CORPORATE GOVERNANCE HIGHLIGHTS 2014

Realising Higher Governance Standards

Lawrence Loh, Isabel Sim, Muhammad Ibrahim, Vincent Yang, Linh Nguyen

October 2014
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CPA Australia is one of the world's largest accounting bodies with more than 150,000 members working in 121 countries.

Our sphere of operation has grown to cover 19 staffed offices in all states and territories of Australia as well as China (including Hong Kong), Singapore, Malaysia, Indonesia, Vietnam, New Zealand and the UK. At present, there are over 7,500 members in Singapore.

CPA Australia advances its members' interests through its focus on education and knowledge exchange; the development of professional networks; advocacy in relation to policy, standards, and regulation; and the promotion of value of CPA Australia members to employers, government, regulators, and the public. The CPA Australia designation denotes strategic business leadership, and is recognised and valued throughout the world.

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Singapore has built its reputation as a global financial centre through high standards of corporate governance. This has helped companies get access to quality capital and maintain investors’ confidence in businesses.

However, the fast-changing business landscape continues to present on-going and new complexities for boards and senior management. There is, therefore, a critical need to influence companies to uplift their governance and transparency standards.

To be sure, Singapore organisations have made much progress in corporate governance practices over the years. But there is always room to improve as expectations never stay still. Management and boards need to soldier on – embrace the highest standards of governance, not just the letter but also the spirit of corporate governance, to meet the increasing expectations of various stakeholders.

As a professional accountancy body with 150,000 members worldwide, CPA Australia believes it is important for directors and management to provide effective stewardship for their companies to excel. Good governance is the foundation upon which companies build their reputation.

In this respect, CPA Australia is proud to sponsor the Corporate Governance Highlights 2014. This is a good endeavour to encourage rich debates and discussions that will help advance standards, and corporate governance and transparency as Singapore seeks to become a global accountancy hub.
The Centre for Governance, Institutions and Organisations (CGIO) was established by the National University of Singapore (NUS) Business School in 2010. It aims to promote relevant and impactful research on governance issues that are pertinent to Asia, including corporate governance, governance of family firms, state-linked companies, business groups, and institutions. CGIO organises events such as public lectures, industry roundtables, and academic conferences on topics related to governance.

NUS Business School is known for providing management thought leadership from an Asian perspective, enabling its students and corporate partners to leverage global knowledge and Asian insights.

The school has consistently received top rankings in the Asia-Pacific region by independent publications and agencies, such as The Financial Times, Economist Intelligence Unit, and QS Top MBA, in recognition of the quality of its programmes, faculty research and graduates. A leading global university centred in Asia, NUS is Singapore’s flagship university which offers a global approach to education and research, with a focus on Asian perspectives and expertise. Its transformative education includes a broad-based curriculum underscored by multi-disciplinary courses and cross-faculty enrichment.

For more information, please visit bschool.nus.edu/CGIO.aspx
The Centre for Governance, Institutions and Organisations (CGiO) is proud to partner with CPA Australia and The Business Times to present the Governance and Transparency Index (GTI) for the sixth year. GTI aims to provide an independent assessment and ranking of corporate governance practices of Singapore-listed companies.

Corporate Governance Highlights 2014 is a summary of our findings from GTI 2014. We are also privileged to have industry captains share their wisdom in discussing key corporate governance issues in this report. Through this coalescence of research and insight, the report has composed a snapshot of Singapore’s corporate governance landscape.

This year’s review is especially exciting as it examines a critical juncture in Singapore’s evolving corporate governance landscape. GTI 2014 is the first comprehensive study that captures the effects of the revised Code of Corporate Governance on Singapore’s listed companies after it came into effect beginning November 2012.

Through this report, CGiO hopes to spearhead discussions and efforts for continued higher standards of excellence in corporate governance in Singapore.

