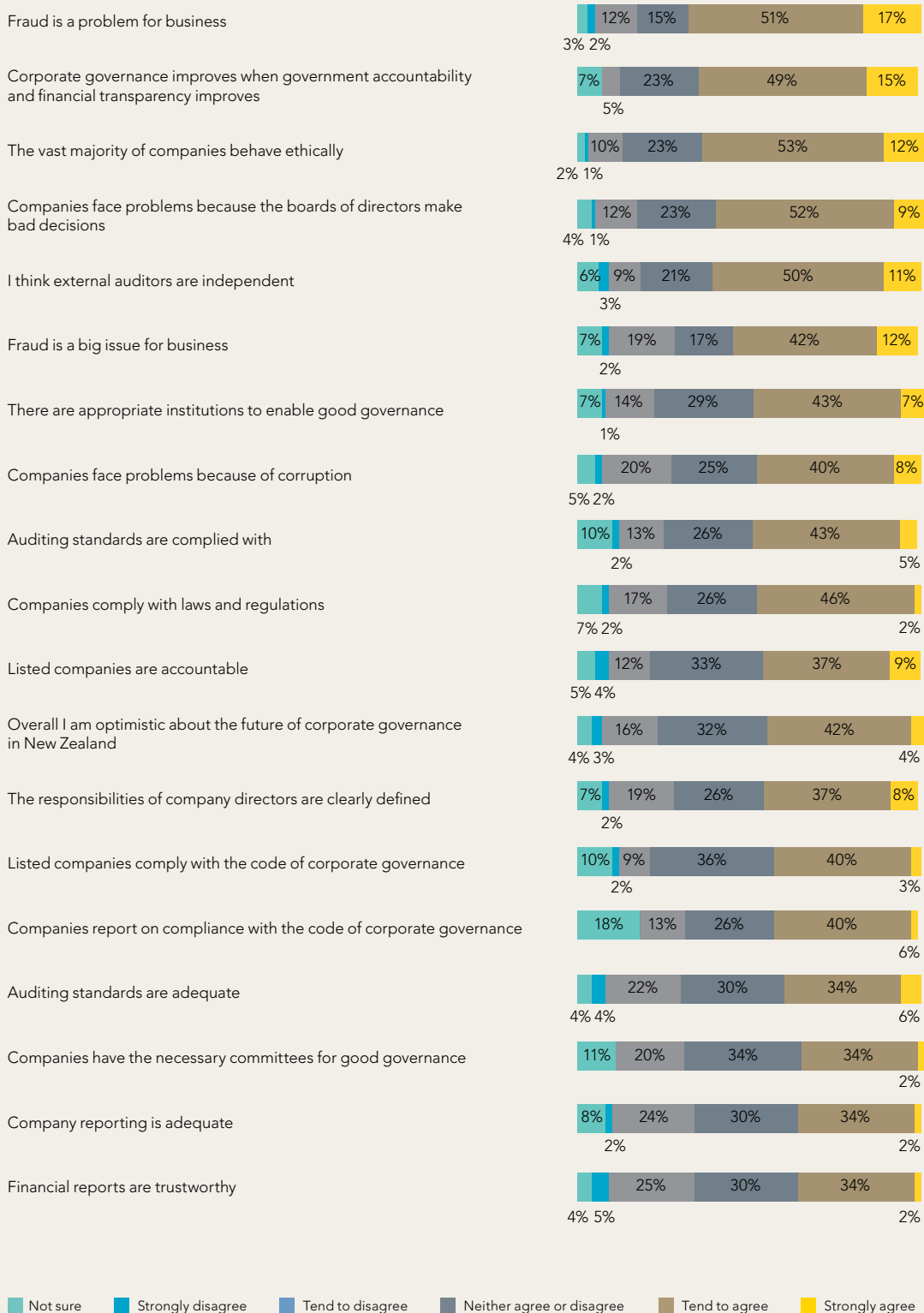
In relation to audit, 48 per cent of respondents tend to agree or strongly agree that auditing standards are complied with, 40 per cent believe that auditing standards are adequate and 61 per cent that external auditors are independent.

In relation to compliance with the governance code, 43 per cent agree or strongly agree that listed companies comply with the corporate governance code, 42 per cent that companies report on compliance with the code, but 34 per cent agree or strongly agree that compliance with the code is overseen adequately.

The least agreement is found in relation to shareholder rights, with only 27 per cent agreeing that they are adequately protected and 15 per cent agreeing that the rights of minority shareholders are adequately protected.

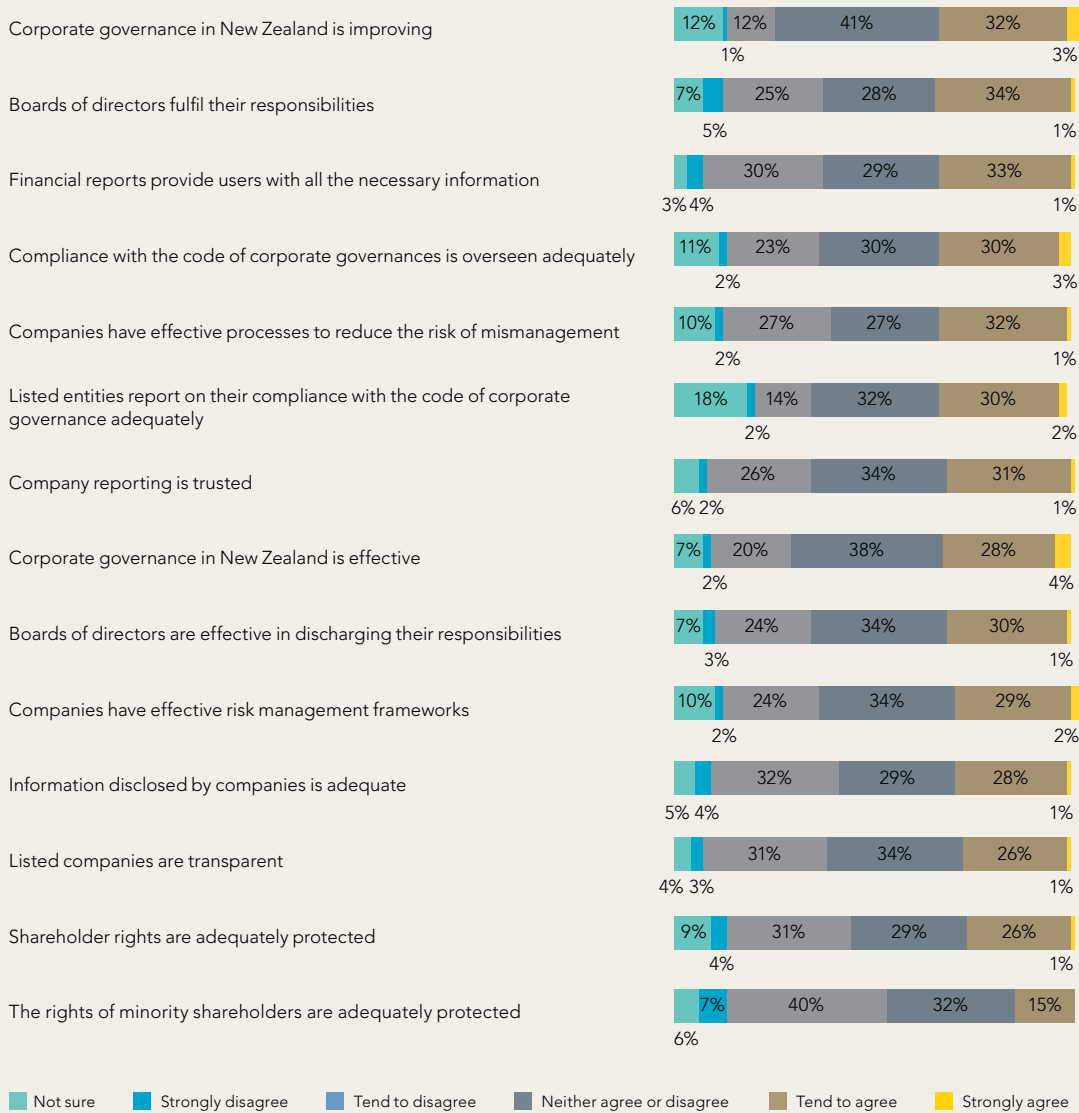
MARKET RESULTS: NEW ZEALAND (CONTINUED)

FIGURE 46. CORPORATE GOVERNANCE IN NEW ZEALAND



MARKET RESULTS: NEW ZEALAND (CONTINUED)

FIGURE 46. CORPORATE GOVERNANCE IN NEW ZEALAND (CONTINUED)



MARKET RESULTS: NEW ZEALAND (CONTINUED)

Overall, in New Zealand there is a relatively low level of disagreement with many of the statements that relate to corporate governance and a high level of respondents who neither agree nor disagree.

There are a number of significant differences between the three groups of respondents:

- professionals/business owners are less likely to agree that:
 - corporate governance improves when government accountability and financial transparency improves
 - companies face problems because of corruption
 - companies comply with laws and regulations
 - listed companies are accountable
 - listed companies comply with the corporate governance code
 - auditing standards are adequate
 - company reporting is adequate
 - financial reports are trustworthy
 - boards of directors fulfil their responsibilities
 - financial reports provide users with all the necessary information
 - listed entities report on their compliance with the code of corporate governance adequately
 - corporate governance in New Zealand is effective
 - information disclosed by companies is adequate
 - listed companies are transparent
- Shareholders are more likely to agree that:
 - auditing standards are complied with
 - listed companies are accountable
 - overall I am optimistic about the future of corporate governance in New Zealand
 - listed companies comply with the code of corporate governance
 - financial reports are trustworthy
 - reports provide users with all the necessary information
 - corporate governance in New Zealand is effective
- Interestingly, management executives agree significantly more with the statement: “Companies face problems because the boards of directors make bad decisions”

Overall, professionals/business owners seem to be significantly less positive about many aspects of corporate governance in New Zealand, while shareholders appear more positive.

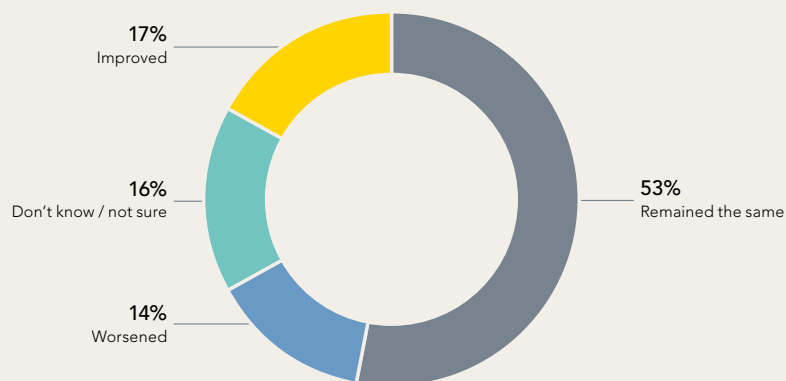
Figure 47 shows respondents' views on corporate governance over the past two years. More respondents are likely to think that corporate governance remained the same (49 per cent) and only 16 per cent thought it improved. Overall, 15 per cent of respondents think that corporate governance worsened and 20 per cent do not know or are not sure.

There were no significant differences between the surveyed groups, however professionals/business owners are less likely to think that corporate governance improved.

