



Goals of Corporate Governance

- A Singapore Perspective

EU-Asia Corporate Governance Dialogue

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Key Features of Singapore Economy

1. Open Economy heavily dependent on the financial sector

About Singapore

	2010	2011
Land Area (sq km)	712.4	714.3
Average Temperature (°C)		
Maximum	31.9	31.3
Minimum	24.9	24.7
Total Rainfall (mm)	2,075	2,525

Social Indicators

	2010	2011
Total Population ('000)	5,076.7	5,183.7
Singapore Residents ('000)	3,771.7	3,789.3
Population Density (per sq km)	7,126	7,257
Median Age (years)	37	38
Literacy Rate (%)	96	96
Mean Years of Schooling	10.1	10.2
Home Ownership (%)	87.2	88.6
Doctors Per 10,000 Population	17	18
Crime Rate (per 100,000 population)	653	606

Economic Indicators

	2010	2011
Gross Domestic Product ¹ (\$ billion)	310.0	326.8
Per Capita Gross National Income ¹ (\$)	60,009	61,692
Real Economic Growth Rate (%)	14.8	4.9
Productivity Growth (%)	11.1	1.0
Inflation Rate (%)	2.8	5.2
Total Output of Manufacturing Sector (\$ billion)	273	285
Total External Trade (\$ billion)	902	974
International Visitor Arrivals (million)	11.6	13.2
Air Cargo Handled ('000 tonnes)	1,814	1,865
Sea Cargo Handled (million tonnes)	503	531
Container Throughput (million TEUs)	28.4	29.9
Money Supply (M1) (\$ million)	112,466	129,119
Official Foreign Reserves (\$ million)	288,954	308,403
Domestic Government Debt (\$ million)	321,182	354,023

¹ At current market prices.
TEU=Twenty-foot Equivalent Unit.

Extracted from Singapore in Figures 2012, published by the Department of Statistics, Singapore

Key Features of Singapore Economy

Key Indicators on Singapore's Corporate Sector, 2005-2009

	2005	2006	2007	2008	2009
Amount of Shareholders' Equity by Industry (Million Dollars) (As at Year-End)					
Total	792,129	869,571	1,092,745	1,091,989	1,292,094
Financial & Insurance Services Sector	416,479	454,741	625,199	603,045	729,093
Non Financial Sectors	375,650	414,830	467,545	488,944	563,000
Manufacturing	119,025	125,710	131,433	120,059	142,457
Construction	6,651	7,611	7,982	7,869	10,781
Wholesale & Retail Trade	70,707	85,229	92,888	103,174	111,628
Accommodation & Food Service Activities	5,102	58,546	65,837	70,795	7,897
Transport & Storage	48,973	58,546	65,837	70,795	80,756
Information & Communications	30,686	27,871	26,011	25,051	23,164
Real Estate Activities	62,838	69,950	94,221	94,673	113,315
Professional, Scientific & Technical, Administrative & Support Service Activities	16,180	19,438	27,494	39,587	45,843
Others	15,487	14,722	14,521	20,677	27,160
Total Assets by Industry (Million Dollars) (As at Year-End)					
Total	3,156,573	3,507,355	4,140,116	4,299,320	4,449,861
Financial & Insurance Services Sector	2,153,537	2,411,513	2,933,986	3,026,626	3,035,599
Non Financial Sectors	1,003,036	1,095,842	1,206,130	1,272,694	1,414,262
Manufacturing	243,228	260,469	264,590	260,552	288,003
Construction	49,216	52,248	55,031	58,409	58,375
Wholesale & Retail Trade	274,661	301,958	340,763	342,665	382,622
Accommodation & Food Service Activities	12,114	13,177	14,831	16,184	15,932
Transport & Storage	104,785	124,335	143,776	152,496	169,145
Information & Communications	59,396	61,760	55,781	54,255	57,146
Real Estate Activities	162,533	170,014	208,746	240,952	265,333
Professional, Scientific & Technical, Administrative & Support Service Activities	60,591	70,309	85,644	98,274	106,731
Others	36,512	41,573	36,968	48,908	70,975

Extracted from Singapore Corporate Sector, 2009, published by the Department of Statistics, Singapore

Key Features of Singapore Economy

SGX Statistics At A Glance

	Apr 2012	May 2012
Number of Trading Days (Securities)	20	22
Securities market Turnover Volume (million shares)	64,348	39,859
Securities market Turnover Value (\$million)	23,534	25,752
Securities Daily Average (\$million)	1,177	1,171
Derivatives Volume	6,279,237	6,920,856
Derivatives Daily Average Volume	322,213	320,715
Total Number of Listed Securities	769	770
Total Market Capitalisation (\$million)	861,275	822,248

Extracted from
SGX Monthly
Statistics Report,
May 2012.

