listed corporations which do not fully understand the factors determining their materiality to conduct some research. In particular, they need to know who are their shareholders and potential investors. Are they institutional investors or retailed investors, and whether are they long-term investors or speculators? These answers will be useful for them to make quick decisions on whether to disclose inside information in accordance with the provisions.

Section 307G(1) of SFO stipulates that "(e)very officer of a list corporation must take all reasonable measures from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the corporation." An officer means a director, manager or secretary of, or any other person involved in the management of, the corporation. Proper safeguards would include the creation and maintenance of appropriate internal control and reporting systems. Although both executive directors and non-executive directors should exercise due care, skill and diligence to fulfill their roles and obligations, their duties and responsibilities under this newly enacted disclosure regime are different. Officers with an executive role, including executive directors, would have a duty to oversee the proper implementation and functioning of a corporation's internal control system and ensure that any material deficiencies are detected and resolved in a timely manner. However, non-executive directors normally are not involved in the daily operations of a corporation and would usually rely on a corporation's internal controls and reporting procedures to ensure that material information is identified and channeled to the board. It is for this reason that the board's responsibility for establishing and monitoring key internal control procedures is of particular significant for non-executive directors as this is an area where they are more likely to be directly involved. It is therefore more likely that this provision will also be directly relevant to them.

> ***Proper safeguards would include the creation and maintenance of appropriate internal control and reporting systems***

This newly imposed responsibility on non-executive directors may have significant implications on their appointment and recruitment. Since the Stock Exchange of Hong Kong has imposed the mandatory requirement of appointing at least three independent non-executive directors in its Listing Rules, a lot of listed issuers have been complaining about the difficulty in recruiting sufficient number of these directors to satisfy this requirement, particularly for those smaller listed issuers. Potential candidates may need to evaluate whether they have sufficient knowledge on the internal controls and reporting systems for these disclosure requirements and calibrate the litigation risk associated with these requirements in the appointing corporation before they accept the appointment. With this newly imposed responsibility, listed issuers may become even more difficult in appointing the right persons to fill the openings as issuers need to ensure that the appointed non-executive directors should have the knowledge of internal controls and reporting procedures related to this disclosure. One solution to allaying the potential candidates' concerns of possible future litigation related to these requirements that listed issuers can do is to buy sufficient cover of director and officer insurance for all non-executive directors. Another solution is to reduce the possibility of future litigation by increasing the knowledge of their directors with respect to these disclosure requirements. This solution can be carried out through offering orientation programmes to all newly appointed directors and continuous education programmes to all existed directors. One of the topics covered in these programmes should be their duties and responsibility under this newly enacted disclosure regime. The final suggestion for solving the shortage of qualified non-executive director candidates is to expand their search pool by including more qualified females and racial minorities as potential candidates. This suggestion is also in line with the recent proposal for more diversified boards released in a consultation paper by the Stock Exchange of Hong Kong.

**Dr. Raymond Siu Yeung Chan**

*Dr. Raymond Chan was the founding director of the Master of Science in Corporate Governance and Directorship programme, and is an Associate Professor at Department of Accountancy and Law, the School of Business of Hong Kong Baptist University. He was a dissertation supervisor and examiner of students in Doctor of Business Administration (DBA) programme offered by the University of Newcastle at Australia and is currently a dissertation supervisor of students in the DBA programme offered by Hong Kong Baptist University. He taught in the School of Accountancy at the Chinese University of Hong Kong some years ago.*

*Educated in Hong Kong and the United States of America, Dr. Chan received his Bachelor of Business Administration (with Honours) degree with major in Accounting, Master of Business Administration with concentration in Finance, Master of Science in Information Systems, Master of Science in Applied Mathematics, Master of Laws, and Doctor of Philosophy in Accounting. He also received a Certificate for the Corporate Governance series of the Executive Education Program offered by the Harvard Business School. Dr. Chan possesses four professional qualifications: a fellow member of the Association of Chartered Certified Accountants (FCCA) in the UK, Certified Public Accountant (CPA) in Hong Kong, Certified Computing Professional (CCP) of the Institute of Certified Computing Professionals in the USA, and Registered Financial Planner (HKRFP) of the Hong Kong Registered Financial Planners Association in Hong Kong.*

*Before taking up academic posts, Dr. Chan was a Chief Financial Officer of the manufacturing arm of a company listed in Singapore. He also had extensive experience in Hong Kong listed groups in the banking, general insurance, trading, and information technology industries. During 2000 – 2002, Dr. Chan was appointed as an Independent Non-executive Director and the Chairman of the Audit Committee at a listed company in Hong Kong, overseeing the accounting, auditing and finance functions of the company. He was a founding council member and ex-vice president of the Hong Kong Academic Accounting Association, devoting himself to the development of the accounting profession and accounting education in Hong Kong.*

*Dr. Chan was trained as a management consultant in the management consultant department at one of the largest professional accounting firms. He was a SME consultant of Hong Kong Trade Development Council. In recent years, he has done consultancy works for different types of organizations, including the Inland Revenue Department of the Hong Kong SAR Government, the Securities and Futures Commission, the Independent Financial Advisors Association, the Registered Financial Planners, Dun and Bradstreet, the Hong Kong Chamber of Listed Companies, Hoi Meng Group, the Hong Kong Professionals and Senior Executives Association, and etc. Recently he served as a member of the Companies Ordinance Reforms advisory groups, assisting the Hong Kong SAR government in redrafting the Companies Ordinance of Hong Kong.*

*Dr. Chan has published widely in academic journals in a variety of disciplines, including laws (such as Common Law World Review, Australian Journal of Corporate Law, and Company Lawyers), accounting and finance (such as ABACUS, Managerial Accounting Journal, Journal of Financial Reporting and Accounting, Accounting Education: An International Journal, Journal of Business Finance and Accounting, and Applied Financial Economics), general business and corporate governance (such as Asia Pacific Business Review, and The ICFAI Journal of Corporate Governance), and science and social science (such as Journal of Information Science, and Social Indicators Research).*





# Invest Hong Kong assists record number of overseas and Mainland companies to set up or expand in Hong Kong

Invest Hong Kong (InvestHK) announced that the Department assisted 316 overseas and Mainland companies to set up or expand in Hong Kong in 2012, which represents an all-time high and a 4 per cent increase over a year ago.

The Director-General of Investment Promotion, Mr Simon Galpin, was delighted to see the increase in completed projects but noted that global uncertainties vis-a-vis the euro debt crisis and American economy remained a concern.

"2012 was another record year for InvestHK in terms of completed projects. The positive results showed that Hong Kong continues to attract overseas and Mainland investors because of its enduring advantages and new business opportunities," Mr Galpin said.

"In the year ahead, however, we will remain cognisant of global economic trends and continue to identify the sectors and markets which will reap the best benefits for Hong Kong. Our targets will include both multinationals and start-up businesses, which aspire to set up in our city," Mr Galpin added.

***Director-General of Investment Promotion at Invest Hong Kong, Simon Galpin, and Associate Director-General of Investment Promotion, Victoria Tang, hosted a press conference today (January 24) to announce Invest Hong Kong's 2012 annual results.***

**2012 annual results: Highlights**

The 316 completed projects derived from 34 countries. Mainland China continued to be the largest single source of investment into Hong Kong with a total of 62 projects, followed by the US with 54 projects, the UK (29), Japan (27) and Germany (17). The 316 companies planned to employ 2 937 people in Hong Kong for their first year of set up or expansion, up 8 per cent from a year previously.

By broad sector definitions, the top three in terms of number of completed projects were "Transport and Industrial" (48), "Tourism and Hospitality" (46) and "Innovation and Technology" (43). By subsector, there was an increasing number of companies from the fashion apparel and asset management industries. These reflect the role of Hong Kong as China's international business and financial centre and its attractiveness to visitors and high net-worth individuals who are boosting the demand for retail and asset management.

By region, Europe led the field with 110 projects completed compared to 105 a year ago. Some 60 projects were from the Eurozone economies, up by almost 16 per cent compared to a year earlier. North America including Canada also reported growth, with 65 projects compared to 59 a year ago. Asia Pacific excluding Mainland China reported milder growth, with 74 projects compared to 73 a year previously.

By market, Germany was the fastest growing in Europe, with 17 projects compared to seven in 2011 (up 143 per cent over a year ago). In Asia, Mainland China and Japan were ahead (up 10.7 per cent and 17.4 per cent compared to a year ago, respectively). Meanwhile, almost 85 per cent of the 316 companies rated InvestHK's services as "very useful".


***Director-General of Investment Promotion at Invest Hong Kong, Simon Galpin, said that 2012 was another record year for InvestHK in terms of completed projects. The positive results showed that Hong Kong continues to attract overseas and Mainland investors because of its enduring advantages and new business opportunities.***

**Looking forward**

Mr Galpin noted the rise in the number of German companies in InvestHK's portfolio and said, "We are delighted to see that German companies are choosing to set up in Hong Kong in growing numbers.

"Our city is not only popular for multinationals with global functions but is also increasingly a magnet for entrepreneurs who are attracted by the business convenience and opportunities it has to offer," Mr Galpin said. ■









# **Aboitiz.** This is who we are.

At Aboitiz, we are proud to say that our name holds a legacy of excellence, nurtured and strengthened for over a hundred years.

Aboitiz began as a simple hemp trading business in the early 1900s. Today, it is one of the largest and best managed companies in the Philippines that focus on Power, Banking, Food, Real Estate, Construction, Shipbuilding and Corporate Social Responsibility.

**POWER**
AboitizPower is a publicly listed company engaged in power generation, distribution, retail and power services.

In power generation, AboitizPower's portfolio of plants is diversified in fuel source and located throughout the country. Cleanergy is AboitizPower's brand of clean and renewable energy from hydro and geothermal power sources.

The company also has investments in a number of distribution utilities in high-growth areas of the Philippines, including the second and third largest in the country in terms of power sales. These utilities are recognized for setting the standards in innovation, efficiency, and customer service.

