



CSIA President's Remarks at the 9th China Corporate Governance Forum 2010

Good morning, honourable Chairman Shang Fulin, Mayor Han Zheng, Mr. Meng Jianmin, Chairman Geng Liang, Mr. Richard Alan Boucher, distinguished guests, ladies and gentlemen.

As a representative of the Corporate Secretaries International Association, it is my great honour to be invited to speak at this 9th China Corporate Governance Forum. I thank you and appreciate the opportunity. I wish to extend my sincere congratulations and highest respect to all the corporate and individual winners of the 2010 Annual Awards for Best Board of Directors, Best Information Disclosure and Excellent Independent Director.

Today's forum is a key event in celebration of the 20th anniversary of the Chinese capital and securities markets. In December 20 years ago, the Shanghai and Shenzhen Stock Exchanges were established and marked the start of a new era for the Chinese capital market. After 20 years of navigation through challenging times, these Exchanges are now amongst the world's largest securities markets in terms of market capitalisation. Corporate governance standards and practices have been increasingly applied in listed companies.

The history has demonstrated impressive growth toward the maturity of the capital markets as well as great success of China in becoming one of the most robust economies in the world.

The Shanghai Stock Exchange has made continuous efforts to strengthen the corporate governance of Chinese companies and has a proven track record in this area. An annual corporate governance forum has been organized since 2001, an Annual Report for Chinese Corporate Governance has been issued since 2003, China's first Corporate Governance Index was established, a corporate governance section and related ETF products have been set up, and a series of professional training and follow-up tutorials for independent directors and board secretaries introduced.

The subprime loan crisis in the US and the subsequent world financial crisis in 2008 resulted from deficiencies in corporate governance. It is a common concern and challenge for all international companies to set up internal control procedures responsive to regulation, to allocate and balance power among Directors of the Board and to disclose sufficient information for better transparency. For all public companies, I believe a foundation of sound corporate governance stems from the effectiveness of the board of directors and independent directors, and from information disclosure practices. The three awards to be granted from the Shanghai Stock Exchange are strong evidence of support for the establishment of effective corporate governance. I would like to raise awareness of the importance of a Board Secretary in a company as she/he is responsible for corporate governance and information disclosure. The board secretary assumes similar responsibilities as the company secretary, both of whom are vital in ensuring good corporate governance.

Though corporate governance regulations differ in different legal systems, the concepts and practices amongst international companies are becoming increasingly more reflective of each other. Principles and practices developed in different countries are increasingly similar to each other, for example, internal control of listed companies after the financial crises, and regulation of the financial reports of listed companies. A new development is the regulators' focus on the non-financial section of reporting – integrated reporting covering corporate social responsibility and environmental concerns. At the same time, the board secretary, who manages the operation of board, is assuming

greater responsibility in implementing corporate governance practices. Hong Kong regulators are preparing consultation documents on the role of company secretary.

A McKinsey research shows that international institutional investors are willing to pay a 30 per cent premium to buy stock of companies with sound corporate governance. Research conducted by the Shanghai Stock Exchange yields a similar result regarding investment biases of Qualified Foreign Institutional Investors (QFII) when buying A-shares. However, it is hard to get an objective evaluation of corporate governance because different companies adopt different codes and standards. Furthermore, the person responsible for corporate governance at a public company in different securities markets may have different qualifications and responsibilities, and this hinders the co-ordinated development of corporate governance worldwide.

The Corporate Secretaries International Association (CSIA) was established in March of this year in Paris. The Hong Kong Institute of Chartered Secretaries was one of the founding members and it was my great honour to be the first elected President of the CSIA.

The CSIA represents approximately 70,000 governance professionals from more than 70 countries and territories globally. Full member organisations include national/territorial representative organisations from Hong Kong/China, Australia, India, the United Kingdom, South Africa, Kenya, Malaysia, Singapore, Zimbabwe, Nigeria and affiliated member organisations are from the United States, New Zealand and Sri-Lanka. CSIA's mission is to develop and grow the study and practice of secretaryship and good governance and to support the professionalisation of corporate secretaryship internationally. CSIA released the publication "20 Practical Steps to Better Governance" to develop international corporate governance codes and is working with the World Trade Organisation to introduce a separate Head in the WTO's Services Sectoral Classification List with a view to enhancing the recognition and qualification of corporate secretaries and governance professionals.

China's Twelfth Five-year Plan has formulated the longer term objectives of reform and innovation in China's financial system, as well as its international development. The theme of this forum is "Construction of the Blue-chip Stock" which manifests the vision of Shanghai is to become an international financial centre and to nurture world-class enterprises that can compete globally. A professional corporate secretary position is important for the advancement of China's financial market, internal control mechanisms and the international expansion of enterprises. CSIA and The Hong Kong Institute of Chartered Secretaries are willing to work with Chinese regulators to contribute to the growth of Chinese capital markets. We are happy to offer our knowledge and experience in corporate governance practices, the professionalisation of board secretaries with international recognition, as well as training of corporate governance practitioners. CSIA sincerely wishes to work closely with all of you, share our information and extensive experience in corporate governance, contribute to China's securities market and help train financial professionals.

Finally, I wish the Forum great success. Thank you everyone!