



CPA Forum 2014

Realising Higher Corporate Governance Standards

**Assoc Prof Lawrence Loh
Centre for Governance, Institutions and Organisations
NUS Business School
24 July 2014**

The GTI Journey

- 6 years in the running (from 2009 to 2014)
 - First ranking published in April 2009 at CPA Forum 2009
- Ranking table annually published in The Business Times
 - Covers Singapore-listed companies

Aim: Reflect key trends within Singapore's corporate governance landscape

THE BUSINESS TIMES (2 August 2013)

SGX leads by example, tops governance chart

It is best governed, most transparent listed company

By **MICHELLE QUAH**
[SINGAPORE] The Singapore Exchange (SGX) has grabbed the top honours in the Governance & Transparency Index (GTI) 2013 – being named the best governed and most transparent listed company here for the first time ever. SingTel, which has topped the rankings every year since the closely followed GTI was launched in 2009, is in second place this year – losing out to SGX by just one point. Keppel Corp moved up from fourth to third place this year, while SembCorp Industries held on to its number four position. For

GTI 2013 Top 10 companies

1	Singapore Exchange
2	SingTel
3	Keppel Corp
4	Sembcorp Industries
5	Keppel Land
6	CapitaLand
7	DBS Group Holdings
8	ASL Marine Holdings
9	SATS
10	SIA Engineering Co

for CPA Australia, added: "SGX has been championing strong governance in its regulatory role but this win shows it has clearly walked

companies made an extra effort to improve their transparency and disclosure. In particular, these companies made detailed disclosures on directors' training programmes and their top leadership, providing assurance on the integrity of the companies' financial statements. For instance, in CapitaLand's case, the company even provided additional disclosure on the succession planning for the board and senior management."

It wasn't all moonlight and roses in this year's GTI, though; the 2013 index continued to show the wide gap between the top performers and the rest of the companies.

Some 33.4 per cent of firms experienced a decline in their scores, mainly due to insufficient and inade-

THE BUSINESS TIMES (27 April 2012)

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 *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, 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 company's performance on board, remuneration, audit and transparency issues, as well as up to 43 bonus points that can be awarded for better disclosure of directors' in-

formation, such as the exact pay of the top five executives. Companies also get points docked for poor corporate governance. Associate Professor Lawrence Lok, 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 also

THE BUSINESS TIMES (5 August 2011)

SingTel still leads transparency pack

by **LAWRENCE LIM**

SINGTEL continues to lead the Governance and Transparency Index (GTI) as the ranking moves into its third year. Singapore Exchange is in second place, with two companies from the Keppel Group, Keppel Corporation and Keppel Land, coming in at just third. SAYS wraps up the top five companies Conducted jointly by NUS Business School's Centre for Governance, Institutions and Organizations (CGIO) and *The Business Times*, the GTI is sponsored by CPA Australia and supported by the Investment Management Association of Singapore.

In this issue, 677 companies that released their annual reports in 2010 have been included (with the exception of companies with September year-ends for which the cut-off was extended to Jan 31 2011). In addition, three companies that did not release any annual reports due to qualified audit opinions, regulatory actions and reviews conducted by special auditors have had their scores updated using their latest auditors' reports to ensure timeliness of their scores. This issue of GTI includes companies which have a secondary listing on the Singapore Exchange, real estate investment trusts, business trusts, re-charge-traded funds and newly listed companies that are defined as companies that listed in 2010 or 2011, and companies that listed in 2009 but have not had a full trans-

parency disclosure for all directors, to points are given. For example, companies that state "Director A is a director of several listed companies including ..." will not get any points compared to a company that states "Director A is also a director of listed company A, B and C." Disclosure of risks: Previously, points were given for companies that disclosed only financial risks and the framework for managing those risks. From this issue onwards, only companies that disclose other risks, such as operational risks, will be given points.

Executive director, chief executive officer and/or managing director not being subject to re-election: Companies that state all directors are subject to re-election by shareholders and no director will run for further election in the last re-election date of the executive directors have been disclosed. We have identified several companies that disclose that all directors are subject to re-election, but the last re-election date of all executive officers, executive chairman or managing director. Such companies will now have three points deducted.

• **Deterring disclosure practices:** Companies which previously provided a detailed definition of independence have now provided less detail. Companies that previously disclosed the names of their top five executives now do not do so. There are also those that disclose the names of the top five executives separately from their remuneration details, so it is not possible to identify which executive falls into which band.

• Companies made changes in the designation of directors, from independent directors to non-independent non-executive directors or executive directors, while the composition of the committees remains unchanged.

• Companies which previously had not granted options to independent directors now do so. There are also those that grant options only to non-executive directors.

• While most companies reduced the percentage of shares that can be issued on a non-peg ratio basis, we did note across a company that has increased this percentage. Notwithstanding this, the bonus points it had been allocated in the previous issue.

• **Other observations:** All directors withdrawing from the election at annual general meetings: While the election announcements do not disclose any governance-related issues, directors withdrawing from being re-elected on the AGM may be a red flag that the director has some concerns regarding the company. Some companies do not release a separate resolution announcement as required under listing rules, but simply state that the director retired at the AGM.

• Change in job titles of key officers: There are also companies that differentiate between job titles during the appointment and resignation of key executives. For example, the appointment announcement would state as "Appointment of appointment of financial controller" and the cessation announcement would state as "Appointment of cessation of chief financial officer" while both refer to the appointment and cessation of the same person. There is no other information provided elsewhere to indicate that the announcements are regarding the same person.

• Non-disclosure of information: There were two companies that appointed a director who had faced regulatory action. While one disclosed detailed information about the regulatory action, the other stated only that the director has faced regulatory action. The latter company has been penalised both for appointing a director who has faced regulatory action and for non-disclosure of sufficient information regarding the regulatory action.

In general, it can be noted that companies still have significant room for improvement in their governance practices. Companies are encouraged to use a self-assessment checklist to identify areas where they can improve on. This checklist and other details are available at the CGIO website: <http://checklist.nus.edu.sg/CGIO.aspx>

The writer is associate professor at the Department of Strategy and Policy, NUS Business School, and is affiliated to the school's Centre for Governance, Institutions and Organizations.

The GTI Project

Collaborated by



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GTI Structure

Base Score (Max = 100 points)



Board matters (Max = 35 points)

Remuneration matters (Max = 20 points)

Accountability & audit matters (Max = 20 points)

Transparency & investor relations (Max = 25 points)



Adjustments for bonuses/penalties (+/-)



Overall GTI Score (Max = 143 points)

GTI Methodology

GTI 2014 – Data Coverage

- 644 companies that released ARs for FY-end 2013
- For companies with Dec FY-end, cut-off: 31 May 2014
- 132 companies excluded:
 - Newly-listed companies that do not have full year's financial report (22)
 - Secondary listing (31)
 - Companies that comply with other CG code in addition to the Singapore code (2)
 - Suspended (24)
 - Delisted (5)
 - Exchange Traded Funds (7)
 - REITS & Trusts (41)

GTI Methodology

GTI 2014 – Data Sources

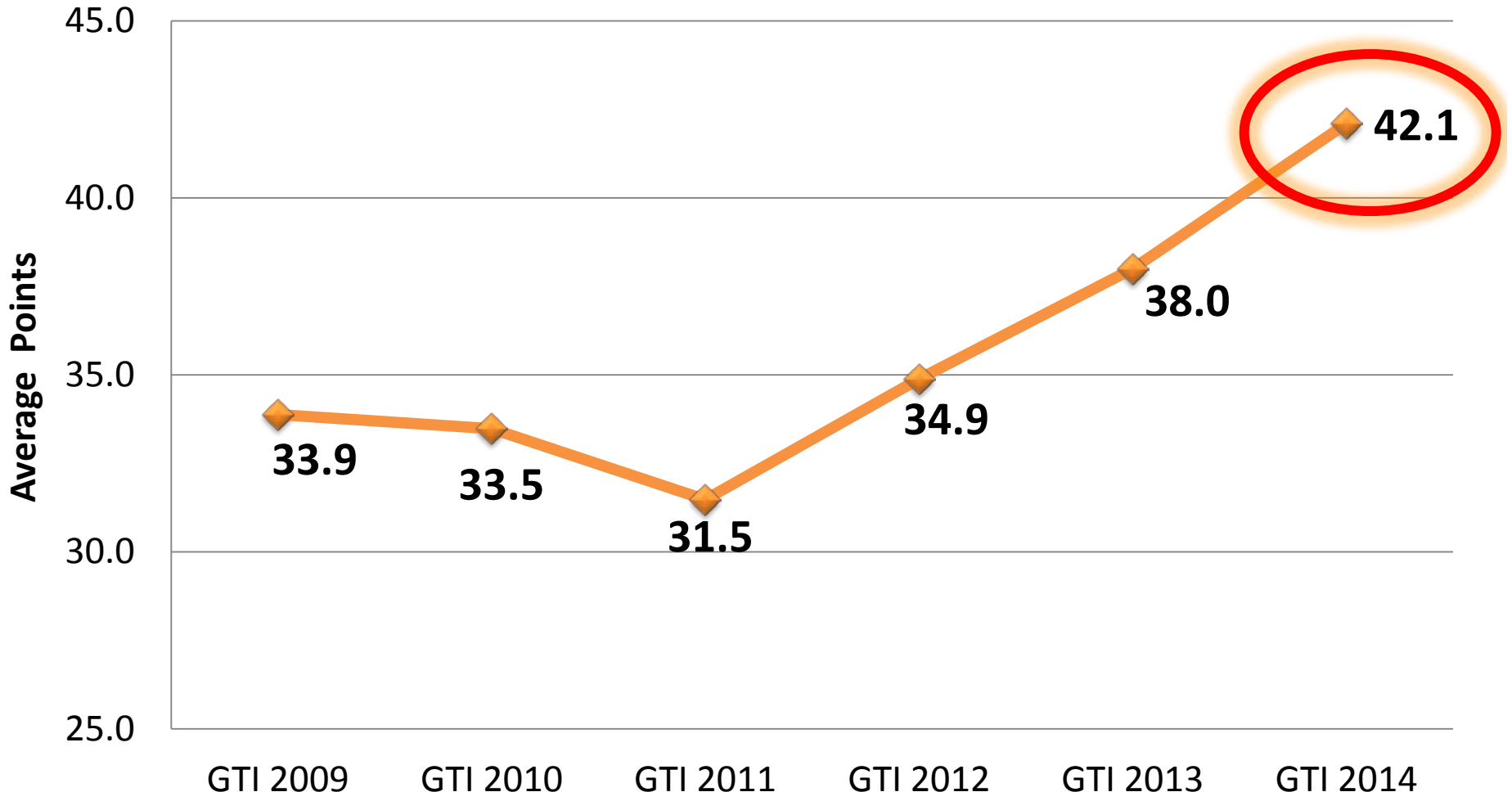
- Annual reports
- Company announcements: 1 Jan 2012 to 31 December 2013
- Corporate websites
- Information obtained from companies via investor relations
- Media articles: 1 January 2012 to 31 May 2014

