Headline: Good corp governance starts from top: RSME
Source: The Business Times
Date: 5 August 2011

Good corp governance starts from top: RSME

By **KELLY TAY**

GOOD corporate governance practices should never be seen as an additional compliance cost. In fact, high standards of ethics are especially crucial amid an unfavourable economic outlook, said governance, risk and consulting firm RSM Ethos (RSME) yesterday.

RSME senior director Tan Boon Yen said companies able to address key risks early and effectively have a higher chance of weathering adverse economic conditions since shareholder and investor confidence would be saved.

And RSME chairman Chris Liew Peng Fook said: "From our observations, most local companies view the internal audit function as a necessary evil and some try to get by with just doing the minimum."

RSME stressed that it is precisely this mindset that needs to change – starting with directives from top management – if Singapore companies are to improve their standing on the Governance and Transparency Index (GTI). To do so, Ms Tan said companies should have an effective internal audit function, which would be able to assess the effectiveness of risk management policies and internal control frameworks.

Other measures to promote good corporate governance practices include the institution of a whistle-blowing policy, and the establishment of a nomination process to facilitate the appointment of an effective and independent board.

RSME is the merged entity between the corporate risk advisory division of the Chio Lim Stone Forest Group and Ethos Advisory Pte Ltd, whose merger was announced yesterday. Its headcount stands at 35.

Headline: SingTel still leads transparency pack
Source: The Business Times
Date: 12 July 2011

SingTel still leads transparency pack

By **LAWRENCE LOH**

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 joint third. SATS 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, 657 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 announcements to ensure timeliness of their scores. This issue of GTI excludes companies which have a secondary listing on the Singapore Exchange, real estate investment trusts, business trusts, exchange 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 financial year after listing by the Dec 31, 2010, cut-off date.

Key findings

SingTel, with its consistent all-round excellence in corporate governance practices, leads the index for the third year in a row, obtaining a total score of 109 points, while SGX is second with 101 points. Keppel Corp and KepLand are joint third at 91 points, and SATS at No 5 with 88.

Two of the top five have made significant improvement in their disclosure practices. KepLand (which improved its overall score by 23 points) has enhanced its disclosure regarding the framework of remuneration for its non-executive directors, definition of independence, limits on tenure of independent directors, and statement on compliance with the Code of Corporate Governance. It also has moved ahead in terms of disclosure regarding the criteria used in board and director appraisal. SATS (which saw an increase of 14 points) now has a separate board-level risk committee and has set term limits for its non-executive directors. It has also reduced the percentage of shares that can be issued on a non-pro rata basis from 10 per cent to 5 per cent.

On an overall basis, it appears that the state of governance practices among listed companies remains largely unchanged from previously. The average GTI score is 31, compared to 33 last year. While a few companies have made significant improvements, the vast majority seems to follow only minimum standards required by the Code (only 8 per cent received score of 50 points or more).

As in previous issues, some companies have a significant increase or decrease in their scores. The main reasons for an increase in the scores are as follows:

◆ **Improvements in disclosure practices:** Some companies now provide information about the courses attended by their directors during the year. There are also companies that provided more information on how they assess the independence of their directors and made positive confirmation statements on the company's compliance with the Code. A new bonus item was also introduced in this issue, in that companies that disclose their directors have to seek board approval before trading in the company's shares would receive three points. Some companies have disclosed such practices in their annual reports.

◆ **Improvements in governance practices:**

a) Companies are penalised if they have more than one long tenure or busy director. Over the past year, some companies have seen resignations or retirements of long tenure or busy directors.

b) Some companies that were issued qualified audit opinions in previous years have improved and the qualifications have been removed

c) Some companies now limit the number of directorships in listed companies that can be held by directors, including that of the company, to four in total.

◆ **Improvements in investor relations:** Some firms that did not reply to our queries previously have now done so.

The main reasons for the decrease in scores are:

◆ **New penalties:**

a) Non-disclosure of director information: Companies that do not disclose information on date of appointment, date of re-election and educational and/or professional qualifications of all, or a majority, of its directors will now get two points deducted.

b) Attendance of board chairman and/or independent directors at board and committee meetings: Three points are deducted if one director has low attendance at meetings. Five points are deducted if multiple directors have low attendance.

c) Investor relations issues: Three points are deducted for issues such as errors in the annual report, errors in announcements that are not rectified immediately, and shareholder approval not being obtained for certain resolutions at the annual general meeting.

◆ **Stricter scoring:**

a) Disclosure of directorships: If the present directorships held and directorships held for the preceding three years are clearly not disclosed for all directors, no points are given. For example, companies that state "Director A is a director of several listed companies including . . ." will now not get any points compared to a company that states "Director A is also a director of listed company A, B and C."

b) Disclosure of risks: Previously, points were given for companies that disclosed only financial risks and the framework for managing these risks. From this issue onwards, only companies that disclose other risks, such as operational risks, will be given points.

c) Executive director, chief executive officer and/or managing director not being subject to re-election: Companies that state all directors are subject to retirement by rotation and re-election will now be further analysed to see if 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 directors have been disclosed except for the chief executive officer, executive chairman or managing director. Such companies will now have three points deducted.

◆ **Deteriorating disclosure practices:**

a) Companies which previously provided a detailed definition of independence have now provided less detail.

b) 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 bands, so it is not possible to identify which executive falls into which band.

c) 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.

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

e) While most companies reduced the percentage of shares that can be issued on a non-pro rata basis, we did come across a company that has increased this percentage, hence leading it to lose the bonus points it had been allocated in the previous issue.

◆ **Other observations**

a) Directors withdrawing from re-election at annual general meetings: While the cessation announcements do not indicate any governance-related issues, directors withdrawing from being re-elected at the AGM may be a red flag that the director has some concerns regarding the company. Some companies also do not release a separate cessation announcement as required under listing rules, but simply state that the director retired at the AGM.

b) 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 "Announcement of appointment of financial controller" and the cessation announcement would state "Announcement 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.

c) 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://bschool.nus.edu.sg/CGIO.aspx*

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How scoring is done

THE Governance and Transparency Index (GTI) is aimed at assessing companies on their corporate governance disclosure and practices, as well as the timeliness, accessibility and transparency of their financial results announcement. The GTI score comprises two components: the base score and the adjustment for bonuses and penalties. Companies can obtain a maximum of 100 points for the base score under four domains as follows:

◆ board matters (maximum 35 points);
◆ remuneration matters (maximum 20 points);
◆ accountability and audit (maximum 20 points);
◆ transparency and investor relations (maximum 25 points).

The aggregate of the bonuses and penalties (positive or negative) is added to the base score to arrive at the company's overall GTI score. The primary sources of information used are the company's annual report, the company website and announcements made by the company on the SGXNet from Jan 1, 2009, to Feb 28, 2011. Any events which occurred between Feb 28 and April 30, 2011, that had been publicly announced in the media have also been used to update the score. In addition, companies were contacted to obtain some of the information that is not publicly available.

Further information on the scoring methodology and past results may be obtained from *http://bschool.nus.edu.sg/CGIO.aspx*. In order to maintain independence and fairness of the Index, reports or advices cannot be provided to individual companies. Queries about the GTI may be sent to *cgio@nus.edu.sg*.

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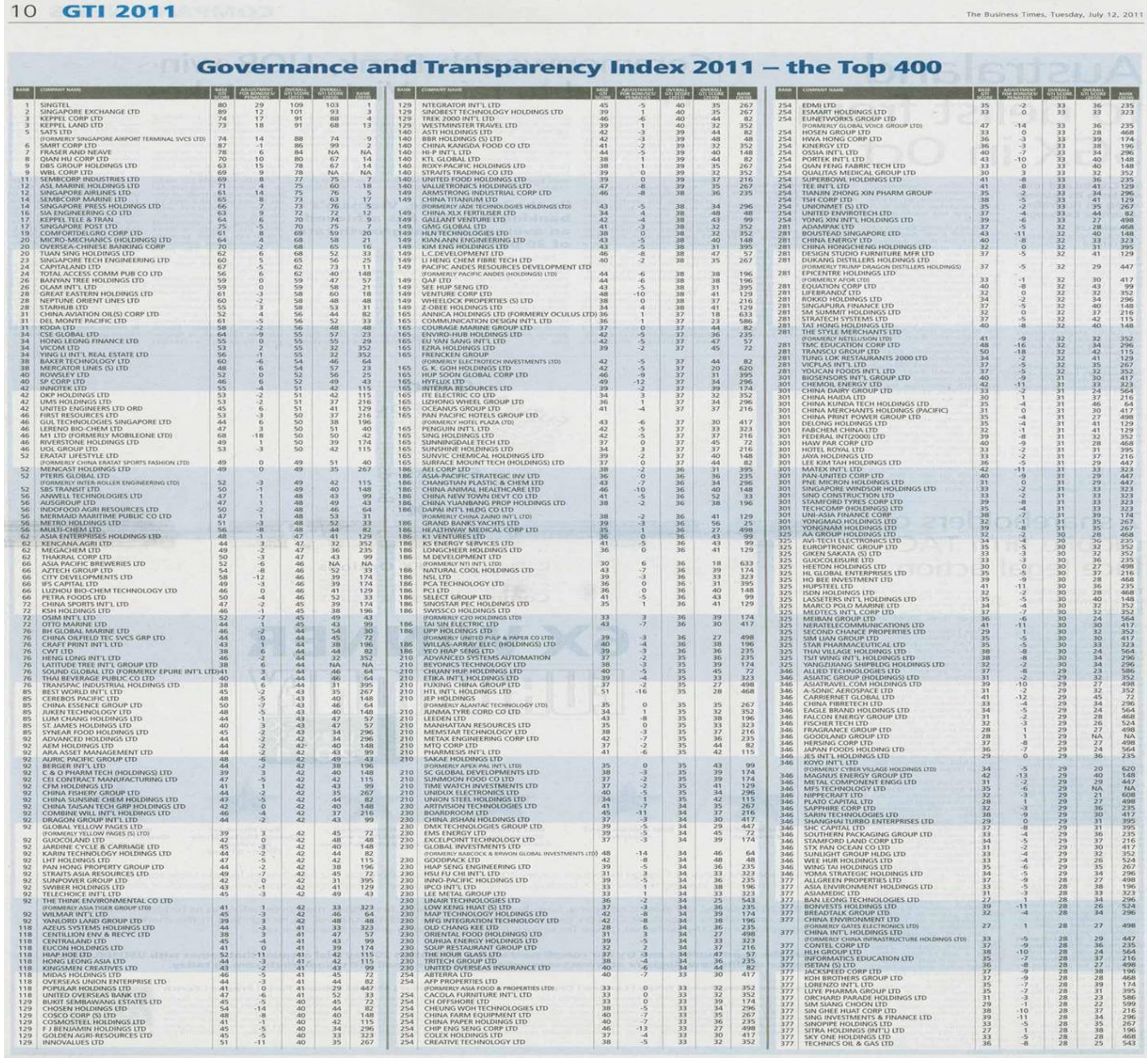

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The Business Times, Tuesday, July 12, 2011

