Project Reports: Industry and Services

Symposium on Impact of Corporate Governance on Productivity

2–9 July 2004 Seoul, Republic of Korea

BACKGROUND

The APO's involvement in corporate governance began with Basic Research XI in 2001 which sought to determine the relationship between the way firms are governed and their productivity performance. The survey was conducted in 11 countries including Japan, the Republic of China, the Republic of Korea, the Philippines, Indonesia, India, Iran, Nepal, Sri Lanka and Vietnam. The research looked at key areas of corporate governance and assessed how corporate governance practices affect firm profitability and productivity.

At the Second Coordination Meeting of National Experts in Hanoi, Vietnam, in 2002, the research revealed links between corporate governance and firm performance and productivity. Specifically, the research found that ownership structure, management and allocation of decision making, and corporate outreach and interface with government and foreign institutions have an impact on growth and profitability in addition to productivity.

The research also found that corporate governance is country specific, depending on culture and social infrastructure, which suggests that no one-size-fits-all corporate governance model can be prescribed for APO member countries. Nevertheless, corporate governance requires adherence to global standards, especially on key aspects like transparency, accountability, and protection of minority rights, among others. A cross-country approach that can be adopted by the APO is to compare best practices within the region, in the context of both international standards and unique Asian corporate governance patterns. Benchmarking would provide each country with information on good practices that could be adapted for use by other firms within the APO membership.

As preparation for the basic research, the APO conducted a Workshop on the Development of a Corporate Governance Index (CGI) in Nepal in 2003. The CGI is intended for use in APO member countries for measurement and benchmarking to promote good corporate governance principles and practices. The CGI serves three functions. First, it is easier for firms to make comparisons with each other and it motivates them to learn from each other. Second, it is easier for the public to compare firm practices. Third, comparing indexes over time can give a general sense of how corporate governance has improved or worsened in a country. The components of the CGI drafted by the national experts include shareholder rights and treatment; role of stakeholders such as creditors, consumers, etc; transparency and disclosure; and the regulatory environment.

To share the results of the workshop on developing a CGI and to disseminate the findings of the basic research, the APO in cooperation with the Korea Productivity Center (KPC) organized the Symposium on the Impact of Corporate Governance on Productivity. The symposium's goal was to share and compare global best practices in corporate governance within the region and to deliberate further on the CGI.

Fifteen participants from 15 member countries contributed to the deliberations of the symposium. Resource persons from the ROK, the ROC, Singapore, and the Philippines provided further insights to the discussions. The list of participants and resource persons, and the program itinerary are attached as Annexes 1 and 2, respectively.

SUMMARY OF KEY ISSUES RAISED

OPENING CEREMONY

Mr. Kook Bin Woo, Executive Director of the KPC and APO Liaison Officer for the Republic of Korea, opened the symposium. As he welcomed the delegates, he said that the symposium was not only timely but very appropriately held in Korea since they could learn from the experiences of Korean firms in corporate governance reforms. According to him, before the financial crisis, the term corporate governance was unheard of in Korea. Today, however, corporate governance has become a buzzword and firms are increasingly becoming aware that good corporate governance will increase corporate value and profit.

Mr. Takashi Tajima, APO Secretary-General, graced the opening ceremony. In his keynote speech, Mr. Tajima reiterated the desire of the APO to respond to corporate governance issues that affect the growth, investments, and productivity of firms in the Asian region. The APO therefore initiated basic research on corporate governance in 2001, the results of which are contained in the recent APO publication Impact of Corporate Governance on Productivity: Asian Experience. Mr. Tajima said that good corporate governance was a crucial instrument not only to reform enterprises but also to sustain the economic development of APO member countries. While no specific model can be prescribed for Asian firms, Mr. Tajima noted that there was common ground among APO member countries, that is, a consensus to adopt corporate governance principles that hew more closely to generally accepted regional and global standards. This is in part the rationale for the APO initiative to develop a CGI. In closing, Mr. Tajima reiterated that there was more to good corporate governance than mere adherence to a code of conduct. In the long run, it is about ensuring corporate growth, improving productivity, and ensuring continued economic progress.

