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SGX firms' disclosure of pay practices weak: Study

Information released often not clear enough for stakeholders to make relevant decisions

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Disclosure of remuneration practices by listed firms remains weak, with the information released often being insufficiently clear for stakeholders to make relevant decisions.

This was a key finding of a report by corporate governance advocate and professor of accounting Mak Yuen Teen and MBA graduate and active investor Chew Yi Hong.

Their study, supported by the Singapore Exchange (SGX), covered all 609 companies with a primary listing on SGX. It looked at annual reports for financial years ending between April 2016 and March 2017 and published between August 2016 and July 2017.

"We found significant gaps in remuneration practices... in terms of compliance with the Singapore Code of Corporate Governance (Code)," Professor Mak said. "Poor disclosures aggravate the risks of controlling shareholders and management using excessive remuneration to benefit themselves at the expense of minority shareholders."

He cited how data from companies often lacks sufficient clarity to allow stakeholders to adequately assess the remuneration structure.

Another key finding challenges the oft-cited argument by companies that they withhold pay information for fear of talent being poached. "Fear of poaching would imply that companies are paying below the market," said Prof Mak.

"Our findings do not support this. On the contrary, they are consistent with the argument that companies that disclose less may be trying to avoid drawing attention to relatively higher remuneration."

The report also found that disclosing remuneration in bands together with the names of individuals is the most common disclosure method used across key executives and board members.

But only 4 per cent of companies disclosed the exact remuneration amounts with the name of at least one of the key management personnel, and only 2 per cent did so for five or more key management personnel.

The Code recommends that firms disclose total remuneration paid to the top five key management personnel, but more than 30 per cent of companies did not do so or disclosed with incomplete data.

Singapore Exchange Regulation chief executive Tan Boon Gin said: "Shareholders, especially minorities, deserve to know why company directors and executives are paid the way they are.

"The board and management therefore owe it to investors... to explain the link between performance and remuneration."

The report also lauded good behaviour and identified overall leaders in remuneration practices, especially in terms of disclosure.

These included CapitaLand, Frasers Centrepoint, SGX and Singtel. Small caps such as Baker Technology, Dynamic Colours, Nera Telecommunications and SP Corporation also made the list.

The report also provides information on remuneration amounts and ratios to allow comparisons with other firms.

The 609 companies paid a total of $2.5 billion in the year, or about $4.1 million on average per firm.

In total, investors approved total non-executive director remuneration of $188 million, ranging from $50,000 to $4 million, with a median of $199,000.

The median fee for a non-executive director was $53,000.

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WHY FIRMS WITHHOLD PAY FIGURES

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PROFESSOR MAK YUEN TEEN, on the oft-cited argument by companies that they withhold pay information for fear of talent being poached.