GTI Advisory Panel

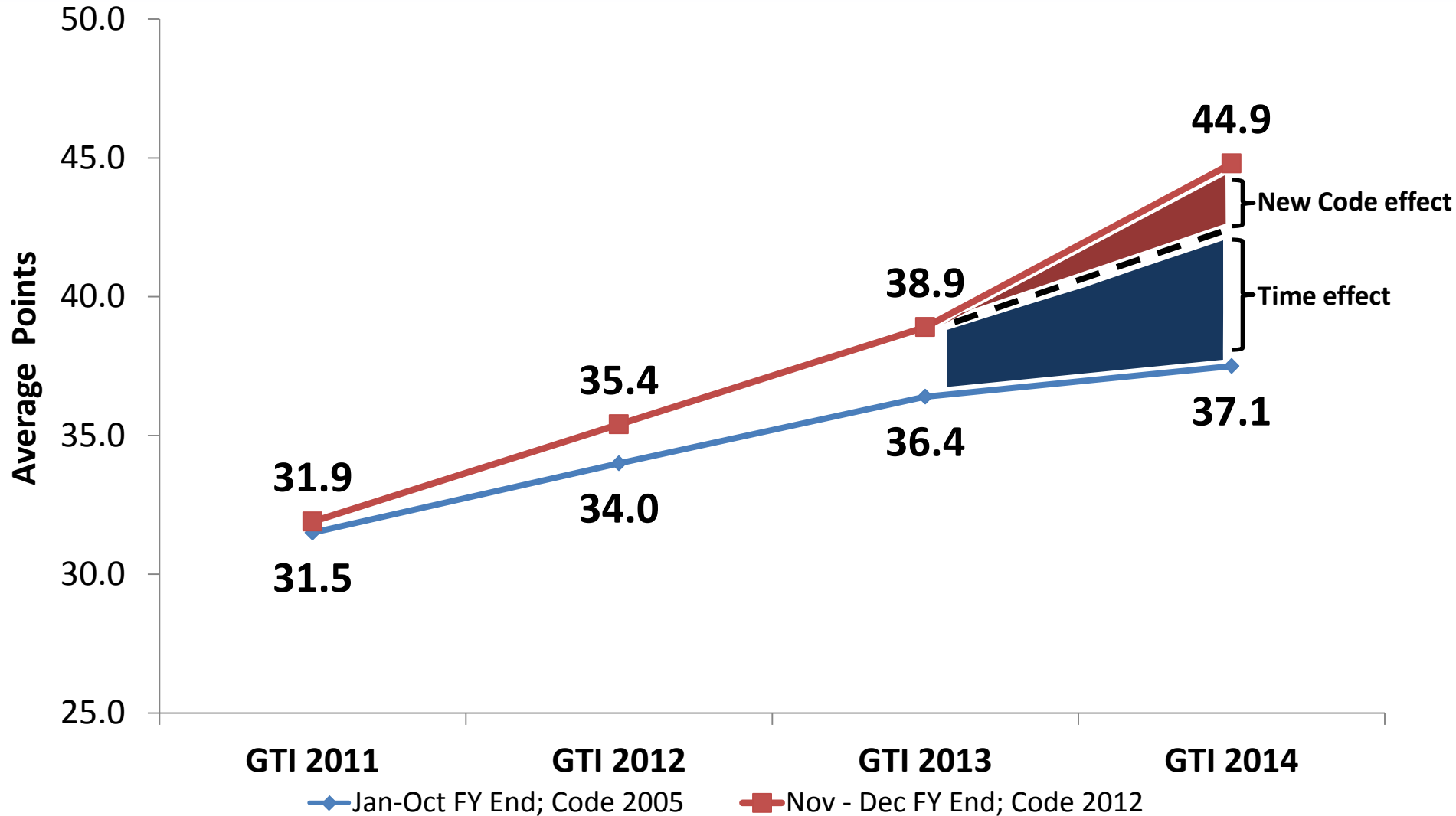
- **Mr Ang Hao Yao**, *Chairman*, Sata CommHealth
- **Mrs Lee Suet Fern**, *Senior Director*, Stamford Law Corporation
- **Mr Loh Hoon Sun**, *Managing Director*, Phillip Securities
- **Mr Chaly Mah**, *Chairman*, Deloitte Singapore
- **Mr Alvin Tay**, *Editor*, The Business Times

