THE BOARD REPORT 2012

Highlights from Singapore's Governance and Transparency Index

By Lawrence Loh and Isabel Sim
July 2012

CPA AUSTRALIA

NUS National University of Singapore

Centre for Governance, Institutions & Organisations
NUS Business School

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ABOUT CPA AUSTRALIA

CPA Australia is one of the world's largest accounting bodies with more than 139,000 members working in 114 countries. We have operations in chosen markets throughout the world, including all Australian capital cities, Hong Kong, Beijing, Shanghai, Indonesia, Malaysia, Singapore, Vietnam, New Zealand and the United Kingdom.

Our international presence continues to grow in terms of representation on international bodies and influence in the profession globally. In the areas of financial reporting, taxation and corporate governance, we are thought leaders in Australia and internationally.

CPA Australia's vision is to be the global professional accountancy designation for strategic business leaders.

FOREWORD BY CPA AUSTRALIA

Governance is about performance. It is not limited to maximising profits in the short term but, rather, creating sustainable value. Good governance is not merely about compliance. It is the result of understanding the purpose of the enterprise and also the roles and responsibilities of all its members, especially those who are charged with its management and oversight.

Transparency and accountability, as well as effectiveness, are characteristics of well-governed entities. This is why it is critical to entrench the spirit of good governance and transparency in our corporate culture if we want to create successful and sustainable businesses. Good governance leads to efficient use of resources and improves performance. Laws can help but they cannot accomplish good governance on their own. More regulation does not equal better governance.

As a professional accountancy body with over 139,000 members worldwide, CPA Australia strives to reinforce the values of good corporate governance, risk management and transparency, which we believe are at the core of financial infrastructure and foundation.

We are therefore pleased to sponsor the Board Report, in partnership with CGIO and The Business Times. Building on the annual Governance and Transparency Index (GTI), the Board Report will be a significant reference tool for measuring companies' governance disclosures and practices, and identifying areas of improvement. We hope you will find this report useful in promoting even higher standards of governance and transparency in corporate Singapore.

Deborah Ong FCPA (Aust.)
President – Singapore
CPA Australia

ABOUT CENTRE FOR GOVERNANCE, INSTITUTIONS, AND ORGANISATIONS (CGIO)

The Centre for Governance, Institutions and Organisations (CGIO) was established by the National University of Singapore (NUS) Business School in 2010 and aims to promote relevant and impactful research on governance issues that are relevant to Asia, including corporate governance, governance of family firms, state-linked companies, business groups and institutions. CGIO organises events such as public lectures, industry roundtables and academic conferences on topics related to governance.

NUS Business School is known for providing management thought leadership from an Asian perspective, enabling its students and corporate partners to leverage global knowledge and Asian insights. As Asia's Global Business School, NUS Business School is a leading authority on business in Asia.

FOREWORD BY CGIO

The Centre for Governance, Institutions and Organisations (CGIO) is honoured to partner with CPA Australia and The Business Times on this Board Report. This report builds on the Governance and Transparency Index (GTI) findings released earlier at the CPA Forum organised by CPA Australia in April 2012.

The current inaugural issue of the Board Report presents the trends and observations from the GTI project since 2009. It provides an overview of the state of corporate governance practices of Singapore's listed companies. In particular, it highlights statistics on various corporate governance issues that were discussed extensively in the recent 2012 revision to the Code of Corporate Governance in Singapore, namely board independence, disclosure of board nomination matters and director remuneration. We thus hope that the report can serve as a reference tool for stakeholders to evaluate whether Singapore's listed companies are ready for the revised Code.

More notably, the report extends the findings of the GTI 2012 study. It shares real-life perspectives of industry and corporate leaders who have found value in good corporate governance in their sectors and companies. It also goes into deeper analysis of the findings such as for different industry sectors as well as for different company categories in terms of performance quartiles. In this respect, we believe that the report will strengthen the impetus to improve the company's accountability and transparency processes for all businesses here.

With this report, I trust that we are making a positive contribution to enhancing the state of corporate governance in Singapore. We will welcome the support of the corporate governance community and stakeholders in our continuing journey for progress.

Chang Sea Jin
Executive Director
Centre for Governance Institutions & Organisations (CGIO)
NUS Business School

"High standards of corporate governance and transparency are critical for a financial centre to preserve its integrity and attract participants. The yearly GTI grading encourages listed companies to raise the bar, thereby enhancing the good reputation of Singapore as a major financial centre."

Mr. Loh Hoon Sun
Managing Director, Phillip Securities Pte Ltd
and Member of the Advisory Panel, Governance and Transparency Index 2012

EXECUTIVE SUMMARY

Corporate governance practices in Singapore's listed companies have been assessed annually by the Governance and Transparency Index (GTI). The results of the GTI project for 2012 have been presented at the CPA Forum organised by CPA Australia in April 2012. This Board Report highlights findings of GTI 2012 and provides new perspectives beyond the project through interviews of industry captains at the leading edge of corporate governance practice in Singapore.

GTI 2012 evaluated the state of corporate governance in listed companies that have released their annual reports in the 2011 calendar year. Companies with a financial year ending in September have up to 31 January 2012 to submit their annual report for it to be considered.

In presenting the results of GTI 2012 in comparison with earlier GTI studies, the Board Report focuses on the matters pertaining to the company's board and its directors. Selected indicators, including directors' remuneration, appraisal and training, are also shown. As Singapore adopts a revised Code of Corporate Governance issued in May 2012, the results in this report will serve as useful benchmarks for company boards in their continual quest to improve corporate governance.

The notable findings of this report are summarized as follows:

- The overall standard of corporate governance in Singapore's listed companies has made a turn for the better in GTI 2012 after declining year-on-year from GTI 2009 to GTI 2011. This trend is mirrored in the analysis of the 25th, 50th and 75th percentiles of the GTI scores. Using industry sector analyses, the GTI results reveal improvements in the finance and multi-industry sectors over the GTI 2010 to 2012 period.

- The GTI results reflect continued efforts by Singapore's listed companies to improve board independence. Most boards have three independent directors. About 25% of the boards have independent directors as the majority. There is also a marked trend of an increasing number of companies that consider independence from substantial shareholders in their definition of independent director, with the latest GTI result rising to 7% of listed companies. Boards with independent or non-executive chairman have stabilized at around 33%. In the past three years, there has been a rise in companies that appointed lead independent directors, with the latest GTI result at 30%.

- Disclosure on a director's selection and appraisal has been improving over the GTI 2010 to 2012 period. The latest GTI results show that 29% of listed companies are now disclosing the process of director selection and 17% are releasing details on criteria for director selection. However, full disclosure of remuneration packages for directors has been somewhat low, with about 4% and 7% reporting how much they paid to executive and non-executive directors respectively.

"The GTI allows retail shareholders to follow trends in the level of governance and transparency in Singapore's listed companies. When GTI scores reflect improvement, investors have increased confidence in the local stock market and may decide to allocate a larger proportion of their portfolio to listed companies.

