



Centre for Governance and Sustainability  
NUS Business School

# **PRESENTATION ON CORPORATE DISCLOSURE ON BUSINESS INTEGRITY IN ASEAN 2022**

**Presentation of Studies by  
Centre For Governance And Sustainability (CGS), NUS  
Business School**

*Prof Lawrence Loh*

*Director*

*CGS, NUS Business School  
National University of Singapore*

*11 October 2022*

# Agenda

- Setting the context
- Scope of study
- Research findings
  - Overall disclosures
  - Internal commitment
  - External commitment
  - Specific highlights on disclosures
- Summary

# Setting the Context

# Corporate Governance – An Investor’s Perspective

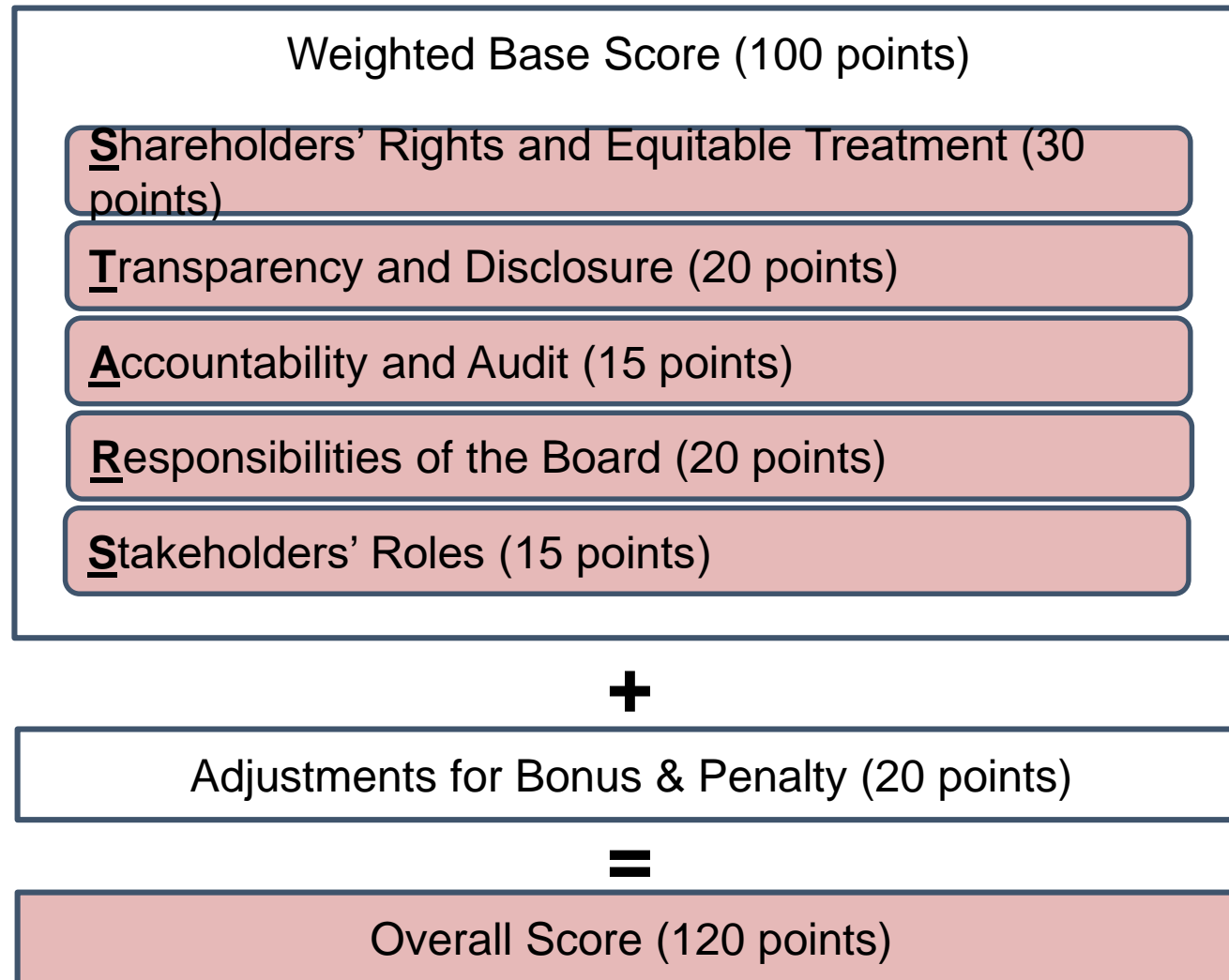
The Investors’ Choice Awards (ICA) recognizes excellence in companies adopting good corporate governance practices.

Corporate governance plays an important role in supporting investment, specifically for retail investors in Singapore.

Investors plough their monies into companies trusting the Board and the Management and hoping for their desired returns.

Therefore, SIAS together with its industry partners, annually rate the best performing listed companies in governance and transparency for the benefit of investors

# SIAS-CGS “STARS” Framework



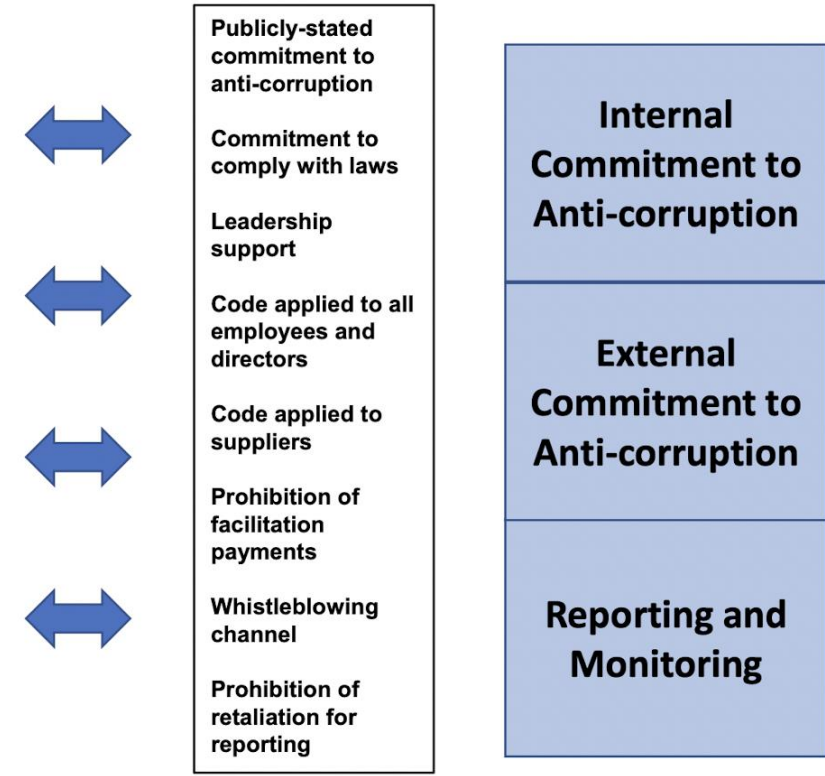
# Linking Corporate Governance with Business Integrity

## Corporate Governance Framework



- Link between remuneration and performance of directors
- RPTs are conducted in fair and at arms' length
- Supplier/Contractor selection practices
- Company's anti-corruption programmes and procedures
- How creditors' rights are safeguarded
- Whistleblowing policy and provision of anonymous reporting
- A statement by the board on the adequacy of the internal controls
- Review and approval of material/significant RPTs
- Risk tolerance and risk management policy

## Business Integrity Framework



# Study of Business Integrity Disclosures 2022

Conducted by



Centre for Governance and Sustainability  
NUS Business School



# Scope of Study



# Research Design

Research model based on Transparency International's initiative on "Transparency in Corporate Reporting"

## Company Selection



Used market capitalization data in USD millions as of 30 June 2022 for 50 largest listed companies from stock exchanges of the five ASEAN countries (Indonesia, Malaysia, Philippines, Singapore and Thailand)

---

## Sources



Publicly accessible means:  
Annual reports, corporate governance reports, sustainability reports and corporate websites

---

## Scoring



1 = Fully satisfied, 0.5 = Partly satisfied, 0 = Not satisfied

---

## Limitations



Absence of public disclosures limits the representativeness of results and language barrier

