

# Governance for all

The Singapore Stewardship Principles aim to strengthen corporate governance in a way that will benefit all stakeholders, explains ACCA Singapore's Joseph Alfred

**For many years, ACCA has had a keen interest in a wide view of governance and how it could and should work, taking into consideration the strong interconnectedness between business and an extensive group of stakeholders such as investors and shareholders.**

While principles and enforcements play a very important role, we believe that the nurturing of desirable and responsible behaviours amongst all stakeholders within the complex ecosystem of governance is paramount. As a professional accountancy organisation with a public interest remit, ACCA therefore supports strengthening the ecosystem of governance.

While it is clear that boards have a principal role to play in corporate governance, it is becoming equally apparent that the wider investor community of these corporations can also make important contributions. Corporate governance codes have provided much-needed guidance for directors and corporations. However, until recently the investor community has not had much guidance. To

fill this gap, stewardship codes and principles are increasingly being issued around the world. The first of these was published in 2010 by the UK's Financial Reporting Council (FRC) in response to criticism about the role of institutional investors in the run-up to, and during, the recent financial crisis. Various other countries then followed suit.

In Singapore, the non-mandatory set of Singapore Stewardship Principles (SSP) was officially released in November 2016, by the collaborative industry-led SSP working group, of which ACCA was a member. The group was supported by the Singapore Exchange (SGX) and Monetary Authority of Singapore (MAS). ACCA believes the SSP will enhance the resilience and reach of good governance across the business community, complementing guidance on the existing corporate governance framework. So far, 43 fund managers and investment organisations have announced their support.

## Singapore Stewardship Principles

The following seven principles provide useful guidance to responsible investors towards fostering good stewardship in discharging their responsibilities and creating sustainable long-term value for all stakeholders.

- 1. Take a stand on stewardship**  
Responsible investors establish and articulate their policies on their stewardship responsibilities.
- 2. Know your investment**  
Responsible investors communicate regularly and effectively with their investee companies.
- 3. Stay active and informed**  
Responsible investors actively monitor their investee companies.
- 4. Uphold transparency in managing conflicts of interest**  
Responsible investors make known their approach to managing conflicts of interest.
- 5. Vote responsibly**  
Responsible investors establish clear policies on voting and exercise their voting rights in a responsible fashion.
- 6. Set a good example**  
Responsible investors document and provide relevant updates on their stewardship activities.
- 7. Work together**  
Responsible investors are willing to engage responsibly with one another where appropriate.

Evolving from the working group, the SSP steering committee – of which ACCA is also a member – was formed to launch, promote and administer the principles. This too is supported by the MAS and the SGX.

## Voluntary adoption

The SSP is not intended to be a set of rigid rules to be enforced, prescriptive measures to be complied with, or a code. It is a set of broad principles that can be applied in a meaningful way in practice. Individual investors are responsible for articulating and sharing stewardship activities, and deciding on the level of commitment to these principles. The adoption of the SSP is wholly voluntary.

The effectiveness of these principles hinges upon investors applying them in the right spirit rather than complying merely in form. They are not intended to be a 'box-ticking' exercise



but a reflective and honest call to investors to contribute to good governance. They are not intended to be an administrative burden to those who have subscribed. The SSP is intended to help shape positive corporate behaviour which will benefit all stakeholders in the long term, by encouraging investors to be responsible stewards who contribute actively and positively to uplift the welfare of the economy, community and society at large.

Unlike other countries, Singapore has veered away from a code which is supplemented by detailed guidance and some form of monitoring mechanism. Rather, SSP is a principles-based framework, focusing on the long term. This will mould the culture in the investor community so that a new awareness and commitment to stewardship principles is engendered from

the ground up. This is likely to have a more powerful and lasting effect on behaviour as it will be largely self-driven rather than being externally imposed.

#### An inclusive framework

The SSP is deliberately inclusive, using the term 'investors' in a broad sense to include institutional investors who are asset owners, as well as asset managers. Although most applicable to Singapore-based institutional investors with equity holdings in Singapore-listed companies, the SSP applies more broadly to the investor supply chain, other investor groups, and service providers that provide advice on investment and corporate governance to investors, including proxy advisers and investment consultants. Retail investors are also encouraged to observe the principles.

Singapore has cast its net wider than other countries,

calling on every investor to contribute to good governance, to the best of their ability. This inclusive approach is expected to yield synergistic benefits for all and to emphasise that enhancing corporate governance is every investor's responsibility.

ACCA supports and welcomes the SSP, as it helps to strengthen governance by setting the right tone in the investor community as well as providing guidance to investors. A proactive investor community, guided by a principles-based framework, will significantly boost and enhance good governance. Corporations will benefit from the enhanced governance in their long-term performance. Being non-mandatory, however, the successful implementation

of the SSP will lie in its broad acceptance and support by the investor and wider business communities.

Investors and companies that wish to support the SSP are encouraged to practise stewardship in their actions and daily operations, adhering to the principles as appropriate for their circumstances and drawing upon the accompanying guidance where needed. They may make their support publicly known through their own channels. Organisations that support the SSP should inform the steering committee of their intent at [contact@stewardshipasia.com.sg](mailto:contact@stewardshipasia.com.sg) to develop a community of like-minded investors. ■

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For more information:

Please find the full document on the SSP at [bit.ly/2IBC0X0](http://bit.ly/2IBC0X0)



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