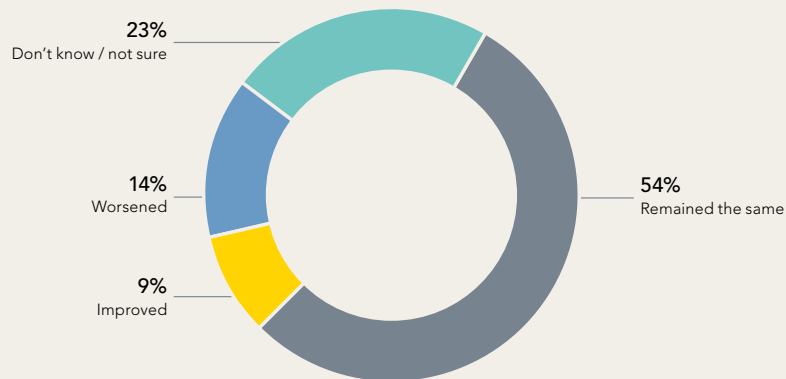
MARKET RESULTS: NEW ZEALAND (CONTINUED)

FIGURE 47. PERCEPTION OF HOW CORPORATE GOVERNANCE HAS CHANGED OVER THE PAST TWO YEARS

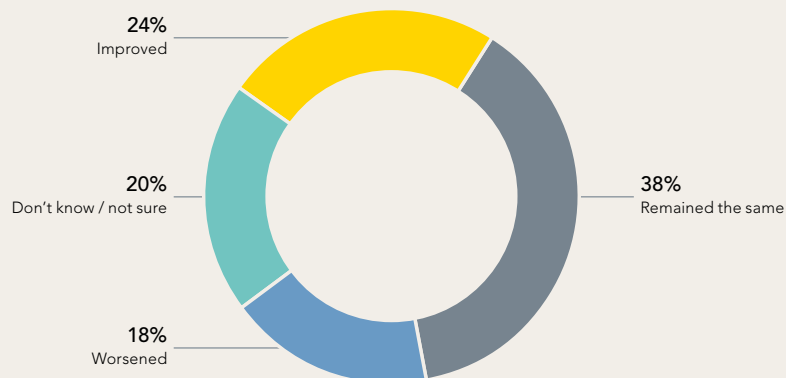
Shareholders



Professionals / Business Owners



Management Executives



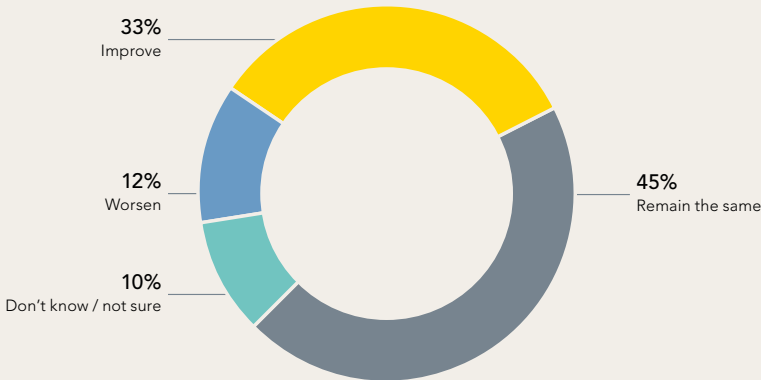
■ Significantly higher than average ■ Significantly lower than average

The future of corporate governance in New Zealand appears more positive than the recent past (Figure 48). Overall, 28 per cent of all respondents expect corporate governance to improve, 46 per cent expect it to remain the same, and 10 per cent expect deterioration. In addition, 16 per cent of respondents are not sure or do not know how corporate governance will change in the future. Professionals/business owners are significantly less likely to think that corporate governance will improve.

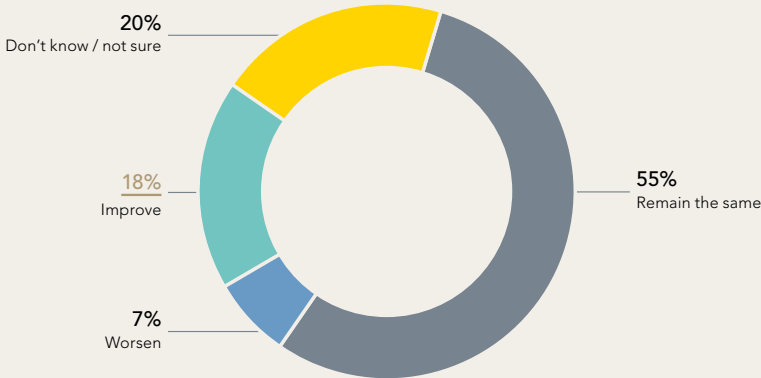
MARKET RESULTS: NEW ZEALAND (CONTINUED)

FIGURE 48. PERCEPTION OF HOW CORPORATE GOVERNANCE WILL CHANGE IN THE FUTURE

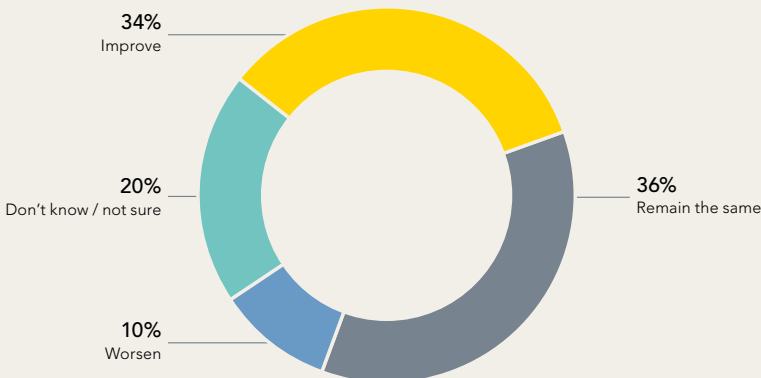
Shareholders



Professionals / Business Owners



Management Executives



■ Significantly higher than average
 ■ Significantly lower than average

MARKET RESULTS: NEW ZEALAND (CONTINUED)

In response to the open question “What would you say is the most urgent issue that needs to be addressed in relation to corporate governance in New Zealand?” a number of themes emerged. The top eight are listed below and represent 39 per cent of all responses. Overall, none of those surveyed said they do not know or did not respond. The most frequently cited issues include:

- boards of directors or shareholders are not made accountable (6 per cent)
- a lack of transparency (such as company management and government operation) (6 per cent)
- a lack of accountability (unspecified) (5 per cent)
- insufficient legislation, unstable regulatory framework on corporate governance and many loopholes (5 per cent)
- boards of directors are not effective in discharging their responsibilities or incompetent (5 per cent)
- fraud is a big issue for business and dishonesty (4 per cent)
- Companies face problems because of corruption (such as insider trading or breach of confidence) (4 per cent)
- lack of transparency or reliability in the financial report (4 per cent)

Overall, more respondents are optimistic about improvements of corporate governance in the future than those who think that it has improved in the past two years. Professionals/business owners are a lot less positive about their assessment of corporate governance in New Zealand at present as indicated by their responses to the corporate governance statements, as well as their expectations of improvements in the future.

RESPONDENTS' COMMENTS

“MAKING DIRECTORS
FULLY ACCOUNTABLE”

“ENSURING THAT GOOD
CORPORATE GOVERNANCE
DOES NOT RESULT IN
DIRECTORS HIDING BEHIND
GOOD GOVERNANCE
COMPLIANCE WHEN
COMPANY PERFORMANCE
IS INADEQUATE”

“EXISTING LAWS NEED TO BE
ENFORCED AND PENALTIES
SUBSTANTIALLY INCREASED”

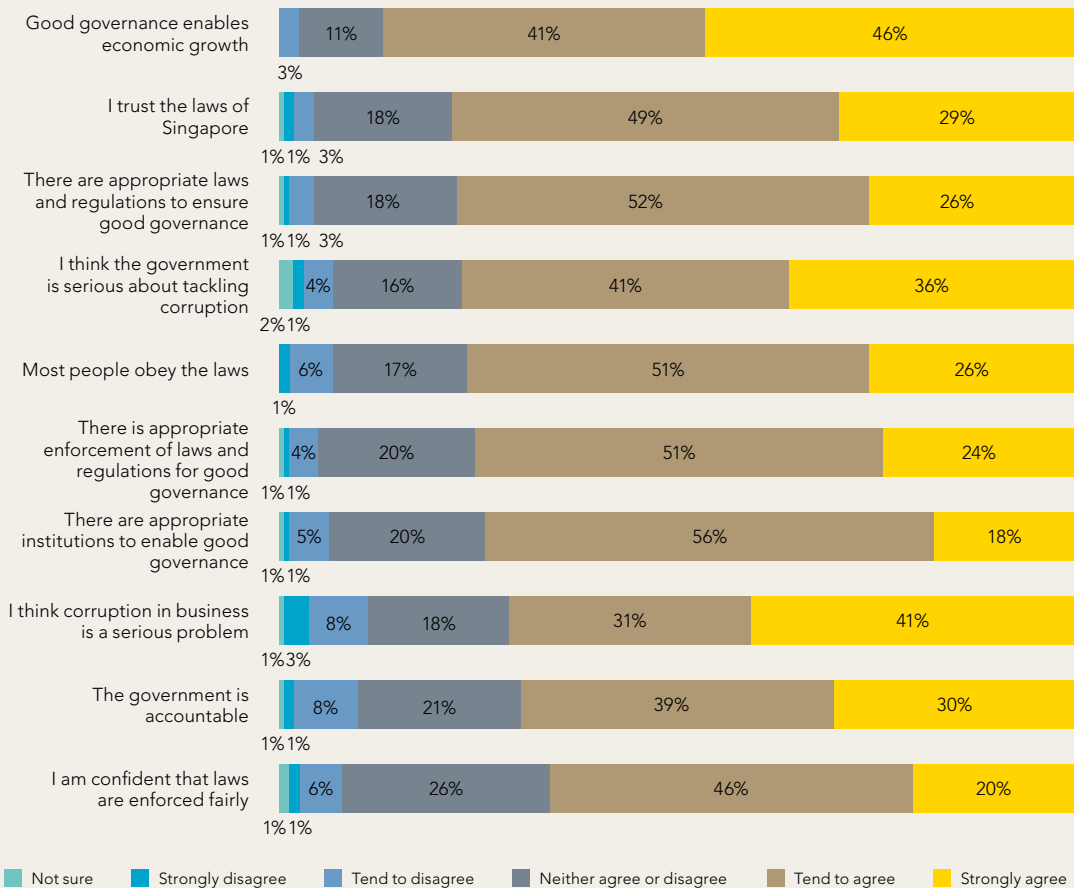
MARKET RESULTS: SINGAPORE

MARKET GOVERNANCE

In Singapore, results are generally positive in relation to market governance (Figure 49). There is a very high level of agreement that good governance enables economic growth. It is also widely believed that the laws in Singapore are appropriate, and that they are to be trusted, enforced and obeyed.

Most respondents (77 per cent) tend to agree or strongly agree that the government is serious about tackling corruption, however 72 per cent think that corruption in business is a serious problem.

FIGURE 49. HIGHER AGREEMENT IN MARKET GOVERNANCE ISSUES



MARKET RESULTS: SINGAPORE (CONTINUED)

There are only two significant differences between perceptions of the three groups of respondents in Singapore (Table 10), indicating little variability between perceptions. Professionals/business owners are significantly more likely to think that there are appropriate laws and regulations to ensure good governance, while shareholders are much less likely to agree that there are appropriate institutions to enable good governance.

