

ASEAN Corporate Governance Scorecard 2014

Singapore Report

30 April 2015

Coverage

► Overview

- ASEAN Economic Community (AEC)
- ASEAN Capital Markets Forum (ACMF)
- ACMF Initiative – **ASEAN Corporate Governance Scorecard**

► Singapore Results

- Companies' Profile
- Score Distribution and Breakdown
- Key Findings

► Areas for Improvement and Recommendations

- Areas for Attention
- Moving Forward
- Top Performing Companies

Background

ASEAN Economic Community (AEC)

Blueprint 2015

- Capital can move freely
- Issuers are free to raise capital anywhere
- Investors can invest anywhere

Four Pillars of AEC

- Single market and production base
- Competitive economic region
- Equitable economic development
- Integration into the global economy



Background

ASEAN Capital Markets Forum (ACMF) –

Three broad themes in the implementation plan

Environment for Regional Integration	Market Infrastructure, Products and Intermediaries	Implementation Process
<ul style="list-style-type: none"> • Harmonization and mutual recognition framework 	<ul style="list-style-type: none"> • ASEAN exchange alliance and governance framework • New products and building ASEAN as an asset class • Bond markets 	<ul style="list-style-type: none"> • Aligning domestic capital market development plans • Reinforcing ASEAN working processes

Scorecard Initiative

- ▶ Started in early 2011
- ▶ Underlying principles
 - ▶ Reflect global principles
 - ▶ Universal and able to be applied to different markets
 - ▶ Robust quality assurance processes to ensure independence
- ▶ Development
 - ▶ OECD Principles of Corporate Governance
- ▶ Working group led by Securities Commission Malaysia
- ▶ SID and CGIO appointed by Monetary Authority of Singapore as Singapore DRB (Domestic Ranking Body), 2013 to 2015

Scorecard Structure

The Scorecard covers the following five areas of the OECD principles:

- A.** Rights of shareholders
- B.** Equitable treatment of shareholders
- C.** Role of stakeholders
- D.** Disclosure and transparency
- E.** Responsibilities of the board



Scorecard Methodology

Sections		Weightage (points)	
Level 1			
	Part A: Rights of Shareholders	10	
	Part B: Equitable Treatment of Shareholders	15	
	Part C: Role of Stakeholders	10	
	Part D: Disclosure and Transparency	25	
	Part E: Responsibilities of the Board	40	
Level 1 score			100
Level 2			
	Bonus	28	
	Penalty	-57	
Level 2 score (max)			28
Total score			128

Assessment Process

Shortlist: Top 100 companies by market capitalisation

Analyze: 100 companies using Scorecard

Peer-review: Top 35 Singapore companies by governance performance

Publish: Companies by rank based on corporate governance scores

Scorecard Available Online



Scorecard can downloaded from websites of:

- **CGIO, NUS Business School (bschool.nus.edu/cgio)**
- **Singapore Institute of Directors (www.sid.org.sg)**

Singapore Results

Sample Profile

	Total Singapore PLCs	Top 100 Singapore PLCs	Proportion
Number of Public Listed Companies (PLCs)	766	100	13%
Market Capitalisation (S\$ billion)	994	552	56%