Governance and Transparency Index 2011 – the Top 400

RANK	COMPANY NAME	BASE GTI SCORE	ADJUSTMENT FOR BONUSES/ PENALTIES	OVERALL GTI SCORE (2011)	OVERALL GTI SCORE (2010)	RANK (2010)
1	SINGTEL	80	29	109	103	1
2	SINGAPORE EXCHANGE LTD	89	12	101	93	3
3	KEPPEL CORP LTD	74	17	91	88	4
3	KEPPEL LAND LTD	73	18	91	68	13
5	SATS LTD (FORMERLY SINGAPORE AIRPORT TERMINAL SVCS LTD)	74	14	88	74	9
6	SMRT CORP LTD	87	-1	86	99	2
7	FRASER AND NEAVE	78	6	84	NA	NA
8	QIAN HU CORP LTD	70	10	80	67	14
9	DBS GROUP HOLDINGS LTD	63	15	78	67	14
9	WBL CORP LTD	69	9	78	NA	NA
11	SEMBCORP INDUSTRIES LTD	69	8	77	75	7
12	ASL MARINE HOLDINGS LTD	71	4	75	60	18
12	SINGAPORE AIRLINES LTD	61	14	75	76	5
14	SEMBCORP MARINE LTD	65	8	73	63	17
14	SINGAPORE PRESS HOLDINGS LTD	66	7	73	76	5
16	SIA ENGINEERING CO LTD	63	9	72	72	12
17	KEPPEL TELE & TRAN	64	6	70	74	9
17	SINGAPORE POST LTD	75	-5	70	75	7
19	COMFORTDELGRO CORP LTD	61	8	69	59	20
20	MICRO-MECHANICS (HOLDINGS) LTD	64	4	68	58	21
20	OVERSEA-CHINESE BANKING CORP	70	-2	68	65	16
20	TUAN SING HOLDINGS LTD	62	6	68	52	33
23	SINGAPORE TECH ENGINEERING LTD	60	5	65	56	25
24	CAPITALAND LTD	67	-5	62	73	11
24	TOTAL ACCESS COMM PUB CO LTD	56	6	62	40	148
26	BANYAN TREE HOLDINGS LTD	59	0	59	47	57
26	OLAM INT'L LTD	59	0	59	58	21
28	GREAT EASTERN HOLDINGS LTD	61	-3	58	60	18
28	NEPTUNE ORIENT LINES LTD	60	-2	58	48	48
28	STARHUB LTD	55	3	58	53	31
31	CHINA AVIATION OIL(S) CORP LTD	52	4	56	44	82
31	DEL MONTE PACIFIC LTD	61	-5	56	52	33
31	KODA LTD	58	-2	56	48	48
34	CSE GLOBAL LTD	64	-9	55	57	23
34	HONG LEONG FINANCE LTD	55	0	55	55	29
34	VICOM LTD	53	2	55	32	352
34	YING LI INT'L REAL ESTATE LTD	56	-1	55	32	352
38	BAKER TECHNOLOGY LTD	60	-6	54	46	64
38	MERCATOR LINES (S) LTD	48	6	54	57	23
40	ROWSLEY LTD	52	0	52	56	25
40	SP CORP LTD	46	6	52	49	43
42	INNOTEK LTD	55	-4	51	42	115
42	OKP HOLDINGS LTD	53	-2	51	42	115
42	UMS HOLDINGS LTD	53	-2	51	37	216
42	UNITED ENGINEERS LTD ORD	45	6	51	41	129
46	FIRST RESOURCES LTD	53	-3	50	37	216
46	GUL TECHNOLOGIES SINGAPORE LTD	44	6	50	38	196
46	LERENO BIO-CHEM LTD	47	3	50	51	40
46	M1 LTD (FORMERLY MOBILEONE LTD)	68	-18	50	50	42
46	RIVERSTONE HOLDINGS LTD	49	1	50	39	174
46	UOL GROUP LTD	53	-3	50	42	115
52	ERATAT LIFESTYLE LTD (FORMERLY CHINA ERATAT SPORTS FASHION LTD)	49	0	49	51	40
52	MENCAST HOLDINGS LTD	49	0	49	35	267
52	PTERIS GLOBAL LTD (FORMERLY INTER-ROLLER ENGINEERING LTD)	52	-3	49	42	115
52	SBS TRANSIT LTD	50	-1	49	40	148
56	ANWELL TECHNOLOGIES LTD	47	1	48	43	99
56	AUSGROUP LTD	47	1	48	49	43
56	INDOFOOD AGRI RESOURCES LTD	50	-2	48	46	64
56	MERMAID MARITIME PUBLIC CO LTD	47	1	48	53	31
56	METRO HOLDINGS LTD	51	-3	48	52	33
56	MULTI-CHEM LTD	56	-8	48	44	82
62	ASIA ENTERPRISES HOLDINGS LTD	48	-1	47	41	129
62	KENCANA AGRI LTD	44	3	47	32	352
62	MEGACHEM LTD	49	-2	47	36	235
62	THAKRAL CORP LTD	50	-3	47	43	99
66	ASIA PACIFIC BREWERIES LTD	52	-6	46	NA	NA
66	AZTECH GROUP LTD	54	-8	46	52	33
66	CITY DEVELOPMENTS LTD	58	-12	46	39	174
66	IFS CAPITAL LTD	49	-3	46	39	174
66	LUZHOU BIO-CHEM TECHNOLOGY LTD	46	0	46	41	129
66	PETRA FOODS LTD	50	-4	46	52	33
72	CHINA SPORTS INT'L LTD	47	-2	45	39	174
72	KSH HOLDINGS LTD	46	-1	45	38	196
72	OSIM INT'L LTD	52	-7	45	49	43
72	OTTO MARINE LTD	44	1	45	43	99
76	BH GLOBAL MARINE LTD	46	-2	44	54	30
76	CHINA OILFIELD TEC SVCS GRP LTD	44	0	44	45	72
76	CRAFT PRINT INT'L LTD	43	1	44	38	196
76	CWT LTD	38	6	44	44	82
76	HENG LONG INT'L LTD	46	-2	44	32	352
76	LATITUDE TREE INT'L GROUP LTD	38	6	44	NA	NA
76	SOUND GLOBAL LTD (FORMERLY EPURE INT'L LTD)	41	3	44	46	64
76	THAI BEVERAGE PUBLIC CO LTD	40	4	44	46	64
76	TRANSPAC INDUSTRIAL HOLDINGS LTD	38	6	44	31	395
85	BEST WORLD INT'L LTD	45	-2	43	35	267
85	CEREBOS PACIFIC LTD	48	-5	43	40	148
85	CHINA ESSENCE GROUP LTD	50	-7	43	46	64
85	JUKEN TECHNOLOGY LTD	48	-5	43	40	148
85	LUM CHANG HOLDINGS LTD	44	-1	43	47	57
85	ST. JAMES HOLDINGS LTD	40	3	43	47	57
85	SYNEAR FOOD HOLDINGS LTD	45	-2	43	34	296
92	ADVANCED HOLDINGS LTD	44	-2	42	34	296
92	AEM HOLDINGS LTD	44	-2	42	40	148
92	ARA ASSET MANAGEMENT LTD	44	-2	42	43	99
92	AURIC PACIFIC GROUP LTD	48	-6	42	49	43
92	BERGER INT'L LTD	44	-2	42	38	196
92	C & O PHARM TECH (HOLDINGS) LTD	39	3	42	40	148
92	CEI CONTRACT MANUFACTURING LTD	47	-5	42	42	115
92	CFM HOLDINGS LTD	41	1	42	43	99
92	CHINA FISHERY GROUP LTD	44	-2	42	35	267
92	CHINA SUNSINE CHEM HOLDINGS LTD	47	-5	42	44	82
92	CHINA TAISAN TECH GRP HOLDINGS LTD	42	0	42	40	148
92	COMBINE WILL INT'L HOLDINGS LTD	46	-4	42	37	216
92	DRAGON GROUP INT'L LTD	44	-2	42	43	99
92	GLOBAL YELLOW PAGES LTD (FORMERLY YELLOW PAGES (S) LTD)	39	3	42	45	72
92	GUOCOLAND LTD	42	0	42	48	48
92	JARDINE CYCLE & CARRIAGE LTD	45	-3	42	40	148
92	KARIN TECHNOLOGY HOLDINGS LTD	44	-2	42	44	82
92	LHT HOLDINGS LTD	47	-5	42	42	115
92	PAN HONG PROPERTY GROUP LTD	44	-2	42	38	196
92	STRAITS ASIA RESOURCES LTD	49	-7	42	45	72
92	SUNPOWER GROUP LTD	42	0	42	31	395
92	SWIBER HOLDINGS LTD	43	-1	42	41	129
92	TELECHOICE INT'L LTD	45	-3	42	49	43
92	THE THINK ENVIRONMENTAL CO LTD (FORMERLY ASIA TIGER GROUP LTD)	41	1	42	33	323
92	WILMAR INT'L LTD	45	-3	42	46	64
92	YANLORD LAND GROUP LTD	39	3	42	48	48
118	AZEUS SYSTEMS HOLDINGS LTD	44	-3	41	33	323
118	CENTILLION ENV & RECYC LTD	38	3	41	47	57
118	CENTRALAND LTD	45	-4	41	43	99
118	EUCON HOLDINGS LTD	41	0	41	39	174
118	HIAP HOE LTD	52	-11	41	42	115
118	HONG LEONG ASIA LTD	44	-3	41	42	115
118	KINGSMEN CREATIVES LTD	43	-2	41	43	99
118	MIDAS HOLDINGS LTD	46	-5	41	45	72
118	OVERSEAS UNION ENTERPRISE LTD	44	-3	41	44	82
118	POPULAR HOLDINGS LTD	41	0	41	29	447
118	UNITED OVERSEAS BANK LTD	47	-6	41	52	33
129	BUKIT SEMBAWANG ESTATES LTD	45	-5	40	45	72
129	CHOSEN HOLDINGS LTD	54	-14	40	44	82
129	COSCO CORP (S) LTD	48	-8	40	40	148
129	COSMOSTEEL HOLDINGS LTD	41	-1	40	42	115
129	F J BENJAMIN HOLDINGS LTD	45	-5	40	34	296
129	GOLDEN AGRI-RESOURCES LTD	45	-5	40	33	323
129	INNOVALUES LTD	51	-11	40	35	267
129	NTEGRATOR INT'L LTD	45	-5	40	35	267
129	SINOBEST TECHNOLOGY HOLDINGS LTD	39	1	40	35	267
129	TREK 2000 INT'L LTD	46	-6	40	44	82
129	WESTMINSTER TRAVEL LTD	39	1	40	32	352
140	ASTI HOLDINGS LTD	42	-3	39	44	82
140	BBR HOLDINGS (S) LTD	42	-3	39	48	48
140	CHINA KANGDA FOOD CO LTD	41	-2	39	32	352
140	HI-P INT'L LTD	44	-5	39	40	148
140	KTL GLOBAL LTD	38	1	39	44	82
140	ROXY-PACIFIC HOLDINGS LTD	38	1	39	35	267
140	STRAITS TRADING CO LTD	39	0	39	32	352
140	UNITED FOOD HOLDINGS LTD	39	0	39	37	216
140	VALUETRONICS HOLDINGS LTD	47	-8	39	35	267
149	ARMSTRONG INDUSTRIAL CORP LTD	46	-8	38	36	235
149	CHINA TITANIUM LTD (FORMERLY JADE TECHNOLOGIES HOLDINGS LTD)	43	-5	38	34	296
149	CHINA XLX FERTILISER LTD	34	4	38	48	48
149	GALLANT VENTURE LTD	42	-4	38	43	99
149	GMG GLOBAL LTD	41	-3	38	32	352
149	HLN TECHNOLOGIES LTD	38	0	38	32	352
149	KIAN ANN ENGINEERING LTD	43	-5	38	40	148
149	KIM ENG HOLDINGS LTD	43	-5	38	31	395
149	L.C.DEVELOPMENT LTD	46	-8	38	47	57
149	LI HENG CHEM FIBRE TECH LTD	40	-2	38	35	267
149	PACIFIC ANDES RESOURCES DEVELOPMENT LTD (FORMERLY PACIFIC ANDES (HOLDINGS) LTD)	44	-6	38	38	196
149	QAF LTD	44	-6	38	38	196
149	SEE HUP SENG LTD	43	-5	38	31	395
149	VENTURE CORP LTD	48	-10	38	41	129
149	WHEELOCK PROPERTIES (S) LTD	38	0	38	37	216
149	Z-OBEE HOLDINGS LTD	34	4	38	41	129
165	ANNICA HOLDINGS LTD (FORMERLY OCULUS LTD)	36	1	37	18	633
165	COMMUNICATION DESIGN INT'L LTD	36	1	37	23	586
165	COURAGE MARINE GROUP LTD	37	0	37	44	82
165	ENVIRO-HUB HOLDINGS LTD	42	-5	37	36	235
165	EU YAN SANG INT'L LTD	42	-5	37	47	57
165	EZRA HOLDINGS LTD	39	-2	37	45	72
165	FRENCKEN GROUP (FORMERLY ELECTROTECH INVESTMENTS LTD)	42	-5	37	44	82
165	G. K. GOH HOLDINGS LTD	42	-5	37	20	620
165	HUP SOON GLOBAL CORP LTD	46	-9	37	31	395
165	HYFLUX LTD	49	-12	37	34	296
165	INTERRA RESOURCES LTD	39	-2	37	39	174
165	ITE ELECTRIC CO LTD	34	3	37	32	352
165	LIZHONG WHEEL GROUP LTD	36	1	37	34	296
165	OCEANUS GROUP LTD	41	-4	37	37	216
165	PAN PACIFIC HOTELS GROUP LTD (FORMERLY HOTEL PLAZA LTD)	43	-6	37	30	417
165	PENGUIN INT'L LTD	42	-5	37	33	323
165	SING HOLDINGS LTD	42	-5	37	37	216
165	SUNNINGDALE TECH LTD	37	0	37	45	72
165	SUNSHINE HOLDINGS LTD	34	3	37	37	216
165	SUNVIC CHEMICAL HOLDINGS LTD	39	-2	37	40	148
165	SURFACE MOUNT TECH (HOLDINGS) LTD	37	0	37	44	82
186	AEI CORP LTD	38	-2	36	31	395
186	ASIA-PACIFIC STRATEGIC INV LTD	36	0	36	36	235
186	CHANGTIAN PLASTIC & CHEM LTD	43	-7	36	34	296
186	CHINA ANIMAL HEALTHCARE LTD	46	-10	36	40	148
186	CHINA NEW TOWN DEVT CO LTD	41	-5	36	52	33
186	CHINA YUANBANG PROP HOLDINGS LTD	38	-2	36	38	196
186	DAPAI INT'L HLDG CO LTD (FORMERLY CHINA ZAINO INT'L LTD)	38	-2	36	41	129
186	GRAND BANKS YACHTS LTD	39	-3	36	56	25
186	HEALTHWAY MEDICAL CORP LTD	35	1	36	27	498
186	K1 VENTURES LTD	36	0	36	43	99
186	KS ENERGY SERVICES LTD	41	-5	36	43	99
186	LONGCHEER HOLDINGS LTD	36	0	36	41	129
186	M DEVELOPMENT LTD (FORMERLY NTI INT'L LTD)	30	6	36	18	633
186	NATURAL COOL HOLDINGS LTD	43	-7	36	39	174
186	NSL LTD	39	-3	36	33	323
186	PCA TECHNOLOGY LTD	36	0	36	31	395
186	PCI LTD	36	0	36	40	148