RESOURCE SPEAKER PRESENTATIONS

The APO and KPC invited several resource speakers from Korea, the Philippines, Republic of China, and Singapore to provide inputs and share best practices on corporate governance.

1. Developing an Asian Corporate Governance Index: An Illustration

Dr. Eduardo T. Gonzalez, APO Chief Expert on Corporate Governance and President of the Development Academy of the Philippines (the Philippine NPO), demonstrated how the CGI based on the Asian context could evolve using some experimental results based on the output of the Kathmandu Workshop on the Corporate Governance Index. The experimental index has five domains: regulatory environment, financial performance, ownership, stakeholder concerns, and shareholder rights. Using available statistics, Dr. Gonzalez constructed the CGI for five APO member countries. The results revealed some analytical issues such as how objective measures can be devised for qualitative and subjective criteria. The other issues involve the quality and availability of data as well as the sustainability of benchmarking since emerging markets in Asia are not predisposed to generate corporate-sector information with rigor.

In response, several delegates provided their comments:

From Singapore:

- What are the critical factors? Why include financial performance when it could be endogenous?
- High leverage is a double-edged sword. Historically, it is not used. Assessors rely on return on equity.
- Exceptionally high leverage is bad but a more reasonable level is not bad.
- When we talk of a CGI, we often refer to the board. Shouldn't the index look at board composition, e.g., number of board seats vs. people sitting on the board, to indicate board capacity?
- The index can also include transparency aspects, e.g., accounting practices.
- Regarding the methodology for computation, what minimum and maximum values should be used at which levels?

Dr. Gonzalez's response:

- The paper is only an illustration.
- The CGI can include other indicators such as board effectiveness, accounting standards, etc. as long as data are available.
- The problem with index construction when using binary indicators (e.g., yes/no) is a substantial loss of information.
- Financial performance can be an outcome of good governance. For example, high return on assets can facilitate the workings of the capital market. Although it is an outcome, it can also be an enabling factor of another outcome (a correlate of corporate governance).
- A highly leveraged firm could be setting a bad example but a well-managed firm could borrow much more from the market without endangering itself.

From the ROC:

- The methodology of the ROC's National Customer Satisfaction Index can be adapted. There are different levels of aggregation of data. The first evaluation is at the company level. Then the index can be summarized for each industry. The industry index in turn can be aggregated to obtain the country index.
- For ease in gathering data, firms to be sampled should be limited to listed firms.

Dr. Gonzalez's response:

- The indicators used in the illustration were derived from studies that surveyed a significant number of corporations.
- The illustration purposely did not use the APO survey results because

of the small number of sampled firms.

- In choosing data, one must be aware of how representative they are of the industry.

From Iran:

- The model is very complicated.
- Some indicators are inherently qualitative, e.g., contribution of shareholders. Others are inherently quantitative.
- Is it possible to obtain homogenous indicators?
- Such study is useful when comparing countries at the same stage of development.
- Data can also be manipulated.

Dr. Gonzalez's response:

- It is not easy to find homogenous indicators.
- In spite of country differences, check to determine if indicators are acceptable to all countries, e.g., adoption of a one-share-one-vote scheme.

From Sri Lanka:

- Many firms are not listed. Hence it is difficult to obtain data. Companies seldom generate data on indicators used.

Dr. Gonzalez's response:

- The alternative is to use proxy indicators. For example, one of the proposed indicators is the presence or absence of regulatory instruments.
- Perhaps NPOs can influence policy so that governments can improve databases.

From Singapore:

- We are on a learning curve for corporate governance. The amount of information is small but during the past years, more work has been done on corporate governance and more information is available. Hence we should be forward-looking in constructing the APO index.
- Countries are different, e.g., some have been in the market economy for a long time. Perhaps the index can be broken into tiers but this maybe a political issue.