# Assessment Rubrics

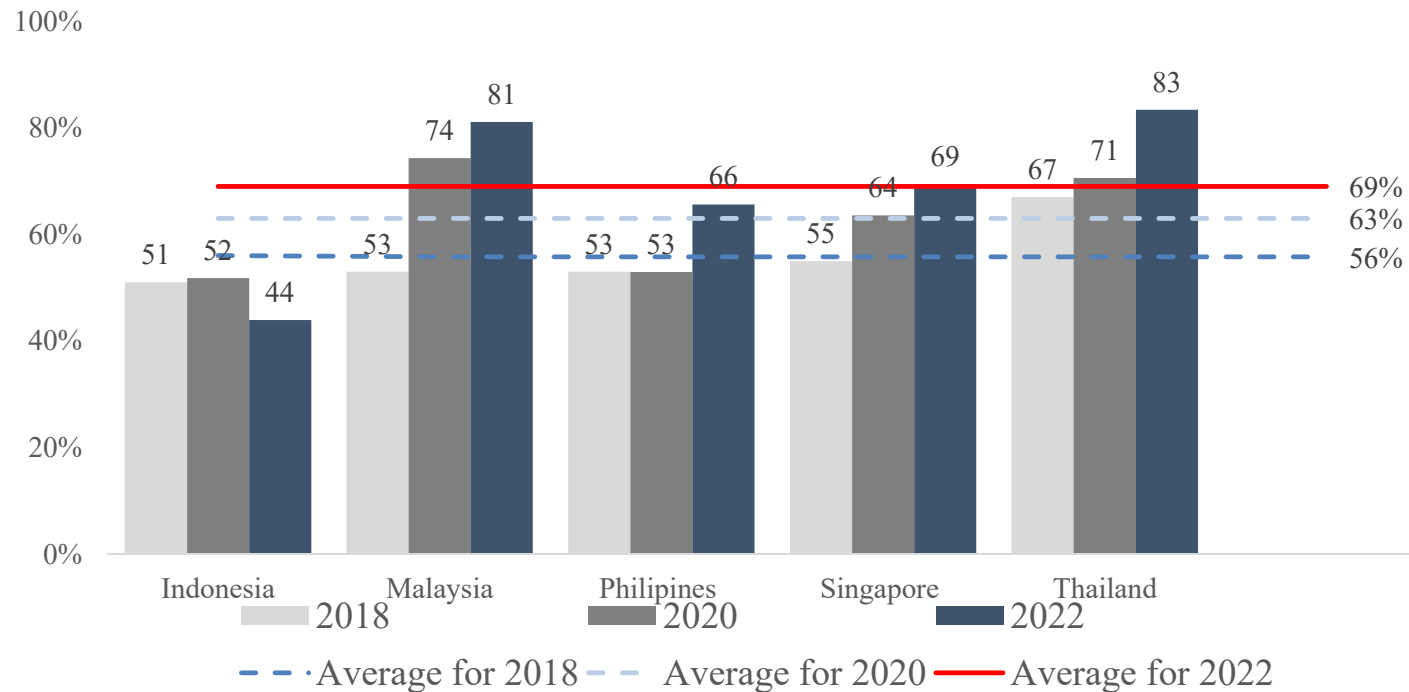
Category	Question	Description
Internal commitment to anti-corruption	Q1	Publicly stated commitment to anti-corruption or zero-tolerance statement
	Q2	Commitment to comply with laws
	Q3	Leadership support
	Q4	Code applied to all employees and directors
	Q5	Training programme for all employees and directors
External commitment to anti-corruption	Q6	Code applied to agents
	Q7	Code applied to suppliers
	Q8	Gifts, hospitality, travel policies
	Q9	Prohibition of facilitation payments
	Q10	Disclosure of political contributions
Reporting and monitoring	Q11	Whistleblowing channel
	Q12	Prohibition of retaliation for reporting
	Q13	Regular programme monitoring

# Research Findings

Note: Findings are based on disclosures made by companies and do not indicate the country's overall profile.

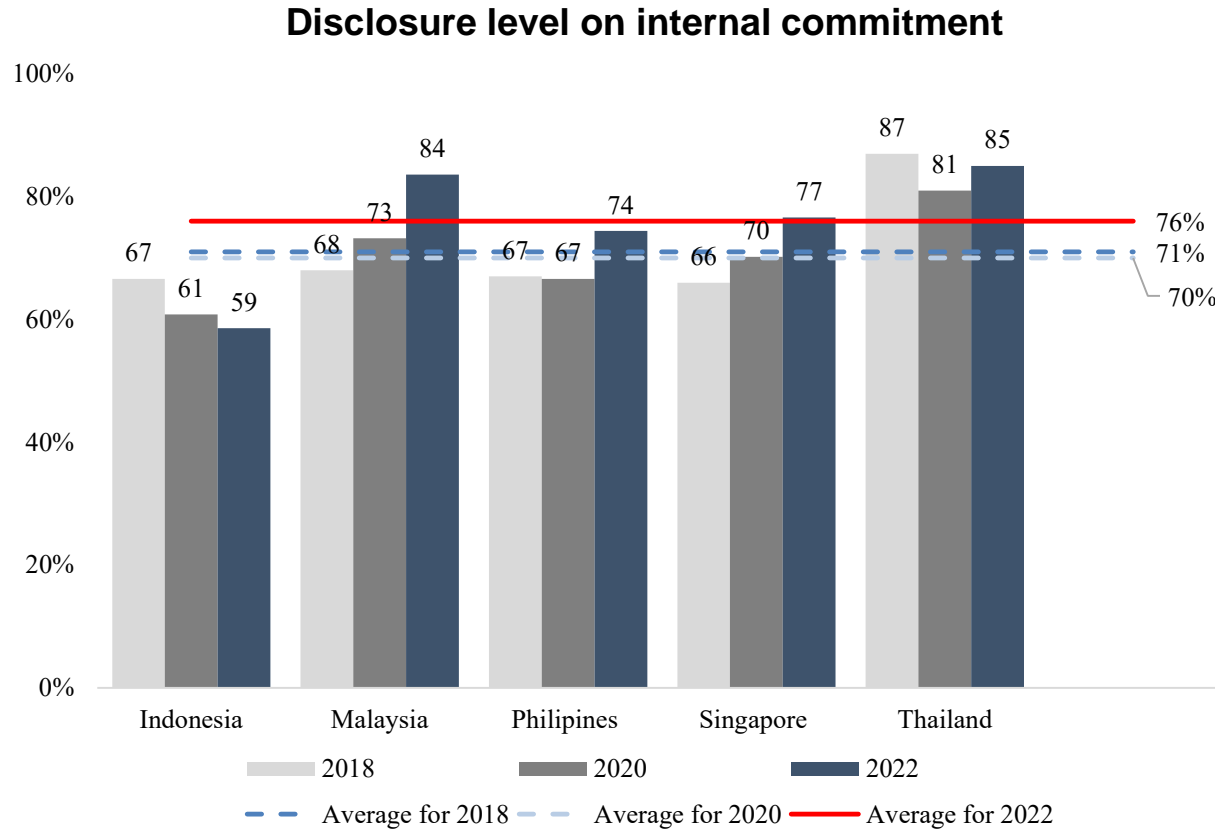
# Overall Disclosures on Corporate Matters to Enhance Business Integrity

Overall level of Disclosure across ASEAN



- A steady increasing trend of disclosure and overall average scores in ASEAN across the period.
- Thailand had the highest overall average score with an increase biggest increment by 12% in 2022. It also had the highest levels of disclosures in all 3 categories, namely – Cat 1 – Internal Commitment to Anti-corruption, Cat 2 – External Commitment to Anti-corruption and Cat 3 – Reporting and Monitoring .
- Indonesia’s overall average score decreased by 8%, from 52% in 2020 to 44% in 2022 due to the low levels of disclosure in Category 1 – Internal Commitment to Anti-corruption and Category 3 - Reporting and monitoring.