For individual companies, a rising score will likely cause investors to have more confidence in a company and be more comfortable to increase their holdings in it. When a company has a high GTI score, it implies the directors are serious about governance and transparency and the company is more likely to show up on the radar of investors. A poor score, however, may cause investors to review their holding in a company. At annual general meetings, retail investors may cite the scores when they question a company about its commitment to governance and transparency and encourage the company to do more, particularly in the areas where it has received penalty points."

Mr. Ang Hao Yao
Director, Trader Investment Pte Ltd
and Member of the Advisory Panel, Governance and Transparency Index 2012

1. INTRODUCTION

In the global economy of Singapore, it is critical to foster the highest standards of corporate governance amongst its companies. Good corporate governance is key to investor confidence and assuring capital market growth.

Since 2009, Singapore's listed companies have been evaluated on the quality of their corporate governance through the annual Governance and Transparency Index (GTI). This project is the result of a tripartite collaboration between NUS Business School's Centre for Governance, Institutions and Organisations (CGIO), CPA Australia and The Business Times. It is also supported by the Investment Management Association of Singapore.

The GTI project seeks to promote good corporate governance practice in Singapore. This is achieved through a comprehensive assessment of the companies on how they have fulfilled the standards of governance as outlined by Singapore's Code of Corporate Governance. The GTI is an analysis of all companies listed on the Singapore Exchange's main board and secondary Catalist board. It addresses the key domains of the corporate governance code, particularly in terms of board, remuneration, accounting and audit, as well as transparency and investor relations. Details on the GTI methodology are provided in Appendix A.

The current issue of the GTI project, GTI 2012, stands at a critical juncture as Singapore readies for a revised Code of Corporate Governance as developed by the Corporate Governance Council and approved by the Monetary Authority of Singapore. The new code will apply to company annual reports with financial years starting from 1 November 2012.

This report is the result of GTI 2012. It highlights the project findings pertaining to board matters with a focus on the director. In doing so, it recognizes that the board and its directors are the "centre of gravity" or even "epicentre" of corporate governance in a company. Issues pertaining to the structural and compensation aspects of the board are especially pertinent as these relate to ways for stakeholders to govern a company. Indeed the focus reflects the notion of director primacy as boards are now poised to spearhead corporate strategies and policies in addition to their role of protecting investors.

"We believe good corporate governance ensures that stakeholders' interests are well protected and enhances corporate performance as well as accountability. SingTel aspires to the highest standards of corporate governance and, to this end, has put into place a governance framework with established principles and well-defined policies and processes."

Ms. Chua Sock Koong
Group CEO of SingTel

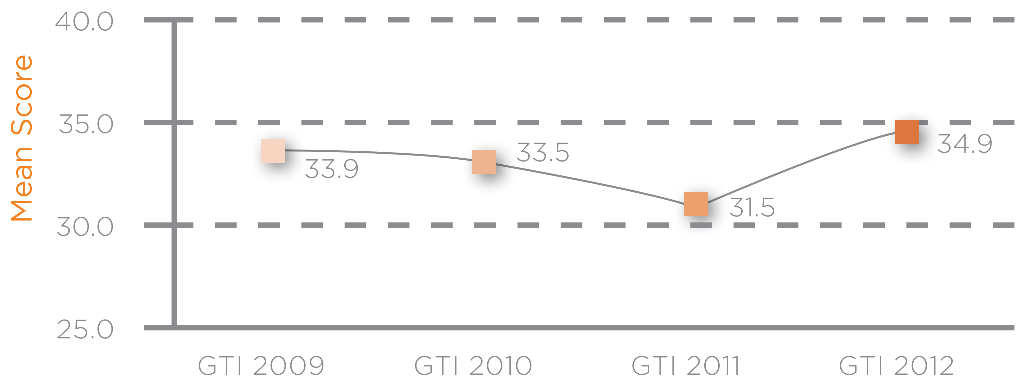
Company Profile

SingTel is Asia's leading communications group providing a portfolio of services including voice and data solutions over fixed, wireless and Internet platforms as well as infocomm technology and pay TV. The Group has presence in Asia and Africa with 445 million mobile customers in 26 countries, including Bangladesh, India, Indonesia, Pakistan, the Philippines and Thailand. It also has a vast network of offices throughout Asia Pacific, Europe and the United States.

2. OVERALL INDEX PROGRESS

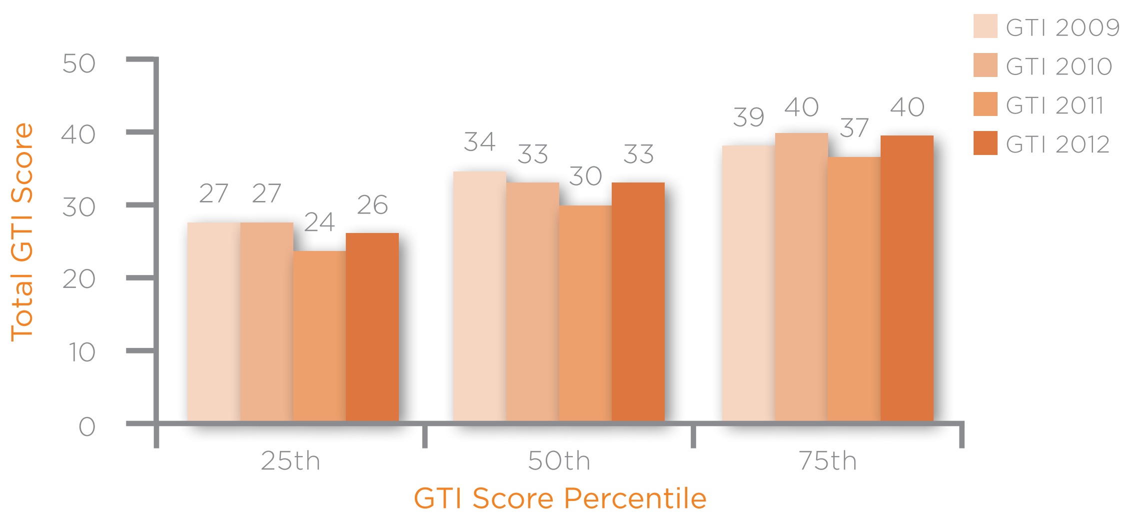
For the past three years, the quality of corporate governance in Singapore's listed companies has been assessed by the GTI project. The annual index shows that listed companies have improved their corporate governance practices. This is evident from this year's mean score of 34.9, up from 31.5 in 2011 (see Figure 1) as well as from the increase in the 25th, 50th and 75th percentiles in GTI 2012 scores from those in previous years (see Figure 2).

Figure 1: GTI Trends



However, the overall standard of corporate governance and disclosure practices of listed companies still has scope for improvement. With reference to Figure 2, only 25% of the GTI 2012 companies (169 companies) have GTI scores above 40 points (out of a maximum score of 143 points).

