

# **Findings on the Singapore Governance & Transparency Index (SGTI) 2018**

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6 August 2018

Presented at Singapore Governance and Transparency Forum, Singapore

# SGTI Partnership

## A Collaboration Between



Centre for Governance, Institutions and Organisations  
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**Mr Loh Hoon Sun**

**Senior Advisor, Phillip Securities Pte Ltd**

**Mr Low Weng Keong**

**Past Global President & Chairman of the Board,  
CPA Australia**

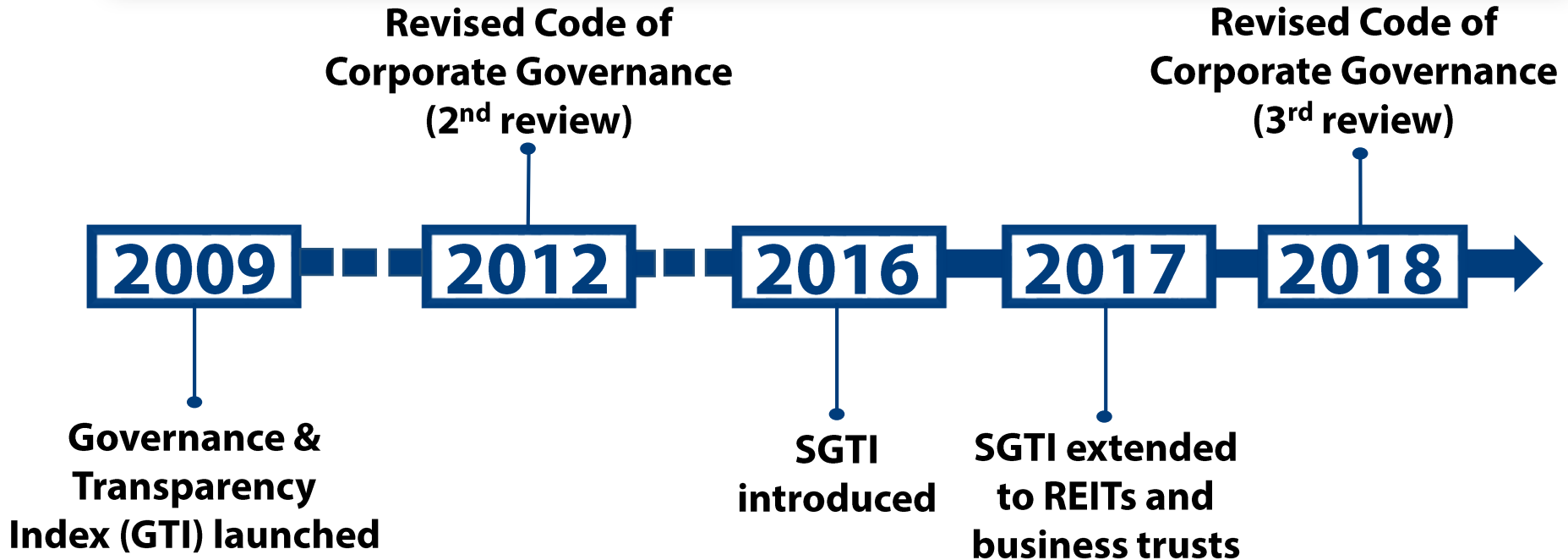
**Mr Chaly Mah**

**Chairman (Retired), Deloitte Singapore  
Chairman, Singapore Accountancy Commission**

**Mr Wong Wei Kong**

**Editor, The Business Times**

# Corporate Governance Milestones



# SGTI Assessment Coverage

<b>General Category (589)</b>	<b>REITs &amp; Business Trusts (43)</b>
<p data-bbox="144 507 888 567"><b>Excluding 122 companies:</b></p> <ul data-bbox="144 660 956 939" style="list-style-type: none"><li data-bbox="144 660 531 704">• <b>17 newly listed</b></li><li data-bbox="144 715 666 764">• <b>28 secondary listings</b></li><li data-bbox="144 775 396 819">• <b>11 funds</b></li><li data-bbox="144 829 801 879">• <b>65 suspended from trading</b></li><li data-bbox="144 889 956 939">• <b>1 did not release report for 2 years</b></li></ul>	<p data-bbox="1062 507 1613 638"><b>Excluding 5 REITs &amp; business trusts:</b></p> <ul data-bbox="1062 737 1535 840" style="list-style-type: none"><li data-bbox="1062 737 1420 780">• <b>4 newly listed</b></li><li data-bbox="1062 791 1535 840">• <b>1 secondary listing</b></li></ul>

