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### Most MPs Say No To Cap On Board Directorships; Opinions Split On Publishing Directorships Held By MPs

(SINGAPORE) In a poll conducted by the Straits Times regarding the issue on whether there should be a cap on the number of boards the Members of Parliament (MPs) can sit on, all but three of the 22 People’s Action Party (PAP) MPs polled opposed a cap. The consensus was that there is no one-size-fits-all solution that can ensure that those in demand do not exceed their limits and that company nominating committees should be left to decide who they want as independent directors. The Securities Investors Association of Singapore and the United States National Association of Corporate Directors have recommended that someone who is fully employed should not sit on more than three or four boards.

In a similar poll conducted in view of the MPs’ opinions on publishing the number of independent directorships held in a designated public forum such as the Parliament website, 12 MPs were comfortable with having the information published while 10 felt that declaring their directorships to the party is adequate. However, even those who were supportive of publishing the list of directorships they hold to the public disagreed with disclosing directors’ fees, as they felt that the disclosure decision should be left to the companies and that such remuneration information is personal to them.  

*~ Adapted from "Most MPs say no to cap on board seats", The Straits Times, 8 June 2004; "MPs split on publishing directorships", The Straits Times, 8 June 2004.*

### Most STI Companies Have High Disclosure Standards But Lag Behind Developed Countries

(SINGAPORE) A study conducted on all 45 companies on the STI by Standard & Poor’s (S&P) and the Corporate Governance & Financial Reporting Centre (CGFRC) at the National University of Singapore (NUS) has shown that Singapore companies have higher disclosure standards compared to their regional peers but still lag behind companies in developed countries. The companies were evaluated on a corporate governance disclosure scorecard developed by S&P for Southeast Asia. Out of a maximum 140 points, the STI companies had a mean score of 81, in comparison to 65 for companies in Malaysia and 38 for Thailand, which had been surveyed earlier by S&P and CGFRC.

However, companies here still lagged behind those in the United States, Britain and Australia in disclosing

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some key information such as directors' salaries, stated Associate Professor Mak Yuen Teen, co-director of CGFRC. Prof Mak added that this could be contributed partly to the culture in Asian companies which includes a level of sensitivity over disclosing the salaries of their boards of directors and senior executives. Prof Mak also said that 'good corporate governance is necessary but not a sufficient condition for investors to evaluate companies. If we were to look at the disclosure standards of companies like Enron, and even Informatics, they would have probably scored very well but then again, it is a matter of form versus substance.' ~ Adapted from "Top companies score well in disclosure", The Straits Times, 30 June 2004; "Most STI firms have high disclosure standards", The Business Times, 30 June 2004; "Singapore companies have highest disclosure standards in Southeast Asia-study", AFX Asia, 30 June 2004.

Singtel CEO, CFO Certify Accounts: A First In Singapore

(SINGAPORE) In a move that could raise the standard of corporate governance in Singapore, Singapore Telecommunications (SingTel) has had its CEO and CFO sign off on its financial accounts – the first company in Singapore to do so. According to SingTel's latest annual report, its CEO and CFO have provided a certification to the board 'on the integrity of SingTel's financial statements, and on SingTel's risk management and internal compliance and control systems'. Chumpol Nalamlieng, Chairman of SingTel, stated that this was intended to encourage management accountability. SingTel's Director of Corporate Communications Ivan Tan stated that the joint signatures follow the Australian best practice, which is more tedious than what is practised in Singapore. During the year, SingTel had also implemented an appraisal process to assess individual directors' contribution to the board's effectiveness. ~ Adapted from "S'pore first: SingTel CEO, CFO certify accounts", The Business Times, 30 June 2004.

Disney And Shell Among Calper's Focus List For Poor Governance

(SAN FRANCISCO) California Public Employees' Retirement System (Calpers), the largest US pension fund, has placed Walt Disney, Royal Dutch/Shell, Emerson Electric and Maytag Corp on its annual focus list for poor corporate governance and financial performance. Sean Harrigan, President of Calpers, stated that each of the four companies required reforms in their corporate governance to 'restore long-term profitability and investor confidence'. The US$166-billion fund picks around 10 companies each year for its Focus List based on factors such as performance and corporate governance. An Emerson spokesman said that the company 'completely' disagreed with Calper's decision. Spokespersons for Shell and Maytag stated that their companies have adopted or are in the process of adopting the changes suggested by the fund and are addressing shareholder concerns. Disney was
Survey Shows Nearly Half Of U.S. Institutional Investors Feel Corporate Governance Reforms May Have Gone Too Far

(NEW YORK) A recent survey conducted by Broadgate Consultants, Inc. shows that nearly half of U.S. institutional investors who responded felt that the Sarbanes-Oxley has not been effective in promoting better corporate governance and protecting investors. A similar survey of 120 buy side portfolio managers and research professionals revealed that 52% felt that the push for corporate governance may have gone too far thus undermining the credibility of its supporters. 40% also thought that state pension funds trying to wield too much power may be doing more harm than good. However, most investors favored getting more directly involved in the election of boards. Nearly 60% stated that boards of European counterparts were less effective but that U.S. companies should adopt European-style corporate governance practices that balance the needs of constituencies beyond shareholders. ~ Adapted from "Nearly half of U.S. institutional investors feel corporate governance reforms may have gone too far", PR Newswire, 8 June 2004.