AboitizPower is committed to support the country's growth by providing ample and reliable power when needed, at a reasonable cost, and with the least adverse effect on the environment and its host communities.

**BANKING**
UnionBank is a publicly listed universal bank recognized as among Asia's best companies in banking and finance. It consistently ranks among the top banks in key performance ratios in profitability, liquidity, solvency and efficiency. It is also a pioneer in the application of information technology in banking services.

CitySavings is a leading thrift bank based in central Philippines and currently expanding into Luzon. It specializes in catering to the civil servant and payroll loans market segments.

**FOOD**
Pilmico Foods Corporation is one of the largest flour mill companies in the Philippines. It is a top-3 player in the flour market and a leader in operating efficiency. Pilmico also manufactures yeast and other bakery products, and through its wholly owned subsidiary, Pilmico Animal Nutrition Corporation, operates a feed milling and swine growing operation.

**REAL ESTATE**
AboitizLand is a trusted name in residential, industrial, and commercial development. Since the late 1990s, it has been creating communities with pioneering concepts. With many innovative quality projects to its name, AboitizLand's customer base has dynamically grown, fulfilling its commitment towards realizing the Filipino dream of home ownership.

**CONSTRUCTION**
Metaphil is an internationally recognized company known for its quality and timely delivery of critical engineering, procurement and construction solutions. It is an ISO 9001:2000-certified company with expertise in complex and large-scale projects for various clients in the mining, petrochemical, oil and gas industries.

**SHIPBUILDING**
Tsuneishi Heavy Industries (Cebu), Inc. (THICI) is a joint venture between the Aboitiz Group and Japan-based shipbuilder Tsuneishi Group. It operates a 147-hectare shipyard in Balamban, Cebu that manufactures a variety of vessels, including bulk carriers of up to 180,000 dead weight tons, car and truck carriers, and container ships for clients around the world.

**CORPORATE SOCIAL RESPONSIBILITY**
An integral part of the Aboitiz corporate culture is its Corporate Social Responsibility (CSR) program which aims to contribute to the development of the country and the preservation of our natural environment.

The Aboitiz Foundation focuses on empowering the Filipino through capability-building programs in education, enterprise development and environmental sustainability in its partner communities.

WeatherPhilippines Foundation operates a premier nationwide weather forecasting system in the country. Its primary objective is to support the Philippine government in improving disaster preparedness in urban and rural areas by providing accurate, real time weather forecasting to the public.

Learn more about the Aboitiz Group. Visit us at **www.aboitiz.com**.

aboitiz

Passion for better ways

# Diversity on Boards is about Corporate Governance

Sometimes, a journey of a thousand miles really does begin with a single step

**Rita Benoy Bushon**
*CEO*
*Minority Shareholder Watchdog Group (MSWG)*
*Malaysia*

We have often said that having a diverse boardroom is one of the best ways a company can overcome the challenges of operating in a globalised and volatile world.

Times are changing so fast that we often find it difficult to keep pace. In the last few years, seismic changes have occurred, changing the way we do business. The advent of cloud computing and social networks and the rise of people and consumer power not to mention the importance of emotion in brand development, have all changed the landscape of decision-making in business.

The pace of change is relentless, and if the corporate world is keen to keep pace with the pace of change, then it too must change with the times especially when the merits have been proven and sometimes obvious. The merits of diversity on boards including gender diversity have been linked so intricately with corporate governance which makes business sense. Thus, companies without such representation in the highest echelons of decision making are just not in tune to the needs of the current times.

The Minority Shareholder Watchdog Group (MSWG), which is an independent corporate governance research and monitoring organisation with a focus on minority interest, has long been advocating the board diversity agenda as an essential measure of good governance. It is encapsulated in our Key Principles and Voting Guidelines which guides our voting on board appointments and board balance at AGMs of public listed companies.

We believe that there is a strong business case for balanced boards given that the board's oversight role and responsibilities have increased significantly in the current business landscape. It demands a broader skill set and wider perspectives on boards, hence diversity. Inclusive and diverse boards are more likely to be effective and have a more robust check and balance process.

Women make up almost half of global population, and are often responsible for household purchasing decisions. They are users and customers of the product of the companies - thus having women on boards could improve understanding of customer needs, leading to a more informed decision makings at the highest levels. Various empirical research have attested to the importance of gender diversity at senior and board levels.

Preliminary results from MSWG's ASEAN Corporate Governance scorecard have demonstrated that this initiative is beginning to bear some fruit. From a mere 7.5 per cent female board representation in 2009 in public listed companies it has increased to close to 9 per cent in 2012.

We attribute this to the catalyst of a government-led push for more female representation in the corporate sector. In June 2011, the Malaysian Cabinet approved a policy stipulating that there should be at least 30 per cent of women holding decision-making posts in the corporate sector including at Board levels by 2016 -- an extension of a similar government policy introduced in 2004 for the public sector, which saw an increase in women participation from 18.8 per cent that year to 32.3 per cent in 2011. The development of female talent has been recognised as being pivotal to the country's transformation process thus, integrated into the government's Economic Transformation Programme as part of the Strategic Reform Initiative on Human Capital Development.

With much work to do before the 30 per cent target is met, I should also like to point out and laud the latest changes to Bursa Malaysia's listing rules, which places the onus of meeting diversity targets squarely on the board of directors.

Citing Chapter 15 Part B(A) of the latest changes in the Listing Rules, Bursa says a listed company must provide, in its annual report, information describing its policy on board composition as regards the mix of skills, independence and diversity (including gender diversity), how it nominated and elected the directors and the criteria used in its selection process.

Bursa's emphasis on the qualitative elements of the nominating process demonstrates the importance placed on candidate quality. We wholeheartedly agree that merit MUST be the dominant criteria behind a candidate's election, not his or her gender. Granted, female directors may right now be vastly under-represented in corporate boardrooms, but I am confident there are more than enough suitable candidates to fill the void between now and 2016, a mere three years away.

> *Boards must break out of the mould to implement policies and incentives which promote gender diversity not just in the boardroom but also throughout the organisation*

Multiple parties must act together to ensure that the target is achieved at a faster pace. Nomination committees should be transparent in their nomination process, and should seek a gender diverse slate, alongside age, background and experience. A culture of equal opportunities needs to be cultivated in the workplace, with clear and transparent leadership development and succession planning process to move up the ranks. The establishment of a repository of qualified women directors will help professional recruiters expand their databases and have access to the widest talent pool available.

Shareholders especially institutional investors must play their role and ask for explanations if their investee companies are not able to source for qualified female independent directors on the boards. Government-linked companies (GLCs) should lead the way in promoting the diversity agenda, to encourage more buy-in from the CEOs and boards of their peers on the exchange.

In meeting this target, however, we must avoid the pitfalls of 'rubber-stamp nominations', met by related parties and unqualified candidates. Government imposed quotas, while can close the gender imbalance on corporate boards at a quicker pace, may not be the best way for fear of perceived tokenism which undermines the contributions of qualified female directors.

Quotas have nevertheless, succeeded in some countries. Norway introduced a 40 per cent minimum for either gender into law in 2008, and today boasts a 36.3 per cent aggregate ratio of women now on boards. France passed a law in 2011 whereby within the next three years, 20 per cent of a public listed company's board members must be women, rising to 40% within the following six years i.e. by 2017. France now has 20.1 per cent women on board, exceeding the halfway point set at 20 per cent. Laws mandating increased presence of women on board have also been passed in Spain, Iceland, Italy and Belgium.

Notwithstanding the above examples, I should also like at this point highlight the enormous progress made in Europe on the issue of gender diversity. In November 2012, Viviane Reding, the Vice-President of the European Union and Commissioner for Justice, Citizenship and Fundamental Rights, managed a coup of sorts for diversity champions, when she announced that the European Commission (EC) had agreed a proposed new law that will aim for 40 per cent female non-executive directors of larger European publicly listed companies by 2020. It is expected to be tabled in the European Parliament soon.

Reding's proposed law, while a slight deviation from its original proposal (which specified a quota with sanctions for any failure to comply), nonetheless envisages that this EU-wide consensus will not be a mandatory quota but rather a non-binding target to achieve a 40 per cent representation of the under represented gender by 2020.

In this regard the International Corporate Governance Network (ICGN) Shareholder Responsibilities Committee has also responded to the proposed EC policy. Recently the ICGN conducted a survey on board diversity, with responses received from 15% of its members, from 21 different countries. The ICGN supports the introduction of an EU-wide non-binding objective to achieve the 40 per cent women on Boards by 2020 and is also supportive of a principle-based approach to gender diversity setting out a "comply or explain" requirement for each company.

With the imminent passing of this law in Europe -- similar to the target set in Malaysia -- the issue of board diversity is now under the close scrutiny of the powers that be. On a wider basis, these local and international developments signals that the issue of gender diversity on boards will be high up on the agenda for company boards now and for the next few years at least. Boards cannot afford to skirt the issue and need to change their mindset in recognising the business case for harnessing female talent in the workforce and their potential contributions at the highest decision-making level. While we acknowledge that there will be no 'one size fits all' approach, Boards must break out of the mould to implement policies and incentives which promote gender diversity not just in the boardroom but also throughout the organisation. Boards which ignore gender diversity do so at their peril, as they will essentially be disregarding half the talent pool which will result in below-par performance of the company in the long run.

And while these developments are currently aimed at larger and publicly traded companies, there is every possibility that there will be a ripple effect, impacting smaller public companies and even private companies, whether through a shift in attitudes or through voluntary compliance with corporate governance codes.

