

Corporate governance progress flatlines for Singapore companies

Latest report notes lack of diversity and further widening of gap between large caps and other companies

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SINGAPORE companies and boards still have a ways to go when it comes to good corporate governance (CG) practices, especially in the area of diversity.

The country report for Singapore, part of the Asean Corporate Governance Scorecard 2018, indicated that the development of CG practices here has essentially flatlined, and that the gap in standards between the large-capitalisation (large-cap) companies and the rest of the field is continuing to widen.

The scorecard, unveiled on Tuesday, is a joint initiative of the Asean Capital Markets Forum and the Asian Development Bank. Going back to 2011, it assesses the CG of the 100 largest publicly listed companies in six participating Asean nations.

John Lim, nominated CG expert to the Asean Scorecard and the former chairman of the Singapore Institute of Directors (SID), said: "There is a lot of room for improvement for Singapore companies.

"These are simple things that Singapore companies – if they are serious about improving their CG practices – can actually do, such as (improving) disclosure and attendance at AGMs (annual general meetings)."

Mr Lim was even more pointed with his views on how Singapore companies compare with their peers in diversity practices: "I think we compare most unimpressively, even within

this region. Singapore is third from the bottom, ahead of only Japan and South Korea.

"What with the education standards we have, the development we have, we should be much, much higher (ranked) than this. We are behind Malaysia, behind Indonesia; so, I think we compare very badly."

He was speaking during a panel discussion following the unveiling of the Singapore rankings.

The Singapore country report, prepared by the SID and the National University of Singapore (NUS) Business School's Centre for Governance, Institutions and Organisations (CGIO), said the overall scores of companies in Singapore edged up from 78.14 points in 2015 (at the last assessment) to 78.45 points in 2017.

However, a breakdown of the score into the five major evaluation areas showed that while companies did mildly better in shareholder rights, the equitable treatment of shareholders and the role of stakeholders, they fared worse in the areas of disclosure and transparency, and responsibilities of the board.

Associate Professor Lawrence Loh, the director of the CGIO, said another worrying finding was the widening gap between better performing large-cap companies and the rest.

"There is also a widening gap between the Temasek-linked companies and the other companies," he added.

Another topic that engendered much discussion on Tuesday was diversity in Singapore companies and boards.

Asean CG scorecard

The top Singapore companies

2017 RANKING	COMPANY NAME	2015 RANKING†
1	Singapore Telecommunications Ltd	1
2	CapitaLand Ltd	4
3	DBS Group Holdings Ltd	2
4	Singapore Exchange Ltd	3
5	United Overseas Bank Ltd	27
6	City Developments Ltd	19
7	Singapore Press Holdings Ltd	5
8	Oversea-Chinese Banking Corp Ltd	18
9	Sembcorp Industries Ltd	15
10	Olam International Ltd	45

†2016 was a gap year for revision and no assessment was conducted.

Sources: SID, NUS Business School

A recent revision in the scorecard puts greater emphasis on board diversity, which includes disclosing a detailed diversity policy, and having female directors on board.

While 37 per cent of the 100 Singapore companies provided a detailed policy including measurable objectives, only four companies reported on the progress of achieving their board diversity objectives and targets. Six in 10 companies had no women directors; three in 10 had just one.

Minister for Culture, Community and Youth Grace Fu, the guest-of-honour at the event, said: "It will take time and collective effort by all corporate leaders to shift mindsets and create change.

"In 2016, the Diversity Action Committee set the target of 20 per cent fe-

male board directorship among (Singapore Exchange-)listed companies by 2020. To achieve this target, we need to double the number of female directors we have. It is a stretch target, but it will be possible to achieve if we can collectively make a serious commitment to do so."

When asked if this should be achieved by way of instilling quotas for female representation on boards, panellist Lim Hwee Hua, who serves on the board of United Overseas Bank, said she was not against quotas but that they should not be the first step to increasing the number of women directors on boards. She suggested looking at the 60 per cent of companies with no women directors on their boards to find out why this is so.

She also said that quotas could have unintended consequences. "The

imposition of quotas could distract (companies) from the underlying challenge of finding a pipeline or growing that pipeline (of directors) ...

"The second unintended consequence is that the women who finally get appointed to the board might not know if they're there to fill the quota or if they're there because they're good, if they're there on their own merit."

Mr Lim said quotas do not sit well with him, as he believes they favour the end result, not the process.

He said: "I'm reminded of a story I was told about a country in South America, whose football team was among the best in the world, but whose civil service ranked right at the bottom. And that's because, I was told, when they looked for people to join their civil service, they picked people from a certain family, who came from a certain school, regardless of what their abilities were. But when they picked players for their football team, they went to every part of the country and picked those who could play.

"As for why we don't have greater female representation on our boards? I think we are just not paying sufficient attention in the selection process, and we are ignoring what is a big part of the talent pool."

It was a point echoed by current SID chairman Willie Cheng. He said: "At SID, we have more than enough female members to each take one listed board seat at the 370 all-male listed boards."

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