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# Corporate governance index to cast wider net on stakeholder feedback

## 2016 index will also tap OECD principles; scores in 2015 rankings hit a new high. Singtel takes top spot in annual ranking

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Governance and Transparency Index 2014 – the full rankings

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Singapore

CONSIDER it the seven-year itch of corporate governance.

How and why the current Governance and Transparency Index (GTI) can be improved became the hot topic on Tuesday as organisers revealed the seventh annual edition of the governance benchmark.

This latest version of the Singapore Governance and Transparency Index (SGTI) will replace the current benchmark in 2016, said its organisers CPA Australia, the National University of Singapore's Centre for Governance, Institutions and Organisations (CGIO) and The Business Times.

The new index will adopt a more comprehensive view of a company's stakeholders and work on principles derived from the Organisation for Economic Co-operation and Development (OECD).

Participants in a panel discussion found themselves debating whether a benchmark like the GTI adequately captures the effectiveness of a board of directors, especially in terms of participation in the company, developing strategy and setting a corporate culture.

Singapore Telecommunications (Singtel) reclaimed the top spot in 2015, a position it last held in the 2012 ranking. Singapore Exchange, fourth last year, jumped to the second spot.

The GTI remains dominated by a select group of blue chips - 18 of the top 21 this year were also in the top 21 last year - and scores in general have improved.

The mean score of 47.6 out of a best possible 143 in 2015 was the best since the first GTI in 2009.

Associate professor Lawrence Loh noted that companies in the middle of the pack had to

improve their scores by seven points in the latest ranking just to maintain the same rank; companies between the 25th and 75th percentile who maintained the same score could lose about 100 places.

"You can't stay still," Prof Loh said.

The 2015 GTI looked at 639 Singapore-listed companies' annual reports and assessed them on matters relating to the board, remuneration, accountability and audit, and transparency and investor relations.

After assigning a base score out of 100, assessors then added bonus points or subtracted penalty points. The highest score in 2015 was 118, and the lowest, nine - the first time that the bottom score was positive.

Prof Loh called the Code of Corporate Governance, which was revised in 2012 but fully applied to every annual report only from this round of rankings, as the key lever that lifted the scores.

Prof Loh said: "The revised code is actually more than a tap on the wrist; it is a kick in the pants for everybody to be serious about corporate governance. Because now it's enshrined, you now have to comply or explain."

Sharp improvements were recorded in the following areas:

- the number of financial statements certified by the chief executive or chief financial officer;
- the use of poll voting at shareholder meetings;
- the disclosure of how remuneration was linked to performance; and
- the disclosure of limits to concurrent directorships.

But improvement seemed to lag in other areas. For example, only 3.8 per cent of companies disclosed the exact remuneration of their top five executives; and although 94.5 per cent of companies said they had a whistleblower policy, only 23.3 per cent gave details of that policy.

Whether the GTI's scores and rankings said enough about the effectiveness of a board was something prominent business leader Boon Swan Foo questioned several times.

The board's role goes beyond simply complying with governance guidelines, he said. Directors should also be assessed in terms of whether they are active participants in their companies. Do they contribute to strategy and culture?

He said: "The more important part, to me, is strategy and risk management - how you participate in running the company, not how you participate in controlling the company."

Singtel chief corporate officer Jeann Low said that it was important to also recognise sustainable long-term performance; key to that is how the board and management work together.

"What you need really is the entire dynamics of the board," she said.

Chng Lay Chew, chief financial officer of Singapore Exchange, said that it was also important to recognise that shareholders are not the only stakeholders in a company.

"One possible way to supplement measurement of compliance against corporate governance

standards is to obtain stakeholder feedback on their view of a company's governance. This can include (feedback from) shareholders, regulators and customers."

Prof Loh said that the new SGTI will seek to address that issue, with a more comprehensive look at a company's impact.

"We are going beyond the board of directors or even the shareholders," he said. "We will look at employees, customers, suppliers, regulators, the society at large. This is in line with the spirit of global practices."

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