186	SELECT GROUP LTD	41	-5	36	43	99
186	SINOSTAR PEC HOLDINGS LTD	35	1	36	41	129
186	SWISSCO HOLDINGS LTD (FORMERLY C2O HOLDINGS LTD)	33	3	36	39	174
186	TAI SIN ELECTRIC LTD	43	-7	36	30	417
186	UPP HOLDINGS LTD (FORMERLY UNITED PULP & PAPER CO LTD)	39	-3	36	27	498
186	WILLAS-ARRAY ELEC (HOLDINGS) LTD	40	-4	36	38	196
186	YEO HIAP SENG LTD	39	-3	36	36	235
210	ADVANCED SYSTEMS AUTOMATION	37	-2	35	36	235
210	BEYONICS TECHNOLOGY LTD	38	-3	35	39	174
210	CHUAN HUP HOLDINGS LTD	40	-5	35	45	72
210	ETIKA INT'L HOLDINGS LTD	39	-4	35	33	323
210	FUXING CHINA GROUP LTD	37	-2	35	27	498
210	HTL INT'L HOLDINGS LTD	51	-16	35	28	468
210	JEP HOLDINGS (FORMERLY ALANTAC TECHNOLOGY LTD)	35	0	35	35	267
210	JUNMA TYRE CORD CO LTD	34	1	35	32	352
210	LEEDEN LTD	43	-8	35	38	196
210	MANHATTAN RESOURCES LTD	35	0	35	33	323
210	MEMSTAR TECHNOLOGY LTD	38	-3	35	37	216
210	METAX ENGINEERING CORP LTD	42	-7	35	36	235
210	MTQ CORP LTD	37	-2	35	44	82
210	PHARMESIS INT'L LTD	41	-6	35	42	115
210	SAKAE HOLDINGS LTD (FORMERLY APEX-PAL INT'L LTD)	35	0	35	43	99
210	SC GLOBAL DEVELOPMENTS LTD	38	-3	35	39	174
210	SUNMOON FOOD CO LTD	37	-2	35	39	174
210	TIME WATCH INVESTMENTS LTD	37	-2	35	41	129
210	UNIDUX ELECTRONICS LTD	40	-5	35	34	296
210	UNION STEEL HOLDINGS LTD	34	1	35	42	115
230	ARTIVISION TECHNOLOGIES LTD	41	-7	34	35	267
230	BOARDROOM LTD	45	-11	34	37	216
230	CHINA JISHAN HOLDINGS LTD	37	-3	34	30	417
230	DMX TECHNOLOGIES GROUP LTD	39	-5	34	29	447
230	EMS ENERGY LTD	39	-5	34	45	72
230	EXCELPOINT TECHNOLOGY LTD	37	-3	34	39	174
230	GLOBAL INVESTMENTS LTD (FORMERLY BABCOCK & BROWN GLOBAL INVESTMENTS LTD)	48	-14	34	46	64
230	GOODPACK LTD	42	-8	34	48	48
230	HIAP SENG ENGINEERING LTD	39	-5	34	36	235
230	HSU FU CHI INT'L LTD	31	3	34	33	323
230	INNO-PACIFIC HOLDINGS LTD	39	-5	34	36	235
230	IPCO INT'L LTD	33	1	34	38	196
230	LEE METAL GROUP LTD	33	1	34	33	323
230	LINAIR TECHNOLOGIES LTD	36	-2	34	25	543
230	LOW KENG HUAT (S) LTD	37	-3	34	36	235
230	MAP TECHNOLOGY HOLDINGS LTD	42	-8	34	39	174
230	MFG INTEGRATION TECHNOLOGY LTD	42	-8	34	38	196
230	OLD CHANG KEE LTD	28	6	34	36	235
230	ORIENTAL FOOD (HOLDINGS) LTD	31	3	34	27	498
230	OUHUA ENERGY HOLDINGS LTD	39	-5	34	33	323
230	SOUP RESTAURANT GROUP LTD	32	2	34	37	216
230	THE HOUR GLASS LTD	37	-3	34	47	57
230	TRITECH GROUP LTD	38	-4	34	36	235
230	UNITED OVERSEAS INSURANCE LTD	40	-6	34	44	82
254	ABTERRA LTD	40	-7	33	30	417
254	AFP PROPERTIES LTD (FORMERLY ASIA FOOD & PROPERTIES LTD)	33	0	33	32	352
254	CACOLA FURNITURE INT'L LTD	33	0	33	32	352
254	CH OFFSHORE LTD	33	0	33	39	174
254	CHEUNG WOH TECHNOLOGIES LTD	38	-5	33	34	296
254	CHINA FARM EQUIPMENT LTD	40	-7	33	35	267
254	CHINA PAPER HOLDINGS LTD	40	-7	33	36	235
254	CHIP ENG SENG CORP LTD	46	-13	33	27	498
254	COLEX HOLDINGS LTD	37	-4	33	30	417
254	CREATIVE TECHNOLOGY LTD	38	-5	33	32	352
254	EDMI LTD	35	-2	33	36	235
254	ESMART HOLDINGS LTD	33	0	33	33	323
254	EUNETWORKS GROUP LTD (FORMERLY GLOBAL VOICE GROUP LTD)	47	-14	33	36	235
254	HOSEN GROUP LTD	33	0	33	28	468
254	HWA HONG CORP LTD	36	-3	33	39	174
254	KINERGY LTD	36	-3	33	38	196
254	OSSIA INT'L LTD	40	-7	33	34	296
254	PORTEK INT'L LTD	43	-10	33	40	148
254	QIAN FENG FABRIC TECH LTD	33	0	33	40	148
254	QUALITAS MEDICAL GROUP LTD	30	3	33	32	352
254	SUPERBOWL HOLDINGS LTD	41	-8	33	36	235
254	TEE INT'L LTD	41	-8	33	41	129
254	TIANJIN ZHONG XIN PHARM GROUP	35	-2	33	34	296
254	TSH CORP LTD	38	-5	33	41	129
254	UNIONMET (S) LTD	35	-2	33	35	267
254	UNITED ENVIROTECH LTD	37	-4	33	44	82
254	YONG XIN INT'L HOLDINGS LTD	39	-6	33	27	498
281	ADAMPAK LTD	37	-5	32	28	468
281	BOUSTEAD SINGAPORE LTD	43	-11	32	40	148
281	CHINA ENERGY LTD	40	-8	32	33	323
281	CHINA HONGCHENG HOLDINGS LTD	32	0	32	31	395
281	DESIGN STUDIO FURNITURE MFR LTD	37	-5	32	41	129
281	DUKANG DISTILLERS HOLDINGS LTD (FORMERLY TRUMP DRAGON DISTILLERS HOLDINGS)	37	-5	32	29	447
281	EPICENTRE HOLDINGS LTD (FORMERLY AFOR LTD)	33	-1	32	30	417
281	EQUATION CORP LTD	40	-8	32	43	99
281	LIFEBRANDZ LTD	32	0	32	32	352
281	ROKKO HOLDINGS LTD	34	-2	32	34	296
281	SINGAPURA FINANCE LTD	37	-5	32	40	148
281	SM SUMMIT HOLDINGS LTD	32	0	32	37	216
281	STRATECH SYSTEMS LTD	37	-5	32	42	115
281	TAT HONG HOLDINGS LTD	40	-8	32	40	148
281	THE STYLE MERCHANTS LTD (FORMERLY NETELUSION LTD)	41	-9	32	32	352
281	TMC EDUCATION CORP LTD	48	-16	32	34	296
281	TRANSCU GROUP LTD	50	-18	32	42	115
281	TUNG LOK RESTAURANTS 2000 LTD	34	-2	32	41	129
281	VICPLAS INT'L LTD	37	-5	32	35	267
281	YOUCAN FOODS INT'L LTD	37	-5	32	32	352
301	BIOSENSORS INT'L GROUP LTD	40	-9	31	30	417
301	CHEMOIL ENERGY LTD	42	-11	31	33	323
301	CHINA DAIRY GROUP LTD	33	-2	31	24	564
301	CHINA HAIDA LTD	30	1	31	37	216
301	CHINA KUNDA TECH HOLDINGS LTD	35	-4	31	46	64
301	CHINA MERCHANTS HOLDINGS (PACIFIC)	31	0	31	30	417
301	CHINA PRINT POWER GROUP LTD	35	-4	31	27	498
301	DELONG HOLDINGS LTD	35	-4	31	41	129
301	FABCHEM CHINA LTD	32	-1	31	41	129
301	FEDERAL INT(2000) LTD	39	-8	31	32	352
301	HAW PAR CORP LTD	40	-9	31	28	468
301	HOTEL ROYAL LTD	33	-2	31	31	395
301	JAYA HOLDINGS LTD	33	-2	31	37	216
301	LEE KIM TAH HOLDINGS LTD	36	-5	31	29	447
301	MATEX INT'L LTD	42	-11	31	33	323
301	PAN-UNITED CORP LTD	40	-9	31	29	447
301	PNE MICRON HOLDINGS LTD	31	0	31	29	447
301	SINGAPORE WINDSOR HOLDINGS LTD	33	-2	31	33	323
301	SINO CONSTRUCTION LTD	33	-2	31	33	323
301	STAMFORD TYRES CORP LTD	39	-8	31	33	323
301	TECHCOMP (HOLDINGS) LTD	35	-4	31	33	323
301	UNI-ASIA FINANCE CORP	38	-7	31	39	174
301	YONGMAO HOLDINGS LTD	32	-1	31	35	267
301	YONGNAM HOLDINGS LTD	39	-8	31	35	267
325	AA GROUP HOLDINGS LTD	32	-2	30	28	468
325	AVI-TECH ELECTRONICS LTD	34	-4	30	36	235
325	EUROPTRONIC GROUP LTD	35	-5	30	32	352
325	GIKEN SAKATA (S) LTD	33	-3	30	32	352
325	GUOCOLEISURE LTD	33	-3	30	36	235
325	HEETON HOLDINGS LTD	30	0	30	27	498
325	HL GLOBAL ENTERPRISES LTD	35	-5	30	37	216
325	HO BEE INVESTMENT LTD	39	-9	30	28	468
325	HUPSTEEL LTD	41	-11	30	36	235
325	ISDN HOLDINGS LTD	32	-2	30	28	468
325	LASSETERS INT'L HOLDINGS LTD	35	-5	30	40	148
325	MARCO POLO MARINE LTD	34	-4	30	32	352
325	MEDTECS INT'L CORP LTD	37	-7	30	32	352
325	MEIBAN GROUP LTD	36	-6	30	24	564
325	NERATELECOMMUNICATIONS LTD	41	-11	30	30	417
325	SECOND CHANCE PROPERTIES LTD	29	1	30	32	352
325	SIM LIAN GROUP LTD	35	-5	30	30	417
325	STAR PHARMACEUTICAL LTD	35	-5	30	33	323
325	THAI VILLAGE HOLDINGS LTD	38	-8	30	24	564
325	TSIT WING INT'L HOLDINGS LTD	38	-8	30	34	296
325	YANGZIJIANG SHIPBLDG HOLDINGS LTD	32	-2	30	34	296
346	ALLIED TECHNOLOGIES LTD	37	-8	29	23	586
346	ASIATIC GROUP (HOLDINGS) LTD	31	-2	29	32	352
346	ASIATRAVEL.COM HOLDINGS LTD	39	-10	29	27	498
346	A-SONIC AEROSPACE LTD	31	-2	29	32	352
346	CARRIERNET GLOBAL LTD	41	-12	29	45	72
346	CHINA FIBRETECH LTD	33	-4	29	34	296
346	EAGLE BRAND HOLDINGS LTD	34	-5	29	24	564
346	FALCON ENERGY GROUP LTD	31	-2	29	28	468
346	FISCHER TECH LTD	32	-3	29	26	524
346	FRAGRANCE GROUP LTD	28	1	29	27	498
346	GOODLAND GROUP LTD	28	1	29	NA	NA
346	HERSING CORP LTD	37	-8	29	27	498
346	JAPAN FOODS HOLDING LTD	36	-7	29	24	564
346	JES INT'L HOLDINGS LTD	29	0	29	36	235
346	KOYO INT'L LTD (FORMERLY CYBER VILLAGE HOLDINGS LTD)	34	-5	29	20	620
346	MAGNUS ENERGY GROUP LTD	42	-13	29	40	148
346	METAL COMPONENT ENGG LTD	31	-2	29	29	447
346	MFS TECHNOLOGY LTD	35	-6	29	NA	NA
346	NIPPECRAFT LTD	32	-3	29	21	608
346	PLATO CAPITAL LTD	28	1	29	27	498
346	SAPPHIRE CORP LTD	32	-3	29	36	235
346	SARIN TECHNOLOGIES LTD	38	-9	29	30	417
346	SHANGHAI TURBO ENTERPRISES LTD	29	0	29	31	395
346	SHC CAPITAL LTD	37	-8	29	31	395
346	SOUTHERN PACKAGING GROUP LTD	33	-4	29	36	235
346	STAMFORD LAND CORP LTD	34	-5	29	37	216
346	STX PAN OCEAN CO LTD	31	-2	29	30	417
346	SUNLIGHT GROUP HLDG LTD	33	-4	29	32	352
346	WEE HUR HOLDINGS LTD	33	-4	29	26	524
346	WING TAI HOLDINGS LTD	35	-6	29	35	267
346	YOMA STRATEGIC HOLDINGS LTD	34	-5	29	34	296
377	ALLGREEN PROPERTIES LTD	37	-9	28	27	498
377	ASIA ENVIRONMENT HOLDINGS LTD	33	-5	28	38	196
377	ASIAMEDIC LTD	31	-3	28	33	323
377	BAN LEONG TECHNOLOGIES LTD	27	1	28	34	296
377	BONVESTS HOLDINGS LTD	39	-11	28	26	524
377	BREADTALK GROUP LTD	32	-4	28	34	296
377	CHINA ENVIRONMENT LTD (FORMERLY GATES ELECTRONICS LTD)	27	1	28	27	498
377	CHINA INT'L HOLDINGS LTD (FORMERLY CHINA INFRASTRUCTURE HOLDINGS LTD)	33	-5	28	29	447
377	CONTEL CORP LTD	37	-9	28	36	235
377	HLH GROUP LTD	38	-10	28	24	564
377	INFORMATICS EDUCATION LTD	35	-7	28	37	216
377	ISETAN (S) LTD	36	-8	28	27	498
377	JACKSPEED CORP LTD	37	-9	28	38	196
377	KOH BROTHERS GROUP LTD	37	-9	28	28	468
377	LORENZO INT'L LTD	35	-7	28	39	174
377	LUYE PHARMA GROUP LTD	35	-7	28	31	395
377	ORCHARD PARADE HOLDINGS LTD	31	-3	28	23	586
377	SIM SIANG CHOON LTD	29	-1	28	22	599
377	SIN GHEE HUAT CORP LTD	38	-10	28	37	216
377	SING INVESTMENTS & FINANCE LTD	39	-11	28	34	296
377	SINOPIPE HOLDINGS LTD	33	-5	28	35	267
377	SITRA HOLDINGS (INT'L) LTD	27	1	28	38	196
377	SKY ONE HOLDINGS LTD	33	-5	28	28	468
377	TECHNICS OIL & GAS LTD	36	-8	28	25	543

