

THE BUSINESS TIMES

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SE Top Print Edition Stories
HD SingTel again tops in corporate governance, transparency index

BY Michelle Quah
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LP SPH makes greatest improvement to its score this year, out of the top five

(SINGAPORE) SingTel's exemplary **corporate governance** practices have again earned it the top spot - out of 687 companies - in the **Governance and Transparency Index (GTI)**, conducted by The Business Times **and** the **Corporate Governance and Financial Reporting Centre** at the National University of Singapore **and** sponsored by CPA Australia.

TD SMRT Corporation came in second - also the same position it took last year - followed by the Singapore Exchange (SGX), Keppel Corporation, **and** Singapore Airlines (SIA) **and** Singapore Press Holdings (SPH) in joint fifth.

'The common theme among these companies is they all have 'best in class' disclosure standards **and** truly independent boards,' said Chaly Mah, president of CPA Australia's Singapore Division **and** chief executive of Deloitte Asia Pacific. 'However, the low GTI scores achieved by the majority of the other listed companies in Singapore is concerning. Having directors set the right tone at the top for good **corporate governance and** disclosure standards is a cornerstone of Singapore's reputation as a trusted **financial and** business hub.'

The GTI, which is into its second full year, scored 680 companies that released annual reports in 2009, **and** seven companies that did not release an annual report **and** were assessed on their latest announcements.

The companies were scored on two levels. First, they were awarded points based on how they perform according to the GTI scorecard, which is based on international best practices. This is the base score. Companies which comply only with the recommendations of the Singapore code of **corporate governance** achieved a relatively low base score.

Next, they were awarded bonus points **and/or** had penalty points deducted. The bonuses recognise companies that adopt good **corporate governance** practices not reflected in the base scorecard, while the penalties downgrade companies that have taken actions or been impacted by events that would lead to concerns about their **corporate governance** practices.

The main sources of information used to assess the companies are their annual reports, their websites **and** their announcements on SGXNet.

SingTel continued to impress with ongoing improvements to its **corporate governance** regime. Among the notable changes it's made in the past year are the introduction of a board-level risk committee, **and** the reduction of its share issue mandate to 5 per cent from 10 per cent. SingTel also introduced an annual limit of 1.0 per cent of the total number of its issued shares on the number of new shares under awards to be granted pursuant to its Performance Share Plan.

SMRT Corp made waves by disclosing the exact remuneration of its top five executives, by setting up a board-level risk committee **and** by setting its share issue mandate at 10 per cent.

SGX broke through the ranks of the top three by, among other things, providing more information on its risk management framework, by expanding its definition of independent directors to include independence from substantial shareholders **and** by having full poll voting for all the resolutions at its annual general meeting (AGM).

Keppel Corp scored points for appointing an independent chairman, having independent directors independent from major shareholders **and** releasing its full-year results earlier.

SIA had full poll voting for the resolutions at its AGM **and** published the full results.

SPH made the greatest improvement to its score this year, out of the top five. The company chalked up points for disclosing more information on its whistleblowing policies, reducing its share issue mandate to 10 per cent from 20 per cent, **and** for having a CEO/CFO certification of its **financial** statements.

Mak Yuen Teen of the NUS Business School, who led the development **and** implementation of the GTI, noted: 'We do see a concerted effort on the part of some companies to improve their **governance and** transparency. The top few companies have continued to improve **and** some of the lower-ranked companies have overtaken others. However, there are a large number of laggards **and** some are plagued by multiple **corporate governance** issues, which have led to significant penalties for such companies. Independent directors with long tenure **and** holding many directorships are also issues of significant concern.'

The GTI excluded companies that had not released their annual report by the end of 2009. It also excluded companies with a secondary listing on SGX, real estate investment trusts, business trusts **and** exchange-traded funds, as these are subject to different regulatory **and reporting** requirements.

Newly listed companies, which would not have carried out many of the scorable activities within the first year, were also excluded **and** will be included when they release their next annual report.

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SE Money
HD **Top scorers keep up their good work**

BY Dickson Li
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LP But index shows number of firms not overly concerned about **corporate governance**

A **SURPRISING** number of listed companies score lowly on **corporate governance** issues, according to a new survey published yesterday.

TD But those that fared well previously are continuing to keep up the good work.

SingTel, SMRT **and** the Singapore Exchange were first, second **and** third respectively in the **Governance and Transparency Index (GTI)**, **and** they have maintained their places from last year's rankings.

For SingTel, good **corporate governance** is about enhancing **corporate** performance **and** accountability to protect shareholders' interests.

'Good **corporate governance** is a competitive advantage that allows us to attract capital at the lowest cost, attract professional **and** independent directors, **and** recruit **and** retain our talents,' said Ms Jeann Low, SingTel's group chief **financial** officer.

Keppel Corporation was ranked fourth, **and** Singapore Press Holdings (SPH) - which was 24th last year - rocketed to fifth, sharing the position with Singapore Airlines.

SPH chief executive officer Alan Chan, who is himself the chairman of the **Corporate Governance** Council, said that having rigorous **governance and** transparency standards makes good business sense 'as we continue to engage our stakeholders **and** win their confidence'.

'These traits are also critical to the success of SPH **and** have helped us weather the recent economic downturn,' he added.

The GTI shows that of 681 Singapore-listed companies, only the top 42 scored 50 points or more out of 100.

The study discovered that only 13 per cent had an independent chairman, **and** only a fifth a non-executive chairman unrelated to the chief executive.