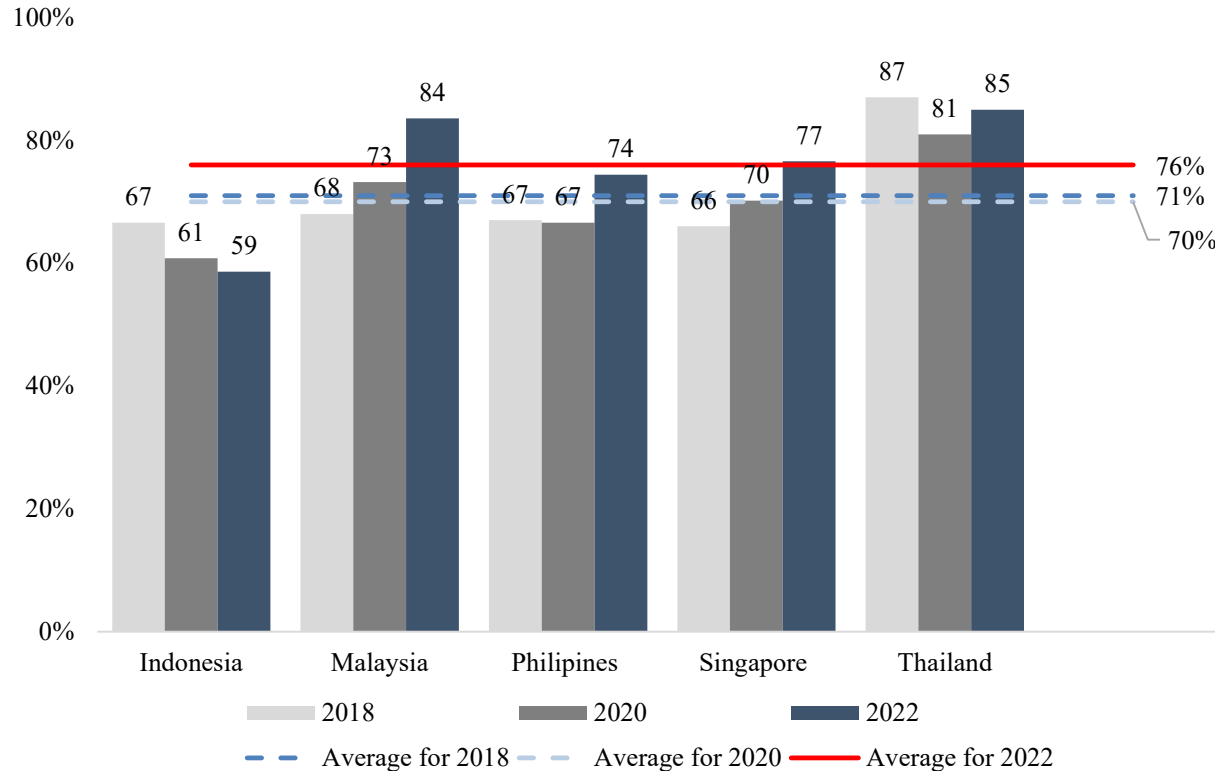
# Category 1 - Internal Commitment to Anti-Corruption (Coverage)



- I. Does the company have a publicly stated **commitment** to anti-corruption?
- II. Does the company publicly commit to be in **compliance** with all relevant laws, including anti-corruption laws?
- III. Does the company **leadership** demonstrate support for anti-corruption?
- IV. Does the company's **code of conduct/ anti-corruption policy** explicitly apply to all employees and directors?
- V. Does the company have in place an anti-corruption **training programme** for its employees and directors?

# Category 1 - Internal Commitment to Anti-Corruption (Performance)

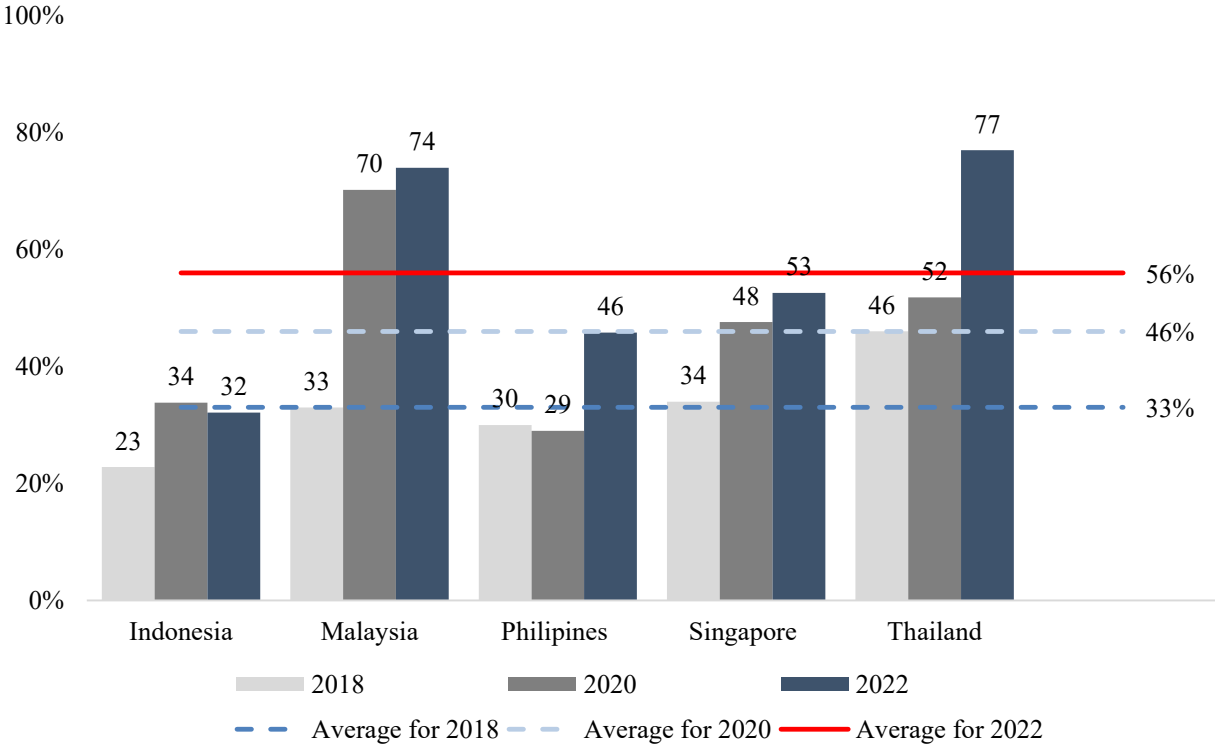
Disclosure level on internal commitment



- Overall average scores across the period increased by 6% to 76% in 2022.
- Malaysia showed the highest increase by 11% in 2022 due to an increase in disclosures of the anti-corruption applying to both employees and directors.
- Indonesia's score decreased by 2% from 61% in 2020 to 59% in 2022. There was a lower support of anti-corruption programmes in the companies' leadership.

