

## **Lim Hng Kiang: Challenges, opportunities and getting it right**

Speech by Mr Lim Hng Kiang, Minister for Trade and Industry and Deputy Chairman of the Monetary Authority of Singapore, at the Singapore Institute of Directors, Directors' conference 2010, Singapore, 15 November 2010.

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Mr John Lim, Chairman of the Singapore Institute of Directors  
Distinguished Guests  
Ladies and Gentlemen

### **Introduction**

1. It is my pleasure to join you this morning for the inaugural Directors' Conference organised by the SID.
2. I would like to compliment SID for its initiative and efforts in bringing together directors and experts from diverse backgrounds for this conference.
3. As you know, the SID was established in the aftermath of the Asian Financial Crisis in 1997 to raise standards of corporate governance. In the aftermath of yet another financial crisis, it is timely for us to review and consider how Singapore can continue to improve its corporate governance standards.
4. The recently released Asian Corporate Governance Association-CLSA survey on corporate governance ranked Singapore as having the best corporate governance practices in Asia. Despite ranking first in the survey, the report highlighted that there is still much to be done.

### **Getting it right from Singapore's perspective**

5. The theme of today's event is "Challenges, Opportunities and Getting It Right". Getting the corporate governance framework and practices right in Singapore is not a luxury but a necessity for our competitiveness. While Singapore has recovered strongly from the global financial crisis, the outlook remains uncertain. Well-trained directors can be firm hands in steering companies through pitfalls which may appear. In such an uncertain environment, it will be critical to reinforce the confidence of stakeholders in how our companies are run. This will require both the government and the private sector to play our part.
6. On the regulators' end, we will continue to make sensible rules that are practical and outcome focused. We will also continue to keep our rules up to date. The Corporate Governance Council, established by MAS, is reviewing the Singapore Code of Corporate Governance and will submit its recommendations to MAS. On its part, the private sector must nurture a pool of well-trained and ethical directors.
7. Being a director will become increasingly demanding. Companies' operations are getting more international, and the markets for raising capital becoming more complex. Expectations of directors by stakeholders are also growing.
8. Directors are now exposed to substantial legal and reputational risk if they do not, or are perceived not to have, discharged their fiduciary duties for the company. For example, directors of BP have been sued by shareholders over the costs associated with the oil spill in the Gulf of Mexico. Directors of AIG were also sued for not adequately monitoring the firm's exposure to the subprime mortgage market.

9. Directors should not become defensive or legalistic in face of these challenges. Instead, they need to equip themselves with the appropriate skills and knowledge, to enable them to ask the right questions and make the right decisions. Apart from experience, training is one important way to equip our directors.

### **Current levels of directors' training**

10. Companies here are gaining awareness of the importance of having well-trained directors, and proactively providing training for them. Last year, SID and the Singapore Exchange, or "SGX", published the "Singapore Board of Directors Survey". According to the survey, the proportion of companies providing relevant training to non-executive directors increased from 25% in 2005 to 41% in 2008. But the survey also showed an increase in the number of directors who received no training. This is a trend that SID should address early.

11. I understand that SID and SGX are currently conducting another similar survey. Hopefully, this survey will show more companies providing training for their directors and more directors attending such structured training.

### **Areas for focus**

12. Next, allow me to outline some areas where directors can focus their training efforts on. The SID and SGX survey highlighted that risk management was the most important area for further training. Directors have a responsibility to manage the risks of a company. Their involvement in risk management extends from heading off cases of egregious fraud, to ensuring that management does not take on excessive risk.

13. Directors also need to stay abreast of the latest developments in regulations and best practices. To this effect, companies should put in place continuing training programmes for their directors.

14. MAS has recognised the importance of this by proposing new provisions on "continuous development" in the Corporate Governance Regulations and Guidelines for locally-incorporated banks and significant life insurers.

15. The proposed provisions require the boards of such companies to establish a continuing development programme for all directors, and a framework to identify relevant skills for such directors. Nominating Committees should assess at least once a year, whether directors lack any skills to perform their roles.

16. Besides getting the right training, directors must set the right tone for the company's culture. Core values like honesty, integrity and fairness which underpin good governance must prevail among management and the company as a whole. The best company directors stand out with their commercial acumen as well as their strong ethical fibre.

### **Where SID can play a part**

17. SID can play an important part in promoting the professional development of directors by providing thought leadership, building a platform for sharing of best practices, and enhancing training standards for directors. In fact, SID has been doing this for the past years, including collaborating with the Singapore Management University to launch a formal certification program for directors.

18. SID has also been increasing its outreach both within and outside Singapore. These include: training workshops for China-based directors of Singapore-listed companies, as well as courses for our small and medium sized enterprises and private companies who are looking to list on the stock market. An example is the Risk Management & Corporate Governance Programme, conducted with SPRING Singapore.

19. SID can do much more in this respect. SID should be sensitive to the current needs of directors and fine-tune the content of its courses accordingly. In addition, SID can better engage experienced directors, and tap on their expertise through putting together relevant case studies.

## **Conclusion**

20. Ladies and gentlemen, with increasing expectations on directors, companies will come to place a premium on well-trained, ethical directors who look out for the interests of all stakeholders, and are not rubber stamps for management decisions. This presents an opportunity to directors who are proficient and professional.

21. It is in companies' and directors' best interests to "Get it Right" by having effective and committed directors who pursue good corporate governance practices, as this will result in a premium for shareholders. Grooming such directors will help to encourage new ideas, better practices and encourage leadership renewal for company boards.

22. On this note, I would like to end by thanking SID for its efforts in the area of corporate governance. I hope that the discussions arising from this conference will help directors gain a better understanding of how they can carry out their duties more effectively.

23. Thank you and have a pleasant day ahead.