Sometimes, a journey of a thousand miles really does begin with a single step. ■

*Rita Benoy Bushon is the Chief Executive Officer of the Minority Shareholder Watchdog Group. She is also the Co-Chair of the ICGN Shareholder Responsibilities Committee.*

# For better, for worse

## How to keep the family business vibrant across generations



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***If family firms want to sustain their dynamic progress across multiple generations they need to have a professional approach to governance and management – a task that, in its multifaceted complexity, poses a major challenge in terms of leadership. It is all about balancing the interests of the company with those of the family and efficiently exploiting the special strengths of this kind of business. In what follows, the authors describe how the challenges of building a family firm over generations can be mastered.***

It was the takeover that proved fatal. Until 2006 the Japanese construction company K.K. Kongö Gumi was the world's oldest enterprise, a family firm dating back 1,428 years. A 17th-century scroll over three meters long documents the corporate history over many generations. According to this time-honored source, the company was originally founded in 578 A.D. by a carpenter named Kongö, from what is today Korea, to fill an order for the construction of a Buddhist temple in Ösaka. The temple still stands. Over the centuries the family built many more prominent edifices in Japan, specializing in temples and shrines. Masakazu Kongö was the 40th and final family member to guide the fortunes of the firm. Shortly after being taken over by Takamatsu Construction Group, in January 2006 Kongö Gumi was wound up.

### The longest corporate history in the world

It is surely no coincidence that the longest corporate history in the world should belong to a family company. And similarly it is no coincidence that this history should come to an abrupt end with the loss of the firm's independence. The example of the long-standing Japanese company teaches two obvious lessons: first, longevity is not reserved for stock corporations but is perfectly possible for family companies too; and second, preserving the company's independence would appear to stand surety for a long life. Those that continue for generation after generation produce superior performance compared to publicly traded companies and are not constrained by a 'quarterly' mentality.

> ===“===
> ***Finding an equilibrium that leverages the best aspects of both family and business is the art of family business management***
> ===”===

Nevertheless, despite their very real economic significance, many family owned companies fail after just a generation or two.

The reasons are less likely to be of an economic nature and will more probably be found in the conditio sine qua non of this type of company – the family. At its best the company's biggest asset, unless managed with the same care and attention as the company itself, the family can rapidly become its most oppressive burden. Every handover to the next generation, every major investment decision, the appropriation of profits, the responsibility for losses – these and many other potential sources of discord among family members loom large around every corner. After all, why should entrepreneurial families be less quarrelsome than any other group of relatives? The consequences of their disputes, however, can be more serious and far-reaching. Conflict is widely held to be the greatest destroyer of value in family firms.

So in a family company, good management means far more than having a far-sighted mission, formulating a wise strategy, and deploying it superbly through a carefully selected workforce. Family firms need all of this and more if they are to survive and prosper in the long term, but at the same time, management must devote at least as much energy and attention to the cares and concerns of the family shareholders. If family-owned companies are out to sustain dynamic progress across generations, they need to manage the inherent conflict between family and business on a consistent basis, a complex and multifaceted task. Finding an equilibrium that leverages the best aspects of both family and business is the art of family business management.





But while management of family companies is more demanding, the results are often worth the extra effort.

### The best of both worlds

Studies show that well-managed family businesses are more profitable, more successful in the long run, and more enduring than other types of company. The secret of their success lies in the ability to combine the best of both worlds: family and business. Their strengths doubtless include the close emotional ties between the owning family (and often the employees) and their company, coupled with a degree of loyalty to the owning family that public companies, for example, can only dream of. In a crisis in particular, this combination will often bring remarkable returns as the shareholders declare themselves willing to dispense with dividend payments for a prolonged period or perhaps even inject fresh capital from their own resources. In the same spirit, employees accept pay cuts and play their part in resolving the problems. Management need not think in terms of quarterly reporting but can generally afford to focus on a longer-term horizon, which will lead to a more sustainable company. CEO tenure also tends to be longer, making for a high level of continuity and dependability. And as employees remain loyal to the company for long periods, they help build and retain a strong knowledge base that ultimately endows many family businesses with immense innovative capabilities and outstanding products that often make them market leaders in their specific segment.

> ===“===
> ***Studies show that well-managed family businesses are more profitable, more successful in the long run, and more enduring than other types of company***
> ===”===

In addition, family companies often have a strong, shared value base, combined with a greater sense of social responsibility that extends beyond the welfare of the workforce. They are deeply rooted in their home region where they often act as patrons of the arts or engage in politics.

The many strengths are offset by several typical weaknesses, such as a lack of transparency within the company and towards the outside world and a degree of splendid isolation that invariably detracts from the competitiveness of the business. There is often a lack of clearly defined accountability and responsibilities as the company transitions from the founder stage. In some cases there is also a marked absence of clear-cut rules and job descriptions that could distinguish the roles of management, family, and owners. This may be understandable, given that relatives rarely define codes of conduct for their dealings with one another, but in the worst case the cocktail of emotions, sympathy and antipathy, personal interests, and different economic expectations can drive the company into existential difficulties. Family companies by their very nature will have problems and those that don't prepare in advance to deal with these contingencies by defining rules and a code of conduct find it very difficult to survive across generations.

### Three dimensions

In many cases, without outside help families are unable to strike a balance between their emotional ties to the company, the economic realities facing management, and the potentially disparate personal interests of the various shareholders. This is why independent, objective and trusted external advice is often critical in handling conflicts while maintaining family harmony. The decisive goals for any professional governance system in a family business must be to defuse potential conflicts or, better still, prevent them arising in the first place, and to ensure an ongoing increase in shareholder value. In this respect, there are three key dimensions to consider:

- The *family* dimension – this is about reaching consensus over the rules that govern family affairs and a clear understanding of how and in what form these rules are anchored in the company. Also, the family should agree on a definition of their shared values. The core goal of family governance is to ensure the cohesion of the family.
- The *ownership* dimension – the structure of company ownership should be such that there is an adequate capital base for future growth while ensuring that the family retains a controlling interest in the company;
- The *management* dimension – the aim here is to ensure well-structured corporate governance and a dynamic, thriving business portfolio in line with family values.

In practice, this means that the family draws up a set of rules acknowledged by all of the parties concerned and governing the conduct of the family and the management of the company – rules that will minimize the potential for family conflict yet increase the enthusiasm of the family for business ownership.

The company and its owners must have a clear, shared view of the commercial goals that the company is out to achieve and it must be clear which managers are responsible for reaching these goals. In addition, they must act to safeguard the company's long-term future by engaging promptly in targeted succession planning. These are demanding tasks and ambitious goals that call for an integrated and above all unbiased approach. Formulating and implementing an appropriate governance framework is often made far easier by involving external advisors. They have the advantage of not pursuing a personal agenda within the company and – given the right specialist qualifications and experience – can provide objective and independent opinions and advice. Of course every family must find its own answers, but the search for those answers can be greatly facilitated by an independent mediator who asks the right questions. In complex decision-making situations in particular, an external advisor who enjoys the broad-based trust of the owners will greatly increase the chances of reaching a consensus that the family alone could not – or could no longer – achieve.

### A framework for the family

If, as the World Bank's International Finance Corporation (IFC) reports "most family businesses have a very short life span beyond their founder's stage," then even surviving this initial critical phase is an ambitious goal. More ambitious still is ramping up the business into new dimensions, expanding into new markets and sophisticated innovations that call for major investments. But as the IFC Family Business Governance Handbook says, "Family businesses can improve their odds of survival by setting the right governance structures in place, and by starting the educational process of the subsequent generations as soon as possible."

Given the major differences in size, structure, and strategic direction of family companies, there can be no such thing as a

one-size-fits-all recipe for good governance structures that meet the specific needs in each case, but there are at least points of reference and guidelines from which companies can take their lead. The first step is to coordinate the interests of the family with those of the business while keeping them clearly segregated. The challenges involved should not be underestimated, because the two parties are tracking the target from entirely different viewpoints – preserving the legacy on one hand, growing the company on the other, as risk aversion clashes with calculated risk taking, and that is just one example. Building a consensus around the purpose and vision of the family is the essence behind drafting a family governance code. This serves as the basis for harmonizing the family and business goals and is designed to complement corporate governance guidelines.

To underpin the important emotional ties between family and company, which would otherwise be diluted from one generation to the next, the family governance code should include elements that promote the integrity of the family and foster its interest in the company. These could involve regular shared events such as family meetings, as well as precise rules governing communication and information flows within the family. Insofar as possible, there should also be rules on how to resolve conflict. Without this framework it is all too easy for the kind of power vacuum to arise that outside corporations or investors seeking acquisition targets love to exploit.

With a view to good family governance, every family of entrepreneurs or owners should not only ask itself the uncomfortable questions but also come up with considered responses, because each of these questions harbors potential hazards if they are not jointly discussed and resolved before circumstances force the family's hand. It is important for every family to answer the following questions in a collaborative forum that is best facilitated by an outside advisor:

• What is it that makes us unique as a family? What values and principles do we stand for and how should these be reflected in the culture of our company?

• Do we have a vision of how our company should develop? If so, how can the family ensure that management shares this vision and drives it forward?

• Who decides on involvement of the family in business, capital allocation, profit distribution, dilution of the family holding, etc.?

• What mechanisms do we have for reaching agreement among ourselves? What shape do our exchanges with the management of the company take and who is responsible for this?

The outcome of these deliberations could be, for example, the formulation of a family constitution, establishment of a family council or the setting up of a shared office that maintains close and continuous contact with executive management.

> *The board is also responsible for the single most important recruitment decision at the company – the appointment of the CEO*

**The role of the board**

The longer a family company exists and the larger it becomes, the greater the need for a supervisory body with at least an advisory remit, which at some point, however, would take on a supervisory function.

A board of this kind makes little sense, however, if it is initiated by the chairperson as a kind of organizational must-have that exists to rubber-stamp his or her decisions, or if the dividing line between the responsibilities of the board and management are not clearly defined. In our experience it is also problematic when the board is made up entirely of family members. In a constellation of this kind, a non-family CEO will have little chance of overcoming an opposing family view, even with the most rational of arguments. Similarly, with this kind of board line-up, the CEO can hardly expect any objective assistance in dealing with the owning family. In our experience, the lack of professional behavior and independence on the part of the board is the decisive reason why the first non-family CEO in family firms so often fails.