Figure 2: Distribution of GTI Scores



"At DBS, we seek to build a solid foundation for long-term economic performance and further safeguard the interests of all our stakeholders through strong corporate governance. We make transparent and timely disclosures, advocate appropriate risk-taking behaviour, and ensure that our people pride themselves on doing the right thing. Our board of directors comprises many highly experienced industry stalwarts and the Governance and Transparency Index affirms the efforts that we have made on the corporate governance front. As a leading Asian bank, we remain committed to staying at the forefront of global corporate governance practices as we grow in Singapore and in the region."

Mr. Piyush Gupta
Group CEO of DBS

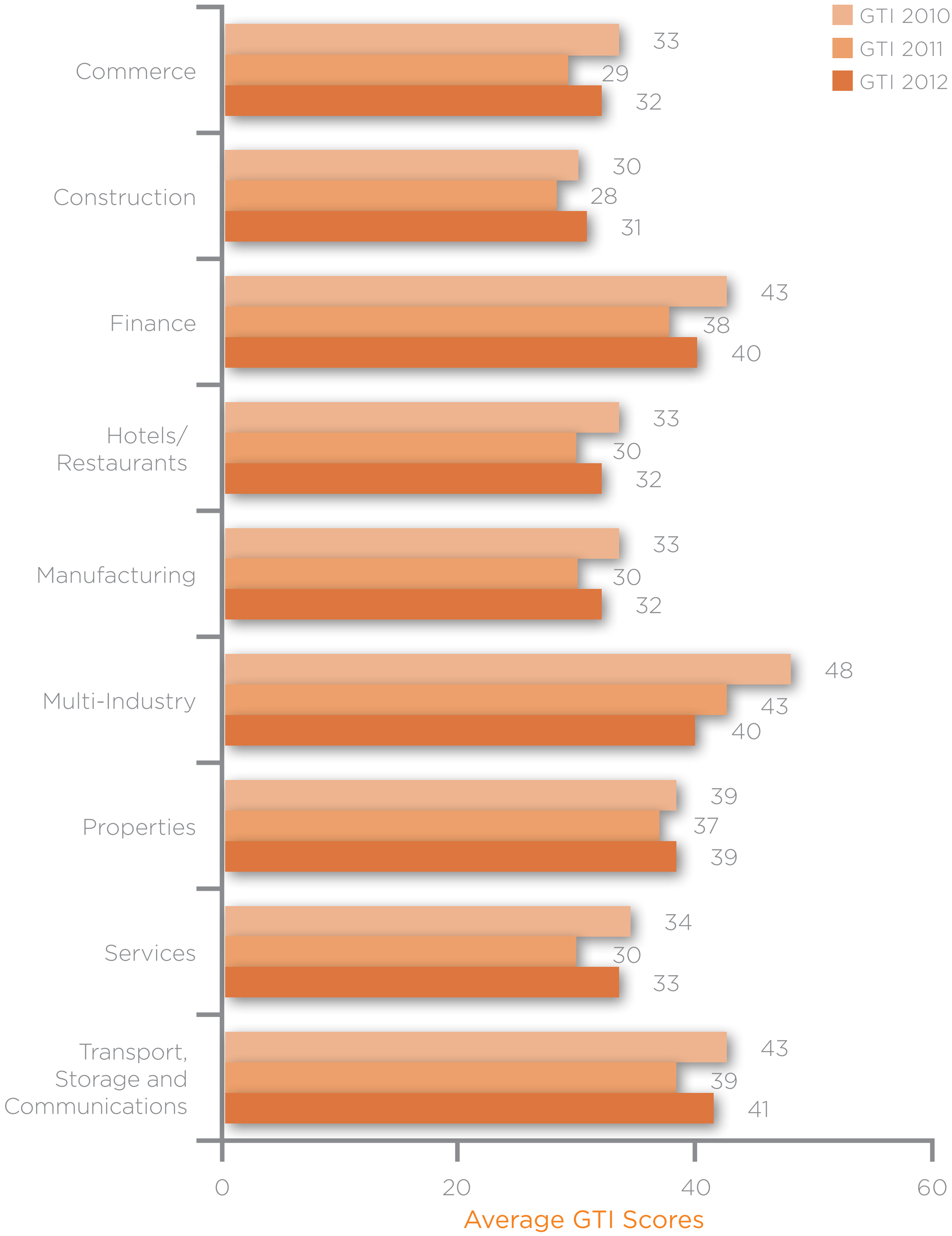
Company Profile

DBS is a leading financial services group in Asia, with more than 200 branches across 15 markets. Headquartered and listed in Singapore, DBS is a market leader in Singapore with more than four million customers and has a growing presence in the three key Asian axes of growth, namely, Greater China, Southeast Asia and South Asia. The bank's strong capital position, as well as "AA-" and "Aa1" credit ratings that are among the highest in the Asia-Pacific region, earned it Global Finance's "Safest Bank in Asia" accolade from 2009 to 2012.

DBS provides the full range of services in consumer, small and medium enterprise (SME) and corporate banking activities across Asia and the Middle East. As a bank born and bred in Asia, DBS understands the intricacies of doing business in the region's most dynamic markets. This market insight and regional connectivity have helped to drive the bank's growth as it sets out to be the Asian bank of choice.

The GTI findings show that each sector posted an improvement in its GTI 2012 average score. The finance and multi-industry sectors made particularly significant gains, increasing on average by five points. Both of these sectors, together with the transport, storage and communication sector, have higher average scores than other sectors. Many of the companies in the finance, multi-industry and transport, storage and communication sectors have GTI scores equal to or more than 40 points, putting them in the top 25% of the GTI ranking.

Figure 3: Comparison of Average GTI Scores by Industry



Details on industry distribution of companies for GTI 2010 to GTI 2012 can be found in Appendix B.

"At Keppel, independence is a strong element of our board, with the majority of our board comprising of independent directors. All board committees similarly feature a majority of independent directors with an independent chairman. Our independent directors bring with them diverse experience, networks and perspective and they actively engage management on key matters.

We also have a rigorous practice of supporting our independent and non-executive directors with accurate, timely and complete information about the business to enable them to fulfil their duties effectively, with shareholders' best interest at heart."

Mr. Choo Chiau Beng
CEO of Keppel Corporation

Company Profile

With a global footprint in more than 30 countries, Keppel leverages its international network, resources and talents to grow its key businesses. The Keppel Group of Companies includes Keppel Offshore & Marine, Keppel Energy, Keppel Integrated Engineering, Keppel Telecommunications & Transportation and Keppel Land, among others.

