Finance, multi-industry and transportation sectors see significant corporate governance improvements

18 July 2012, Singapore – The finance industry was among three sectors that saw the biggest improvements in corporate governance, according to the inaugural Board Report, which showcases highlights of the Governance and Transparency Index (GTI) over the past three years. Compared to GTI 2011, the finance, multi-industry and transport, storage and communications (TSC) sectors each scored average increases of between four and five points on the 2012 edition of the Index.

The improvements gave them average scores of more than 40 points - higher than the other industries - which put the majority of their firms in the top 25 per cent of the GTI 2012 (see Annex).

The main driver for the improvements was related to the boards of directors in these sectors. Director independence was strongly upheld while governance disclosures were made when appointing directors. Firms also had more transparent director appraisal processes. Other factors contributing to the strong showing were disclosures of director and management remuneration, as well as having internal controls and accountability measures in place, such as whistleblowing.

TSC firms include ComfortDelGro Corporation, Cosco Corporation, Singapore Airlines and SingTel, while the multi-industry sector includes companies like Sembcorp Industries, Tuan Sing Holdings and Keppel Corporation.

The GTI scores by industry have been revealed for the first time in Board Report 2012. The GTI project is a tripartite collaboration between NUS Business School’s Centre for Governance, Institutions and Organisations (CGIO), CPA Australia and The Business Times. The study is also supported by the Investment Management Association of Singapore.

SingTel was ranked Singapore’s most well-governed and transparent company for the fourth consecutive year, clinching a total of 111 points in GTI 2012.

The Board Report builds on the GTI findings released in April 2012 at the CPA Forum organised by CPA Australia. The report also highlights real-life perspectives of industry and corporate leaders who have found value in good corporate governance in their sectors and companies.

“As a professional accountancy body with over 139,000 members worldwide, CPA Australia strives to reinforce the values of good corporate governance, risk management and transparency, which we believe are at the core of financial infrastructure and foundation. In
this regard, the Board Report will be a significant reference tool for measuring companies’ governance disclosures and practices, and identifying areas of improvement. We hope this will help promote even higher standards of governance and transparency in corporate Singapore,” said Deborah Ong, Singapore Divisional President at CPA Australia.

“The difference between the top firm’s score and average results in the three best-performing sectors shows that we still have some way to go in the standard of corporate governance in Singapore. It is also worth noting that companies in these three sectors make up only about 12 per cent of firms in the GTI. However, with the improved scores we have seen this year generally, I am cautiously confident that firms are on the right track to better governance,” said Associate Professor Lawrence Loh, researcher with CGIO of NUS Business School who led the GTI project.

The mean GTI score increased from 31.5 in 2011 to 34.9 in the 2012 GTI - the highest since the index was launched in 2009.

The GTI ranks Singapore-listed companies annually on a range of corporate governance indicators including board independence, remuneration, auditing and accountability. The index excludes listings such as real estate investment trusts, business trusts, exchange-traded funds, secondary listings, suspended companies, delisted companies as well as newly-listed companies that did not have a full year’s financial report at the time of assessment.

This year’s GTI ranked a total of 674 Singapore-listed companies which released their annual reports in 2011.


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About Centre for Governance, Institutions and Organisations

The Centre for Governance, Institutions and Organisations (CGIO) was established by the National University of Singapore (NUS) Business School in 2010 and aims to promote relevant and impactful research on governance issues that are relevant to Asia, including corporate governance, governance of family firms, state-linked companies, business groups,
and institutions. CGIO organises events such as public lectures, industry roundtables and academic conferences on topics related to governance.

NUS Business School is known for providing management thought leadership from an Asian perspective, enabling its students and corporate partners to leverage global knowledge and Asian insights. As Asia’s Global Business School, NUS Business School is a leading authority on business in Asia.

The school has consistently received top rankings in the Asia-Pacific region by independent publications and agencies, such as The Financial Times, Economist Intelligence Unit, and QS Top MBA, in recognition of the quality of its programmes, faculty research and graduates. In the Financial Times Global Rankings, the NUS MBA was ranked 23rd in 2012, while the Asia-Pacific Executive MBA and the UCLA – NUS Executive MBA were ranked 19th and 9th respectively in 2011. In the biannual 2011 Forbes rankings for two-year MBA programmes, NUS Business School was ranked the top school in Singapore and Asia, and fourth among business schools outside the United States.

The School is one of the 16 faculties and schools at NUS. A leading global university centred in Asia, NUS is Singapore’s flagship university which offers a global approach to education and research, with a focus on Asian perspectives and expertise. Its transformative education includes a broad-based curriculum underscored by multi-disciplinary courses and cross-faculty enrichment. Over 36,000 students from 100 countries enrich the community with their diverse social and cultural perspectives.

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About CPA Australia

CPA Australia is one of the world’s largest accounting bodies with more than 139,000 members working in 114 countries. We have operations in chosen markets throughout the world, including all Australian capital cities, Hong Kong, Beijing, Shanghai, Indonesia, Malaysia, Singapore, Vietnam, New Zealand and the United Kingdom.

CPA Australia’s primary aim is to enhance our members’ professional knowledge and support their career development through education, training, technical support and advocacy. Staff and members work together with local and international bodies to represent the views and concerns of the profession to governments, regulators, industries, academia and the general public.

Our international presence continues to grow in terms of representation on international bodies and influence in the profession globally. In the areas of financial reporting, taxation and corporate governance, we are thought leaders in Australia and internationally.

CPA Australia’s vision is to be the global professional accountancy designation for strategic business leaders.

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Annex

Comparison of average GTI scores by industry

![Chart showing the comparison of average GTI scores by industry across different years (2010, 2011, 2012). The industries compared are Commerce, Construction, Finance, Hotels/Restaurants, Manufacturing, Multi-Industry, Properties, Services, and Transport, Storage & Communications. Each industry is represented by three bars indicating the scores for each year. The scores range from 0 to 60.](chart)