Limited Inspections Of Big Four Accounting Firms Uncover Significant Accounting And Audit Issues

(WASHINGTON) The Public Company Accounting Oversight Board, an independent board established by Congress to replace the accounting industry’s regulators, have stated that limited inspections carried out on the four big accounting firms, Ernst & Young, PricewaterhouseCoopers, KPMG and Deloitte & Touche, have shown significant problems in their audits of companies’ books. William McDonough, Chairman of the board stated that they “expect the prospect of scrutiny to alter the relative risks and rewards to individual (auditors) who might otherwise consider shortcutting audit steps or bending to pressures to please clients.” Under the law, accounting firms are given a time period of 12 months to clear any problems and violations that were uncovered during the inspections. If problems are cleared according to the board’s satisfaction, no further action would be taken. Otherwise, individual auditors and firms could face civil penalties of up to US$750,000 and US$15 million respectively, and in addition, a temporary suspension or permanent disqualification from auditing public companies. All 1003 US and foreign accounting firms registered with the board are subject to inspection, with the bigger firms to be examined once a year and the smaller ones once in every three years. ~ Adapted from "Big 4 accounting firms still a foul", The Business Times, 25 June 2004.
Foreigners Demanding Improvements After Acquiring A Stake In Korean Companies With Weak Governance

(KOREA) According to the Korea Investment Trust Management (KITMC), many foreign institutions have an interest in investing in Korean companies with weak corporate governance and then demand for improvements after acquiring a certain stake. KITMC president Gweon Seong-chul, who had met around 10 asset management companies and brokerage firms in the U.S. last week, stated that “they showed great interest in purchasing a large stake in firms with weak ownership structure but have the potential to generate robust earnings.” “They could demand improvements in the governance practices and this is likely to push stock prices higher, giving them a high return on their investments”, added Gweon. Additionally, Gweon commented that large firms might become targets for potential takeover bids by these foreign institutions if they do not enhance their corporate governance standards. ~ Adapted from "Foreigners target firms with weak governance", The Korea Times, 28 June 2004.

Singapore Courts Won’t Second-Guess Director Decisions Made In Good Faith

(SINGAPORE) In a move that could encourage managers to take risks, the Singapore courts have showed signs that they will not second-guess the decisions of company directors who act in good faith. According to Justice Tay Yong Kwang, “the court should be slow to interfere with commercial decisions taken by directors”. Justice Tay made the statement after ruling in favor of the directors of ECRC Land Pte Ltd who had been alleged by the company to have breached their fiduciary duties. Justice Tay also stated that the court “should not, with the advantage of hindsight, substitute its own decisions in place of those made by directors in the honest and reasonable belief that they were in the best interests of the company, even if those decisions turned out subsequently to be money-losing ones.” According to NUS Assistant Professor Lan Luh Luh, the court ruling "gives the directors the green light to take risks. As long as they are clean and acting above the board, there’s no fear.” ~ Adapted from "Courts won’t second-guess honest directors’ decisions", The Business Times, 9 June 2004.

Ernst And Young Withdraws Statement Made Regarding Informatics Management Involvement In Misstated Earnings: PwC Report Deepens Controversy

(SINGAPORE) In an unexpected turn of events, Ernst and Young (E&Y) has withdrawn a part of its earlier report regarding Informatics management’s involvement in the company’s misstated quarterly results. The auditor has made this decision after being informed of the existence of poison pen letters that would have affected the audit procedures. E&Y has
stated that “its being unaware of the existence of the poison pen letters has seriously compromised and undermined the basis upon which it had approached its agreed upon procedures and consequently its conclusions in the report of findings.” E&Y has also stated that the move was not meant “to cast any aspersions on the conduct of any particular member of the senior management”. An Informatics spokeswoman stated that the company had obtained two poison pen letters in April that had not been addressed to the company but to the media and the authorities.

The controversy surrounding Informatics deepened with PricewaterhouseCoopers (PwC), which had been hired by Informatics to make an independent review, questioning some of the company’s accounting and management decisions in a recent report. It was revealed that the loss of $20.6 million that Informatics reported in April has now more than doubled to $42.5 million. The management, in a rebuttal of 10 points in the PwC report, has also stated that the report was “in parts speculative, judgmental and that some statements appear to be pure conjecture”. Meanwhile, Informatics has announced the immediate resignation of its chief executive and co-founder, Mr Ong Boon Kheng who will be replaced by Mr Michael Teng, a member of the international resource panel at the NUS Business School. ~ Adapted from "Ernst withdraws Informatics statement", The Business Times, 24 June 2004 ; "Why Ernst withdrew statement", The Business Times, 25 June 2004 ; "Informatics management challenges PwC report", The Business Times, 29 June 2004 ; “PwC uncovers even more Informatics misstatements”, The Straits Times, 29 June 2004.