GTI 2014 Key Findings

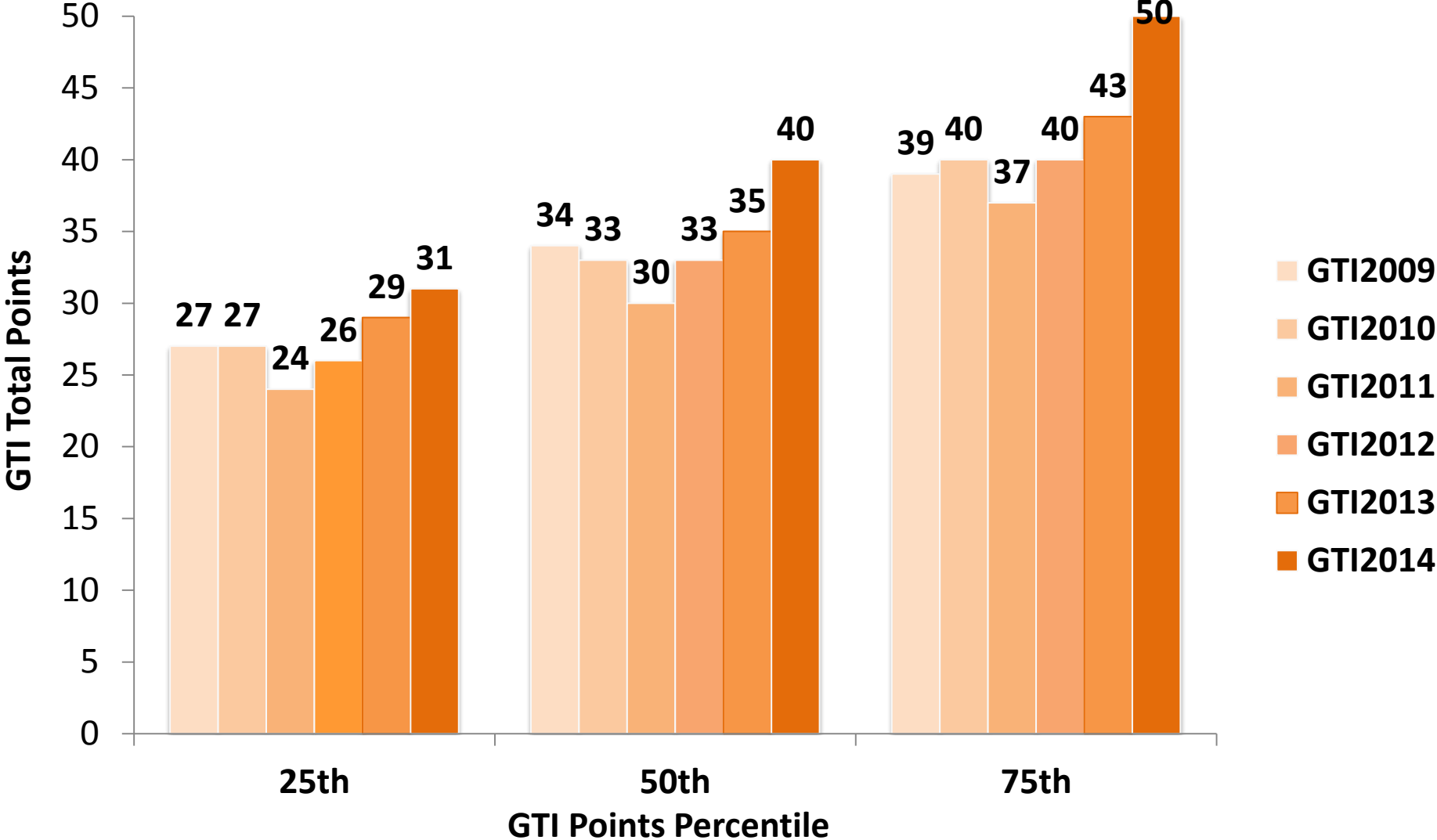
GTI Scores



The New Code Effect



Distribution of GTI Scores



GTI 2014 - HIGHLIGHTS

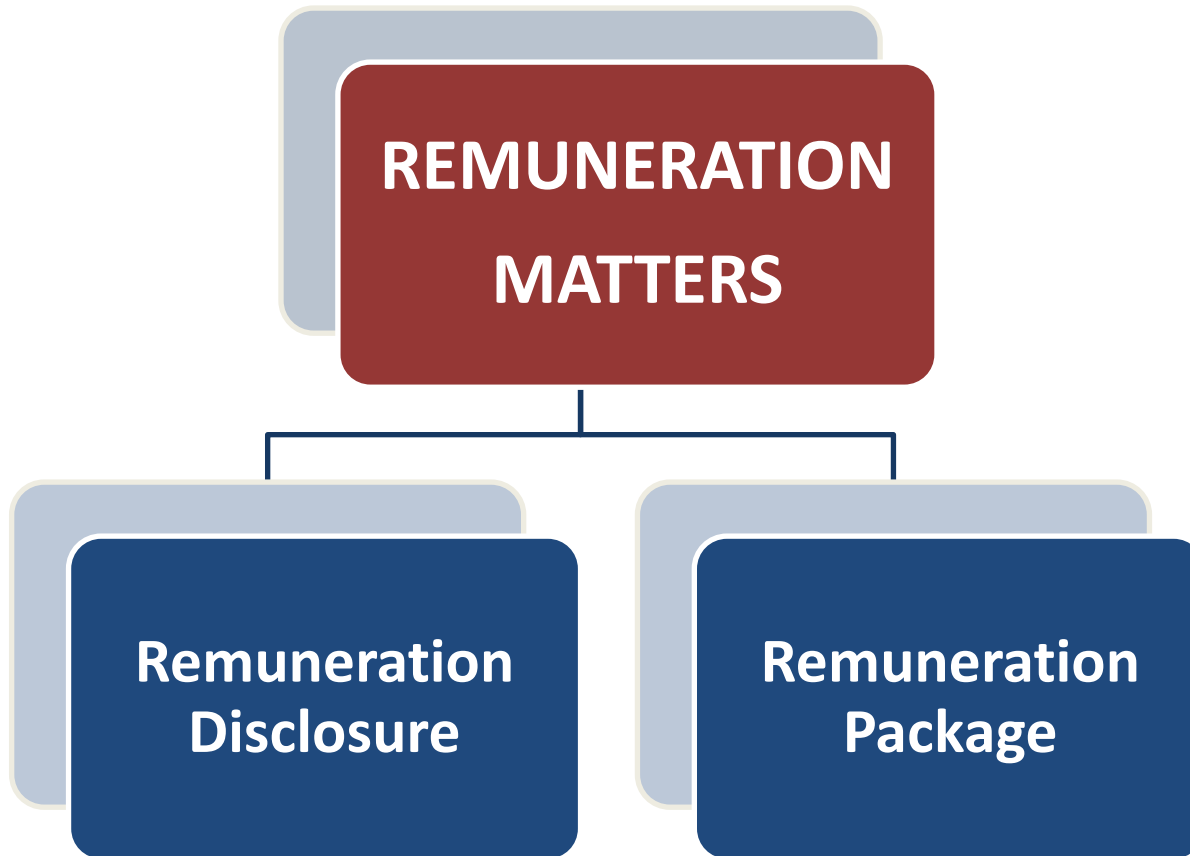
REMUNERATION MATTERS

ACCOUNTABILITY & AUDIT MATTERS

BOARD MATTERS

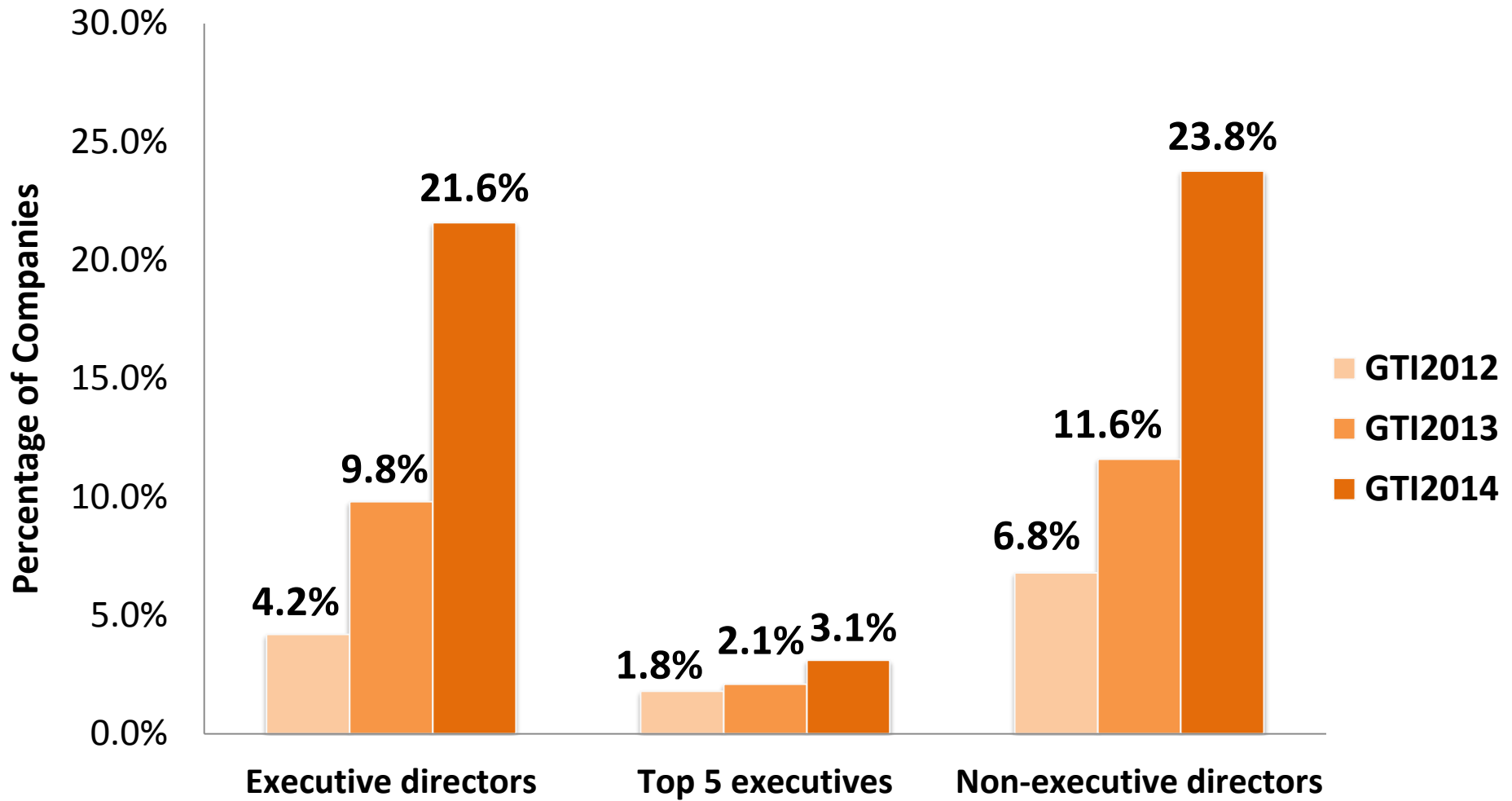
TRANSPARENCY & INVESTOR RELATIONS

GTI 2014 - HIGHLIGHTS



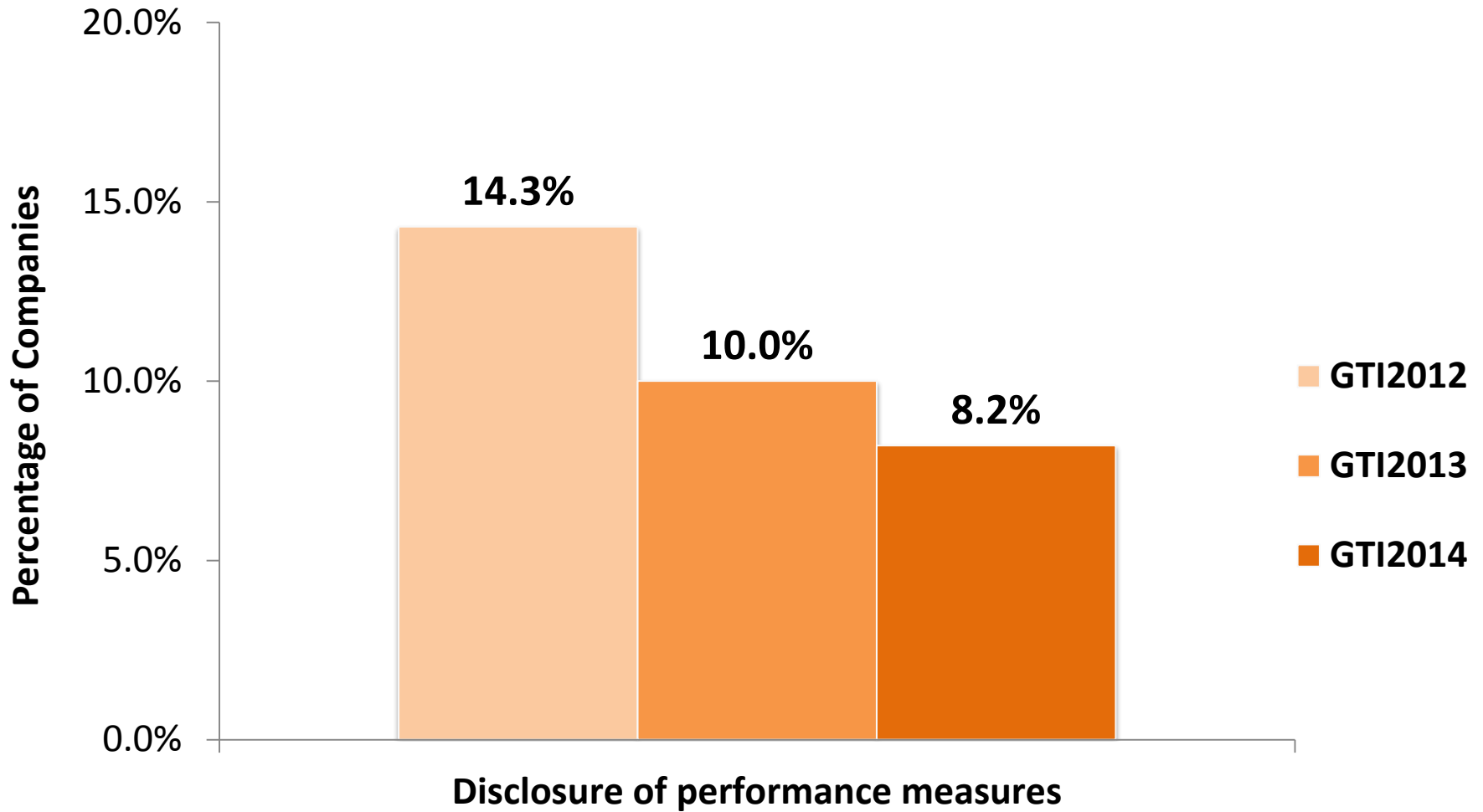
Remuneration Disclosure

Exact Disclosure

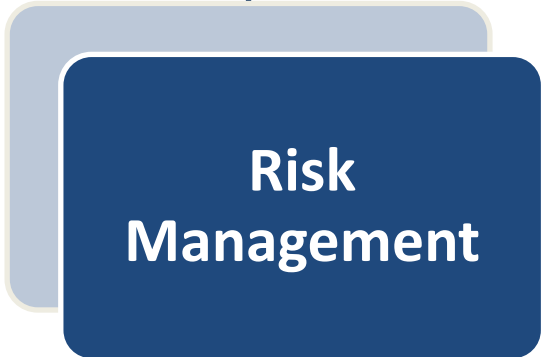
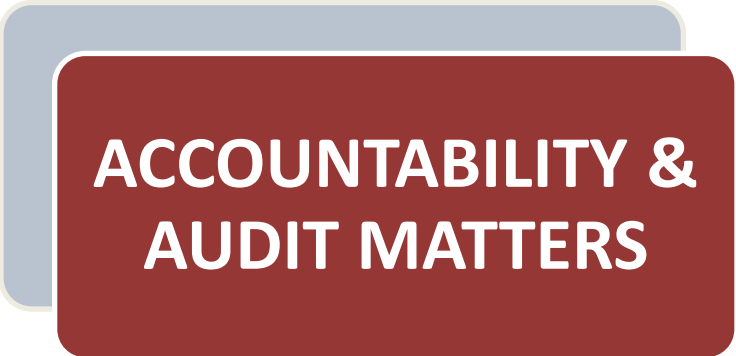


