Corporate governance study: S’pore firms can do better

Diversity practices, widening gap in standards between large firms and the rest are areas of concern

Michelle Quah

Singapore firms still have some way to go when it comes to good corporate governance practices, especially in the area of diversity.

A scorecard yesterday showed that the development of corporate governance practices here has essentially flattened while the gap in standards between the large firms and the rest keeps widening.

The scorecard, launched in 2013 by the Asean Capital Markets Forum and the Asian Development Bank, assesses the 100 largest listed firms in six Asean nations.

There is a lot of room for improvement for Singapore companies, said Mr John Lim, a former Singapore Institute of Directors (SID) chairman who worked on the study.

“Yet there are simple things that Singapore companies could actually do, things like (improving) disclosure and attendance at AGMs.”

He was not impressed with the diversity practices of local firms: “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.”

Six in 10 companies did not have any women directors, while three in 10 have just one.

The Singapore report showed that while firms did mildly better in the areas of shareholder rights, the equitable treatment of shareholders and the role of stakeholders, they fared worse when it came to disclosure and transparency, and board responsibilities.

Another worrying finding was the “widening gap between better performing large-cap companies from the rest”, said Associate Professor Lawrence Loh, director of NUS Business School’s Centre for Governance, Institutions and Organisations, which helped compile the Singapore report. “There is also a widening gap between the Temasek-linked companies vis-a-vis the other companies.”

Minister for Culture, Community and Youth Grace Fu said at a discussion held yesterday after the report was released that “it will take time and collective effort by all corporate leaders to shift mindsets and create change”.

The official target of having 20 per cent female board directorship among listed companies has raised the issue of imposing quotas.

Panelist Lim Hwee Hua, a director at United Overseas Bank, said she was not against quotas but felt they should not be the first step.

She suggested looking at the 60 per cent of companies here that have no women directors and finding out why this is so.

Ms Lim also said quotas could have unintended consequences, including the situation where “the women who finally get appointed to the board might not know if they are there to fill the quota or if they are there on their own merit”.

Mr Lim said quotas favour the end result and not the process.

He told the event: “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 SID chairman Willie Cheng. “At SID, we have more than enough female members to each take one listed board seat at the 370 all-male listed boards.”

michquah@sph.com.sg