CGIO

CENTRE FOR GOVERNANCE, INSTITUTIONS AND ORGANIZATIONS

Headline: Firms still hide more than they tell: GTI study
Source: The Business Times
Date: 12 July 2011

Remuneration matters

GTI findings on pay of directors and key executives

Source: CGIO NUS Business School, The Business Times

Firms still hide more than they tell: GTI study

By **JAMIE LEE**

[SINGAPORE] Most Singapore-listed companies do just the bare minimum, when it comes to corporate governance disclosure practices, findings from this year's governance and transparency index (GTI) ranking showed.

Just 8 per cent of the 660 assessed companies scored 50 or more out of a maximum 143 points, the study by the Centre for Governance, Institutions and Organizations of NUS Business School showed. Last year's number was worse – then, 6 per cent had at least 50 points.

The findings invited some criticism from David Gerald, president of the Securities Investors Association (Singapore).

"When God created Adam, he expected him to do the right thing," said Mr Gerald at a corporate governance panel yesterday. "And Adam is still doing the wrong thing."

Lee Suet Fern, managing partner of Stamford Law, also pointed out that having an non-mandatory Code may not be good enough.

"If you take Adam Smith and the invisible hand, the invisible hand needs to be rapped on the knuckles. Sometimes guidance is insufficient, we need to give the Code teeth."

Singapore Telecommunications topped the list for the third time running with a score of 109 points.

SingTel has begun studying sustainability issues and recently published its second annual sustainability report.

The Singapore Exchange moved up one notch to second spot with 101 points, while Keppel Corporation and Keppel Land tied at third with 91 points. Keppel Corp stood at fourth place last year and its subsidiary jumped from 13th in 2010.

Keppel Land improved its disclosure on its framework of remuneration for its non-executive directors, and its definition of independence, said Lawrence Loh from the department of strategy and policy, NUS Business School, and head of this year's research.

Of the 30 index stocks, just 17 were among the top 30 in the GTI, which ranked the 660 companies based on their annual reports, company announcements, and information from the firms themselves.

The last on the GTI is Fibrechem Technologies – an S-chip hit by an accounting scandal and suspended from trading – which got a negative 16.

Companies can get a maximum of 100 points for their base score that is derived from questions touching on four areas: board matters, remuneration, accountability and audit, as well as transparency and investor relations. Scores on board issues make up the biggest part of the total figure with 35 points.

There are bonus points on offer for going beyond the requirements of the Code.

This year's GTI ranking showed just 20 per cent of these companies disclosing how they selected and appointed new directors, though this was up from 16 per cent last year.

Most companies still disclose the salary of their directors and key executives in bands of $250,000.

Those who reveal the exact salary of these key individuals make up 5 per cent of the group.

While some say staff can be poached if exact salaries are revealed, Chor Khee Yang, SingTel's group chief internal auditor, noted that without proper disclosure, it would be difficult for shareholders to draw a clear link between compensation and performance.

Ms Lee argued that directors' fees – which are subject to the shareholders' vote – are under an improportionate amount of scrutiny when compared to the focus on executive pay.

"So we're voting over peanuts, and we're struggling to get disclosure where the real shareholders' money is spent."

