

Comply or risk breaching listing rules

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I REFER to the commentary "Enforcing the comply or explain requirement" by Professor Mak Yuen Teen (BT, Oct 20) and, as much as I had been greatly disappointed with the lack of clarity on the regulatory front in the past, the latest announcement by the Singapore Exchange's Mr Tan Boon Gin and Prof Mak's commentary are indeed a welcome wake-up call and guidance.

The Appendix to the 2012 Code clearly states: "The Listing Manual requires listed companies to describe in their company's annual reports their corporate governance practices with specific reference to the principles of the Code, as well as disclose and explain any deviation from any guideline of the Code."

Still, many detractors and the uninformed amongst management, professional advisers, company secretaries and even certain sponsors, have taken the easy way out and interpreted it as the Code is "voluntary" or "not mandatory".

Whilst I agree with Prof Mak that the recent roll-out of practice guides has been very helpful, in my opinion, the latest issues of the Guidebook for Audit Committees in Singapore and the Nominating Committee Guide could have gone further by dedicating a section to clarify the thrust and "how to" of "comply or explain", as I had recommended in my response to one of the regulators in my review of the second edition of the AC Guidebook.

Issuers will do well to review their processes and initiatives to ensure corporate governance compliance in the light of the latest announcement. Directors and other stakeholders such as management, professional advisers, company secretaries and sponsors should consider the risk of breaching the listing rules in adopting too relaxed a view of the meaning and application of the "comply or explain" concept of the Code.

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