Findings on the Singapore GTI 2015

*Pushing to a New Frontier of Corporate Governance*

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Centre for Governance, Institutions and Organisations
NUS Business School

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Governance & Transparency Index (GTI)

A Collaboration Between

(Sponsor)

Supported By
GTI Structure

Base score
(Max = 100 points)

- Board matters (Max = 35 points)
- Remuneration matters (Max = 20 points)
- Accountability & audit matters (Max = 20 points)
- Transparency & investor relations (Max = 25 points)

+ Adjustments for bonuses/penalties (+/-)

= Overall GTI score (Max = 143 points)
• 639 listed companies that released annual reports for FY-end 2014
• Cut-off date for annual report release: 31 May 2015
• 139 companies excluded
  – Newly-listed companies that do not have a full year’s financial report (25)
  – Secondary listing (35)
  – Company that primarily complied with another code in addition to Singapore’s Code of Corporate Governance (1)
  – Exchange Traded Funds (7)
  – REITS and Business Trusts (44)
  – Suspended (22)
  – Delisted (4)
  – Company that did not release annual report for the last two years (1)
Information Source

1. Annual reports
2. Corporate websites
3. Investor relations information
4. Company announcements on SGX: 1 Jan 2013 to 31 Dec 2014
5. Media articles: 1 Jan 2013 to 31 May 2015
GTI Advisory Panel

- Mr Alvin Tay, *Editor*, The Business Times
- Mr Ang Hao Yao, *Chairman*, Sata CommHealth
- Mr Chaly Mah, *Chairman*, Deloitte Singapore
- Mrs Lee Suet Fern, *Managing Partner*, Morgan Lewis Stamford
- Mr Loh Hoon Sun, *Managing Director*, Phillip Securities
GTI 2015 Key Findings
GTI Scores

Mean Score

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<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>33.9</td>
<td>33.5</td>
<td>31.5</td>
<td>34.9</td>
<td>38.0</td>
<td>42.1</td>
<td>47.6</td>
</tr>
</tbody>
</table>

The mean scores for GTI 2009 to GTI 2015 show an increasing trend with the highest score in GTI 2015 being 47.6.
The Curve Effect
Increasing Competition

Score vs Rank Difference
(Middle Range (25th to 75th percentile) of Companies)

Companies have to increase their scores by at least 7 points to retain or improve status quo. Maintaining the same score (score difference = 0) will lead to a fall in about 100 ranks.
Presentation Overview

- Board Matters
- Nomination Matters
- Remuneration Matters
- Accountability & Audit
- Transparency & Investor Relations
Disclosure of directorships in listed companies

Have lead independent director where chairman is non-independent

Disclosure of director training
Disclosure of directorships in listed companies

<table>
<thead>
<tr>
<th>Year</th>
<th>Disclosure of only current directorships</th>
<th>Disclosure of all directorships at present &amp; past 3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>GTI2013</td>
<td>27.1%</td>
<td>29.7%</td>
</tr>
<tr>
<td>GTI2014</td>
<td>40.7%</td>
<td>54.3%</td>
</tr>
<tr>
<td>GTI2015</td>
<td>26.4%</td>
<td></td>
</tr>
</tbody>
</table>
Have lead independent director where chairman is non-independent

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>GTI2013</td>
<td>39.7%</td>
</tr>
<tr>
<td>GTI2014</td>
<td>51.4%</td>
</tr>
<tr>
<td>GTI2015</td>
<td>63.0%</td>
</tr>
</tbody>
</table>
Disclosure of director training

- GTI2013: 7.8%
- GTI2014: 15.1%
- GTI2015: 21.8%
Nomination Matters
Nomination Matters: Overview

- Disclosure of directorship limits
- Director appraisal
Nomination Matters

Disclosure of directorship limits

Percentage of Companies

- GTI2013: 3.2%
- GTI2014: 8.5%
- GTI2015: 24.7%
Nomination Matters

Director appraisal

- External party to conduct appraisal: 3.3%, 3.6%, 4.1%
- Disclosure of process: 10.5%, 19.9%, 24.1%
- Disclosure of criteria: 35.4%, 38.4%, 41.2%

