CORPORATE GOVERNANCE HIGHLIGHTS 2013

Transforming Governance and Transparency in Singapore’s Listed Companies

Lawrence Loh  Isabel Sim  Muhammad Ibrahim  Vincent Yang Shaizhen

October 2013
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October 2013
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ABOUT CPA AUSTRALIA

CPA Australia is one of the world’s largest accounting bodies with more than 144,000 members working in 127 countries. We have operations in chosen markets throughout the world, including all Australian capital cities, Hong Kong, Beijing, Shanghai, Guangzhou, Indonesia, Malaysia, Singapore, Vietnam, New Zealand and the United Kingdom.

CPA Australia advances its members’ interests through its focus on education and knowledge exchange, the development of professional networks, advocacy in relation to policy, standards and regulation and the promotion of value of CPA Australia members to employers, government, regulators and the public. The CPA Australia designation denotes strategic business leadership and is recognised and valued throughout the world.

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 world’s best member service organisation.

For more information, visit cpaustralia.com.au
FOREWORD
BY
CPA AUSTRALIA

Corporate governance may be seen by some as merely a means to conform: compliance with laws, regulations and codes. This unfortunately promotes a box-ticking mentality, where the emphasis is on compliance costs with little focus on performance and impact on the values and practices of corporations.

Good governance cannot be achieved through compliance only. Regulation and legislation may help with improving awareness about what matters. They allow enterprises to show they are good corporate citizens and improve the confidence of investors and other stakeholders. But a compliance-based culture can be detrimental to good governance because it gives the illusion that the obligations of the entity and its key decision makers have been discharged. It is also true that relying on the law is inefficient because it increases compliance and enforcement costs.

As a professional accountancy body with over 144,000 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 Corporate Governance Highlights 2013 report, in partnership with CGIO and The Business Times. Building on the annual Governance and Transparency Index (GTI), which ranks all Singapore-listed companies based on their governance practices, this 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 generating thoughtful discussion that will help enhance Singapore’s reputation as a global financial centre well respected for its high standards of corporate governance.

ASSOC PROF THEMIN SUWARDY
FCPA (Aust.)
Divisional President - Singapore
CPA Australia
ABOUT
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 pertinent 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.

For more information, visit http://bschool.nus.edu.sg/ and http://bschool.nus.edu/CGIO.aspx
FOREWORD

BY CGIO

The Governance and Transparency Index (GTI) project has been tracking and monitoring the corporate governance performance of Singapore Exchange (SGX)-listed companies since 2009 and has born witness to the efforts and resulting improvements that these companies and stakeholders have achieved in areas of board independence, nomination matters, disclosure practices of director and executive remuneration, audit and accountability, as well as investor relations and transparency.

For our team, GTI 2013 marks the first five-year milestone of our project. At this juncture, we would like to express our warmest appreciation to our sponsor, CPA Australia; and our strategic media partner, The Business Times, for collaborating with us over the past years.

We would also like to take the opportunity to thank members of the corporate governance community for their involvement in the GTI project: the Investment Management Association of Singapore, Singapore Business Federation, and Singapore Accountancy Commission for their kind support; and our advisory panel for their continued guidance. The GTI project has benefited immensely from their participation. The GTI project’s main objective is to provide SGX-listed companies an independent ranking of their corporate governance disclosure practices and an instrument to aid them in their quest for good corporate governance. This report is an extension of the findings of GTI 2013 that was jointly released on the 1st of August 2013 at the CPA Forum.

Through this report, CGIO hopes to bring to our readers insights into the evolving corporate governance landscape of Singapore.

PROF CHANG SEA JIN
Executive Director
Centre for Governance, Institutions and Organisations (CGIO)
NUS Business School
EXECUTIVE SUMMARY

The annual Governance and Transparency Index (GTI) tracks and monitors corporate governance practices of Singapore Exchange (SGX)-listed companies. GTI 2013 has confirmed the general improvement of the corporate governance performance of SGX-listed companies. Global and regional rankings have identified the next corporate governance challenge for Singapore-listed companies as transforming their corporate governance culture from compliance to performance. In this light, GTI 2013 has underscored that significant efforts made by companies to transform corporate governance in Singapore.

