

Benchmarking for Strategic Corporate Governance:

Findings from
Governance & Transparency Index 2011

Assoc Prof Lawrence Loh

Centre for Governance, Institutions and Organizations
NUS Business School

CPA Forum 2011

11 July 2011

GTI Governance &
Transparency
Index

The GTI Project

Conducted by:

CGIO
CENTRE FOR GOVERNANCE,
INSTITUTIONS AND ORGANIZATIONS

THE BUSINESS TIMES

Sponsored by:



Supported by:

imas
THE INVESTMENT MANAGEMENT
ASSOCIATION OF SINGAPORE

Corporate Governance: The Challenge

- Shareholder interest
 - Protection
- Business interest
 - Value
- Classical principal-agent problem
 - Conflict of interest



3



Corporate Governance: The Context

- **Mega-failures:** Enron etc
- **Accounting firms:** From Big 5 to Big 4
- **Global economic crisis 2008-2009:**
 - No firms too big to fail
- **Singapore issues:**
 - Staying competitive, comparative
 - Standards in listed companies
 - S-chips



Corporate Governance: The Context

- **UK:** Cadbury Report 1992 & others
- **US:** Sarbanes-Oxley Act 2002 & others
- **OECD:** Principles of Corporate Governance 2004
- **Singapore:** Code of Corporate Governance 2005
 - Proposed revisions - Consultation Paper (June 2011)



5

State of Practice in Singapore

- **Focus**
 - Board
 - Remuneration
 - Accounting & audit
- **Emerging**
 - Risk management
 - Shareholder engagement
- **What's the next big thing?**



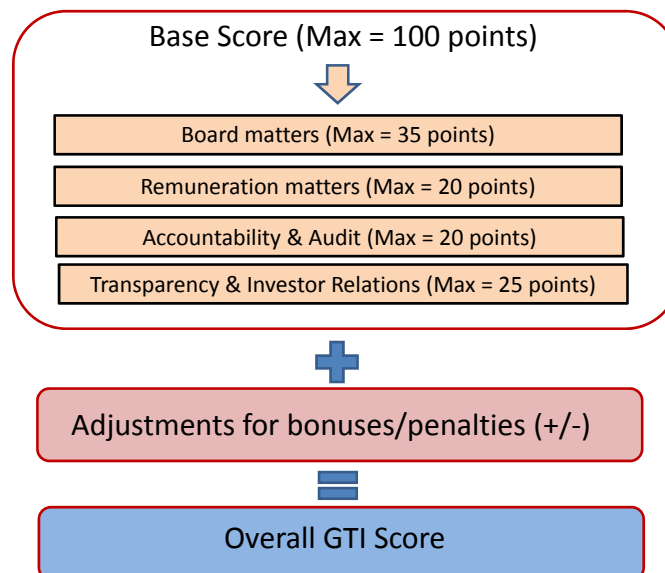
6

GTI Objectives

- Assess companies on
 - corporate governance disclosure & practices
 - timeliness, accessibility & transparency of financial results announcement
- Recognize companies that go beyond simply meeting Code
- Provide benchmarks for comparison

7

GTI Framework



8

GTI Coverage

- 657 companies that released annual reports in 2010
- Exception for companies with September year-end (cut-off: 31 January 2011)
- 3 companies that have not released any annual report in 2010: Updated using their latest announcements
- Companies excluded:
 - Companies with secondary listings
 - Newly-listed companies
 - REITs, Trust & Funds
 - Companies that did not release their annual reports during time period

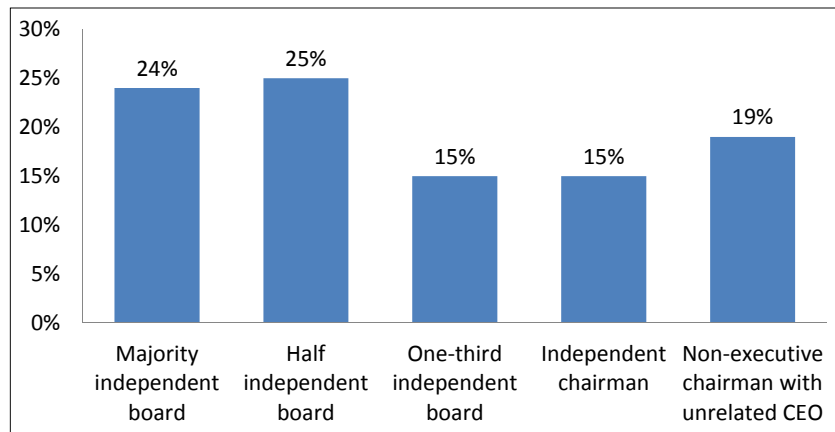
9

GTI Information Sources

- Annual report
- Company announcements: 1 January 2009 to 28 February 2011
(Note: Announcements made until 30 April 2011 used to update score if publicly announced)
- Corporate website
- Information obtained from companies