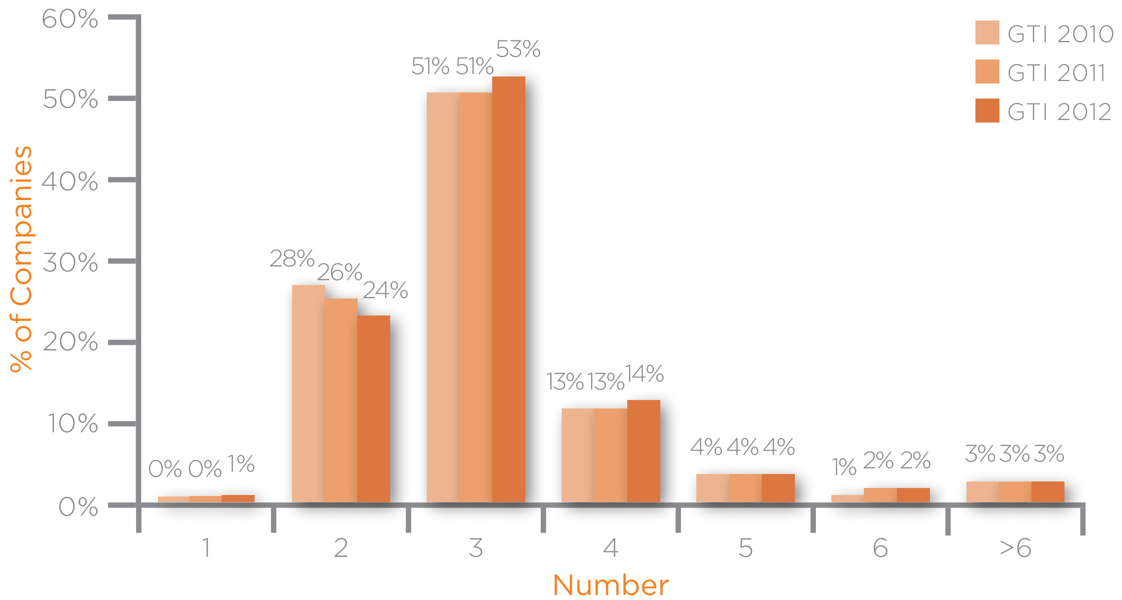
Keppel aims to be the provider of choice for solutions to the offshore and marine industries, sustainable environment and urban living, guided by key strategic thrusts of sustaining growth, empowering lives and nurturing communities.

In seeking sustainable growth, we are focused on executing our businesses well and creating value. Sound corporate governance practices, financial discipline, commitment to safety and execution excellence, and building a people-centric environment are our priorities.

3. BOARD INDEPENDENCE

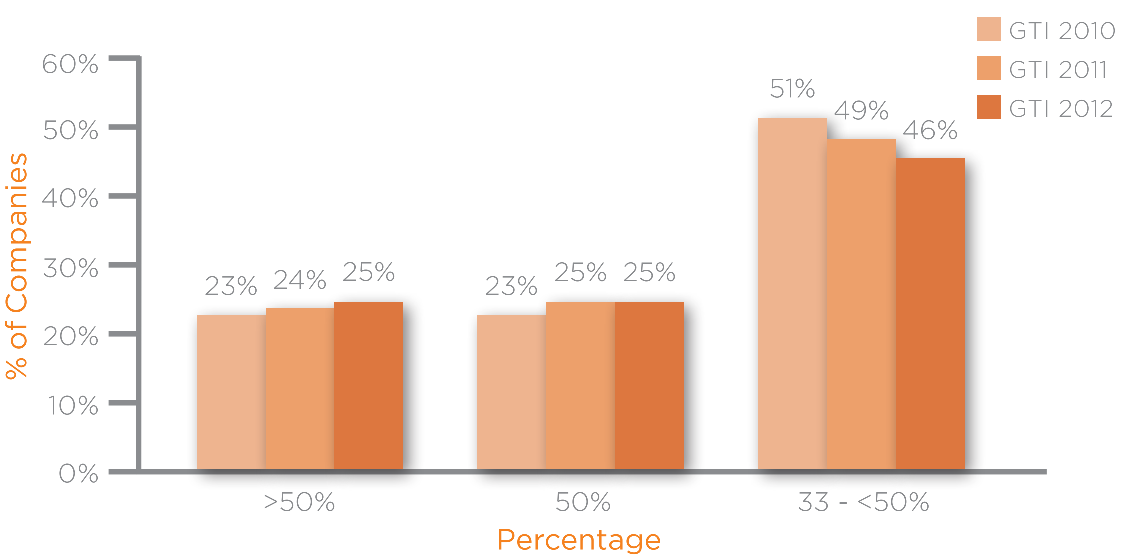
Our study shows that more than three-quarters of the listed companies have had three or fewer independent directors on their boards for the past three years (see Figure 4). On average, board size has remained at about seven members over that period.

Figure 4: Number of Independent Directors on Board



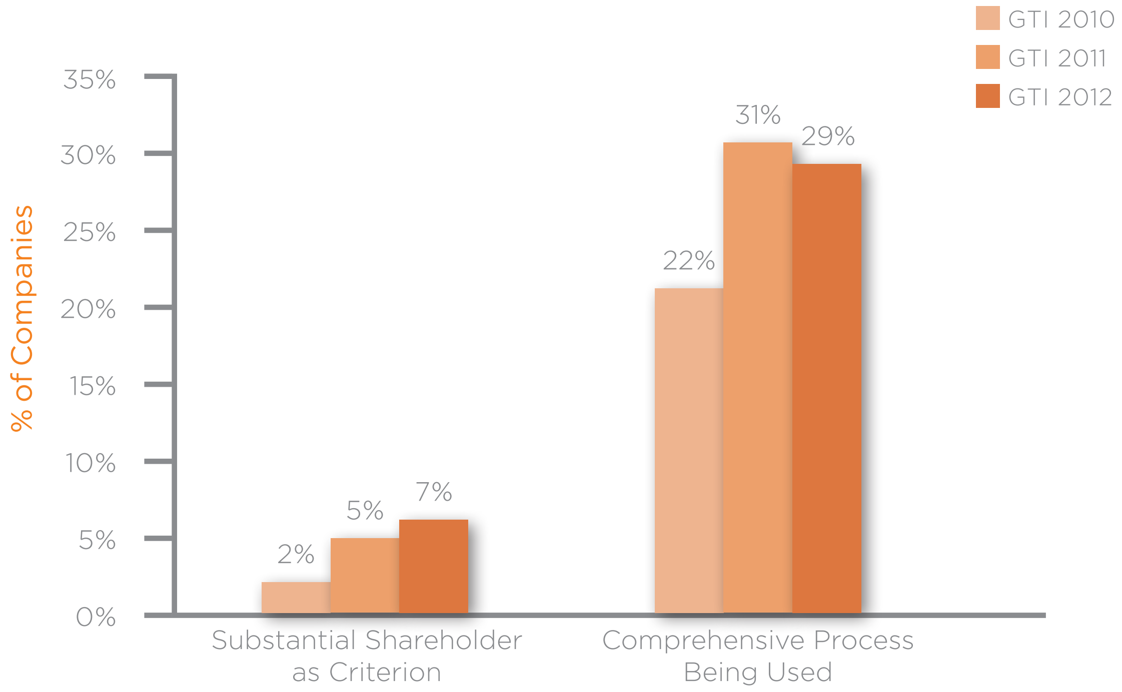
The proportion of independent directors on boards has increased marginally from GTI 2010 to GTI 2012 (see Figure 5), indicating the progressively important role played by this category of directors.

