

Chartered Secretaries Institute of Singapore's Listed Companies Forum 2024, 30 January 2024
Keynote Address by Prof Tan Cheng Han, Chairman, SGX RegCo

Mr Raymond Lam, Chairman, CSIS,

Friends and Colleagues,

Good morning,

1 Thank you for inviting me here today. I am honoured to have the opportunity to share my views on the role of company secretaries in Singapore, and how it is evolving.

Traditional Roles of the Company Secretary – “What People Think You Do”

2 The company secretary is a key officer of any company, who (often together with General Counsel) is responsible for ensuring that the company complies with relevant laws and regulations. The company secretary also acts as a bridge between the board of directors, the management, and the shareholders, facilitating effective communication and collaboration among them.

3 In Singapore, in addition to the Companies Act which sets out the statutory duties of all company secretaries, the duties of a company secretary are also governed by the specific constitution of the company and for listed companies, the listing rules of SGX and the Code of Corporate Governance.

4 Traditionally, the company secretary has had to perform various administrative and operational tasks, such as maintaining the statutory registers and records, arranging for, and attending shareholder and board meetings, preparing and filing the necessary documents, issuing share certificates, and so on. These tasks may seem mundane, but they are essential for the smooth running of the company and the protection of its interests.

Company Secretary as the Chief Governance Officer – What you Also Do

5 However, the role of the company secretary is not limited to these compliance and administrative functions. In fact, the company secretary can – and in my view should – play a more strategic and value-adding role, acting as the chief governance officer of the company.

6 What is a chief governance officer, you may ask? Just like any other member of the C-Suite, the chief governance officer in an institution is a senior executive who is tasked with the overall direction and marshalling of people, processes, systems, and other resources in a particular area – and in this case, to deliver good corporate governance.

7 Practically, what this means is that the company secretary can help the board and the management to develop and implement a robust and effective governance framework, one that aligns with the vision, mission, values, and objectives of the company. The company secretary can also help to foster a culture of integrity, accountability, transparency, and sustainability within the company, and promote stakeholder engagement and trust.

8 Furthermore, as the chief governance officer, the company secretary can leverage on his or her expertise, experience, and pivotal role in interactions with the board to provide strategic advice and guidance to both the board and management on various matters, such as risk management, business ethics, corporate social responsibility, digital transformation, and innovation. The company secretary can also help to identify and establish partnerships with key stakeholders, industry associations, and regulators, to enhance the reputation and competitiveness of the company. In short, as the chief governance officer, the company secretary can be a catalyst for change and improvement, and a driver for growth and value creation, for the company.

9 To varying degrees, some of the above roles are taken on by company secretaries but such an enhanced identity for company secretaries is not widely perceived and understood.

Why Does this Matter?

10 Let me now turn to some possible questions that you may have.

11 First, does governance matter? Do investors care? Do they reward good governance? The answer is yes, yes, and yes. Governance is not just a matter of compliance, but a matter of performance. Good governance can enhance the efficiency, effectiveness, and sustainability of the company, and create long-term value for shareholders and other stakeholders. Investors are increasingly demanding more transparency, accountability, and engagement from the companies they invest in; one study for instance found that governance-related demands by activist investors increased 50-fold between 2009 to 2019.¹ And a number of other studies have also found correlations between good governance and higher valuations, and lower cost of capital.

12 There are other practical benefits for companies as well. For instance, SGX maintains a Fast Track programme which recognises and rewards companies with high corporate governance standards and good compliance track records. These companies enjoy faster clearance for submissions, including for corporate actions such as share issuances, and requests for waivers. They also benefit from greater visibility and recognition among investors and the public.

13 Another example is the Singapore Governance and Transparency Index, which assesses the corporate governance practices of Singapore-listed companies. The index is based on various indicators, such as board structure, board processes, disclosure and communication, stakeholder engagement, and sustainability. The index provides a benchmark for companies to measure and improve their governance standards, and serves as a reference for investors and analysts to evaluate the governance quality of companies. Good corporate governance provides reputational benefits.

14 As company secretaries, you have a vital role to play in ensuring and enhancing the governance of your companies, and in communicating and demonstrating the value of good governance to your investors and other stakeholders. By creating more trust with investors, it increases the prospects of them becoming and remaining shareholders for the longer term, both for listed and non-listed companies. In the case of non-listed companies, failures in governance are often the reason for minority suits against controlling shareholders.

¹ Activist Insight, as cited in <https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/investors-remind-business-leaders-governance-matters>.