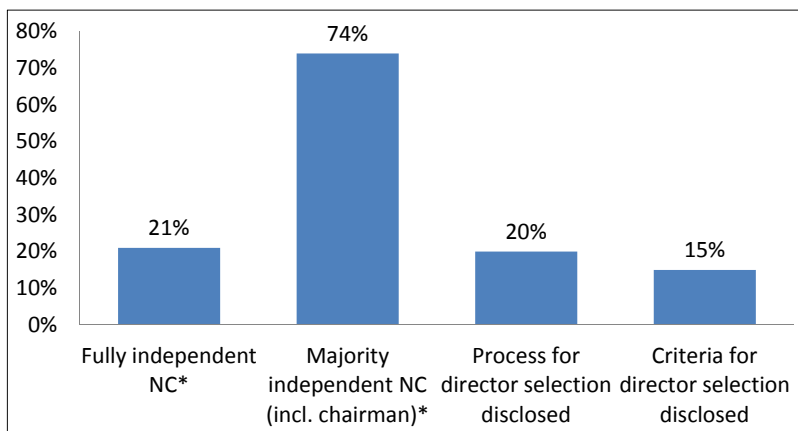
10

GTI Findings: Board Matters



11

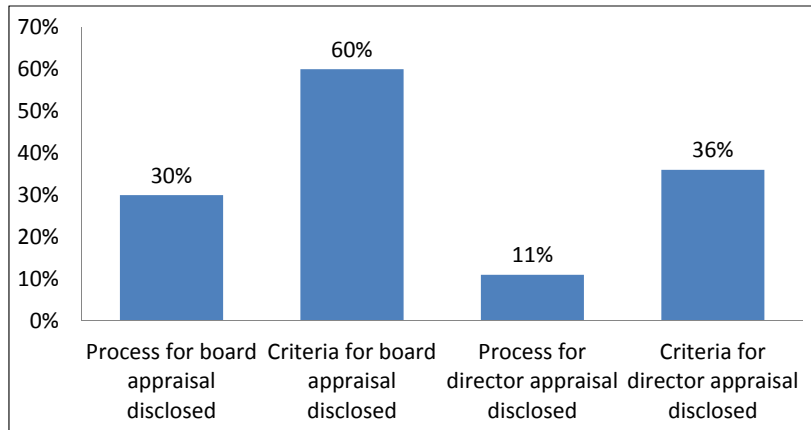
GTI Findings: Board Matters



* % based on number of companies with nominating committees (NC)

