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Stiffer test to assess S'pore corporate transparency

Revamped BT-CTI takes into account best practices, new disclosure rules

By **MICHELLE QUAH**

[SINGAPORE] A tougher and more telling test has been set for corporate transparency in Singapore — thanks to a new team at the helm of the Business Times Corporate Transparency Index (BT-CTI). This means that to score well, companies will have to keep up with the evolving expectations of the times.

The Corporate Governance and Financial Reporting Centre (CGFRC) of the NUS Business School has come on board to help revamp the much-relied-on barometer of corporate disclosure and transparency — coming up with a scoring system that is robust and relevant in an age of rising standards of accountability.

Changes have been made to the scorecard to recognise certain emerging best practice in corporate transparency. And there have been adjustments to take into account certain changes in mandatory disclosure requirements — such as the inclusion of the statement of changes in equity.

"Companies also score higher on the index when they provide information beyond the requirements specified in the listing requirements and provide such information in a more timely, transparent and accessible manner to the market," said associate professor Mak Yuen Teen of the CGFRC, who developed and

supervised the new scoring system.

The CGFRC joins the Association of Chartered Certified Accountants (ACCA) in the BT-CTI, which has been rating Singapore-listed companies on the quality of their financial disclosure, and the way they are presented, for over five years.

ACCA's Singapore head, Penelope Phoon-Cohen, says: "We expect companies to continue to improve in their openness and speed in reporting relevant information to shareholders and other stakeholders — this will be reflected in the enhanced CTI scoring system."

The changes mean the latest results, released today, cannot be directly compared with previous scores — which have, therefore, not been published this time. Still, the essence and thrust of the BT-CTI scoring system remains the same: companies which are transparent and practise good disclosure practices rank higher than less transparent ones.

Tellingly, Qian Hu Corporation came out tops again this time — maintaining its position from the last BT-CTI. Raffles Holdings also maintained its strong standing. A total of 431 companies were scored this time, compared to 644 the last time. Temasek-linked companies such as Keppel Land, Keppel Corp and ST Engineering also scored highly.

As in the previous BT-CTI, companies are still assigned scores according to "content" and "context". The scoring team looks at

BT-CTI 2006 scorecard	
CONTENT	MAX SCORE
Completeness of information released (companies to be scored on a sliding scale):	
Balance sheet	5
Profit and loss account	10
Cash flow statement	5
Statement of changes in equity	5
Segmental breakdown (market, country, industry, product)	5
Expenses breakdown (interest, directors' remuneration, auditors' fees, depreciation, staff costs)	5
Detailed explanation of results (material events, revenues, profits, margins, exceptional items, industry position, competitiveness)	10
Future plans and prospects	5
Details of borrowings, contingent liabilities, risks, provisions	10
Maximum for content	60
CONTEXT	
Timeliness of release of results (mutually exclusive):	
• Results announced within 30 days	15 (max)
• Results announced after 30 th day but before 60 th day: points are deducted from the maximum 15 points	Variable
• Results announced on 60 th day	3
• Results announced after 60 days	0
Means of dissemination	10
Key management represented at results conference	5
SGXNET announcement of release date	5
Results announced/displayed on company's website	5
Maximum for Context	40
MAXIMUM OVERALL	100

year-end financial reports filed with the Singapore Exchange (SGX) and associated documents, such as press releases, corporate fact sheets and presentation.

The "content" section assesses the quality and quantity of financial information, while the "context" section scores the effective-

ness of how the content is communicated to the market. Sixty out of 100 points are allocated to content, with the rest going to context.

One example of change is that in the content section the statement of changes in equity has been included in the scorecard, to reflect the new mandatory disclosure

requirement.

For the context section, companies are now given more points for announcing their results early and for being more transparent in the dissemination of information. The revised scorecard is more precise in awarding points for the timeliness of releasing annual results. Companies are given additional points for uploading their presentation slides or having webcasts of their briefings on their websites, and for including their financial calendar for next year.

Singapore companies, however, still have some way to go.

"It can be seen from the difference in the content and context scores that while many companies are disclosing information beyond specified mandatory disclosures, they have not made sufficient effort to communicate such disclosures effectively to their present and potential shareholders," observed Prof Mak.

"The relatively poor context scores is consistent with other findings that investor relations practices of many Singapore-listed companies have much room for improvement."

Prof Mak exhorts: "We would also like to emphasise that companies need to show sustained commitment to transparency, whether they are doing well or not. Arguably, it is even more important for companies to be transparent when they are doing less well in order to maintain investor confidence."

To continue raising the bar on disclosure standards here, the new team will be making more changes to the BT-CTI in future.

"We are considering benchmarking these disclosure practices against international best practice in future, given Singapore's position as an international financial centre. Another possible change we are looking into is to include interim announcements as opposed to the current focus on annual announcements," Prof Mak said.