KEY FINDINGS OF GTI 2013 INCLUDE:

OVERALL TREND
The state of corporate governance among Singapore-listed companies improved over the year with an average index score of 38.0 as compared to 34.9 in GTI 2012. The 25th, 50th, and 75th percentiles of GTI scores all pushed up indicating that companies in general made an improvement in their corporate governance and disclosure practices.

BOARD LEADERSHIP AND INDEPENDENCE
The GTI 2013 results reflect continued efforts by Singapore-listed companies to improve the independence of their board leadership. 32.9% of the GTI 2013 companies have an independent chairman on board or have at least 50% independent directors led by a lead independent director as required under the Code of Corporate Governance 2012. 67.1% of the companies have to make further improvements by financial year 2017.

NOMINATING COMMITTEES (NCs)
NCs are encouraged to plan for the training of directors and to make corresponding disclosures. Currently, 7.8% of companies disclosed information about the details of their directors’ training.

ACCOUNTABILITY OF REMUNERATION
2.1% of companies disclosed the exact remuneration of their top five executives along with their names. 82.8% of the companies are in various stages of transition, while 15.1% of the companies have yet to comply with the current Code of Corporate Governance.

AUDIT AND ACCOUNTABILITY
Boards and directors are taking charge of risk management with 8.9% of GTI 2013 companies having a separate board-level risk committee. In addition, more top-level executives are embracing accountability for their financial statements with 9.9% of GTI 2013 companies’ CEO/CFOs providing assurance of the integrity of their financial statements. Both trends saw improvement over previous years.

TRANSPARENCY AND INVESTOR RELATIONS
Disclosure practices pertaining to shareholder engagement improved in GTI 2013 with more timely updates and greater disclosures of AGM results. 66.4% of GTI 2013 companies provided their latest financial statements on their websites with 12.0% of companies disclosing AGM results on a resolution-by-resolution basis, including votes cast for and against each resolution.
“During the global financial crisis in 2008, corporate governance experts worldwide were asking hard questions about the risk management, remuneration, and performance practices of the boards of the financial institutions that were at the heart of the crisis. The issues and concerns that were raised have been addressed in this latest iteration of the Code of Corporate Governance. The changes reflect Singapore’s commitment to ensuring international best practices in the transparency and governance of our companies, and put companies’ stakeholders in a stronger position to assess and engage the companies.”

MS JOY TAN
Partner
Deputy Head - Commercial & Corporate Disputes Practice
Joint Head - Corporate Governance & Compliance Practice
Joint Head - Financial Services Regulatory Practice
WongPartnership
INTRODUCTION

Good corporate governance provides strong support for Singapore’s position as an international business and financial hub. It contributes to the building of investor confidence, attracting financial capital and strengthening of capital markets. This report, Corporate Governance Highlights 2013, hopes to illustrate changes in the corporate governance landscape of Singapore through the findings of the Governance and Transparency Index (GTI) 2013 study.

The corporate governance performance in Singapore has been recognised in the past year by World Economic Forum’s Global Competitiveness Report as having the best corporate boards in Asia, as well as having received top ranking last year among Asian countries as rated by the Asian Corporate Governance Association’s Corporate Governance Watch 2012. While these accolades give recognition to the substantial efforts invested by the regulators, companies, and stakeholders, they also highlight the next frontier for improvements: strengthening the culture of corporate governance in corporate Singapore.

Companies may also leverage the recent change in regulatory landscape as an opportunity and catalyst for improvement. The recent years have seen the regulatory framework updated to more stringent requirements that encourage the adherence to the spirit rather than the letter of the corporate governance rules with key changes in Singapore Exchange (SGX) listing rules in 2011, revised Code of Corporate Governance in 2012, as well as the proposed amendments to the Companies Act in Singapore.