Dr. Gonzalez's response:

- Many efforts are being done now on scoring corporate governance, e.g., the CLSA's own index.
- More corporations are better governed according to Standard & Poor (S&P). The hurdle is really the political and legal environment.
- There are corporations doing well even in a bad environment.

From Thailand:

- Thailand was indeed ranked lowest in corporate governance in 1998 but companies are doing better now. More recent information became available in 2000.
- Comparisons should be done for the same sector.
- Quantitative more than qualitative indicators should be used.

Dr. Gonzalez's response:

- With more and updated data, we can have a better picture and a wider coverage involving more countries.

2. Assessing Corporate Governance Using the Standard & Poor Scorecard

Professor Mak Yuen Teen, Associate Professor of Accounting, National University of Singapore, presented the methodology for assessing corporate governance developed by S&P. The scorecard consists of 136 items with a maximum score of 140. The scorecard items reflect principles and best practices embodied in international corporate governance codes. The items are rated based on disclosure of firms in their annual reports. Disclosure, according to him, is important from an investor's perspective in a disclosure-based environment. He mentioned that the corporate governance scorecard did not endeavor to assess the quality of the information provided by firms. Prof. Mak also shared the results of the assessment of disclosures of listed firms in Singapore, Malaysia, and Thailand.

As an example, Malaysia scored high in board independence, disclosure of directors' characteristics, CEO-chairman separation, attendance at board meetings, independence of remuneration and audit committees, and information dissemination to shareholders.

3. Corporate Governance of State-owned Enterprises in Korea

Presentation given by Dr. Wonhyuk Lim, Fellow, Korea Development Institute

Dr. Lim discussed the privatization of state-owned enterprises (SOEs) in the Republic of Korea, suggesting that privatization required a fundamental break in the objective of the firm, from "public interest" to "profit." Before Korea embarked on privatizing SOEs, it managed through the 1983 Act to link managerial rewards to public enterprise performance. However, privatization did not gain momentum until the 1997 financial crisis. By then, the crisis had superseded bureaucratic inertia and hesitation to touch the economic power of the chaebols. There was an urgent need to generate hard currency and secure foreign investors' confidence, but alongside these moves came institutional reforms intended to reduce moral hazards, improve corporate governance, and enhance competition. An Anglo-Saxon style emerged as privatization went into high gear. The government learned the important lesson that the shift to a profit motive had to be accompanied by substantive competition or regulation to improve consumer welfare, which should be one of the outcomes of corporate governance reforms. In the end, to improve efficiency and consumer welfare, privatization had to be seen as an important component of liberalization that enhances the operation of market forces.

4. Utilization of Corporate Governance Indicators

Lecture given by Prof. Chwo-Ming Joseph Yu, Business Administration, Faculty of Economics, National Changchi University, Republic of China.

Dr. Yu illustrated how corporate governance indicators are utilized by various stakeholders in the ROC. He focused on the Information Disclosure Evaluation System (IDES) currently being implemented by the Securities & Futures Information Center. IDES has 81 indicators spread among five categories: abiding by the law on information disclosure, timeliness of disclosures, disclosure of financial forecasts, disclosure on annual reports, and disclosure on Web sites. One-third of the Taiwanese corporate sector was evaluated, and the results announced in June 2004.

Laws and regulations in the ROC require publicly listed firms to file timely reports, follow certain procedures, and notify the public about share changes of board members. IDES can detect whether firms are in violation of certain laws. IDES is also helpful in raising the quality of information and enabling stakeholders to make informed decisions on the basis of up-to-date information. Annual reports are especially useful for comparing firms' performances over time since data for several years are provided. Company Web sites represent an active (and interactive) way to supply information to stakeholders.

5. Corporate Governance Reform in Korea

Presentation by Prof. Keun Lee, School of Economics, Seoul National University

Post-financial crisis corporate governance reform in Korea adapted the Anglo-Saxon model, according to Dr. Lee. That model has the following attributes: transparency through the appointment of outside directors, flexible labor markets, corporate restructuring for more profitability and less expansion, more reliance on the market with M&As promoted, and more shareholder participation anchored on liberalization.