# SGTI Framework – General Category

## **B.R.E.A.D Base Score (100 points)**

**Board Responsibilities (35 points)**

**Rights of Shareholders (20 points)**

**Engagement of Stakeholders (10 points)**

**Accountability & Audit (10 points)**

**Disclosure & Transparency (25 points)**

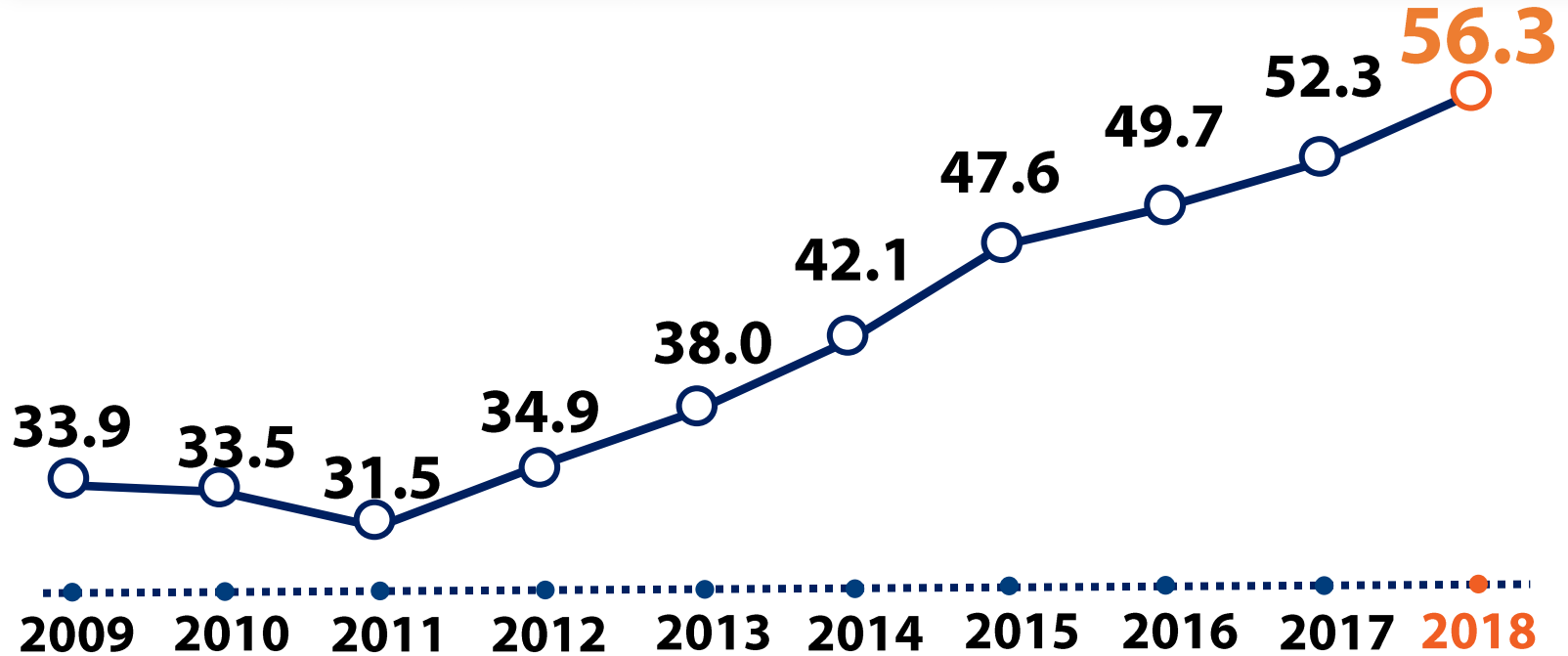
**+**

**Adjustments for Bonus & Penalty (43 points)**

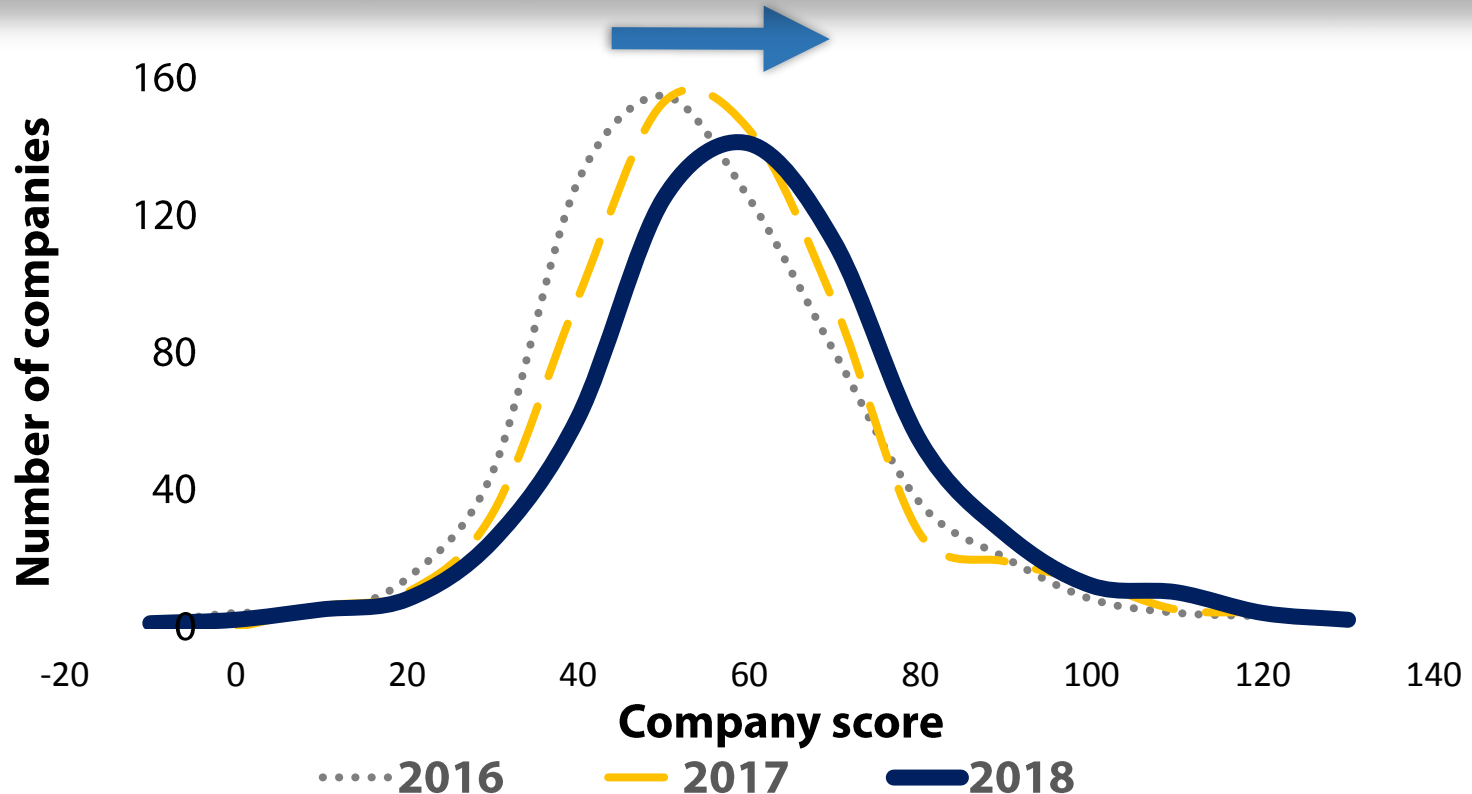
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**Overall SGTI Score (143 points)**

# Mean Score Trend



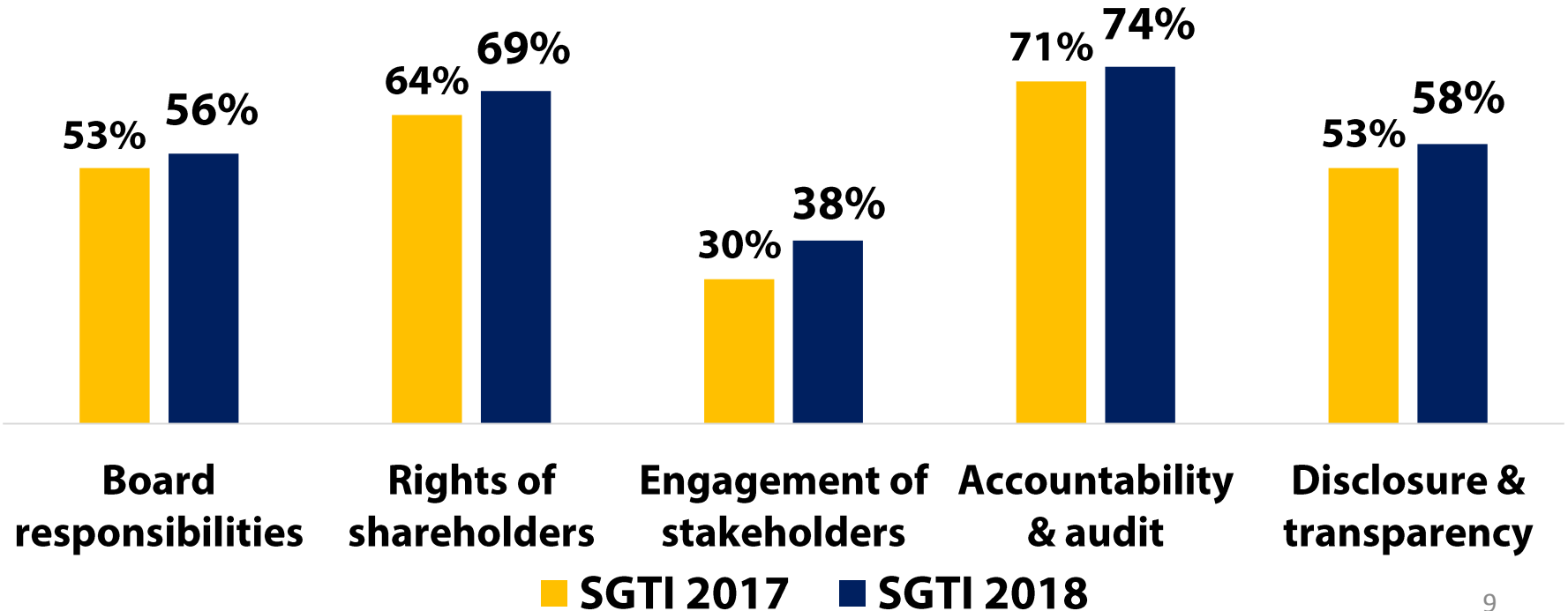
# Company Score Distribution





# Sectional Scores

## B.R.E.A.D Score by Percentage



# Key Findings – General Category

**Board Responsibilities**

➤ **Board composition & remuneration**

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**Rights of Shareholders**

➤ **Shareholders' information & participation**

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**Engagement of Stakeholders**