Figure 5: Proportion of Independent Directors on Board



In the study, 7% (49 companies) of the GTI 2012 companies disclosed they considered independence from substantial shareholders in their definition of an independent director (see Figure 6). In addition, 29% (193) of the firms reported they have adopted a comprehensive process to assess the independence of its directors.

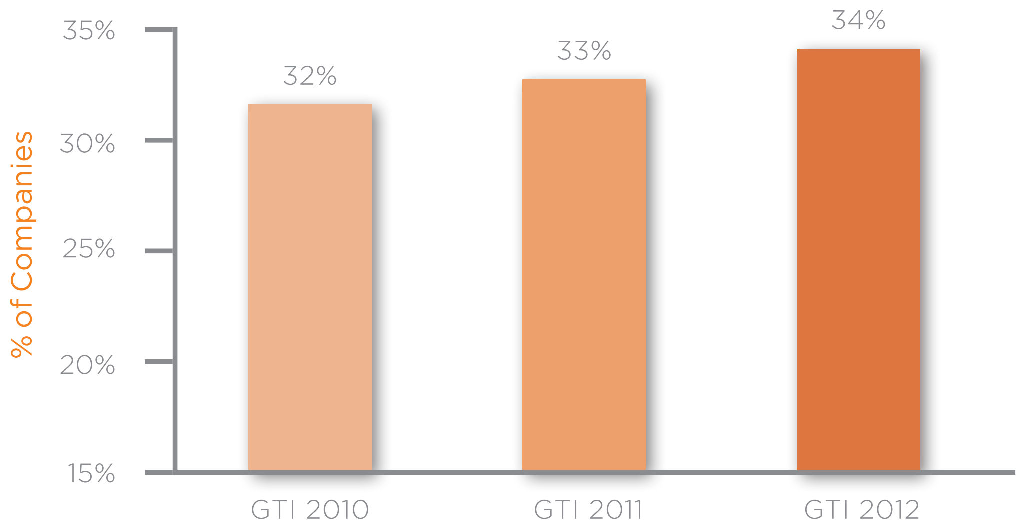
Figure 6: Definition of Director's Independence



4. APPOINTMENT OF INDEPENDENT OR NON-EXECUTIVE CHAIRMAN

Our study shows that 34% (227 companies) of the listed companies have an independent or non-executive chairman, which is a slight increase from 32% (223 companies) in GTI 2010 and 33% (218 companies) in GTI 2011 (see Figure 7). This indicates that the chairman is not involved in managing the company for about one -third of the listed companies.

Figure 7: Percentage of Companies with Independent or Non-Executive Chairman



Mr. Ang Kok Tian
Chairman and Managing Director, ASL Marine

Company Profile

ASL Marine is a fully integrated marine company with a strong focus in shipbuilding, ship repair, ship conversion, ship chartering and other marine-related services. Headquartered in Singapore, ASL owns and operates four shipyards in Singapore, Indonesia and China.

ASL has developed a niche market in building and repairing medium-size vessels. ASL has the capacity to build vessels of up to 150 metres in length, including offshore support vessels, tugs and tankers.

In addition, ASL Marine owns and operates a fleet of more than 180 vessels, providing ship-chartering services mainly to customers in the offshore oil and gas industry as well as the marine and offshore infrastructure sector, such as dredging and land reclamation and transportation of heavy equipment and materials.

Interview with Mr. Ang Kok Tian

Why and how has ASL Marine improved the company's corporate governance practices?

We have tried to improve our corporate governance practices by addressing the issue of culture and avoiding checklist compliance. For instance, our chairman and CEO has taken time to understand what constitutes good corporate governance and communicates this to members of the board. This has included elevating our independent directors' knowledge about the business through off-site meetings, on-site visits, detailed projections and frequent dialogue. However, as corporate governance is about having the "right" culture, it is an incremental and continuous process. We have tried to improve our corporate governance so that we can better manage risk. With a better understanding of our business risks, we can decide when to assume the risks and thus increase our returns.

As a family business, what were the challenges you faced in making these improvements?

Corporate governance for us is rooted in the belief that management is an agent for shareholders. Given that the family is quite close, it is important to ensure that when it comes to the company, family issues do not accidentally or intentionally override the fact that management is there for all shareholders and remains objective. To ensure this, we rely on strong, outspoken and independent non-executive directors.

We noticed that you have appointed a lead independent director. What has been the impact on your corporate governance practices?

Such an appointment is good as it helps dispel the idea that as a family firm we are not concerned about non-family staff or non-family shareholders. The lead independent director is thus a symbol of our commitment to non-family staff or non-family shareholders as well as an important point of contact for such persons.

What is important and challenging, we believe, for the lead independent director, for all the independent directors and for corporate governance (particularly within a medium-sized enterprise such as ours), is how they can contribute positively to the enterprise. Our lead and independent directors keep us on our toes with respect to compliance, risk management and efficiency as well as contributing with strategic ideas, operational suggestions and business opportunities.

Mr. Lui Seng Fatt
Co-Lead Independent Director, Ying Li International Real Estate Ltd

Company Profile

Ying Li International Real Estate Ltd. is the first significant Chongqing property developer to be listed in Singapore through its key subsidiary, Chongqing Yingli Real Estate Development Co., Ltd.. The Group engages principally in the development, sale, rental, management and long-term ownership of high-quality commercial and residential properties in prime locations in Chongqing. Chongqing Yingli is a recognized brand in Chongqing for quality, innovation and excellence in commercial property development, and is well positioned to capitalize on the strong market growth in Chongqing.

Established in 1993, Chongqing Yingli has a solid track record in urban renewal, having transformed old city areas into high-quality and premier design developments. Chongqing Yingli has successfully modernized the landscape of the city centre in Chongqing's main business districts, developing several landmark commercial buildings such as IFC, New York New York, Zou Rong Plaza and Future International.

Over the years, Chongqing Yingli also has earned numerous awards and accolades such as the Leading Brand in Chongqing Construction in 2007 and Chongqing's Top 50 Real Estate Development Enterprises in 2001, 2003, 2005, 2007, 2009 and 2011. The company's recognized efforts and capabilities have enabled Chongqing Yingli to continuously secure land in prime locations, build premium commercial developments and attract prestigious clientele.

Interview with Mr. Lui Seng Fatt

Why and how has Ying Li improved its corporate governance practices?

Following the problems with Chinese companies on various exchanges around the world as well as realizing the importance of maintaining good relations with bankers, Mr. Fang Ming [Ying Li's chairman and CEO] was very receptive to independent directors (ID) pushing for better controls and more transparency. The board asked members Mr. Christopher Chong and Mr. Danny Ho to assist. Mr. Chong suggested several recommendations and Mr. Ho followed through with implementation.