Remuneration Package

Performance Measures

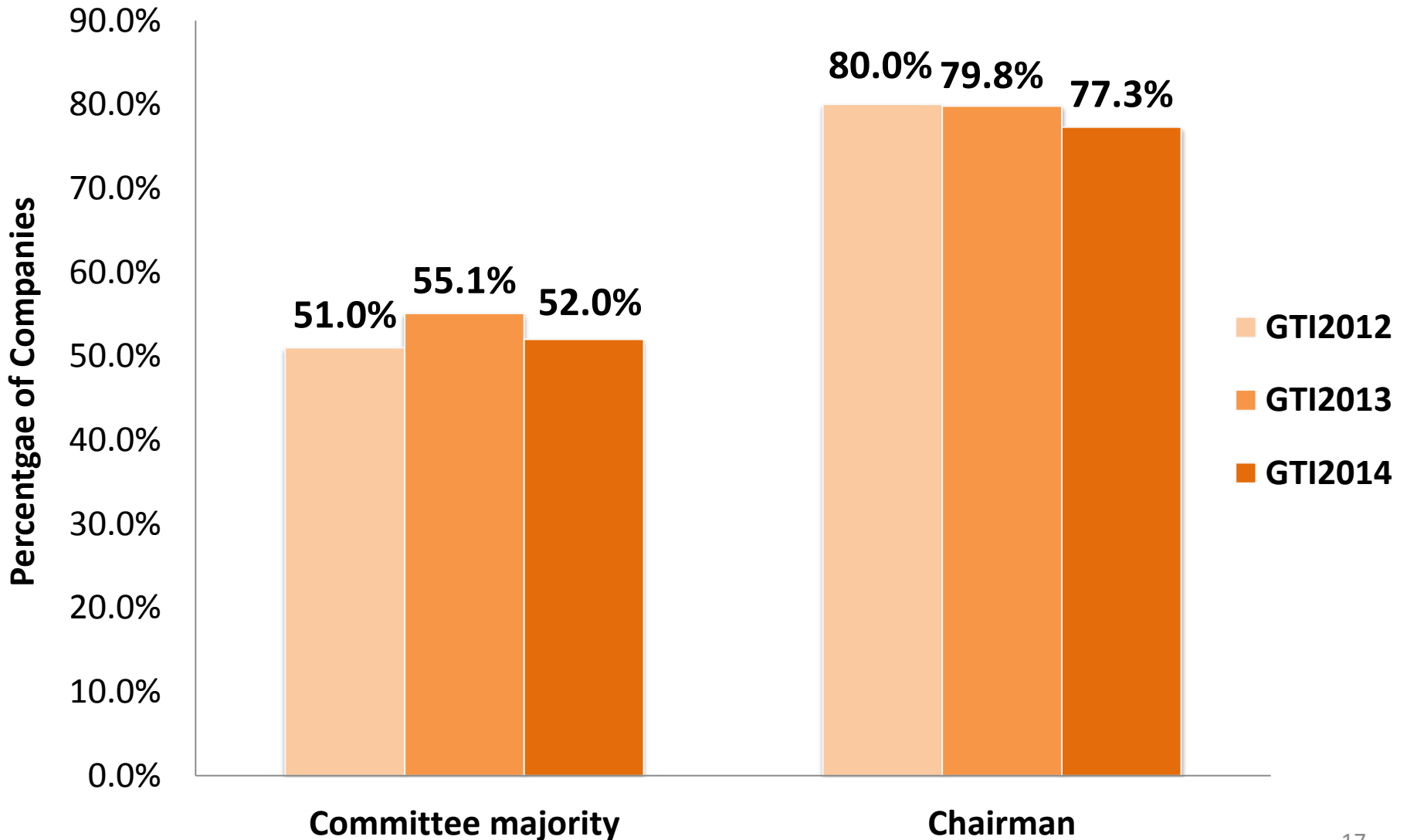


GTI 2014 - HIGHLIGHTS



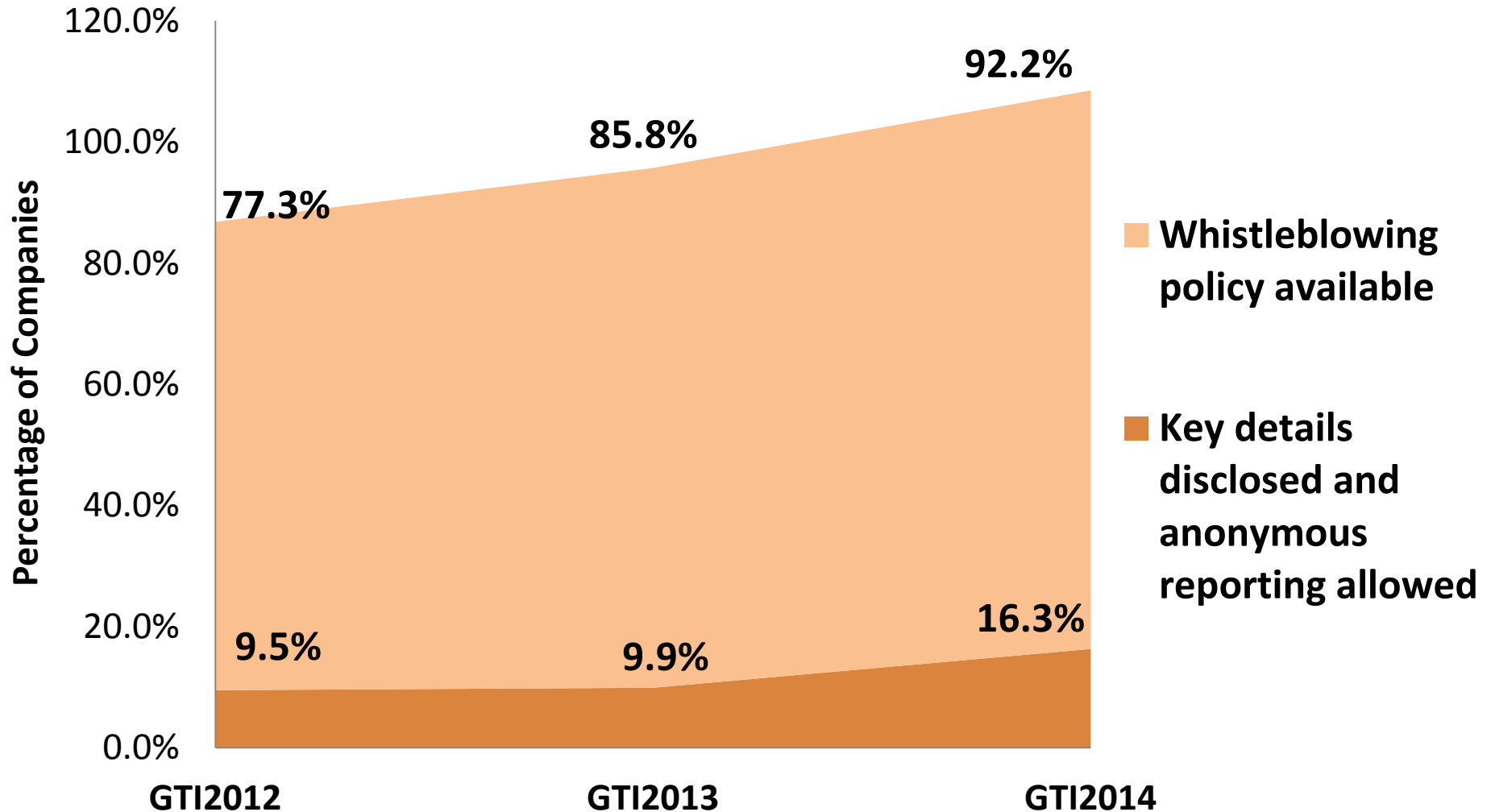
Audit Committee Composition

Members with Accounting or Finance Background



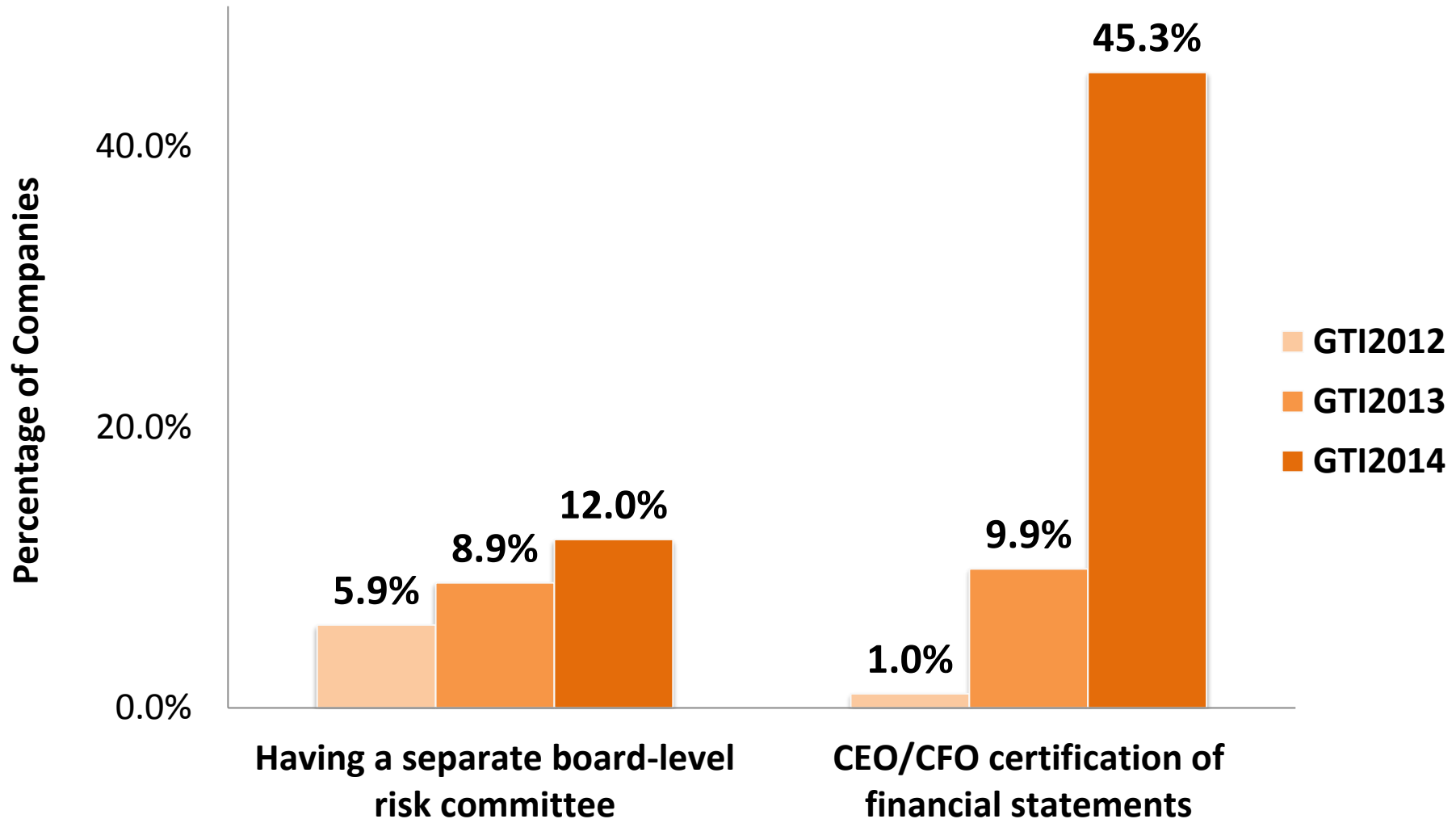
Whistleblowing Policy

Companies with Whistleblowing Policy