➤ **Sustainable policies & practices**

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**Accountability & Audit**

➤ **Internal audit standard**

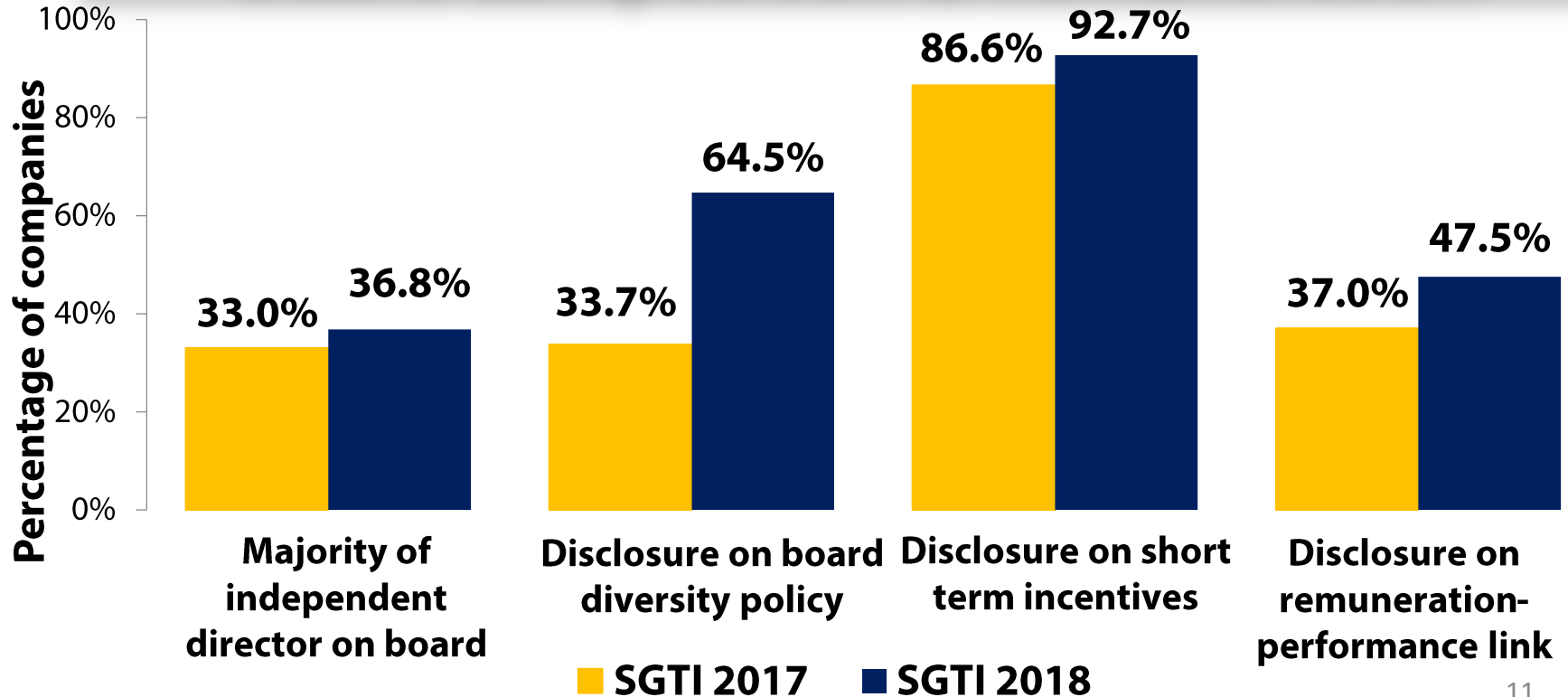
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**Disclosure & Transparency**