Reform measures include improvement of the capital structure of firms, more transparent management (outside directors, no subsidies within conglomerates), and better government monitoring and financial supervision. The Korean government's key strategy was to reform the banks first so that they could pressure corporate clients to change. That meant that the banking system was streamlined, boards were revamped to take in more external directors, accounting was aligned with international standards, and foreign shareholders were allowed. Subsequently, corporations had to sign financial pacts with creditor banks to reduce their debt-to-equity ratios, rely more on equity markets, reduce ownership concentration, and decrease cross-shareholding. The reform was a partial success, which led to Korea's immediate growth recovery to about 1.0% in 1999. Corporate profitability also increased. New SMEs and IT ventures likewise emerged. But there were drawbacks, including weak investment by Korean firms, government takeovers of majority shareholding in banks, and poor corporate capability to invest in long-term growth.

Dr. Lee pointed out that the reform had had less success in changing institutions, especially in enhancing transparency in management or trust in labor relations. Interest politics and the complications caused by globalization also interfered with reform implementation. Chaebols actually reduced their debt-equity ratio not by settling their debts but by issuing more equities. They were concerned more with preventing hostile takeovers, holding cash flows without conducting investment, and focusing on consumer banking. Dr. Lee suggested that in the end, it was still valid to make a tradeoff between a purely market-based financial system and industrial banking for most catch-up economies. The market-based system was more suitable for developed economies with large capital markets and with no stakes for further accelerated growth.

6. The Korea Code of Best Practice for Corporate Governance: A Close Look at the Roles of Corporate Board

Lecture given by Prof. Myeong-Hyeon Cho, School of Management, Korea University

Professor Cho discussed practical issues facing Korean corporate boards: the size needed for appropriate, swift, and prudent decisions; the number of outside directors needed to maintain independence; what committees should be lodged on the board; and the split of the CEO and chairman of the board, among others. He compared Korean firms with US companies, indicating that the latter had more independent directors. Korean firms, however, like US firms, have relatively small boards, suggesting that board downsizing has led to somewhat higher firm value and performance. However, Korean firms' boards have relatively low independence, discipline, and accountability.

Korean firms also have serious problems when it comes to fair and independent nomination processes, with controlling shareholders still choosing even outside directors. Although cumulative voting is allowed, it is not mandatory. However, shareholders could request its adoption by large corporations. Numerous outside directors in Korea are managers, lawyers, and accountants, who act as lobbyists in a relationship-based system. At any rate, they have uneasy access to information and receive lower compensation and yet have the same legal responsibilities as internal directors.7. IT Enablement Driving Corporate Governance beyond Compliance

Presentation given by Mr. Lim Hong Hui, Vice-President, ECGSoft, Singapore.

Mr. Hui argued strongly for the Sarbanes-Oxley Act to encourage corporations to move beyond compliance. He said that the reform provisions of the act could be the benchmark for Asian corporations, especially those wishing to be listed on the NYSE or NASDAQ. He described the Sarbanes-Oxley disclosure procedures, such as those in internal control reporting and external auditor attestations as models to be followed. Specific provisions on record retention, independent consultants, "whistleblowers," and real-time disclosure could lead to cost-minimizing compliance management. Mr. Hui also detailed the closed-loop compliance processes, including risk assessment, control documentation, proactive monitoring, control evaluation, exception reporting and remediation. At the entity level, he introduced to the delegates the COSO framework and its points of focus, which include human resources policies and procedures; employee responsibilities, authorities and performance expectations, control-related accountabilities; awareness of performance measures; performance evaluation process; remedial action on policy slippages; code of conduct; and background checks on potential hirees. Mr. Hui concluded by saying that all these should lead to a systems-based preventive control, which is more desirable than that practiced by most corporations, which is people-based preventive or detective control.