# Category 2 - External Commitment to Anti-Corruption (Coverage)

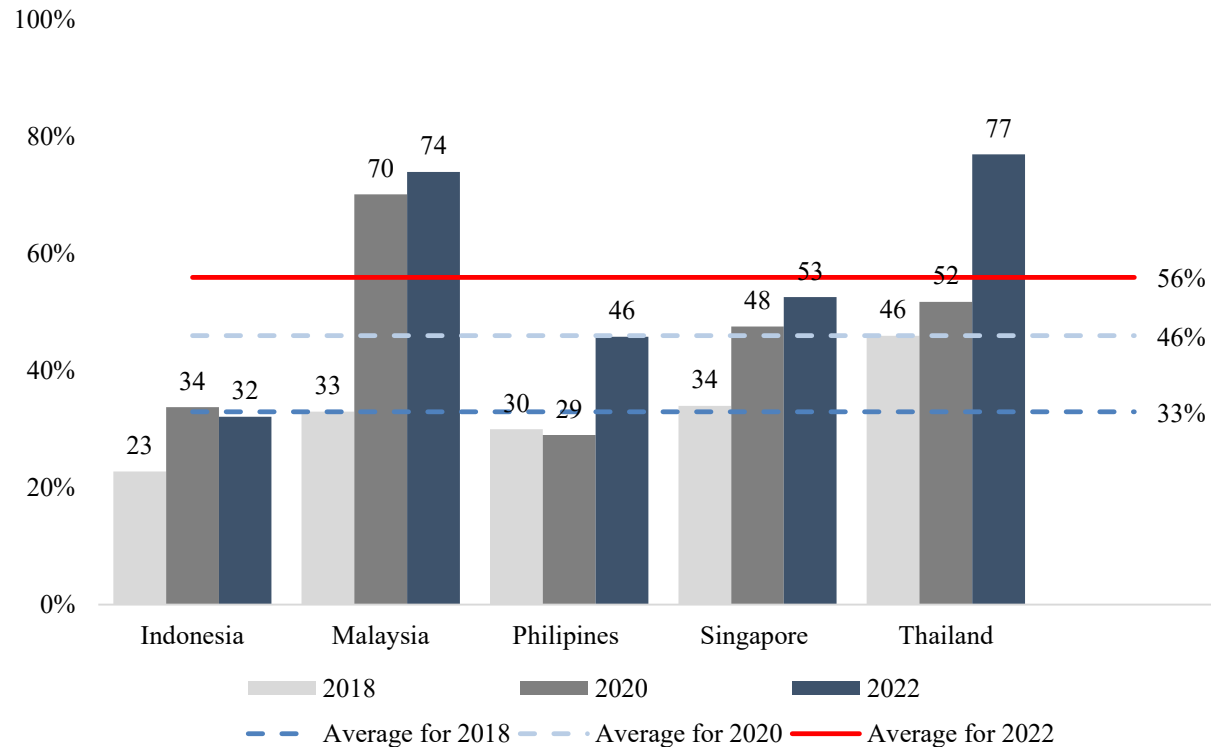
Disclosure level on external commitment



- I. Does the company’s anti-corruption policy explicitly apply to persons who are not employees but are authorized to **act behalf of the company or represent it?**
- II. Does the company’s anti-corruption programme apply to non controlled persons or entities that **provide goods or services under contract?**
- III. Does the company have a policy on **gifts, hospitality and expenses?**
- IV. Is there a policy that explicitly prohibits **facilitation payments?**
- V. Does the company have a policy on **political contributions** that either prohibits such contributions or if it does not, requires such contributions to be publicly disclosed?

## Category 2 - External Commitment to Anti-Corruption (Performance)

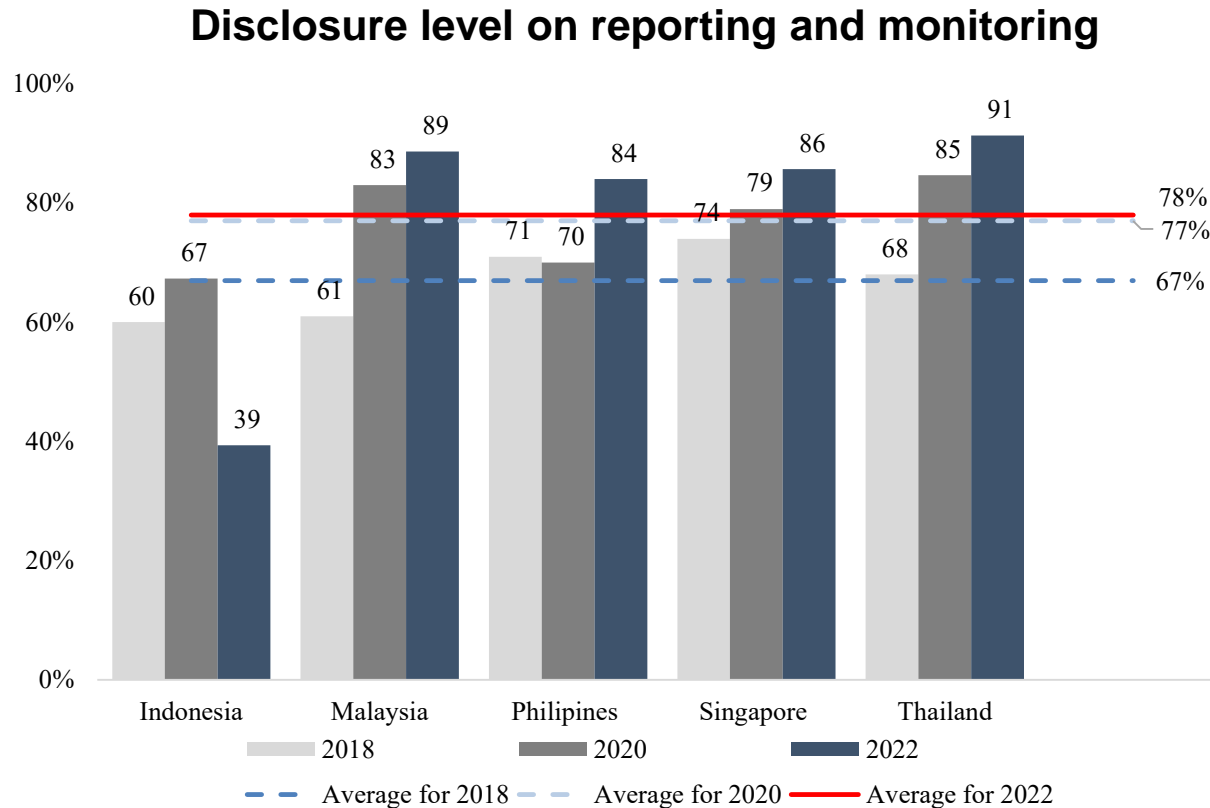
Disclosure level on external commitment



- Overall averages scores greatly increased.
- Thailand has the greatest increase in average score by 25% in 2022. There was greater application of anti-corruption policies to agents and representatives, as well as the increase in disclosures on policies on gifts, hospitalities and expenses.
- Indonesia's average score decreased slightly by 2% to 32% in 2022 from 2020.



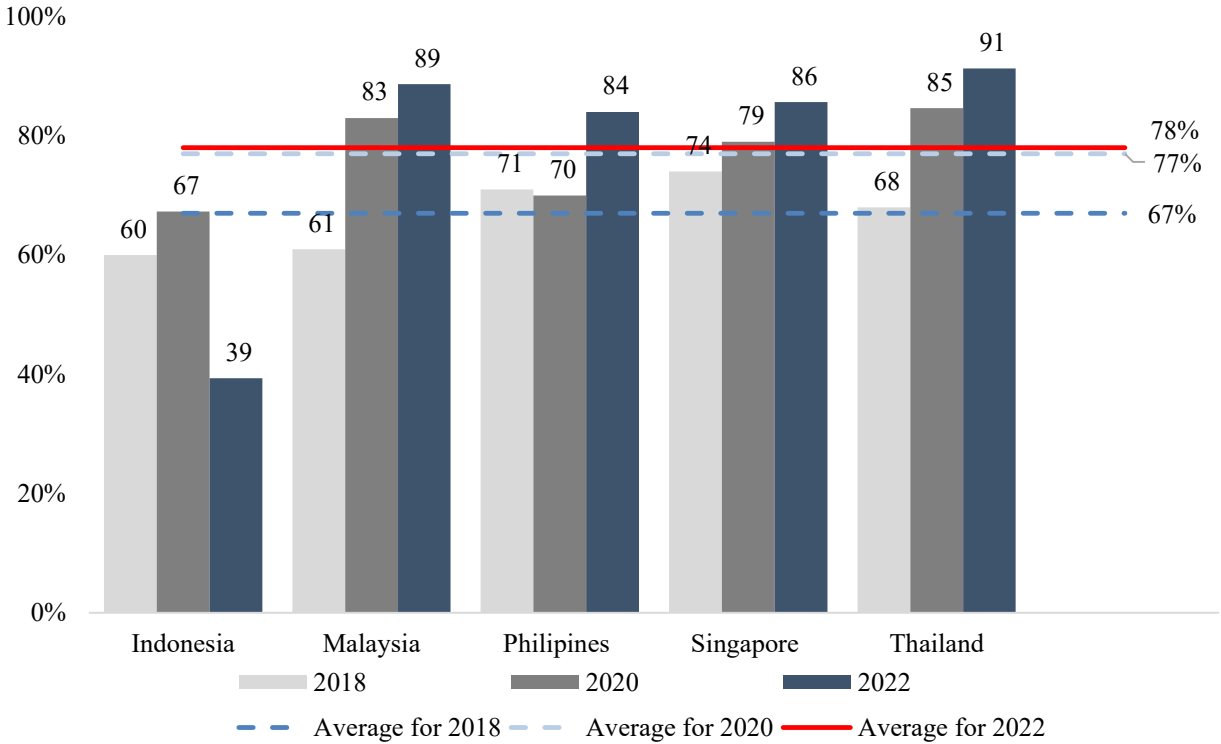
## Category 3 - Reporting and Monitoring (Coverage)



- I. Does the company provide a channel through which employees can report suspected breaches of anti-corruption policies, and does the **channel allow for confidential and/or anonymous reporting?**
  
- II. Does the programme enable employees and others to **raise concerns and report violations** (of the programme) **without risk of reprisal?**
  
- III. Does the company carry out regular **monitoring** of its anti-corruption programme to **review the programme's suitability, adequacy and effectiveness,** and implement improvements as appropriate?