GTI 2013 found encouraging indications that the foundation for a transformation in corporate governance may already be in place to various degrees. This report covers overall trends in the corporate governance and disclosure amongst SGX-listed companies based on results from GTI 2009 to GTI 2013. Notable issues and trends in board leadership, nominating committee, remunerations disclosure, audit and accountability, as well as investor relations are also highlighted and discussed.
“The GTI 2013 Report has continued, and quite rightly so, to focus on the board and on directors. As the apex body of the company, an effective board is not only a company’s best assurance for sustainable value creation, but also the key driver for ensuring the company has sound values and high standards of corporate governance. It is, therefore, imperative that companies should strive to implement a transparent and formal board nomination and appointment process that will allow them to build boards that will collectively comprise directors with the appropriate skills, knowledge, experience, diversity, personal attributes, and commitment that meet the needs of their respective companies.”

MR JOHN LIM
Immediate Past Chairman
Singapore Institute of Directors
and
Singapore National Expert
ASEAN Corporate Governance Scorecard Project
GENERAL TRENDS IN CORPORATE GOVERNANCE

OVERALL INDEX PROGRESS

For the past four years, the quality of corporate governance in Singapore’s listed companies has been assessed by the GTI project. 2013 marks a five-year milestone for the GTI. With reference to Figure 1, the scores show that SGX-listed companies have generally been improving their corporate governance and disclosure practices over these last five years. The average total score of the index increased from 33.9 in 2009 when the index first started to 38.0 in GTI 2013, a 4.1 point or 12.1% increase from the inaugural year. Top total score for the index also increased from 94 to 113 over the five-year period. This corresponds to the regional and global recognition that Singapore has received in relation to its corporate governance framework.

Figure 1: Overall GTI Trends
INDUSTRY TRENDS

The GTI findings show that all sectors have improved in its GTI 2013 average scores. In particular, finance; multi-industry; properties; and transport, storage, and telecommunication sectors saw major improvements (see Figure 2).

Figure 2: GTI Average Total Scores by Industry Sectors
GTI SCORE BREAKDOWN

The GTI index is based on three components: the base score, bonuses, and penalties. Companies can score a maximum of 100 points for the base score component which mainly assesses the company’s compliance with the principles of the current code of corporate governance. The aggregate of the bonuses and penalties (positive or negative) is incorporated into the base score to derive the company’s overall GTI score.

With reference to Figure 3, it can be seen that the increase in average GTI 2013 total score to 38.0 from 34.9 is primarily due to the increase in average base score of 3.3 points – GTI 2013 and GTI 2012 average base scores of 41.0 and 37.7 respectively. The increase in base score is mainly due to better disclosure regarding the adequacy of internal control and risk management. For GTI 2013, 29.5% (196 companies) of companies’ boards with concurrence of their audit committees, for the first time, provided statements in their annual reports on the adequacy of their internal controls and risk management systems.

![Score Breakdown of GTI](image)

The annual index shows that listed companies have improved their corporate governance practices. This is evident in the better average score of 38.0, up from 34.9 in 2012 (Figure 1); and also the increase in the 25th, 50th, and 75th percentile in GTI 2013 scores from those in the previous years (Figure 4). However, the overall standard of corporate governance and disclosure practices of listed companies still has scope for improvement. With reference to Figure 4, only 25% of the GTI 2012 companies (166 companies) have GTI scores above 43 points (out of a maximum score of 143 points) as seen in the 75th percentile of the score.

![GTI Score Distribution](image)
“Transparency, accountability, and integrity are the guiding principles of corporate governance in StarHub. We took active steps to align our practices to the revised CG Code. A Risk Committee was formed to oversee risk management; external consultants were engaged to facilitate board performance reviews; and a remuneration framework for directors was adopted to better align them to shareholders’ and the Company’s long-term interests. We believe these initiatives will improve the Company’s effectiveness and performance.”