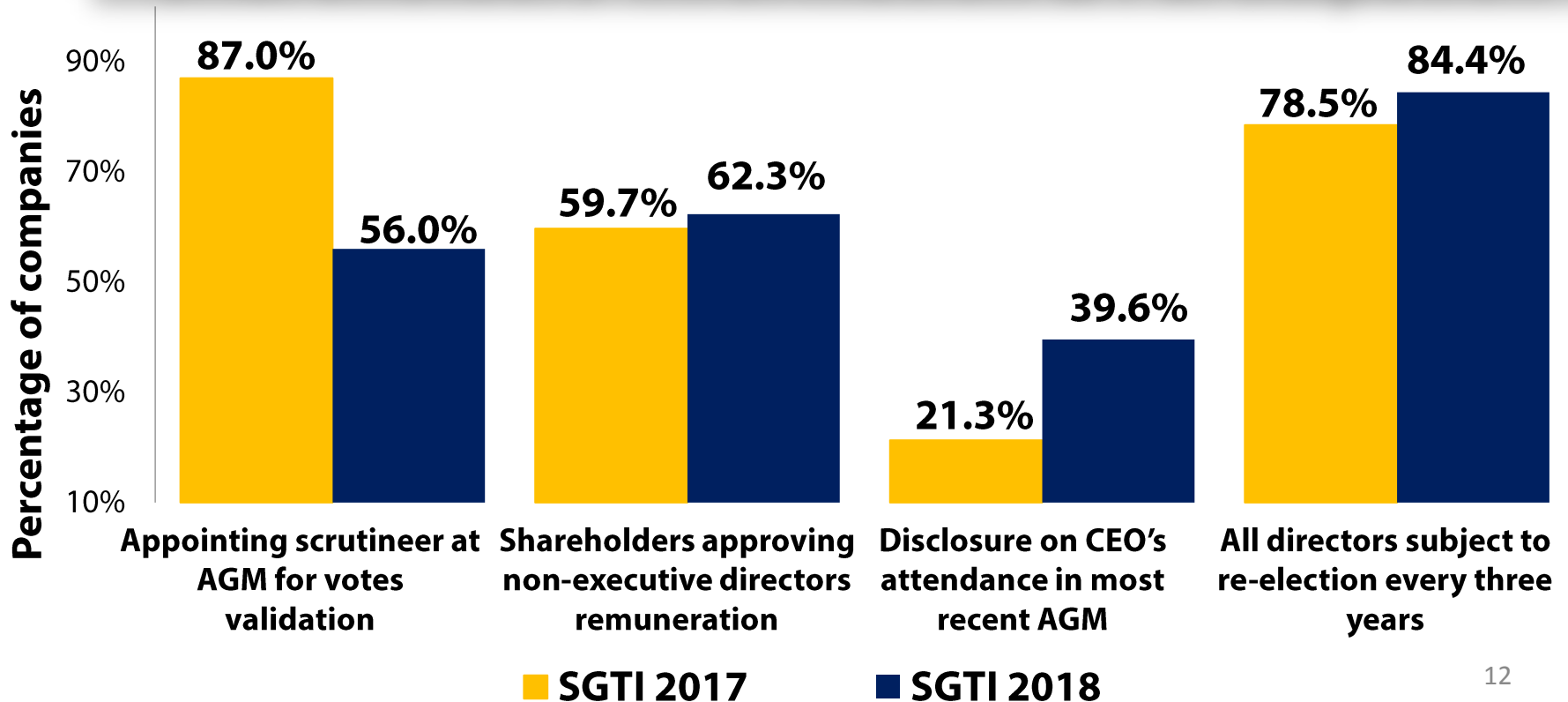
➤ **Directorships**

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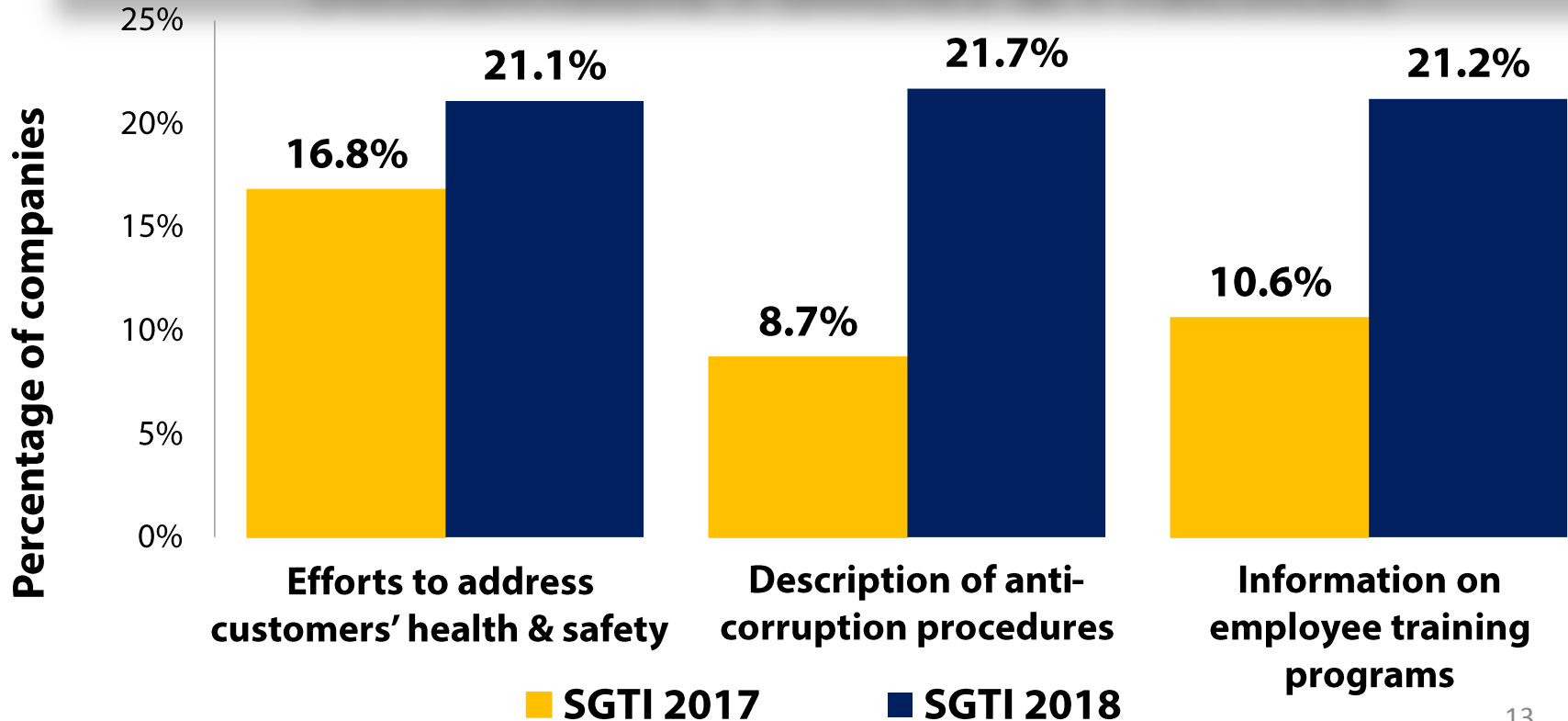
# Board Responsibilities: Board Composition & Remuneration



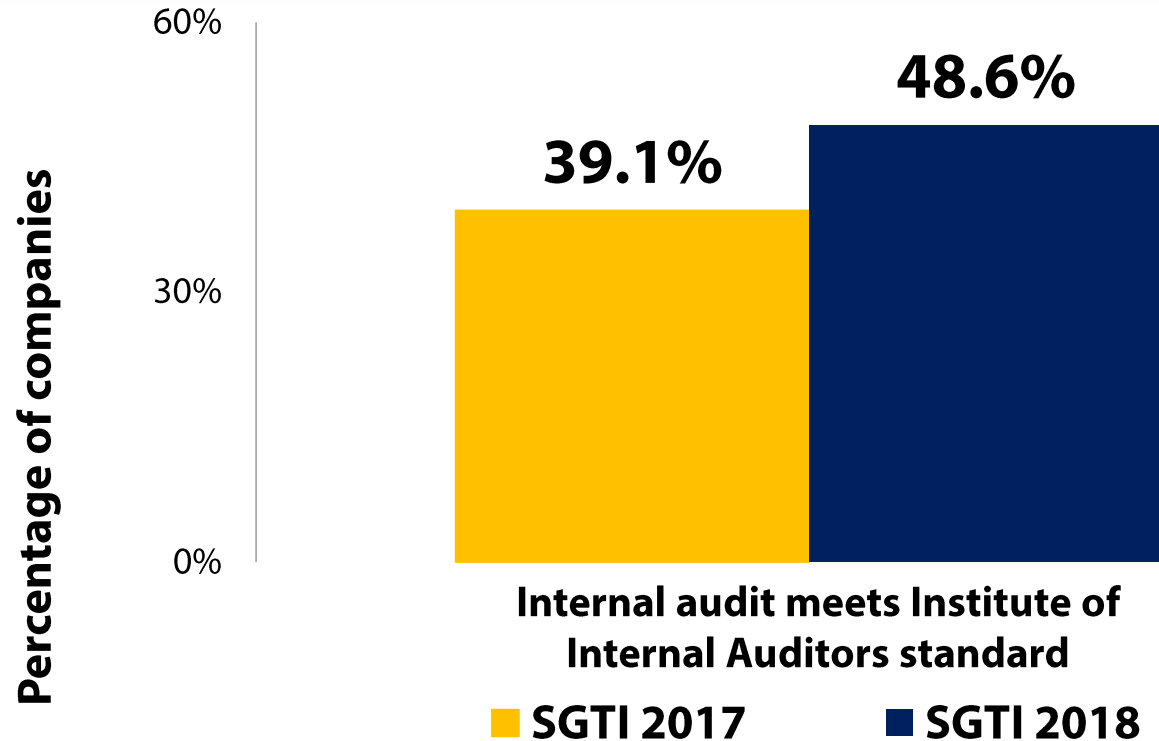
# Rights of Shareholders: Shareholders' Information & Participation



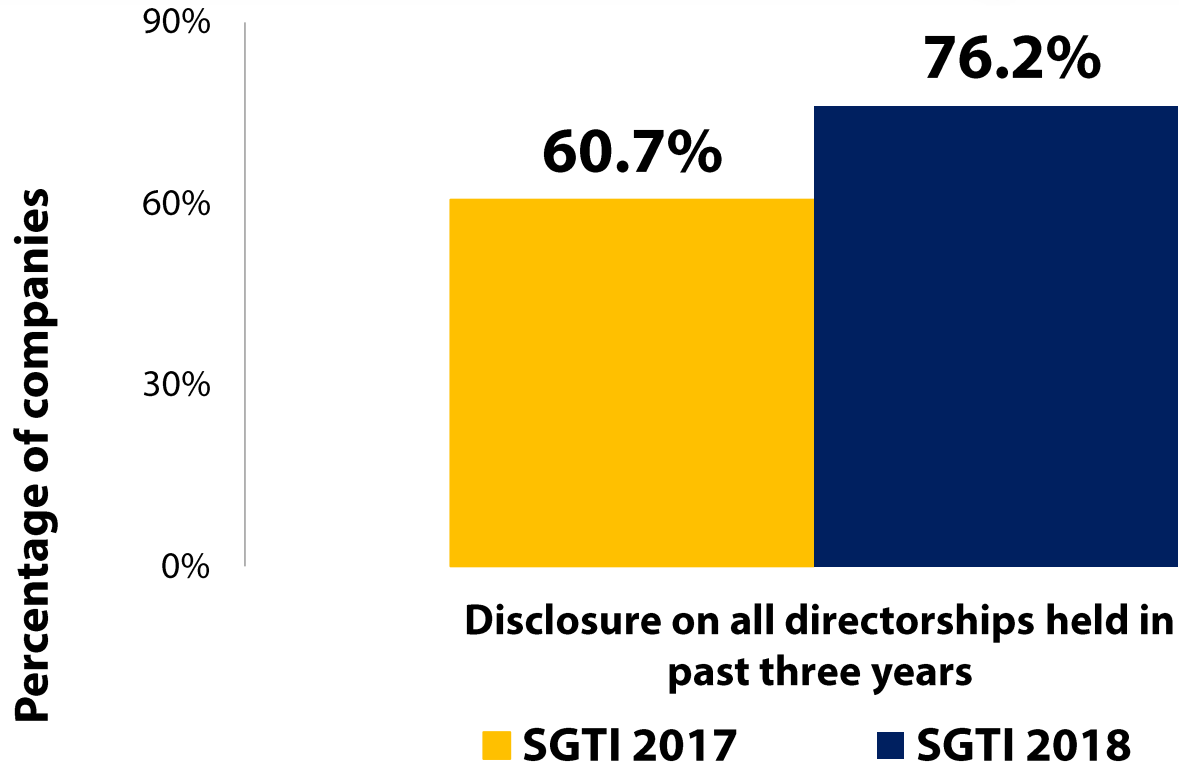
# Engagement of Stakeholders: Sustainable Policies & Practices