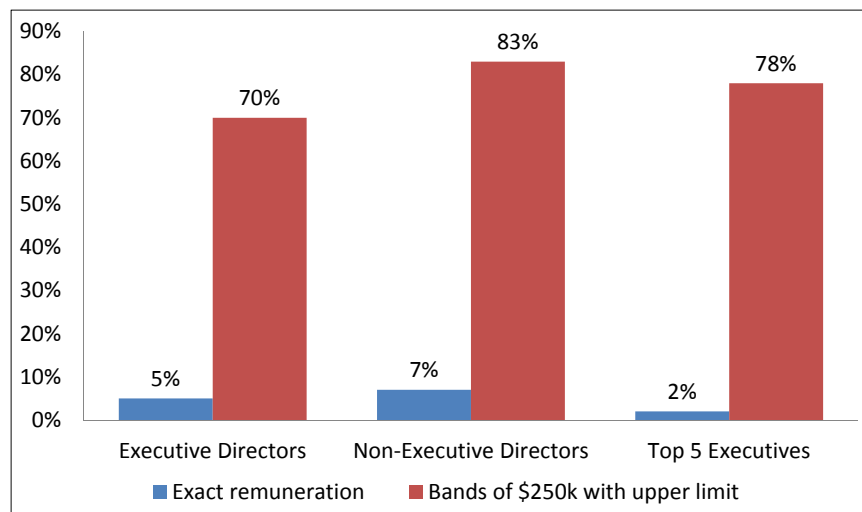
12

GTI Findings: Board Matters



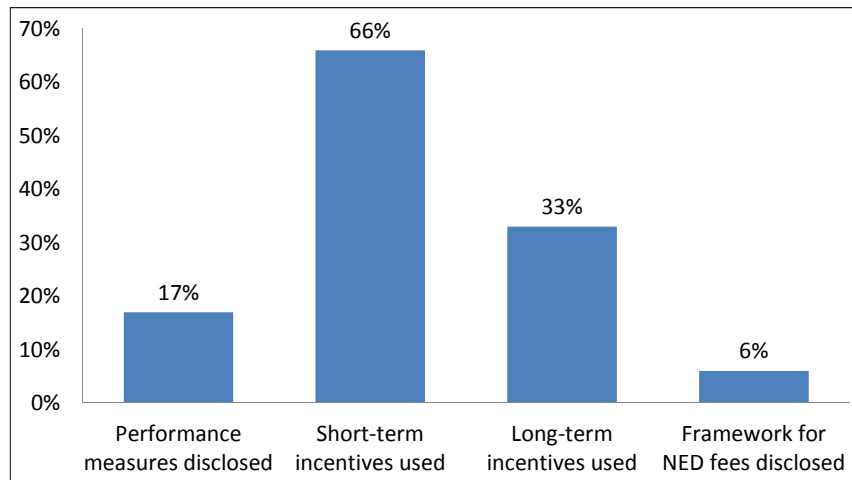
13

GTI Findings: Remuneration Matters



14

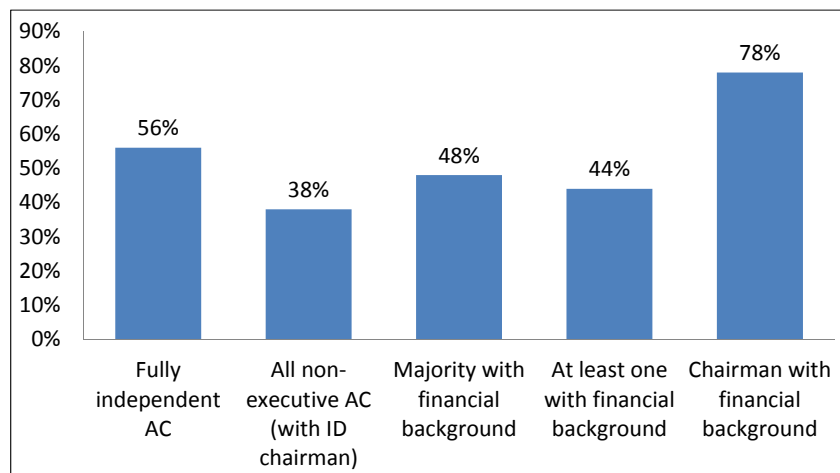
GTI Findings: Remuneration Matters



Note: NED - non-executive director

15

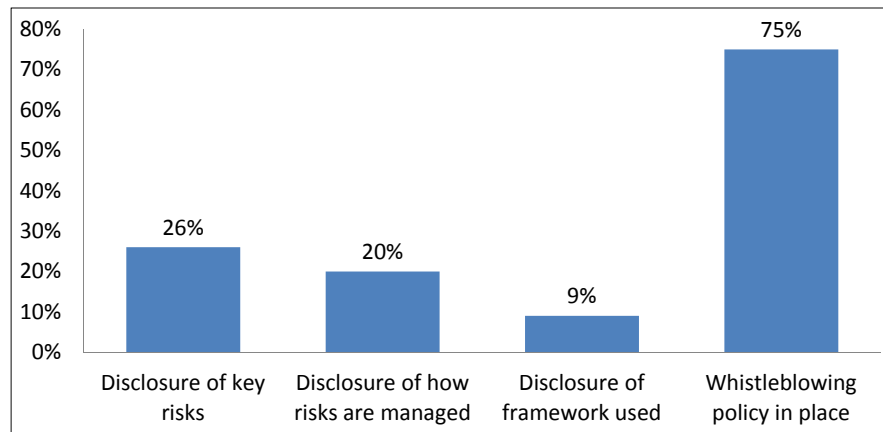
GTI Findings: Audit & Accountability



Note: AC - audit committee; ID - independent director

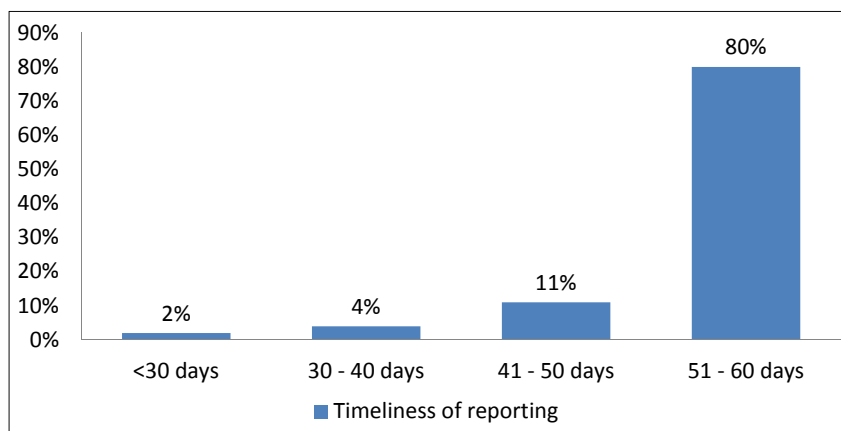
16

GTI Findings: Audit & Accountability



