NUS National University of Singapore

Source: *The Business Times*, p4
Date: 12 May 2021

Local firms need to do better on corporate governance disclosures

Singapore ranks behind Thailand and Malaysia in 2019 edition of the Asean Corporate Governance Scorecard

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SINGAPORE-LISTED companies need to be more disciplined and be willing to disclose more if they want to achieve better corporate governance results, particularly as corporate governance becomes a more important measure for comparing companies across markets.

Speaking at an Asean Corporate Governance Scorecard (ACGS) briefing on Tuesday, associate professor Lawrence Loh, who is director for the Centre for Governance and Sustainability (CGS) at the National University of Singapore Business School, said that companies should "disclose (even) the most obvious".

"Don't be shy. When in doubt, just disclose. Don't take things for granted," he added.

Prof Loh gave the example of attendance of directors at annual general meetings (AGMs). As it is "a given" that attendance is required, most companies do not disclose attendance information. But this may not be the case in other jurisdictions, and attendance may therefore be disclosed by companies in those other jurisdictions. Making such disclosures would therefore be beneficial for local companies.

This is because "investors do make choices across multiple markets", said Prof Loh. Thus, "it is critical that companies make diligent and accurate governance disclosures so that they stack well against those in other markets".

In the 2019 edition of the ACGS, Singapore ranked behind Thailand and Malaysia in terms of average total scores. Countries that participated in the 2019 assessment were Singapore, Indonesia, Malaysia, Thailand, the Philippines and Vietnam.

ACGS top 20 Singapore companies

COMPANY	SCORE (OUT OF 130)	COMPANY	SCORE (OUT OF 130)
SATS	119.68	Sembcorp Industries	107.74
UOB	119.38	Great Eastern Holdings	107.18
Singapore Exchange	119.10	Frasers Property	106.79
Singtel	118.49	StarHub	106.70
OCBC	115.71	ST Engineering	106.26
Singapore Press Holdings	114.29	Olam International	106.10
DBS	112.17	Sembcorp Marine	105.57
ComfortDelGro	110.85	CapitaLand	103.57
Keppel Corporation	110.68	Far East Orchard	103.35
City Developments	108.97	SIA Engineering	103.05

Source: NUS Business School's Centre for Governance and Sustainability, Singapore Institute of Directors

The ACGS is released biennially as part of an initiative under the Asean Capital Markets forum, a grouping of capital markets regulators. The domestic ranking bodies of each country assess a list of the top 100 publicly-listed companies by market capitalisation in their jurisdictions, and each of the top 35 companies from each country undergo peer review assessment randomly by the domestic ranking bodies of the other countries.

Companies are scored on two tiers. The Level 1 score has five components: rights of shareholders, equitable treatment of shareholders, role of shareholders, disclosure and transparency, as well as responsibilities of the board. The Level 2 score awards bonus and penalty points.

On average, Singapore companies scored 88.27 out of the maximum attainable 130 points. Thailand and Malaysia achieved an average score of 96.6 points and 94.99 points, respectively.

The top scorer in Singapore was ground handler and in-flight caterer SATS with a score of 119.68. UOB came in second with 119.38 points, followed by the Singapore Exchange with 119.10 points.

Across the board, for the individual components, local companies scored 8.6 out of 10 points for rights of shareholders, 9.3 out of 10 points for equitable treatment of shareholders, 12.2 out of 15 points for role of shareholders, 20 out of 25 points for disclosure and transparency, and 30.8 out of 40 points for responsibilities of the board.

When it came to disclosures, one major area of difference between Singapore and other markets was disclosures on the attendance of board members and the chief executive at meetings. Only 34 of the 100 Singapore companies said they had disclosed this information.

Also, only 20 of the 100 companies had posted an up-to-date version of their corporation's constitution – including the company's by-laws as well as memorandum and articles of association – on their websites.

In response to a question raised during the briefing on why Singapore companies may be reluctant to make disclosures compared to their regional counterparts, John Lim, chairman of the CGS and nominated corporate governance expert for Singapore for the ACGS, said: "I think it's a kind of belief by some companies that when you disclose too much information, you might be giving away trade secrets. A lot of information might be sensitive information, and you might be giving away something to the competition."

But he added that the type of information asked to be disclosed has nothing to do with trade secrets, such as that of a CEO's remuneration or the general strategy of a company. Thus, such concerns are typically invalid.

The lack of disclosure puts locally-listed companies at a disadvantage compared with their regional peers. If they were to pay more attention to such matters, the ratings and ranking of these companies for corporate governance matters should improve.

As Mr Lim put it: "Singapore companies appear to have the tendency to do more than what they disclose.

"In Singapore, we have what we call a balanced ecosystem. We've got regulations, we've got market practices. Here is a case where in fact, you have already implemented the practice; what you're falling short on is just disclosure."