# Accountability & Audit: Internal Audit Standard



# Disclosure & Transparency: Directorships



# SGTI Framework – REITs & Business Trusts

## Normalized Base Score (75 points) (B.R.E.A.D)

Board Responsibilities

Rights of Shareholders

Engagement of Stakeholders

Accountability & Audit

Disclosure & Transparency

## Trust-Specific Items (25 points) (S.L.I.C.E)

Structure

Leverage

Interested Person Transactions

Competency of Trust Manager

Emoluments

+

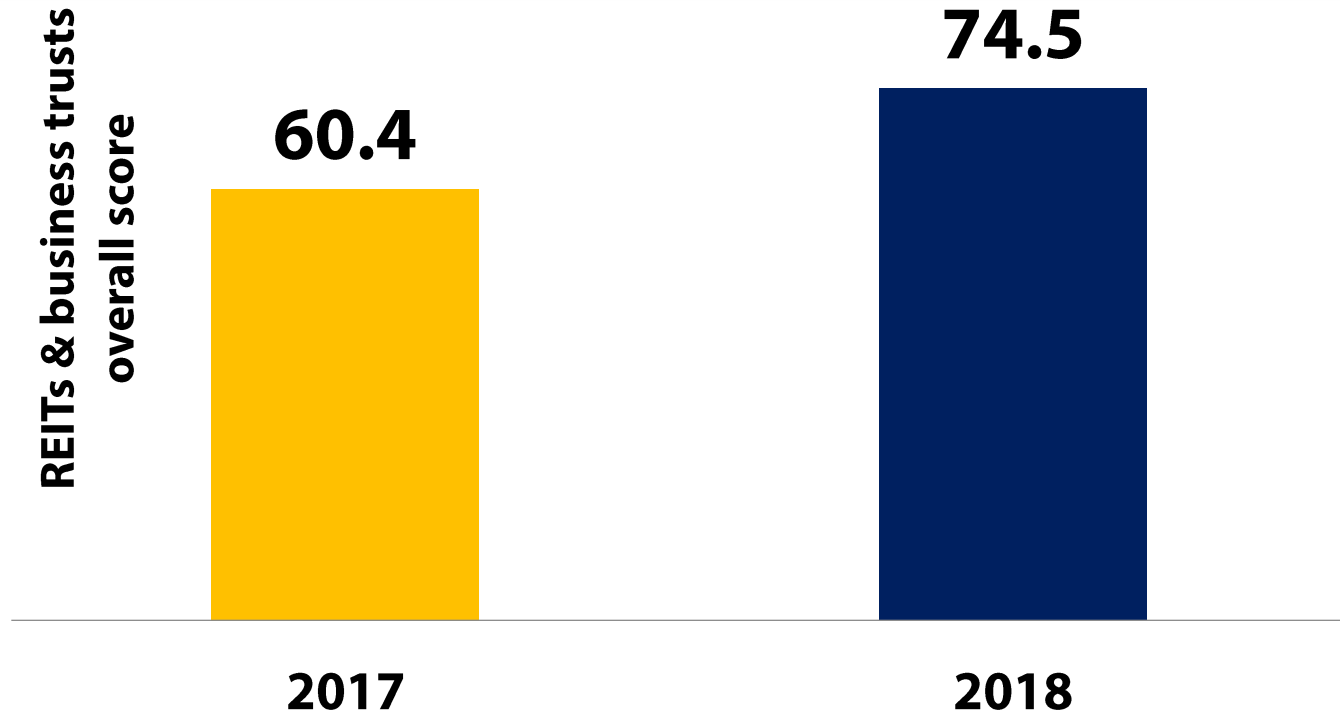
Adjustments for Bonus & Penalty (43 points)

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Overall SGTI Score (143 points)



# Mean Score



# Key Findings – REITs & Business Trusts

## REITs & Business Trusts Disclosing:

**Structure**

➤ Provisions for removal of trust manager **(16.3%)**

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**Leverage**

➤ Credit rating based on investment grade **(34.9%)**

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**Interested Person Transactions**

➤ Significant IPTs reviewed **(58.1%)**

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**Competency of Trust Manager**

➤ CEO & directors with 10 years of relevant experience **(69.8%)**

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**Emoluments**

➤ Base fees disclosed **(93.0%)**

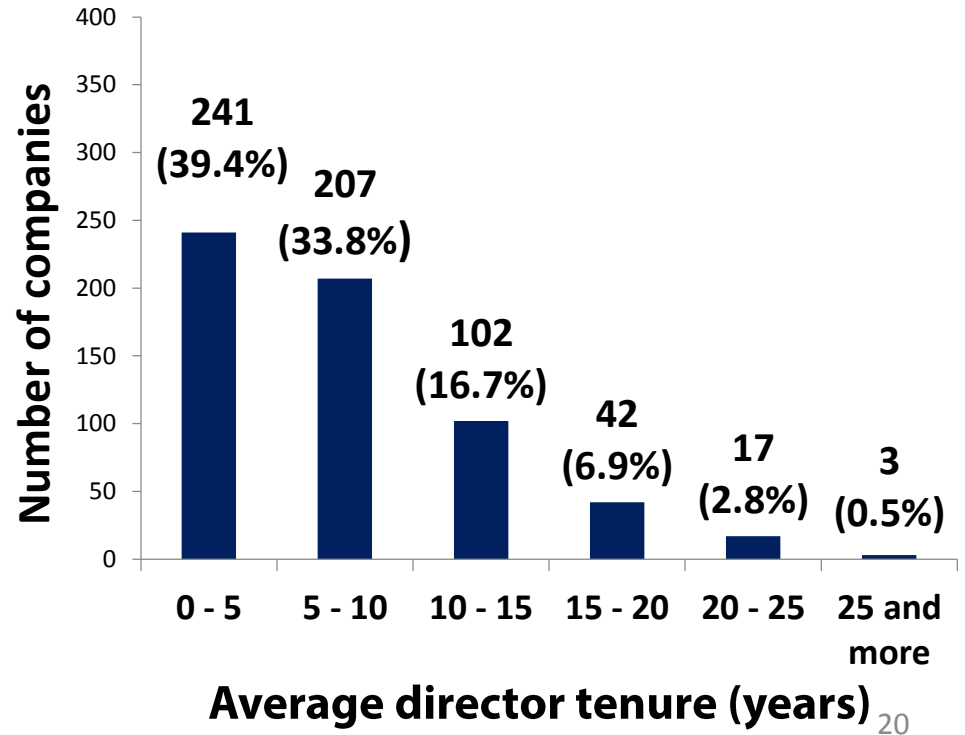
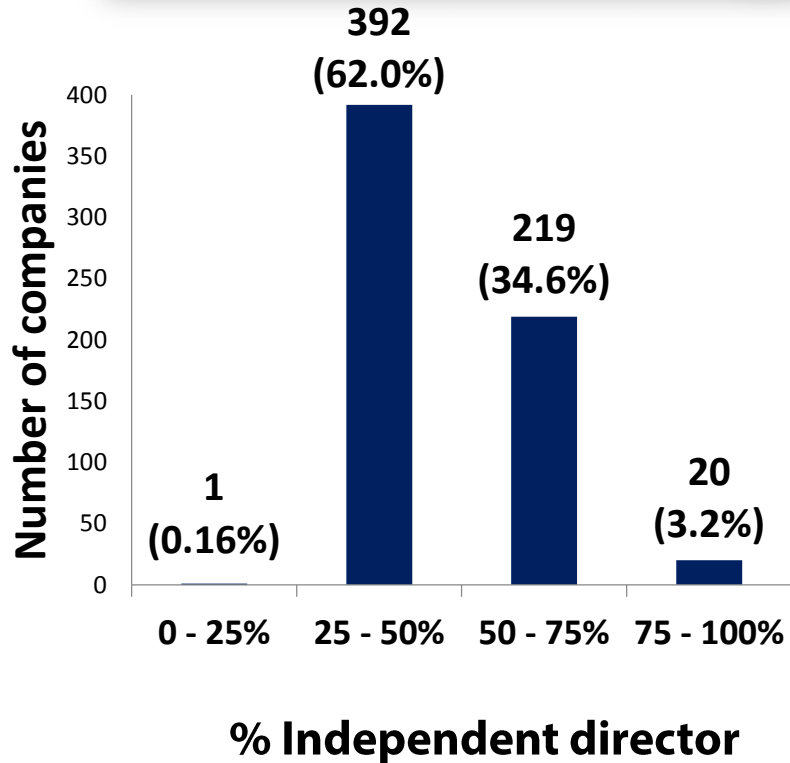
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# SGTI 2018 – Looking Forward

