Corporate governance: Firms ‘can do more’

Most companies do bare minimum to meet govt guidelines, says study

By Joanne Lee

A SMALL percentage of companies made significant improvements in corporate governance last year, but most just did the bare minimum to meet government guidelines.

The findings of a new study of 657 Singapore companies showed a general acceptance of the Code of Corporate Governance, with the big players being especially attentive.

Companies were awarded a maximum of 35 points for board matters, 20 for remuneration, 20 for accountability and audit, and 25 for transparency and investor relations.

After adjustments for bonuses or penalties, the overall Governance and Transparency Index is calculated with a maximum of just over 100.

SingTel topped the list for the third year in a row.

Making up the rest of the top five were the Singapore Exchange, Keppel Corp, Keppel Land and SATS.

The research was conducted by Associate Professor Lawrence Loh of the department of strategy and policy at the National University of Singapore (NUS) Business School.

“Although most of the companies we studied largely fulfilled the Code of Corporate Governance, indicating good governance standards, there is still room for improvement beyond the code,” he said.

Despite the high scores of the top performers, only 8 per cent of the companies scored 50 points or more—a rise from 6 per cent last year.

The average total score of companies dropped from 33 points to 31.

Prof Loh outlined the factors he assessed.

“For instance, most companies still continue to disclose the remuneration of their directors and key executives in bands of $250,000 rather than in the precise amounts,” he said.

“In fact, 13 per cent of these firms did not even specify an upper limit to the total salary band for their executive directors.”

“In view of the proposed changes to the code, we hope firms will use the Governance and Transparency Index to benchmark themselves and further lift the level of corporate governance in Singapore,” he added.

The study was published by the NUS Business School and The Business Times and presented at the Chartered Public Accountant Forum yesterday.

During the panel discussion that followed, Mrs Lee Suet Fern, senior director of Stamford Law Corporation, pointed out that a company’s board is important to promote corporate governance.

“Directors need to know the industry and the risks that the company is dealing with,” she said.