Prof Chang Sea Jin
Executive Director
Centre for Governance, Institutions and Organisations
NUS Business School
CORPORATE GOVERNANCE STANDARDS RISING

The Governance and Transparency Index (GTI) is the only index which assesses and ranks corporate governance practices of Singapore-listed companies. The Index findings suggest that Singapore-listed companies have realised higher corporate governance standards with the advent of the revised Code. This is evident both in aggregate scores across the years as well as a comparison of GTI scores for companies which have formally adopted the new Code, as compared to those still in transition.

GENERAL GTI TRENDS

Moving upward:
GTI 2014 continued to capture improvements in corporate governance practices as seen in ascending GTI scores since 2011.

2014 - a pinnacle:
The mean GTI score reached a 6-year high of 42.1.
THE CODE EFFECT

- **Jan - Oct FY End; Code 2005**
- **Nov - Dec FY End; Code 2012**
- **Overall Index (Jan - Dec FY End)**

**Split sample:**
This year’s study comprises companies adhering to the revised Code (2012) and companies in transition from the old Code (2005).

**Significant progress:**
Companies following the revised Code scored significantly better in GTI 2014.
The revised Code encouraged companies to adopt higher corporate governance standards through recommendations on board matters, remunerations matters, accountability and audit, as well as transparency and investor relations. GTI 2014 highlights the key factors which have improved companies’ corporate governance practices in these areas.

**BOARD MATTERS**

**Board Independence Requirements**

<table>
<thead>
<tr>
<th>Year</th>
<th>Lead ID+ at least 50%</th>
<th>Independent Chairman</th>
</tr>
</thead>
<tbody>
<tr>
<td>GTI2014</td>
<td>16.9%</td>
<td>24.7%</td>
</tr>
<tr>
<td>GTI2013</td>
<td>14.8%</td>
<td>17.9%</td>
</tr>
<tr>
<td>GTI2012</td>
<td>14.4%</td>
<td>24.4%</td>
</tr>
</tbody>
</table>

At the current rate in 2014, it will take at least 6 years for all companies to fully comply with Guidelines 2.3 and 3.3 of the n

376 companies need improvement by

- 2017: 58.4%
- 2014: 41.6%
**REMUNERATION MATTERS**

Exact Remuneration Disclosure

**An all-time high:**
Exact remuneration disclosure enhances market discipline between companies and directors, and aligns Singapore with high-performing corporate governance jurisdictions worldwide.

This year’s improvements of 12.2% for non-executive directors and 11.8% for executive directors were more than twice last year’s improvements.

**ACCOUNTABILITY AND AUDIT**

CEO/CFO Certification of Financial Statements

Yes to financial accountability:
The new Code delegates accountability of executive management and encourages transparency between the Board and management.

45.3% of companies have their financial statements certified by their CEO/CFO - an increase of 35.4% from the previous year.

**INVESTOR RELATIONS**

Voting by Poll at Shareholder Meetings

Enhancing conduct of shareholder general meeting:
Poll-voting safeguards shareholder rights and promotes equitable treatment of shareholders.

There has been an increase of 17.6 percentage points in companies that have implemented poll voting at shareholder meetings in 2014 than in 2013.
“Good corporate governance is integral to the long-term sustainability of Keppel’s businesses. Our board works closely with management to achieve strong corporate governance, sound strategies, long-term operational resilience, and value creation for stakeholders. Given the diversity of industries and geographies in which Keppel operates, we pay close attention to balancing board composition and ensuring the right mix of capability, experience, time commitment as well as a strong independent element.”

Dr Lee Boon Yang
Chairman
Keppel Corporation Limited
EXECUTIVE SUMMARY

Overall Trends
The state of corporate governance among Singapore-listed companies improved over the year with an average index score of 42.1 as compared to 38.0 in GTI 2013. Of the 664 listed companies assessed, the 64% that have formally transitioned to the revised Code of Corporate Governance showed greater improvement compared to the 36% of companies still in transition.