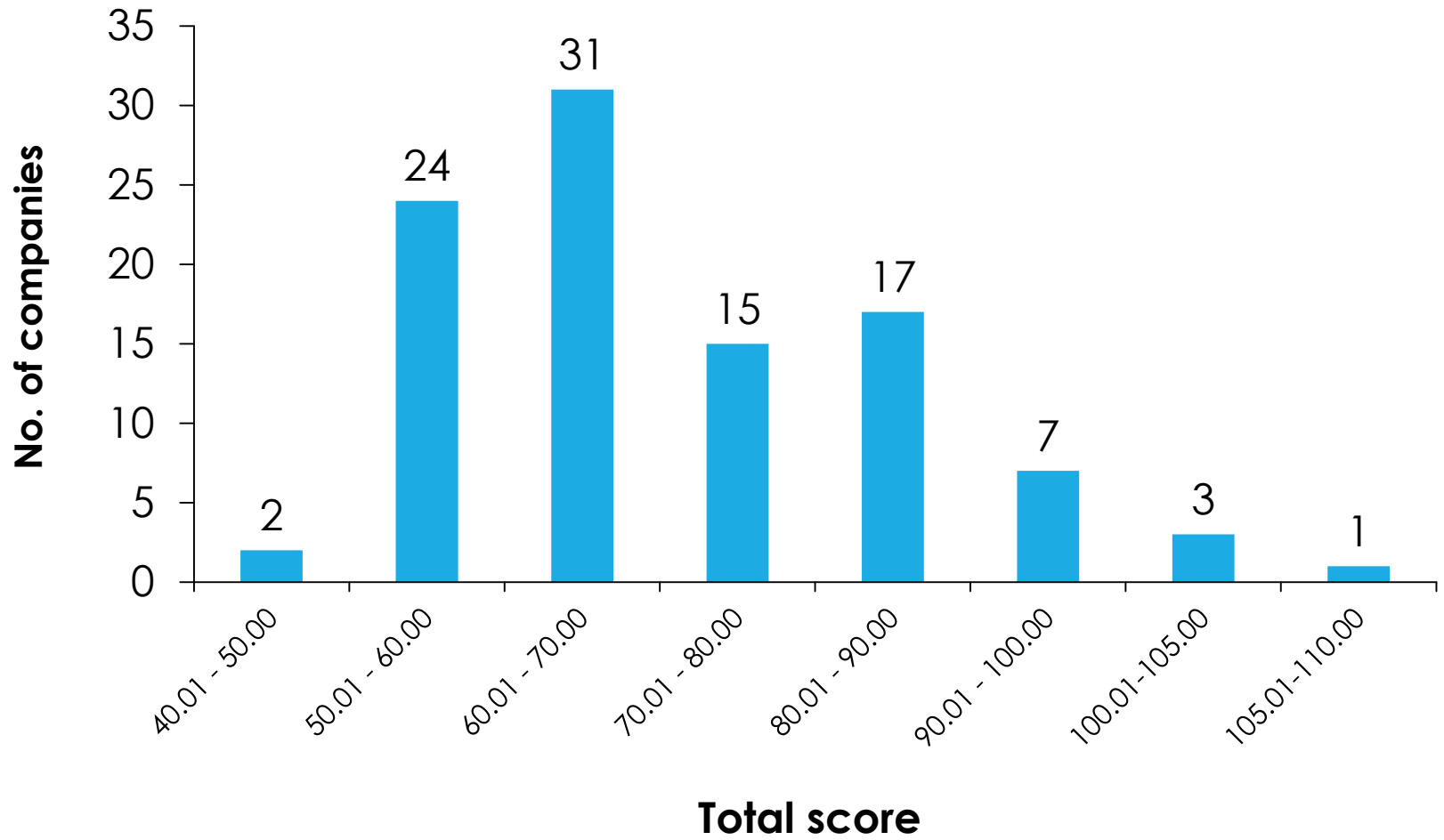
Description	Market Capitalisation (S\$M)
Mean	5,333
Median	1,887
Maximum	61,062
Minimum	641