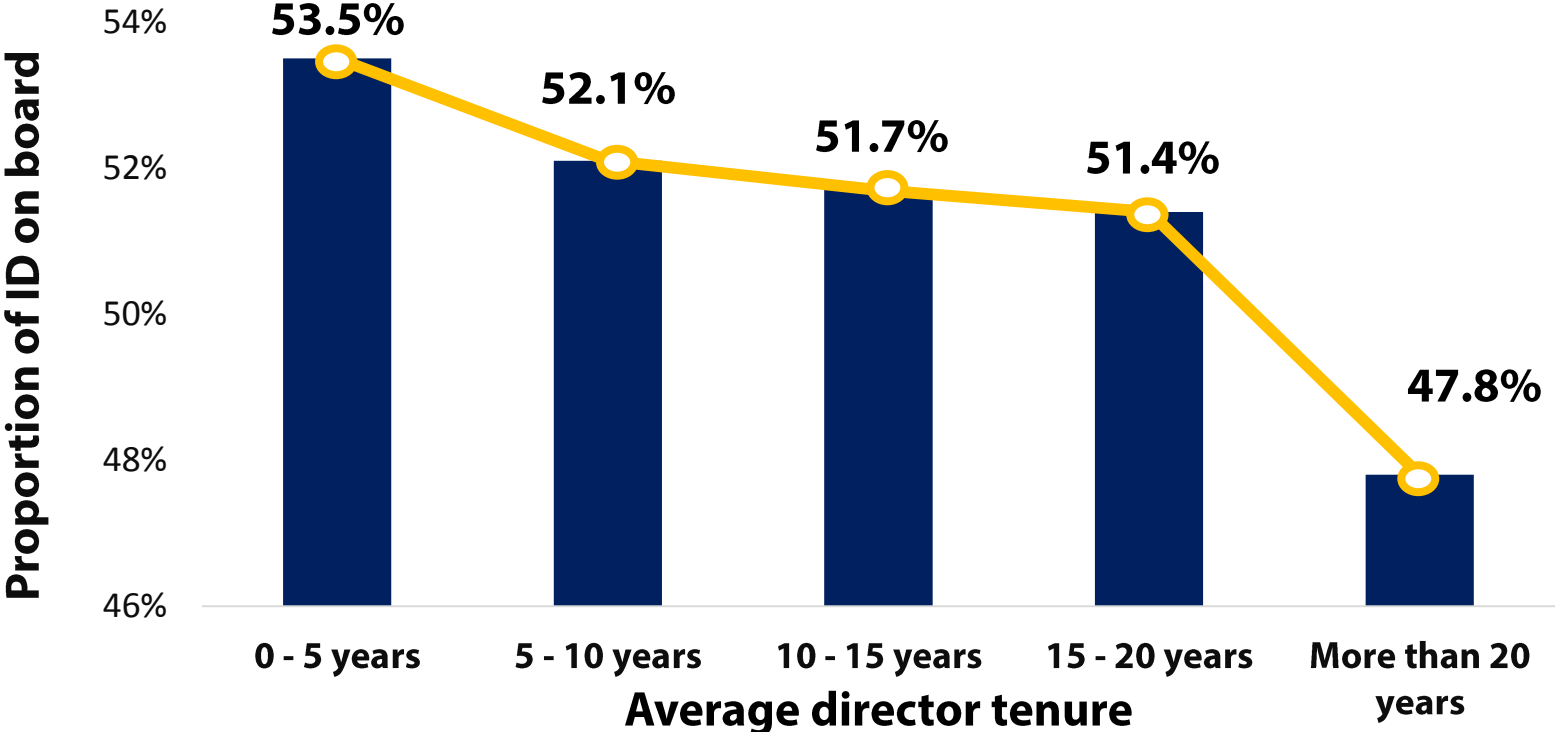
**Board Independence &  
Director Tenure**

**Sustainability**

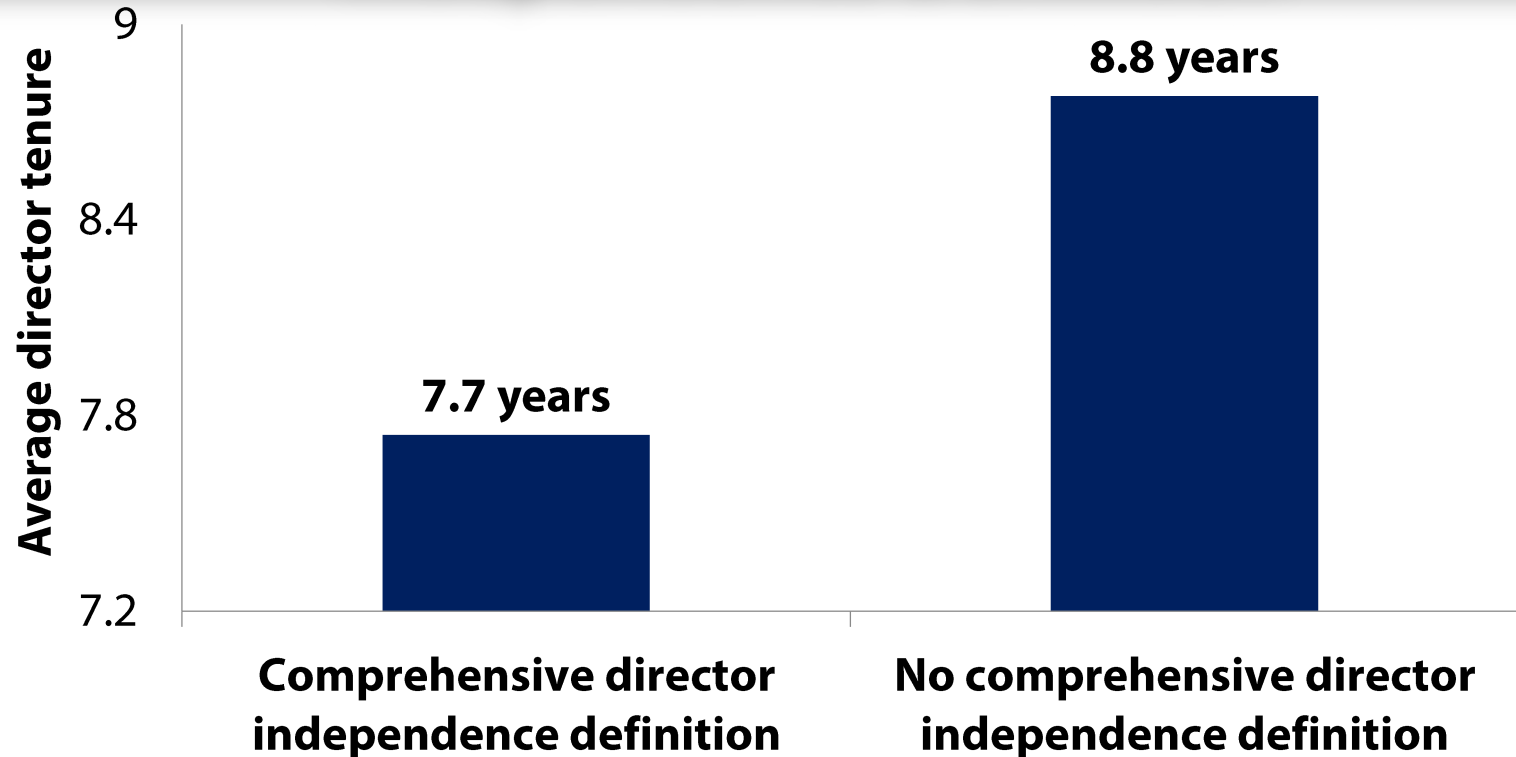
# Board Independence & Director Tenure: Distribution