# Category 3 - Reporting and Monitoring (Performance)

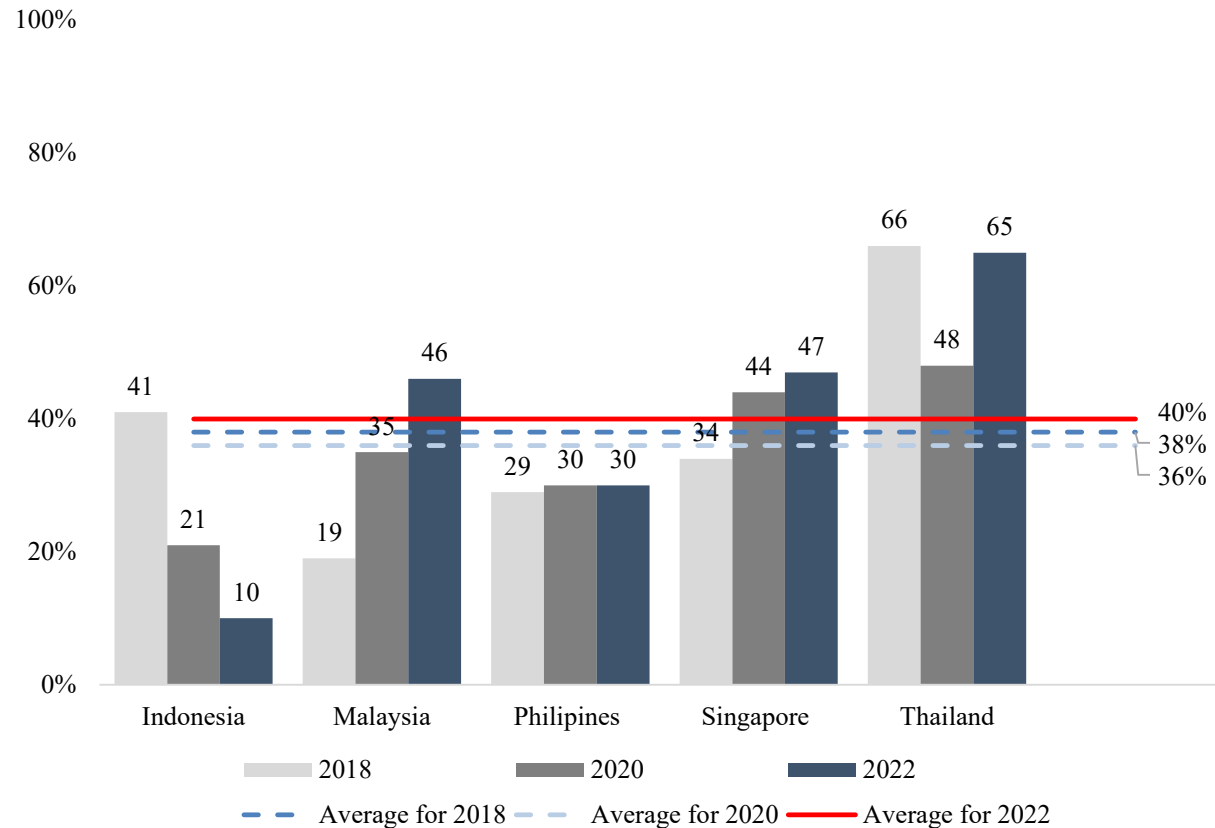
Disclosure level on reporting and monitoring



- High levels of disclosures in almost all countries with average scores of at least 84% in 2022.
- Malaysia and Thailand shared the same largest increase by 6%, with Thailand having the highest disclosures at 91% in 2022.
- Indonesia’s average score fell by 28% from 67% in 2020 to 39% in 2022. Many companies did not disclose about regular monitoring of its anti-corruption policies, or there is lack of this practice.

## Specific Highlights on Disclosures

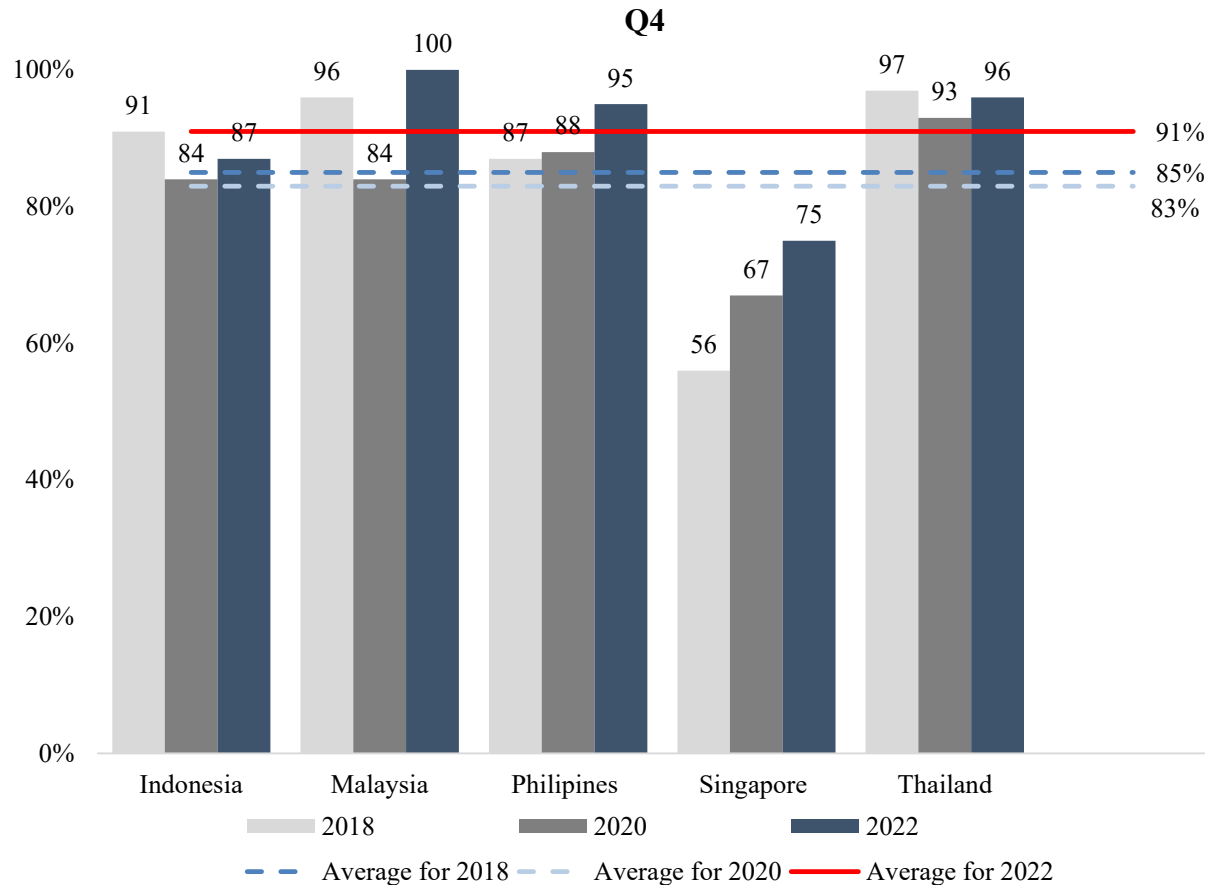
### Q3. Does the company leadership demonstrate support for anti-corruption?



