It's not just about the money, governance panellists say

Companies, execs at S'pore Scorecard launch urged to remember the human element

By Kenneth Lim

IT'S NOT just about the money, corporate governance experts and top executives said yesterday at the launch of the Singapore results of the Asia Corporate Governance Scorecard assessment.

Companies and executives should not be blinded by profits and forget the human imperative for good governance. And, especially in Singapore's context, investors should not be too focused on the amounts paid to executives, but should instead assess how those amounts reflect accountability, the experts and executives said.

Those comments were made at the launch of the Singapore Scorecard, which found that Singapore's 100 largest publicly listed companies by market capitalisation were better adhered to major corporate governance principles in 2013 than in 2012, but still lagged Thailand and Malaysia.

DBS Group Holdings, OCBC Bank, Singapore Exchange (SGX), Singapore Press Holdings (SPH) and Singapore Telecommunications were the best ranked. The survey was carried out in six South-east Asian countries, and executed in Singapore by the Singapore Institute of Directors (SId) and the National University of Singapore Business School's Centre for Governance Institutions and Organisations (CGIO).

The scores comprised two components — the first reflects how well companies fulfilled key governance principles, and the second awards or deducts points for surpassing or missing standards.

On average, the assessed companies scored 71.7 overall out of a maximum 142, or just over 50 per cent of the highest possible score. But there was a wide variation in how the different companies fared, with the lowest score coming in at 46.6 and the highest score at 113.

Looking at the core component alone, Singapore companies scored an average of 60.1 out of a possible 100, coming in third behind Thailand and Malaysia.

Mohd Sant bin Mohd Ismail, mission leader for asset capital market integration for the Asian Development Bank, said in a speech that the purpose of the regional assessment was to improve the branding of the region to attract investments.

He noted that even though there is no set number "Holy Grail" link between governance and profits, there is strong evidence that governance means better operations.

But he also urged executives and companies to remember the "human element" behind governance.

Problems that arise because of weak governance can affect the lives of innocent individuals, he said.

"As investors who can invest to a company may be greatly affected if investments in the company noonds," he said in a prepared statement.

With Singapore's Code of Corporate Governance now requiring companies to reveal remuneration details for individual top directors and executives, discussions also turned to recent findings by a SId survey that found most companies unwilling to do so.

DBS chief executive Piyush Gupta argued against disclosure on competitive grounds.

"We don’t do that, but we've debated it actively," Mr Gupta said. "There’s a very small hiring market in Singapore. The talent pool in our industry is very small. The vulnerability that I will expose myself to by putting the compensation of my top five executives out for public scrutiny is very high. Given the turnover and attrition in my industry, it’s not a risk I’m prepared to take."

Richard Teng, chief regulatory officer at SGX, noted that being too focused on dollar amounts may be missing the forest for the trees. What investors fundamentally need to see is how those amounts are tied to performance.

"If you look at fundamental corporate governance principles, it’s not about disclosure of your top five executives’ pay. It’s always about accountability," Mr Teng said, adding: "It’s how do you align the interest of shareholders with management to drive the longer term performance and results of the company?"