The main changes made were:

- Better defined board role and responsibilities
- Improved independence in committees
- Start work in line with the guidelines of the Committee of Sponsoring Organizations of the Treadway Commission (COSO)
- Better communication with shareholders through a website redesign and more presentations

As a S-Chip company (a Chinese firm listed on the SGX), what special challenges did Ying Li face in improving corporate governance practices?

The main challenge was attitude or culture. If the top people believe in good corporate governance, then it is much easier to implement. It has taken a while but Mr. Fang Ming will call the relevant ID when there is an issue. This acts as prevention as opposed to a cure and is much better for the management of risk. The board also has very open discussions on a wide range of issues, including "what if's." For example, the board now discusses operational issues that may impact corporate governance, such as pay scales, retaining staff, marketing of retail space, pricing for office space, etc. Another very important step is hiring really good people. This means paying them well. We have hired three competent top management staff from the People's Republic of China as well as three Singaporean senior managers. The Chinese staff members are in charge of marketing, project management and human resources. The three Singaporean managers cover treasury, accounting and risk management as well as investor and public relations.

"At Sembcorp, we believe the fundamental responsibility of the board is to exercise independent judgment, to act in good faith in what they reasonably believe to be the best interest of the company and for the creation of long-term value for shareholders. By having independent elements on the board, our directors not only contribute valuable expertise and insight, but bring an independent and objective perspective to enable balanced and well-considered decisions to be made."

Mr. Koh Chiap Khiong
Group CFO, Sembcorp Industries

Company Profile

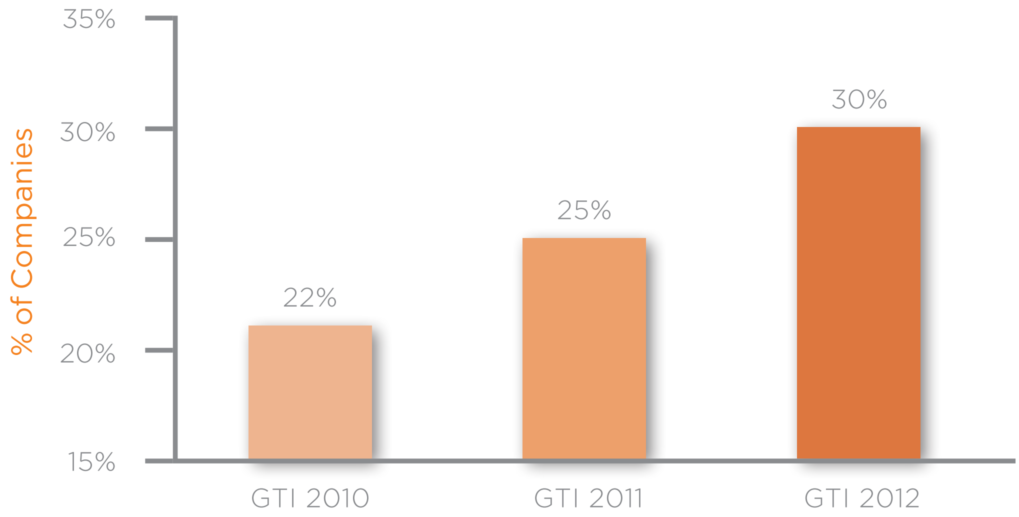
Sembcorp Industries is a leading energy, water and marine group operating across six continents worldwide. With facilities with more than 5,600 megawatts of gross power capacity and more than seven million cubic metres of water per day in operation and under development, Sembcorp is a trusted provider of essential energy and water solutions to both industrial and municipal customers. It is also a world leader in marine and offshore engineering as well as an established brand name in urban development.

The Group has total assets of more than S$12 billion and employs more than 9,000 employees. Listed on the main board of the Singapore Exchange, it is a component stock of the Straits Times Index, several MSCI and FTSE indices as well as the Dow Jones Sustainability Asia Pacific Index.

5. APPOINTMENT OF LEAD INDEPENDENT DIRECTORS

Over the three years of the GTI (2010-2012), there has been a significant increase in the number of listed companies that have appointed a lead independent director. In GTI 2012, 30% (200 companies) had appointed a lead independent director where the chairman and the CEO are the same person, or where the chairman and the CEO were related by close family ties or were both part of the executive management team. This is an increase from 22% in GTI 2010 and 25% in GTI 2011 (see Figure 8).

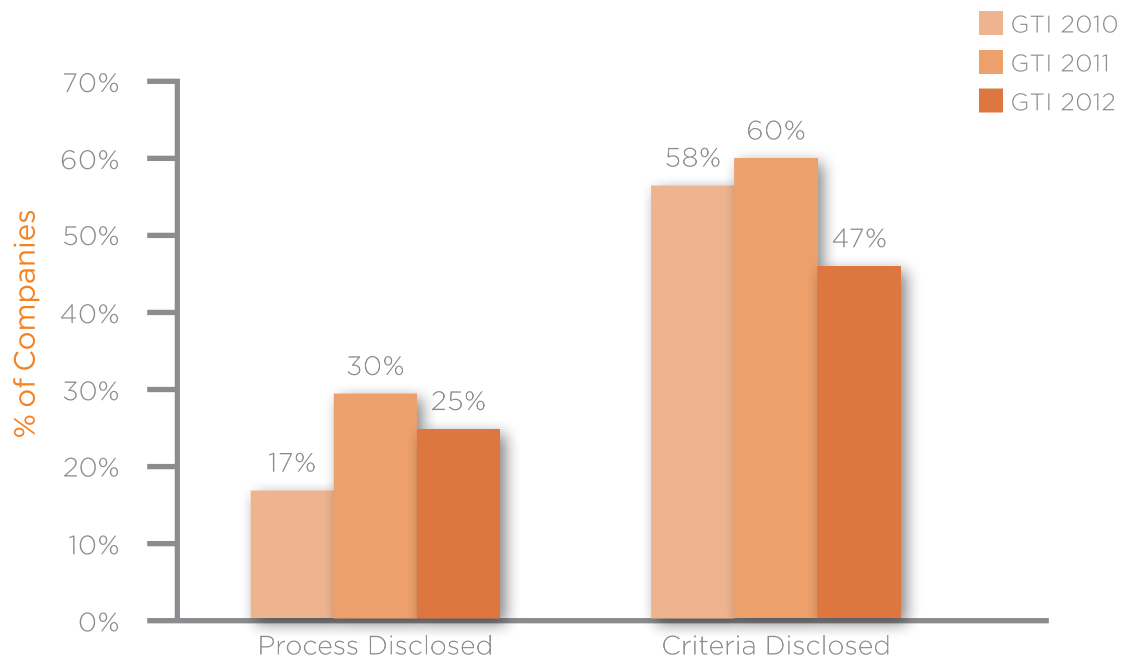
Figure 8: Percentage of Companies with Lead Independent Director



