News Release

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SGX review shows state of companies' disclosures good with room for improvement

Mainboard companies reviewed for their Code of Corporate Governance (CG Code) disclosures scored an average 60% in an inaugural study by Singapore Exchange (SGX). Adherence to guidelines of the CG Code can be improved and deviations should be better explained, SGX said, adding that disclosures on "remuneration matters" were most in need of improvement.

The review of 545 companies' CG Code disclosures was independently carried out by KPMG, which described the state of disclosures as good with room for improvement.

The report showed that large-capitalisation companies had a slight lead over other firms in terms of scores achieved. Large-capitalisation companies with market value of S$1 billion or more, scored an average 66%. Mid-cap companies, or those with market value exceeding S$300 million but less than S$1 billion, scored 62% on average. Small-cap companies had an average score of 59%.

The highest score achieved by a company in this study, which is available on a statistical no-name basis, was 90% while the lowest was 28%. The study found 52% of companies (281 in total) scored above 60% (with 3% of all companies scoring above 80%), 35% of companies (189 in total) scored between 50-60% and 14% of companies (75 in total) scored below 50%.

Included in the review report are guidance on preparing good disclosures and commentary on guidelines which need improvement. SGX intends to use the results of the study and findings on individual companies to help improve their disclosures and overall governance standards.

"This report is aimed at making companies aware of the importance of complying with the CG Code and providing meaningful explanations for deviations. We want to work with companies to improve the quality of their disclosures and governance practices so that they in turn can draw more long-term investors," said Tan Boon Gin, Chief Regulatory Officer, SGX.

"The intent of our engagement is to make clear to the companies the purpose of each of the relevant requirements and why improvements are important. We also want to hear about the constraints which some companies, particularly the smaller ones, may face and how we can help," Mr Tan added.

"Unprecedented in breadth and scale, this disclosure study will serve as a guiding post in helping listed companies become better corporate citizens," said Irving Low, Head of Risk Consulting at KPMG in Singapore.

"While companies have made great strides in corporate governance in recent years and should be applauded for their efforts as demonstrated by the positive trends and results, there will always be room for improvement. Not only does this study report how our listed companies are performing, but it also offers concrete suggestions for improvement," Mr Low added.

The review showed that disclosures across three of the four pillars of the CG Code, namely, "Board Matters", "Accountability and Audit" and "Shareholder Rights and Responsibilities" had average scores ranging from 61% to 63%. The "Remuneration Matters" pillar had an average score of 53%, the lowest among the pillars. Many companies were reticent about the amount of remuneration paid to directors, CEOs and key management personnel. Also lacking were details on the performance metrics for directors and key management personnel and how performance and remuneration are aligned.

Annual reports of companies for financial years ending from 1 July 2014 to 30 June 2015 were reviewed. Disclosures on 85 requirements were evaluated based on whether the disclosure was present, which would account for one-third of the score, and the quality of the disclosure if present, which would carry two-thirds of the score. The heavier weightage awarded to the quality of disclosures reflects the focus of this review on evaluating the overall quality of disclosures, rather than only whether disclosures are present.

More details on the "SGX Review of Mainboard Companies' Code of Corporate Governance Disclosures" can be found here.

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