MR TAN GUONG CHING
Chairman
StarHub Limited

COMPANY PROFILE

StarHub is an info-communication company and the sole operator delivering a range of information, communication, and entertainment services over fixed, cable, mobile, and Internet platforms. StarHub operates a 3G mobile network in addition to its GSM network and is the provider of i-mode mobile Internet service over its 2.5G and 3G networks. StarHub also runs its own nation-wide HFC network that delivers multi-channel cable TV services (including Digital Cable), voice, and Internet access for both consumer and corporate markets.
Board leadership and Independence

Board independence is a key cornerstone of corporate governance. This is emphasised in the recently updated Code of Corporate Governance which encourages boards to be led by an independent chairman. When that is not possible, the company is required to have independent directors (IDs) make up at least half of the board and to appoint a lead independent director.

This is a more stringent requirement than previous rulings which only require IDs to make up at least 33% of the board. The GTI 2013 data shows that of the 664 companies ranked in the GTI 2013 exercise, 32.9% (218 companies) of the GTI 2013 companies have satisfied this new requirement by having an independent chairman (14.8%, 98 companies) or having a combination of at least 50% of their board positions occupied by IDs and appointing a lead ID.

The remaining 67.1% or 446 companies that do not have an independent chairman will have to either appoint an independent chairman or nominate more IDs to make up 50% of the board in addition to appointing a lead ID before financial year 2017 when the transition period set out by the regulator specifically for this clause expires (Figure 5). Corporate leaders may use this opportunity to introduce additional talent and competencies to effect changes to the corporate governance culture in their respective companies.

Figure 5: Status of Board Independence

<table>
<thead>
<tr>
<th>Is the board led by an independent chairman?</th>
<th>Satisfy Code of Corporate Governance 2012 Guideline 2.2: 14.8% (98 Companies)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Does the board have a lead independent director + having more than 50% of the board Independent

<table>
<thead>
<tr>
<th>Yes</th>
<th>Satisfy Code of Corporate Governance 2012 Guideline 2.2 &amp; Guideline 3.3: 18.1% (120 Companies)</th>
</tr>
</thead>
</table>
| No  | Code of Corporate Governance 2012:

Guideline 2.2
The independent directors should make up at least half of the Board where:

Guideline 3.3
Every company should appoint an independent director to be the lead independent director where:

(a) the Chairman of the Board (the “Chairman”) and the Chief Executive Officer (or equivalent) (the “CEO”) is the same person;
(b) the Chairman and the CEO are immediate family members;
(c) the Chairman is part of the management team; or
(d) the Chairman is not an independent director.
“Prior to listing, Sheng Siong had been perceived as a well-run and successful family-owned business. In the transition to a socially responsible corporation post-listing, the Board and the Management made the commitment to embrace a high standard of corporate governance as this is an effective way to demonstrate to our stakeholders and the public that Sheng Siong is aware of its new roles and responsibilities. The Group adopts the practices based on the principles and guidelines set out in the Code of Corporate Governance.”

**MR LIM HOCK CHEE**
Chief Executive Officer
Sheng Siong Group Limited

**COMPANY PROFILE**

The Company was incorporated in Singapore on 10 November 2010 under the name Sheng Siong Group Pte Ltd. The Company changed its name to Sheng Siong Group Ltd on 4 July 2011 in conjunction with its conversion to a public company limited. The Group comprises the Company and its subsidiaries: SS Supermarket, CMM Marketing, and SS Malaysia.

The Group is principally engaged in operating the Sheng Siong groceries chain. Its stores are primarily located in retail locations in the heartlands of Singapore, and designed to provide customers with both “wet and dry” shopping options, including a wide assortment of live, fresh and chilled produce such as seafood, meat, and vegetables, in addition to processed, packaged, and/or preserved food products, as well as general merchandise such as toiletries and essential household products.
ROLE OF NOMINATING COMMITTEE

Besides board independence, board proficiency, and continuity are essential to the shaping and maintaining of strong corporate governance.

Training for directors is crucial to keep directors abreast of changes in the current dynamic business environment. The nominating committee (NC) of each company is responsible for reviewing and making recommendations on the training and professional development of new and existing directors on the board. Current changes in financial reporting standards, risk and opportunities, and, increasingly, cross-border management challenges require board members to receive updates and training.

The NC can also leverage its board and individual director appraisals as an existing mechanism to identify training requirements, taking into consideration the diversity of necessary competencies of the board as a whole, as well as the sub-communities that individual directors sit on.

