



Singapore Declaration by the Asian Roundtable on Corporate Governance

10 Years Since the Asian Financial Crisis – the need for further improvement

June 27, 2007

This Policy Declaration has been agreed by the policymakers, regulators, stock exchanges, non-government organisations, business leaders, investors and academics who participated in the meeting of the Asian Roundtable on Corporate Governance in Singapore in June 2007. ^[1]

Increased awareness...

The financial crisis in 1997 triggered a lively discussion about corporate governance in Asia. It was generally agreed that weak corporate governance practices made companies more vulnerable and deepened the economic problems associated with the financial crisis. Once confidence was hurt, substantial efforts were required to attract investment again.

Improving corporate governance became a key tool in the process of regaining investor confidence in Asia, re-establishing access to global capital markets and improving the private sector's ability to contribute to stable economic growth. Today, good corporate governance is seen as an on-going reform commitment that produces long-term benefits for business and society as a whole.

...generated a concrete action-plan...

To support both private and public sector efforts, the Asian Roundtable participants spent about three years to carry out a detailed inventory of weaknesses, challenges and solutions. The result of this significant undertaking was presented in the White Paper on Corporate Governance in Asia (2003). The White Paper contains a set of common policy objectives and a number of concrete recommendations on how to improve corporate governance in Asia. The White Paper recognises that the more detailed implementation of various recommendations may vary between economies, since Asia is a diverse region in terms of legal traditions, regulatory infrastructure, and economic development. However, it also drives home the essential point that specific national characteristics do not excuse any jurisdiction, which wants a strong private sector, from improving corporate governance.

...and improvements on the ground.

Since the White Paper was issued in 2003, the Roundtable has focused on specific corporate governance aspects and the implementation of the White Paper recommendations. Today, ten years after the financial crisis, the Roundtable has developed a cross-country survey comparing the corporate governance frameworks of 13 Asian economies. The survey confirms that most Asian jurisdictions have substantially revamped their laws, regulations and other corporate governance norms. Participants to the Roundtable are proud of these achievements, which would not have been possible without their dedication and efforts.

Today, all Roundtable economies have national corporate governance codes and many have institutions promoting good corporate governance. Shareholders now have the statutory right to participate in key corporate governance decisions, such as amending statutes or articles of incorporation,

appointment/removal of board members, authorising share issuance and approving major extraordinary transactions (e.g. acquisitions and mergers). Roundtable economies allow either shareholders' derivative suits or class action suits. In most jurisdictions, laws and regulations stipulate sanctions for insider trading and require disclosure of material related-party transactions. Consolidated financial reporting as well as quarterly reporting is required for listed companies in most economies. Annual reports are to include essential non-financial information such as information on corporate governance, management's discussion and analysis and ownership structures. Boards in virtually all economies are required to include directors independent of senior management and controlling shareholders and to have an audit committee.

But remaining problems and new challenges call for further action...

Despite progress, Roundtable participants realise that good corporate governance is an ongoing effort. Some of the shortcomings that were identified in the White Paper have not been fully addressed and new challenges will emerge as capital markets and corporate practices change. Participants to the 2007 Asian Roundtable on Corporate Governance in Singapore therefore confirm their strong commitment to further improve corporate governance in Asia. While different jurisdictions may adopt different approaches, participants want to give priority to action in the following areas:

Improving Implementation and Enforcement. Even when Asian corporate governance rules reflect the most developed thinking in corporate governance their credibility depends on how well they are implemented and enforced. Implementation and enforcement remains an unfinished agenda and Roundtable participants are committed to give priority to effective implementation and credible enforcement. The Roundtable will monitor developments and evaluate progress in Asia.

Filling the Gaps. While the system of rules and regulations has been improved, there is still room for improvement. Monitoring and disclosures of related party transactions for example, would be more effective if they are supported by clear definitions of related parties, the availability of information on ultimate beneficial owners and clearly developed procedures for approval by boards or shareholders. Also, shareholders' derivative/class action suits would be more effective if incentives could be introduced in legislation concerning, for example, the burden of proof, power of discovery, or attribution of legal fees. The Roundtable will serve as a platform for an in-depth exchange of international experiences in specific areas.

Evaluate Regulatory Impact and Engage the Private Sector. As an integral part of reform, the Roundtable economies are committed to assess if present and future regulations are effective and bring the intended results. This calls for an analysis of the costs and benefits of different approaches to regulation and familiarity with the different methods for assessing regulatory impact. An important part of this will be to solicit the experiences of corporations, investors and relevant stakeholders. Private sector initiatives for better corporate governance, such as corporate governance codes and director training should also be encouraged and supported.

International Co-operation. In a globalised world, Roundtable participants see dialogue with the OECD as an important tool in the process of improving national corporate governance practices. The Asian economies will therefore continue to use the Roundtable as a platform for assessing similarities and differences between corporate governance practices not only in Asia but also in other regions and OECD countries. In addition to a discussion about Asia, the Roundtable should also provide participants with access to the global policy dialogue that the OECD supports.

^[1] The Asian Roundtable was established in 1999 and serves as a high-level regional forum for a structured policy dialogue on corporate governance. It also provides participants with direct access to the work of the OECD and to developments in other parts of the world. The Roundtable economies include Bangladesh, China, Hong Kong, India, Indonesia, Korea, Malaysia, Pakistan, the Philippines, Singapore, Chinese Taipei, Thailand and Viet Nam.