- Average scores for Malaysia and Singapore increased progressively over the period.
- A decrease of 31% in average score for Indonesia from 41% in 2018 to 10% in 2022. In 2022, 42 out of 50 companies' CEOs and their boards have neither disclosed nor demonstrated support by making publicly-available statements for anti-corruption.

## Specific Highlights on Disclosures

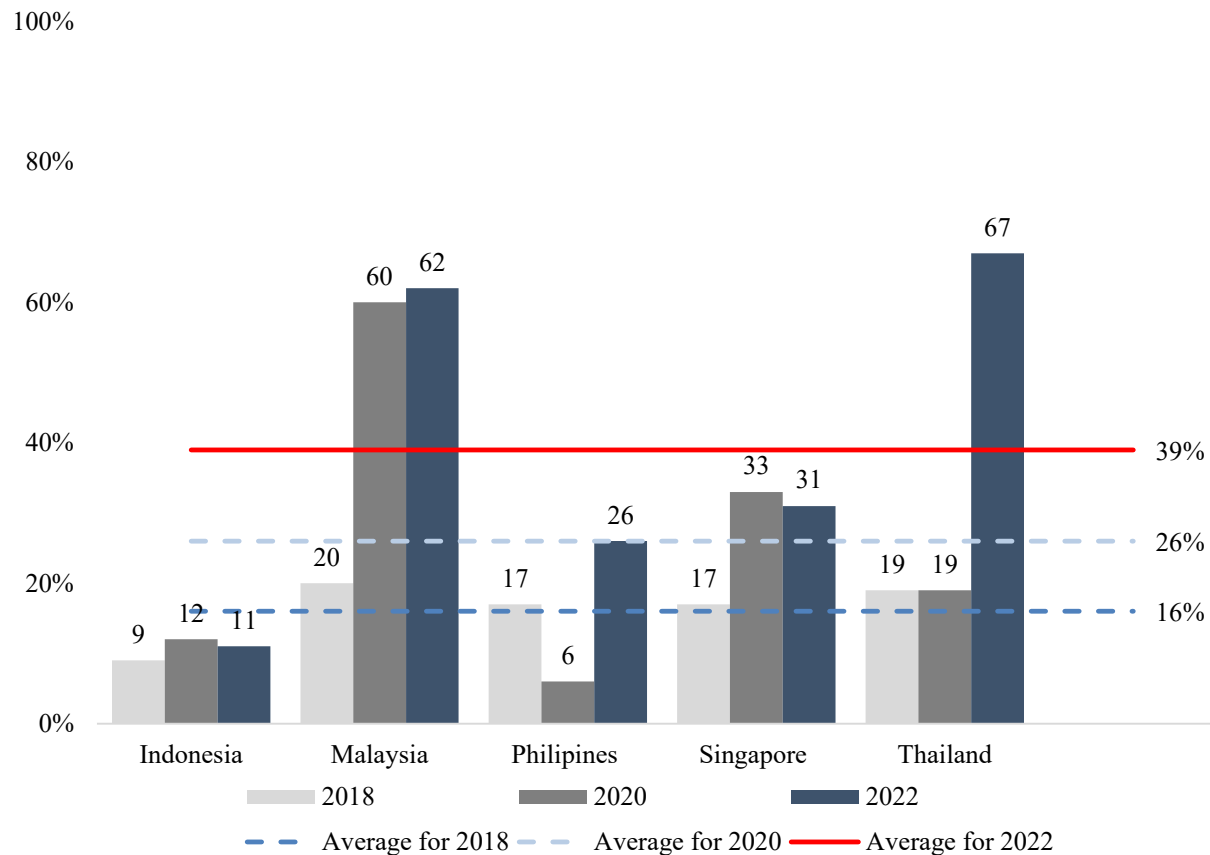
### Q4. Does the company's code of conduct/anti-corruption policy explicitly apply to all employees and directors?



- Countries generally had high scores in the level of disclosures about their code of conduct/anti-corruption policy. Almost all scored above 85% in 2022, with the exception of Singapore
- Although Singapore's average score was the lowest, it increased by 19%, the largest margin, from 2018 to 2022.

## Specific Highlights on Disclosures

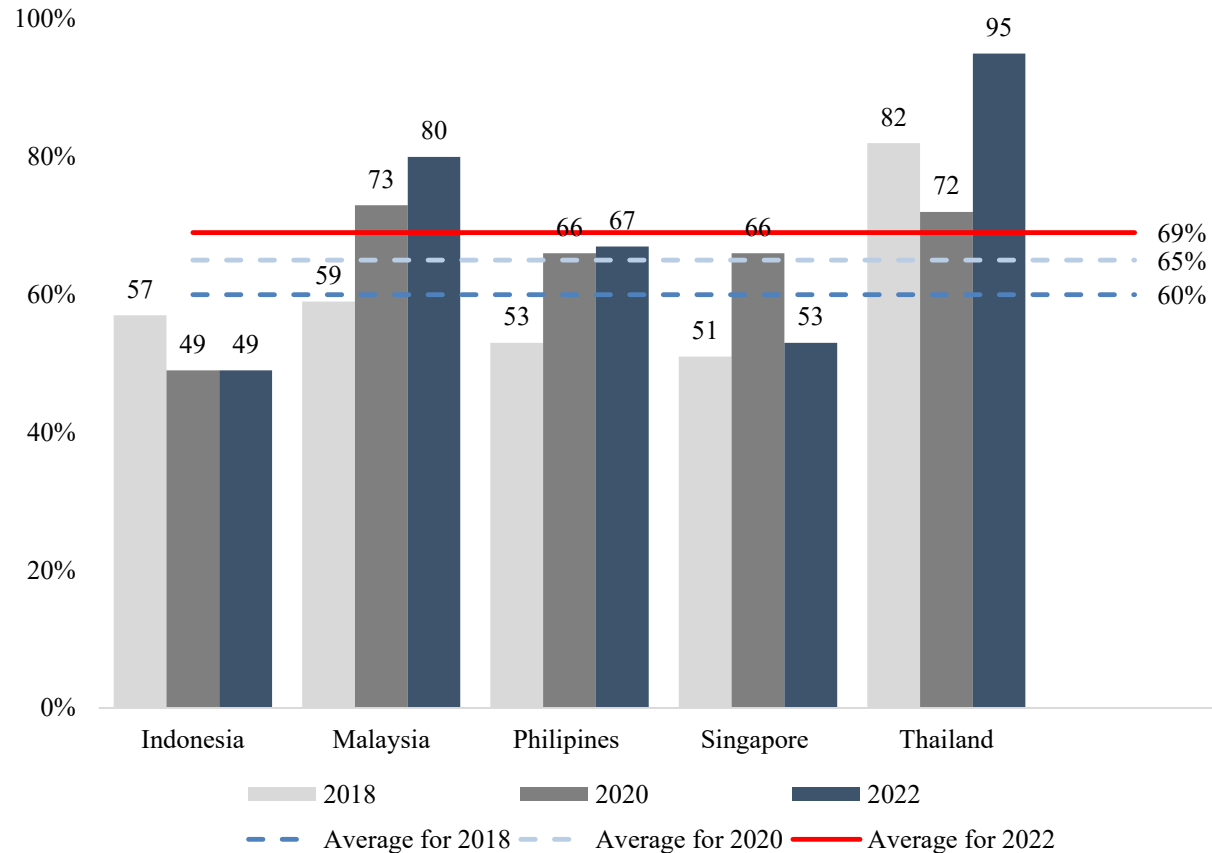
### Q6. Does the company's anti-corruption policy explicitly apply to persons who are not employees but are authorized to act behalf of the company or represent it?



- Huge increases in the scores of Thailand by 48% and Philippines by 20% in 2022 were seen compared to their scores in 2020. Almost all (47) companies in Thailand explicitly stated the relevant policies.
- The low average scores for Indonesia were probably due to the following reasons:
  - 40 companies did not have any policy explicitly applying to persons such as agents, representatives or intermediaries.
  - 9 which did so, only had policies that encouraged compliance and such persons were not monitored by the company.