COUNTRY PAPER PRESENTATIONS

- Delegates presented papers on the opportunities for and constraints on implementing a corporate governance indicator system in their respective countries.
- Many delegates tried to gather data to support the values of the shortlist of corporate governance indicators. According to the delegates, data are easier to gather for listed firms. More effort is needed to obtain data for unlisted firms.
- There are member countries, however, where data are not officially available.
- There are also varying interpretations of the indicators, since no definition was supplied in the country paper outline.
- Among indicators, there seemed to be more agreement on disclosures on board responsibilities, shareholder rights, and investor relations than on business ethics and corporate social responsibility.
- To ease data gathering and ensure sustainability, the APO can ask other institutions (e.g., securities commissions) to participate in this project.

GROUP DISCUSSION ON THE APO CGI

The group discussion focused on further development of the APO CG. Three small groups were formed to brainstorm on the domains and indicators (process and outcome indicators) to be used in constructing the final CGI. Delegates were also asked to identify the benchmarks and best practices corresponding to the indicators chosen by the group.

In summary, the domains shown in Table 1 were identified. The indicators corresponding to these domains as well as benchmarks, best practices, and assessment of relationship to corporate governance identified by groups A, B, and C are listed in Tables 2, 3, and 4, respectively.

Domains identified by the symposium groups		
Group A	**Group B**	**Group C**
Ownership	Ownership	Financial performance

Shareholder rights Stakeholder concerns	Board effectiveness Shareholder rights/treatment	Ownership Board
Board structure and capacity building	Accounting, disclosure and transparency	Shareholder rights
Board processes Key financial indicators	Social responsibility	Stakeholder concerns Regulatory environment
Economic indicators		Self-regulating activities
Self-regulating/regulation Social responsibility		Social responsibility Disclosure

INTEGRATION/CONCLUSION

- The Chief Expert noted the significant progress in devising the APO CG Index. With group reports, APO can already fast-track the development of the index and indicators. The next step is to finalize the index.
- The research effort has not yielded much on best practices. It is hard to extract good practices since some countries are not yet strong in corporate governance.
- Next steps: (1) devise a compendium to include the CGI based on the first effort; and (2) distill some of the best practices in the region.
- The Chief Expert suggested that the initial set of best practices included in the compendium should come from: Singapore (disclosure regime, shareholder protection, since it has made significant strides in these areas); Taiwan, the ROC (dilution of ownership, information management, i.e., how well-developed the database is); Malaysia (regulatory environment, i.e., how government was able to enforce legal requirements); Korea (trade-off between adopting OECD principles within a certain culture, traditional culture vs. new paradigm); Vietnam (its equitization process/privatization of SOEs may be relevant, especially to Lao PDR and Cambodia)

Comments from Prof. Mak:

- Consider deleting the financial dimension of the index since it is an outcome.
- The APO should collaborate in the Global CG Forum, which is assessing how countries are progressing in OECD principles.
- The APO's main thrust is productivity. Hence there is a need to demonstrate how productivity relates to corporate governance.

Comments from Joseph Yu:

- Countries are adjudged to have similar domains and indicators, yet they are in different stages of development. Some adjustments must be made to ensure that some countries are not being measured on items they are not ready for.

- What can be done? Actions include revising laws, training/education/promotion, and better implementation/institutionalization.
- There should be more sector focus and alliances with other organizations.
- Other key factors include managing unintended consequences, dialogues with the business community, motivating firms to undertake good corporate governance themselves, and adopting various norms (international standards, Asian standard, national standard, industry standard, comparison with own previous performance).

Comments from the APO Secretariat (LKY):

- The APO will develop a compendium on best practices in corporate governance.
- The group will continue discussion through the APO e-forum which will involve a wider set of people.
- The APO will follow the suggestion of collaborating with the OECD. The APO invited the OECD to attend its 2003 corporate governance workshop.