Besides bringing the much-needed wisdom and outside perspective in today's complex business environment, outside directors help attain the vital equilibrium between family and firm. A board that is carefully compiled in line with considered search criteria and is well networked can build bridges between owners and management and help communicate to management the values, visions, and strategic parameters defined by the family – particularly important if the management team is made up of non-family executives. The board controls and oversees management in the interests of the family and the business, but if necessary will also intervene to protect management from excessive financial claims or power games on the part of the owners. But the board is no less important in promoting the cohesion of what is, particularly in family business with a long tradition, often a highly diverse group of family shareholders. There will be highly active, deeply involved shareholders here, and others who prefer to live off their shares in a passive role. Here it is the board's integrative powers that are called for. The board is also responsible for the single most important recruitment decision at the company – the appointment of the CEO. To that extent the board also takes on an important strategic role for the company in respect of succession planning.

So what does the ideal board look like? As a result of the board appraisals that we have conducted at Egon Zehnder for listed companies over recent years, we have been able to arrive at findings on the ideal composition of the board – results that can also benefit family firms. The best boards demonstrate the following strengths:

• Strong strategic skills and experience.

• A good blend of IQ and EQ that enables them to creatively solve problems.

• Independent thinking and the courage to voice an opinion on critical decisions.

• Results-orientation. The board understands what drives the profitable growth of the company and fulfills its responsibilities with diligence and discipline.

• The board members are aligned with the values of the company.

• They engage in constructive give-and-take with one another and have a natural orientation towards teamwork.

• They are curious by nature and willing learners.

• They see themselves as sparring partners for the CEO and management.

A board of balanced composition and capable of forming its own judgments can help management and owners attain ambitious goals and create genuine added value.

Particularly when it comes to decisions on emotive issues for the family of owners, a board whose objectivity, professionality and wise judgment ensures it acceptance among all concerned can help defuse potential conflicts. One such situation arose when the CEO of a family firm that we were advising, himself a family member, wanted to abandon the company's original field of activity because it was draining vitality from the business as a whole and the company had since diversified successfully into other markets. Feeling that they were betraying the legacy, some members of the family hesitated to cut these roots and resisted the move. The intervention of the board and the respect it enjoyed with all of the parties ultimately led to a decision in line with the CEO's wishes, without causing a rift in the family.

**Ambitious goals call for talented leaders**

As a company introduces new, ambitious goals, it is not only the board members who face a more demanding role but also – and in some cases by a whole new order of magnitude – top management. Family firms show an above-average tendency to recruit management talent from within. Familiarity and trust play a big part in appointment decisions. They are often driven by comfort with the candidate and not necessarily by his or her competence. And if rising stars are not family members, then the feeling is that they should at least have rubbed shoulders with the family in the course of a prolonged period on the payroll. This blinkered approach can lead to problems in ensuring that the right people are in the right seats, with an ultimate knock-on effect on the company's performance.

Family businesses often have no objective standards by which to measure the performance and skills of their management team. They have no means of benchmarking their executives objectively against other top managers in the market. On account of certain introspective tendencies, however, they tend not to notice this shortcoming until it is too late. New objectives or even just the aspirations of a new generation in terms of size and scale or a change of strategic direction can also mean that new competencies are suddenly needed which the company does not have at its disposal. Worse still, with no clear appraisal criteria in place, the company may not even be aware that these competencies are lacking.

As many family companies have reached out beyond their domestic markets and today join battle in the global arena, they need a top management team that is experienced in dealing with the demands of such scenarios and can act and react accordingly. Periodic assessment of the management competencies to deliver on the future objectives of the company is critical to ensure that the right capability is being built to drive the required business performance and outcomes. It is equally important that family and non-family managers are part of this process. More often than not, it is the inability of family companies to focus in a timely manner on building the talent pipeline in the company that constrains its growth.

> *Family businesses often have no objective standards by which to measure the performance and skills of their management team*

A proven methodology should be applied to arrive at an objective appraisal of the existing competencies and future potential of a company's management line-up. Once the company has defined the skills its management will need in order to meet its short- and long-term objectives, a management appraisal will clearly point up the gaps that exist both in the personal competency profiles of individual managers and in the cumulative profile of the management team. Through the appropriate development plans for in-house talents or selective hiring from the outside, these gaps can then be effectively closed.

**Time for the next generation**

The handover from one generation to the next is a razor-edged reef on which many a family has run aground, causing their companies to sink without a trace. Excessive expectations, false hopes, hubris, a patriarch unable to hand over the reins, different branches of the family vying for dominance – the potential for conflict here is endless. Most families are aware of the challenges but few are willing to proactively discuss and address this issue in a transparent manner, until it is too late. Instead, family businesses need to seize on this as an opportunity to focus on the future and to realign the business and governance structures to meet the future needs of the family and the business environment. Are the current governance principles likely to remain fit for purpose over the next 30 to 40 years in which a new generation will be controlling the fortunes of business and family alike? Will they prove a reliable source of added value? As we mentioned earlier, the selection of a CEO or chairman of the board is the most critical decision for any business, public or private. In family companies, however, the influence of the CEO may well be greater still, given that tenure is generally far longer than at a listed company. This applies equally to a member of the family and to an external top executive. With that in mind, companies do well to choose with care.

Consequently, at family companies too, succession planning cannot begin soon enough (see also the article on Succession Planning on page 78 of this issue). The more objective, transparent and timely the succession process is and the more carefully selected and prepared the potential candidates are, the less friction losses and setbacks there will be. Above all, though, all concerned must be clear about the fact that, at the end of the selection process, the best candidate must win through – regardless of whether they are family or not. If the transition at the top goes off smoothly, the family business will be ideally placed to benefit from the traditional strengths that make this type of company more successful in the long run and more enduring than others. ■

**The Authors**

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CORPORATE PROFILE

# Melco International: We Value Business Growth & Corporate Citizenship

Melco International Development Limited (HKEx: 0200) is a dynamic new generation Asian company focused on gaming, leisure and entertainment. Under the leadership of its Chairman and CEO, Mr. Lawrence Ho, the Group has further strengthened its foothold across Asia. Towards this end, its key associate, Melco Crown Entertainment Limited (NASDAQ: MPEL), announced another resort project in Cotai Macau, Studio City, a cinematically-themed integrated resort that will deliver a unique entertainment proposition to visitors to Macau, and a cooperation agreement regarding the development and operation of an integrated entertainment and casino complex in the Philippines. Both facilities are expected to be opened within the coming one to two years.

Having led his companies to achieve speedy and sustainable growth, Mr. Ho's entrepreneurial spirit has been closely married with good corporate citizenship. Over the years, Melco has increased its efforts in CSR while maintaining its focus on business growth. As Mr. Ho puts it, "Committed to operate as a responsible corporate citizen, Melco takes a proactive approach in addressing community and youth needs by participating in a wide range of activities and encouraging staff volunteerism in creative ways through innovative measures." In 2012, the total number of beneficiaries of Melco's CSR programs reached a record high of nearly 50,000 children and youth along with their families and the physically challenged.


Melco's efforts have been honored with awards for its CSR performance. Highlights include the Hong Kong Corporate Citizenship Label by the Hong Kong Productivity Council and, for the first time, the Corporate Social Responsibility Award 2012 by Capital Monthly and Capital Weekly. "We take great pride in the recognition of our efforts and all of these accomplishments have ignited our passion to go the extra mile in the future," Mr. Ho said.

Mr. Lawrence Ho for his part has been selected as one of the "Best CEOs in Hong Kong" by the authoritative Finance Asia magazine for the fourth year since 2009.

Melco Group
新濠集團


*Top photo: Executive Director of Melco International Mr. Clarence Chung accepted the Corporate Social Responssibility Award the Group ganered in 2012.*
*Main photo: Group Chairman and Chief Executive Mr. Lawrence Ho (back row, fourth from left) joined the Melco Volunteer at a children story project the Group supported in 2012.*

# A brave new green world

This trend in Asia is only expected to continue with China leading the way in attracting clean energy investments in the near future

Imagine for a moment that the world we live in is fully sustainable: a world in which people live within nature in a way that caters to all our human needs yet also does not degrade our irreplaceable natural ecosystems. A Utopian dream, perhaps? Bringing such a world into fruition comes across as a daunting challenge considering the various ills that currently plague our planet, but it is by no means an improbable endeavour. Steps taken by companies in recent years are indeed encouraging and are pointing us towards the right direction.

In a corporate world that can sometimes get lost in the enticing draw of profits and bottom lines, it is comforting to know that companies are increasingly taking up the cudgels of socially responsible investing (SRI). Such firms encourage practices that promote environmental stewardship, social justice, and corporate governance, or environmental social governance (ESG) issues.

Engaging in ESG activities presents a myriad of benefits for companies that have placed this principle at the heart of their operations. For starters, it allows firms to manage its resources efficiently, reduce emissions and its impact on our environment, and ushers in transparent environmental reporting and disclosure. As a result, firms are able to prevent or at the very least minimize environmental liabilities, enhance their profitability by being energy-efficient, and reduce their regulatory and reputational risk regarding their impacts on the environment. Taking everything into account, it is an indicator of a well-governed company.

> *Strong evidence suggests that enthusiasm for clean energy investments is scaling unprecedented heights*

SRI was once widely considered to be a niche area of investment practice. Since the late 1990s and at the turn of the 21st century, however, SRI has picked up steam to become synonymous with promoting environmentally sustainable development, particularly in the adoption of clean and renewable energy. Today, the concept has been embraced by a wide investment audience that includes individuals, private equity firms, venture capitalists, and institutions such as pension plans, endowments and foundations.





According to global consulting firm Mercer's recent report on top investment trends, ESG factors are increasingly being integrated into investment decision making today. A three-pronged combination of soaring energy demand, unstable oil prices and a sharpened focus on curbing global warming have prompted an influx of investments in clean energy, or "green financing," in recent years.

> *As long as the world's energy needs keep growing at a feverish pace, the future of clean energy investments will continue to burn brightly*

In fact, non-profit organisation PEW Charitable Trusts noted the dawning of a new worldwide industry, dubbed "clean energy" in 2005, when governments, financial institutions, investors and businesses started pouring money into technologies that would help the world address its energy requirements with a minimal impact on the environment. At its very core, green finance comprises an integral part of the collaborative efforts towards low-carbon green growth as it interweaves the financial industry, environmental improvement and economic growth into one credible and responsible proposition.

