Call to keep pace with global governance

DPM Teo says govt committed to strong framework

By LYNETTE KOO
[SINGAPORE] Singapore’s corporate governance framework and practices should keep pace with international developments and the government is committed to putting in place a strong framework, Deputy Prime Minister Teo Chee Hean said yesterday.

This will ensure that Singapore continues to be well-regarded as a jurisdiction with a sound corporate governance environment.

“Our regulators will also need to be cognisant of emerging issues and collaborate more closely with their foreign counterparts to address cross-cutting issues,” Mr Teo said.

“For example, ensuring consistency in audit quality across jurisdictional boundaries is a growing issue that requires a coordinated response.”

Mr Teo, who is also Coordinating Minister for National Security and Minister for Home Affairs, did not dwell on specifics. But the spate of accounting scandals among Chinese listings in Singapore and the US have stoked investors’ call for greater scrutiny of audits for Chinese companies and cross-border regulatory collaboration.

Speaking at the Singapore Corporate Awards gala dinner yesterday, Mr Teo noted that Singapore has attracted companies from various countries and industries to its capital markets.

While the diversity of listed companies adds strength and depth to capital markets, it also means “varying business practices, and corporate governance standards across companies”.

The key challenge is to encourage listed companies to adopt higher standards of corporate governance and raise the bar for all companies in Singapore, he said. This has to be tackled at two levels – the company level and the regulatory level.

Urging companies to make a stronger commitment to meet corporate governance standards in substance and in form, Mr Teo noted that there is much room for improvement, citing the latest Governance and Transparency Index (GTI).

The GTI released by the NUS Centre for Governance, Institutions and Organisations last week showed that a majority of 657 companies reviewed have adopted only the minimum standards specified in the Code of Corporate Governance.

But three smaller companies with a market cap below $300 million have made their way to the top 20 in this year’s GTI, Mr Teo said. “There should be no excuse from other listed companies to be up to speed in their corporate governance practices.”

At the regulatory level, Mr Teo told his audience that the government has already set in motion the wheels of change.

The Corporate Governance Council has recently reviewed the Code of Corporate Governance while a fundamental review of the Companies Act has recently concluded.

Efforts to reform regulations and codes of corporate governance have also taken place elsewhere. In the UK, the Companies Act has been re-written in 2006 while Hong Kong is rewriting its Companies Ordinance. Both the UK and Australia have updated their corporate governance codes last year.

Singapore needs to keep a close watch on international developments as it refines its legislation and best practices, Mr Teo said.

While there have been calls to make compliance with the Code of Corporate Governance mandatory, Mr Teo explained that Singapore takes a calibrated approach – to balance the need for a regulatory framework that inspires investors confidence and not impose undue compliance cost on businesses.

“As the revised Code has proposed more stringent guidelines in many areas, I would like to see our listed companies intensify their efforts to match the higher standards.”