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Probe Shows Management Of Global Crossing Was Not Aware Of Faulty Accounting
(SINGAPORE) An investigation by Deloitte and Touche has found that the management of Global Crossing, a fiber-optic network operator, was not aware of faulty accounting related to its 2003 results. Deloitte was hired by Global Crossing to begin an investigation after announcing in April that it underestimated some liabilities. According to Chief Executive John Legere, who was appointed in October 2001, the company is in the process of implementing more stringent controls. The 2003 understatement is estimated to range from about US$50 million to about US$80 million. Singapore Technologies Telemedia, the majority shareholder of Global Crossing, paid US$250 million for a 61.5% stake to help the company out of bankruptcy last year. Shares of Global Crossing have dropped by 51 per cent this year due to concerns that the stock may be de-listed because of its accounting problems. ~ Adapted from "Global Crossing’s management cleared", Singapore companies, The Business Times, 23 June 2004.

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Ex-WorldCom CFO Pleads Guilty To Securities Fraud
Former WorldCom CFO Scott Sullivan has pleaded guilty to one count of conspiracy to commit securities fraud and faces up to five years in state prison and a fine of US$5,000. The charge stems from Sullivan’s involvement in WorldCom’s misrepresentation of its operating expenses which let the company inflate its earnings, leading to an US$11 billion accounting fraud. Sullivan previously pleaded guilty to federal charges of securities fraud, conspiracy and false statements to regulators, and had agreed to testify against his former boss, CEO Bernard Ebbers. Sullivan is currently facing up to 25 years in federal prison, but is hoping that he will get a reduced sentence by cooperating. ~ Adapted from “Former WorldCom CFO pleads guilty in Mississippi securities case”, The Business Times, 8 June 2004.

Former Network Associates CFO Charged In Accounting Scam

(SAN FRANCISCO) Prabhat Goyal, former CFO of Network Associates Inc., has been charged with a 20-count indictment for masterminding an accounting scam to inflate Network Associates’ sales and conceal US$330 million in losses from 1998 through 2000. Network Associates has already restated its results for the three years mentioned in the indictment and hopes to change its name to McAfee later this year. If convicted, Mr Goyal faces a prison sentence of up to 10 years for each of the 19 securities fraud counts facing him and a five-year prison sentence for one count of conspiracy. He will also face fines ranging from US $250,000 to US$1 million on each count. ~ Adapted from “Ex-Network Associates CFO charged in alleged accounting scam”, The Business Times, 17 June 2004.

Former Vivendi Universal Chairman Placed Under Formal Investigation

(PARIS) Former Chairman of Vivendi Universal, Jean-Marie Messier, was placed under formal investigation for suspected financial wrongdoing. In France, official investigation is one step short of pressing charges. Messier was detained by police for questioning as part of an investigation into allegations of insider trading, share price manipulation, publication of misleading information and misusing company funds when he was the chief of the French media and telecoms group. The company had allegedly spent over US$1.2 billion to increase its own share price in the weeks after the Sept 11 attacks, and had done so while Messier was presenting financial results - a practice that is strictly forbidden by French market rules. According to Messier and other former executives, they had carried out the operations with the full knowledge of France's Financial Markets Authority, which is also currently under investigation. ~ Adapted from “Ex-Vivendi head Messier under formal investigation”, Reuters News, 22 June 2004; “Former Vivendi chief investigated for suspected financial wrongdoing”, Associated Press Newswires, 22 June 2004;
Siebel Systems Charged For Violating SEC Rule, Again

(USA) Siebel Systems Inc., the world’s largest maker of customer-service software, has been charged by the Securities Exchange Commission (SEC) for violating a rule that bars companies from revealing information to Wall Street before the general public. The SEC stated in its lawsuit that Siebel's Chief Financial Officer, Kenneth Goldman and Mark Hanson, a vice president for corporate development, had made "positive comments" to institutional investors about the company's activities that contrasted with the negative public statements the company had made several weeks before. This is the second time that Siebel has violated SEC’s Regulation Fair Disclosure, which forbids companies from releasing news selectively. Siebel has stated that it did not believe it had violated the disclosure rule and that the SEC "has not provided any credible evidence that the company believes supports the SEC's allegations." Siebel has also said that it has “meritorious defenses” to the SEC suit. ~ Adapted from Siebel Systems Again Accused by SEC of Rule Violation", Bloomberg, 29 June 2004; "SEC charges Siebel with violating fair disclosure rule after previous alleged infraction", Associated Press Newswires, 30 June 2004.