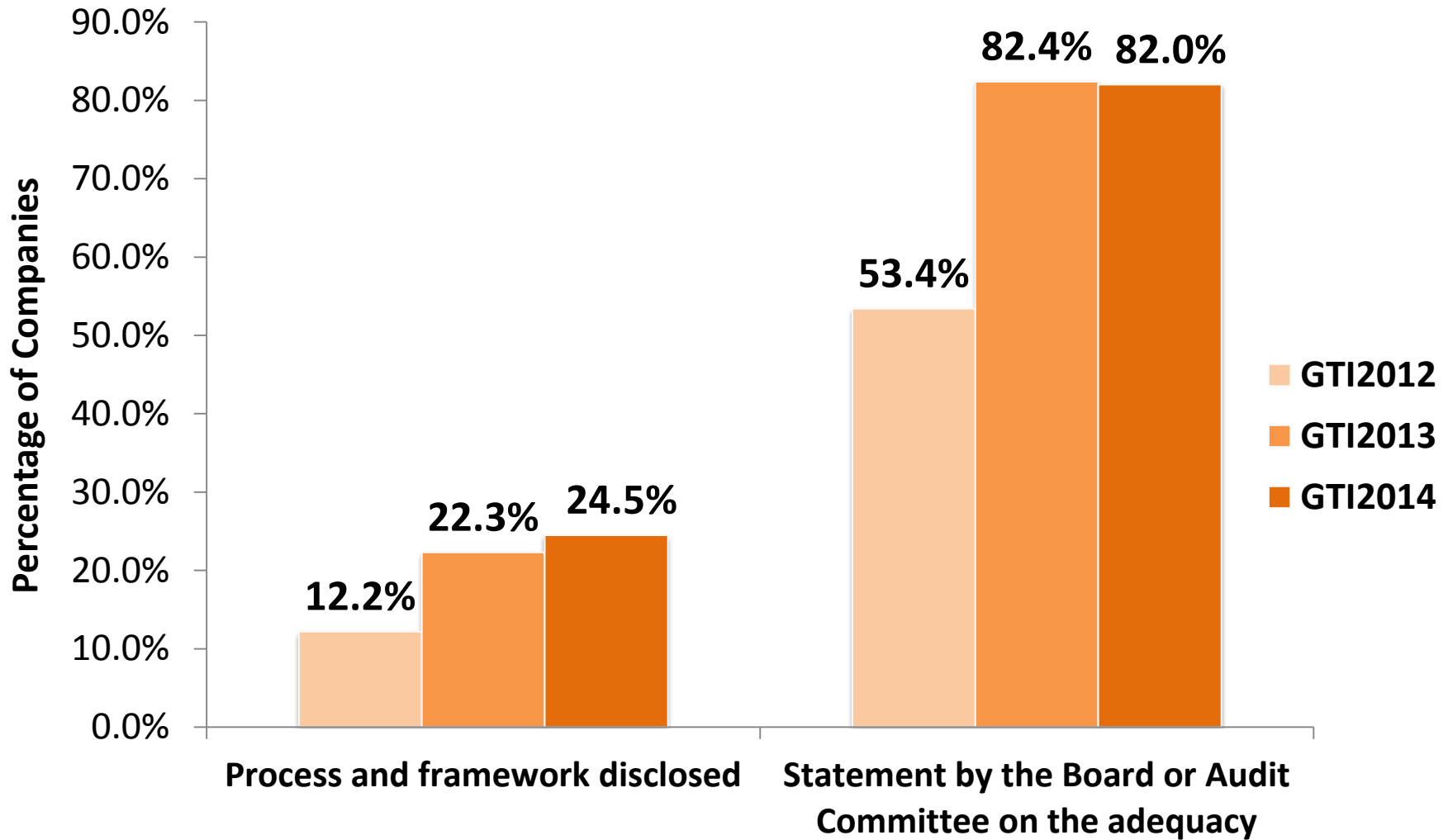
Risk Management

Risk Assurance

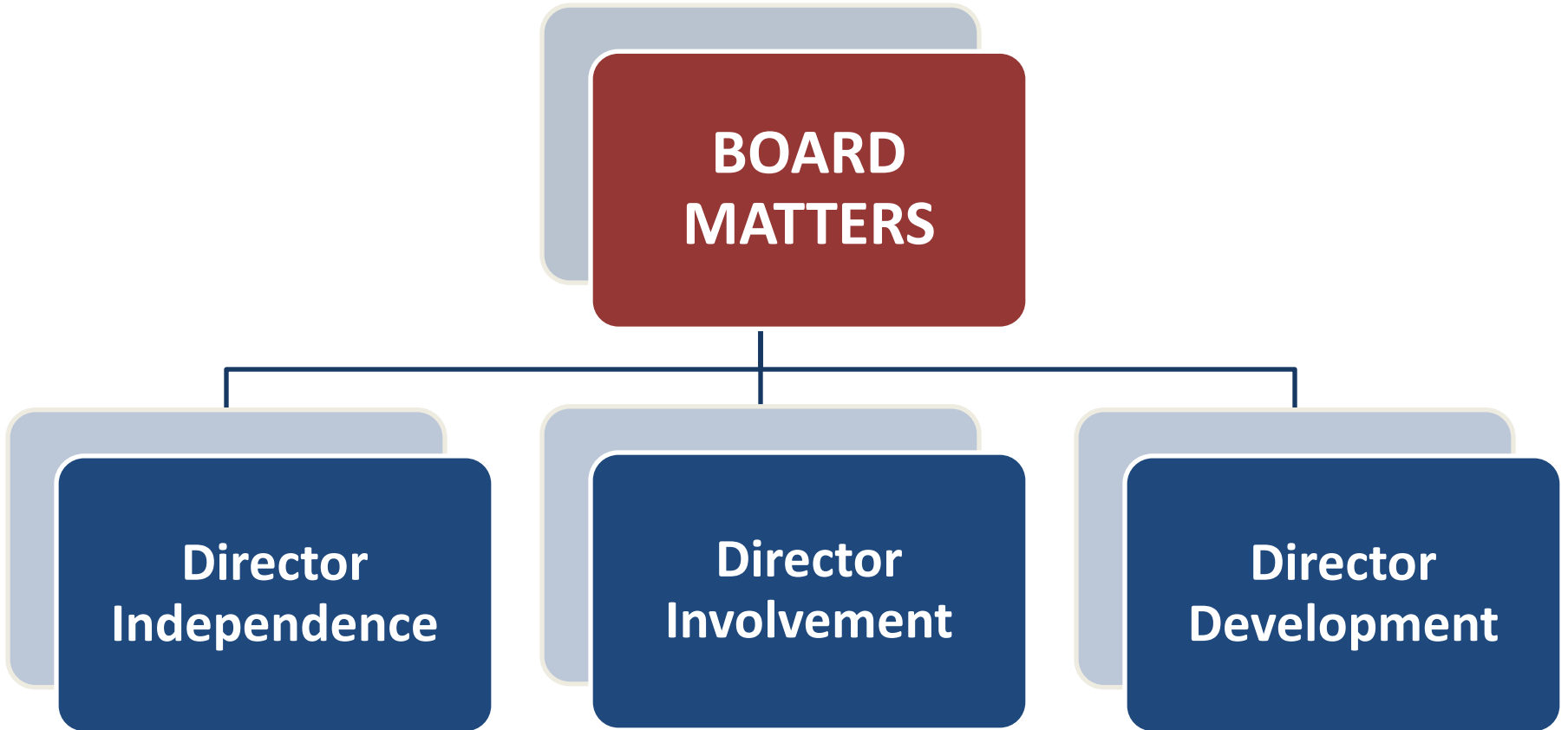


Risk Management

Risk Framework Adequacy

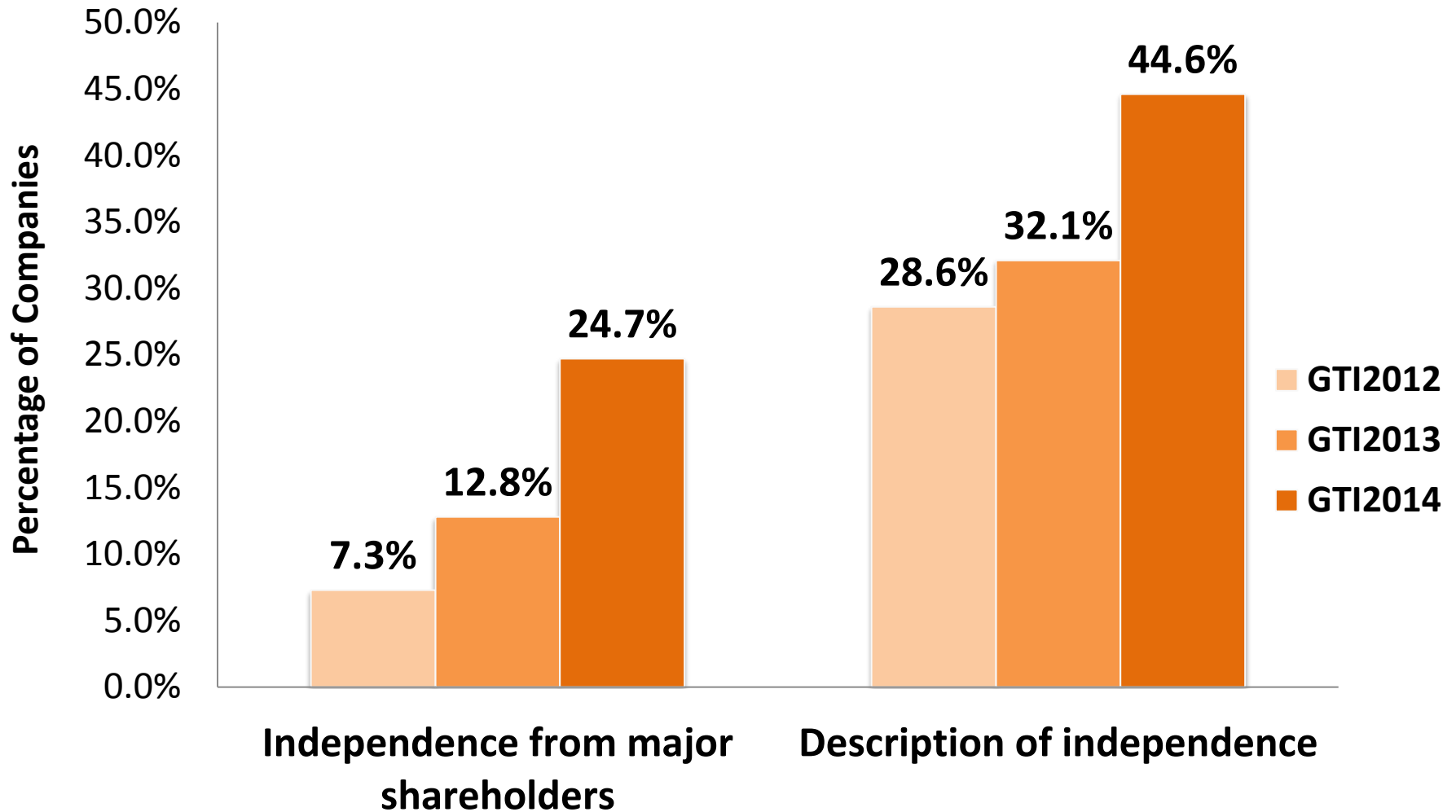


GTI 2014 - HIGHLIGHTS



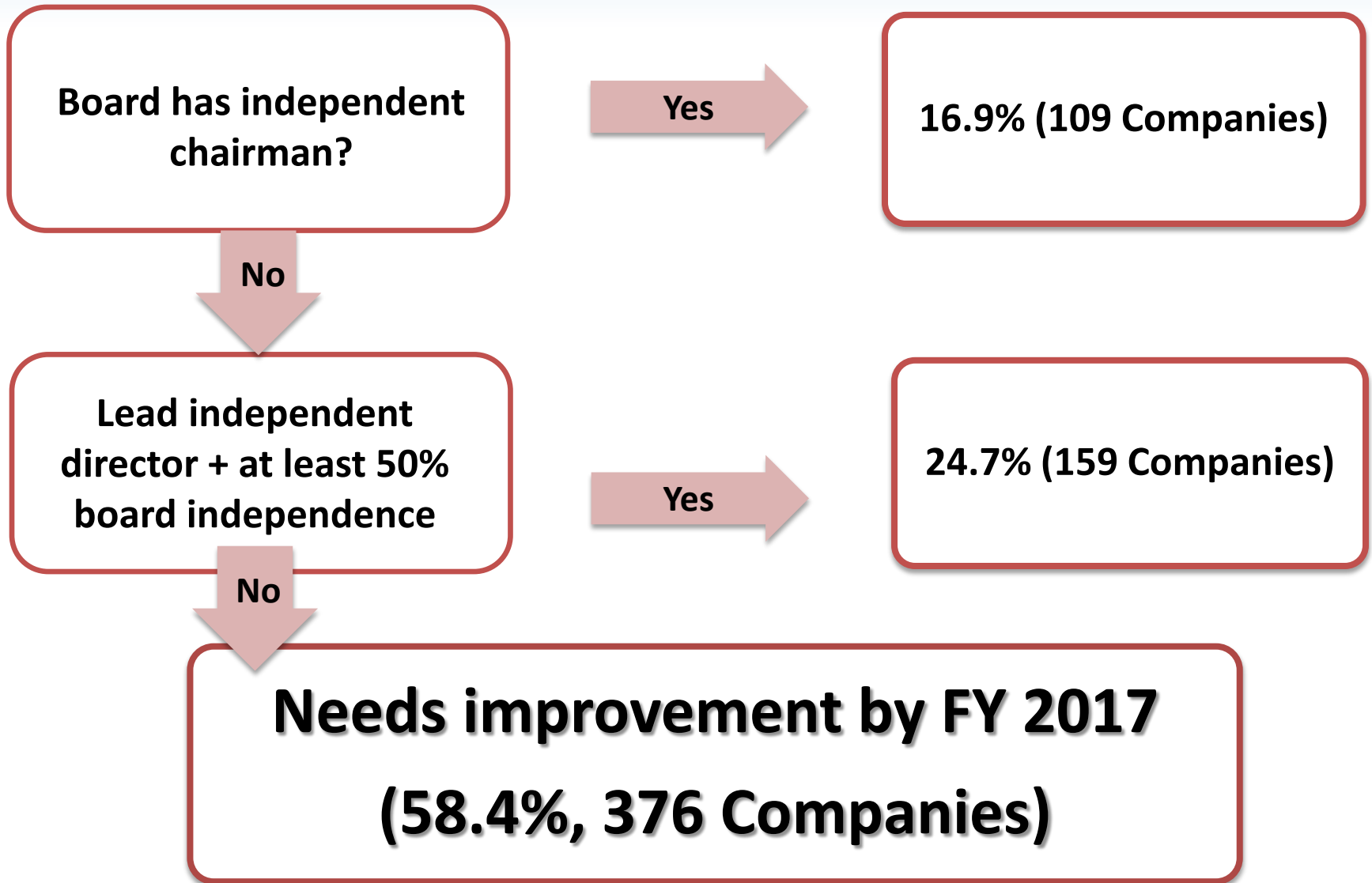
Director Independence

Assessment of Independence



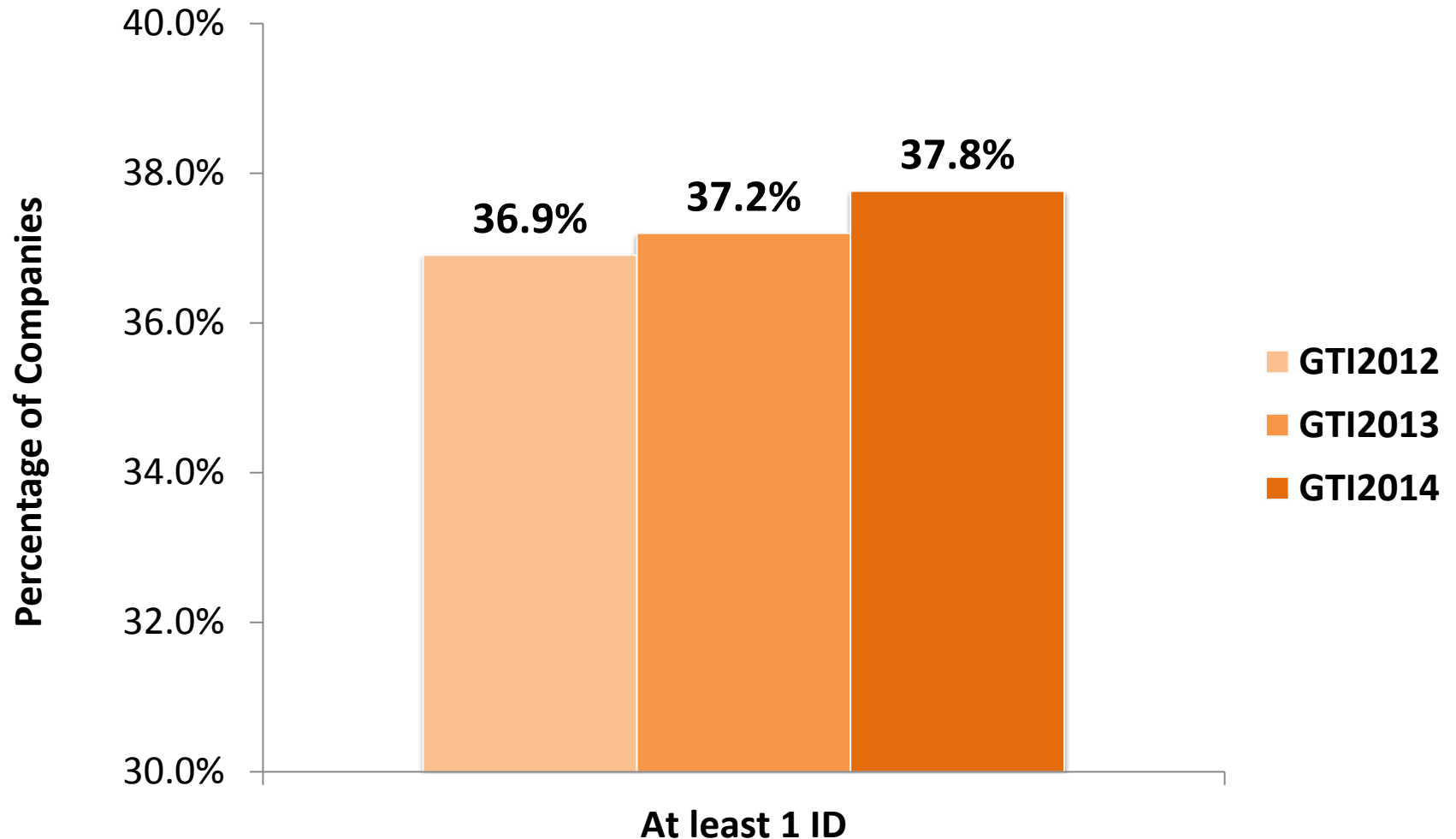