Goals of Corporate Governance

Goal 1:

To protect the interest of the investing public, maintaining confidence in our listed companies and enhancing Singapore's global reputation as a trusted financial centre – promote transparency and accountability

Singapore Corporate Governance Framework

- Code of Corporate Governance (Code) was introduced in 2001
 - 1st revision in 2005
 - 2nd revision in 2012
- Part of a larger framework made up of Companies Act, SGX Listing Manual, Securities and Futures Act, Code on Take-overs and Merger, accounting rules etc.

Extracted from SGX Monthly Statistics Report, May 2012.

Key Features of Singapore Economy

2. Corporate Ownership in Singapore listed companies is highly concentrated















- In an empirical study done by Tan L H on the shareholdings of the top 100 companies listed on SGX based on market capitalization in 2007-2008, it was found that for shareholdings of 1,000,001 and above, 2,561 shareholders held 114,312,477,241 shares, meaning that 0.19% of the total number of shareholders held 90.68% of the total number of shares whilst the category with the largest number of shareholders, i.e. shareholdings of 1,000 to 10,000 comprise 774,171 shareholders (56.10%) who held only 2.19% of the total number of shares.*


Extracted from SGX Monthly Statistics Report, May 2012.


Key Features of Singapore Economy


2. Corporate Ownership in Singapore listed companies is highly concentrated

Top 15 Companies by Market Capitalisation (as at month-end)

	Closing Price	Market Capitalisation (\$million)	
 Singtel	SGD3.10	49,421	
 Jardine Strategic Hldgs Ltd	USD30.27	43,551	
 Jardine Matheson Hldgs Ltd	USD48.40	41,498	
Prudential Plc	USD12.00	39,332	
 DBS Group Holdings Ltd	SGD13.22	31,947	
 Oversea-chinese Banking Corp	SGD8.36	28,675	
 United Overseas Bank Ltd	SGD17.69	27,834	
 Wilmar International Limited	SGD3.66	23,433	
 Genting Singapore Plc	SGD1.50	18,299	
 Dairy Farm Int'l Holdings Ltd	USD10.50	18,210	
 Keppel Corporation Limited	SGD9.98	17,906	
 Hongkong Land Holdings Limited	USD5.60	16,855	
 Jardine Cycle & Carriage Ltd	SGD42.12	14,983	
 Singapore Airlines Ltd	SGD10.40	12,168	
 Capitaland Limited	SGD2.54	10,796	

 Government-linked company

 Family-owned company

 Previously family-owned or government-owned but now majority shareholder is institutional investor

Extracted from SGX Monthly Statistics Report, May 2012.

Key Features of Singapore Economy

3. Family-owned firms tend to have poorer than average corporate governance practices while government owned firms have higher than average corporate governance practices












- *In a recent study done by the Centre for Governance, Institutions and Organisations (“CGIO”) of the National University of Singapore Business School that looked at 743 SGX listed companies in 2010, it was found that 52% of the companies were family firms.*
- *The family firms outperformed non-family firms, achieving a 5 per cent return on assets as opposed to 3 per cent in non-family firms but they generally have a lower compliance with the Code.*

Key Features of Singapore Economy

- *On the other hand, government owned companies not only perform well but also have good corporate governance in place.*
- *Finance Professor Michael Lemmon from the University of Utah and Wasatch Advisors Chair said in a forum organized by the NUS Business School in March 2012 that the Singapore government's model of corporate ownership is an asset that helps to maximize shareholder value. He added that he found no evidence that political connections detract from the value of firms in Singapore and that the government acts more like an investor that keeps a healthy distance from day-to-day operations through Temasek.*