Attachment: Tables 1–4 and Annex 1&2

Table 1. Output of Group A

Domain	Indicators	Causative relationship to corporate governance	Norm		Availability
			Bench-mark	Best practice	
Ownership	(a) % of SOEs in publicly listed firms (b) % of government investment in publicly listed firms (c) % of listed firms not traded	Neutral Neutral–negative Negative			Available
Shareholder rights	(a) % of firms that hold general meetings (b) % of firms that make available long-term plan? (c) % of firms that make performance highlights available (d) % profit-making firms that declare dividends annually	Positive Positive Positive Positive			To be obtained from primary sample surveys
Stakeholder concerns	(a) % of firms with healthy DSCR (1.5) (b) % of firms facing litigation from civil society organizations (c) % of firms declared bankrupt/blacklisted	Positive Negative Negative			To be derived from secondary sources
Board structure and capacity building	(a) % of firms with CEO as chair (b) % of firms where independent directors constitute more than 1/3 of board composition	Negative Positive			To be obtained from primary sample surveys

	(c) % of firms where nomination committee is on the board (d) % of firms where remuneration committee is on the board (e) % of firms where at least 1/3 of board members are trained every year (f) % of firms where the length of continuous service exceeds 3 years	Positive Positive Positive Negative			
Board processes	(a) % of firms where directors are satisfied with current practices in conduct of board meetings (b) % of firms where directors are satisfied with disclosures and compliance (c) % of firms where at least 30% of the time is devoted to business plan and strategy (d) % of firms where at least 30% of the time is devoted to performance review	Positive Positive Positive Positive			To be obtained from primary sample surveys
Key financial indicators	(a) % of firms that achieved budgeted turnover (b) % of firms that achieved budgeted net profit (c) % of firms that improved dividend-equity ratios (d) % of firms that improved turnover-employee ratios	Positive Positive Positive Positive			To be derived from secondary sources
Economic indicators	(a) % of firms that plough back at least 1/3 of net profit for capital investment (b) % of firms that increase export earnings	Positive Positive			To be derived from secondary sources/primary surveys

	(c) % of firms that import substitute (d) % of firms that have FDI	Positive Positive			
Self-regulating/ regulation	(a) % of firms that adopt international accounting standards (b) % of firms that establish audit committees (c) % of firms where compliance with Company Act and other relative regulations, including codes of CG, must be verified by the regulator	Positive Positive Positive			To be derived from secondary sources
Social responsibility	(a) % of firms involved in voluntary community action (b) % of firms that undertake activities for environmental protection (c) % of firms with social clauses (social safety nets, prevention of child labor, female empowerment, right to strike, minimum wage, etc.)	Positive Positive Positive			To be obtained from primary sample surveys

Table 3. Output of Group B

Domain	Indicators	Relationship to corporate governance	Norm		Availability
			Benchmark (Asia)	Best practice	
Ownership	% of firms that are family owned	Negative	10%	5% ownership (USA)	Annual reports
	% of firms that are government owned	Negative	5%	0% ownership (USA)	Annual reports
	% of institutional ownership	Positive	10%	40% (UK)	Annual reports
Board effectiveness	% of firms with at least 1/3 independent directors	Positive	75%	100% (USA)	Annual reports
	Independent chairman and CEO	Positive	15%	70% (UK)	Annual reports
	Independent audit committees	Positive	25%	100% (USA)	Annual reports
	Remuneration/nomination committees	Positive	15%	100% (USA)	Annual reports
	Mandatory training	Positive	100%	100% (Malaysia)	Annual reports
	Director assessment	Positive	20%	50% (UK/USA)	Annual reports
Shareholder rights/treatment	% of firms with cumulative voting rights	Positive	100% (Mongolia)	100% (Mongolia)	M&As
	Voting by proxy	Positive	100%	100%	Annual reports
	Class action suits (suits/firms)	Positive	1%	20% (USA)	Annual reports/legal databases
	One share/one vote rule	Positive	100%	100%	Annual reports/legislation
	Actions against insider trading (suits/firms)	Positive	Negative	100%	Media/legal databases
Accounting, disclosure, and transparency	Compliance with international accounting standards	Positive	100%	100%	Annual reports
	Directors' remuneration	Positive	20%	100%	Annual reports