Director Independence

Board Leadership and Independence



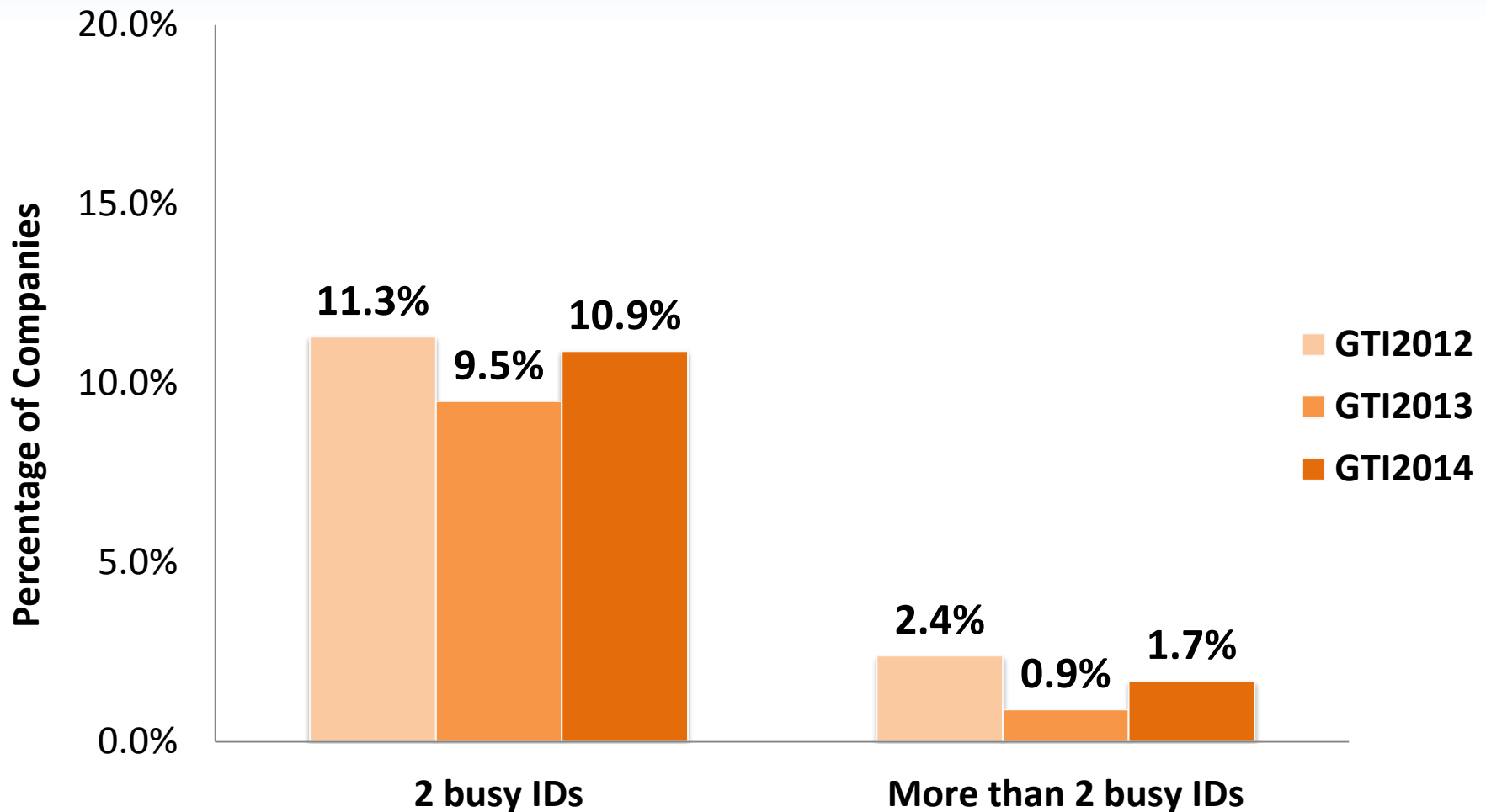
Director Independence

Independent Directors with more than 9 years Tenure



Director Involvement

Busy Independent Directors on Board



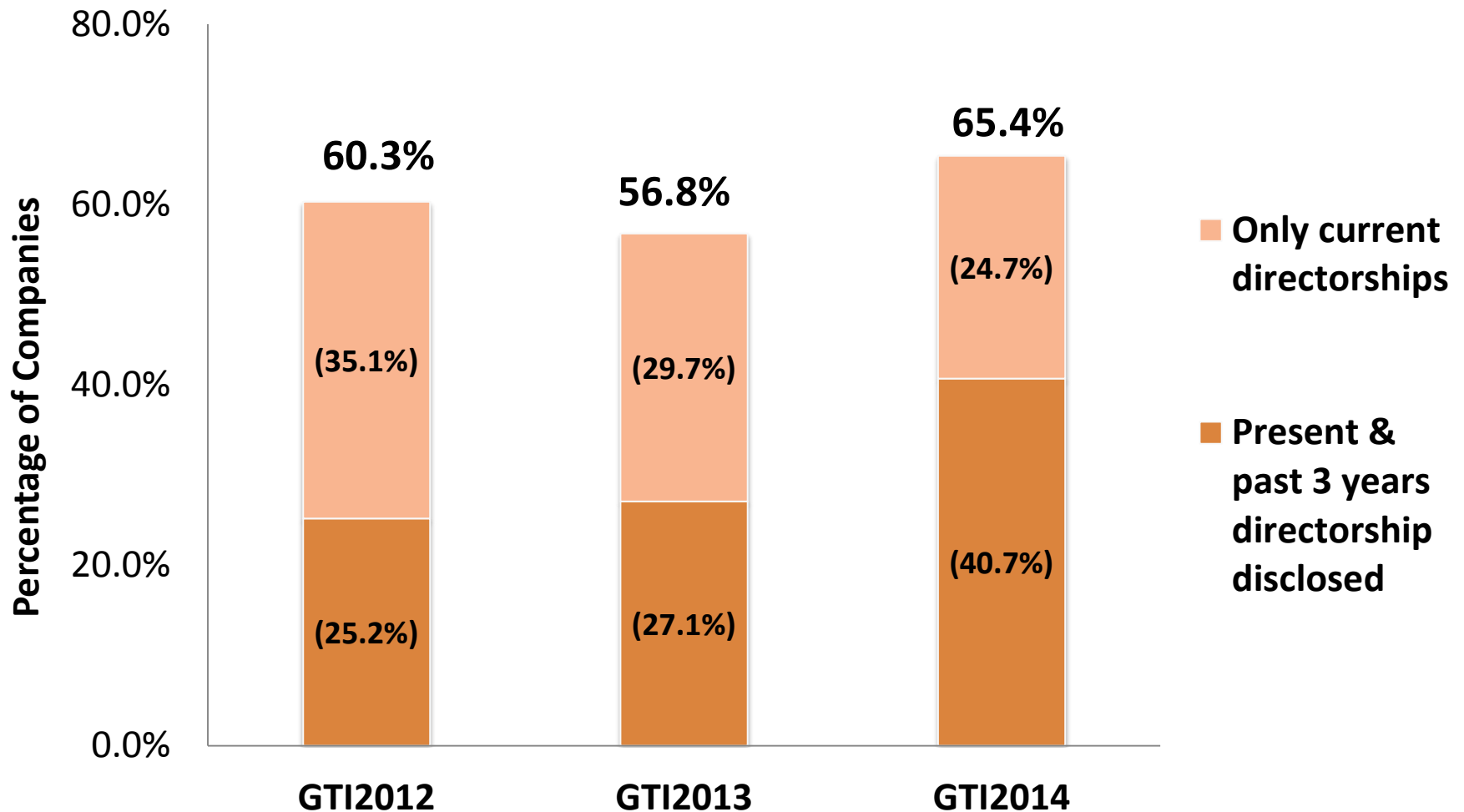
GTI Methodology: Definition of busy director