Board Leadership and Independence
To meet the requirements on board and director independence, 58.4% or 376 companies need to appoint an independent chairman or a lead independent director while ensuring that at least half of their board is independent before FY 2017.

Nominating Matters
Following additional board independence requirements, nominating committees are stepping up the appointment process for new directors. GTI 2014 found more nominating committees are disclosing their nomination process (36.0%) and criteria (22.7%) for selecting new directors.

Remuneration Matters
Companies have significantly improved in providing exact remuneration disclosure. Disclosure for remuneration of executive directors has doubled from 9.8% last year to 21.6% in 2014. Disclosure for remuneration of non-executive directors has also seen a marked increase from 11.6% last year to 23.8% in 2014. However, exact disclosure for top five executive remuneration remains low at 3.1%.

Accountability and Audit
Boards and directors are taking greater accountability for risk management. 45.3% of companies’ CEO / CFO are certifying their companies’ financial statements as compared to 9.9% last year. At 82.0%, most boards and audit committees have provided a statement on the adequacy of internal controls and risk management framework.

Transparency and Investor Relations
Some listed companies are improving their conduct of Shareholder Meetings as per revised Code recommendations. GTI 2014 found 24.1% of Singapore-listed companies conducting vote by poll instead of by show of hands.
“Sembcorp’s corporate governance principles are built on our core value of integrity and reflect our commitment to protect and enhance shareholder value. At Sembcorp, our commitment to high standards of corporate governance is not limited to just the board and senior management. Instead, we aim to ensure that it is practised throughout the entire Sembcorp group and firmly entrenched in our company culture. We recognise that well-defined corporate governance processes across the entire organisation are essential in enhancing corporate accountability and long-term sustainability.”

Mr Koh Chiap Khiong
Group Chief Financial Officer
Sembcorp Industries Limited
INTRODUCTION

The GTI monitors improvements in corporate governance since the study’s inception and assesses these against major milestones in Singapore’s corporate governance landscape. Now in its sixth year, GTI 2014 is significant as it captures the effects of the revised Code of Corporate Governance implemented in 2012.

Changes in global and regional financial markets have necessitated an urgent update in the Code. Hence, essential revisions were made to the Code in order to foster an environment for just and objective corporate decision-making. These include recommendations for greater board independence, increased remuneration disclosures, and increased accountability by board and senior management and in according shareholders appropriate rights and responsibilities.

GTI 2014 makes salient the results of this regulatory change. The sample comprising 644 Singapore-listed companies include those that have adopted the revised Code and those that have not done so. By comparing how these two groups fared, GTI 2014 analyses how the revised Code has transformed corporate governance in Singapore since it came into play. Our analysis of the data shows that the revised Code has indeed been fruitful in spurring companies toward higher standards of corporate governance. This has been demonstrated through increased disclosure of board independence, exact remuneration, accountability of CEO/CFO and board, and enhanced conduct of shareholder meetings.

We hope that Corporate Governance Highlights 2014 will help the business and professional community better understand how progress in corporate governance has been made and identify key areas for improvement so that they may be challenged to reach greater heights.
“The Board of Directors is committed to ensuring that the highest standard of corporate governance is practised and upheld throughout NOL and its subsidiary companies. Our overarching objective is to protect and enhance shareholder value. We build on good relations with our stakeholders, including the investor community, to communicate the company’s strategic direction and financial performance with transparency and integrity.”

Mr Kwa Chong Seng
Chairman
Neptune Orient Lines Limited
OVERALL TRENDS

The findings of GTI 2014 highlight the importance of a good regulatory framework in raising corporate governance standards in Singapore. As seen in Figure 1, corporate governance for Singapore-listed companies has improved since the inaugural year of the GTI project in 2009. This has been catalysed by the revision of the Code of Corporate Governance effective from November 2012, whereby additional guidelines were introduced to strengthen corporate governance in Singapore.