Total Score

Description	Total Score*
Mean	70.72
Median	67.59
Maximum	105.48
Minimum	43.85

* Out of a maximum total score of 128 points

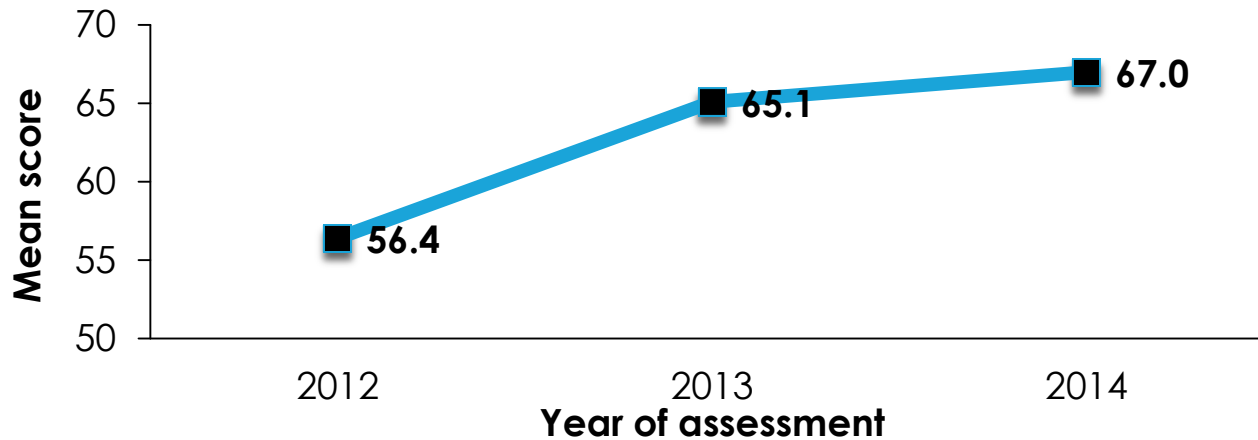
Total Score Distribution



Level 1 Score

Description	Score* (2012)	Score* (2013)	Score* (2014)
Mean	56.4	65.06	67.00
Median	56.2	63.97	65.62
Maximum	75.3	84.86	90.93
Minimum	41.8	47.90	46.85