BOARD AND INDIVIDUAL DIRECTOR APPRAISAL

Data from GTI 2013 shows that the proportion of GTI 2013 companies providing disclosure to their board appraisal process and criteria are 36.7% (244 companies) and 61.9% (411 companies) respectively (Figure 6).
At the same time, 10.5% (70 companies) of GTI 2013 companies disclosed details on the process of their individual director appraisals, while 35.4% (235 companies) of the companies disclosed the criteria for their individual director appraisals (Figure 7).

Figure 7: Individual Director Appraisal
DIRECTORS’ TRAINING AND SUCCESSION PLANNING

In terms of director training, data from GTI 2013 shows that only 52 companies (7.8%) currently disclosed details of their directors’ training (Figure 8). This may include the name of the course or training institution they attended, as well as the specific time period of training among other disclosures. Such disclosure allows investors and shareholders to have a better understanding of the board and the directors’ proficiencies and skillset, and also offers the basis for another important NC role - succession planning to ensure continuity of the companies’ leadership.

By extension, the NCs should also include succession planning of the Board Chairman and Chief Executive Officer in their terms of reference. Appraisals and training data may expedite this process by allowing the board to shape a competency framework to guide the succession planning of the company based on the needs of the company and the skillset of individuals. The GTI 2013 data shows only 20 companies (3.0%) disclosed details of their succession planning (Figure 8).

To this end, companies, and specifically NCs, can consider integrating their performance appraisal, training, and succession planning for greater accountability to strengthen their culture of corporate governance. Appropriate transparency and disclosure practices on the processes and criteria relevant to these activities allow investors and shareholders to better understand and have more confidence in the companies’ long-term development.

Figure 8: Training and Succession Disclosure
ACCOUNTABILITY OF REMUNERATION

DISCLOSURE PRACTICES

The Code of Corporate Governance 2012 encourages companies to disclose the top five executives’ exact remuneration and incentive packages together with their names for greater transparency. The GTI 2013 data shows that only 14 companies (2.1%) have made exact disclosure of their top five executives together with their names with respect to this requirement (Figure 9).

In contrast to exact disclosure, 550 (82.8%) companies chose to disclose executive remunerations over a range of remuneration levels capped at a maximum upper limit (Figure 9). The commonly cited reasons for not making exact disclosures are concerns in executive poaching, competitive markets, and confidentiality.

100 (15.1%) companies disclosed their top five executives’ remuneration without an upper limit, in unconventional bands; or did not disclose the information at all. This is a non-compliance of the regulatory guidelines (Figure 9). To strengthen the culture of corporate governance, top executives may consider leading by example in providing greater disclosure to their remuneration for greater transparency, as well as greater accountability as to how remuneration is linked to their performance. Figure 10 illustrates a detailed breakdown of the disclosure practices of top five executives.

Figure 9: Remuneration Disclosure For Top 5 Executives

- Exact disclosure
- Disclosure in “bands”
- Non-compliance

GTI 2013
GTI 2012
GTI 2011
Figure 10: Remuneration Disclosure Practices For Top 5 Executives