Full time employment: No more than 4 directorships

Non-full time employment: No more than 6 directorships

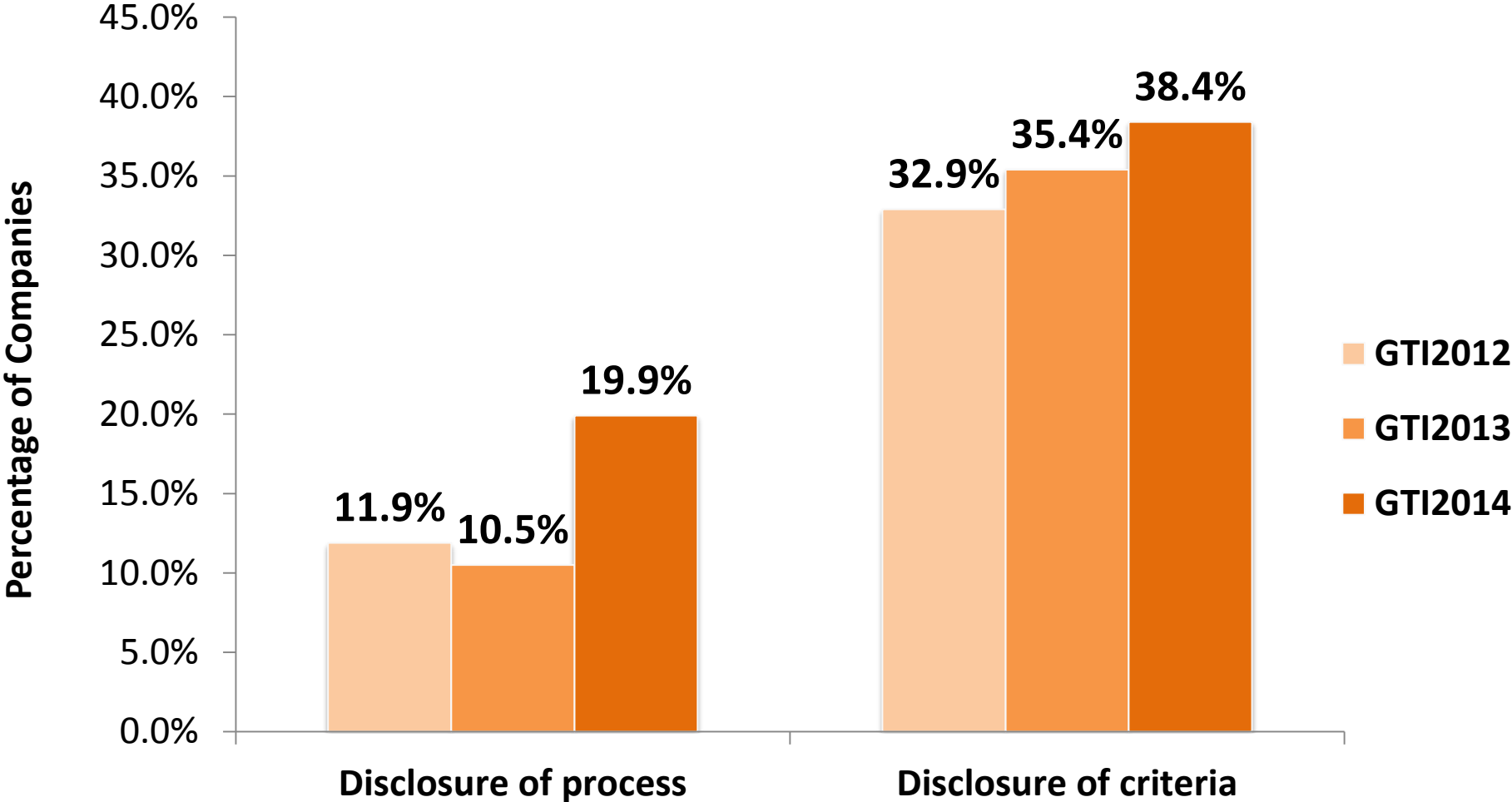
Director Involvement

Disclosure of Directorships in other Listed Companies



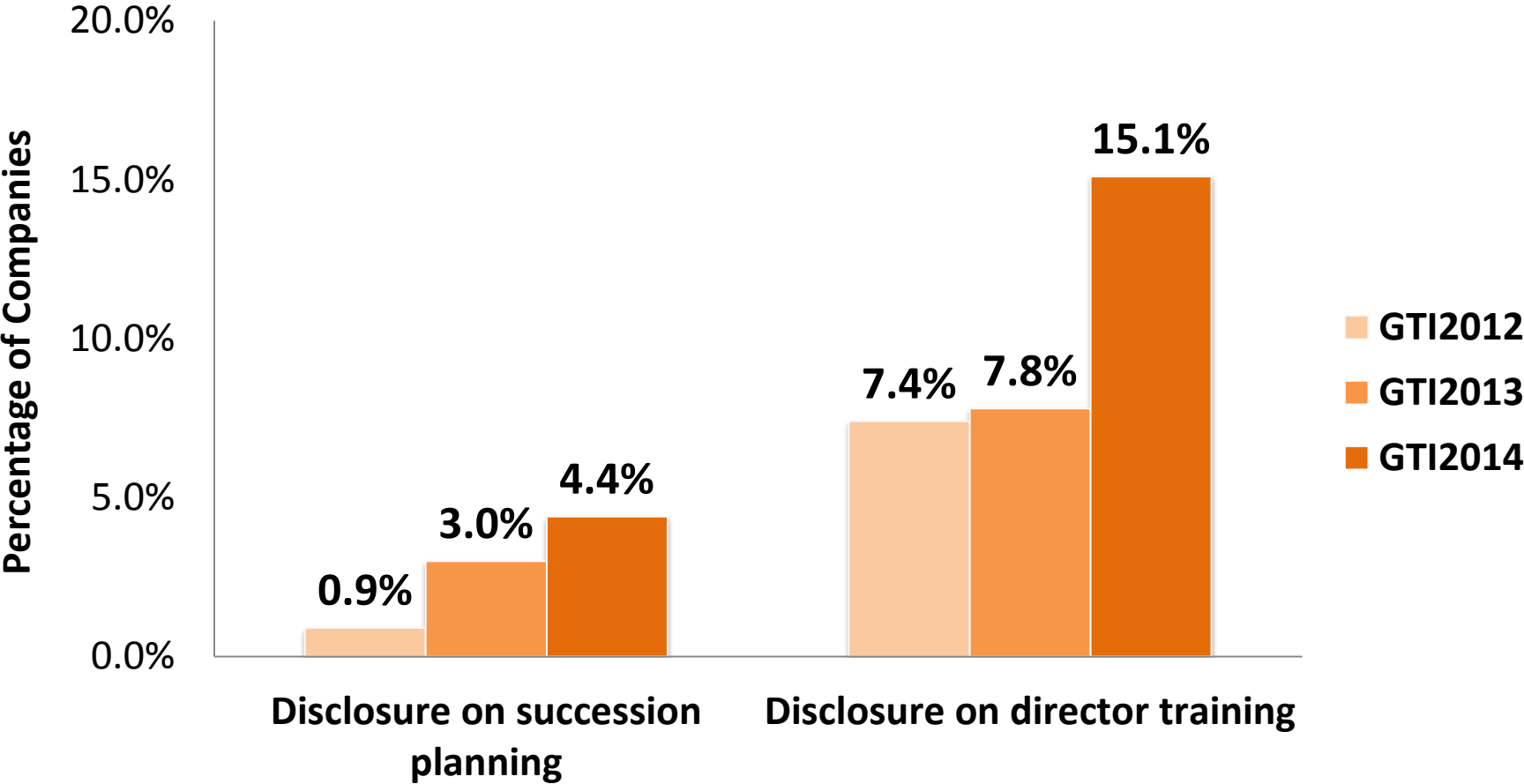
Director Development

Director Appraisal

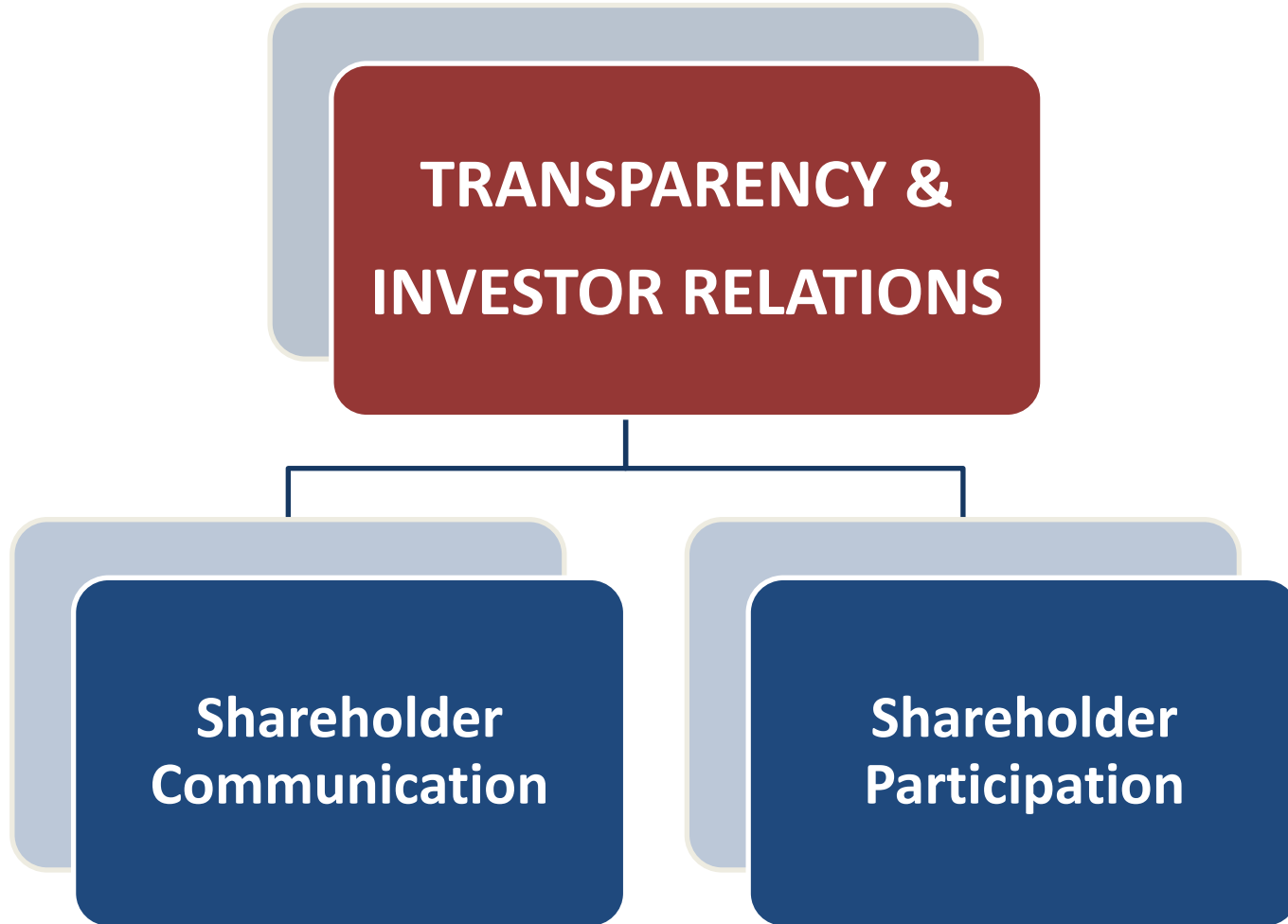


Director Development

Continuity and Competence

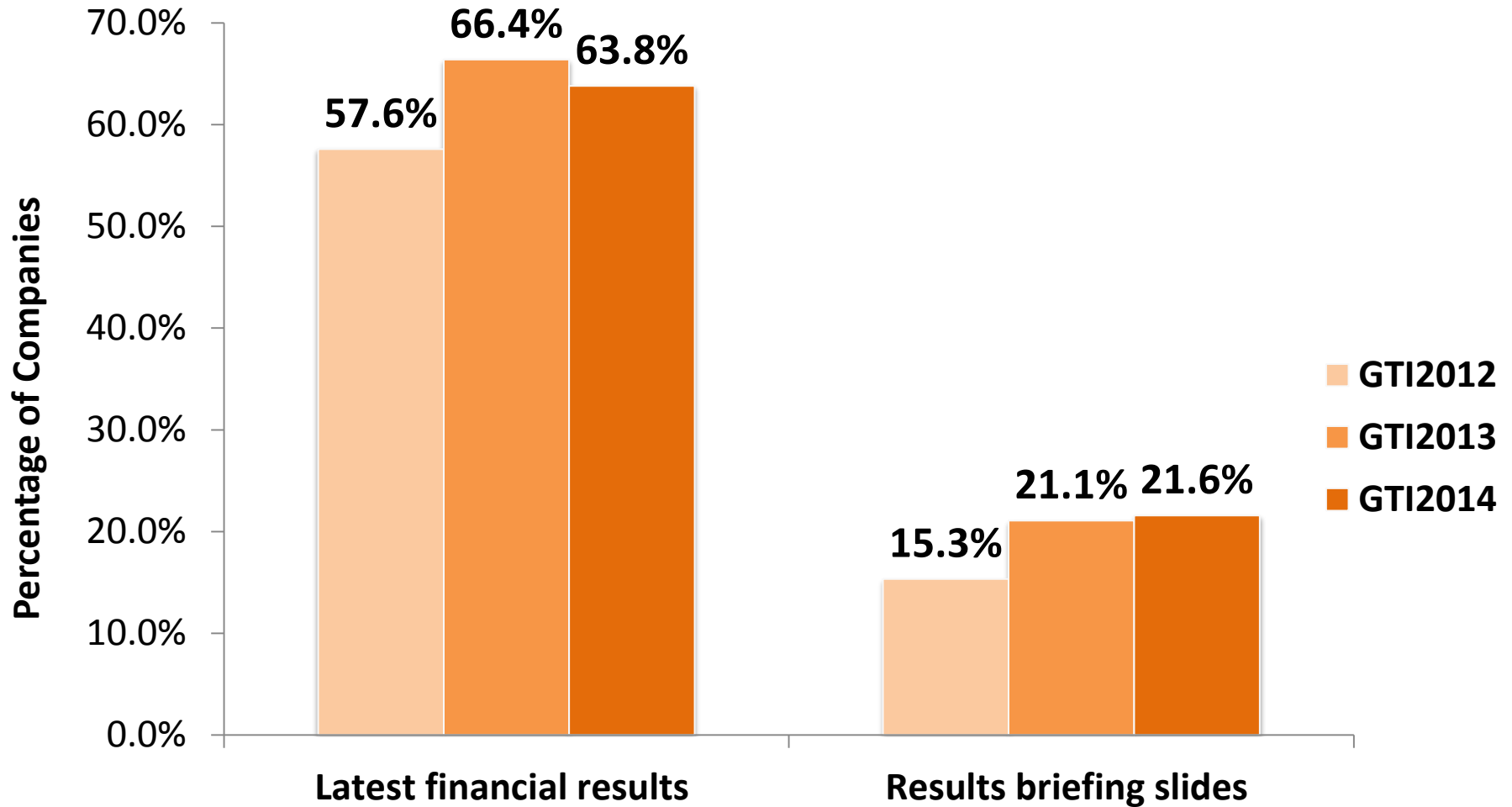


GTI 2014 - HIGHLIGHTS



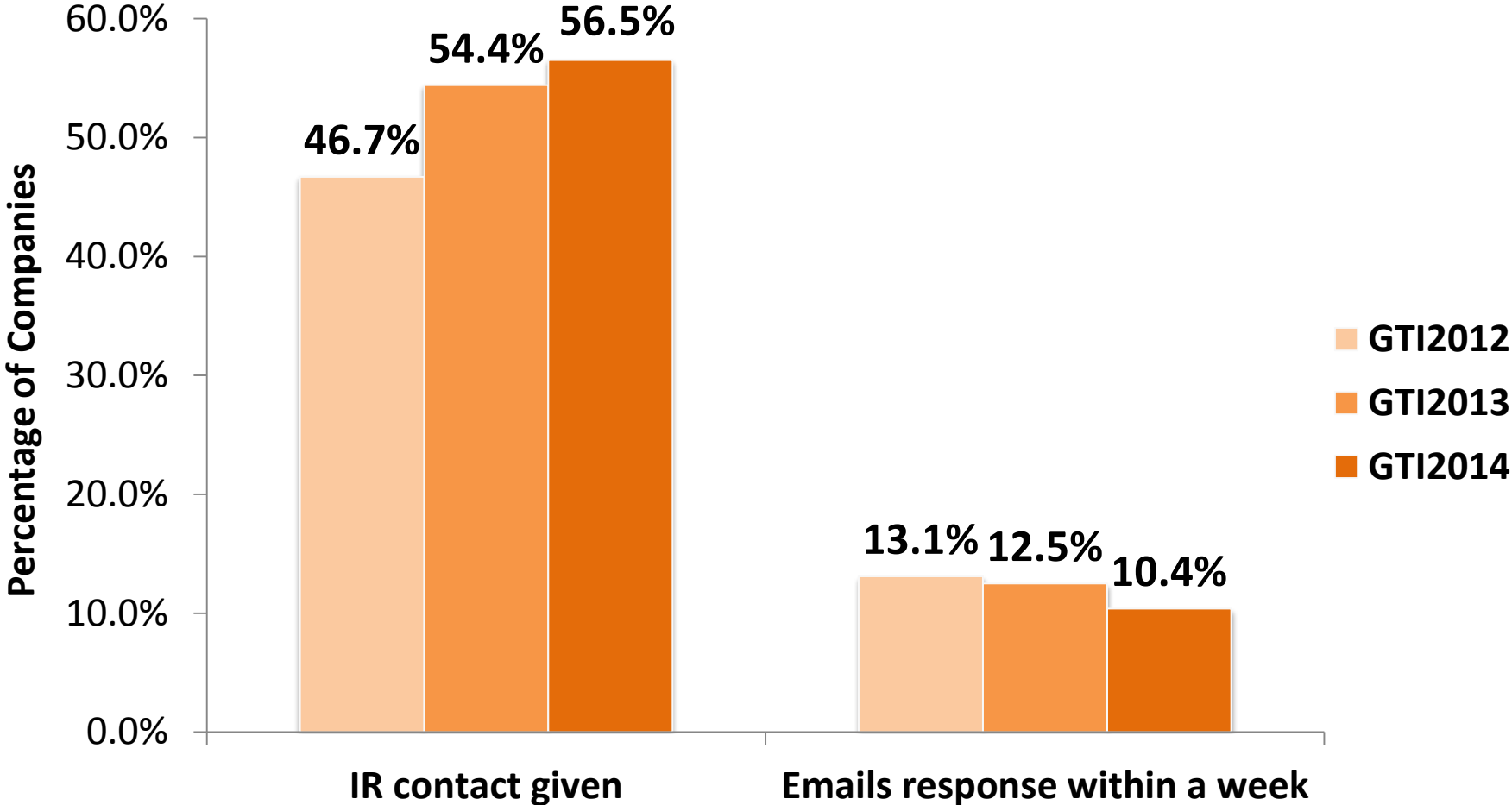
Shareholder Communication

Availability of Information on Company's Website



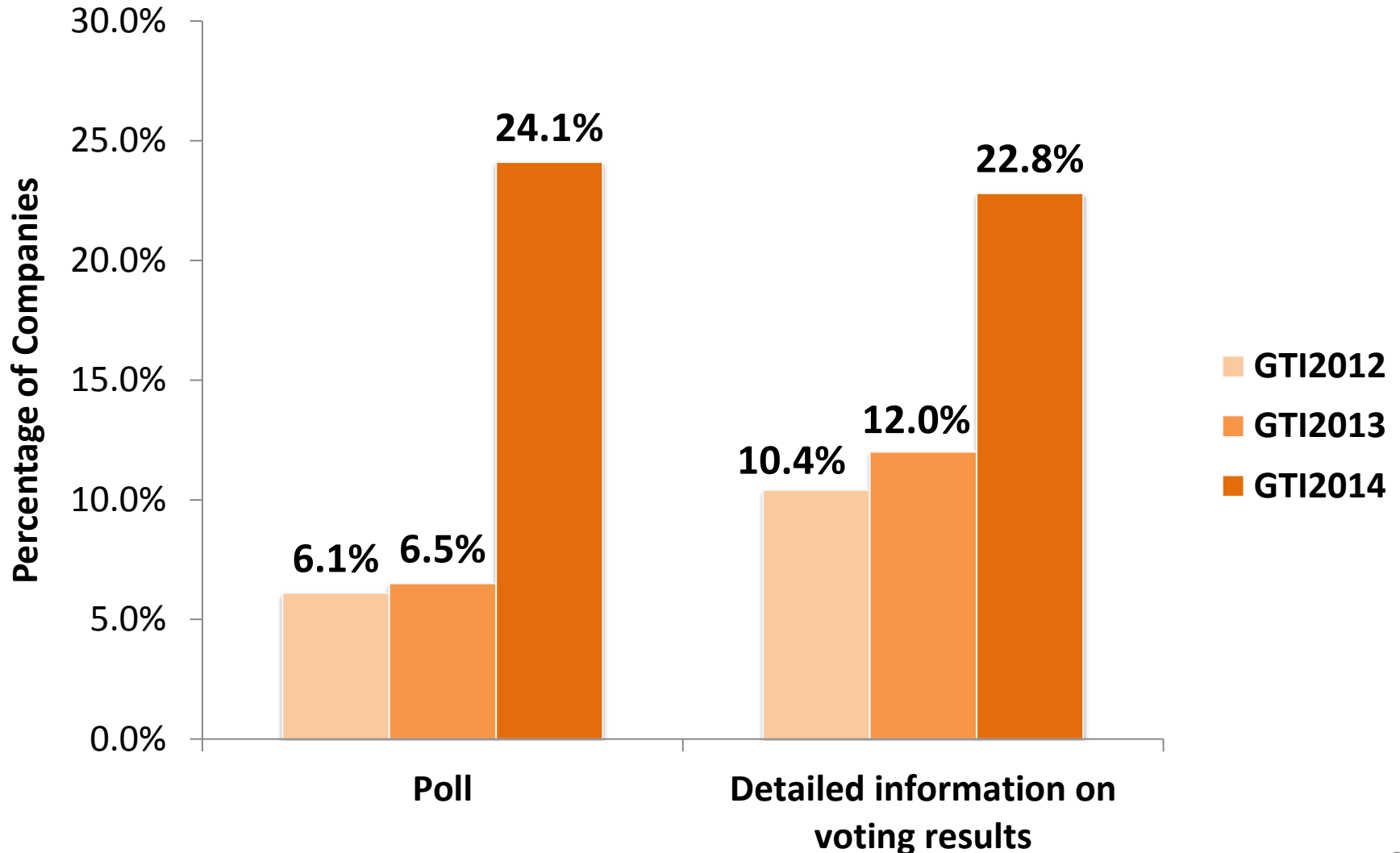
Shareholder Communication

Investor Relations Correspondence

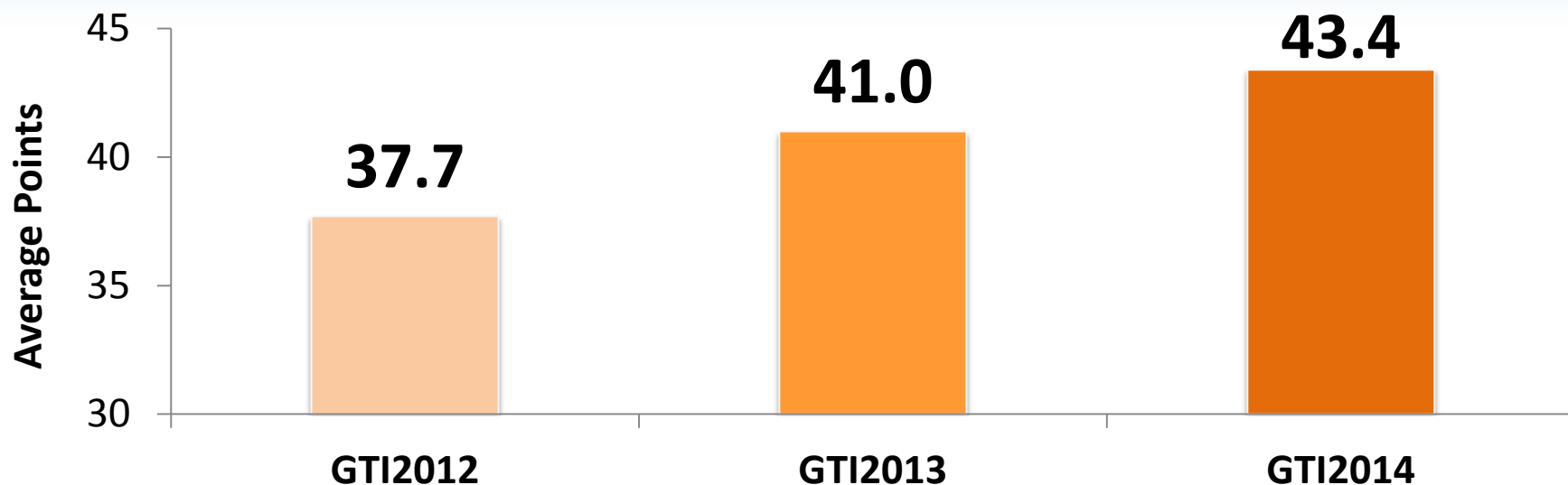


Shareholder Participation

Voting Practices at AGM



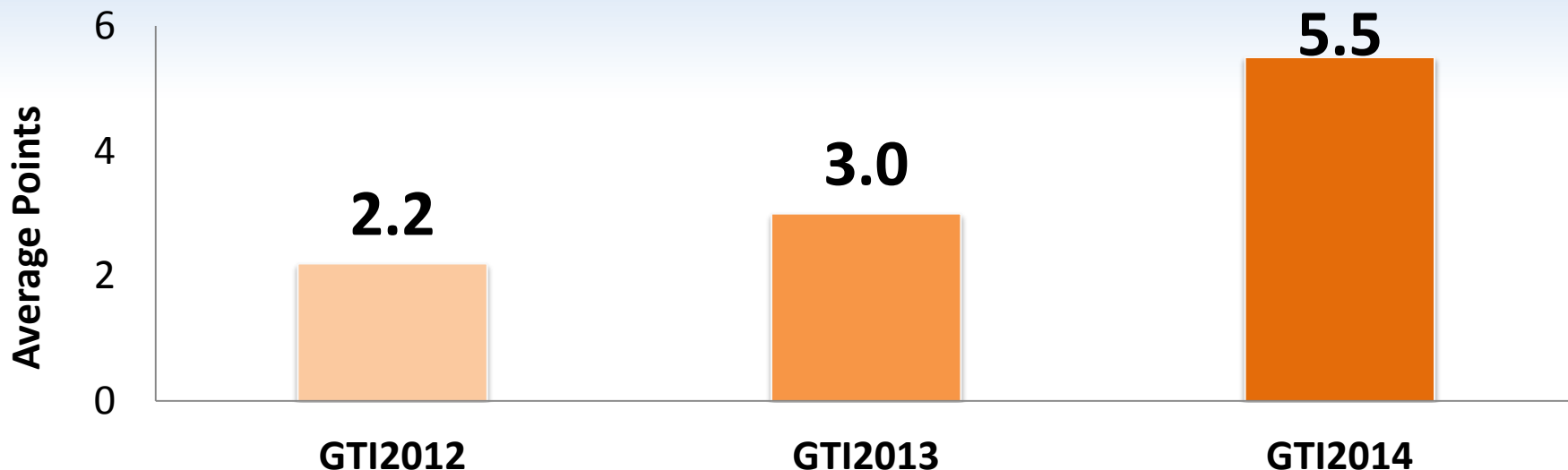
Base Score



- **Most improved areas :**

- Process for Board appraisal is disclosed in detail (16.1%)
- Disclosure of all the directorships and chairmanships held by directors currently and over the past 3 years (13.6%)