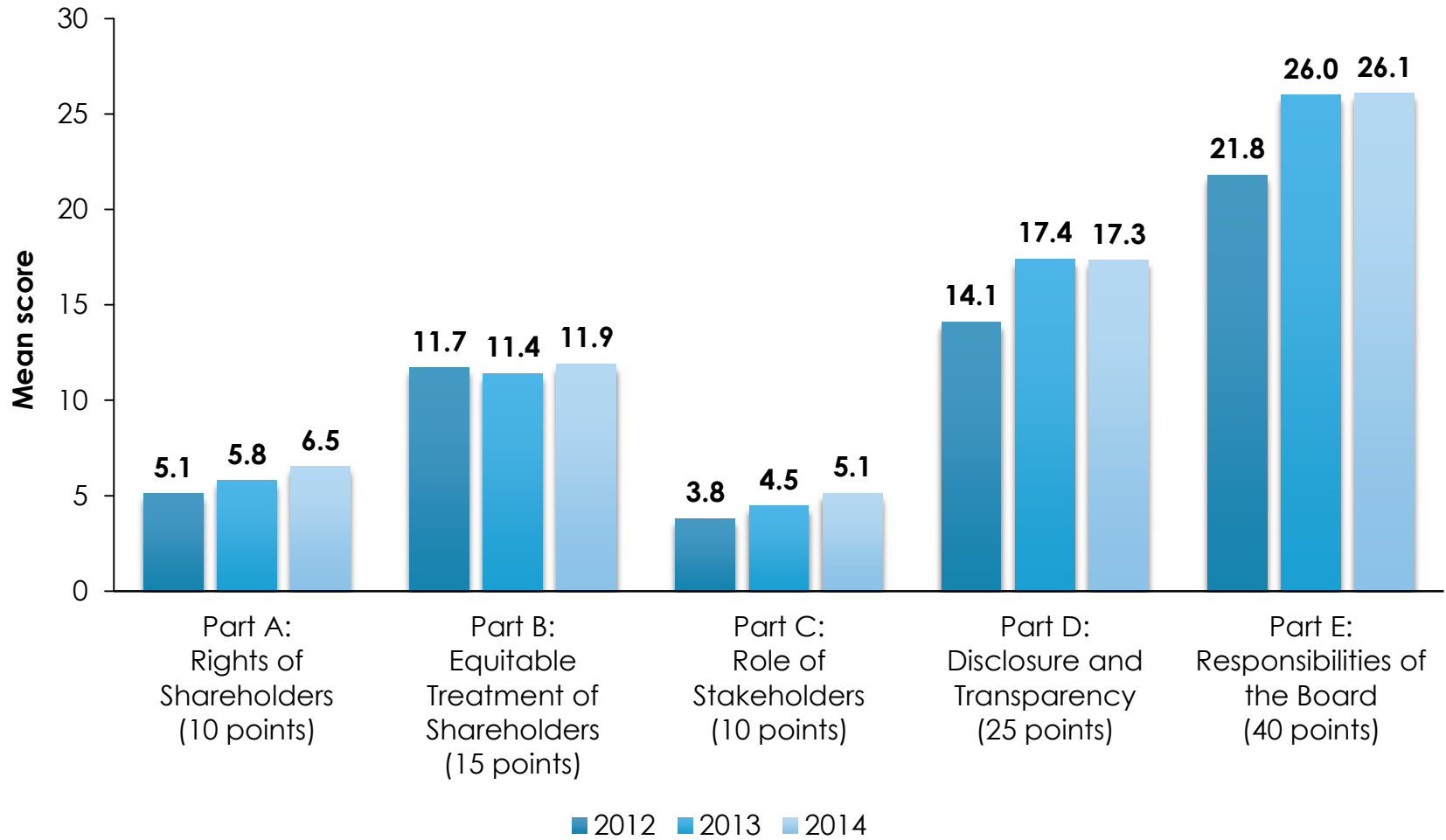
* Out of 100 points



Scores by Company Size

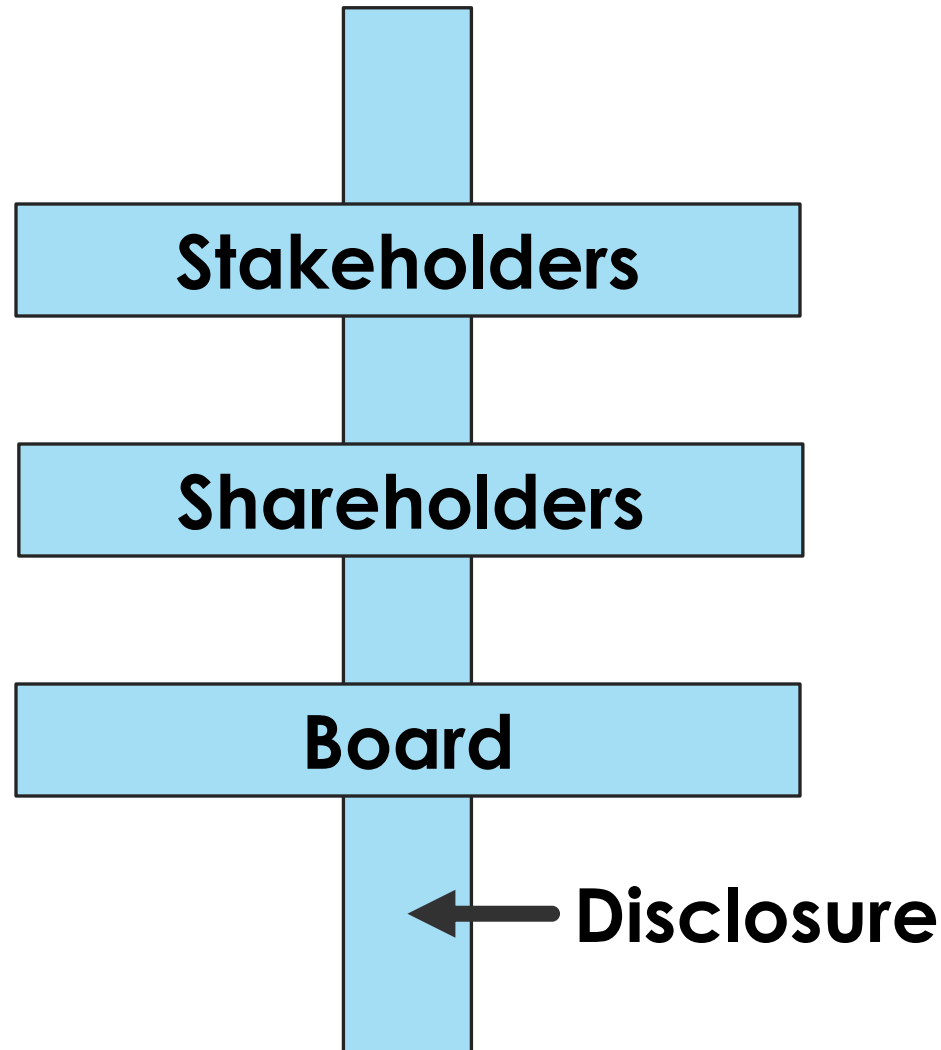
Category	No. of Companies	Average Total Score (out of 128)	Average Level 1 (out of 100)	Average Level 2 (out of 28)
< S\$1 billion	26	62.83	62.33	0.50
S\$1 billion to < S\$2 billion	28	63.93	62.93	1.00
S\$2 billion to < S\$5 billion	20	71.36	66.36	5.00
S\$5 billion and more	26	85.41	76.53	8.88