TABLE 10. HIGHER AGREEMENT BY GROUP OF RESPONDENTS

	TEND TO AGREE & STRONGLY AGREE				TEND TO DISAGREE & STRONGLY DISAGREE			
	TOTAL	Shareholders	Professional / Business Owners	Management Executives	TOTAL	Shareholders	Professional / Business Owners	Management Executives
Good governance enables economic growth	87%	92%	88%	81%	3%	4%	2%	2%
I trust the laws of Singapore	78%	71%	85%	79%	4%	2%	4%	5%
There are appropriate laws and regulations to ensure good governance	78%	69%	88%	75%	4%	4%	0%	7%
I think the government is serious about tackling corruption	77%	78%	69%	82%	5%	8%	6%	2%
Most people obey the laws	76%	76%	83%	70%	7%	8%	4%	9%
There is appropriate enforcement of laws and regulations for good governance	75%	71%	75%	79%	4%	6%	2%	5%
There are appropriate institutions to enable good governance	74%	63%	81%	77%	6%	8%	6%	4%
I think corruption in business is a serious problem	71%	75%	73%	67%	11%	12%	12%	9%
The government is accountable	69%	65%	71%	72%	9%	12%	12%	5%
I am confident that laws are enforced fairly	66%	69%	67%	61%	7%	10%	6%	5%

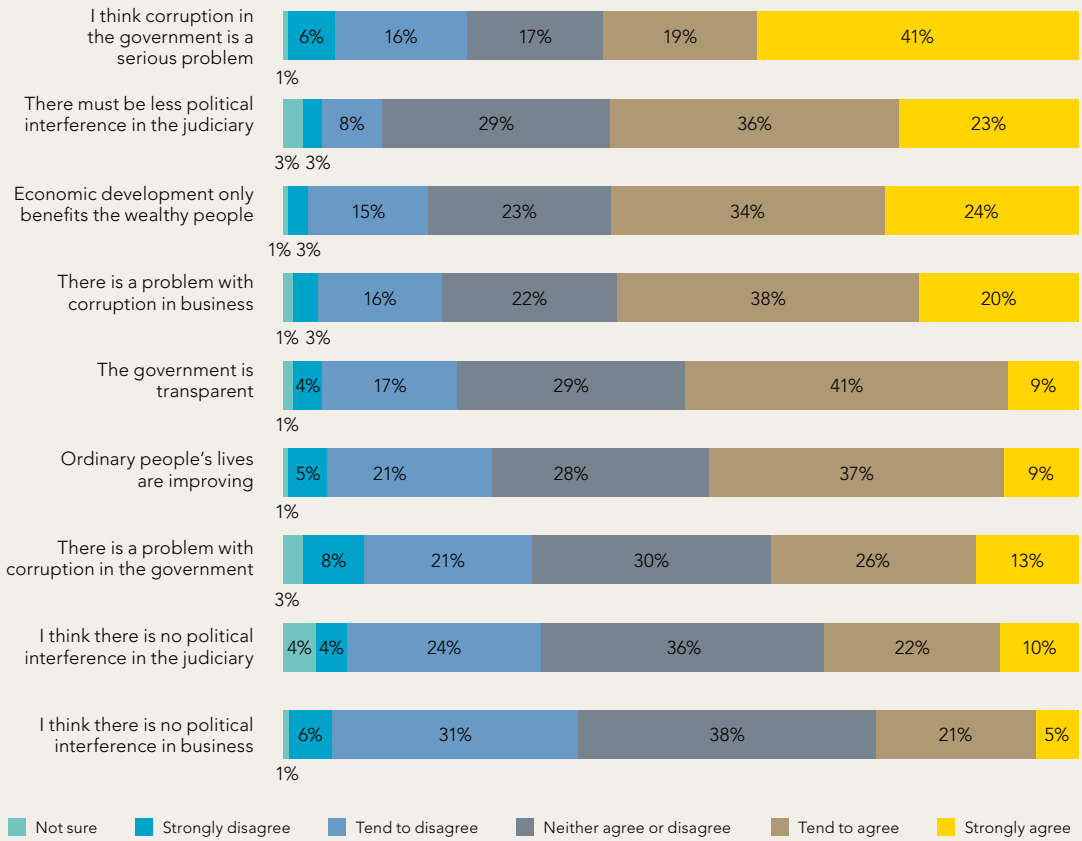
■ Significantly higher than average ■ Significantly lower than average

MARKET RESULTS: SINGAPORE (CONTINUED)

The issues respondents from Singapore showed less agreement with are listed in Figure 50. Political interference is something that respondents identify as an issue in Singapore, with 59 per cent tending to agree or strongly agreeing that there must be less political interference in the judiciary.

In addition, 39 per cent tend to agree or strongly agree that there is no political interference in the judiciary and 26 per cent that there is none in business. A high percentage of respondents neither agreed nor disagreed with these statements, indicating a certain degree of uncertainty.

FIGURE 50. LOWER AGREEMENT IN MARKET GOVERNANCE ISSUES



MARKET RESULTS: SINGAPORE (CONTINUED)

There are a few significant differences in the perceptions reported in Table 11 below between shareholders, professionals/business owners and management executives. Professionals/

business owners are significantly more likely to think that there must be less political interference in the judiciary and that there is a problem with corruption in business.

TABLE 11. LOWER AGREEMENT BY GROUP OF RESPONDENTS

	TEND TO AGREE & STRONGLY AGREE				TEND TO DISAGREE & STRONGLY DISAGREE			
	TOTAL	Shareholders	Professional/ Business Owners	Management Executives	TOTAL	Shareholders	Professional/ Business Owners	Management Executives
I think corruption in the government is a serious problem	60%	61%	60%	60%	23%	24%	21%	23%
There must be less political interference in the judiciary	59%	53%	71%	53%	10%	14%	15%	2%
Economic development only benefits the wealthy people	59%	61%	63%	53%	18%	8%	23%	21%
There is a problem with corruption in business	58%	55%	69%	51%	19%	22%	15%	19%
The government is transparent	49%	41%	52%	54%	21%	22%	21%	19%
Ordinary people's lives are improving	46%	43%	50%	46%	26%	29%	21%	26%
There is a problem with corruption in the government	39%	33%	44%	39%	29%	25%	29%	32%
I think there is no political interference in the judiciary	32%	24%	38%	33%	28%	37%	31%	18%
I think there is no political interference in business	26%	24%	27%	26%	36%	41%	40%	28%

■ Significantly higher than average ■ Significantly lower than average

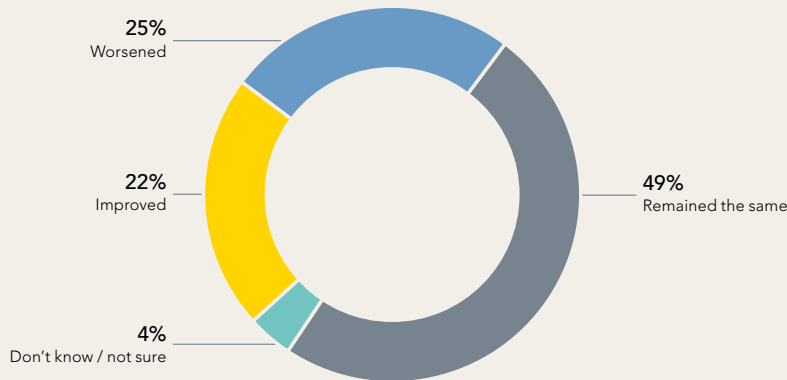
Market governance over the past two years is widely perceived to have remained the same (48 per cent of all respondents), as shown in Figure 51. About a quarter of all respondents think that market governance has improved, and 18 per cent believe that it worsened.

In addition, 11 per cent of respondents did not know or are not sure how it has changed. There are no significant differences between the three groups of respondents, however more shareholders thought market governance worsened.

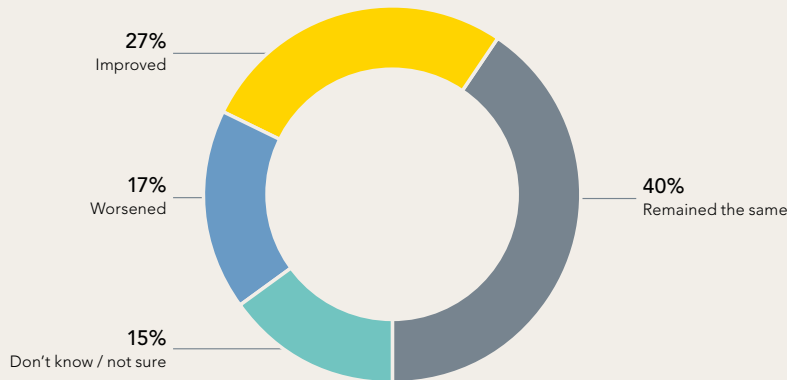
MARKET RESULTS: SINGAPORE (CONTINUED)

FIGURE 51. PERCEPTION OF HOW MARKET GOVERNANCE HAS CHANGED OVER THE PAST TWO YEARS

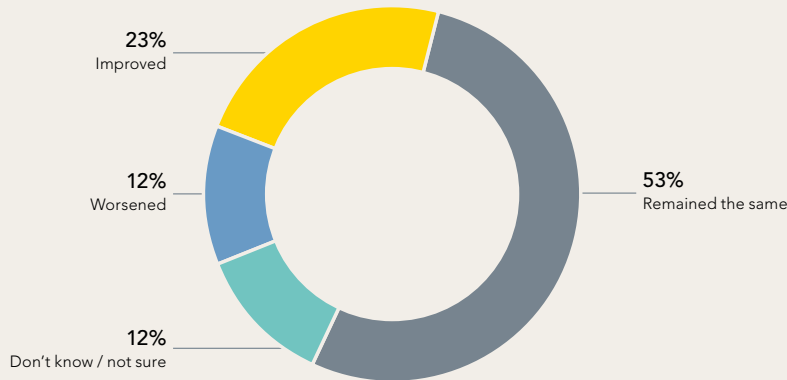
Shareholders



Professionals / Business Owners



Management Executives



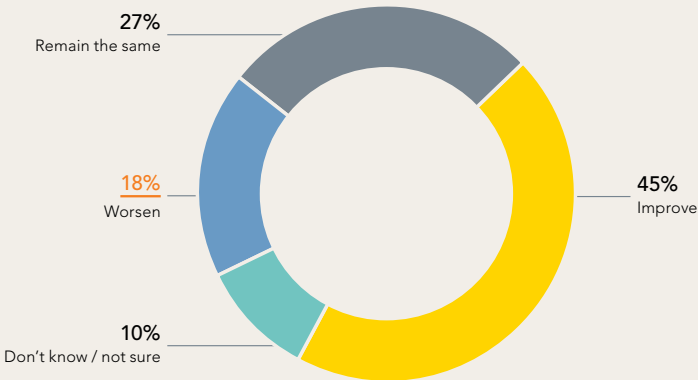
■ Significantly higher than average ■ Significantly lower than average

While the assessment of market governance in Singapore in the recent past is that it mostly remained the same, respondents are a lot more optimistic about the future with 47 per cent thinking that it will improve and 34 per cent that it will remain the same (Figure 52). Only 10 per cent of respondents think that market governance will worsen while 9 per cent are not sure or do not know. Shareholders are significantly more likely to think that market governance will worsen than professional/business owners and management executives.