<table>
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<tr>
<th>Remuneration Disclosure for Top 5 Executives in GTI Classification</th>
<th>GTI 2011 No. of Companies</th>
<th>GTI 2012 No. of Companies</th>
<th>GTI 2013 No. of Companies</th>
<th>GTI 2011 % of Companies</th>
<th>GTI 2012 % of Companies</th>
<th>GTI 2013 % of Companies</th>
<th>Compliance Level GTI 2013</th>
</tr>
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<tbody>
<tr>
<td>Exact disclosure</td>
<td>12</td>
<td>12</td>
<td>14</td>
<td>1.8%</td>
<td>1.8%</td>
<td>2.1%</td>
<td>In full compliance of the Code as of GTI 2013 (2.1%)</td>
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<tr>
<td>Disclosure in bands of $100K</td>
<td>6</td>
<td>8</td>
<td>10</td>
<td>0.9%</td>
<td>1.2%</td>
<td>1.5%</td>
<td></td>
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<tr>
<td>Disclosure in bands of $100K - $250K</td>
<td>19</td>
<td>19</td>
<td>18</td>
<td>2.9%</td>
<td>2.8%</td>
<td>2.7%</td>
<td>In transition as of GTI 2013 (82.8%)</td>
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<td>Disclosure in bands of $250K</td>
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<td>496</td>
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<td>3.0%</td>
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<td>Unconventional bands</td>
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<td>7</td>
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<td>2.0%</td>
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<td>Non-compliance of the Code as of GTI 2013 (13.1%)</td>
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<td>9.9%</td>
<td>14.3%</td>
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<tr>
<td>Total</td>
<td>660</td>
<td>674</td>
<td>664</td>
<td>100%</td>
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CORPORATE GOVERNANCE HIGHLIGHTS 2013
Transforming Governance and Transparency in Singapore’s Listed Companies
“In today’s dynamic and challenging environment, strong internal controls and effective risk management are critical parts of good corporate governance. At Keppel Land, we are committed to achieving the highest standards of corporate governance to safeguard shareholders’ interests and ensure the sustainability of the company’s businesses. Management assurance on the internal control and risk management systems reinforces stakeholders’ trust and confidence in the company.”

MR LIM KEI HIN
Chief Financial Officer
Keppel Land Limited

COMPANY PROFILE

Keppel Land Limited is the property arm of the Keppel Group, one of Singapore’s largest multinational groups with key businesses in offshore and marine, infrastructure, as well as property.

One of Asia’s premier property companies, Keppel Land is recognised for its sterling portfolio of award-winning residential developments and investment-grade commercial properties, as well as high standards of corporate governance and transparency.

The Company is geographically diversified in Asia, with Singapore and China as its core markets; and Vietnam and Indonesia as its growth markets. It focuses on a two-pronged strategy of property development for sale and property fund management.
RISK GOVERNANCE

Top corporate leadership at the board and management levels can have a great impact on the different aspects of the culture of a company, and corporate governance is no exception. The collective framework of internal control systems and overall climate that the top management puts in place provides the risk governance infrastructure to ensure accountability to stakeholders is achieved.

Ultimately, risk governance aims to balance the company’s business development and growth with accountability and controls necessary to manage the risks undertaken in the process. In the wake of the 2008 financial crisis, this audit and accountability issue of risk governance has proven to have played an instrumental role in strengthening corporate governance culture.

To encourage greater accountability of the top corporate leadership in the risk governance process, the Code of Corporate Governance 2012 offers two primary indications among its provisions. At the board level, the boards are encouraged to take charge of the risk governance framework via the establishment of a board-level risk committee. At the management level, CEOs and CFOs are encouraged to provide assurance of the integrity of the companies’ financial statements to the board.

Data from GTI 2013 shows that 59 companies (8.9%) have a separate board-level risk committee, while 66 companies (9.9%) now have assurance of financial statements provided by their CEOs/CFOs (see Figure 11). This shows that companies are making significant effort to satisfy these requirements as they represent a 3.0% and 8.9% improvement respectively over GTI 2012.

Figure 11: Risk Governance

<table>
<thead>
<tr>
<th>Percentage of Companies</th>
<th>GTI 2013</th>
<th>GTI 2012</th>
<th>GTI 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Separate board-level risk committee</td>
<td>5.2%</td>
<td>5.9%</td>
<td>6%</td>
</tr>
<tr>
<td>CEO / CFO certification</td>
<td>0.5%</td>
<td>1.0%</td>
<td>9.9%</td>
</tr>
</tbody>
</table>
“The Board of CAO has taken proactive steps to ensure that CAO’s Corporate Governance Policy, adopted in August 2012, is in line with the principles set out in the 2012 Code of Corporate Governance.

In complying with the spirit of the Code, CAO has taken measures such as setting guiding principles on multiple directorships, having an Independent Director serve on Boards of key operating companies of the Group, a Board Risk Management Committee that reviews the adequacy and integrity of the Group’s internal control and risk management systems, as well as communication of CAO’s dividend policy to its shareholders.