GTI2013, GTI2014, GTI2015
Remuneration Matters
Remuneration Matters: Overview

- Disclosure of exact director remuneration
- Disclosure of exact executive remuneration
- Disclosure of link between remuneration & performance
Disclosure of exact director remuneration

Percentage of Companies

Executive Directors
- GTI2013: 9.8%
- GTI2014: 21.6%
- GTI2015: 27.5%

Non-Executive Directors
- GTI2013: 11.6%
- GTI2014: 23.8%
- GTI2015: 31.3%
Remuneration Matters

Disclosure of exact executive remuneration

<table>
<thead>
<tr>
<th>Top 5 Executives</th>
<th>GTI2013</th>
<th>GTI2014</th>
<th>GTI2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1%</td>
<td>3.1%</td>
<td>3.8%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CEO</th>
<th>GTI2013</th>
<th>GTI2014</th>
<th>GTI2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.8%</td>
<td>18.2%</td>
<td>24.3%</td>
<td></td>
</tr>
</tbody>
</table>
Remuneration Matters

Disclosure of link between remuneration & performance

Percentage of Companies

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>GTI2013</td>
<td>9.9%</td>
</tr>
<tr>
<td>GTI2014</td>
<td>8.2%</td>
</tr>
<tr>
<td>GTI2015</td>
<td>37.4%</td>
</tr>
</tbody>
</table>
Accountability & Audit Matters
Accountability & Audit Matters: Overview

- At least half of audit committee members have accounting/finance background
- CEO/CFO certification of financial statements
- Disclosure of whistleblowing policy details
At least half of audit committee members have accounting/finance background.

- **GTI 2013**: 55.1%
- **GTI 2014**: 52.0%
- **GTI 2015**: 78.2%
Accountability & Audit Matters

CEO/CFO certification of financial statements

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>GTI2013</td>
<td>9.9%</td>
</tr>
<tr>
<td>GTI2014</td>
<td>45.3%</td>
</tr>
<tr>
<td>GTI2015</td>
<td>89.4%</td>
</tr>
</tbody>
</table>
Whistleblowing policy

Percentage of Companies

- Whistleblowing policy available:
  - GTI2013: 85.8%
  - GTI2014: 92.2%
  - GTI2015: 94.5%

- Key details disclosed & anonymous reporting allowed:
  - GTI2013: 9.9%
  - GTI2014: 16.3%
  - GTI2015: 23.3%
Transparency & Investor Relations
Transparency & Investor Relations: Overview

- Voting at general meetings
- Investor relations
Voting at general meetings

<table>
<thead>
<tr>
<th></th>
<th>GTI2013</th>
<th>GTI2014</th>
<th>GTI2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poll voting</td>
<td>6.5%</td>
<td>24.1%</td>
<td>55.2%</td>
</tr>
<tr>
<td>Disclosure info</td>
<td>12.0%</td>
<td>22.8%</td>
<td>26.4%</td>
</tr>
</tbody>
</table>
Transparency & Investor Relations

Investor relations

<table>
<thead>
<tr>
<th>Percentage of Companies</th>
<th>Dedicated IR link on website</th>
<th>IR contact given</th>
</tr>
</thead>
<tbody>
<tr>
<td>GTI2013</td>
<td>74.7%</td>
<td>54.4%</td>
</tr>
<tr>
<td>GTI2014</td>
<td>78.4%</td>
<td>56.5%</td>
</tr>
<tr>
<td>GTI2015</td>
<td>76.7%</td>
<td>57.1%</td>
</tr>
</tbody>
</table>
Improvements

- CEO/CFO certification of financial statements: 44.1% pts
- Disclosure of link between remuneration and performance: 29.2% pts
- Disclosure of number of directorships a director can hold: 16.2% pts
- Poll voting: 31.1% pts

Percentage points of companies
Disclosure of director trainings

Company has whistleblowing policy in place, discloses key details and anonymous complaints allowed

Investor relations contact given

Percentage of companies complied
• Average overall GTI points at all-time high of 47.6
• Visible impact of more widespread adoption of the Code
• Significant progress in disclosures and practices but there is still room for improvement