



CG Developments from Around the World

Asia

1. Singapore - Audit Committee Guidebook Released In Singapore

The Guidebook for Audit Committees in Singapore ('Guidebook') was issued by the Audit Committee Guidance Committee ('ACGC') in October 2008 to provide practical guidance and recommendations of best practices for Audit Committees of companies listed on the Singapore Exchange. The Greatest usefulness of the Guidebook lies in the fact that the ACGC has clarified several of the key functions of the Audit Committee, particularly in relation to audit and finance. Whilst there is nothing new as regards the role of the Audit Committee, the Guidebook does in providing elaboration on what the Audit Committee is expected to do does go further than the basic guidance provided in the Singapore Code of Corporate Governance ('CCG').

Additionally, the Guidebook gives practical recommendations which are relevant to Audit Committees. Although the recommendations in the Guidebook are not binding on Audit Committees, they nevertheless serve as a useful and practical guide for Audit Committees alongside the regulations. Audit Committees do not have to scramble to understand what their role entails any longer. This is achieved through the sharing of experiences, knowledge and practices of audit committee members and help other members deal with their own set of circumstances. As a reminder, the Guidebook is not intended to be a new rulebook or to prescribe additional standards. Industry watchers said that the launching of the guidebook was timely given the spate of corporate fraud cases involving inflation of accounts and misappropriation of funds in the recent years.

The guidebook is available online on the websites of the Monetary Authority of Singapore, Accounting and Corporate Regulatory Authority and Singapore Exchange.

2. Singapore - New Index Launched To Encourage Better Governance

On 26 November 2008, the Corporate Governance and Financial Reporting Centre (CGFRC) of the National University of Singapore's Business School and The Business Times jointly announced a new index known as the Governance and Transparency Index ('GTI') to promote corporate governance and transparency among companies here. The GTI replaces an existing index which looked simply at financial transparency. The index will be sponsored by CPA Australia. The new index is intended to be more rigorous and has a broader focus

on investor relations, governance and transparency. To this end, it has been reported that companies will be assessed on areas such as the tenure of independent directors, whether a firm has a separate investor relations link on its website and uploads the latest financial results on its website. The new index will also have in place a bonus and penalty system to reward or punish companies for their practices. These areas include earnings restatements, frequent turnover of senior management and red flags raised by auditors. In some cases, the penalties may continue to last for a number of years, such as the appointment of directors who have undergone regulatory action. The first edition of the new index will be published in *The Business Times* in the first quarter of next year and it will be done twice a year instead of quarterly.

Source - *The Straits Times* 27 November 2008 - "Index to encourage better governance"

Thailand - Overall Corporate Governance Score Of Thai-Listed Companies Improved

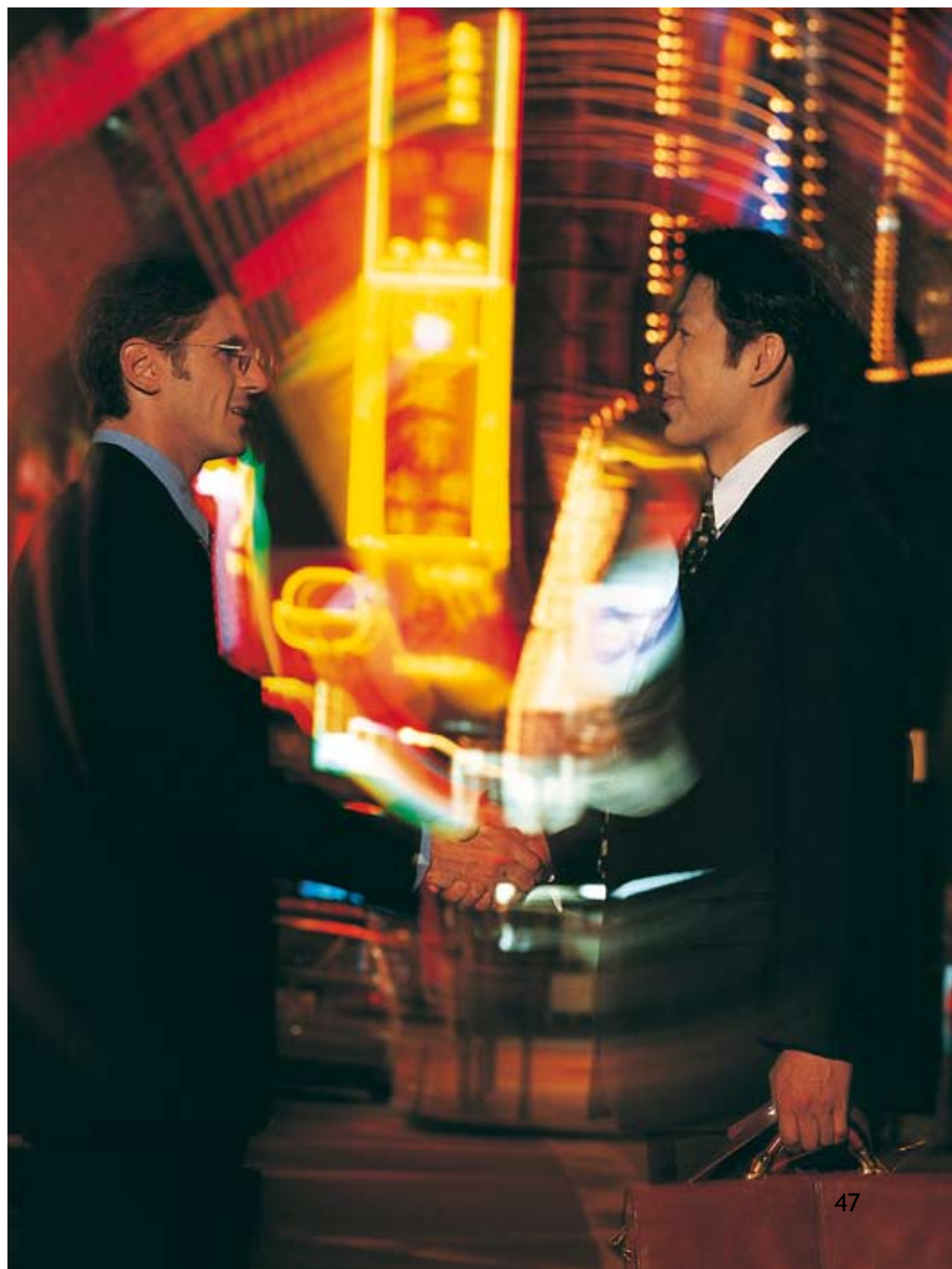
(BANGKOK) The 2008 Corporate Governance Report (CGR) of Thai Listed Companies showed that the overall corporate governance score of Thai listed companies has improved from an average of 50% in 2001 to 75% in 2008. Companies were outstanding in disclosure and transparency with an average score of 88%, up from 82% in 2006, and the rights of shareholders category at 86%, up from 71% in 2006. However, board responsibility attained only 57%, a point declined from 2006. The survey was conducted among 448 companies with a total of 132 criteria in five categories based on criteria developed by the Organisation for Economic Co-operation and Development (OECD) and the Stock