	External auditor (firm or partner) rotation	Positive	100%	100%	Annual reports
	Internal control statement	Positive	100%	100%	Annual reports
	Half-yearly financial report	Positive	100%	100%	Annual reports
	Disclosure of control rights	Positive	–	100% (USA)	Annual reports/filings
	Disclosure of related-party transactions	Positive	100%	100%	Annual reports
	Background of directors	Positive	100%	100%	Annual reports/filings/Internet
Social responsibility	Board representation from stakeholder groups	Positive	5%	100% (continental Europe)	Legislation/annual reports
	Environmental reporting	Positive	50%	100% (continental Europe)	Annual reports/environmental reports/Internet
	Health and safety reporting	Positive	100%	100%	Annual reports/other reports
	Code of ethics	Positive	25%	100%	Annual reports/filings/ Web sites

Table 4. Output of Group C

Domain	Indicators	Relationship to corporate governance	Norm		Availability
			Benchmark	Best practice	
Financial performance	Return on assets	Positive Note: In some cases, it is not necessarily positive, e.g., in Vietnam	Average for each industry in the country	Regional or international standard	Available
	Return on equity	Positive	Average for each industry in the country	Regional or international standard	Available
	Earnings per share	Positive	Average for each industry in the country	Regional or international standard	Available
	Dividend payout	Positive	Average for each industry in the country	Regional or international standard	Available
Ownership	% of shares owned by individuals or family members/ related parties	Negative	Less than 50%	No single individual or family or related party should own more than 10%	Available
	% of shares owned by government or state	Negative	Less than 50%	No share	Available
	% of shares owned by institutions (not government)	Positive	Less than 10–15% for each institution	Less than 10–15% for each institution	Available
	Spread ownership (diversified): no single shareholder holding more than a certain percentage (e.g., 10%)	Positive	500 shares/person (Pakistan)	No single shareholder with more than 10% share (USA)	
Shareholder rights	Observance of cumulative voting rights of minority shareholders	Positive	Cumulative or proxy voting rights observed	Cumulative voting rights observed (Korea)	Not readily available
Regulatory environment	Code of corporate governance (mandatory or voluntary)	Positive	Voluntary	Mandatory, included in listing requirement (e.g., Malaysia)	Available
	Stock exchange regulation Number of convicted violations to total cases filed	Positive	Mandatory	Good enforcement and monitoring	Available

Board	CEO as Chairman of the Board	Negative	50% (Asia in general)	Separate	Available
	Board size	Negative	7–15 (Asia)	7–8 (USA)	Available
	% of inside directors to total directors	Negative		20% (USA)	Available
	% of independent directors to total directors	Positive	1/3 (Thailand)	Over 50%	Not readily available
	Attendance of independent directors	Positive	69% (Korea)	100%	Not readily available
	Presence of audit committee on the board	Positive	Present In Thailand, 98% of listed firms with audit committee	100%, composed of independent directors	Available
	Presence of nomination committee on the board	Positive	Present In Korea, 20% of listed firms have nomination committee	Independent and inside	Available
	Presence of compensation committee on the board	Positive	Present		Available
Social responsibility	Environmental management system	Positive	Present % of firms certified under ISO14000 India: 75%	Korea: 78%	Available
	Occupational health and safety	Positive	% of firms certified under OHS 18000		
	Social accountability	Positive	% of firms certified under SA 8000		
	Code of consumer protection No. of prosecutions	Positive	Present	Good monitoring and enforcement (100%)	
Disclosure	Directors' holdings	Positive	Voluntary	Mandatory	Available
	Fees paid to directors	Positive	Voluntary	Mandatory	Available
	Expenses incurred for directors	Positive	Voluntary	Mandatory	Available
Stakeholder concerns	Debt equity ratio	Positive	Average of industry in a	Regional or international	Available

			country	average	
Self-regulating activities	Observance of international auditing standards	Positive	Voluntary	Mandatory	Available
	Observance of independent internal audit function	Positive	Voluntary	Mandatory	Available