- Process in appointing directors are explained in detail (12.5%)

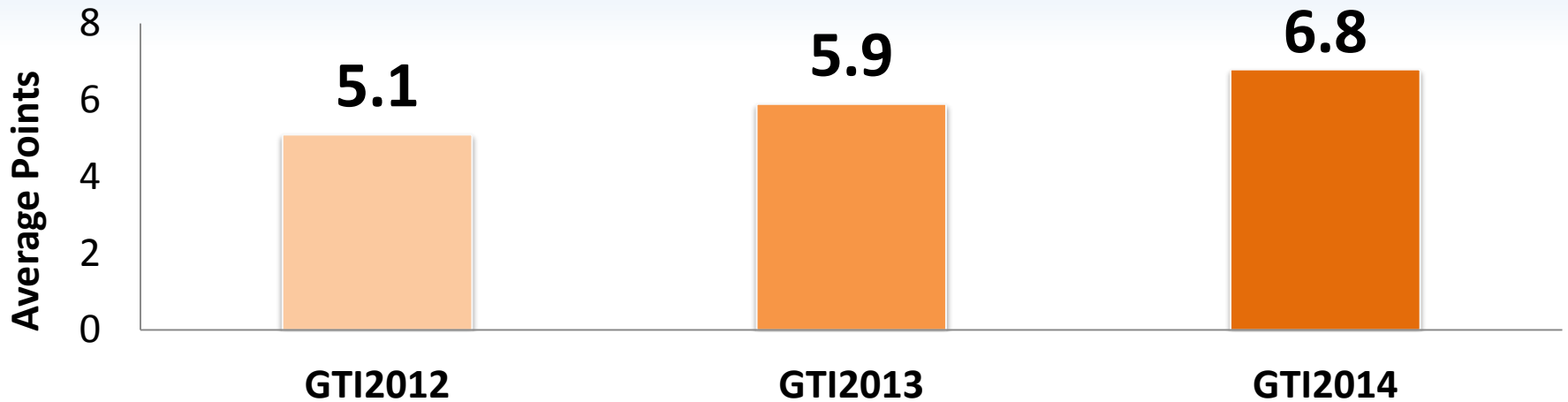
Bonus



- **Most common areas :**

- CEO/CFO certification of financial statements (45.3%)
- Comprehensive description of how company assesses independence of directors (44.6%)
- Definition of independence to include independence from major shareholders (24.7%)

Penalty



- **Most common areas:**

- Same independent directors sitting on nominating, remuneration & audit committees (44.1%)
- There are 2 or more independent directors with tenure of more than 9 years (22.8%)
- CEO/Managing Director/Executive Director not subject to re-election (21.6%)

GTI 2014 Summary

- **Impacts of the new Code are visible**
- **State of disclosure practices have generally improved over last 5 years**
- **Average overall GTI points of the listed companies is at all-time high of 42.1 over 6 years**
- **Several companies made significant improvements in the disclosures & practices but there are still rooms for improvement**

We are realising higher corporate governance standards

The End