Strong evidence suggests that enthusiasm for clean energy investments is scaling unprecedented heights. Recent figures show that global investment in the renewable energy sector reached a new record of US$267 billion in 2012, representing a six fold increase from 2005 when the nascent sector was just beginning to scratch the surface. Multiple factors have spurred these investments including the strengthening of regulatory frameworks to decreasing clean energy technology costs. The cost of renewable power equipment, particularly solar photovoltaic modules which plunged around 50% and onshore wind turbines which dropped by 10%, subsequently encouraged greater investment into these technologies.

In the wake of the economic slowdown in the West and soaring growth figures on the domestic front, Asia has been thrust into the spotlight as the new frontline in the battle against global climate change. It has responded in kind, assuming a leading position in driving investments in the clean energy sector. Herein lies a golden opportunity for Asian firms to continue setting the gold standard in green financing. China remains the best performing renewable energy market as investments in clean energy hit US$68 billion primarily on the strength of onshore wind, solar and clean energy infrastructure investments in 2012.

According to the Chinese government's forecasts, the country's demand for electricity is expected to double by 2020, with the International Energy Agency (IEA) estimating that China will surpass the United States around 2025 to rank as the world's biggest spender on oil and gas imports to quench its thirst for energy. It comes as no surprise then that China has already supplanted the United States to emerge as the leader in clean energy finance and investments back in 2009 and remains in pole position today.

This trend in Asia is only expected to continue with China leading the way in attracting clean energy investments in the near future, setting the stage for the region to come into its own in this field. Along with China, it is projected that India, Japan and South Korea will account for the lion's share of investments in 2020 with the Western world in their rearview mirror. In particular, firms involved in energy, property development, and oil operations are increasingly pushing for the adoption of environmentally-friendly technology and practices throughout the region.

Aside from governments and corporations, the private equity and venture capital sectors have also chimed in, pouring in over US$5.8 billion to solar, biofuel, wind and smart grid startups worldwide in the past year, with a growing slice of the pie coming from Asian investors.

As long as the world's energy needs keep growing at a feverish pace, the future of clean energy investments will continue to burn brightly. A recent report published by the PEW Environment Group reveals that if clean energy policies and investments from companies are strengthened significantly over the coming years, as much as US$2.3 trillion stands to be invested in clean power assets over the next 10 years.

If the upsurge in responsible investing in recent years has indicated anything, it's that the concept is not merely a trend, but rather, has been deeply rooted in companies' cultures for the long haul – a blueprint that certainly bodes well for our environment and paves the way for a brave new green world for generations to come. ■

*The future of clean energy investments will continue to burn brightly.*

# Pan Asian Regulatory Summit

## The Benchmark Forum for Regulators and the Governance, Risk and Compliance Community in Asia

By
**Ashley Alder**
*SFC's Chief Executive Officer*

I am going to spare you any forced humour on this occasion because the points I want to make are serious and I don't have much time to make them. What I want to do is concentrate on the continuing revolution in financial regulation in the US and the EU and it's relevance to Asia. And I hope that this is a theme that will be picked up again during this conference.

Make no mistake – the reforms still underway in the West are ground breaking. And notwithstanding the best efforts of some in the financial industry to preserve aspects of the credit fuelled "good times", there is every indication that we are in the midst of the creation of a radically different regulatory landscape.

The fact that so much of finance now freely crosses national borders means that none of us have any realistic option but to engage with this new world. This is essential so that global finance is protected and also that global solutions are adapted to local differences.

The most recent example of reform was the publication last week of the Financial Stability Board's (FSB) consultation on its recommendations for the regulation of the US$67tn so – called "shadow banking" system. This is the system which Paul Tucker, Deputy Governor of the Bank of England, called "Russian doll finance" back in the days of the credit boom in 2006 and 2007. He pointed out that the world of collateralized debt obligations, structured investment vehicles, originate to distribute, repos and securities lending were connected to real banks and the real economy – and posed real risks. Of course everyone was making too much money to take much notice at the time.

And we all know what happened next.

But back then the problem was made worse by the fact that it was unclear who was responsible for looking at this non bank - world. Bank regulators watched the micro level of deposit taking banks, Central banks monitored macro - financial stability and securities regulators concentrated on the conduct of stock markets, brokers, asset managers and others interacting directly with public investors. This is the classic silo problem where big issues fall between the cracks.

As the Financial Times commentator Gillian Tett pointed out recently there was also another problem. This was that there was no catchy label for Mr Tucker and his ilk to express their fears at the time. His phrase "Vehicular Finance" didn't really cut it. The term "shadow banking" was finally coined by Paul McCulley of PIMCO at the 2007 Jackson Hole economic conference. And this did help shift the policy debate.

> *I have some sympathy with those who say that these labels are too negative. But at least they have helped highlight real issues which demand wider attention*

It is also true that the term "dark pools" has influenced the discussion about boring sounding alternative trading platforms. I have some sympathy with those who say that these labels are too negative. But at least they have helped highlight real issues which demand wider attention. But the main thing is that the crisis has put the policy debate on an entirely different level. Over the year I have been at the Securities and Futures Commission (SFC), it has struck me that there is now a deep commitment amongst international regulators to leave no stone unturned to capture areas of potential instability in the financial system, not to be afraid to tackle unfamiliar subjects and not to accept at face value claims that reform will stifle liquidity or other areas of financial activity. The FSB paper on Shadow Banking is just the latest example of this, to be set alongside bank resolution and the work being done to shine a light on the obscure world of OTC derivatives.

But to return to my theme: what relevance does all this have for Asia? Those who say that we should not spend time and resources replicating reforms being pushed through in the US and EU, notwithstanding our G20 commitments, seem at first sight to have some pretty good arguments.

First, many aspects of the huge regulatory effort in the West targets problems that many see as being relevant only to these highly developed economies. One big difference is that the political and media demand for change in the West is intense, and is mainly a reaction to government intervention in the depths of the crisis. Another is that Asia has never had big securitisation, money market or OTC derivatives sectors, which are some of the principal targets of reform in the US and the EU. Of course the crisis in the West has certainly had an effect in Asia, with reduced demand impacting exports and extremely loose monetary policy and super low interest rates affecting asset prices. But these are secondary infections caused by Western Flu, not Asian Flu.

It is also true that ever since the Asian Financial crisis of the late 90's our financial system has avoided dangerously high leverage, consumer credit has not been a problem, banks have been run conservatively and savings remain high. Of course, Asia has its fair share of other issues, including low incomes, immature institutions and corruption. But overall the financial system itself is close to the dull model regulators in the West now see as one of the goals of reform.





It's also interesting that one major cause of the crisis in the West was completely absent in Asia. This was the subprime meltdown, where Fannie Mae and Freddie Mac, urged on by government policy to expand US home ownership to low income families, bought loans, packaged them into securities, sold them and guaranteed them. Triple A ratings didn't help. Everyone knows now that this ended disastrously as mortgage defaults mounted.

A recent book on sub prime by Oonagh MacDonald – called "Turning the American Dream into a Nightmare" – lays the blame for the crisis on a distortion of the entire financial system to achieve US domestic political ends.

And neither have we had in Asia anything like the type of scandals which continue to shape public opinion. Just this year we have had the London based UBS rogue trader, the Libor story, the JP Morgan "London Whale" and the pursuit of Standard Chartered by US authorities about forex dealings and Iran. [As an aside, it's interesting to see that The Whale unintentionally succeed in torpedoing the argument used by banks to try to limit the Volker rule. This was to the effect that they weren't really trading at all, but rather pursing useful activities like hedging and so called client facilitation. These claims are now viewed – understandably – with a lot of skepticism.

> *It is easy to blame the financial crisis purely on Western excess and to claim that Asia is "different" and can plough its own furrow*

And perhaps the most significant difference of all is that Asian taxpayers were not called on to bail out any financial system, unlike those in the US and EU.

Against this background it is perfectly legitimate to ask why a comparatively healthy Asia should take medicine which has been prescribed for a very sick patient languishing in intensive care. The worry would be that this could cause a nasty adverse reaction in the healthy patient. As you will have already guessed, it is my view that this conclusion would be dead wrong.

The answer to those who think that Asia can ignore or water down the global reform agenda lies in the aspiration in Asia for continued growth, to mobilize savings properly and the need for greater financial sophistication to fuel these objectives.

In this context it is interesting to see that a fundamental debate now taking place in the West is in many ways the reverse of that in Asia. Especially in the EU there is a perception that financial sector development has outstripped that actually needed for healthy growth, and to cut down what has been called socially useless financial intermediation is a big driver for reform. There is also a running argument about austerity and regulation snuffing out the ability to compete.

The situation in many emerging economies is the opposite; many have got nowhere close to the level of financial sector maturity achieved in the West but growth prospects remain high. Their concern is to broaden and deepen their financial systems to sustain continued progress towards greater prosperity. Although places like Hong Kong, Japan and Singapore have advanced financial systems, much of Asia's population live in places that do not. But they will get there and it is inevitable that Asia's financial sector will eventually rival those in the US and EU in size and sophistication.

This means that we have a golden opportunity to ensure that, adapting Oonagh Macdonald's phrase, we don't "turn the Asian Dream into a Nightmare".

And this is my central point. It is easy to blame the financial crisis purely on Western excess and to claim that Asia is "different" and can plough its own furrow. But in my view it would be unbelievably stupid to attempt to grow the Asian financial sector whilst ignoring some of the deep problems revealed by the crisis in the West. If we can learn from the mistakes made elsewhere and ensure that they do not occur here, we will lay the foundations of a safe and socially useful financial system. If we do not, we risk a repeat of the crisis here.

It is also important to realize that there is another issue lurking out there; if Asia does not get properly involved in the global regulatory agenda, we will find that the US and the EU rules will be extended to us whether we like it or not. The problem is that this type of "one size fits all" approach cannot work because it ignores the huge diversity and varying stages of development of economies in this part of the world. The result could be an isolation of Asian markets from international finance.