I believe these measures will serve to strengthen CAO’s corporate accountability and transparency, which will, in turn, bolster investor confidence in CAO.”

**DR WANG KAI YUEN**  
Deputy Chairman and Lead Independent Director  
China Aviation Oil (Singapore) Corporation Limited

**COMPANY PROFILE**

China Aviation Oil (Singapore) Corporation Ltd (CAO) is the largest physical jet fuel trader in the Asia Pacific region and the sole supplier of imported jet fuel to China’s civil aviation industry.

CAO’s key businesses include jet fuel supply and trading, trading of other oil products, and investments in oil-related assets. Incorporated in Singapore on 26 May 1993, CAO has been listed on the mainboard of the Singapore Exchange Securities Trading Limited since 6 December 2001.

Its parent company, China National Aviation Fuel Group Corporation (CNAF), is a large state-owned enterprise in China. It is the largest aviation transportation logistics service provider in China, with a diverse portfolio of businesses comprising aviation fuel distribution, storage, and refuelling services at 169 airports in China. CNAF holds about 51% of the total issued shares of CAO.
INVESTOR RELATIONS AND TRANSPARENCY

INVESTOR RELATIONS

Transparent, timely, and appropriate disclosure practices are essential in upholding companies’ relations to investors and shareholders. Well-informed, financially-savvy shareholders are an integral part of the corporate governance landscape and corporate leadership may consider reviewing current disclosure practices to better serve them. In doing so, companies can revisit their accountability to this key stakeholder group and assimilate relevant experiences into its corporate governance culture. The Code of Corporate Governance encourages companies to have regular, effective, and fair communication with shareholders. Other than SGXNet, a company’s website is one of the most easily accessible and convenient platforms for disclosure.

Most SGX-listed companies are represented by detailed corporate websites. Yet, for websites to be an effective communication medium, it must be accessible, well-organized, and provide up-to-date financial information of the company. GTI 2013 measures accessibility proxy to the availability of web links of companies in annual reports and SGXNet. It measures organisation in terms of whether companies have an “Investor Relations” (IR) webpage to consolidate relevant financial information and the timeliness of financial information by the availability of the companies’ latest financial results and annual reports on their corporate websites.

On the issues of accessibility and organisation, GTI 2013 data shows that 94.6% (628 companies) have a web link to their websites in SGXnet or their annual reports; and 74.7% of companies (496 companies) have a dedicated IR webpage (see Figure 12).

Figure 12: Accessibility & Organisation of Company Websites

- GTI 2013
- GTI 2012
- GTI 2011

Weblink provided in annual report / SGX Net

Web has IR link
In terms of availability of financial information, 66.4% of the companies (441 companies) provide the latest financial results of the company, while 70.8% of companies’ websites (470 companies) offer downloads of their latest annual reports (see Figure 13).

Figure 13: Availability of Financial Information on Company Websites

![Bar chart showing percentage of companies with latest financial results and annual reports.](image-url)
SHAREHOLDER ENGAGEMENT

Building on good communication and disclosure to shareholders, the Code of Corporate Governance 2012 also encourages corporate leadership to effectively facilitate shareholder participation and engagement at the General Meetings of the shareholders. For the AGMs to be effective, companies must allow shareholders to make reasonable preparations by serving sufficient advance notice to the AGM of at least 14 days as required by the Companies Act. Data from GTI 2013 found that 92.5% of GTI 2013 companies serve an advance notice of 14-27 days before the AGM with 5.9% of companies serving notice of more than 27 days (see Figure 14).

![Graph showing Notice of AGM](image)

Figure 14: Notice of AGM

To ensure greater transparency and accountability, detailed agenda items to be deliberated at the AGM should also be disclosed in the notice to the AGM. The detailed voting results per resolution should be published as soon as possible after the AGM. Data from GTI 2013 shows that while 98.9% of companies (657 companies) actually disclose detailed information on each agenda or resolution item in the AGM notice, only 12.0% (80 companies) follow up with disclosure of detailed information of the voting results (see Figure 15).