6. BOARD APPRAISAL AND MEMBERSHIP

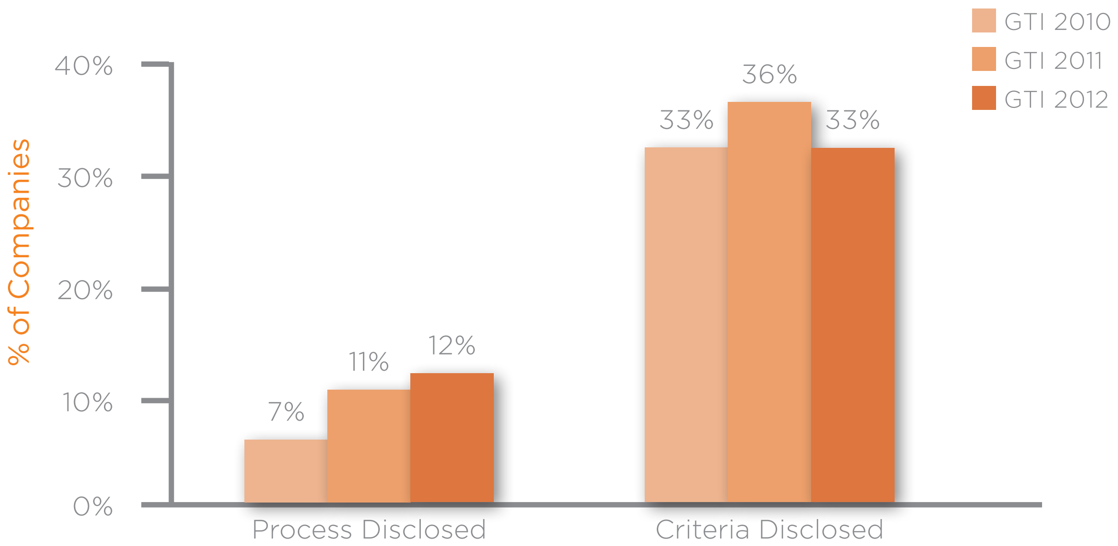
25% of the companies in GTI 2012 disclosed the process followed for the appraisal of the board as a whole and 47% disclosed the criteria for the board appraisal (see Figure 9). Compared with previous years, it is clear that disclosure on the process and criteria for board appraisal has decreased.

Figure 9: Board Appraisal - Disclosure on Process and Criteria



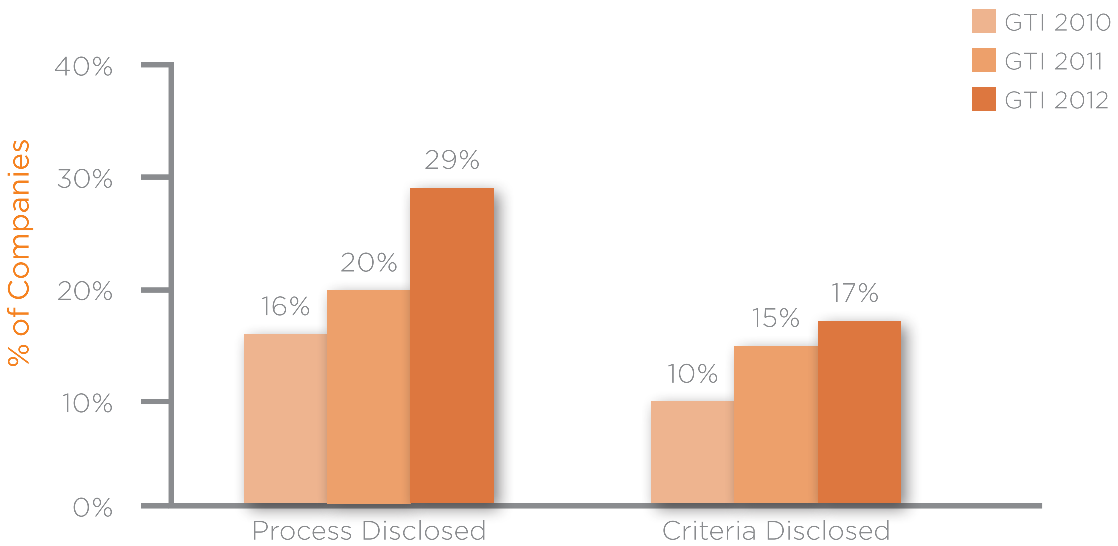
For individual director appraisal, 12% of the companies in GTI 2012 disclosed the process followed (see Figure 10). This is a slight increase compared with the previous years. However, there is a slight decrease in the percentage of companies that disclosed their criteria for individual director appraisal as compared with the previous year.

Figure 10: Director Appraisal - Disclosure on Process and Criteria



In our study, 29% of the companies disclosed the process followed in selecting and appointing new directors whereas only 17% disclosed the criteria used in selecting new directors (see Figure 11). As shown, there has been consistent improvement in the disclosure of the process and the criteria for selecting new directors over the past three years.

Figure 11: Director Selection - Disclosure on Process and Criteria



"We have always been committed in complying with and adhering to the benchmark set by the Code of Corporate Governance to ensure corporate transparency. We took additional effort to communicate our efforts in these aspects and are glad to be assessed more favourably this year.

The purpose of the disclosures of the criteria for the board's and individual director's appraisal is to assure shareholders that we have in place a system to assess the effectiveness of the board and the contribution of each individual director and that our directors possess the experience, knowledge and expertise that are valuable to our business."

Mr. Goh Ah Lee
Executive Chairman and Group Managing Director, Lorenzo

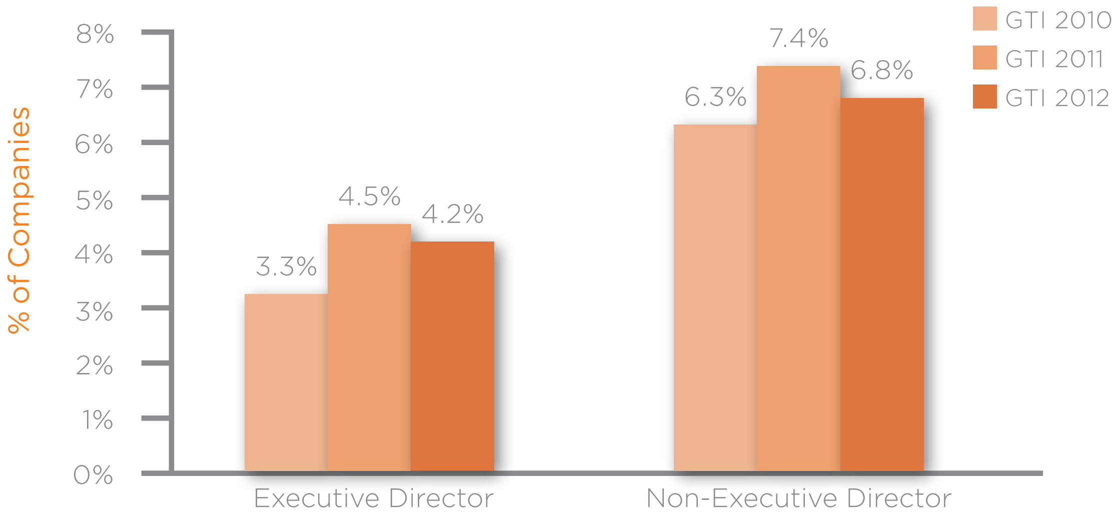
Company Profile

Established in 1983, Lorenzo is a branded retailer, vertically integrated in the design, manufacturing and distribution of conceptualized lifestyle furniture. Its products are widely distributed in its wholly owned stores and licensed retailing system (LRS) stores in the region. Most of its products are marketed under the LORENZO brand and categorized into Dante, the classic leather collection, and Enzo, the wood-based collection. The company also exports its products overseas. Its products are assembled in two leather-sofa manufacturing facilities in Malaysia and Kunshan, PRC, and a wood-based furniture manufacturing facility in Kunshan. The company is also an original design manufacturer (ODM) for other sofa brands.