## Specific Highlights on Disclosures

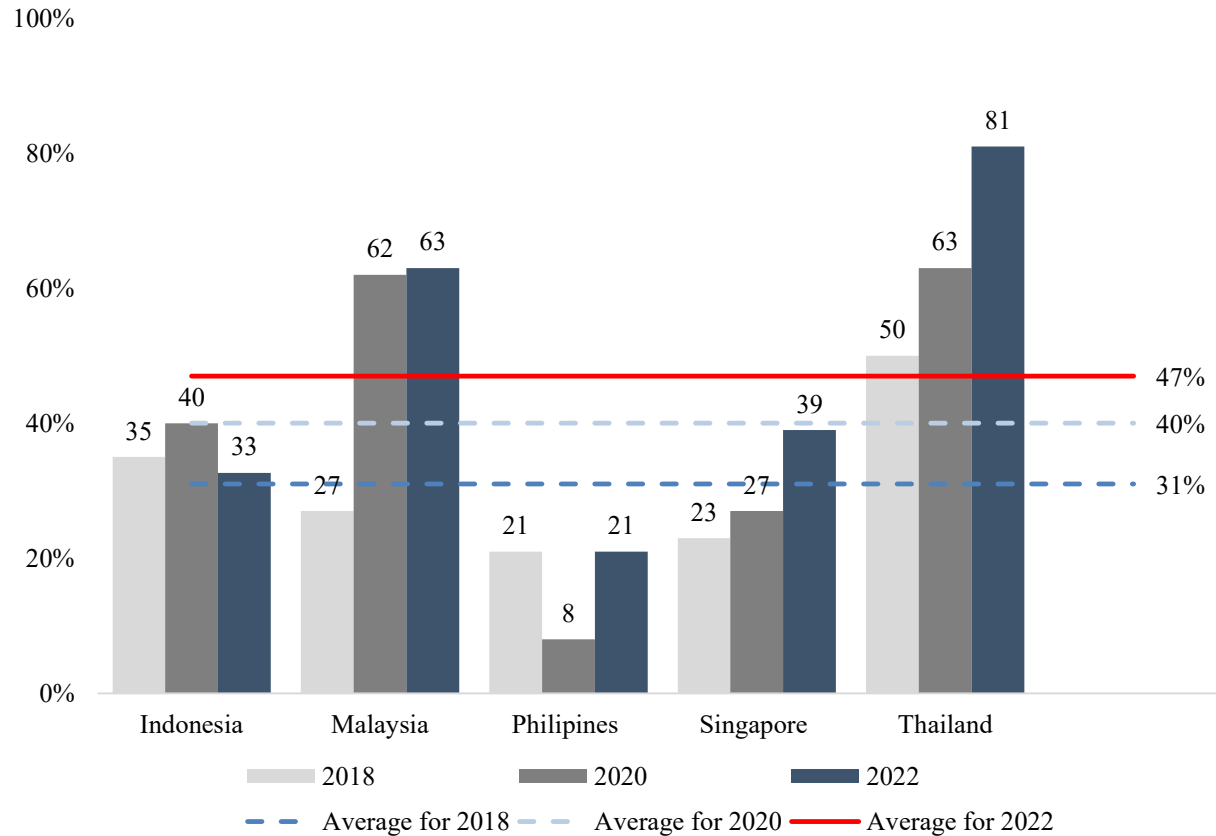
### Q8. Does the company have a policy on gifts, hospitality and expenses?



- Significant increases in the average scores of such disclosures were observed for Thailand by 23% and Malaysia by 7% in 2022.
- Almost all (46) companies in Thailand made this disclosure in 2022.
- Singapore had a significant decrease by 13% in 2022.

## Specific Highlights on Disclosures

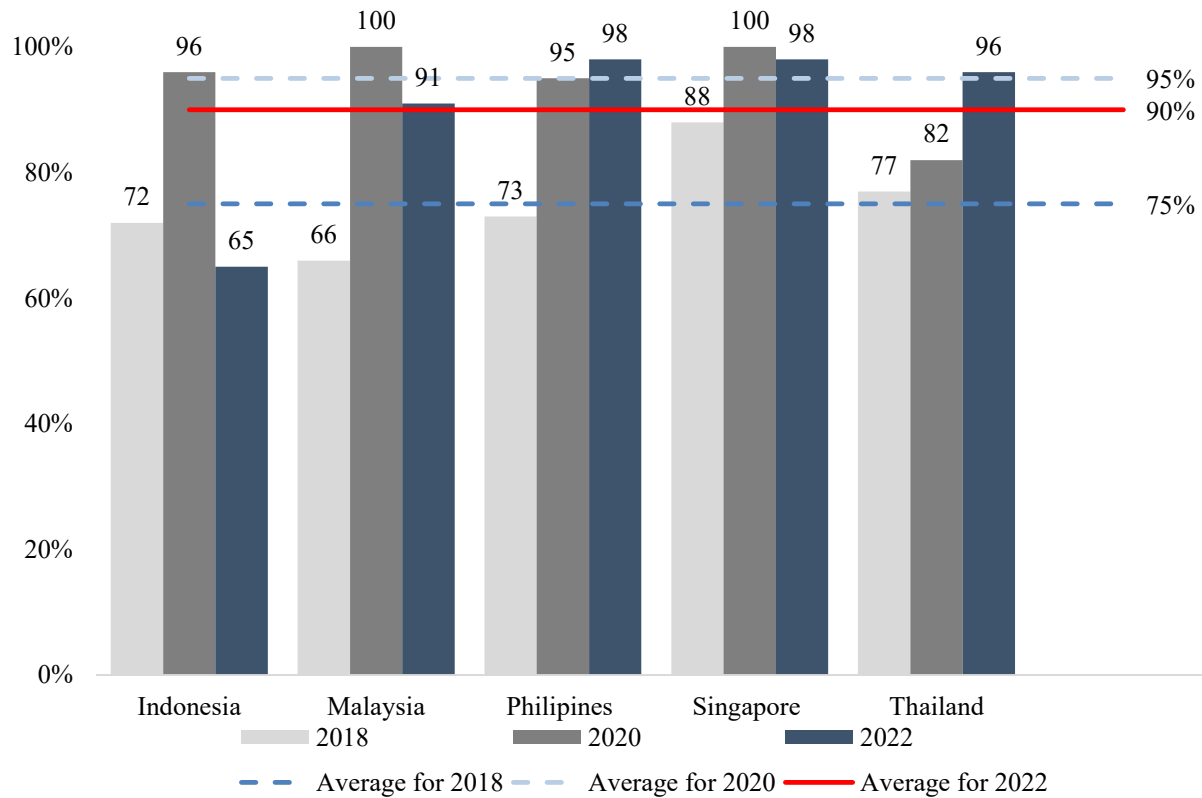
**Q10. Does the company have a policy on political contributions that either prohibits such contributions or if it does not, requires such contributions to be publicly disclosed?**



- Thailand had the highest average score at 81%. 38 companies had such policies on prohibitions of political contributions. Of those which did not have such prohibitions policy, 5 companies required public disclosures of political contributions.
- Philippines had the lowest average score at 21% 2022. Where companies had former political office bearers on their boards, they tended not to have anti-political contributions in their policies.