But it is important to realize that from the US and EU point of view there may be good reason to try to push their rules out to cover the rest of us. Many there still fear that Asian countries will decide not to implement key reforms agreed on by the G20 in order to attract business from those firms who want to escape the straightjacket of Dodd Frank and similar rules. They worry that this would hurt domestic financial interests and make the whole system riskier because many of these firms are global players. I should be clear at this point that because much Asian financial activity is dominated by firms headquartered in the EU and the US, there is no doubt that their regulators have an ability to export their own rules to Asia. The threat is that if we or Asian firms don't play ball international firms would find it difficult to operate here and could withdraw from some activities, seriously harming liquidity in our markets. It could be a case of my way or the highway.

So against this background how should Asia move forward?

First, we must all recognize upfront that there is no advantage in lowering our standards to attract business. This type of regulatory arbitrage ends in tears and scandal, and very quickly repels international investors from participating in our markets - or at the very least causes them to demand a hefty risk premium. In fact investors are motivated to come here to participate in accelerating Asian growth, not to escape strict home market rules, and strong regulation will underpin their confidence in our markets. This is why the SFC is determined to do all it can to maintain a quality market - whether through reforms such as that aimed at raising standards amongst IPO sponsors or enforcement action sending a strong deterrent message as well as getting redress for innocent investors.

Second, we must acknowledge that many of the lessons learned from the financial crisis in the West are not unique to the EU and the US. At its core the crisis involved massively skewed incentives, which meant that trust, confidence and ideas of fiduciary responsibility were virtually destroyed.

This connection between distorted incentives and loss of trust is seen everywhere. It certainly lies at the heart of the 'originate

to distribute' model which saw big mispricing problems in packaged assets in which sellers had no continuing interest. This is why part of the global reform of securitisation proposes that issuers must retain an investment in every product – so-called skin in the game - to align its incentives with those of its buyers even though the product has been sold down a chain.

Similar issues are being tackled in consumer finance, where widespread mis-selling has been attributed to internal incentives pressuring bank staff to push unsuitable products to retail customers. Commissions paid by product manufacturers to tie independent agents meant that the agents were incentivized to recommend unsuitable products because the commission was higher. This is an area where much has been achieved, particularly in Hong Kong after the Lehman minibond incident, but there is more left to be done in all markets.

> ***Full participation in this global project by Asian regulators enables them to place their own financial systems on a sound footing***

There are many other examples of where trust has been eroded to vanishing point. In fact to a large extent the current focus on using regulation to contain systemic risks is filling the void left by the disappearance of trust. This can be seen in reforms such as Basel III, OTC derivatives regulation, restrictions on rehypothecation and tougher requirements for collateral.

And it might be said that those firms that complain that this is hampering their business only have themselves to blame because they jettisoned trust long ago.

But the message for those of us in Asia is this: the problem of trust which underlay much of the crisis in the West also exists here. You only have to look at the cases involving misselling of products to retail customers to see what I mean. We therefore have every incentive to participate in the global agenda to put in place reforms aimed at restoring trust in the system. A structure that lends itself to abuse will, whatever its claimed merits, be abused at great cost to economies. And if incentives reward reckless behaviour further harm will follow. Full participation in this global project by Asian regulators enables them to place their own financial systems on a sound footing.

My final point is that Asia must participate in global reforms with a far stronger voice. The financial system is global, but there is a danger that it will fracture into regions because of competing regulatory responses. The concentration of some of the more recent scandals in London has enabled other financial centres to try to seize a competitive advantage, and can be an excuse for a return to domestically focused policy by some. Regulation, supervision and enforcement can appear as much as ever a weapon in the war for competitive advantage between financial centres. This threatens to undermine the global approach to financial regulation, which is essential if we are to get a proper grip on a system which is now intensely cross border. And even worse, Asia gets caught in the crossfire.

A good example of this is OTC derivatives, where the US has attempted to extend its rules far beyond its borders, and the EU has been trying to do something similar as the price of access to EU markets. Discussions aimed at sorting this out are continuing.

In a very recent speech Paul Tucker also made the point that in a world where public money has been used to bail out banks there is every incentive to pull up the drawbridge and embrace protectionist agendas. This is because governments are then accountable to their own taxpayers – and to nobody else. His view is that by delivering the FSB's global agenda we can eliminate this most basic force towards balkanization. As I have already pointed out a fragmented financial system would deny Asia the benefits of a more globalised real economy.

And it is here that Asia can truly shape the debate. In doing so we should pursue two main goals. First, all national regulators should refer to the maximum extent possible to internationally agreed standards when applying cross border rules. It is fortunate that the International Association of Insurance Supervisors, the Basel Committee on Banking Supervision, and the International Organization of Securities Commissions (IOSCO) and others are now producing detailed standards that are nowhere close to the lowest common denominator. This means that these standards are sufficiently credible to be used as a benchmark. It also means that a greater emphasis should be placed on cross-border supervisory cooperation rather than to attempt to export national rules to other countries. The second goal is that we should be explicit about where Asia is different to avoid the one size fits all problem. But we should also be clear that these differences must not undermine the main objective of ensuring overall consistency and financial system safety.

If we get all of this right Asian markets will be able to work on solutions to the breakdown in trust and skewed incentives alongside the US and EU. This will position Asia to develop a more sophisticated financial system with confidence. And by emphasizing global standard setting we will ensure that Asia continues to participate in a global financial system which is not beset by a fragmentation of markets across national or regional lines.

If all this sounds a bit theoretical I can assure you that the SFC is spending a lot of time on making this real. There are quite a few strands to this work, but one of the most important for us is that the SFC will chair the Asia Regional section of IOSCO from next year. We want to start using this as a platform to properly express Asian views to global regulators. A very good example of what can be achieved was a letter sent at the end of August to the US Commodity Futures Trading Commission (CFTC) signed by regulators in HK, Australia and Singapore. This was about proposed CFTC extraterritorial rules for OTC derivatives. We basically said that more attention needed to be paid to international standard setters and that a proposal to force OTC derivatives to trade on exchanges would not work in Asia because there was no real liquidity to support reliable pricing. The fact that this letter came from multiple regulators had a real impact and it undoubtedly changed the debate. It was also crucial that we made clear that none of us were intent on joining a race to the bottom. This is only one example, but I think demonstrates what can be done for Asia if we have the will to coordinate on important issues.

I will stop here, and I hope that you all have an enjoyable and useful conference. ■

*Speech at 3rd Pan Asian Regulatory Summit*
*Ashley Alder, SFC's Chief Executive Officer,*
*27 November, 2012*

# Integration of Environmental, Social and Governance (ESG) Issues into Socially Responsible Investment (SRI) in Emerging Markets

By
**Geoffrey Mazullo**
*Principal*
*Emerging Markets ESG*

On November 5, 2010 Emerging Markets ESG published the inaugural interview in its weekly expert interview series, "Five Questions about SRI." Since then, an interview is published every Friday on the Five Questions about SRI page of the Emerging Markets ESG internet portal.

As stated at the beginning of each interview, the goals of Five Questions about SRI are fourfold:

- To collect a catalogue of examples of SRI in practice in emerging markets;
- To raise awareness about SRI in emerging markets;
- To reflect on what SRI in emerging markets means to practitioners; and
- To enable SRI practitioners in emerging markets to network with peers around the world.

Emerging Markets ESG sent each academic, expert or practitioner an interview template via email. Each person answered the questions at leisure and returned the completed interview to Emerging Markets ESG via email. The responses to the question were given freehand, that is, no list of possible responses was provided. This is important, as the analysis of the responses below indicates.

On January 6, 2012 Emerging Markets ESG published the 52nd interview in the series. On January 20, 2012 Emerging Markets ESG published an article entitled, "260 Insights about SRI," which analyzed the responses to the 52 interviews published during the first year of the series.

This article is based on the data from "260 Insights about SRI." Utilizing the goals of "Five Questions about SRI" as a Leitmotiv, this article analyzes the responses to each of the five questions during the first year of the series, aggregated by gender and geography. It describes practitioners' views about SRI and environmental, social and governance (ESG) reporting in emerging markets, and highlights specific insights from Asian emerging markets. Five Asian experts/practitioners contributed an interview during the first year of the series.

The second year of the interview series commenced on January 27, 2012 and ended on March 8, 2013. The second year of the interview series featured academics, experts and practitioners from: South Africa (seven); Canada (six); the United States (six); India (four); South Korea (four); the United Kingdom (four); Brazil (three); and 14 other countries: Australia, Azerbaijan, Bulgaria, China, Hong Kong, Israel, Mauritius, Mexico, The Netherlands, Poland, Serbia, Spain, Switzerland and Vietnam.

15 Asian experts contributed an interview during the second year of the interview series, making Asia the largest geographic contingent, followed by North America (13), Europe (12), Africa (eight), South America (three) and Australia (one).

An article analyzing the responses to the second year of the interview series will be published on the Emerging Markets ESG internet portal in late March 2013.

**Interviews by Continent**

The first year of the series "Five Questions about SRI" featured 52 interviews with academics, experts and practitioners from Africa (three), Asia (five), Australia (one), Europe (28), international organizations (four), North America (10) and South America (one).

Chart 1 presents the geographical breakdown of the interviews, by continent.

32 of the experts were from developed markets and 20 were from emerging markets.

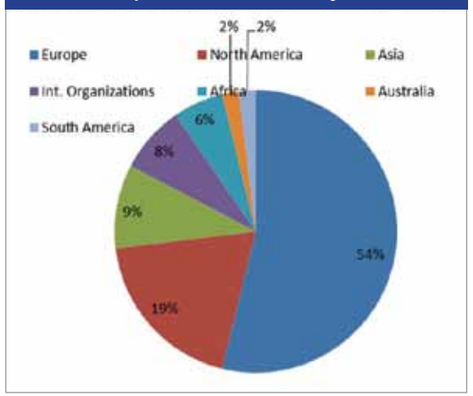
16 women and 36 men contributed interviews during the first year of the series.