Just 3 per cent disclosed the exact remuneration of their executive directors, while 9 per cent disclosed performance measures for the executive directors.

Some 68 per cent were found to have left the release of their full-year **financial** results to the last week of the 60-day **reporting** deadline, **and** 5 per cent of them squeaked in on the 60th day.

The GTI awarded credit **and** debit points for a range of **corporate governance** features, with credits given for imposing term limits on directors or appointing a board-level risk committee. Points were deducted for a range of shortcomings, including the late announcement of stock option grants.

The report noted that few Singapore companies managed to go the extra mile to garner credit points, although some managed to do so by ensuring chief executive officer or chief **financial** officer certification of **financial** statements, or by having a stricter definition of independence for independent directors.

And the most common debits were dished out for having independent directors with a tenure of more than nine years, or for having two or more so-called busy directors - directors sitting on more boards than they can reasonably be expected to handle.

In a move to reflect a growing focus on the role of such directors, three points were deducted for

each additional busy director.

Associate Professor Mak Yuen Teen, co-director of the **Corporate Governance and Financial Reporting Centre** (CGFRC) of the National University of Singapore's Business School, said that although the top few companies had continued to improve, **and** some of the lower-ranked companies had overtaken others, there had not been an overall improvement in scores compared to previously.

'There are a large number of laggards **and** some are plagued by multiple **corporate governance** issues, which have led to significant penalties for such companies. Independent directors with long tenure **and** holding many directorships are also issues of significant concern,' he said.

Looking ahead, SMRT is one company which will continue to strive for a high standard of **corporate governance**. **And** for the company, it is a matter of public service.

'SMRT touches the lives of more than two million commuters daily. As a public transport service provider, having our commuters trust us is crucial... This is why SMRT continually pushes for a high standard of **corporate governance and transparency**,' said Ms Saw Phaik Hwa, president **and** chief executive officer of SMRT Corporation.

Research for the GTI was undertaken by CGFRC **and** The Business Times. It was sponsored by accounting body CPA Australia.

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HD Corporate governance scores dip slightly in 2009, leaders retain top spots

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LP SINGAPORE: Top Singapore companies have continued to improve their levels of **corporate governance** in the past year, but lower scoring firms failed to significantly improve.

According to this year's **Governance and Transparency Index (GTI)**, the scores for Singapore firms in 2009 have slipped by a point to 33, compared to 34 in 2008.

TD "The low GTI scores achieved by the majority of the other listed companies in Singapore is concerning. Having directors set the right tone at the top for good **corporate governance and disclosure standards** is a cornerstone of Singapore's reputation as a trusted **financial and business hub**" said Chaly Mah, president of CPA Australia's Singapore Division **and** chief executive of Deloitte Asia Pacific.

Among the more common poor practices were long tenures for independent directors, directors sitting on too many boards **and** the issue of share options to independent directors.

"There is a large number of laggards **and** some are plagued by multiple **corporate governance** issues, which have led to significant penalties for such companies," said NUS Business School's Professor Mak Yuen Teen, who led the development **and** implementation of the GTI.

Only 6 percent of the companies rated scored more than 50 points.

SingTel **and** SMRT held on to their top spots in this year's index, beating 680 listed companies.

Rated for their high levels of **corporate governance**, SingTel achieved a score of 103 **and** SMRT had 99 points.

The Singapore Exchange took third spot with a score of 93 points, with Keppel Corporation close behind with 85 points.

Fifth position was shared by Singapore Airlines **and** Singapore Press Holdings, with both firms scoring 76 points.

This year's GTI sees the gap widen between the top companies **and** lower scoring firms, as high performers continue to improve **governance** standards.

About 23 percent of companies have a majority of independent directors on the board, while a similar proportion have exactly half of the board members comprising independent directors.

Only 13 percent of companies have an independent chairman, while 20 percent have a non-executive chairman who is not related to the CEO.

23 percent of companies have a fully-independent nominating committee, while 73 percent have a majority-independent group, including the chairman of the committee.

Half of the companies have a fully-independent remuneration committee, while a similar proportion have a majority-independent one.

As for audit committees, nearly 60 percent of companies have fully-independent audit committees, while 37 percent have audit committees that are made up of all non-executive directors **and** an independent chairman.

The GTI is in its second year, **and** is compiled by the **Corporate Governance and Financial Reporting Centre** of the NUS Business School **and** The Business Times. - CNA/de

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SE Business
HD **Setting the tone for transparency**

BY Jo-ann Huang joannhuang@mediacorp.com.sg Jo-ann Huang
CR TODAY
WC 471 words
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SN TODAY (Singapore)
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Among the more common poor practices were long tenures for independent directors, directors sitting on too many boards **and** the issue of share options to independent directors.

"There is a large number of laggards **and** some are plagued by multiple corporate **governance** issues, which have led to significant penalties for such companies," said NUS Business School's Professor Mak Yuen Teen, who led the development **and** implementation of the GTI.

The 680 companies which released their annual reports between Jan 1 **and** Dec 31 last year were included in the study — out of which only 6 per cent scored more than 50 points.

Retaining the top two spots in this year's **index** are SingTel**and** SMRT. Rated for their high levels of corporate **governance**, SingTel achieved a score of 103 **and** SMRT had 99 points.

The Singapore Exchange took third spot with a score of 93 points, with Keppel Corporation close behind with 85 points.

Fifth position was shared by Singapore Airlines**and**Singapore Press Holdings, with both firms scoring 76 points.

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