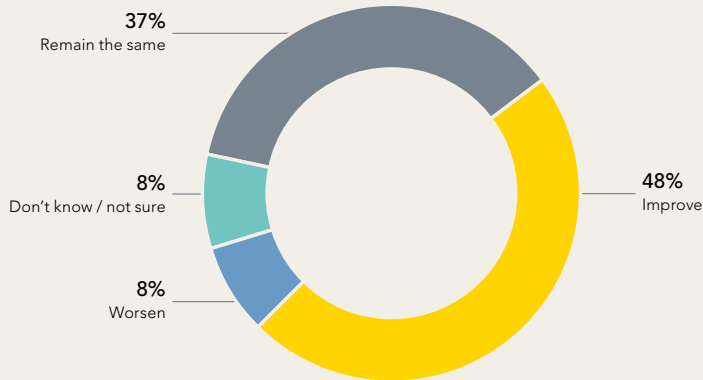
MARKET RESULTS: SINGAPORE (CONTINUED)

FIGURE 52. PERCEPTION OF HOW MARKET GOVERNANCE WILL CHANGE IN THE FUTURE

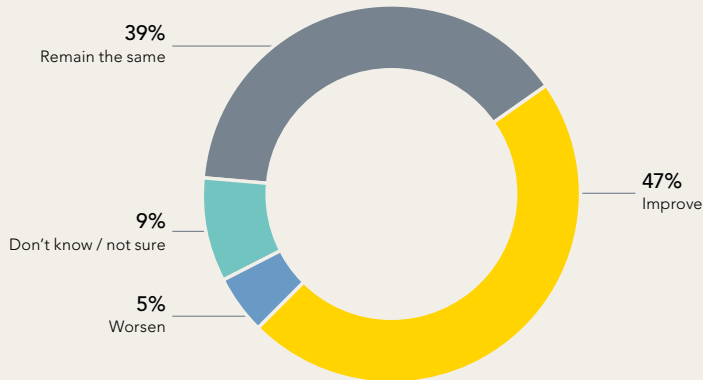
Shareholders



Professionals / Business Owners



Management Executives



■ Significantly higher than average
 ■ Significantly lower than average

MARKET RESULTS: SINGAPORE (CONTINUED)

In response to the open question: “What would you say is the most urgent issue that needs to be addressed in relation to market governance in Singapore?” the responses were rather dispersed. The top nine themes listed below represent 44 per cent of responses:

- cost of living is too high, inflation and the high price of source materials (8 per cent)
- corruption of civil servants, councils, state government and bureaucracy, and government not listening to the general public (8 per cent)
- lack of transparency (6 per cent)
- corruption of corporates (5 per cent)
- housing issues (price or rent too high or lack of state houses) (4 per cent)
- wealth disparity and poverty (4 per cent)
- exploitation of low wage workers and unfair minimum wages (4 per cent)
- the rule of law, judicial justice, too many loopholes in the legislations, and inappropriate law enforcement (3 per cent)
- growing population and aging population (3 per cent)

Overall, respondents from Singapore are very positive in relation to the rule of law and the government’s efforts to tackle corruption, which they believe to be a serious problem in business and government. As is the case in other jurisdictions, they are more likely to think that the government is accountable but less likely to think that it is transparent.

More respondents think that market governance will improve in the future than think that it has improved in the last two years. Very few respondents expect market governance to deteriorate in the future.

RESPONDENTS’ COMMENTS

“RISING COST OF LIVING (HOUSING, TRANSPORT) BUT INCOME LEVEL IS NOT RISING AS FAST. THERE IS STILL A LARGE GROUP OF PEOPLE STRUGGLING TO MAKE ENDS MEET”

““LAWS AND LEGISLATION SHOULD APPLY EQUALLY TO ALL”

“MORE TRANSPARENCY AND TO HAVE A STANDARD WAY OF ISSUING ANNUAL REPORTS IN CLEAR SIMPLE LAYMEN TERMS. THIS WOULD THEN ALLOW SHAREHOLDERS (BIG OR SMALL) TO HAVE A DEEPER UNDERSTANDING OF WHAT GOES ON IN THE COMPANY”

MARKET RESULTS: SINGAPORE (CONTINUED)

CORPORATE GOVERNANCE

Figure 53 provides the responses from Singapore to the corporate governance statements of the questionnaire. The chart lists the areas in order of most agreement – representing tend to agree and strongly agree responses. Respondents identify fraud as a problem for business, while the majority also agree that companies are accountable, comply with laws and regulations and the vast majority behave ethically.

In Singapore, 73 per cent of respondents tend to agree or strongly agree that fraud is a problem for business while 53 per cent agree that corporate governance is effective. Interestingly, 61 per cent of respondents tend to agree or strongly agree that companies face problems because the boards of directors make bad decisions, while 45 per cent tend to agree or strongly agree that boards of directors are effective in discharging their responsibilities.

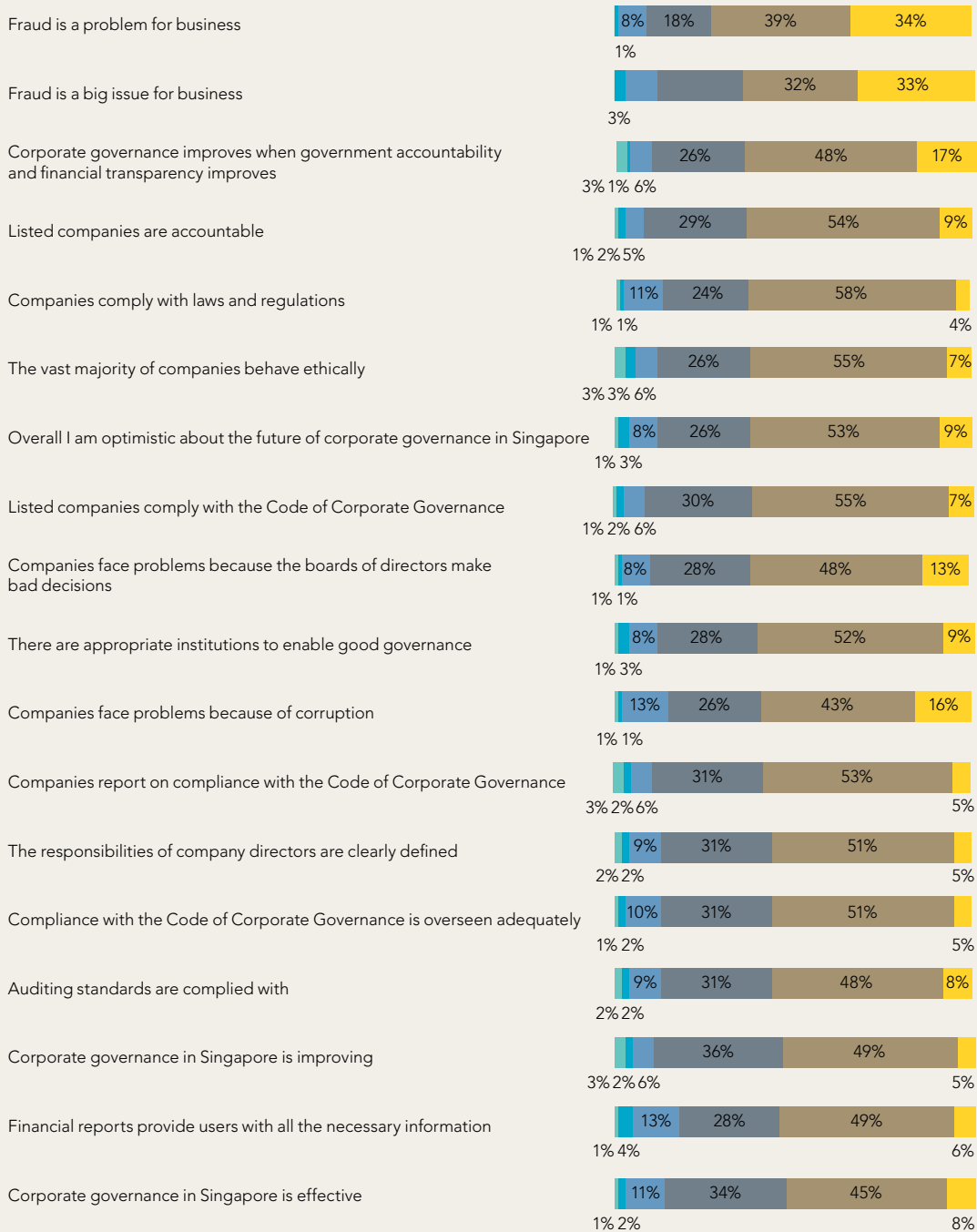
In relation to reporting, 55 per cent of respondents tend to agree or strongly agree that financial reports provide users with all the necessary information, 51 per cent that company reporting is adequate, 45 per cent that company reporting is trusted and 43 per cent that financial reports are trustworthy.

Most respondents (56 per cent) tend to agree or strongly agree that auditing standards are complied with, 52 per cent feel that auditing standards are adequate and 53 per cent believe that external auditors are independent.

In relation to compliance with the governance code, 62 per cent tend to agree or strongly agree that listed companies comply with the corporate governance code, 58 per cent think that companies report on compliance with the code, and 56 per cent tend to agree or strongly agree that compliance with the code is overseen adequately.

MARKET RESULTS: SINGAPORE (CONTINUED)

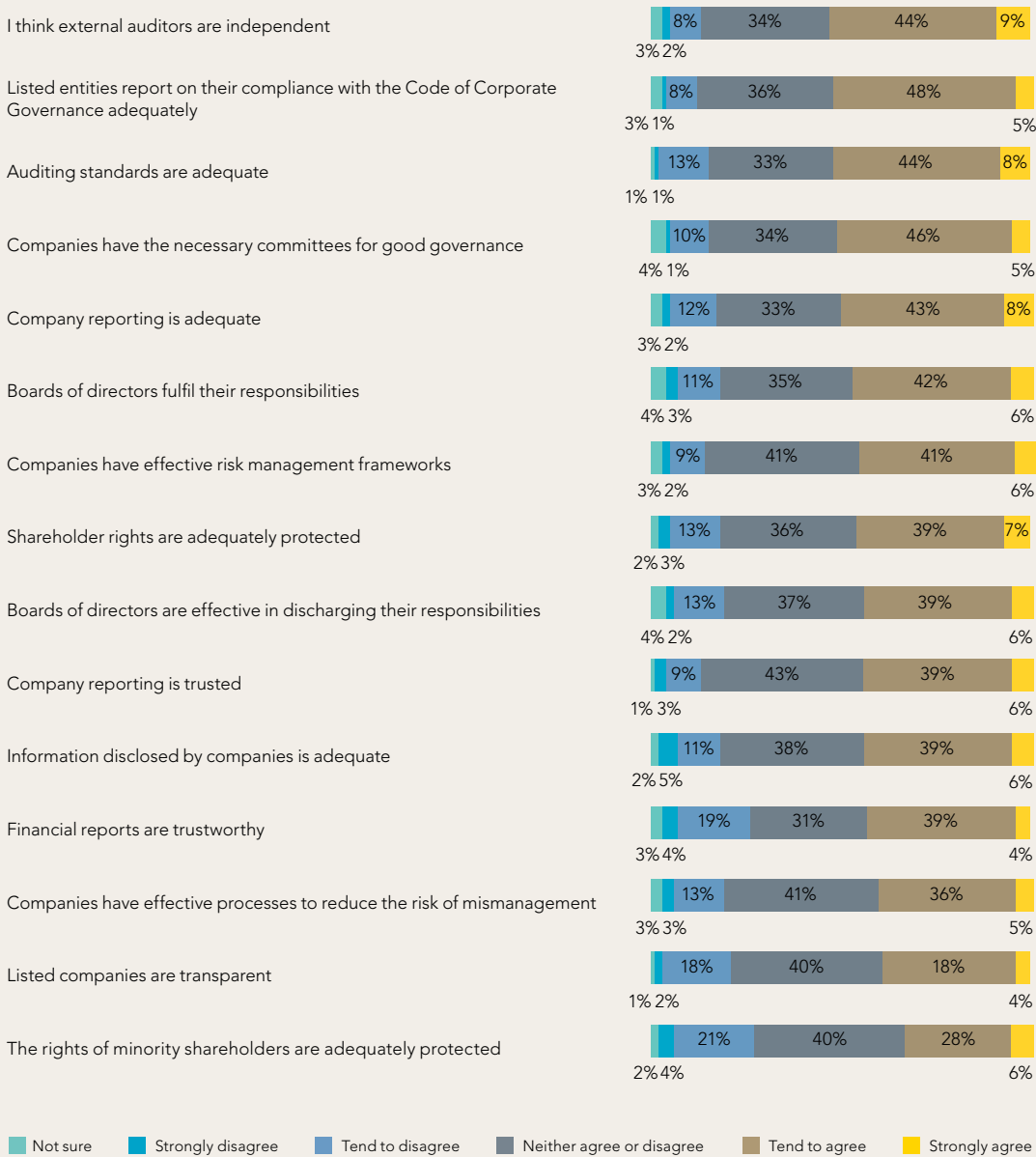
FIGURE 53. CORPORATE GOVERNANCE IN SINGAPORE



■ Not sure
 ■ Strongly disagree
 ■ Tend to disagree
 ■ Neither agree or disagree
 ■ Tend to agree
 ■ Strongly agree

MARKET RESULTS: SINGAPORE (CONTINUED)

FIGURE 53. CORPORATE GOVERNANCE IN SINGAPORE (CONTINUED)



MARKET RESULTS: SINGAPORE (CONTINUED)

Overall, in Singapore there is a relatively low level of disagreement with many of the statements that relate to corporate governance and a high level of indifference, where respondents neither agree nor disagree. Aside from this, perceptions appear generally positive, with little disagreement with many positive statements about corporate governance.