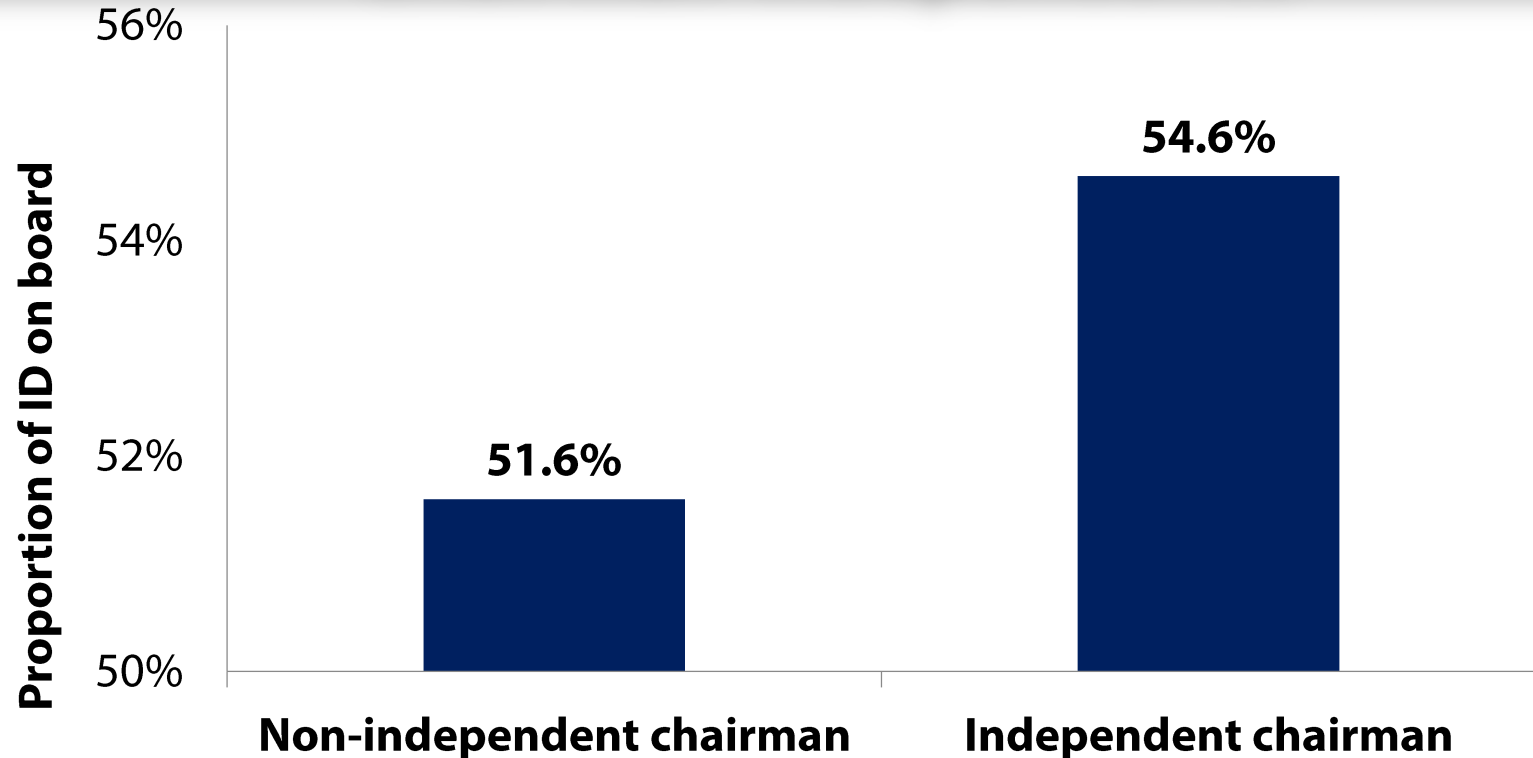
# Board Independence & Director Tenure: Relationship



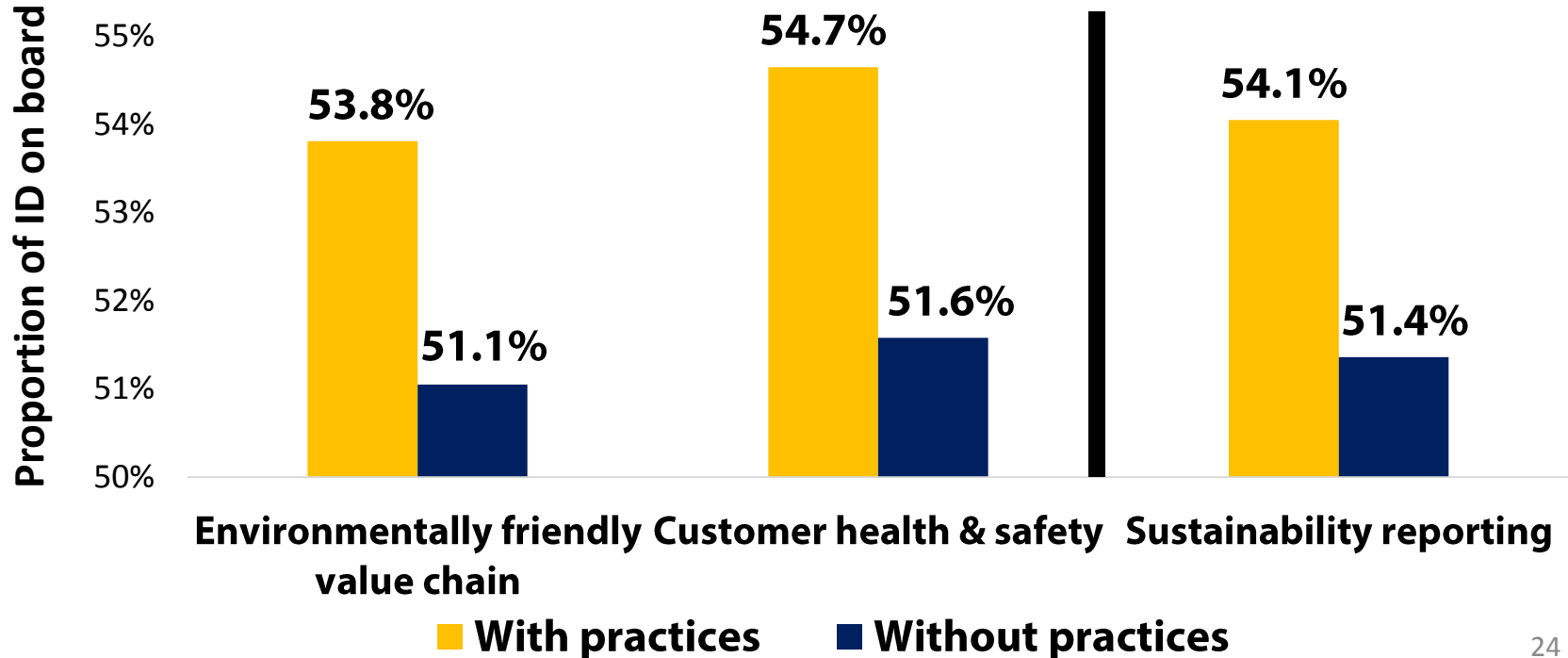
# Board Independence & Director Tenure: Independence Definition



