92% of Singapore companies fail to meet corporate governance standards

So who are the diligent and law-abiding 8%?

According to a release, the latest Governance and Transparency Index sees SingTel remaining in top spot for the third consecutive year with an overall score of 109 points.

Singapore Exchange is in second place with 101 points, while Keppel Corporation and Keppel Land tied for third position, with 91 points. SATS Ltd has been placed fifth, with a total score of 68 points. Keppel Land and SATS Ltd had also significantly improved their disclosure practices, with their scores increasing by 23 points and 14 points respectively.

A small percentage of companies in Singapore made significant improvements in their corporate governance disclosure and practices last year, but the majority still fulfilled only the minimum requirements of the Code of Corporate Governance, according to the latest Governance and Transparency Index.

Jointly published by the Centre for Governance, Institutions and Organizations of NUS Business School and The Business Times, the index comprises 657 companies that issued their annual reports in 2010. Companies with September year-ends had the cut-off extended to 31 January 2011. The study was sponsored by CPA Australia and supported by the Investment Management Association of Singapore.

However, despite the high scores of the top performers, only 8% of firms scored 60 points or more, although this was an improvement from 5% in the last study. In addition, the average total score of companies dipped to 31 from 33 previously.

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. For instance, most companies still continue to disclose the remuneration of their directors and key executives in bands of $250,000 rather than the precise amounts. In fact, 15% of these firms did not even specify an upper limit in the top salary band for its executive directors. In view of the proposed changes to the Code, we hope firms will use the GTI to benchmark themselves and further lift the level of corporate governance in Singapore, said Lawrence Loh, Associate Professor at the Department of Strategy and Policy, NUS Business School, the researcher behind the GTI.

The index is divided into two broad sections: governance and transparency (including investor relations) with the maximum points for each section being 70 and 25 respectively. The governance section covers board and remuneration matters, as well as accountability and audits, while the transparency section focuses on how companies communicate with their shareholders.

In addition, the index includes a “bonus and penalty” system. Companies which go beyond the requirements of the code, for instance, by including limits on directorships held by their directors, will be awarded additional points, while negative events, such as directors or management resigning and raising corporate governance concerns, will lead to a deduction in the company’s GTI score.

“The GTI has always been a health check for any company and especially those who see corporate governance as a key element in business confidence. To coincide with the GTI results, CPA Australia is pleased to continue with our collaboration with CGIO and the Business Times to present the CPA Forum, which aims to be a stage for dialogue on corporate governance, discussing key issues and concerns as well as changes and challenges faced today,” said Mrs Deborah Ong, Divisional President – Singapore, CPA Australia.

She added: “This year is a significant year as CPA Australia celebrates its 125th Anniversary and the 3rd year edition of the GTI, a true testament of our support to the business community. Singapore has maintained its reputation as a trusted financial hub and the GTI provides the right guiding principle that upholds these standards.”

The next issue of the GTI will cover companies that release their annual reports between 1 January 2011 and 31 December 2011, except in the case of companies with September year ends for which the cut-off will be extended until 31 January 2012. The results are expected to be published during the second quarter of 2012.

Tags: Governance and Transparency Index, Singapore companies, Deborah Ong