The list of academics, experts and practitioners who contributed an interview may be found on the Emerging Markets ESG internet portal.

As noted above, one goal of the series is to collect a catalogue of examples of SRI in practice in emerging markets. During the first year of the series, the continents of Australia and South America were significantly underrepresented. Absent during the first year of the series were several major emerging economies, including: Argentina, Chile, Czech Republic, Nigeria, Lithuania, Russia, Singapore, South Korea and Ukraine as well as several countries with active SRI communities, among them Belgium, Japan, New Zealand, Norway and Switzerland.

As noted above, the geographic coverage of the expert/practitioners broadened during the second year of the interview series. Experts from emerging markets such as Brazil, India, South Africa and South Korea were major contributors to the second year of the interview series. Nevertheless, several large Asian emerging markets remain absent, as does Japan.

**Chart 1 - Experts/Practitioners by Continent**




**Question 1: Definition of SRI**

The first question in each interview is "How would you define socially responsible investment (SRI)?

The 52 responses to this question evidence a diversity of opinion regarding SRI, across gender and geography. Simultaneously, however, they demonstrate a certain convergence of opinion about the constituent elements of SRI.

Chart 2 presents the responses, broken down into groups: developed markets (eight women and 24 men = a total of 32 responses) and emerging markets (eight women and 12 men = a total of 20 responses).

The most common keywords noted in each expert's definition of SRI are integration of ESG criteria and time horizon. As displayed in the chart above, this is the case for both men and women, in both developed markets and emerging markets.

Integration of ESG criteria was the most cited element by male respondents in both developed markets and emerging markets. Time horizon was the second most cited element by male respondents in developed markets. In emerging markets, social impact was the second most cited element.

In developed markets female respondents cited integration of ESG criteria and time horizon factors equally as frequently. In emerging markets female respondents cited integration of ESG factors and social impact equally frequently.

Among all cohorts, ethical criteria/screening, engagement, enhanced risk management, and sustainability are not mentioned as frequently.

Other issues noted by experts include the following (in alphabetical order): aligning investment with the shareholder's values; a broader equilibrium between shareholders and stakeholders; governance activism (as part of responsible investment); responsibility to stakeholders; stakeholder impact; and the welfare of future generations.

Experts from Asian emerging markets shared the opinions of colleagues from other emerging markets. Experts from Asian emerging markets described SRI as having the following characteristics: environmental and social impact (one); ethical criteria/screening (two); and integration of ESG factors (two).

**Question 2: What distinguishes SRI from mainstream investment?**

The second question in each interview is "What distinguishes SRI from mainstream investment?"

The 52 responses to this question evidence a diversity of opinion regarding the distinction between SRI and mainstream investment, across gender and geography. Simultaneously, however, they demonstrate a certain convergence of opinion.

Chart 3 presents the responses, broken down into groups: developed markets (eight women and 24 men = a total of 32 responses) and emerging markets (eight women and 12 men = a total of 20 responses).

There is a diversity of opinion regarding other factors which differentiate SRI and mainstream investment.

In developed markets, among both men and women, the most common keyword noted in each expert's description of the distinction between SRI and mainstream investment is integration of ESG criteria.

**Chart 2 - Question 1 - Definition of SRI**

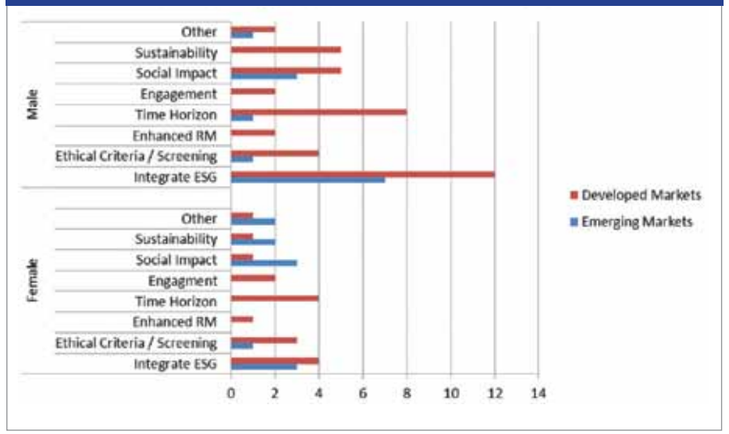
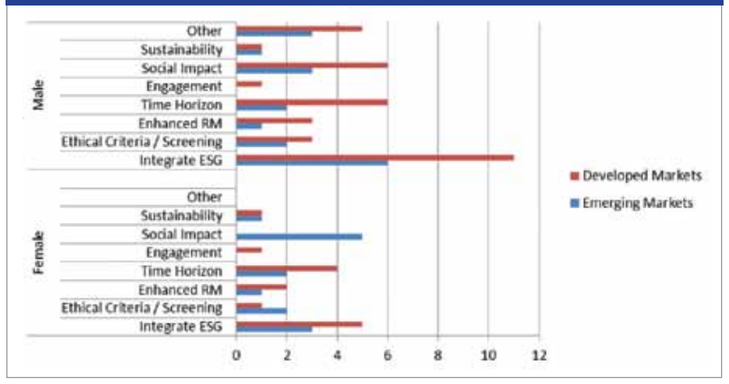



**Chart 3 - Question 2: SRI vs Mainstream Investment**



In emerging markets, men cited integration of ESG factors equally as frequently as social impact and time horizon whereas women cited integration of ESG factors equally as frequently as social impact.

Among all cohorts ethical criteria/screening, engagement, enhanced risk management, and sustainability are not mentioned as frequently.

Several experts/practitioners noted that the difference between SRI and mainstream investment is decreasing over time.

Other issues noted by male experts include the following (in alphabetical order): alignment of business and societal goals; the concept of responsibility; mainstream investors do not invest responsibly due to various reasons- shorter term horizon, cost of compliance and the gaps in the guidelines or regulations; SRI has a broader perspective than mainstream investment; and SRI seeks to optimize profit while investing accountably/responsibly and taking social purpose as well as environmental and governance issues into account. No female respondent note any other issue.

Here too, experts from Asian emerging markets shared the opinions of colleagues from other emerging markets. Experts from Asian emerging markets noted the following factors which differentiate SRI and mainstream investment: ethical criteria/screening (one); integration of ESG (two); and time horizon (two).

**Question 3: Which extra-financial theme – environmental, social or governance – is the most challenging for companies in emerging markets to manage?**

The third question in each interview varies, according to the geographic scope of the academic, expert or practitioner.

In some cases, the question relates to a specific emerging market or region. In other cases the question relates to emerging markets as a whole.

Chart 4 presents the responses, broken down into groups: developed markets (32 responses) and emerging markets (20 responses).

**Chart 4 - Most challenging ESG Factor for Companies to Manage**

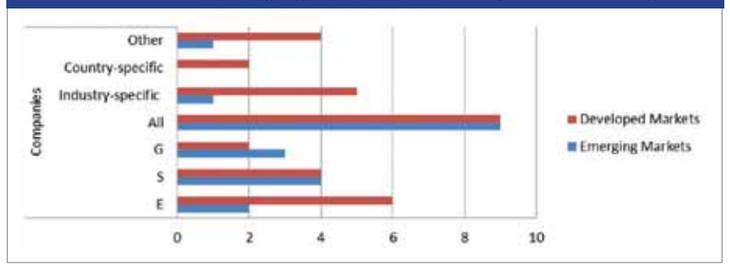
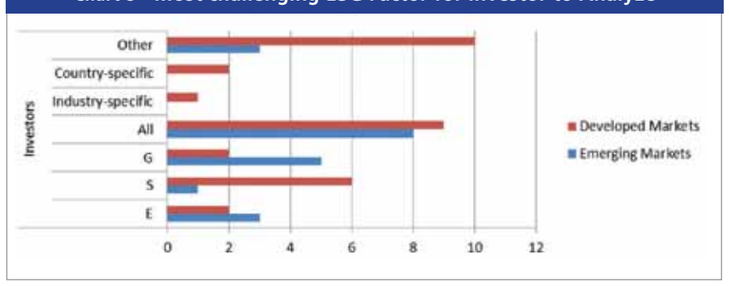



**Chart 5 - Most challenging ESG Factor for Investor to Analyze**




The responses to this question are not broken down by gender, since the defining issue here is geography. In some cases the question relates to a specific emerging market or region, whereas in other cases the question relates to emerging markets in general.

The responses to this question demonstrate a convergence of opinion that all three issues are (equally as) challenging.

In developed markets and emerging markets, the most cited response is that all factors are (equally as) challenging.

Developed market respondents cited environmental issues as the second-most and industry-specific factors as third most challenging factors.

Other factors cited by developed markets respondents include (in alphabetical order): disclosure per se; distance of foreign investors from investee companies and lack of knowledge about them; legal and ownership structure of the company; and profit-maximization of mainstream institutional investors in emerging markets.

Emerging market respondents cited social issues as the second-most and governance issues as the third-most challenging factors.

One emerging market respondent noted another factor, namely, the size of the company as a determining factor.

Experts from Asian emerging markets mirrored the responses from emerging markets as a whole; the responses were as follow: environmental issues (one), social issues (one); and all three issues (three).

**Question 4: Which extra-financial theme – environmental, social or governance – is the most challenging for investors in emerging market companies to analyze?**

Like the third question, the fourth question in each interview varies, according to the geographic scope of the academic, expert or practitioner.

In some cases, the question relates to a specific emerging market or region. In other cases the question relates to emerging markets as a whole.

Chart 5 presents the responses, broken down into groups: developed markets (32 responses) and emerging markets (20 responses).

As with the third question, the responses to this question are not broken down by gender, since the defining issue here is geography. In some cases the question relates to a specific emerging market or region, whereas in other cases the question relates to emerging markets in general.

As with the third question, the responses demonstrate a convergence of opinion about the most challenging factor for investors when analyzing emerging market companies.