GTI scores have been steadily improving since 2011 and this year’s GTI review saw the largest increase in mean score from 38.0 in 2013 to 42.1 in 2014, an all-time high.

**Figure 1. Milestones in Singapore’s Corporate Governance Landscape**

- **2001**: Introduction: Code of Corporate Governance
- **2008**: Global Financial Crisis
- **2009**: GTI 2009
- **2010**: GTI 2010
- **2011**: GTI 2011
- **2012**: GTI 2012
- **2013**: GTI 2013
- **2014**: GTI 2014
- **2015**: Forthcoming: Amendments to Companies Act

- **2005**: Code revised
- **2009**: Proposed revisions to the SGX-ST listing rules
- **2010**: SGX-ST listing rules require the board and audit committee to provide assurance of the adequacy and effectiveness of internal controls
- **2011**: SGX-ST listing rules require the board and audit committee to provide assurance of the adequacy and effectiveness of internal controls
- **2012**: Code of Corporate Governance revised for financial reports starting November 2012. Greater focus on:
  - Board independence
  - Remuneration disclosures
  - CEO/CFO certification on financial statements and internal controls
  - Shareholders’ rights and roles
- **2013**: SGX-ST listing rules require the board and audit committee to provide assurance of the adequacy and effectiveness of internal controls

*Average score for the Governance & Transparency Index*
“The Company Secretary is no longer just a notetaker at meetings and an administrative servant of the Board, but has a pivotal role today as an independent advisor to the Board and a key governance professional with responsibilities to develop and implement processes to promote and sustain good corporate governance; and to ensure adherence to best practices.”

Ms Yvonne Goh
Former Managing Director
KCS Singapore
THE CODE EFFECT

The impact of the revised Code on corporate governance standards of Singapore-listed companies is made apparent through the “split-sample” nature of this year’s assessment. As the revised Code came into effect only in November 2012, GTI 2014’s sample of 644 companies is divided into two groups. The first group of 232 companies (36.0%), with financial year ending January to October 2013, has yet to formally adopt the revised Code. The other group of 412 companies (64.0%), with financial year ending November to December 2013, has formally adopted the revised Code.

When the mean scores of the two groups are compared, GTI 2014 found that companies that have adopted the revised Code scored significantly higher than those still in transition. The overall GTI scores of these companies experienced a steep jump of 6.0 points from 38.9 to 44.9 between GTI 2013 and 2014. In contrast, only a gentle increase of 0.7 points is seen for firms still in transition. The score difference between the two groups of companies suggests that changes in the regulatory framework have encouraged Singapore companies to adopt higher standards in governance and disclosure practices (see Figure 2).

IMPACT ANALYSIS OF THE REVISED CODE RECOMMENDATIONS

The impact of the revised Code can be felt both in overall scores as well as in key corporate governance domain areas. Hence, a thorough analysis of board matters, nomination matters, remuneration matters, accountability and audit as well as transparency and investor relations was conducted to investigate how the revised Code had changed governance practices in these areas.
“We must be B.A.D in order to be good. To have good corporate governance, we must believe that running a good and fair company is equal to having good corporate governance. Our attitude must be that this is the right thing to do rather than that we have no choice but to do it. In good times or bad times, we must have the discipline to always practice good corporate governance. Thus, we have to be BAD in order to be good.”

Mr Kenny Yap Kim Lee
Executive Chairman and
Managing Director
Qian Hu Corporation Limited
The revised Code of Corporate Governance pays close attention to building and maintaining a strong element of independence in boards. Boards are encouraged to develop higher standards in assessing director independence as well as to increase the proportion of independent directors on the board. These two developments are expected to drive demand for independent director candidates.