## Specific Highlights on Disclosures

**Q11. Does the company provide a channel through which employees can report suspected breaches of anti-corruption policies, and does the channel allow for confidential and/or anonymous reporting?**

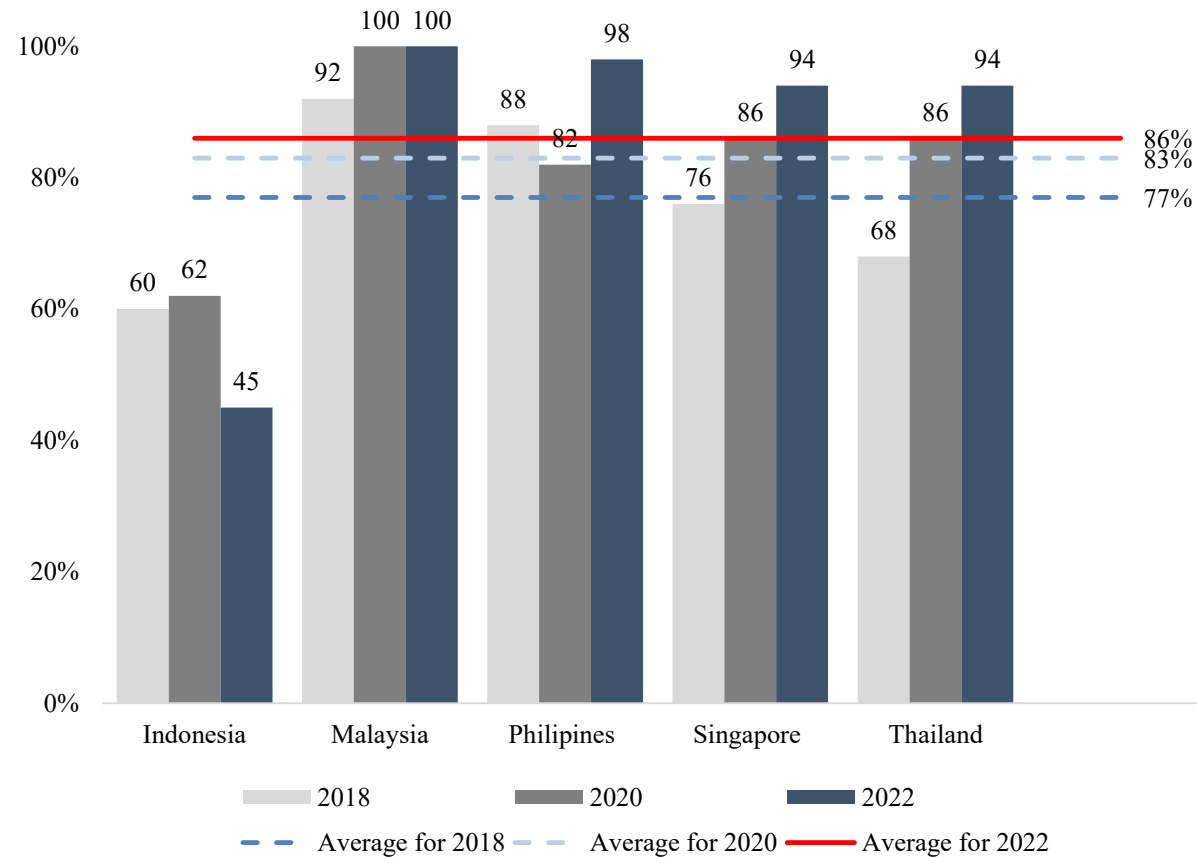


- Overall average score fell by 5% from 95% in 2020 to 90% in 2022.
- Indonesia and Malaysia had their scores decreased by 31% and 9% in 2022.
- Although most companies in Indonesia did have whistleblowing channels, a large proportion (27) did not provide assurance of a two-way communication channel for confidential and/or anonymous reporting.



## Specific Highlights on Disclosures

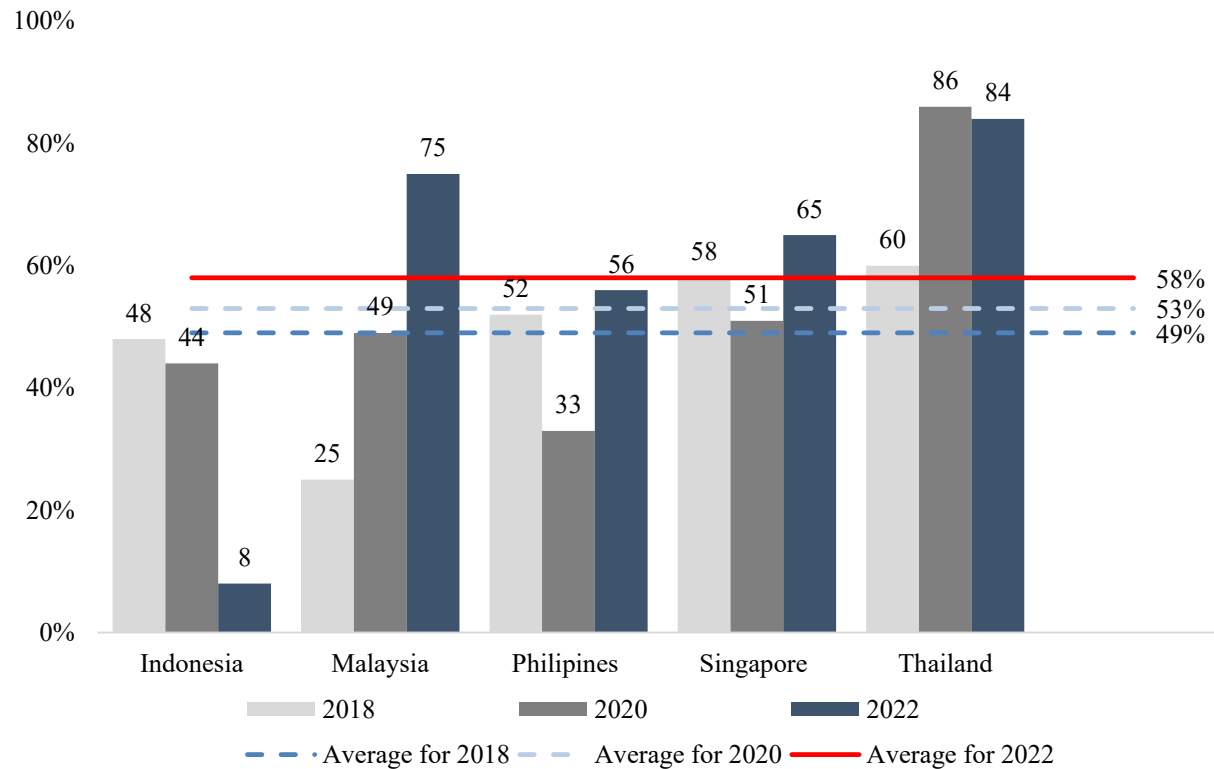
### Q12. Does the programme enable employees and others to raise concerns and report violations (of the programme) without risk of reprisal?



- Average scores for Singapore, Philippines and Thailand improved in 2022.
- Philippines showed the biggest increase in average score by 16%. 49 companies had publicly available policies that specified that no employee would suffer demotion, penalty or other reprisals for raising concerns or reporting violations.
- Indonesia's score dropped significantly in 2022. More than half the companies did not specify that there would be no risk of reprisal with the whistleblowing channel.

## Specific Highlights on Disclosures

**Q13. Does the company carry out regular monitoring of its anti-corruption programme to review the programme's suitability, adequacy and effectiveness, and implement improvements as appropriate?**



- Average scores for Malaysia improved by 26%, Philippines by 23% and Singapore by 14%.
- Indonesia had very low level of disclosure with the average score plummeting from 44% in 2020 to 8% in 2022. 45 companies did not disclose made such disclosures.

# SUMMARY

1. **A steady increasing trend of overall disclosures and overall average score increased by 6% from 63% in 2020 to 69% in 2022 in the companies of five countries (except Indonesia).**
  2. **Thailand companies overtook those in Malaysia in the lead position** and had the highest overall average score with the largest increase by 12% to 83% in 2022.
  3. **Indonesia companies**, on the other hand, had its overall average score decreased by 8% to 44% in 2022 due to **lower levels of disclosures in Category 1 – Internal Commitment to Anti-corruption and Category 3 – Reporting and Monitoring** and a larger proportion of new Top 50 companies who were weaker in business integrity practices.
  4. On average, **companies in almost all countries were more committed internally and externally to anti-corruption.**
-

# SUMMARY

5. **Malaysia companies demonstrated the most internally committed to anti-corruption.** It showed the greatest improvement in this area.
  6. **Thailand companies were the most externally commitment country to anti-corruption.** Likewise, they showed the greatest improvement in this aspect.
  7. **Almost all companies in the various countries showed very strong performances in Reporting and Monitoring.**
-