

# Corporate governance huffs and puffs upward

SingTel tops the charts again, DBS and Sembcorp climb into top 5 for first time

By **JAMIE LEE**

SINGAPORE'S corporate governance standard has inched up, but there is still great room for improvement, this year's Governance and Transparency Index (GTI) showed.

The GTI, produced by NUS Business School's Centre for Governance, Institutions and Organizations (CGIO), is an annual ranking that assesses listed companies' corporate governance practices. It is done in collaboration with *The Business Times* and CPA Australia.

This year, the CGIO ranked 674 listed companies, most of which released their annual reports in 2011. These excluded real estate investment trusts, business trusts, exchange-traded funds and

new listings. Unlike last year, the CGIO also left out companies with shares suspended from trading.

The mean score of all companies reviewed for the GTI – unveiled yesterday at the CPA Forum – stood at 34.9 points out of a maximum of 143, though it is at its peak since the index was launched four years ago.

"There's a long way to go," said Deborah Ong, divisional president, Singapore of CPA Australia, referring to the mean score.

The highest possible score comprises a base score of 100 points for the companies' performance on board, remuneration, audit and transparency issues, as well as up to 43 bonus points that can be awarded for better disclosure on how the independ-

ence of directors is assessed, for example.

Companies also get points docked for poor corporate governance. Associate Professor Lawrence Loh, researcher with CGIO, said the area that called for penalties was non-disclosure of director information.

The proportion of companies that hit a score of above 70 points – about the halfway mark – is a paltry 4 per cent, representing 24 companies.

SingTel topped the index for the fourth straight time with 111 points, an improvement from its 109-point score in 2011. It was again followed by the Singapore Exchange (SGX), which scored 105 points.

DBS Group and Sembcorp Industries shot into the top five for the first time with respective scores of 94 points and 93 points.

In 2010, DBS began disclosing executive directors' compensation and non-executive directors' fees in precise amounts rather than in bands, the bank said in a press statement.

GTI showed that 2 per cent of firms reviewed dis-

closed the exact pay of the top five executives.

Josephine Teo, Minister of State for Finance and Transport, said corporate governance should extend to a spirit of corporate citizenship.

"When we procure the services of contractors, we often base our decision on value-for-money. This is not wrong," said Mrs Teo, adding that companies should probe the contractors on issues such as the terms of employment for their workers.

"You may well discover that some contractors are perhaps not running their business in a robust and sustainable way."

Panellists at the CPA Forum commenting on proposed revisions to Singapore's Code of Corporate Governance said companies here do not provide quality disclosure.

"If they do explain, it's often very formulaic," said Jamie Allen, secretary-general of the Asian Corporate Governance Association, adding that companies here are less responsive to the views of institutional shareholders compared to those in Hong Kong.

On the topic of multiple directorships, Lawrence Wong, head of listings at SGX, said these would be difficult to regulate.

Andy Lim, chairman of Viking Offshore and Marine, said the media's publication of a list of "busy directors" prompts some to step down immediately to stay under the radar.

"It's a good self-regulatory method," he quipped.

On the issue of a nine-year tenure limit for an independent director – a recommendation that was dropped from the final proposal – David Smith, head of corporate governance at Aberdeen Asset Management Asia, warned of group-think on boards.

"When we look at the tenure of directors, we want to make sure there is a refreshment of thought," said Mr Smith. "We don't want to see a board full of investment bankers – who also went to the same school together – who are classified as independent."