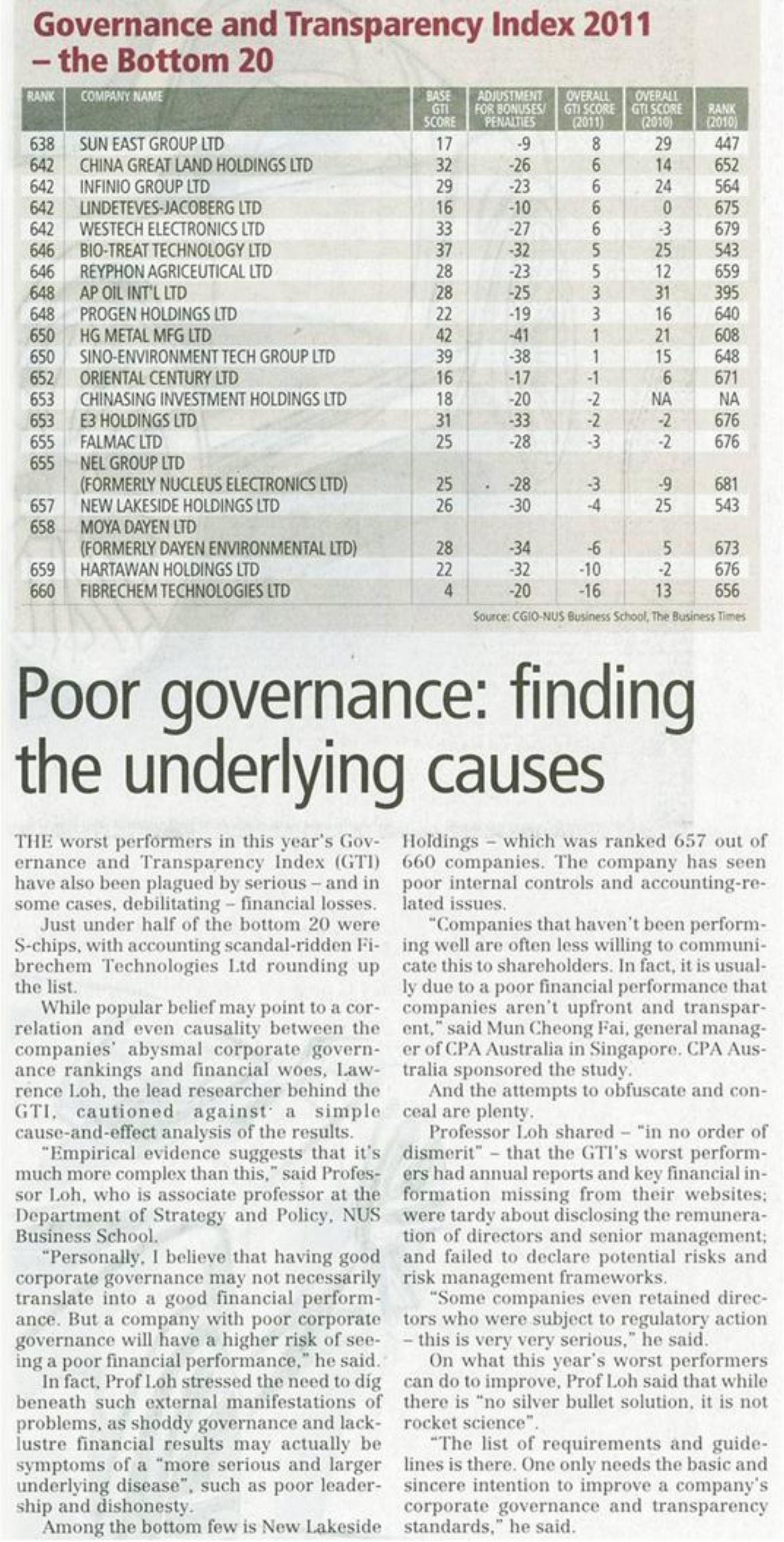
There were some saving graces from this year's ranking. For example, 78 per cent of the companies have an audit committee chairman with accounting or finance background.

Three in four firms also have a whistleblowing policy, though only 5 per cent of these have allowed anonymous reporting.

The GTI ranking is in its third year now, and is done in partnership with *The Business Times*, sponsored by CPA Australia and supported by the Investment Management Association of Singapore.

☛ SingTel still leads transparency pack, Pages 10 & 11

Headline: Poor governance: finding the underlying causes
Source: The Business Times
Date: 13 July 2011



Governance and Transparency Index 2011 – the Bottom 20

RANK	COMPANY NAME	BASE GTI SCORE	ADJUSTMENT FOR BONUSES/ PENALTIES	OVERALL GTI SCORE (2011)	OVERALL GTI SCORE (2010)	RANK (2010)
638	SUN EAST GROUP LTD	17	-9	8	29	447
642	CHINA GREAT LAND HOLDINGS LTD	32	-26	6	14	652
642	INFINIO GROUP LTD	29	-23	6	24	564
642	LINDETEVES-JACOBERG LTD	16	-10	6	0	675
642	WESTECH ELECTRONICS LTD	33	-27	6	-3	679
646	BIO-TREAT TECHNOLOGY LTD	37	-32	5	25	543
646	REYPHON AGRICEUTICAL LTD	28	-23	5	12	659
648	AP OIL INT'L LTD	28	-25	3	31	395
648	PROGEN HOLDINGS LTD	22	-19	3	16	640
650	HG METAL MFG LTD	42	-41	1	21	608
650	SINO-ENVIRONMENT TECH GROUP LTD	39	-38	1	15	648
652	ORIENTAL CENTURY LTD	16	-17	-1	6	671
653	CHINASING INVESTMENT HOLDINGS LTD	18	-20	-2	NA	NA
653	E3 HOLDINGS LTD	31	-33	-2	-2	676
655	FALMAC LTD	25	-28	-3	-2	676
655	NEL GROUP LTD (FORMERLY NUCLEUS ELECTRONICS LTD)	25	-28	-3	-9	681
657	NEW LAKESIDE HOLDINGS LTD	26	-30	-4	25	543
658	MOYA DAYEN LTD (FORMERLY DAYEN ENVIRONMENTAL LTD)	28	-34	-6	5	673
659	HARTAWAN HOLDINGS LTD	22	-32	-10	-2	676
660	FIBRECHEM TECHNOLOGIES LTD	4	-20	-16	13	656

Source: CGIO-NUS Business School, The Business Times

Poor governance: finding the underlying causes

THE worst performers in this year's Governance and Transparency Index (GTI) have also been plagued by serious – and in some cases, debilitating – financial losses.

Just under half of the bottom 20 were S-chips, with accounting scandal-ridden Fibrechem Technologies Ltd rounding up the list.

While popular belief may point to a correlation and even causality between the companies' abysmal corporate governance rankings and financial woes, Lawrence Loh, the lead researcher behind the GTI, cautioned against a simple cause-and-effect analysis of the results.

"Empirical evidence suggests that it's much more complex than this," said Professor Loh, who is associate professor at the Department of Strategy and Policy, NUS Business School.

"Personally, I believe that having good corporate governance may not necessarily translate into a good financial performance. But a company with poor corporate governance will have a higher risk of seeing a poor financial performance," he said.

In fact, Prof Loh stressed the need to dig beneath such external manifestations of problems, as shoddy governance and lacklustre financial results may actually be symptoms of a "more serious and larger underlying disease", such as poor leadership and dishonesty.

Among the bottom few is New Lakeside Holdings – which was ranked 657 out of 660 companies. The company has seen poor internal controls and accounting-related issues.

"Companies that haven't been performing well are often less willing to communicate this to shareholders. In fact, it is usually due to a poor financial performance that companies aren't upfront and transparent," said Mun Cheong Fai, general manager of CPA Australia in Singapore. CPA Australia sponsored the study.

And the attempts to obfuscate and conceal are plenty.

Professor Loh shared – "in no order of dismerit" – that the GTI's worst performers had annual reports and key financial information missing from their websites; were tardy about disclosing the remuneration of directors and senior management; and failed to declare potential risks and risk management frameworks.

"Some companies even retained directors who were subject to regulatory action – this is very very serious," he said.

On what this year's worst performers can do to improve, Prof Loh said that while there is "no silver bullet solution, it is not rocket science".

"The list of requirements and guidelines is there. One only needs the basic and sincere intention to improve a company's corporate governance and transparency standards," he said.

Headline: Size doesn’t matter in corporate governance
Source: The Business Times
Date: 13 July 2011

Size doesn’t matter in corporate governance

3 firms with market cap of under $300m join list of top 20 in latest GTI ranking

Reports by **KELLY TAY**

THIS year's Governance and Transparency Index (GTI) may have seen the usual big players top the list, but three smaller companies with market capitalisation below $300 million held their own, too.

Qian Hu Corporation Ltd, ASL Marine Holdings Ltd, and Micro-Mechanics (Holdings) Ltd ranked 8th, 12th, and 20th respectively – debunking the myth that smaller companies have neither the time nor the resources to achieve excellence in corporate governance.

"Size is not the most critical determining factor in good corporate governance and transparency. Instead, it is a company's leadership and culture that sets the tone," said Lawrence Loh, associate professor at the Department of Strategy and Policy, NUS Business School, and the researcher behind the GTI.

Jointly published by the Centre for Governance, Institutions and Organizations (CGIO) of the NUS Business School and *The Business Times*, the index assessed 660 companies based on their annual reports, company announcements, and information from the firms themselves.

Prof Loh stressed that smaller companies have the same chance of doing well on the index, since assessment criteria such as remuneration, audit, and board practices are independent of a company's size.

Indeed, Qian Hu is no stranger to the GTI top 20, despite the fact that its market capitalisation is only 0.1 per cent the size of Singapore Telecommunications Ltd (SingTel), which topped the GTI.

According to Bloomberg, Qian Hu's market capitalisation is $45.9 million, while SingTel's is $50.4 billion.

In addition, Prof Loh stressed that corporate governance and transparency are important for all companies, but perhaps even more so for smaller ones – precisely because of their size.

"Smaller companies are often more focused on performance rather than conformance, but that needs to change," said Prof Loh, pointing out that good governance can boost investor confidence, help with brand-building, and give companies access to new sources of capital – a boon to smaller companies looking to grow.

On what set the three smaller players apart from their counterparts, Prof Loh noted four common threads: "Committees were fully independent; risks and plans to manage them were openly disclosed; whistle-blowing policies were sound; and their websites and investor relations were well-run."

He also highlighted ASL Marine's adoption of a higher test of independence to include independence from major shareholders, beyond just independence from management.

On the company's 20th position, chief financial officer and executive director of Micro-Mechanics Chow Kam Wing said: "I don't think we've done a particularly good job – having good corporate governance and being transparent is a fundamental and basic thing, and a given for any listed company."

Headline: Vital to boost investor confidence
Source: The Business Times
Date: 13 July 2011

Vital to boost investor confidence

EDITORIAL

THERE'S a delicate balancing act involved when trying to develop a market on the one hand while protecting the interests of investors on the other. Impose too much regulation and companies and investors could respond by taking their business elsewhere, but not having enough safeguards in place could be equally damaging as confidence is lost.

The local regulatory regime is founded on disclosure and market-driven discipline. This approach has its merits but it should ideally be balanced with equal effort directed at protecting investors' interests and ensuring a level playing field for participants of all sizes. Recent developments suggest this should be a priority among regulators.

For example, the results of a governance and transparency study by the NUS Business School announced this week showed that only 8 per cent of 660 companies scored 50 or more points out of a possible 143.

This preference to "hide more than they tell" among the majority is dismaying and lends even greater weight to recent calls to make adherence to the Code of Corporate Governance mandatory, together with hefty penalties for non-compliance. The faster this is done, the better it would be for investor confidence.

Another area that needs to be resolved is shareholder compensation during the mandatory delisting of companies that fail to meet Singapore Exchange's (SGX) continuing listing requirements. Minority shareholders quite rightly are upset that although the rules state that a reasonable exit offer has to be made, the exchange lacks the teeth to enforce the rule. So when SGX forcibly delists a company, shareholders usually receive nothing.

In its defence, SGX last week pointed out that many companies it had to delist had negative equity and were probably not in a position to pay off shareholders. It has also said it lacks the legal authority to force a company to liquidate its assets. However, given that there are about 20 stocks currently suspended, including several "S-chips" or China stocks, all of which could well fail the continuing listing requirements, this is an impasse which the authorities must quickly resolve. Otherwise, thousands of retail investors could suffer.

A third area is manipulation, either of individual stocks or the Straits Times Index, a subject that takes on great urgency as high-speed computer trading grows in significance.

On May 31, for example, shares of property firm SC Global crashed some 30 per cent in the final seconds of trading, a puzzling fall that until today has not been explained. Similarly, sharp rises in the index are a common occurrence at the end of significant reporting periods such as June 30 and Dec 31. Such events are invariably brushed off as "window dressing", as if pinning this description on what is actually manipulation makes such activity acceptable. It should not. Such odd movements must be promptly scrutinised and the market kept abreast of official findings. This will both boost investor confidence and strengthen the credibility of regulators.

Headline: Call to keep pace with global governance
Source: The Business Times
Date: 22 July 2011

Call to keep pace with global governance

DPM Teo says govt committed to strong framework

By **LYNETTE KHOO**

[SINGAPORE] Singapore's corporate governance framework and practices should keep pace with international developments and the government is committed to putting in place a strong framework, Deputy Prime Minister Teo Chee Hean said yesterday.