Key Features of Singapore Economy

GOVERNANCE AND TRANSPARENCY INDEX 2012

RANK	COMPANY NAME	BASE GTI SCORE	ADJUSTMENTS FOR BONUSES / PENALTIES	OVERALL GTI SCORE (2012)	OVERALL GTI SCORE (2011)	RANK (2011)
 1	SINGAPORE TELECOMMUNICATIONS LTD	79	32	111	109	1
 2	SINGAPORE EXCHANGE LTD	81	24	105	101	2
 3	DBS GROUP HLDGS LTD (FORMERLY THE DEVELOPMENT BANK OF SINGAPORE LTD)	77	17	94	78	9
 4	KEPPEL CORP LTD	76	17	93	91	3
 4	SEMBCORP INDUSTRIES LTD	82	11	93	77	11
 6	KEPPEL LAND LTD (FORMERLY STRAITS STEAMSHIP LAND LTD)	77	15	92	91	3
 7	SMRT CORP LTD	90	-1	89	86	6
 8	SATS LTD (FORMERLY SINGAPORE AIRPORT TERMINAL SERVICES LTD)	70	14	84	88	5
 9	ASL MARINE HLDGS LTD	68	15	83	75	12
 9	FRASER AND NEAVE LTD	77	6	83	84	7
 11	QIAN HU CORP LTD	73	9	82	80	8

Website:

<http://bschool.nus.edu/CGIO/OurProjects/GovernanceTransparencyIndex.aspx>



Government-linked company



Family-owned company

Goals of Corporate Governance

Goal 2:

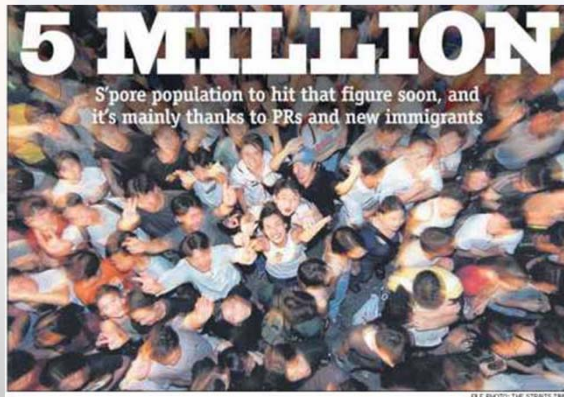
To allow flexibility in the enforcement of the rights and duties of the different corporate constituents

- *A mixture of legislative provisions and common law (e.g. Companies Act – shareholders' rights and directors' duties enforceable by civil and criminal sanctions; Securities & Futures Act – regulating market conduct), mandatory (e.g. Listing Rules, Code of take-over and merger) and voluntary code (Code of CG)*

Key Features of Singapore Economy

4. Limited pool of corporate expertise to be able to provide leadership

- *Issues of directors' independence, competence, composition, diversity*
- *Remuneration – disclosure and benchmarking*



Goals of Corporate Governance

Goal 3:

To empower the board of directors and its members but at the same time acknowledging the need for independence of directors and other limitations

- *Tightening up of definition of independence of director – relationship with management and shareholders; relationship of Chairman and CEO; length of tenure, multiple directorship*
- *Alternate directors, training of directors etc.*
- *Heavier responsibilities on Nominating Committee*

Goals of Corporate Governance

Goal 4:

Alignment of remuneration with long-term interest and transparency of remuneration

- *Disclosure of detailed remuneration package of each individual director and the CEO on a named basis; disclosure of top 5 key management personnel in bands of S\$250k – Singtel etc. do much more than requirements*
- *Contractual provision to reclaim incentive components of remuneration in exceptional circumstances involving misstatement of financial results or misconduct resulting in financial loss to the company*
- *Independence of appointed remuneration consultants*
- *Disclosure on link between remuneration and performance*

Goals of Corporate Governance

Goal 5:

Growing importance on role of board regarding risk management

- *Board to be responsible for the risk governance of a company and to ensure that the management maintains a sound system of risk management and internal control (Principle 11 of CG Code) – many scandals/crisis were problems of failure of internal control*
- *Board to receive assurance from CFO and CEO that financial records have been properly maintained etc.*
- *On 10 May 2012, Corporate Governance Council through MAS released its Risk Management Guidance for listed boards – a 45-page document*

Thank you



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