Scores by Component



Assessment Ideogram

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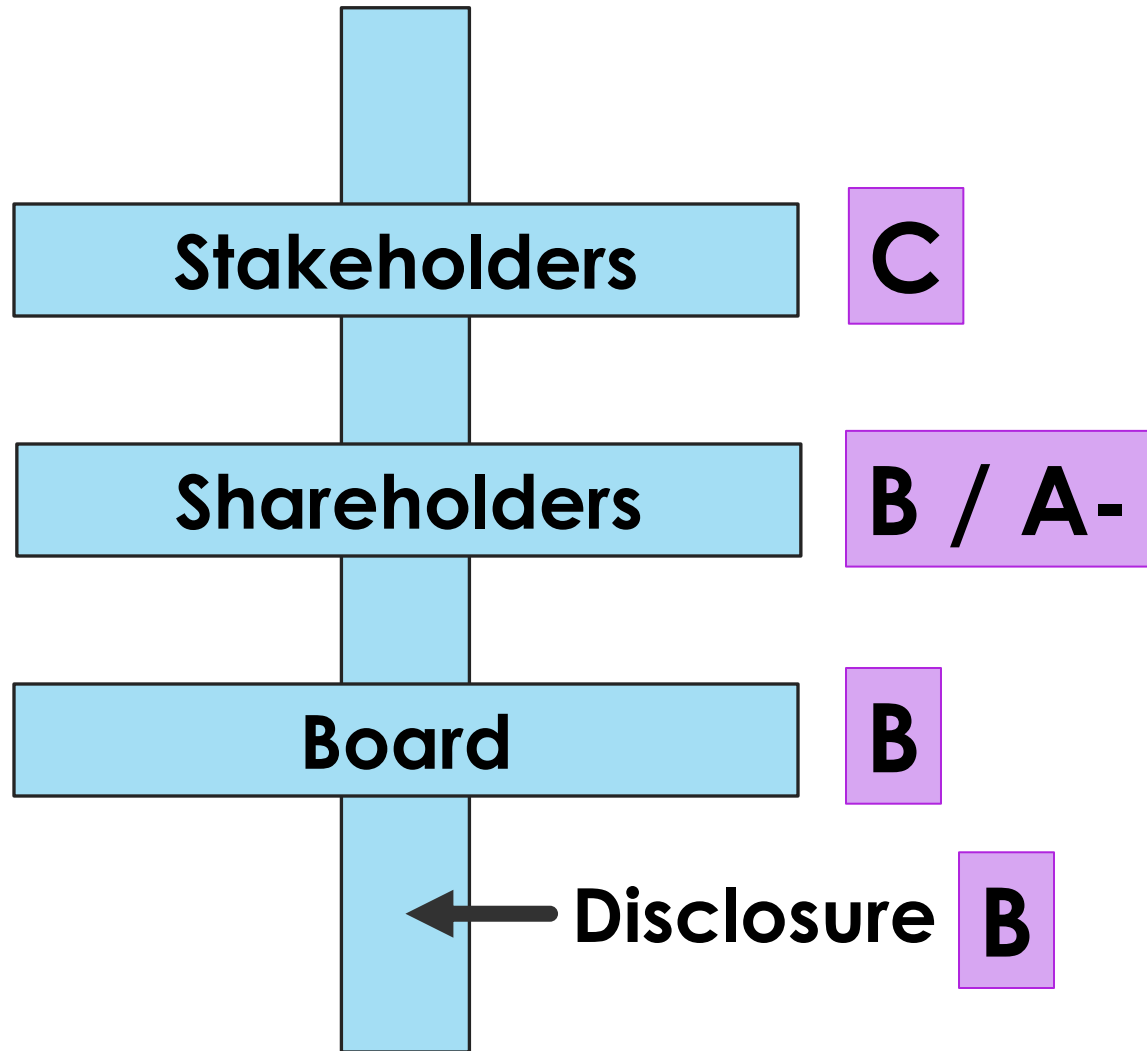
CG Report Card



Component	Score	Percentage	Grade
<u>Part A:</u> Rights of Shareholders	6.5 / 10	65.0%	B
<u>Part B:</u> Equitable Treatment of Shareholders	11.9 / 15	79.3%	A-
<u>Part C:</u> Role of Stakeholders	5.1 / 10	51.0%	C
<u>Part D:</u> Disclosure & Transparency	17.3 / 25	69.2%	B
<u>Part E:</u> Responsibilities of the Board	26.1 / 40	65.3%	B
Overall	67.0 / 100	67.0%	B

Assessment Grades

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Areas for Improvements and Recommendations

Areas for Attention

Part A: Rights of Shareholders	No. of Companies*
Appointing an independent party – scrutineers - to count the votes at the AGM	5
Disclosing the list of directors who attended the most recent AGM	6
Minutes of the most recent AGM recording questions and answers	11
Disclosing the voting and vote tabulation procedures used, declaring both before the meeting proceeds	15
AGM minutes record that there was an opportunity allowing for shareholders to ask questions	22