This will ensure that Singapore continues to be well-regarded as a jurisdiction with a sound corporate governance environment.

"Our regulators will also need to be cognisant of emerging issues and collaborate more closely with their foreign counterparts to address cross-cutting issues," Mr Teo said.

"For example, ensuring consistency in audit quality across jurisdictional boundaries is a growing issue that requires a coordinated response."

Mr Teo, who is also Coordinating Minister for National Security and Minister for Home Affairs, did not dwell on specifics. But the spate of accounting scandals among Chinese listings in Singapore and the US have stoked investors' call for greater scrutiny of audits for Chinese companies and cross-border regulatory collaboration.

Speaking at the Singapore Corporate Awards gala dinner yesterday, Mr Teo noted that Singapore has attracted companies from various countries and industries to its capital markets.

While the diversity of listed companies adds strength and depth to capital markets, it also means "varying business practices, and corporate governance standards across companies".

The key challenge is to encourage listed companies to adopt higher standards of corporate governance and raise the bar for all companies in Singapore, he said. This has to be tackled at two levels – the company level and the regulatory level.

Urging companies to make a stronger commitment to meet corporate governance standards in substance and in form, Mr Teo noted that there is much room for improvement, citing the latest Governance and Transparency Index (GTI).

The GTI released by the NUS Centre for Governance, Institutions and Organisations last week showed that a majority of 657 companies reviewed have adopted only the minimum standards specified in the Code of Corporate Governance.

But three smaller companies with a market cap below $300 million have made their way to the top 20 in this year's GTI, Mr Teo said. "There should be no excuse from other listed companies to be up to speed in their corporate governance practices."

ARTHUR LEE

Mr Teo: *Key challenge is to encourage listed firms to adopt higher standards and raise the bar for all firms*

At the regulatory level, Mr Teo told his audience that the government has already set in motion the wheels of change.

The Corporate Governance Council has recently reviewed the Code of Corporate Governance while a fundamental review of the Companies Act has recently concluded.

Efforts to reform regulations and codes of corporate governance have also taken place elsewhere. In the UK, the Companies Act has been re-written in 2006 while Hong Kong is re-writing its Companies Ordinance. Both the UK and Australia have updated their corporate governance codes last year.

Singapore needs to keep a close watch on international developments as it refines its legislation and best practices, Mr Teo said.

While there have been calls to make compliance with the Code of Corporate Governance mandatory, Mr Teo explained that Singapore takes a calibrated approach – to balance the need for a regulatory framework that inspires investors confidence and not impose undue compliance cost on businesses.

"As the revised Code has proposed more stringent guidelines in many areas, I would like to see our listed companies intensify their efforts to match the higher standards."

Headline: Building long-term investor perception
Source: The Business Times
Date: 22 July 2011

Building long-term investor perception

Winners of Best Investor Relations avoid pitfalls of short-termism, says **LYNETTE KHOO**

WHILE good investor relations may translate to better stock valuations, this does not seem to bother companies that lead the pack in good investor relations (IR) practices.

Instead of focusing on one single indicator subject to the vagaries of market conditions, these companies have avoided the pitfall of short-termism and instead, focused on building positive long-term investors' perception.

This involves the hard work of consistent, timely, and fair disclosures, being accessible and engaging all stakeholders through various channels.

"Key performance indicators (KPI) for any IR team should be based on the timeliness and consistency of reporting of key issues raised by investors and analysts, how the team helps investors make better decisions and also how they present the company to potential investors," says Singapore Airlines (SIA) divisional vice-president for finance, Chia Siok Hua.

Stock price performance may not be an accurate indicator, as the overall performance of the business and industry outlook often have greater impact on stock prices, she adds.

Broader KPIs

SIA, which won Gold for Best Investor Relations in the large-cap category, exemplified the need to communicate even adverse information when it released in 2010 an announcement estimating the financial impact of the flight disruptions due to the Iceland volcano eruption.

In a move to enhance transparency, it has started to include SilkAir's operating statistics in its monthly operating traffic release to the public since July.

In the past, only SIA Cargo and SIA operating statistics were available to the public.

Micro-Mechanics executive director Chow Kam Wing also notes that "it may not be meaningful to just use share price as a single barometer of the quality of a company's IR".

"In fact, there are many pitfalls that could occur when share price performance is considered the most important KPI for IR, such as short-termism, creative accounting, selective disclosure and even concealment of negative developments in the company," Mr Chow says.

Micro-Mechanics, which clinched Silver for Best Investor Relations under the small-cap category, believes that investors' perception of the company is a useful gauge of the effectiveness of its communications.

It also considers independent endorsement from third parties, such as the Governance and Transparency Index (GTI) score compiled by the Centre for Governance, Institutions and Organisations at the NUS Business School. Micro-Mechanics' GTI score has improved to 68 this year from 58 previously.

Del Monte, Gold winner for Best Investor Relations in the mid-cap category, considers a broad range of KPIs, including investor interest as reflected in the number of meetings requested, invitations to brokers' conferences and forums and analyst coverage.

"At the end of the day, a company needs to focus on its business and generate profits and shareholder value. Once it has achieved this, the share price performance should follow," says Del Monte chief financial officer Ignacio Sison.

Like Del Monte, two other foreign issuers – STX OSV and Mercator Lines (Singapore) managed to clinch Best Investor Relations Award this year, demonstrating that having overseas operations and management does not hinder them from being accessible to shareholders.

Reaching out

STX OSV, Merit winner for the category of first-year listed companies, says it tries to bridge the distance with frequent non-deal roadshows and "Corporate Access" days to reach out to institutional investors.

"Following Q1 2011 results announcement, we have visited Kuala Lumpur, Singapore, Hong Kong, London, Paris and New York in this respect," says senior vice-president for investor relations, Holger Dilling.

"We are also planning a retail investment talk in Singapore at the end of July," he adds.

For CapitaLand, Silver winner for Best Investor Relations among large-cap companies, it has also been holding retail investor day to proactively engage retail investors and debt investor forum to directly engage fixed-income investors, says senior vice-president for IR, Harold Woo.

Technology has certainly enhanced companies' accessibility to investors.

It has also allowed companies to widen their reach and ensure fairness in disclosures.

"Timely and regular website updates, automatic e-mail alerts to registered investors, video conference and conference calls with investors from different geographies are some of the tools which are frequently used for IR functions," says Girish Agarwal, vice-president for strategy at Mercator Lines (Singapore), which clinched Silver in the mid-cap category.

Some companies like SIA, Micro-Mechanics, Qian Hu and Singapore Press Holdings (SPH) have been making presentation materials used at quarterly results briefings and Q&A sessions with management available on their company websites.

Micro-Mechanics, Qian Hu and SPH have also started to post minutes of their annual general meetings (AGMs) on company websites so that shareholders who missed the AGMs can refer to them.

Mr Chow of Micro-Mechanics notes that being comprehensive in offering information to investors helps the group avoid selective disclosure during meetings with analysts and fund managers.

Qian Hu, a repeat winner for Best Investor Relations Award, won Gold this year under the small-cap category while SPH landed a Bronze under the large-cap category.

"SPH sees IR as a two-way tool, and seeks feedback from investors," says SPH chief financial officer Tony Mallek. "Insights garnered from them are taken seriously and where appropriate and applicable, action follows."

The IR team at SPH monitors its corporate governance practices by benchmarking against peers and best practices set out by the GTI, and tracks analyst views and shareholding trends to assess its IR efforts.

"Good IR practices foster better stakeholder relations, strengthen corporate governance and go beyond mandatory rules and regulations to engage and provide the investment community with the access to corporate information in a non-selective manner," Mr Mallek says.

Headline: Corporate governance: Firms 'can do more'
Source: The Straits Times
Date: 12 July 2011

money.

THE STRAITS TIMES TUESDAY, JULY 12 2011 PAGE B15

Corporate governance: Firms 'can do more'

Most companies do bare minimum to meet govt guidelines, says study

By Joanne Lee

A SMALL percentage of companies made significant improvements in corporate governance last year, but most just did the bare minimum to meet government guidelines.

The findings of a new study of 657 Singapore companies showed a general acceptance of the Code of Corporate Governance, with the big players being especially attentive.

Companies were awarded a maximum of 35 points for board matters, 20 for remuneration, 20 for accountability and audit, and 25 for transparency and investor relations.

After adjustments for bonuses or penalties, the overall Governance and Transparency Index is calculated with a maximum of just over 100.

SingTel topped the list for the third year in a row.

Making up the rest of the top five were the Singapore Exchange, Keppel Corp, Keppel Land and Sats.

The research was conducted by Associate Professor Lawrence Loh of the department of strategy and policy at the National University of Singapore (NUS) Business School.

"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," he said.

Despite the high scores of the top performers, only 8 per cent of the companies scored 50 points or more – a rise from 6 per cent last year.

The average total score of companies dropped from 33 points to 31.

Prof Loh outlined the factors he assessed.

"For instance, most companies still continue to disclose the remuneration of their directors and key executives in bands of $250,000 rather than in the precise amounts," he said.

"In fact, 15 per cent of these firms did not even specify an upper limit to the top salary band for their executive directors.

"In view of the proposed changes to the code, we hope firms will use the Governance and Transparency Index to benchmark themselves and further lift the level of corporate governance in Singapore."

The study was published by the NUS Business School and The Business Times and presented at the Chartered Public Accountant Forum yesterday.

During the panel discussion that followed, Mrs Lee Suet Fern, senior director of Stamford Law Corporation, pointed out that a company's board is important to promote corporate governance.

"Directors need to know the industry and the risks that the company is dealing with," she said.

"For this to happen, the company must provide industry training and business training for their directors. Only then can they engage in proper debate with management on risks that the company faces."

Mr David Gerald, president of the Securities Investors Association of Singapore, gave a keynote speech at the forum, in which he called for more effective internal audit functions in companies.

He added that the association will be launching a new award, during its annual Investors Choice Awards in October, for internal audit excellence.

It "will complement the recent proposed changes to the Code of Corporate Governance and enhance investors' confidence in listed companies", he said.

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TOP-RANKED COMPANIES

How companies scored in the Governance & Transparency Index

Company	Jan 1 to Dec 31, 2010	Jan 1 to Dec 31, 2009
SingTel	1	1
Singapore Exchange	2	3
Keppel Corporation	3	4
Keppel Land	3	13
SATS	5	9
SMRT Corp	6	2
Fraser & Neave	7	Not available
Qian Hu Corporation	8	14
DBS Group Holdings	9	14
WBL Corporation	9	Not available
Sembcorp Industries	11	7
ASL Marine Holdings	12	18
Singapore Airlines	12	5
Sembcorp Marine	14	17
Singapore Press Holdings	14	5
SIA Engineering	16	12
Keppel T&T	17	9
SingPost	17	7
ComfortDelgro	19	20
OCBC	20	16
Micro-Mechanics	20	21
Tuan Sing Holdings	20	33

Source: NUS Business School & CPA Australia

ST GRAPHICS

Headline: A toothless code is better than no bark
Source: The Straits Times
Date: 26 July 2011

A toothless code is better than no bark

The voluntary Corporate Governance Code can still help raise awareness

By Yasmine Yahya

COMPANIES here will undergo changes in the coming months, with sweeping amendments expected to the Companies Act.

The proposed changes have received positive responses from the corporate world – from company directors, lawyers and accountants.

While this is a wide-ranging review, covering areas from director duties and shareholder rights to redefining serious fraud, changes to the voluntary Corporate Governance Code (CGC) have attracted their fair share of debate too.

This code comprises a list of recommendations to Singapore-listed companies on issues from transparency, accountability, disclosure of top executives' pay and board composition, to how a company should communicate with its shareholders.