"Revised Code guidelines present a pressing need for independent directors"

ASSESSMENT OF DIRECTOR INDEPENDENCE

The Code has encouraged companies to set up a comprehensive assessments of director independence including, but not limited to, independence from any relationships with the related corporations and persons of the company. In the latest revision, the Code included additional recommendations that boards and the nominating committee should take into consideration the director’s independence from substantial shareholders holding more than 10% stake in the company. Additionally, the independence of long-serving independent directors with a tenure of nine years or more should also be subjected to comprehensive review in what has become known as the “nine-year rule”.

Reviewing board independence in line with revised guidelines, GTI 2014 found that companies are making better disclosures in the assessment of director independence. From our data, 44.6% (287) of the companies provided a comprehensive description of their criteria for independence while 24.6% (158) of the companies included independence from major shareholders in their assessments (see Figure 3).
The “nine-year rule” is a significant issue in Singapore as almost two-fifths (37.8% or 243 companies) of Singapore-listed companies have at least one long-serving independent director (see Figure 4). GTI 2014 observed a gradual increase of the percentage points of affected companies as the tenure of their independence directors increased with time.

Despite the increase in companies with at least one long-serving independent director, there was a drop in the total number of long-serving independent directors. GTI 2014 found 469 long-serving independent directors serving in boards of Singapore-listed companies, a fall of 24 from GTI 2013.

This suggests that while the increase in long-serving directors is inevitable as boards age, companies have been actively engaging this issue. Companies have cited the need to balance new insights and skills offered by new directors against the need to retain experience on boards. In some cases, long-serving independent directors have been retained and re-designated as non-independent non-executive directors. Meanwhile, other companies have taken the term of nine years as an opportunity for board renewal.
In order to improve board independence for stewardship and strategic leadership, the revised Code has put additional guidelines in place for boards led by a non-independent chairman (Figure 5).

**Fig. 5. Criteria for Board Independence**

- **Guideline 2.2**
  The independent directors should make up at least half of the Board where:
  a) the Chairman of the Board (the “Chairman”) and the Chief Executive Officer (or equivalent) (the “CEO”) is the same person;
  b) the Chairman and the CEO are immediate family members;
  c) the Chairman is part of the management team; or
  d) the Chairman is not an independent director.

- **Guideline 3.3**
  Every country should appoint an independent director to be the lead independent director where:
  - Board has independent chairman?
    - Yes
      - Satisfies revised Guideline 2.2
    - No
      - Lead independent director + at least 50% board independence
        - Yes
          - Satisfies revised Guideline 3.3
        - No
          - Needs improvement by FY 2017

The revised Code recommends that these companies have at least half of the board independent and appoints a lead independent director. As companies need to complete this transition by FY 2017, results from GTI 2014 provide a glimpse of the state of play near the midway checkpoint of this transition. GTI 2014 found that while 41.6% of the companies (268 companies) have complied with revised recommendations, 58.4% or 376 companies have yet to fulfil these guidelines.

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1**Guideline 2.2 Timeline:**

"Board composition changes, with the exception of changes required as a result of the Chairman of the Board falling within four circumstances specified in Guideline 2.2 of the Code, should be made at Annual General Meetings ("AGMs") following the end of the relevant financial year.

Changes needed to comply with the requirement for independent directors to make up at least half of the boards in specified circumstances should be made at the AGMs following the end of financial years commencing on or after 1 May 2016."

*Announcement by Monetary Authority of Singapore, 2nd May 2012*
Using the year-on-year improvement rate of 8.9% from GTI 2013 to GTI 2014 (see Figure 6), the findings suggest that Singapore companies will need approximately six more years to reach the level of board independence outlined in the Guidelines. At the current rate of improvement, Singapore companies will not meet the deadline of 2017 set for board independence.

**Fig. 6. Director Independence in Companies**

- Satisfies revised Guideline 2.2
- Satisfies revised Guideline 3.3
- Needs improvement by FY2017

**THE DEMAND FOR MORE INDEPENDENT DIRECTORS**

The twin drivers of more stringent assessments of director independence and increased requirements in proportion of independent directors on boards are likely to drive demand for more independent directors. This adds a challenge to the nominating committee’s duty of identifying and recruiting suitable candidates in what is commonly regarded as a relatively small talent pool of qualified and willing persons.

