



**Keynote speech at
Companies Registry Corporate Governance Roundtable**

**Ashley Alder
Chief Executive Officer**

13 March 2017





from two very different angles – short-termism and climate change.

The corporate short-termism debate

Concerns about corporate short-termism have been discussed for years in one form or another, but have recently resurfaced as a big area of contention. In fact this issue is at the heart of the whole governance discussion. It even underlies different views about the best governance structures for tech companies – most recently in relation to the Snap IPO in the

the long term because they are heavily incentivised to pursue short-term goals. y in

The allegation is that corporate activities are mainly directed to meet quarterly financial targets and to boost short-term share performance. Techniques used to achieve this range from share buy-backs financed by cheap borrowing, to the



This is to do with the rise of index investing and the very large money flows from active funds to passive mutual funds and ETFs.⁵

A recent survey found that Hong Kong advisors had almost 30 percent of their portfolios allocated to passive strategies and expected this to increase.

This has the potential to be a real problem. If a large slice of institutional investor money is passive, this could mean that few of them have any interest in holding boards to account. The concern is that if boards do not feel accountable to shareholders, incentives for good governance could wither away.

Recently we have been engaging more with companies and asset managers about the implications of this. Basically, we want to encourage all asset managers to focus on how companies are governed and how they manage risks, and to get involved where necessary.

Just over a year ago, we introduced a new stewardship code, which we call the [Principles of Responsible Ownership](#). The principles aim to encourage investors to constructively engage with companies and to establish clear voting policies.

And in line with this we have in fact seen that some of the largest managers of index tracking



The issues straddle the sharp end of corporate conduct in Hong Kong listed companies to the global dimension of climate risks. In both cases, responsible corporate governance is essential to enable the market to allocate savings to productive long-term opportunities, which is really the whole point of the exercise.

Thank you.