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Singapore firms improve in corporate governance

Singtel takes pole position for second straight year, not just here but regionally too

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Rules for rulers

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Singapore

CORPORATE governance among the 100 largest companies on the Singapore Exchange improved slightly in 2014, but there is considerable room for improvement, said assessors of the Asean Corporate Governance Scorecard on Thursday.

Singapore Telecommunications led the pack for the second straight year, not just in Singapore but also among the other five participating countries of Indonesia, Malaysia, Philippines, Thailand and Vietnam, according to the Singapore Institute of Directors (SID) and the National University of Singapore (NUS) Business School's Centre for Governance, Institutions and Organisations (CGIO).

"It is a recognition of our commitment to our stakeholders, including shareholders, to ensure sustainable long-term value creation," said Singtel chief corporate officer Jeann Low. "Singtel aspires to the highest standards of corporate governance."

The Singapore companies scored an average 70.7 out of a maximum 128 points, with the lowest at 43.9 and the highest at 105.5.

Looking at just basic governance requirements, the Singapore companies scored an average of 67 points out of a possible 100, a modest improvement from the 65.1 points in 2013.

"Singapore companies, as a whole, run the risk of falling behind their Asean counterparts if we do not strengthen our governance performance," said associate professor Lawrence Loh of NUS.

Improvements were made on shareholders' rights, the equitable treatment of shareholdrers and the role of stakeholders, although disclosure and transparency and the responsibilities of the board were relatively unchanged.

That the Singapore companies' averages were not outstanding was a point of emphasis for the assessors, who noted that a ranked list across all six participating countries later in the year will force the Singapore companies to be measured on international terms.

"The findings are not always comforting," SID chairman Willie Cheng said. "It appears that companies could and should do better. When the peer rankings of the top 100 listed companies in the other countries . . . are published further down the road, that is, when there is a single ranked list of top publicly listed companies across Asean, it would be good if the Singapore companies are right up there on top. Well, based on the current set of results, that may not be the case."

John Lim, the immediate past chairman of SID, said that some of the shortcomings were mere matters of documentation that could be easily addressed. For example, only six of the 100 Singapore companies earned points for disclosing the list of directors who attended the most recent annual general meeting (AGM).

"In most of our AGMs, with few exceptions, the whole board is there . . . but our minutes are absolutely brief and often do not even in fact indicate who attended the meeting," he said.

Other areas of concern raised by the assessors were not as easily resolved. Mr Lim noted, for example, that 57 of the Singapore companies had points deducted for independent directors who had served for longer than nine years.

In a panel discussion, Singapore Exchange chief regulatory officer Yeo Lian Sim said that companies must understand governance and disclosure as a way to ensure that investors understand the company, instead of merely trying to comply with regulations.

"If companies take the view, what does my shareholder need to know? Am I telling him or her enough? Am I helping them understand?" Ms Yeo said. "I think if we start that way, then the disclosure quality is also correct."