Developed market respondents cited the lack of ESG data as the most challenging factor whereas all ESG factors are cited as the second-most and social issues the third-most challenging factors.

Developed markets respondents cited the following other issues (listed in alphabetical order): accepting limitations and uncertainties of current financial models; access to material, comparable and timely ESG data;, analysis of what a company reports; lack of a unified global accounting standard; lack of ESG data/information; lack of independent information; lack of comparable, quality and timely data; practical difficulties of establishing effective channels of communication between institutional investors and the investor relations and CSR teams of emerging markets companies; separating policy from performance; sustainability issues that are heavily dependent upon local political activity; transparency about how ESG issues are taken into consideration; and what information is publicly disclosed by a company.

Emerging markets respondents cited all ESG factors as the most challenging and governance as the second-most challenging factor.

Emerging markets respondents cited the following other issues (listed in alphabetical order): lack of disclosure and transparency; lack of transparency; and size of the country and lack of fully-independent professional research.

Here too, experts from Asian emerging markets mirrored the responses from emerging markets as a whole; the responses were as follow: governance issues (two); social issues (one); all three issues (one); and other (lack of transparency).

**Question 5: Specific to each Academic/Expert/Practitioner**

The fifth question in each interview is specific to the academic, expert and practitioner. It relates to her/his area of expertise, geographic scope and institutional background. Experts and practitioners covered a range of issues and topics, including ethics, impact investing, the role of the board of directors, SRI indices, sustainability metrics and trends in CSR reporting.

The responses to the fifth question create a catalogue of SRI in practice in emerging markets.

**Conclusions**

Several influential business associations and research institutions in Europe and the United States continue to make noise with claims that governance is only a means to an end, and not an end in and of itself. This claim causes me to reflect. Is engineering only a means, and not an end? What about linguistics, or medicine?

The experts interviewed during the first year of the interview series see governance and investment differently. From their perspective, information technology (IT) does not govern corporations. People do. Similarly, finance is not only about numbers, but also about the behavior and decision-making of the people governing, managing and working at financial institutions. Good governance brings internal benefits to the corporation. These benefits can in turn bring external benefits to stakeholders and shareholders.

An analysis of the responses to the questions in the first year of the interview series "Five Questions about SRI" provides fascinating insights into two important issues, namely:

- The definition of SRI and its distinction from mainstream investment; and
- Attitudes toward ESG disclosure in emerging markets.

Across gender and geography, the academics, experts and practitioners who contributed an interview to the weekly expert interview series, "Five Questions about SRI" published on Emerging Markets ESG cited integration of ESG most often in their definition of SRI.

Integration of ESG criteria was the most cited element by male respondents in both developed markets and emerging markets. Time horizon was the second most cited element by male respondents in developed markets. In emerging markets, social impact was the second most cited element.

In developed markets, female respondents cited integration of ESG criteria and time horizon factors equally as frequently. In emerging markets, female respondents cited integration of ESG factors and social impact equally frequently.

Among all cohorts ethical criteria/screening, engagement, enhanced risk management, and sustainability are not mentioned as frequently.

There is a diversity of opinion regarding what differentiates SRI and mainstream investment. Among male respondents in both developed and emerging markets, integration of ESG factors was the most cited factor. Integration of ESG factors was the most cited factor among female respondents in developed markets. Female respondents in emerging markets cited social impact most frequently and integration of ESG factors second-most frequently.

In terms of the challenges of ESG management by companies in emerging markets, in developed markets and emerging markets, the most cited response is that all factors are (equally as) challenging.

In terms of the challenges of ESG analysis by investors in emerging market companies, the responses are more heterogeneous. Developed market respondents cited the lack of ESG data as the most challenging factor whereas all ESG factors are cited as the second-most and social issues the third-most challenging factors. Emerging markets respondents cited all ESG factors as the most challenging and governance as the second-most challenging factor.

As noted above, in general the responses of the five Asian experts who contributed an interview during the first year of the series mirrored the responses from emerging markets as a whole.

Corporate governance models in Asia are not the same as the Anglo-US model or the German model. Nevertheless, the interview series demonstrates that experts and practitioners in the field of SRI across gender and continents value governance, both as a means to an end, namely, improved risk management and better financial performance, but also as an end in and of itself, namely, the consciousness that ESG issues should be identified, analyzed, quantified, measured and addressed. Without consciousness of the value of governance, ESG issues would not be confronted in this systematic manner.

As noted above, a detailed analysis of the responses to the second year of the interview series will be published on the Emerging Markets ESG internet portal in late March 2013.

It would be an honor to share the insights from the second year of the interview series, which includes interviews with 15 Asian experts, with Corporate Governance Asia in a follow-up article later this year. ■

**Geoffrey Mazullo**

*Principal, Emerging Markets ESG, Adjunct Professor, School of American Law (SAL), Gdansk and Wroclaw, Poland*

*See http://www.emergingmarketsesg.net/esg/category/five-questions-about-sri/*
*See http://www.emergingmarketsesg.net/esg/2012/01/20/260-insights-about-sri-%e2%80%93-published-on-emerging-markets-esg-today-%e2%80%93-friday-january-20-2012/*

# The SM Corporate Governance Working Group

SM Investments Corporation (SMIC) is the holding company of the SM Group of Companies. It represents one of the largest and diverse conglomerates in the Philippines, with core businesses in retail food and non-food merchandising, mall development and operations, banking, real estate and property development, and leisure and tourism. A major driver to the Group's sustained growth and profitability is its commitment to good corporate governance principles and practices.

Over the years, SMIC's core values and ethical standards have earned the trust and confidence of millions of its customers, investors, creditors, business partners and other stakeholders. The public trust that the Company currently enjoys has to be protected and earned many times over. Unless we endeavor to consistently live fairness, accountability, transparency and responsibility in the way the organization is run and the manner by which the business is conducted, any success is short-lived. The Company therefore strives to align its culture with best practices in corporate governance. In support of such responsibility, SMIC has entrusted specific roles to key executives to help sustain and empower the organization towards good corporate governance.

*Mr. Jose T. Sio*

*Atty. Corazon I. Morando*

*Ms. Corazon P. Guidote*

*Mr. Gil L. Gonzales*

Mr. Jose T. Sio serves as a Director on SMIC's Board of Directors. He is also SMIC's Executive Vice President and Chief Finance Officer. Mr. Sio directs the development of SMIC's corporate governance culture and the operationalization of its risk management system.

*"At SM, we take a comprehensive view of corporate governance. Consistent with our core values of vision, leadership, innovation, focus, hard work, integrity and prudence, we work hard to ensure that all our stakeholders, our creditors, customers, suppliers, contractors, employees, regulators and the public see corporate governance alive and made operative in all aspects of our business."*

– Mr. Jose T. Sio, *EVP & CFO, SMIC*

As SMIC's Compliance Officer, Atty. Corazon I. Morando promotes the culture of compliance throughout the organization. She strictly monitors the Company's compliance with the provisions and requirements of the Manual on Corporate Governance. She interfaces directly with the Securities Exchange Commission (SEC) on corporate governance matters including the issuance of certifications of the Company's compliance with regard to the CG Manual, among other key tasks related to compliance risk mitigation. Atty. Morando is also SMIC's Senior Vice President for Legal and Corporate Affairs.

*"In my opinion, publicly-listed companies in the country have come a long way in terms of effectively monitoring and enforcing compliance with corporate governance related rules and regulations. SMIC has gradually but surely adopted best corporate governance practices over the years which translated very positively in the way the investing public has come to appreciate the SM Group."*

– Atty. Corazon I. Morando
*SVP for Legal and Corporate Affairs and Compliance Officer*

Mr. Roberto G. Manabat serves as the Corporate Governance Adviser to the SMIC Board of Directors. He also serves as a member of the Board of Trustees and Fellow in the Institute of Corporate Directors (ICD), an organization espousing corporate governance in the Philippines. Mr. Manabat is currently the Chairman and CEO of Manabat Sanagustin & Co., a member firm of KPMG International.

*"I am pleased to have been part of SMIC's drive to align the level of its corporate governance culture towards best practice. It has been a product of hard work and perseverance on the part of the Board and management to consistently bring down to operational level the corporate governance principles of fairness, accountability and transparency. I am happy to say that this Company cares and understands who its stakeholders are and ensures that their interests are protected."*

– Mr. Roberto G. Manabat
*Corporate Governance Adviser, SMIC*

As SMIC's Senior Vice President for Investor Relations, Ms. Corazon P. Guidote bridges the gap between the company and its existing and potential investors and shareholders. Under her guidance, SMIC's investor relations department ensures the timely and accurate disclosure of the company's financial and operational performance, as well as other material information on its business.

*"As awareness of the value of a strong corporate governance program spreads throughout the Philippines, more and more companies have begun to adopt practices that may have been considered unthinkable 10 or 20 years ago. It's a sign of changing times. The country is shifting from the view that good governance practices are done merely to meet regulatory compliance, but rather to add significant value to companies. Our goal at SM is to not only meet the minimum requirements where corporate governance is concerned, but to exceed them."*

– Ms. Corazon P. Guidote,
*SVP for Investor Relations, SMIC*

Mr. Gil L. Gonzales is SMIC's Vice President for Corporate Governance and Risk Management. He is tasked to help the Board and management ensure the continuous development of SMIC's corporate governance culture. He works with HR for the effective awareness and internalization of CG principles to all the officers and staff and coordinates with key departments for the institutionalization of corporate governance practices in the Company. As part of his advocacy, he is an active member of the Good Governance Advocates and Practitioners of the Philippines (GGAPP).

*"In the relatively short period since I joined the Company, I believe that good corporate governance is innate in the way SM does business due to its strong values and principles-based system. Every transaction, every deal, whether it be on the grand scale or something as simple as the purchase of a pencil, is done in an organized, disciplined manner that ensures that everybody's rights are protected."*

– Mr. Gil L. Gonzales
*VP for Corporate Governance & Risk Management, SMIC.*

Corporate governance is a sure path towards sustainability and in serving the common good.




CORPORATE PROFILE