There are a number of significant differences between the three groups of respondents, which include:

- professionals/business owners are more likely to agree with the statements:
 - listed companies are accountable
 - overall I am optimistic about the future of corporate governance in Singapore
 - the responsibilities of company directors are clearly defined
 - compliance with the code of corporate governance is overseen adequately
 - companies have the necessary committees for good governance
 - boards of directors fulfil their responsibilities
 - companies have effective risk management frameworks
- Shareholders are significantly more likely to agree and management executives much less likely to agree that companies face problems because of corruption
- Shareholders are significantly less likely and management executives much more likely to agree that the rights of minority shareholders are adequately protected
- Shareholders are significantly less likely to agree that boards of directors are effective in discharging their responsibilities and that financial reports are trustworthy

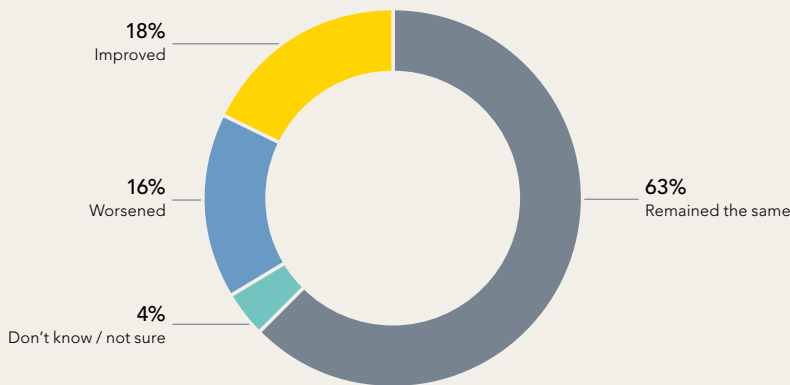
Overall, professionals/business owners seem to be significantly more positive about many aspects of corporate governance in Singapore, while shareholders appear less positive in relation to some of its aspects.

Figure 54 shows respondents views on corporate governance over the past two years. More respondents are likely to think that corporate governance remained the same (58 per cent), while 24 per cent believe it improved. Overall, 12 per cent of respondents think that corporate governance worsened and 7 per cent do not know or are not sure. There are no significant differences between the different groups, however more shareholders thought that corporate governance worsened.

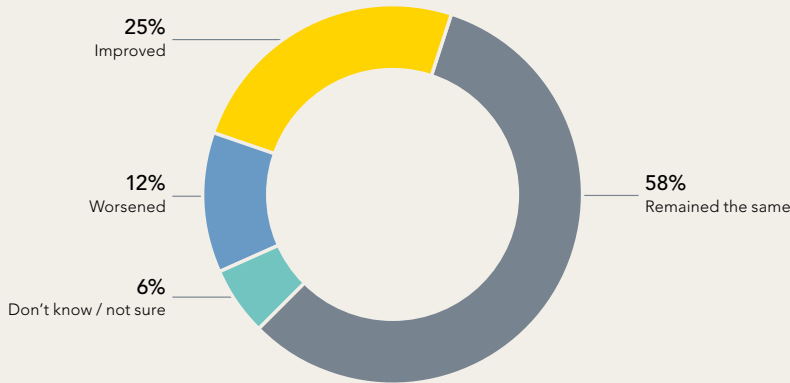
MARKET RESULTS: SINGAPORE (CONTINUED)

FIGURE 54. PERCEPTION OF HOW CORPORATE GOVERNANCE HAS CHANGED OVER THE PAST TWO YEARS

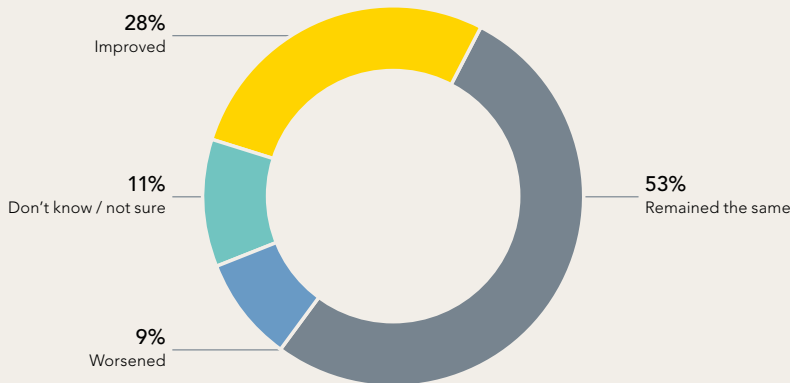
Shareholders



Professionals / Business Owners



Management Executives



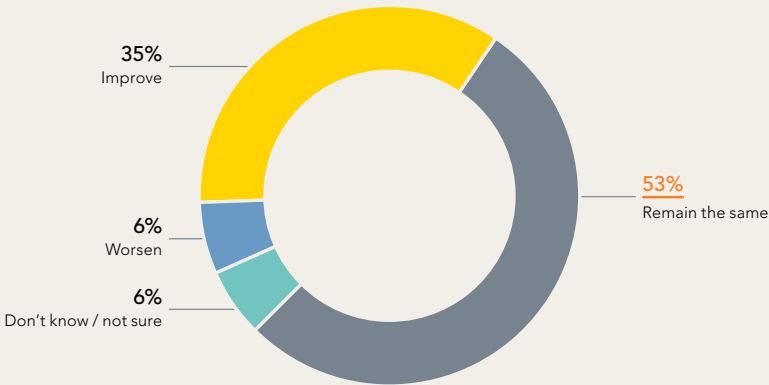
■ Significantly higher than average ■ Significantly lower than average

The future of corporate governance in Singapore appears a lot more positive than its assessment of the recent past (Figure 55). Overall, 44 per cent of all respondents expect corporate governance to improve, 40 per cent expect it to remain the same, and 8 per cent expect a deterioration, are not sure or do not know how corporate governance will change in the future. Shareholders are significantly more likely to think that corporate governance will remain the same.

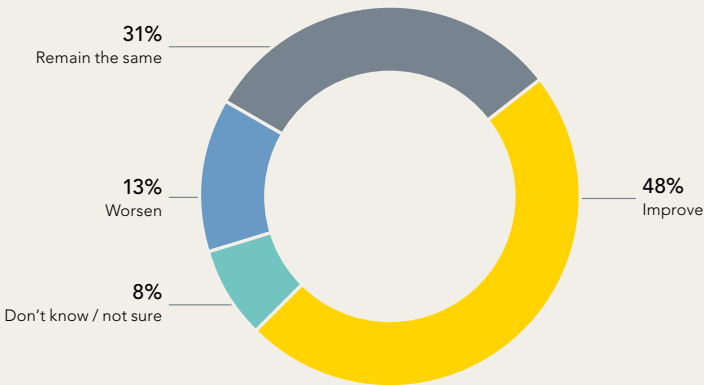
MARKET RESULTS: SINGAPORE (CONTINUED)

FIGURE 55. PERCEPTION OF HOW CORPORATE GOVERNANCE WILL CHANGE IN THE FUTURE

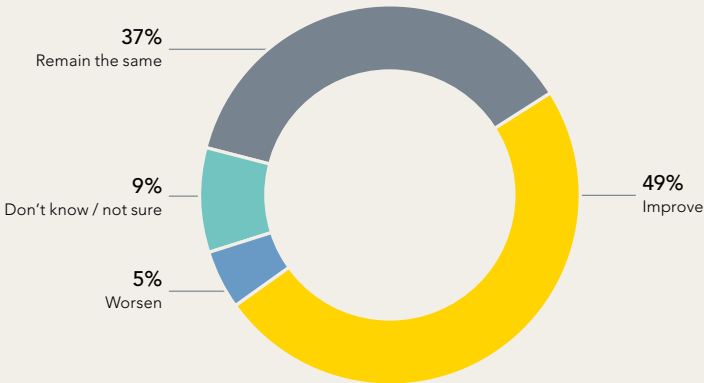
Shareholders



Professionals / Business Owners



Management Executives



■ Significantly higher than average
 ■ Significantly lower than average

MARKET RESULTS: SINGAPORE (CONTINUED)

In response to the open question of “What would you say is the most urgent issue that needs to be addressed in relation to corporate governance in Singapore?” a number of themes emerged. The top 10 themes listed below represent 31 per cent of all responses. Overall, 2 per cent said they do not know or nothing. The most frequently cited issues include:

- companies face problems because of corruption (such as insider trading and breach of confidence) (6 per cent)
- a lack of transparency (such as company management and government operation) (5 per cent)
- tighter control and good governance (unspecified) (5 per cent)
- fraud is a big issue for business and dishonesty (4 per cent)
- insufficient legislation, unstable regulatory framework on corporate governance and many loopholes (2 per cent)
- the rights of minority shareholders are not adequately protected (2 per cent)
- poor human resource management and lack of skilful labour force (2 per cent)
- companies do not behave ethically and lack of social responsibilities (2 per cent)
- bad political environment (such as corruption, bureaucracy and biased policies) (2 per cent)
- a lack of accountability (unspecified) (2 per cent)

Overall, more respondents are optimistic about improvements of corporate governance in the future than those who think that it has improved in the past two years. Professionals/business owners are more positive about their assessment of corporate governance in Singapore at present as indicated by their responses to the corporate governance statements.

RESPONDENTS' COMMENTS

“TIGHTER GOVERNMENT CONTROL OVER ERRANT LISTED COMPANIES THAT MANIPULATE THE MARKET AND REPORTS”

“CLOSER ATTENTION BY GOVERNMENT REGULATORS; MORE STRINGENT STANDARDS FOR COMPLIANCE”

“FRAUD WITH S-CHIP COMPANIES”

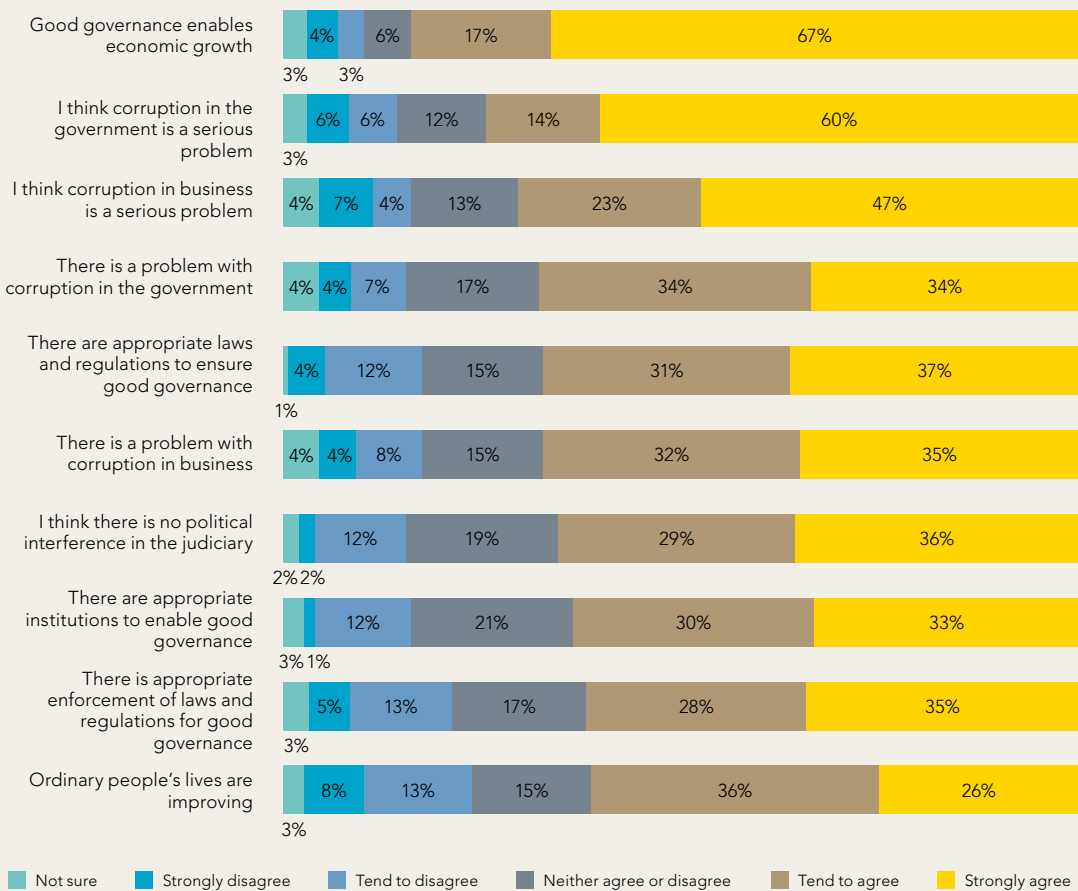
MARKET RESULTS: VIETNAM

MARKET GOVERNANCE

In Vietnam, it is widely believed that corruption in both business and government is a problem. However, there is also a high level of agreement that there are appropriate institutions, laws and regulations to enable good governance. While the majority of respondents agree that corruption is a big issue (Figure 56), there is also a strong view that there are appropriate institutions and law enforcement for good governance.

