

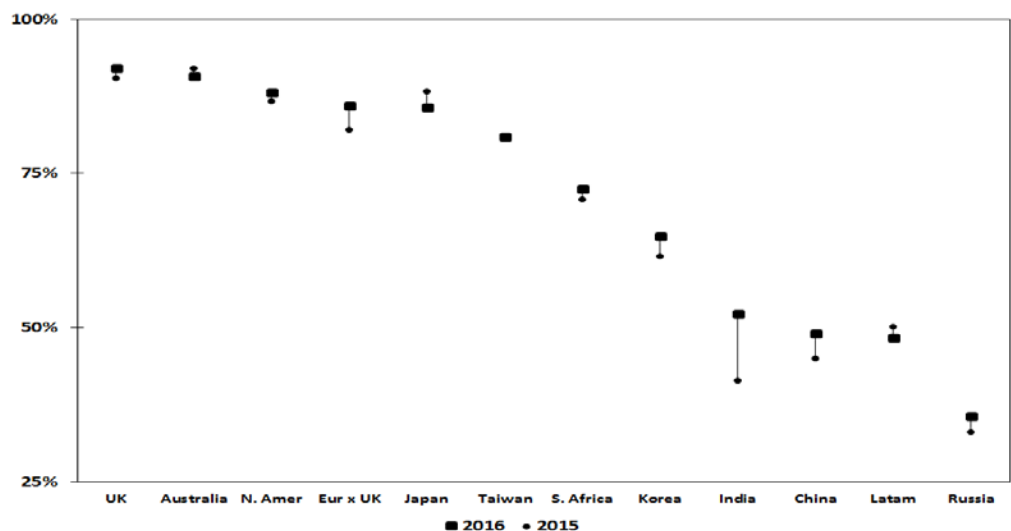
Gauging Governance Globally: 2017 Update



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- **A Governance Update** — We update the analysis in our 2014 and 2015 reports with data for 2016.
- **A Modest Improvement in Governance** — The percentile ranking of three-quarters of the countries in a governance composite increased, albeit modestly, in 2016 versus 2015.
- **Improved Governance in Some EMs** — Key Emerging Markets saw an improvement in various governance metrics, including *national* governance (corruption in China, India and Russia) and *corporate* governance (China, India).
- **Valuation Implications** — The quality of country-level governance affects corporate governance and, thus, firm value. However, just modest improvements in governance seem unlikely to impact country valuations.
- **Strategy Implications** — We continue to rank China and India as Unattractive in our regional strategy model, in large part reflecting unappealing valuations and relatively weak earnings momentum.

Figure 1: The Cornerstone Capital Governance Composite: Ranking 2016 vs. 2015



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Source: Cornerstone Capital Group



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