15 Second, company secretaries play an enhanced role in public or listed companies. Part of the fundamental bargain that underpins public markets is that in exchange for the ability to raise funds from the general public, listed companies commit to higher standards of transparency, disclosure, and corporate governance than apply to non-listed companies. In turn, this means that company secretaries have a more complex and dynamic regulatory environment to deal with, and to keep abreast of. Stakeholder expectations are also more diverse and demanding. Some of the ways that you can be adding value would be as a strategic partner to your boards and your management, and a trusted advisor to your stakeholders by providing insights, guidance, and solutions on various governance and business issues, and by facilitating effective governance processes and practices.

16 As the chief governance officer, you are responsible for overseeing and coordinating the governance activities and initiatives of your companies. You are also responsible for ensuring that your companies prepare for and comply with the relevant governance standards and requirements, even as they evolve and change.

17 One live example that highlights the role that the company secretaries should be playing is in the context of the relatively new rules that SGX RegCo has recently introduced such as the 9-year hard cap on the tenure of independent directors and the requirements to disclose a board diversity policy. These rules aim to promote board renewal and diversity, which are essential for enhancing the quality and effectiveness of the board. As the chief governance officer, you have a key responsibility in ensuring that the board agenda includes these matters, and to plan ahead given the deadlines and the expectations of the regulators and other stakeholders.

18 Thus far, compliance with these new rules has not been uniform. According to a recently released joint study by SGX RegCo and the Council for Board Diversity, while 89% of SGX-listed issuers have disclosed a board diversity policy with “objectives, targets, plans, timelines, and progress”, the level of detail in disclosures varied significantly. Clearly room for disclosures to improve exists, and we will be looking to the people in this room to help us achieve this. While the buck stops with the board, your role as the chief governance officer should be to advise your boards on developing and disclosing a clear and comprehensive board diversity policy that reflects the circumstances and requirements of your companies and stakeholders. What this requires is some level of education and upskilling on your part. To this end, SGX RegCo has tried as much as possible to aid by providing best practice examples in many of our reviews of listed company disclosures, and where necessary, one-on-one engagements with listed companies that have fallen far short of the average.

19 These case studies and engagements can, I think, serve as springboards for deeper conversations with your boards on how to improve. Conversely, we are open to your feedback on how we can help you do your job better. So, let’s have a two-way conversation so we can all lift corporate governance standards to a higher level.

20 Third, and relatedly, how can company secretaries cope with disruption and their increasingly multidisciplinary role? In recent years, company secretaries have had to deal with changes coming from all sides. The expectations are no longer just about compliance, and other traditional matters. Issues such as sustainability, the environment, climate change, diversity, digitalisation, and cybersecurity have come into the spotlight. The recent release of the International Sustainability Standards Board’s disclosure standards is one case in point, with assurance standards for sustainability reporting also targeted to be finalised by end-2024. All these have implications for how companies organise and govern themselves and serve their stakeholders.

21 How can company secretaries work with their boards in navigating these changes? Here I have three suggestions. First, maintain an active curiosity about the state of the world, keep yourself informed on current affairs, think deeply about the drivers of change, and try to anticipate future trends and expectations. Second, develop a good support network of sources of helpful advice and input. This can include colleagues within your teams and companies, as well as the use of tools including information aggregators. But just as important is maintaining links and networks with others who are in the same situation as you. Here I would like to congratulate Raymond and the rest of the CSIS team, for organising today's forum, and providing us with an opportunity to engage in dialogue and mutual learning. I encourage CSIS to keep up your efforts in this regard. CSIS is a professional body that has a valuable role to play in equipping company secretaries with the skills and knowledge required in a fast-changing corporate landscape. Third, be bold. Provide advice when you see risks and opportunities, where you observe instances where the letter of the rules is being observed, but not their spirit.

Conclusion

22 Let me conclude. Company secretaries today have a much more expanded role than in the past. And there is no going back. I urge you then to embrace the disruption and the multidisciplinary role that you face, leverage on your existing skills and knowledge, and upskill yourselves and your networks, to add value to your companies and your stakeholders. While it is correct that company secretaries play an important administrative role, company secretaries can be much more than this. At a time of rapid change, company secretaries should seize the opportunity to become knowledgeable about matters such as sustainability, the environment, digitalisation, and diversity to become even more indispensable advisors to their companies.

23 Finally, it is also important to highlight the importance of the board and other members of senior management in supporting the role of the company secretary as chief governance officer. Tone and culture at the top are important to create the right environment for company secretaries to perform their role fully.

24 Thank you for your time and attention, and I wish you all the best for the rest of your discussions today.

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