The difficulty in the search of new directors is expected to be further accentuated moving forward due to the combined effect of an impending deadline in FY 2017 and a reduction in the number of candidates to nominate from. GTI 2014 results have found that this trend has encouraged listed companies and directors to review their positions in nominating matters.
In tandem with the demand for independent directors, GTI 2014 observed correlations in nominating matters of listed companies and individual directors: listed companies have stepped up their efforts to seek qualified candidates while more directors are seen to accept multiple directorships across the boards of Singapore-listed companies.

**Appointment of New Directors**

GTI 2014 observed an increasing trend of listed companies making more detailed disclosures of their nominations of new directors.

As seen in Figure 7, 22.7% of the listed companies (146 companies) disclosed skills and experience sought, an increase of 7% from GTI 2013. Disclosure of the nomination process has also risen from 23.5% in GTI 2013 to 36.0% (232 companies) in GTI 2014. Likewise, the percentage of companies observed to engage external searches such as human resource agencies and professional bodies has increased by 4.1% to 110 companies from 2013. This suggests that some listed companies may have taken the advice to expand their candidate search and have made improvements to their nomination process.

“Companies are increasing search efforts in the appointment of new directors”

**Fig. 7. Disclosure of Director Nomination**

![Graph showing disclosure of director nomination over time.](image-url)
“A Board’s strength is wholly dependent on the calibre of its members and the rigour of its processes. At SATS, the Nominating Committee plays a crucial role in strengthening our corporate governance framework by ensuring that our Directors collectively possess a diverse spectrum of skills, experience, and knowledge which matches the growth and scale of our businesses. It also assumes the task of assessing the Board’s effectiveness and the Directors’ independence.”

Mr Edmund Cheng Wai Wing

Chairman
SATS Limited
MULTIPLE DIRECTORSHIPS

While companies are expanding their search efforts, some directors remain highly sought after for their experience, expertise, and network; and may be invited to serve on more than one board.

This trend of multiple appointments may challenge directors in their allocation of adequate time and resources to each directorship held. The revised Code, in recognition of the different circumstances of individual companies and directors, does not specify a limit to multiple directorships but instead encourages nominating committees to review companies’ own requirements and to set their own reasonable limit where appropriate.

In line with this development, GTI 2014 found that while more directors are taking on more than one directorship, the number of individual directors holding more than six directorships has decreased (Figure 8).

Fig. 8. Disclosure of Individuals Holding Multiple Directorships

![Bar chart showing disclosure of individuals holding multiple directorships.](image-url)
The revised Code recommends that companies set a fair and transparent level and mix remuneration structure of boards and senior executives to attract and reward talent as well as improve accountability to shareholders. GTI 2014 observed interesting trends in the disclosure practices in remuneration levels as well as performance measures of top executives.

**EXACT REMUNERATION DISCLOSURE**

The level of disclosure for remuneration of directors and top executives has been hotly debated. Concerning this, GTI 2014 found that many companies are providing greater disclosure for director remuneration. 21.6% (139 companies) and 23.8% companies (153 companies) are providing exact remuneration disclosure for executive directors and non-executive directors respectively. This increase by 11.8% and 12.2% (Figure 9) from GTI 2013 points to increased transparency in remuneration matters.

However, disclosure for top executive remuneration remains low with only 20 companies (3.1%) providing exact disclosure, reflecting the voluntary nature of this practice. Presently, most companies disclose top five executive remunerations in ranges of S$250,000 according to minimum requirements. Companies have again cited confidentiality, competition, and the fear of talent-poaching as reasons behind the limited disclosure.