Unlike the Companies Act, which is law, the CGC is not mandatory. Companies can either comply with the code or explain in their annual reports why they have decided not to.

This is the point of most contention. Several experts on corporate governance have called for the CGC to be given more teeth. They think that this may be one way to more effectively stem the constant tide of corporate scandals that have been making headlines here.

To recap a few of the most recent:

In mid-July, the provisional liquidator of Celestial Nutrifoods disclosed troubling governance lapses by the firm. The specialist team of accountants and lawyers that studied Celestial's assets and liabilities to help it prepare for a winding-up found a transfer of funds from the supposedly insolvent firm to a third party.

Shareholders were powerless to express their dismay – the China-based maker of soy and biofuel products has been suspended from trading since 2009 and has since been told to delist, while facing a winding-up petition.

Meanwhile, special auditors appointed to investigate accounting irregularities at fabric producer China Gaoxian have since found that the company is missing 1 billion yuan (S$187.2 million) from its bank accounts.

And electronics manufacturer KXD Digital has filed a police report against its former chief executive and chairman, Mr Liu Fusheng, for possible fraud and breach of the listing rules, as well as failures of corporate governance.

A recent study conducted by the Centre for Governance, Institutions and Organisations (CGIO) of the National University of Singapore (NUS) Business School found that most Singapore-listed firms fulfil only the minimum requirements of the CGC.

The CGIO came up with a checklist of things that a company should do in order to meet basic corporate governance standards. A company that meets all the minimum requirements would earn 100 points. It then allocated bonus points whenever a company went beyond these basic standards.

If a company had corporate governance concerns in the past year, however, it would be penalised.

The scores generated by the study showed that only two Singapore-listed companies – SingTel and Singapore Exchange (SGX) – met all the basic requirements and went beyond them.

SingTel received the highest score of 109 while the SGX earned 101 points.

Alarmingly, only 46 out of the 657 companies earned at least 50 points.

According to Associate Professor Lawrence Loh from the department of strategy and policy at the NUS Business School, some received negative scores.

Some may be tempted to conclude from this that a toothless corporate governance code does not do much to boost transparency and accountability standards among Singapore firms. But it is useful to look at it from another standpoint.

Having the code, toothless or not, gives investors a benchmark to measure locally listed firms against and determine where to put their investments.

And as NRA Capital managing director Kevin Scully notes, that the CGC is not mandatory makes it all the more meaningful when a company does comply.

Even if a company cannot be taken to court for not complying with the code, it can be punished in the stock market.

Several studies show a correlation between the strength of a company's corporate governance standards and its share valuation.

The Singapore Management University (SMU) conducted such a study last year, which found that SGX-listed companies with the lowest corporate governance standards tended to trade below asset value.

Companies with the highest governance standards, meanwhile, traded on average 1.4 times asset value.

Thanks in part to the publication of such research, retail investors are becoming more aware and demanding.

Investor relations executives at many Singapore-listed firms have noticed that retail investors are asking more – and tougher – questions at shareholder meetings in the last few years.

And despite the fact that the CGC is not mandatory, companies are also aware that it makes business sense for them to comply.

"Good companies with a high standard of corporate governance will gladly disclose that they observe the code in order to differentiate themselves from the bad companies," says SIM University's Associate Professor Chan Yoke Kai.

"The market will also be able to differentiate the good from the bad. Bad companies with a low standard of corporate governance in turn will attempt to level up."

SingTel's chief financial officer, Ms Jeann Low, says complying with the code "allows us to attract capital at the lowest cost, attract professional and independent directors, and recruit and retain our talents".

It might be a long time, if ever, for the CGC to become mandatory by law.

But in the meantime, if it can contribute to raising as much awareness in the next decade as it has in the last, that might be good enough.

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Headline: Few companies made improvements in Corporate Governance
Source: Lianhe Newspaper
Date: 12 July 2011

监管与透明度指数十大企业

排名		总分
1	新电信	109
2	新加坡交易所	101
3	吉宝企业	91
3	吉宝置业	91
5	新翔集团	88
6	SMRT企业	86
7	星狮集团	84
8	仟湖鱼业	80
9	星展集团	78
9	维信集团	78

资料来源：新加坡国立大学商学院的治理、机构和组织中心

企业监管披露与作业
去年只少数公司取得进展

少数本地企业去年在企业监管披露与作业方面取得显著进展，但它们绝大部分还是仅符合企业监管守则（Code of Corporate Governance）的最低要求。

由新加坡国立大学商学院的治理、机构和组织中心（Centre for Governance,Institutions and Organizations，简称CGIO）和《商业时报》联合推出的监管与透明度指数（Governance and Transparency Index，简称GTI）显示，新电信以109的得分连续第三年名列榜首，紧跟在后的新加坡交易所得分为101，并列第三的吉宝企业和吉宝置业则获得91分，接下来排名第五的新翔集团（SATS）的得分为88分。

吉宝置业和新翔集团在披露作业方面取得显著进展，使得它们的得分分别进步23分和14分。

上述指数调查涵盖657家在2010年发布年报的企业。

虽然表现最良好的企业得分亮眼，但实际上整体只有8%的企业得分至少为50分，这虽然比去年的6%稍高，不过整体平均得分却从33分降低两分至31分。这意味着我国企业在企业监管方面还有显著的改进空间。

例如，多数企业目前还是以级别方式披露董事及高层的薪酬，而不是透露他们收入的实际数额。实际上，多达15%的公司没有披露执行董事最高收入级别的上限，这比前一年的17%来得少。

目前，只有分别5%和7%的公司披露执行董事和非执行董事的实际薪酬。

调查结果也发现，许多公司还是在发布业绩60天期限的一周前发表全年业绩，13%是在第60天才发布业绩，这比之前的5%明显提高。

此外，近一半（49%）的企业没有在官方网站或年报上透露投资者关系负责人的联络方式。

至于董事会方面的调查结果，15%的企业拥有独立主席，19%的非执行主席和总裁没有关联。

在审计与会计方面，只有26%的企业披露公司所面临的风险，包括营运上的风险，20%披露如何管理这方面的风险。虽然多达75%的企业实行举报机制，不过仅5%允许员工以匿名方式作举报。

另一方面，为肯定内部审计对上市公司探索机会与风险以及寻求改进营运程序的价值，新加坡证券投资者协会（SIAS）、新加坡内部审计协会（Institute of Internal Auditors）和新加坡管理大学的沈基文金融经济研究所将颁发“内部审计卓越奖”。

上述奖项将配合企业监管守则的修改，加强投资者对上市公司的信心。

Headline: SGX-listed firms ‘still not disclosing enough’
Source: Today
Date: 12 July 2011

SGX-listed firms ‘still not disclosing enough’

SINGAPORE — Listed companies in Singapore are still not disclosing enough information about executive compensation, with a mere 5 per cent revealing exact salary amounts, choosing instead to disclose executive compensation in bands of S$250,000.

This and other findings were revealed in a study as part of the latest Governance and Transparency Index (GTI).

The index, which is published jointly by the NUS Business School and *The Business Times*, revealed that the performance of companies dipped to 31 points from 33 previously, suggesting that little headway has been made in the past year.

For instance, the GTI points out that only a few of the 657 SGX-listed companies under study give independent directors a bigger hand in board decisions, while a large number have yet to form fully independent audit committees to ensure the protection of shareholder interests.

Indeed, only about a quarter, or 24 per cent (up from 23 per cent previously) have independent directors occupying the majority seats on the board.

The assessment of the companies was based on board independence, salary disclosure, audit practices and transparency of financial results. The highest possible score is 100 points.

Mr Lawrence Loh, Associate Professor at the NUS Business School, said: “There’s really not much changed over the last few years in terms of the standards and in terms of the disclosure practices of listed companies in Singapore. I found a vast majority of companies basically fulfil only the bare minimum for the Code of Corporate Governance.”

Industry observers say regulators should pursue proposed revisions to the Corporate Governance Code of 2005.

Mr David Gerald, CEO at the Securities Investors Association (Singapore), wonders if boards of directors are paying sufficient attention to internal controls. “I think they need to spruce up and therefore I’m suggesting that there should be more serious engagement of internal auditors. And we need to train internal auditors, give them the kind of respect that CFOs have.” LOIS CALDERON

Headline: Compliance to best practices in corporate governance not getting better
Source: Channelnewsasia.com
Date: 11 July 2011

channelnewsasia.com

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SINGAPORE NEWS

Compliance to best practices in corporate governance not getting better

By Lois Calderon | Posted: 11 July 2011 2226 hrs

Office workers are seen during a lunch break at the financial district in Singapore.

SINGAPORE: Listed companies in Singapore are still not disclosing enough information about the pay packages of their top executives. And only a few go that extra mile to appoint independent directors to ensure that shareholder interests are protected.

These are among the findings highlighted in the latest Governance and Transparency Index released on Monday.

The latest Governance and Transparency Index, published jointly by the NUS Business School and The Business Times, showed the average total score of companies dipped to 31 points from 33 previously.

The highest possible score was 100 points, with bonus points given for companies that do more than just meeting regulatory requirements.

The index assessed 657 companies here based on board independence, salary disclosure, audit practices and transparency of financial results.

Lawrence Loh, Associate Professor at NUS Business School, said: "There's really not much changed over the last few years in terms of the standards and in terms of the disclosure practices of listed companies in Singapore. In fact, it has more or less stabilised. One interesting aspect: I found a vast majority of companies basically fulfil only the bare minimum for the code of corporate governance."

Industry observers want to see more transparency in executive compensation but the study found that most companies still disclose executive remuneration in bands of S$250,000. Only a mere five per cent revealed exact salary amounts.

Under the existing Corporate Governance Code, companies are only "encouraged" but not mandated to fully disclose the remuneration of each individual director. It only requires a firm to provide a clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting it.

While the existing code requires independent directors to make up at least one-third of the board, best governance practices call for a larger share of independent minds in the board as check and balance on management.

The study, however, found that only a quarter of publicly listed firms have independent directors occupying the majority seats in the board from 23 per cent previously.

Another key finding was that only 56 per cent of listed firms, from 57 per cent previously, have a fully-independent audit committee.

Industry observers said that companies should also consider hiring an internal auditor to ensure greater controls and transparency. This can also help ensure that accounting issues like those faced by the troubled S-chip firms are not repeated.

David Gerald, CEO of the Securities Investors Association (singapore), said: "In the companies, listed companies, are the boards paying sufficient attention to internal controls? I think they need to spruce up and therefore I'm suggesting that there should be internal audits, engagement of internal audits more seriously. And we need to train internal auditors, give them the kind of respect that CFOs (chief financial officers) have."

The latest study was the third in a series and was based on annual financial statements filed by companies with regulators.

-CNA/ac

Headline: 92% of Singapore companies fail to meet Corporate governance standards
Source: Singapore Business Review
Date: 12 July 2011

SINGAPORE BUSINESS REVIEW

NEWS

PROFESSIONAL SERVICES | Staff Reporter, Singapore
Published: 11 Jul 11

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 88 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 50 points or more, although this was an improvement from 6% 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 75 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.