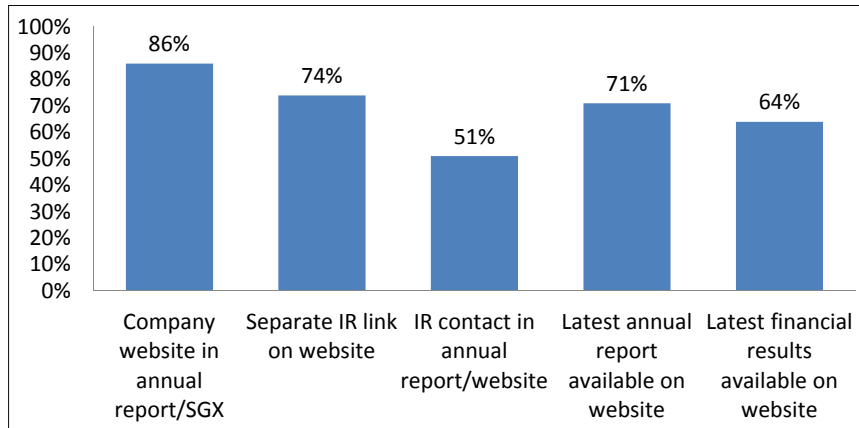
17

GTI Findings: Transparency & Investor Relations



18

GTI Findings: Transparency & Investor Relations



Note: IR - investor relations

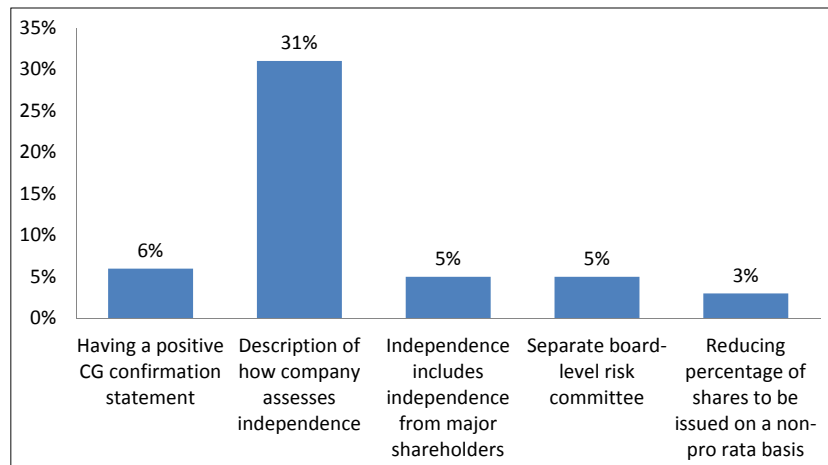
19

GTI Findings: Transparency & Investor Relations

- On average, time gap between date Notice of AGM sent to shareholders and date of AGM is 18 days. Only 3% of companies have gap of 28 days or more
- Only 3% of companies disclose detailed information regarding vote results at AGMs