“Exact remuneration disclosure for directors is increasingly common practice”

![Fig. 9. Disclosure of Executive Remuneration](image_url)
**Remuneration Mix and Performance Measures**

Disclosure of performance measures of the CEO and senior executives enables shareholders and investors to understand how performance is rewarded in the company.

While exact disclosure of director remuneration has increased, fewer companies are disclosing the performance measures of their management and top executives. Only 53 companies (8.2%) have disclosed their performance measures, up from 66 companies (10%) in GTI 2013, as seen in Figure 10.

**Fig. 10. Disclosure of Performance Measures**

Moving forward, companies can consider how performance measures can be better disclosed in line with executive and director remuneration. The disclosure of performance measures presents an avenue for companies to review their remuneration structure and to assure shareholders of the fairness of the remuneration packages. This will further improve executives’ and directors’ alignment with company and shareholder interest for the creation of long-term value.
“In today’s challenging business environment, effective corporate governance is critical to a business’s sustainability. For corporate governance within an organisation to be robust, all participants need to play their part and this includes regulators, business leaders, accountants, auditors, and investors.

While auditors do not have direct corporate governance responsibility, they play an important part by providing a check on the information aspects of the governance system so that financial information given to investors is reliable. To do this effectively, auditors must have open and frank dialogues with the board and its audit committee so that issues and concerns can be raised and effectively dealt with.”
The revisions in the Code and recent changes in Singapore Exchange listing rules place greater responsibility on the board and senior management in risk governance. These changes require the CEO and CFO to certify their companies’ financial statements and the board to comment on the adequacy of the internal controls and risk management framework.

“Boards and senior management are stepping up to certify financial statements and comment on internal controls”

BOARD AND SENIOR MANAGEMENT ACCOUNTABILITY

GTI 2014 has found that companies are embracing the new measures. There has been a sharp increase in CEO/CFO certification of financial statements from 9.9% or 66 companies in GTI 2013 to 45.3% or 292 companies in GTI 2014. Similarly, the number of companies with the boards commenting on the adequacy of their companies’ internal controls and risk management policies has been maintained at a high level of 82.0% or 528 companies (see Figure 11).

Fig. 11. Disclosure of Board and Senior Management Accountability
“The revised Code has given boards and senior management a heightened sense of responsibility by holding them to greater standards of accountability in risk management practices. Changes in the Listing Rules also require the Board to opine adequately on the internal controls, addressing financial, operational and compliance risks. On the other hand, the Code has also strengthened fair and equitable treatment of shareholders’ rights by encouraging companies to promote more effective communication, electronic poll voting at AGMs, and disclosing the detailed votes’ results. Altogether, these measures are designed to boost investor confidence in Singapore-listed companies.”

Mr David Gerald
Founder, President and Chief Executive Officer
Securities Investors Association (Singapore)
The revised Code and Singapore Exchange rulings safeguard shareholder rights and promote equitable treatment of shareholders. In particular, this is reflected in the improvement in the conduct of shareholder meetings through the implementation of poll voting. Additionally, detailed information on voting outcomes including the number of votes cast for and against each resolution is recommended to be promptly disclosed following the conclusion of shareholder meetings.

**CONDUCT OF SHAREHOLDER MEETINGS**

The data from GTI 2014 shows that companies have been responsive to the Code in facilitating effective shareholder participation and engagement. GTI 2014 observed a sharp increase in companies implementing poll voting, with 24.1% or 155 companies doing so in GTI 2014 up from only 6.5% or 43 companies in GTI 2013. This is in line with an increase in companies disclosing the results of the poll, with 22.8% or 147 companies compared to 12.0% or 80 companies practicing this last year (see Figure 12).

**Fig. 12. Disclosure of Voting Practices at AGM**

<table>
<thead>
<tr>
<th>Percentage of Companies</th>
<th>GTI 2012</th>
<th>GTI 2013</th>
<th>GTI 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vote by Poll</td>
<td>6.1%</td>
<td>6.5%</td>
<td></td>
</tr>
<tr>
<td>Detailed information on voting results</td>
<td>10.4%</td>
<td>12.0%</td>
<td></td>
</tr>
</tbody>
</table>

“Companies have reviewed conduct of shareholder meetings for increased transparency”.

