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High time for cap on directorships

SGX should impose a limit of, say, 4 posts for those with full-time jobs, and 6 for those without full-time employment

By MAK YUEN TEEN

JUST over five years ago, I wrote an article on whether there should be limits on the number of directorships held by one individual. I argued that there were three levels of safeguards against directors taking on too many directorships: basic director duties (especially duty of care, skill and diligence); disclosure of directorships and shareholder monitoring of such disclosures; and the nominating committee's responsibilities for ensuring that directors are able to commit the time to discharge their responsibilities. Therefore, I felt that there was no need to impose specific limits on the number of directorships.

On most other issues, I have not changed my position. However, on this issue, I now see the point of view of those who feel that there should be limits. This is not a knee-jerk reaction on my part; it has taken me more than five years to arrive at this conclusion.

The reason I have changed my view is that the safeguards mentioned above have failed miserably. There are serious limitations in our ability to legally enforce director duties, even though there have been some instances of more vigorous enforcement in a very small number of recent cases.

Only about 25 per cent of companies are disclosing all current and past directorships in listed companies in their annual reports, as recommended by the Code of Corporate Governance. While such disclosures are made through announcements at the time of appointment of directors to boards, shareholder monitoring is lacking.

Even time for golf