Simon Marais has labelled the director's pool in Australia 'inbred'. PHOTO:NIC WALKER

Marais slams lack of competition

Michael Hobbs

Fund manager **Simon Marais** says Australia has a "very narrow pool of directors" and has called for greater competition for board positions to ensure better oversight and fewer corporate scandals, such as the one surrounding **Leighton Holdings**.

It comes in the wake of a Fairfax Media investigation which alleged top Leighton Holdings executives, including former group chief executive **Wal King**, became aware multi-million-dollar bribes had been paid to win contracts in the Middle East and Indonesia, a claim Mr King has denied.

Leighton shares have plummeted 14 per cent to $16.74 a share since the story was published on October 3, amid growing concerns of poor corporate governance within the contractor.

Mr Marais, managing director at fund manager Allan Gray, said Australia's director pool had become "inbred", which had led to boards and management becoming too close.

"Directors are not on shareholders' side, they are on the side of management or the chairman, because that's who appoints them. I think this is relevant in Leighton but it's relevant across the board," he said.

"I think there should be much more competitive tendering for directors' positions."

A number of fund managers have said a company's corporate governance practices are pivotal in their decision to invest.

Kapstream Capital managing director **Steve Goldman** said the fund manager has avoided investing in Leighton Holdings for years due to ongoing concerns about the company's corporate governance.

"We have not owned Leighton in a couple of years now and the big reason is the transparency and the management decisions," he said. "Leighton is owned by a German company, which is in turn owned by a Spanish company, but there is a question around how the decisions are being made.

We have not owned Leighton in a couple of years now.
Steve Goldman, Kapstream Capital

"It is not a very transparent process. That would be one of the reasons why we have not invested in Leighton."

"We subscribe to services that rate them on governance and they have rated very, very poorly in the past and that has shown up in their bond yields, which are higher than they should be, given their rating and, in the end, it means that some investors are avoiding their issuance because of these issues," Mr Goldman said.

Minter Ellison partner **Ross Freeman** said Australia should consider a new regulator, or permit greater powers to existing regulators to clamp down on corporate bribery and corruption.

"Whether we create a new regulator would be one option, an expensive option. The other option would be to give ASIC or Austrac a direct remit of power to cover that area," he said.

Mr Freeman said Australia should consider how the United States and Britain regulated financial markets.

"The Department of Justice and the SEC in the US recently put out over 100 pages of guidance to companies, which sounds like a lot, but is certainly very useful with respect to what companies should be doing, what they should be reporting and how they should be dealing with problems," he said.

"If we had that here, it would be useful for business."