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 142 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 a non-mandatory Code may not be good enough.

“If you take Adam Smith and the invisible hand, the invisible hand needs to be ripped 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 been 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 93 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 FibreHome Technologies – an $800m 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 inappropriate amount of scrutiny when compared to the fees 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 those 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.