

**4 August 2011  
MEDIA RELEASE**

**WHY ARE COMPANIES NOT MAKING THE GRADE FOR  
GOOD CORPORATE GOVERNANCE**

*- Some Insights by RSM Ethos Pte Ltd*

SINGAPORE: 4 AUGUST 2011 - RSM Ethos Pte Ltd (“RSM Ethos”) which is the merged entity between the corporate risk advisory division of the Chio Lim Stone Forest Group (“Stone Forest”) and Ethos Advisory Pte Ltd (“Ethos”) today announced its merger to be one of the leading Governance, Risk and Consulting (“GRC”) firms in Singapore. The merger will also position RSM Ethos to be a premier regional GRC firm.

RSM Ethos offers the full range of services such as Corporate Governance Advisory; Enterprise Risk Advisory; Internal Audit; Sarbanes-Oxley Act Compliance and Advisory; and Technology Assurance & Advisory Services. The company currently serves a diverse clientele comprising government agencies, listed companies, MNCs, NPOs and SMEs.

Mr Chio Kian Huat, CEO of Stone Forest, said, “The combined expertise of 35 professionals in RSM Ethos will rank the company among the top GRC firms in Singapore. The management team is highly experienced and qualified, some of whom have more than 20 years of experience in assurance and consulting work. With the rise of Asia, we expect to see a greater presence of MNCs in this part of the world. There will be a greater need for corporate governance services from international companies for their operations in Asia. Our team is well-poised to serve these companies, especially the Fortune 1,000 companies in the Asia Pacific region”.

In conjunction with the announcement of its merger, RSM Ethos also shared its insights into possible reasons why the majority of Singapore companies failed to meet the Corporate Governance Standards. It has been 8 years since the Code of Corporate Governance was introduced in 2003, yet the most recent findings from the Governance and Transparency Index (GTI) showed that 92 per cent of local companies failed to meet the Corporate Governance Standards. This is indeed alarming for Singapore companies and warrants a closer examination of the reasons behind this.

RSM Ethos found that many local companies do not see a sufficiently clear linkage between good Corporate Governance and long term sustainable growth of the organisation. Often, their primary focus is on business growth, expansion and meeting profit targets. As a result,

compliance with the Code is given secondary consideration rather than truly applying it in the spirit of corporate governance.

The operating environment and other softer factors also impact the standard of CG in some organisations. These include factors such as:-

- excessive influence or authority of key staff;
- over-riding of controls by Senior Management;
- management & operating culture of the company, e.g. poor control consciousness;
- undue influence over the Board;
- ineffective Boards as Directors may need to level up their skills and experience in corporate governance matters;
- management controlling the communication of vital information to the Board to avoid being questioned;
- slow in responding to business and operational risk and issues.

Mr Chris Liew Peng Fook, Chairman of RSM Ethos Pte Ltd, said: “From our observations, most local companies view the internal audit function as a necessary evil and some try to get by with just doing the minimum. A sound framework of internal controls is important in every company to mitigate risks of frauds occurring. Fairly often, companies also have weak IT control environment. This is alarming as we see that companies are placing increasing reliance on IT systems, therefore integrity issues in the IT systems will have significant impact on the business. Companies do not seem to be doing enough to address IT risks and controls.”

To enhance and promote good CG practice, the following measures should be considered:-

- inculcate CG into corporate culture and values;
- facilitate communication channels and information flow to enhance transparency;
- adopt a robust code of conduct and ethics;
- institute a whistle-blowing policy;
- establish an effective governance structure and risk management framework;
- implement an independent Internal Audit function with access to all levels of management and information;
- establish a nomination process that facilitates the appointment of an effective and independent Board;

Ms Tan Boon Yen, Senior Director of RSM Ethos Pte Ltd, said: “It is important to have an effective Internal Audit function to improve on the standard of corporate governance. The internal audit team will be able to assess the effectiveness of risk management policies and internal control framework of the company. Also, the internal audit team can facilitate the identification and assessment of business and operating risks of new start-ups, overseas operations and high risk projects. The team can also review the pre and post implementation of IT systems”.

Internal audit can also support management in other corporate governance initiatives such as benchmarking reviews, control self assessment projects and review of fraud management programmes. Internal audit can also conduct training for Audit Committees, Management and Operating teams at regular intervals to keep them abreast of latest developments.

Corporate Governance is relevant to all organisations that believe in enhancing long term shareholder value. RSM Ethos strongly believes that companies with effective Internal Audit function can raise the standard of Corporate Governance. To this end, RSM Ethos has also announced that they are the sponsor of the first “Internal Audit Excellence” Award by the Securities Investors Association Singapore (SIAS).

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**About RSM Ethos Pte Ltd**

RSM Ethos Pte Ltd (“RSM Ethos”) is the result of the merger between the risk management division of Chio Lim Stone Forest Group (“CLSF”) and Ethos Advisory Pte Ltd (“ETHOS”). The combined expertise of 35 professionals catapults RSM Ethos to be ranked among the top Governance, Risk and Consulting (“GRC”) firms in Singapore. Anchored by a management team of 10 with direct experience averaging 20 years, the firm is well-poised to be the premier Governance, Risk and Consulting firm in the region.

RSM Ethos brings together the cumulative wealth of expertise and exposure in corporate governance, internal audit, technology audit and reviews of overseas operations in various countries. It serves a diverse clientele comprising public sector organisations, MNCs, listed and non-listed companies and non-profit organisations.

RSM Ethos is well-supported by CLSF, the largest accounting and advisory group outside the big 4 in Singapore, and globally by RSM International, the world’s 6<sup>th</sup> largest network of independent accounting and consulting firms.

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