Boards need more diversity

Good governance should not be about tokenism, ticking right box: Prof Mak

Prof Thomsen, sharing the Scandinavian experience, said that too many companies appoint directors with similar backgrounds and similar areas of expertise. Many tend to be lawyers, economists, businesspeople and engineers - technocrats with similar perspectives and experience. "This can create groupthink," Prof Thomsen said.

And apart from Norway, which passed legislation mandating at least 40 per cent women directors, the other Nordic countries have less than 20 per cent representation, he noted.

Another speaker, Mak Yuen Teen, co-director of the corporate governance and financial reporting centre at the National University of Singapore business school, said that corporate governance should not be about tokenism or ticking the right boxes. "Having the right people is as important as structure and process," he said.

However, for companies, managing perceptions is also important, especially when it comes to director independence.

"Independent directors must continue to be so, but they must also be seen to be independent," Prof Mak said. A principles-based, rather than a rules-based, approach would work best when assessing independence, he added.

For instance, long tenure and interlocking relationships could easily give rise to suspicions of lack of independence, while companies should also consider directors' actual behaviour, he noted.

In a subsequent panel discussion, Peter Taylor, investment manager and head of corporate governance on the Asian equities desk at Aberdeen Asset Management, said that the one improvement Singapore could make to boost its corporate governance ranking is to improve disclosure at annual general meetings.

He said that greater detail of what resolutions mean, as well as disclosure of voting results, will propel Singapore back to the top of the regional ranking.

Prof Mak: 'Having the right people is as important as structure and process.'