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(6–9 July 2004, Seoul, Republic of Korea)

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Symposium on Impact of Corporate Governance on Productivity
(6–9 July 2004, Seoul, Republic of Korea)

Program and Schedule

5 July 2004 (Monday)

Arrival of participants
Hotel accommodation**: Hotel Olympia**

6 July 2004 (Tuesday): ***Crystal Room (2 F, Hotel Olympia)***

09:00–09:30	Registration Administrative briefing
09:30–10:00	Opening Ceremony Welcome address by Mr. Jae Hyun Kim, Chairman & CEO of KPC Opening remarks by Mr. Takashi Tajima, Secretary-General of APO Introduction of participants/group photo
10:00–10:30	Coffee break
10:30–12:00	**Resource Speaker Presentation (I)** “Developing a Corporate Governance Index (with some experimental results based on the output of the Kathmandu, Nepal, APO Workshop on Corporate Governance Index)” by Dr. Eduardo T. Gonzalez, President, Development Academy of the Philippines, Philippines
12:00–13:00	Lunch break
13:00–14:30	**Resource Speaker Presentation (II)** “Assessing Corporate Governance using a Scorecard” by Prof. Mak Yuen Teen, Associate Professor of Accounting, National University of Singapore
14:30–15:00	Coffee break
15:0–16:30	**Resource Speaker Presentation (III)** “Corporate Governance of Korea’s State-owned Enterprises” by Dr. Wonhyuk Lim, Fellow, Korea Development Institute
16:30–17:15	Summing up by Chief Facilitator and briefing on group discussions
18:00–20:00	Welcome dinner hosted by the Asian Productivity Organization (Gourmand, 1 F, Hotel Olympia)

7 July 2004 (Wednesday): ***Sapphire Room (2 F, Hotel Olympia)***

09:00–10:20	**Resource Speaker Presentation (IV)** “Utilization of Corporate Governance Indicators” by Prof. Chwo-Ming Joseph Yu**,** Business Administration, Faculty of Economics, National Changchi University, Republic of China
10:20–10:40	Coffee break
10:40–12:10	**Resource Speaker Presentation (V)** “Corporate Governance Reform in Korea” **by** Prof. Keun Lee, School of Economics, Seoul National University
12:10–13:30	Lunch break

13:30–15:00	**Country paper presentation (I)**
15:00–15:20	Coffee break
15:20–17:00	**Country paper presentation (II)**
17:00–17:15	Summing up by Chief Facilitator

8 July 2004 (Thursday): Sapphire Room (2 F, Hotel Olympia)

09:00–10:30	**Resource Speaker Presentation (VI)** "The Korean Code of Best Practice for Corporate Governance: A Close Look at the Roles of Corporate Board " by Prof. Myeong-Hyeon CHO, School of Management, Korea University
10:30–10:45	Coffee break
10:45–12:10	**Resource Speaker Presentation (VII)** "IT Enablement—Driving Corporate Governance beyond Compliance" by Mr. Honghui Lim, Vice-President, ECGSoft Singapore, Singapore
12:10–13:30	Lunch break
13:30–15:00	**Country paper presentation (III)**
15:00–15:20	Coffee break
15:20–16:00	**Country paper presentation (IV)**
16:00–17:00	**Group discussion**
17:00–17:15	Summing up by Chief Facilitator

9 July 2004 (Friday): *Sapphire Room (2 F, Hotel Olympia)*

09:00–10:30	**Group discussion (continued)**
10:30–10:45	Coffee break
10:45–12:00	Outcome presentation by groups
12:00–12:30	Summing-up session
	Closing ceremony
12:30–14:00	Farewell luncheon hosted by Korea Productivity Center (Gourmand, 1 F, Hotel Olympia)

10 July 2004 (Saturday)

Departure of participants