Despite the fact that corruption is identified as an issue in Vietnam, the majority (62 per cent) tend to agree or strongly agree that the lives of ordinary people are improving.

FIGURE 56. HIGHER AGREEMENT IN MARKET GOVERNANCE ISSUES



MARKET RESULTS: VIETNAM (CONTINUED)

There are only two significant differences between perceptions of the three groups of respondents in Vietnam (Table 12), indicating little variability between groups. Professionals/business owners are significantly more likely to agree that good

governance enables economic growth, while shareholders are much less likely to agree that there are appropriate institutions to enable good governance.

TABLE 12. HIGHER AGREEMENT BY GROUP OF RESPONDENTS

	TEND TO AGREE & STRONGLY AGREE				TEND TO DISAGREE & STRONGLY DISAGREE			
	TOTAL	Shareholders	Professional / Business Owners	Management Executives	TOTAL	Shareholders	Professional / Business Owners	Management Executives
Good governance enables economic growth	84%	79%	92%	81%	7%	12%	4%	6%
I think corruption in the government is a serious problem	74%	73%	77%	73%	12%	17%	6%	12%
I think corruption in business is a serious problem	71%	65%	79%	67%	12%	12%	10%	13%
There is a problem with corruption in the government	68%	58%	71%	75%	11%	12%	10%	12%
There are appropriate laws and regulations to ensure good governance	67%	60%	73%	69%	17%	21%	10%	19%
There is a problem with corruption in business	67%	65%	73%	63%	13%	10%	10%	19%
I think there is no political interference in the judiciary	65%	56%	75%	65%	13%	17%	10%	13%
There are appropriate institutions to enable good governance	63%	48%	71%	71%	13%	13%	15%	12%
There is appropriate enforcement of laws and regulations for good governance	62%	54%	69%	63%	18%	25%	10%	19%
Ordinary people's lives are improving	62%	60%	71%	54%	21%	21%	19%	23%

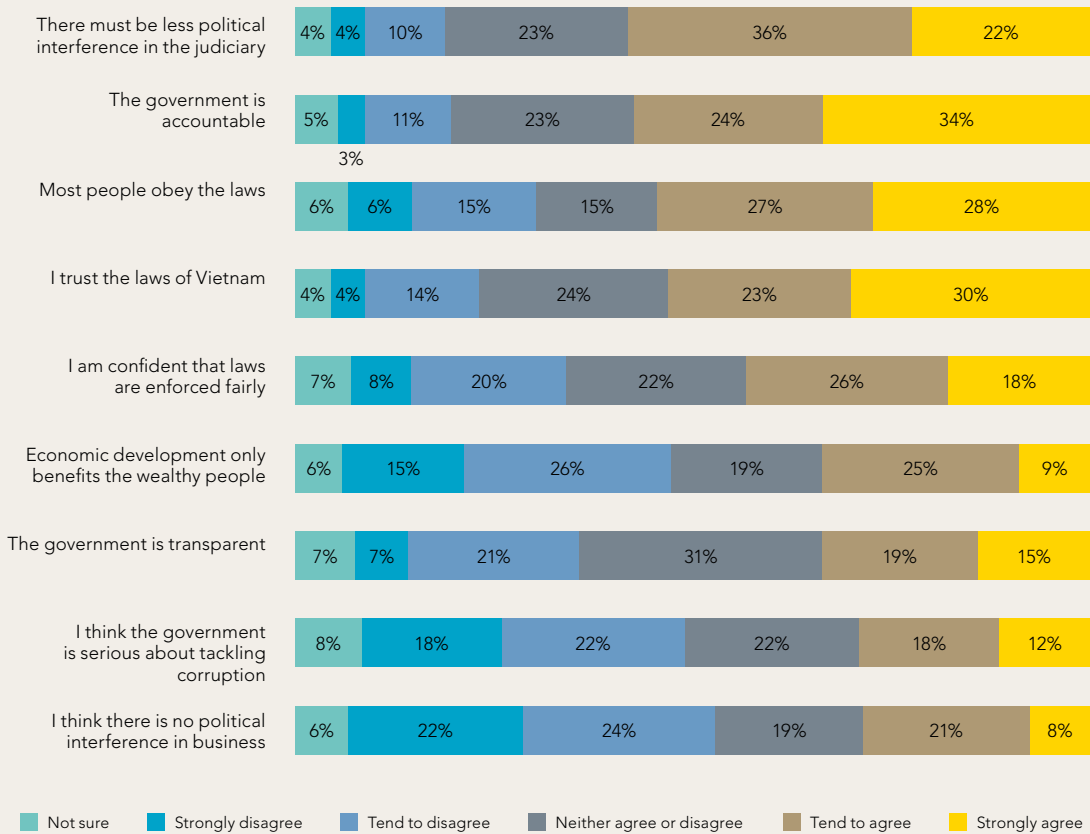
■ Significantly higher than average ■ Significantly lower than average

MARKET RESULTS: VIETNAM (CONTINUED)

The issues respondents from Vietnam showed less agreement with are listed in Figure 57. There is a high degree of polarisation with regards to many aspects, including whether or not economic development only benefits wealthy people, if the government is serious about tackling corruption and whether the government is transparent.

The majority of respondents tend to agree or strongly agree that most people obey the laws, which they trust, but fewer people have confidence that the laws are enforced fairly

FIGURE 57. LOWER AGREEMENT IN MARKET GOVERNANCE ISSUES



MARKET RESULTS: VIETNAM (CONTINUED)

There are only three significant differences in the perceptions reported in Figure 57 between shareholders, professionals/business owners and management executives (see Table 13). Professionals/business owners are significantly

more likely to trust the laws of Vietnam, while shareholders are more likely to disagree with the statements: "There must be less political interference in the judiciary" and "I am confident that laws are enforced fairly."

TABLE 13. LOWER AGREEMENT BY GROUP OF RESPONDENTS

	TEND TO AGREE & STRONGLY AGREE				TEND TO DISAGREE & STRONGLY DISAGREE			
	TOTAL	Shareholders	Professional / Business Owners	Management Executives	TOTAL	Shareholders	Professional / Business Owners	Management Executives
There must be less political interference in the judiciary	58%	52%	58%	65%	14%	23%	10%	10%
The government is accountable	58%	50%	65%	58%	14%	12%	17%	13%
Most people obey the laws	54%	52%	60%	52%	24%	25%	25%	21%
I trust the laws of Vietnam	53%	46%	65%	48%	19%	21%	15%	19%
I am confident that laws are enforced fairly	44%	37%	52%	42%	28%	38%	19%	25%
Economic development only benefits the wealthy people	34%	44%	27%	31%	41%	37%	46%	40%
The government is transparent	34%	33%	44%	25%	28%	35%	21%	29%
I think the government is serious about tackling corruption	29%	25%	35%	29%	40%	37%	42%	42%
I think there is no political interference in business	29%	37%	27%	23%	46%	50%	40%	48%

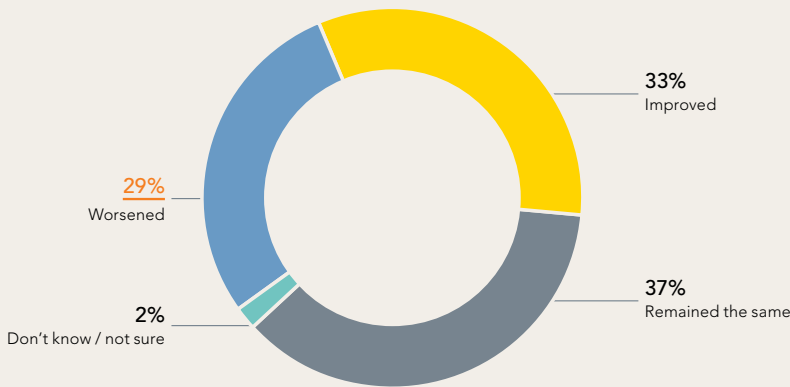
■ Significantly higher than average ■ Significantly lower than average

Figure 58 shows the perceptions about market governance over the past two years. More respondents think it has remained the same (44 per cent), 35 per cent think that it has improved, and 20 per cent believe that it worsened. Only 1 per cent of respondents didn't know or were not sure how it has changed. There are no significant differences between the three groups of respondents.

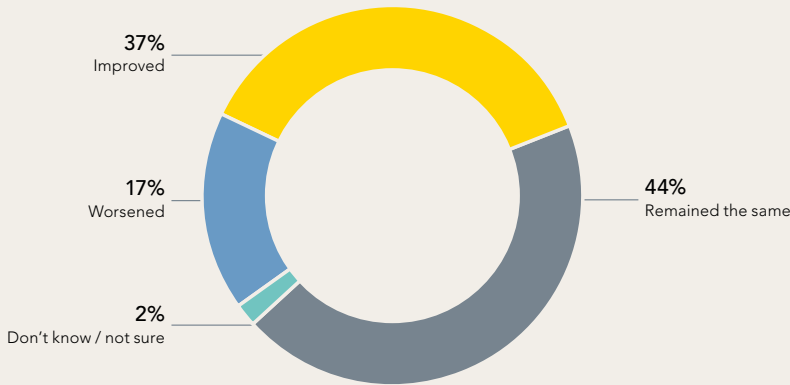
MARKET RESULTS: VIETNAM (CONTINUED)

FIGURE 58. PERCEPTION OF HOW MARKET GOVERNANCE HAS CHANGED OVER THE PAST TWO YEARS

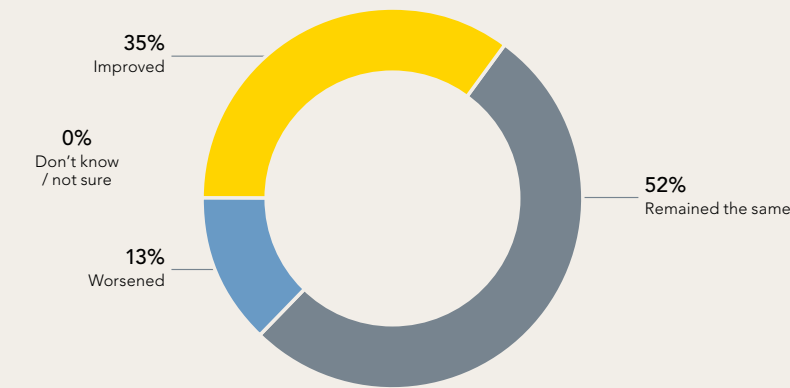
Shareholders



Professionals / Business Owners



Management Executives



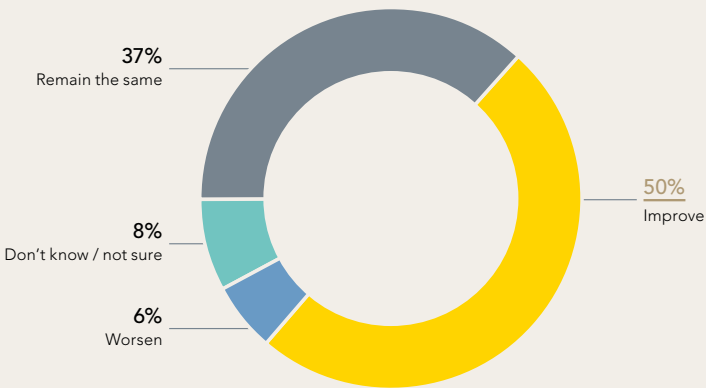
■ Significantly higher than average ■ Significantly lower than average

While 35 per cent of all respondents think that market governance improved in Vietnam in the past two years, 61 per cent think it will improve in the future (Figure 59). There appears to be great optimism for the future, as only 6 per cent of respondents expect market governance to worsen and 6 per cent do not know or are not sure. Shareholders are significantly less likely to think that market governance will improve than professional/business owners and management executives.