* Out of 100 companies

Areas for Attention

Part B: Equitable Treatment of Shareholders	No. of Companies*
Explaining dividend policy	16
Policy requiring directors to abstain from participating in the board discussion when they are conflicted	27
Profiles of the directors given in notice of AGM when seeking election/re-election	37

* Out of 100 companies

Areas for Attention

Part C: Role of Stakeholders	No. of Companies*
Providing contact details through which stakeholders can voice their concerns	26
Publish relevant information on training and development programmes for its employees	39
Publish relevant information relating to health, safety and welfare of its employees	40
Policy or procedures to protect an employee who reveals unethical behavior from retaliation	48

* Out of 100 companies

Areas for Attention

Part D: Disclosure and Transparency	No. of Companies*
Company's memorandum and articles of association available on company website	3
Disclosing direct and indirect shareholdings of senior management	13
Training and continuing education programme attended by each director	15
Disclosing trading in the company's shares by insiders on company website	17
Minutes of AGM and EGM available on company website	18
Disclosing corporate objectives in annual report	25
Disclosing non-financial performance indicators in annual report	30

* Out of 100 companies

Areas for Attention

Part E: Responsibilities of the Board	No. of Companies*
Board of directors conducts an annual performance assessment of the CEO/Managing Director	8
Company discloses how the board of directors plans for the succession of the CEO and key management	14
Details of the code of ethics or conduct disclosed	18
Company having any independent directors who serve on more than five boards of publicly-listed companies	21
Company discloses the process followed and criteria used in conducting the director assessment	36
Annual performance assessment conducted of the board committees	38

* Out of 100 companies

Areas for Attention

Bonus Items	No. of Companies*
Company practicing Integrated Reporting	1
Nominating Committee undertaking the process of identifying the quality of directors aligned with the company's strategic directions	11
Company using professional search firms or other external sources when searching for candidates to the board	11
Company releasing its notice of AGM at least 28 days before the date of the meeting	13
Nominating Committee comprising entirely of independent directors	20

* Out of 100 companies

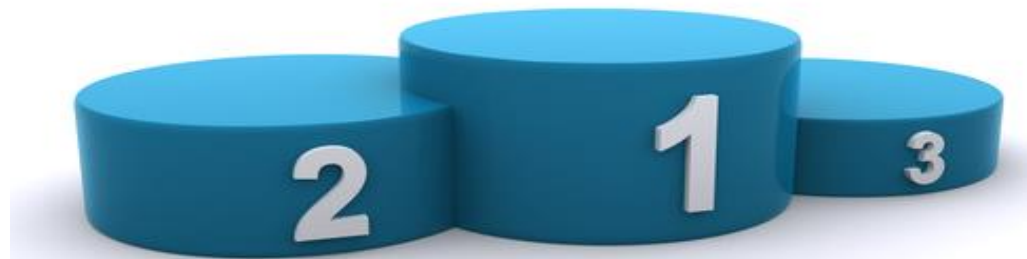
Areas for Attention

Penalty Items	No. of Companies*
Company having independent directors who have served for more than nine years	57
Pyramid ownership structure and/ or cross holding structure is apparent	20

* Out of 100 companies

Moving Forward

- Expected increase use of ASEAN Corporate Governance Scorecard
- Disclosure of top-performing companies by rank
- Continued need to uplift corporate governance, especially in critical areas
- SID-CGIO and Monetary Authority of Singapore ready to assist Singapore companies



Top Singapore's Large Companies in Corporate Governance

Ranking	Company Name	Total Score*
1	SINGAPORE TELECOMMUNICATIONS LIMITED	105.48
2	SINGAPORE EXCHANGE LIMITED	102.93
3	DBS GROUP HOLDINGS LIMITED	102.61
4	SMRT CORPORATION LIMITED	102.04
5	SINGAPORE PRESS HOLDINGS LIMITED	97.27
6	CAPITALAND LIMITED	94.56
7	KEPPEL LAND LIMITED	94.29
8	SIA ENGINEERING COMPANY LIMITED	94.19
9	OVERSEA-CHINESE BANKING CORPORATION LIMITED	93.89
10	KEPPEL CORPORATION LIMITED	93.31

* Total score is out of 128 points