Exchange of Thailand Principles of Corporate Governance.

An abiding problem is that many Thai boards are dominated by groups of major shareholders and in some cases, both the CEO and the chairman are the same person. Mr Charnchai Charuvastr, president and CEO of the Thai Institute of Directors (IOD), added that despite conflicts of interests, the boards had a better understanding of their roles and responsibilities than before. Around 3,200 directors have attended an intensive course related to their roles and responsibilities. The improvement is shown in the findings that three-quarter of the companies

had achieved scores higher than 70% and 22 of the companies had actually achieved scores higher than 90%.

According the survey, 96% of surveyed companies had board remuneration approved by the shareholders annually, 91% had ballot voting at the AGM and had an internal audit function reporting to the audit committee, and 87% separated the function of the chairperson and CEO. The results of the survey also show that Thai companies have adopted international standards in various practices. On the weak side, only 10% of the companies had board that conduct annual performance assessments of management and the



total number of independent directors was still very limited. ~Adapted from "CHARNCHAI CHARUVASTR - Governance matters more than ever", 30 December 2008, Bangkok Post

Worldwide

1. Global consultation on corporate governance and the financial crisis

The OECD member countries have embarked on an action plan to address weaknesses in corporate governance that are related to the financial crisis. It is reported that an important part of this programme is to engage and seek advice from key stakeholders on improvements they consider necessary. A one day session has been planned for 18 March 2009 at the **OECD Conference Centre in Paris, France**. This consultation will discuss monitoring, implementation and enforcement of standards and codes, as well as possible reforms and improvements, focusing on:

- the role of corporate governance in the financial crisis
- identifying the most urgent areas for reform
- how OECD can improve and support implementation of agreed standards
- how OECD can support national, regional and global initiatives

It is hoped that the consultation will provide input to a set of recommendations to be issued towards the end of 2009. It will also help to guide the medium-term orientation of OECD's corporate governance work and facilitate co-ordination among different organisations and institutions that are active in the area of corporate governance.

Source - OECD Website at http://www.oecd.org/document/63/0,3343,en_2649_34813_42181055_1_1_1_37439,00.html

2. The Corporate Governance Lessons From The Financial Crisis

This is a report published by the OECD Steering Group on Corporate Governance, which agreed to the report on 11 February 2009) and written by Grant Kirkpatrick under the supervision of Mats Isaksson.

Broadly, the report reviews and analyses the weaknesses in corporate governance on the financial crisis, including risk management systems and executive salaries. It concludes that the financial crisis can be to a

large extent attributed to failures and weaknesses in corporate governance arrangements which did not serve their purpose to safeguard against excessive risk taking in a number of financial services company. This is information that many already know; but what is particularly helpful about the article is that reminder that the importance of qualified board oversight and robust risk management is not limited to financial institutions. He report also touches on the highly controversial issue of the remuneration of boards and senior management. ■