# Board Independence & Director Tenure: Chairman Independence

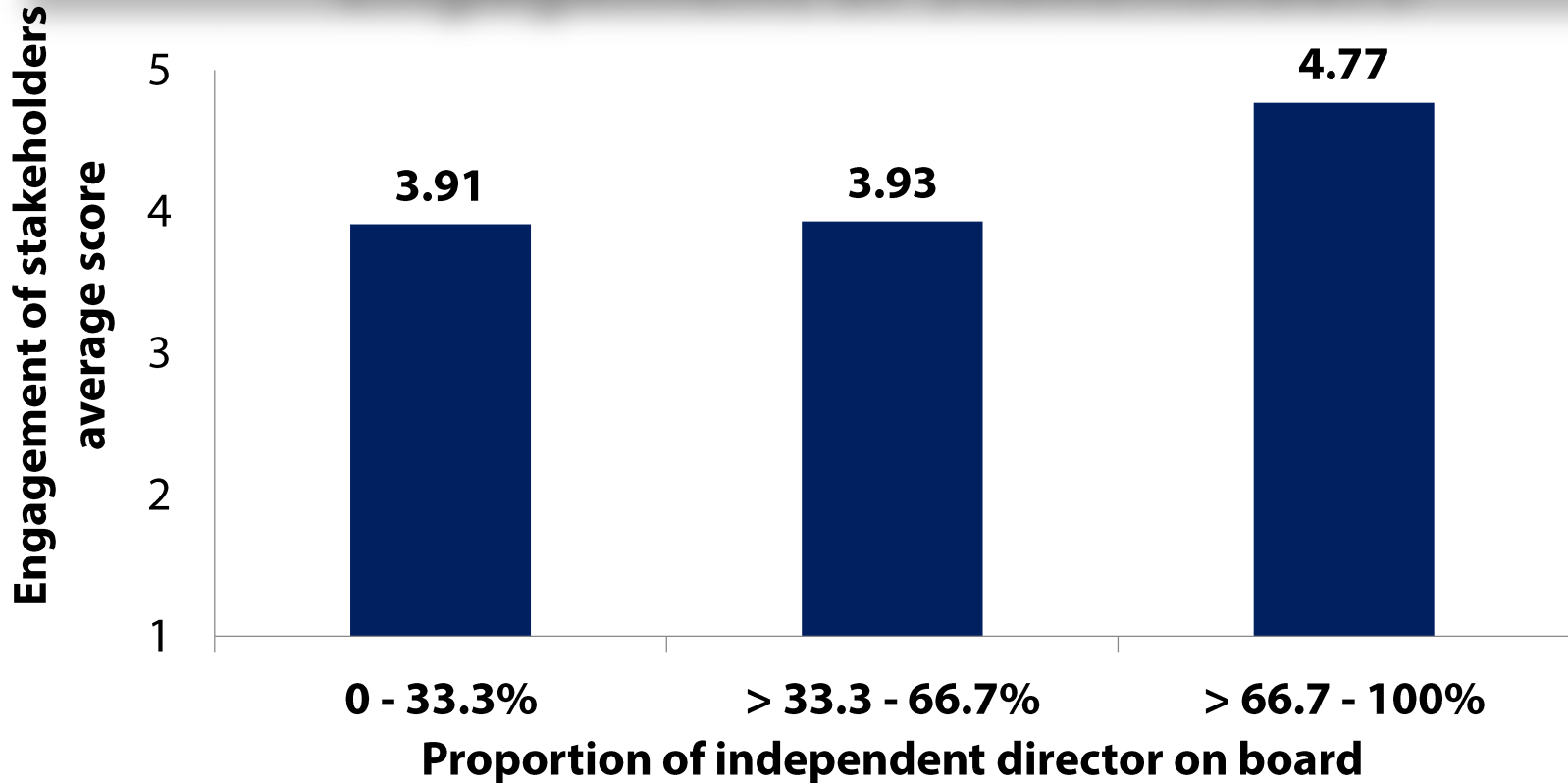


# Sustainability: Effects of Board Independence





# Sustainability: Engagement of Stakeholders



# Validation: SGTI Ranks & Scores Shown on SGX Website



Source: Singapore Exchange (SGX)

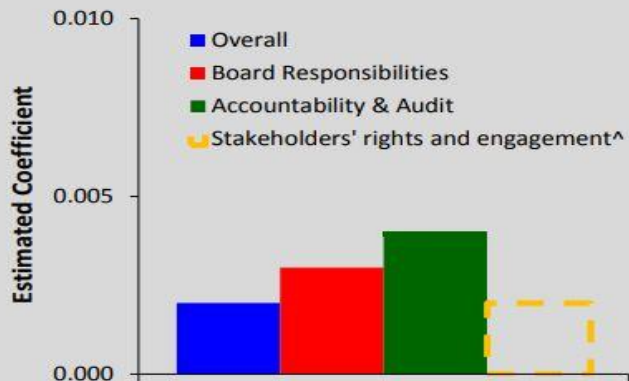
# Validation:

## SGTI Data Used by MAS Financial Stability Review

Firms with higher CG scores tend to have higher ROA

Chart N1

Relationship between CG Score and Return on Assets



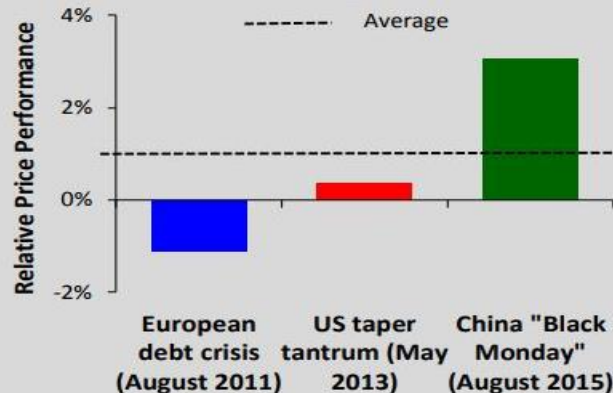
Source: MAS estimates

Note: ^ refers to non-significant variables.

Firms with higher CG scores tend to fare better than firms with lower CG scores during external shocks

Chart N3

Relative Price Performance of Top Quartile CG Firms versus Bottom Quartile CG Firms



Source: MAS estimates, Thomson Financial

Source: Financial Stability Review, Macprudential Surveillance Department, Monetary Authority of Singapore (MAS), November 2017

# Summary

- 1. Companies have made good overall progress in corporate governance over the years**
- 2. While steady improvements were made in various core areas, one specific area for improvement is engagement of stakeholders**
- 3. Many companies made significant increases in SGTI2018 performance due to attention to sustainability**
- 4. It is important to address issues related to director tenure and board independence in the new regulatory landscape**