

# Advancing the corporate governance reform agenda at the OECD-Asian Roundtable



By

**DAVID KLINGENSMITH**

Senior Advisor, Nestor Advisors

The OECD-Asian Roundtable on Corporate Governance is a regional forum for exchanging views and advancing the reform agenda on corporate governance. The 2016 Roundtable held from 24 to 26 October in Seoul, Korea looked at corporate governance frameworks in Asia and disclosure of beneficial ownership, among other matters.

**S**tarted in 1999, the OECD-Asian Roundtable on Corporate Governance brings together policy makers, practitioners and experts on corporate governance from the Asian region, OECD countries and relevant international organisations on an annual basis. Singapore has taken an active role at these meetings, hosting them in 2001 and 2007, which were jointly backed by SID and SGX, with support from the Monetary Authority of Singapore (MAS).

At this year's roundtable, formal papers were presented and discussed on national governance frameworks standards and beneficial ownership disclosure in Asia.

Informal breakout discussion groups during the two-day meeting also debated the potential challenges over the next five to 10 years for corporate governance of technology (FinTechs, blockchains, and crowd funding), environmental pressures, and global value chains.

## Survey of corporate governance frameworks in Asia

One of the more important outcomes of the Roundtable was the release of a survey of the legal, regulatory and institutional frameworks of the corporate governance practices of listed companies across the 14 participating Asian jurisdictions, and of major developments and challenges in areas such as the disclosure of beneficial ownership and control.

The survey is a comprehensive, consolidated snapshot. It provides accurate and up-to-date information on prevailing corporate governance standards and practices in the region based on the G20/OECD Principles of Corporate Governance (see box).

The areas examined in the survey include custodians and regulators of codes and principles; organisations that promote corporate governance; main elements of the regulatory framework; key national corporate governance codes and principles; key shareholder disclosure requirements; approval of related party transactions; requirement for board committees; and a number of aspects related to requirements for board directors ranging from their qualifications, and degree of independence, to gender balance, and compensation.

Singapore generally compares well to others in the region on the issues surveyed. It stands out positively with the number of required board committees (usually four), and the requirement for an explicit induction and on-going training for board directors. It fares less well comparatively with the level of women on Singaporean boards, as well as the fact that there is no mandatory disclosure of directors' compensation.

## Beneficial owners disclosure

Another paper examined data on the disclosure of beneficial ownership strategies among the 20

## G20/OECD Principles of Corporate Governance

### I. Ensuring the basis for an effective corporate governance framework.

The corporate governance framework should promote transparent and fair markets, and the efficient allocation of resources. It should be consistent with the rule of law and support effective supervision and enforcement.

### II. The rights and equitable treatment of shareholders and key ownership functions.

The corporate governance framework should protect and facilitate the exercise of shareholders' rights and ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.

### III. Institutional investors, stock markets, and other intermediaries.

The corporate governance framework should provide sound incentives throughout the investment chain, and provide for stock markets to function in a way that contributes to good corporate governance.

### IV. The role of stakeholders in corporate governance.

The corporate governance framework should recognise the rights of stakeholders established by law or through mutual agreements, and encourage active cooperation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.

### V. Disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.

### VI. The responsibilities of the Board

The corporate governance framework should ensure the strategic guidance of the company and the effective monitoring of management by the Board, and the Board's accountability to the company and the shareholders.

largest publicly listed firms (based on market capitalisation) in each of seven major Asian jurisdictions.

The objective was to see how existing disclosures align with principles of good corporate governance, and to what extent they provide confidence to regulators and other stakeholders in financial markets through an accurate, transparent disclosure regime of beneficial ownership and control structures.

The insights gleaned from this data are important because gaining public confidence is seen as being particularly impacted by this factor in financial markets that are characterised by concentrated ownership structures, such as Asia or Europe.

Following existing regulations, the data clearly shows that most firms adopt a "check-the-box" attitude to disclosure. In many cases, online

media and Wiki-type websites were found to provide more useful information than the "official" sources. This underlines the need for regulators to acknowledge the limits of the current regulatory model, which is predicated on only mandatory disclosure – the most obvious limit being that mandatory rules incentivise a legalistic and minimal style of disclosure. Disclosure rules should be supplemented by alternative regulatory strategies that promote open communication and transparency.

At the same time, a small but increasing number of firms are recognising the multiple benefits of more open communication. Such firms are proactive and imaginative in building open communication strategies in a more complex and subtle way. This, in turn, attracts incremental investors and the other "talent" that allow firms to have the best opportunity to be successful in the hyper-competitive, global markets. ■