7. DISCLOSURE OF DIRECTOR'S REMUNERATION

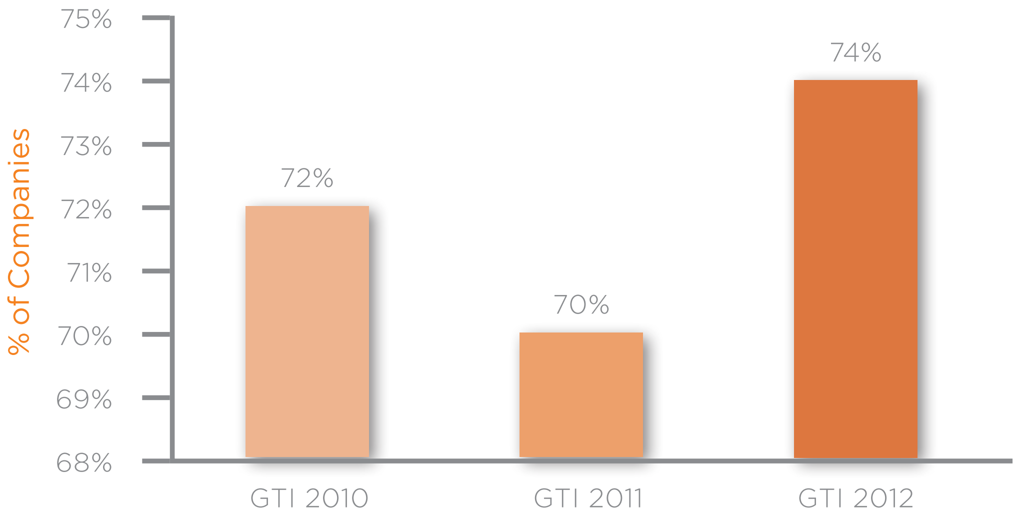
The study found that about 4% of companies in GTI 2012 made exact disclosure of their executive directors' remuneration, while about 7% of companies made exact disclosure of their non-executive directors' remuneration (see Figure 12).

Figure 12: Director's Remuneration - Exact Disclosure



In terms of disclosure in bands of $250,000, there is more transparency. About 74% of the listed companies in GTI 2012 disclosed remuneration in such bands with an upper limit specified (see Figure 13). This is an improvement over the results of previous years.

Figure 13: Executive Director's Remuneration - Disclosure in Bands of S$250,000



8. CONCLUSION

GTI 2012 has unveiled the momentum of Singapore's listed companies in improving corporate governance. For the past three years, the GTI project has indicated the overall state of corporate governance has declined. However, GTI 2012 suggests corporate governance has turned the corner. This is good news as Singapore's listed companies prepare themselves for the impending revised Code of Corporate Governance.

This report puts the spotlight on company boards and their directors, deservedly so as they are at the heart of corporate governance. Good and bad governance emanates from the board and its people, who are at "ground zero" in the event of a corporate governance scandal.

The findings of GTI 2012 show there is still some way to go in terms of specific aspects of board function. These pertain to the areas of director independence, separation of chairman and CEO roles and remuneration disclosure.

The GTI project makes a valuable contribution in the systematic and objective assessment of the state of corporate governance in Singapore. Before companies can plan where to go, they must know where they stand now. It is hoped that companies, and especially the boards, can find the benchmarks in the GTI project useful in their quest for excellence in corporate governance.

APPENDIX A

GTI Methodology

How Companies Are Scored

The GTI is aimed at assessing companies on their corporate governance disclosure and practices, as well as the timeliness, accessibility and transparency of their financial results.

The GTI score comprises two components: the base score and the adjustment for bonuses and penalties. Companies can obtain a maximum of 100 points for the base score under the following four domains: (1) board matters (maximum 35 points); (2) remuneration matters (maximum 20 points); (3) accountability and audit (maximum 20 points); and (4) transparency and investor relations (maximum 25 points). The aggregate of the bonuses and penalties (positive or negative) is incorporated to the base score to arrive at the company's overall GTI score.

The GTI is now into its fourth year. In GTI 2012, a total of 674 companies were included in the rankings. GTI 2012 covers companies that released their annual reports between 1 January 2011 and 31 December 2011, with exceptions for companies with September financial year-ends, where the cut-off for inclusion in the index was extended to 31 January 2012. Seventy-five listed companies are excluded from the GTI 2012 ranking. These are real estate investment trusts, business trusts, exchange-traded funds, secondary listings, suspended companies and delisted companies as well as newly listed companies that do not have a full-year financial report.

The primary sources of information for the study are the company's annual report and the company website. Announcements made by the company on SGXNet as well as in the media, which occurred between 1 January 2010 and 31 January 2012, also have been used to update the score. Some companies were directly contacted to obtain information if not publicly available.

Further information on the methodology, including the full scorecard, and past results may be obtained from the CGIO website at http://bschool.nus.edu.sg/CGIO.aspx. Queries about the GTI may be sent to cgio@nus.edu.sg. In order to maintain independence and fairness of the Index, reports or advice cannot be provided to individual companies.

APPENDIX B

Industry Distribution for GTI 2010 to GTI 2012

Industry*	Number / Percentage of Companies					
	GTI 2012	% of Companies	GTI 2011	% of Companies	GTI 2010	% of Companies
Commerce	95	14%	98	15%	105	15%
Construction	30	5%	27	4%	30	4%
Finance	25	4%	26	4%	26	4%
Hotels/ Restaurants	16	2%	15	2%	16	2%
Manufacturing	274	41%	273	41%	288	42%
Multi-Industry	16	2%	18	3%	17	3%
Properties	38	6%	34	5%	33	5%
Services	130	19%	123	19%	127	19%
Transport, Storage and Communications	41	6%	38	6%	37	5%
Others**	9	1%	8	1%	8	1%
Total	674	100%	660	100%	687	100%

*Sector classification from SGX. More details can be found on http://sgx.com/wps/portal/sgxweb/home/company_disclosure/stock_indiceslist
**Others: Sectors include Agriculture, Electricity/Gas/Water and Mining/Quarrying

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