Governance standards may have reached plateau

SIAS CEO urges stakeholders to uphold good corporate governance practices

By JAMIE LEE

[SINGAPORE] Corporate governance standards may have levelled off in Singapore which means that stakeholders need to step up, noted David Gerald, CEO of Securities Investors Association (Singapore) or SIAS, yesterday.

His call comes as a study conducted by the Centre for Governance, Institutions and Organisations that tracks companies on their compliance with the Code of Corporate Governance showed that the average score was 68.7 out of a maximum of 127. This reflects a tiny improvement from last year’s score of 67.9.

“A broad implication is that we may be reaching a plateau in the state of corporate governance practices in Singapore,” he said at the second annual Singapore Corporate Governance Week.

The revision of the Code of Corporate Governance – which is now under review – is thus timely, but would need to be coupled with attitudinal changes to be top-class in this area, he added.

“Directors, senior management and corporate governance professionals must continue to be updated on the changing landscape and take ownership in upholding good corporate governance practices.”

Chairman of the Singapore Exchange (SGX) Chew Choon Seng also called for sustained effort in boosting corporate governance. “Companies need to review their processes regularly with the aim of keeping abreast of, or aspiring to, best practices. Regulators have to continuously refine the principles and policies to be in step with market evolution,” he said.

“Investors can ascribe extra credit to companies that demonstrate the spirit of good governance beyond perfunctory ticking of boxes,” he added.

The study also showed that just 11 per cent of the 705 companies reviewed held board meetings more than six times a year, the same percentage compared to last year. The percentage of companies that disclose the exact remuneration of directors continued to languish under 10 per cent.

But one bright spot was that the number of companies that see their chairmen taking on more than administrative matters has surged to 89 per cent from 27 per cent last year.

At a separate talk, managing director of Malaysia’s Securities Commission Nik Mahmood noted that corporate governance measures strengthen self and market regulation. “When people say they are over-regulated, my argument is that regulation is always inversely related to self-regulation,” she said.

As deals cross borders, regulators will find greater difficulty in going after errant directors and companies of different jurisdictions, she added.

“If there is a fictitious customer, he’s never going to be in Malaysia.”

Touching on Malaysia’s move to target to have women holding a 30 per cent representation on boards of listed firms by 2016, Dr Mahmood said that contrary to criticism, this is a merit-based decision.

“This has never been about targets, it has always been about merit. Almost 70 per cent of graduates from Malaysia are actually women,” she said.