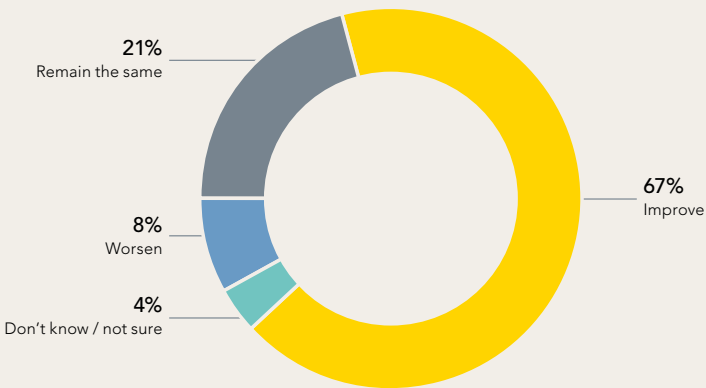
MARKET RESULTS: VIETNAM (CONTINUED)

FIGURE 59. PERCEPTION OF HOW MARKET GOVERNANCE WILL CHANGE IN THE FUTURE

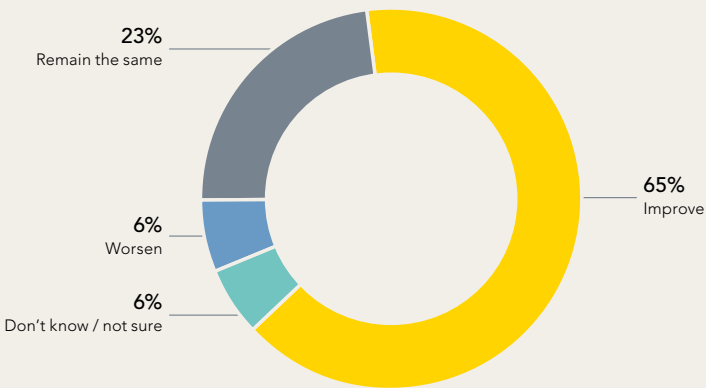
Shareholders



Professionals / Business Owners



Management Executives



■ Significantly higher than average
 ■ Significantly lower than average

MARKET RESULTS: VIETNAM (CONTINUED)

In response to the open question: “What would you say is the most urgent issue that needs to be addressed in relation to market governance in Vietnam?” the responses are fairly concentrated. The top eight themes listed below represent 90 per cent of responses:

- corruption (unspecific) (21 per cent)
- lack of consumer protection, the market is full of low quality fabricated products, and food safety (16 per cent)
- an inappropriate management system, better market supervision and governance, and deepen reform (15 per cent)
- corruption of civil servants, councils, state government and bureaucracy, and government not listening to the general public (11 per cent)
- the rule of law, judicial justice, too many loopholes in the legislations and inappropriate law enforcement (8 per cent)
- lack of transparency (7 per cent)
- cost of living is too high, inflation and the high price of source materials (6 per cent)
- monopolies and unfair trading, protection for small traders, protection for minority shareholders and ensure fair competition and free market (6 per cent)

Overall, respondents from Vietnam are positive in relation to regulations and laws and their appropriateness for good governance, but they also think corruption and political interference is an issue. However, there is optimism for the future with most of those surveyed expecting things to improve.

RESPONDENTS' COMMENTS

“CORRUPTION IS A BIG PROBLEM THAT NEEDS TO BE RESOLVED THOROUGHLY”

“CONTRABAND, PRODUCTS FROM UNCLEAR ORIGINS”

“ THE THING I AM MOST CONCERNED WITH IS FOOD SAFETY, THIS HAS ALSO RECEIVED A LOT OF PUBLIC ATTENTION. ALL CONCERNED NEED TO COLLABORATE TO RESOLVE THIS ISSUE FOR THE NATIONAL SAFETY”

MARKET RESULTS: VIETNAM (CONTINUED)

CORPORATE GOVERNANCE

Figure 60 provides the responses from Vietnam to the corporate governance statements of the questionnaire. The statements are presented in order of most agreement – representing tend to agree and strongly agree responses. Respondents identify fraud as a problem for business, while the majority also agree that companies face problems because of corruption.

In Vietnam, 78 per cent of respondents tend to agree or strongly agree that fraud is a problem for business, while 65 per cent tend to agree or strongly agree that companies face problems because of corruption. The majority also agrees that there are appropriate institutions for good governance, and companies have the necessary committees for good governance.

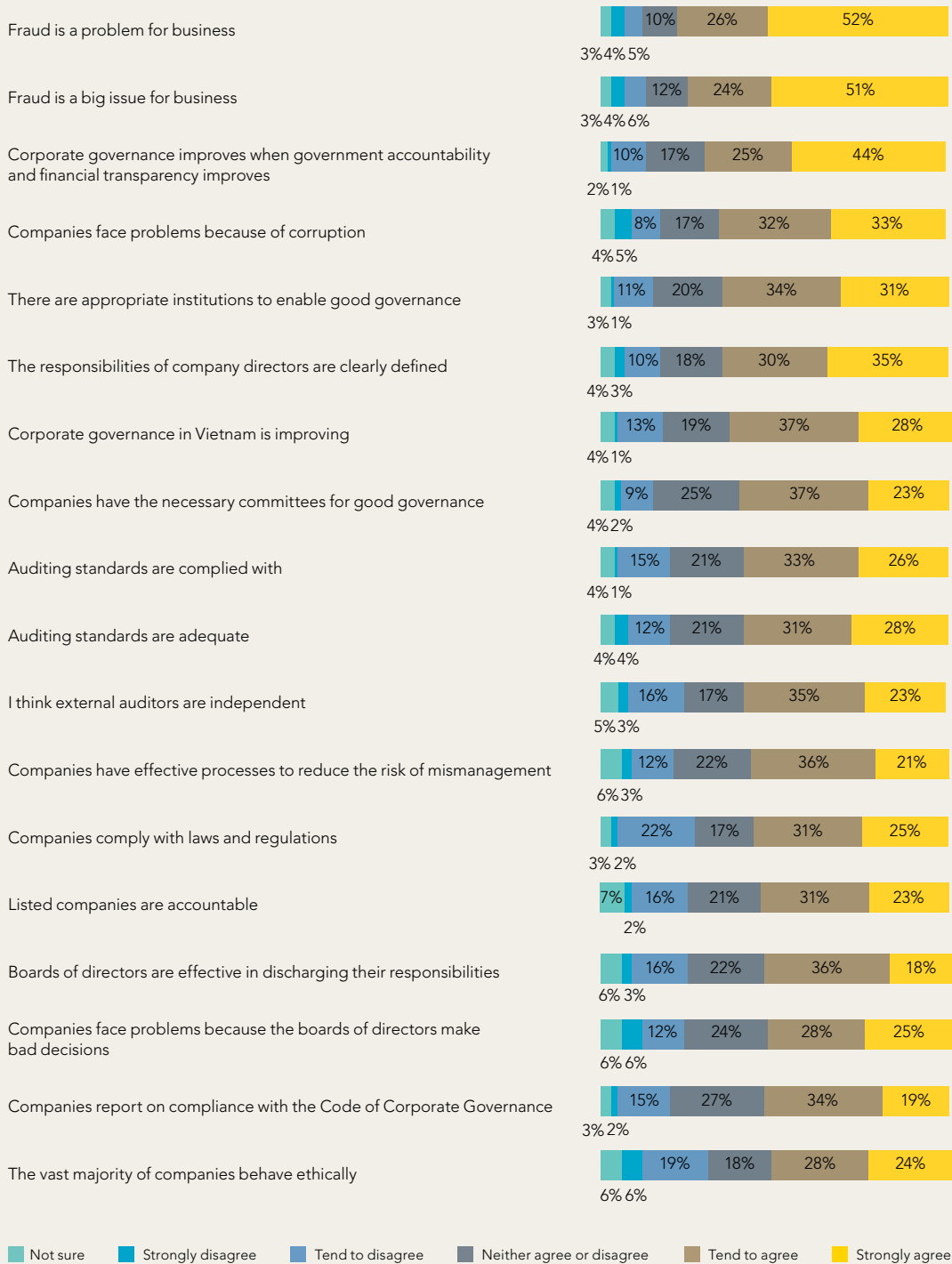
In relation to reporting, 48 per cent of respondents tend to agree or strongly agree that financial reports provide users with all the necessary information, 47 per cent think that company reporting is adequate, 45 per cent believe that company reporting is trusted and 63 per cent feel that financial reports are trustworthy.

The majority of respondents (59 per cent) tend to agree or strongly agree that auditing standards are complied with, 59 per cent believe that auditing standards are adequate and 58 per cent feel that external auditors are independent.

In relation to compliance with the governance code, 51 per cent tend to agree or strongly agree that listed companies comply with the corporate governance code, 53 per cent believe that companies report on compliance with the code, but 50 per cent agree or strongly agree that compliance with the code is overseen adequately.