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**TRANSPARENCY AND INVESTOR RELATIONS**
The CG Code has, over the last decade, evolved, recognising market forces and the changing gameplay. With greater complexities in business structures; rightly, attention to risk management at all levels in the corporate entity becomes more critical. The Code has, thankfully, acknowledged and urged careful review of risk management and a reporting of the same. Such an approach can only result in directors becoming more conscious of the parts they play and, thereby, increasing governance. Calling for the reporting of the risk management review augurs well for transparency, allowing stakeholders a slightly better way of assessing the state of play for themselves.

The next biggest tweak to the CG Code must be the recognition that shareholders who hold at least 10% of the shares and their nominees cannot be viewed as independent unless positively cleared. This, too, augurs well and shows a progressive approach.
CONCLUSION

GTI 2014 has seen an increase in disclosures of exact remuneration, of director nomination and assessment of independence, and of information released to shareholders.

The revised Code has been helpful in setting the direction for further progress. Code revisions have put in place recommendations to strengthen board independence, achieve greater transparency in remuneration, increase boards and senior management accountability, and conduct fair shareholder meetings. This year’s findings underscore the importance of boards and senior management in leading their companies towards good governance. By establishing the foundational structures that drive and sustain other transparency initiatives, they have played a crucial role in raising standards of corporate governance in Singapore.

The progress of Singapore-listed companies in corporate governance over the past six years has been encouraging. To realise higher corporate governance standards, companies must remain steadfast in reviewing governance policies and tightening frameworks in line with best practice recommendations provided by the revised Code. In particular, there are opportunities for further improvement in the achievement of board independence, remuneration disclosure of top five executives, and disclosure of performance measures. By continually striving to create a business environment marked by equitable and transparent practices, corporate leaders can look forward to providing greater value for shareholders and firms.
APPENDIX: GTI METHODOLOGY

The Governance and Transparency Index assesses companies on their corporate governance practices as well as the timeliness, accessibility, and transparency of their financial results.

The GTI score comprises two components: the base score, and the adjustments for bonuses and penalties. Companies can obtain a maximum of 100 points for the base score under four domains: (1) board matters (maximum 35 points), (2) remuneration matters (maximum 20 points), (3) accountability and audit (maximum 20 points), and (4) transparency and investor relations (maximum 25 points). The aggregate of the bonuses and penalties (positive or negative) is incorporated in the base score to arrive at the company’s overall GTI score.

The GTI is currently in its sixth year. The ranking is a tripartite collaboration between NUS Business School’s Centre for Governance, Institutions and Organisations (CGIO), CPA Australia, which also sponsors the annual study, and The Business Times. It is supported by the Investment Management Association of Singapore, Securities Investors Association (Singapore), and Singapore Accountancy Commission. A total of 644 Singapore-listed companies which released their 2013 annual reports before 31 May 2014 were examined for GTI 2014.

The primary sources of information were the companies’ annual reports and websites. Announcements made by the companies on SGXNet as well as in the media between 1 January 2012 and 31 May 2014 were also used to update the scores. In addition, companies were contacted to obtain some information that was not publicly available.

Further information on the scoring methodology, including details on its instrument and past results, may be obtained from CGIO’s website at http://bschool.nus.edu.sg/CGIO.aspx. Queries about the GTI may be sent to cgio@nus.edu.sg. In order to maintain the independence and fairness of the Index, reports or advice cannot be provided to individual companies.
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We express our appreciation to members of the Advisory Panel for their continued guidance in the GTI project. The Panel members are:

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• Mr Loh Hoon Sun, Managing Director, Phillip Securities Pte Ltd
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