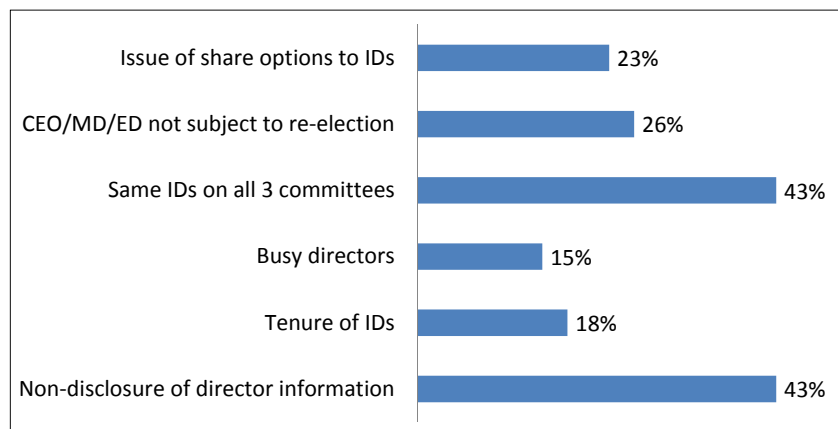
20

GTI Findings: Bonus Points



21

GTI Findings: Penalty Points



22

GTI Findings: Summary

- State of disclosure practices remains largely unchanged from previous issue
- Average overall GTI score of companies is 31 (compared to 33 in previous issue)
- A few companies made significant improvement in disclosure & practices but majority follow only minimum standards required by Code (8% received score of 50 points or more)

23

GTI Findings: Top 5 Companies

1. Singapore Telecommunications Ltd (109 points)
2. Singapore Exchange Ltd (101 points)
3. Keppel Corporation Ltd (91 points)*
3. Keppel Land Ltd (91 points)*
5. SATS Ltd (88 points)

* *Joint third*

 Keppel Corporation

 Keppel Land



24

Beyond GTI



- Role of board
 - Control (brake) vs value (accelerator)
 - Intelligent trade-off, balancing



- Purposeful governance
 - How can board help company?
 - Is bureaucratic red-tape reappearing as corporate governance?



25

Beyond GTI



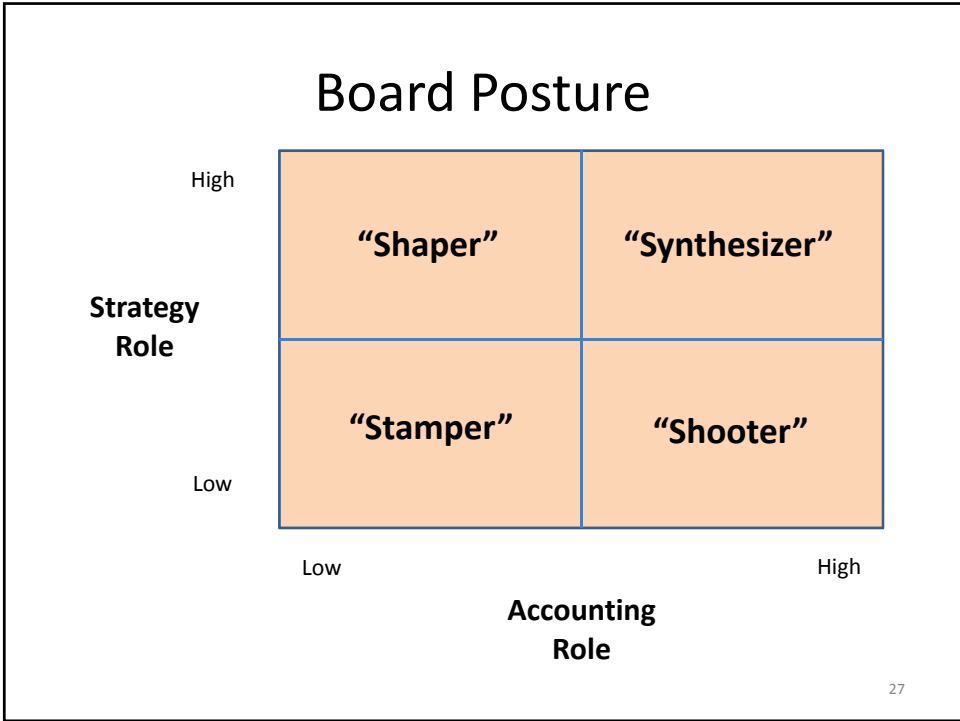
- Beyond accounting, towards strategy
 - 2 sides of same coin
 - 2 hands to clap



- Calibration & measurement
 - Beware of groupthink
 - Board becomes management




26




Board Challenges in Strategy



- Mindsets
- Dynamics
- Structures






28