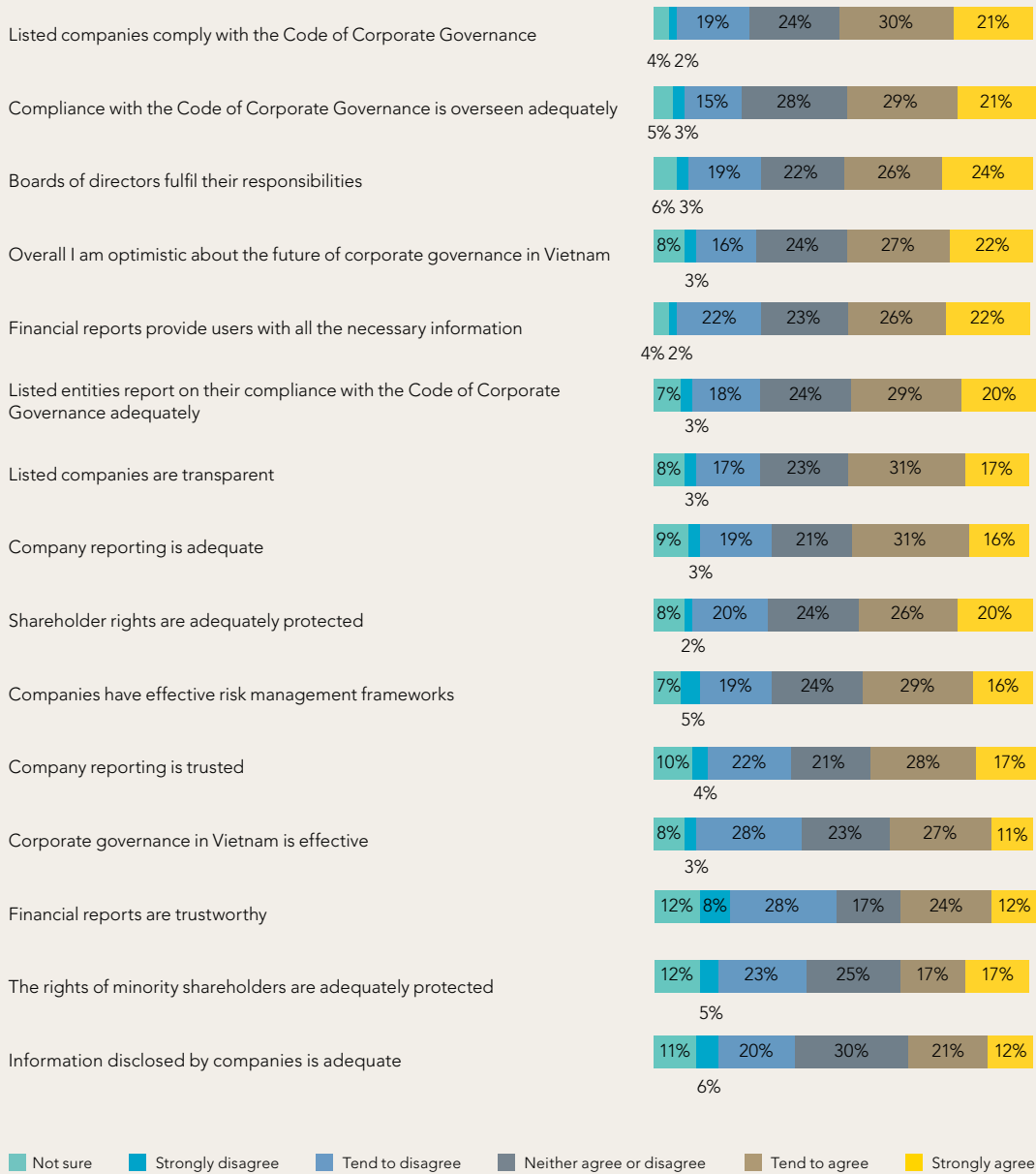
MARKET RESULTS: VIETNAM (CONTINUED)

FIGURE 60. CORPORATE GOVERNANCE IN VIETNAM



MARKET RESULTS: VIETNAM (CONTINUED)

FIGURE 60. CORPORATE GOVERNANCE IN VIETNAM (CONTINUED)



MARKET RESULTS: VIETNAM (CONTINUED)

Overall, in Vietnam there is a relatively low level of disagreement with many of the statements that relate to corporate governance. The significant differences between the three groups of respondents are listed below.

- Professionals/business owners are more likely to agree that:
 - companies have effective processes to reduce the risk of mismanagement
 - companies face problems because of corruption
 - auditing standards are complied with
 - auditing standards are adequate
 - the responsibilities of company directors are clearly defined
- Shareholders are significantly less likely to agree that the responsibilities of company directors are clearly defined and that information disclosed by companies is adequate
- Management executives are significantly less likely to agree that fraud is a big issue for business and companies face problems because of corruption, but significantly more likely to be optimistic about the future of corporate governance in Vietnam, to agree that financial reports are trustworthy and information disclosed by companies is adequate

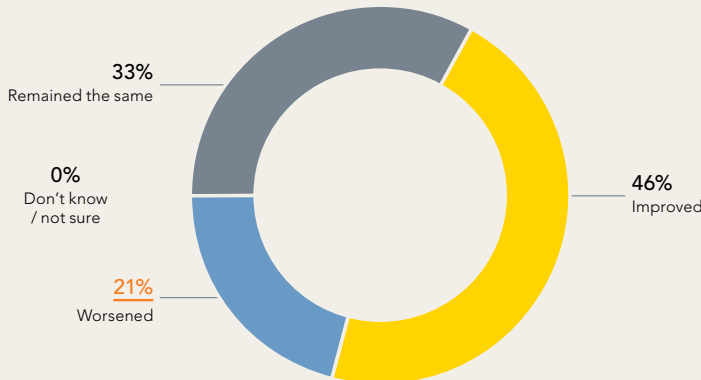
Figure 61 shows respondents' views on corporate governance over the past two years. More respondents are likely to think that corporate governance improved (47 per cent) than remained the same (41 per cent). Overall, 12 per cent of respondents think that corporate governance worsened and none of those surveyed replied that they don't know or are not sure.

The only significant difference between the different groups is that more shareholders thought that corporate governance worsened.

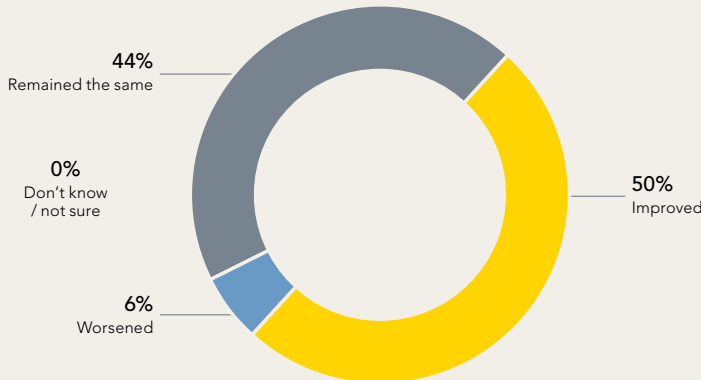
MARKET RESULTS: VIETNAM (CONTINUED)

FIGURE 61. PERCEPTION OF HOW CORPORATE GOVERNANCE HAS CHANGED OVER THE PAST TWO YEARS

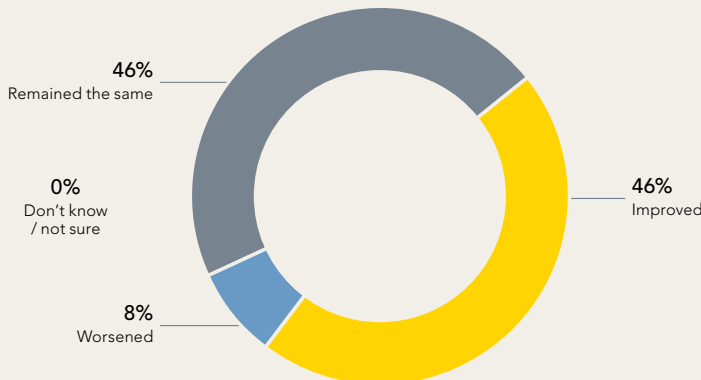
Shareholders



Professionals / Business Owners



Management Executives



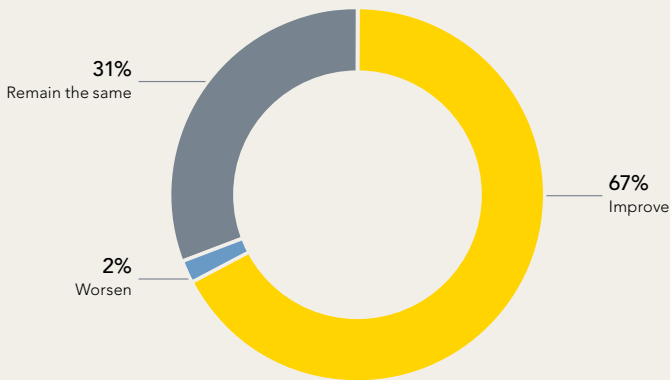
■ Significantly higher than average ■ Significantly lower than average

The future of corporate governance in Vietnam appears very optimistic (Figure 62). Overall, 71 per cent of all respondents expect corporate governance to improve, 23 per cent anticipate it will remain the same, and 3 per cent expect deterioration. In addition, 3 per cent of respondents are not sure or do not know how corporate governance will change in the future. There are no significant differences between the three groups of respondents.

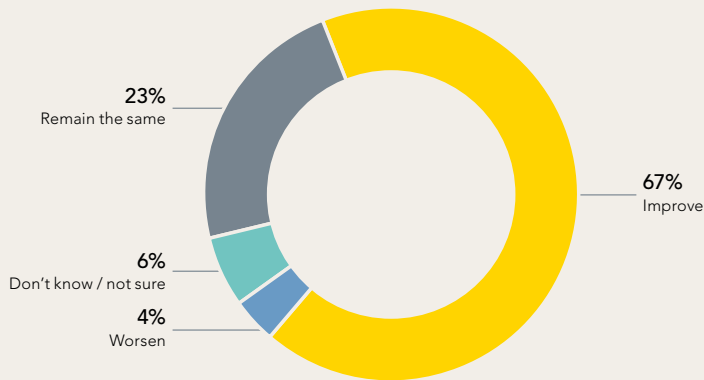
MARKET RESULTS: VIETNAM (CONTINUED)

FIGURE 62. PERCEPTION OF HOW CORPORATE GOVERNANCE WILL CHANGE IN THE FUTURE

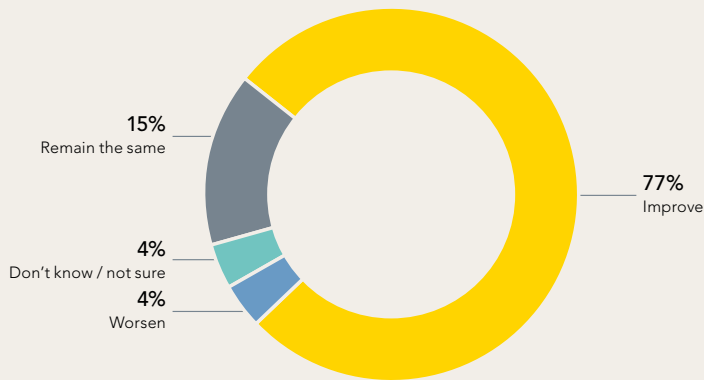
Shareholders



Professionals / Business Owners



Management Executives



■ Significantly higher than average
 ■ Significantly lower than average

MARKET RESULTS: VIETNAM (CONTINUED)

In response to the open question “What would you say is the most urgent issue that needs to be addressed in relation to corporate governance in Vietnam?” a number of themes emerged. The top eight themes listed below represent 60 per cent of all responses. Overall, 2 per cent said they do not know. The most frequently cited issues include:

- companies face problems because of corruption (such as insider trading and breach of confidence) (10 per cent)
- companies face problems because of mismanagement (10 per cent)
- boards of directors are not effective in discharging their responsibilities are incompetent (9 per cent)
- a lack of accountability (unspecified) (8 per cent)
- fraud is a big issue for business and dishonesty (7 per cent)
- poor human resource management and lack of skilful labour force (6 per cent)
- insufficient legislation, unstable regulatory framework on corporate governance, and many loopholes (5 per cent)
- a lack of transparency such as company management and government operation) (4 per cent)

Overall, there is a lot of optimism about corporate governance in Vietnam, more so than market governance. The majority of respondents consider corruption to be an important issue in government and business, but they also agree that appropriate institutions and laws and regulations exist to enable good governance.

RESPONDENTS' COMMENTS

“ FRAUDULENCE IN BUSINESS IS THE MOST URGENT ISSUE IN VIETNAM. MORE TRANSPARENT AND EFFECTIVE LAW”

“THE BOARD OF DIRECTORS AND MANAGING BOARD NEED TO BE MORE RESPONSIBLE FOR THEIR DECISIONS. NEED TO GIVE MORE TRANSPARENT INFORMATION”

“CORRUPTION AND BRIBERY. POOR GOVERNANCE, LEADERS OFTEN MAKE WRONG DECISIONS”