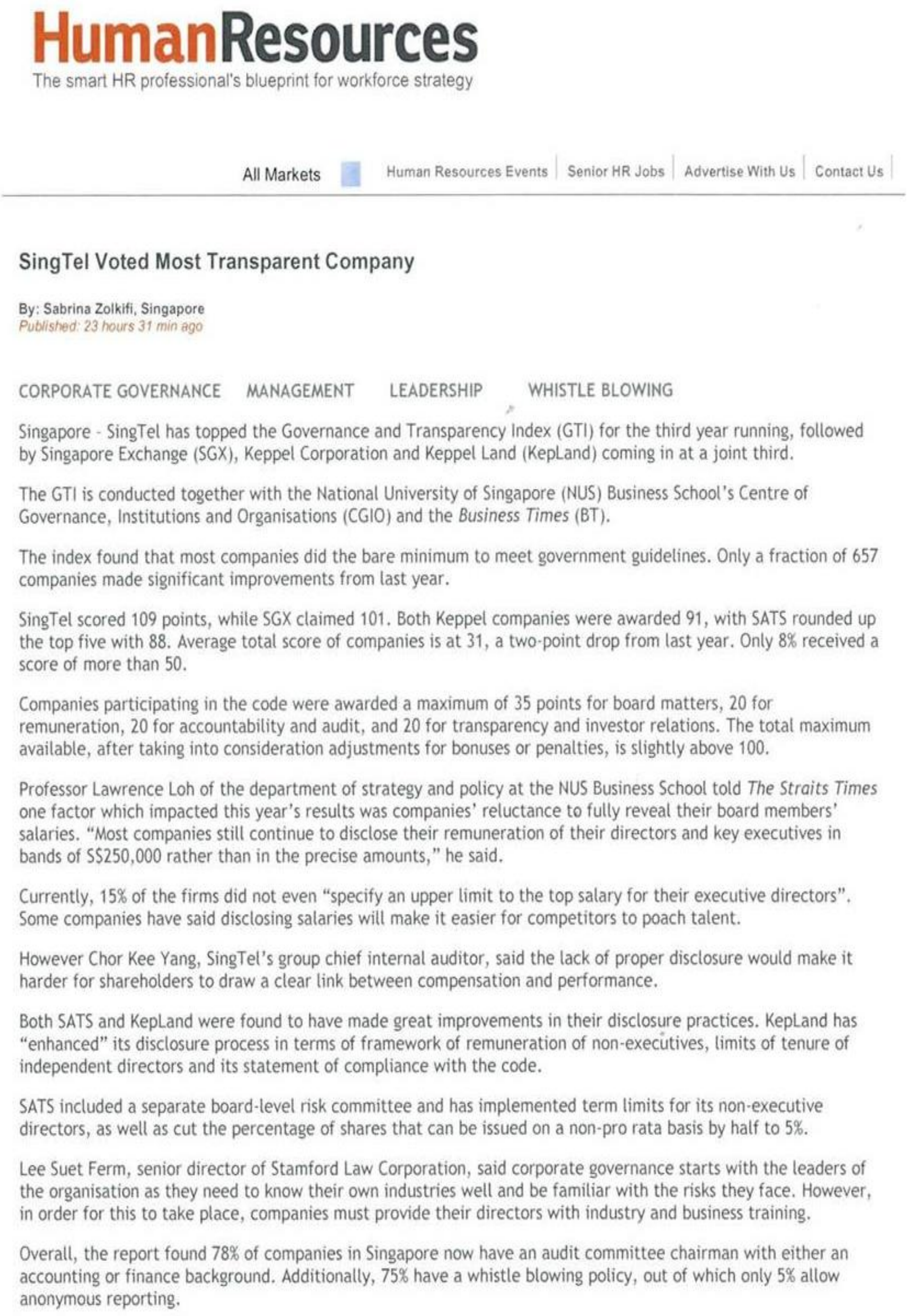
"The GTI has always been a health check for any company and especially those who see corporate governance as a key element in business confidence. To coincide with the GTI results, CPA Australia is pleased to continue with our collaboration with CGIO and the Business Times to present the CPA Forum, which 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

Headline: SingTel Voted Most Transparent Company
Source: Human Resources Online
Date: 12 July 2011



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SingTel Voted Most Transparent Company

By: Sabrina Zolkifi, Singapore
Published: 23 hours 31 min ago

CORPORATE GOVERNANCE MANAGEMENT LEADERSHIP WHISTLE BLOWING

Singapore - SingTel has topped the Governance and Transparency Index (GTI) for the third year running, followed by Singapore Exchange (SGX), Keppel Corporation and Keppel Land (KepLand) coming in at a joint third.

The GTI is conducted together with the National University of Singapore (NUS) Business School's Centre of Governance, Institutions and Organisations (CGIO) and the *Business Times* (BT).

The index found that most companies did the bare minimum to meet government guidelines. Only a fraction of 657 companies made significant improvements from last year.

SingTel scored 109 points, while SGX claimed 101. Both Keppel companies were awarded 91, with SATS rounded up the top five with 88. Average total score of companies is at 31, a two-point drop from last year. Only 8% received a score of more than 50.

Companies participating in the code were awarded a maximum of 35 points for board matters, 20 for remuneration, 20 for accountability and audit, and 20 for transparency and investor relations. The total maximum available, after taking into consideration adjustments for bonuses or penalties, is slightly above 100.

Professor Lawrence Loh of the department of strategy and policy at the NUS Business School told *The Straits Times* one factor which impacted this year's results was companies' reluctance to fully reveal their board members' salaries. "Most companies still continue to disclose their remuneration of their directors and key executives in bands of S$250,000 rather than in the precise amounts," he said.

Currently, 15% of the firms did not even "specify an upper limit to the top salary for their executive directors". Some companies have said disclosing salaries will make it easier for competitors to poach talent.

However Chor Kee Yang, SingTel's group chief internal auditor, said the lack of proper disclosure would make it harder for shareholders to draw a clear link between compensation and performance.

Both SATS and KepLand were found to have made great improvements in their disclosure practices. KepLand has "enhanced" its disclosure process in terms of framework of remuneration of non-executives, limits of tenure of independent directors and its statement of compliance with the code.

SATS included a separate board-level risk committee and has implemented term limits for its non-executive directors, as well as cut the percentage of shares that can be issued on a non-pro rata basis by half to 5%.

Lee Suet Ferm, senior director of Stamford Law Corporation, said corporate governance starts with the leaders of the organisation as they need to know their own industries well and be familiar with the risks they face. However, in order for this to take place, companies must provide their directors with industry and business training.

Overall, the report found 78% of companies in Singapore now have an audit committee chairman with either an accounting or finance background. Additionally, 75% have a whistle blowing policy, out of which only 5% allow anonymous reporting.

Headline: Poor Governance: finding the underlying causes
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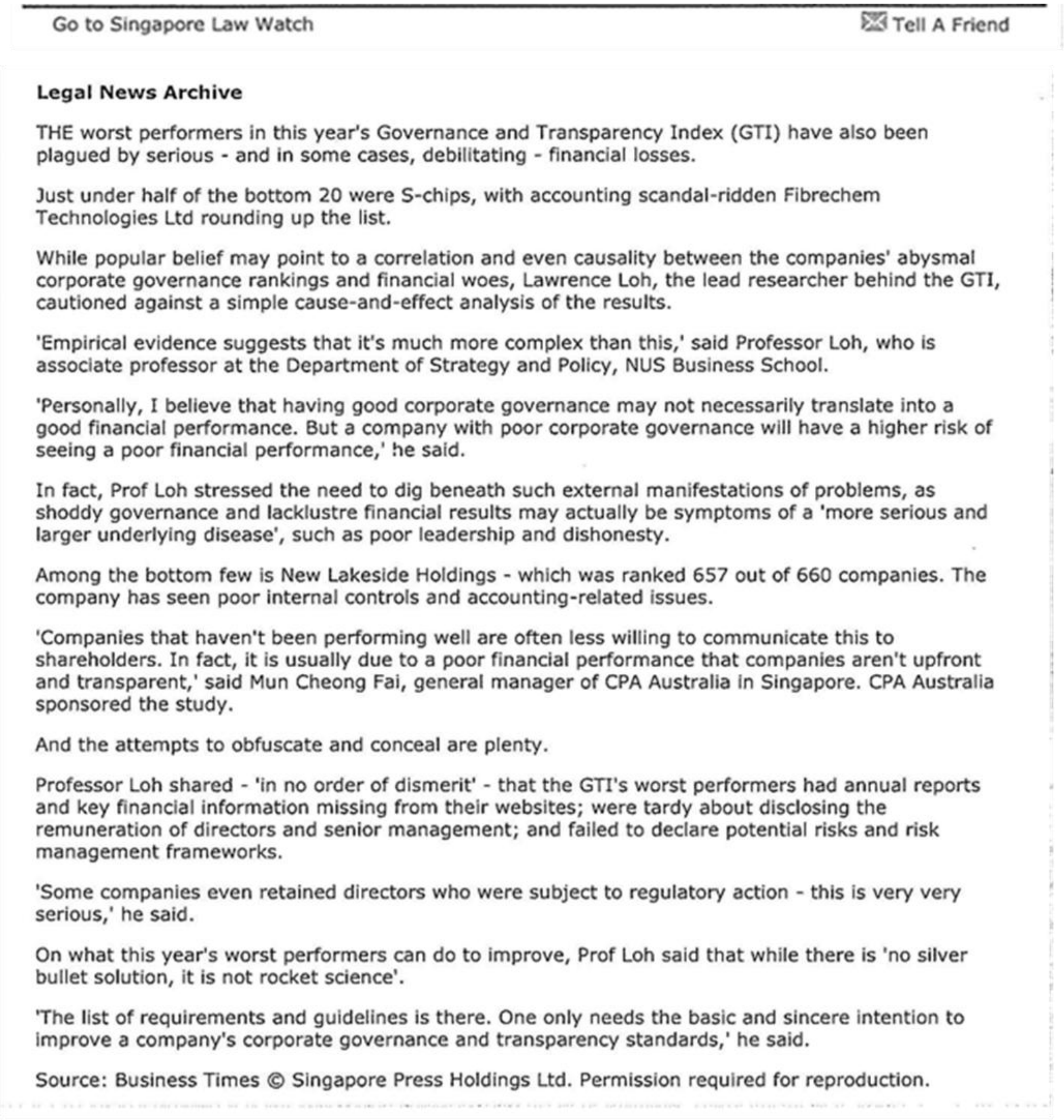

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THE worst performers in this year's Governance and Transparency Index (GTI) have also been plagued by serious - and in some cases, debilitating - financial losses.

Just under half of the bottom 20 were S-chips, with accounting scandal-ridden Fibrechem Technologies Ltd rounding up the list.

While popular belief may point to a correlation and even causality between the companies' abysmal corporate governance rankings and financial woes, Lawrence Loh, the lead researcher behind the GTI, cautioned against a simple cause-and-effect analysis of the results.

'Empirical evidence suggests that it's much more complex than this,' said Professor Loh, who is associate professor at the Department of Strategy and Policy, NUS Business School.

'Personally, I believe that having good corporate governance may not necessarily translate into a good financial performance. But a company with poor corporate governance will have a higher risk of seeing a poor financial performance,' he said.

In fact, Prof Loh stressed the need to dig beneath such external manifestations of problems, as shoddy governance and lacklustre financial results may actually be symptoms of a 'more serious and larger underlying disease', such as poor leadership and dishonesty.

Among the bottom few is New Lakeside Holdings - which was ranked 657 out of 660 companies. The company has seen poor internal controls and accounting-related issues.

'Companies that haven't been performing well are often less willing to communicate this to shareholders. In fact, it is usually due to a poor financial performance that companies aren't upfront and transparent,' said Mun Cheong Fai, general manager of CPA Australia in Singapore. CPA Australia sponsored the study.

And the attempts to obfuscate and conceal are plenty.

Professor Loh shared - 'in no order of dismerit' - that the GTI's worst performers had annual reports and key financial information missing from their websites; were tardy about disclosing the remuneration of directors and senior management; and failed to declare potential risks and risk management frameworks.

'Some companies even retained directors who were subject to regulatory action - this is very very serious,' he said.

On what this year's worst performers can do to improve, Prof Loh said that while there is 'no silver bullet solution, it is not rocket science'.

'The list of requirements and guidelines is there. One only needs the basic and sincere intention to improve a company's corporate governance and transparency standards,' he said.

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