![Graph showing AGM Agenda Items](image)

Figure 15: AGM Agenda Items
“The accounting profession is increasingly recognised at the board level as valuable contributors to good governance because of our independent and objective assurance. But for auditors to add value to an organisation’s operations, it takes more than just getting the numbers right; it requires a differentiated approach and unique insights to evaluate and improve the effectiveness of risk management and corporate governance processes.”

**MR CH Aly MAH**
Chief Executive Officer
Deloitte Asia Pacific and Deloitte Southeast Asia
CONCLUSION

In the fifth year since its inauguration, the GTI project has documented and provided affirmation that Singapore has arrived at a point in our corporate governance journey where the issue of culture, in addition to the framework and practices of corporate governance, should be considered. In this process, leadership from directors at the board and top executives in the management are indispensable in nurturing the continued growth of the corporate governance culture in Singapore by fostering a spirit of accountability. This would first require corporate leaders to act on their belief that good corporate governance creates value to the company and the shareholders, starting with themselves.

This may include having an appropriate level of leadership independence at the board, having a transparent and systematic method of board and director appraisal, training and succession planning, as well as providing disclosure on the details of their own remuneration. In addition, it is necessary to provide accountability to risk governance both at the board and management levels, as well as to be accountable to shareholders and investors via communication and discussions.

These findings from GTI 2013 have shown that Singapore has already begun this new stage of corporate governance as forward-looking companies update and overhaul existing corporate governance frameworks and disclosure practices. This push forward coincides with the companies’ quest to shape new competitive advantages amidst a changing regulatory and business environment.

Leading companies have begun attempts to further embed corporate governance performance into their business operations, starting with initiatives from their corporate leadership. Such efforts need to be sustained before a corporate governance culture can take hold and grow.

While the leading visionary companies may still be a minority, their experience and best practices will advise the companies following their example and contribute to the sustained improvement of the corporate governance performance in Singapore. These innovations and improvements in corporate governance are necessary for Singapore to maintain its economic competitiveness and reputation as a business hub in the dynamic global business environment. The GTI project will continue to track and monitor Singapore-listed companies’ performance in stepping up to this challenge.
APPENDIX A: GTI METHODOLOGY

HOW SCORING WAS DONE

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 announcements.

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 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 into the base score to arrive at the company’s overall GTI score.

The GTI is now in its fifth year. For this year, 664 companies were included in the rankings. GTI 2013 covers companies that released their annual reports for the financial year ending between 1 January 2012 and 31 December 2012. The cut-off for the release date was 31 May 2013. A total of 112 listed companies were excluded from the GTI 2013 ranking. These are real estate investment trusts, business trusts, exchange traded funds, secondary listings, suspended companies, delisted companies, as well as newly-listed companies that do not have a full year’s financial report.

The primary sources of information used are the company’s annual report and the company website. Announcements made by the company on the SGXNet, as well as in the media, which occurred between 1 January 2011 and 31 May 2013, were also used to update the score. In addition, companies were contacted to obtain some of the information that is not publicly available.

Further information on the scoring methodology, including the full instrument 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 2011 TO GTI 2013

<table>
<thead>
<tr>
<th>INDUSTRY*</th>
<th>GTI 2013 No. of Companies</th>
<th>GTI 2012 No. of Companies</th>
<th>GTI 2011 No. of Companies</th>
<th>GTI 2013 % of Companies</th>
<th>GTI 2012 % of Companies</th>
<th>GTI 2011 % of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commerce</td>
<td>87</td>
<td>95</td>
<td>98</td>
<td>13%</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>Construction</td>
<td>35</td>
<td>30</td>
<td>27</td>
<td>5%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Finance</td>
<td>26</td>
<td>25</td>
<td>26</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Hotels/Restaurants</td>
<td>14</td>
<td>16</td>
<td>15</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>259</td>
<td>274</td>
<td>273</td>
<td>39%</td>
<td>41%</td>
<td>41%</td>
</tr>
<tr>
<td>Multi-Industry</td>
<td>16</td>
<td>16</td>
<td>18</td>
<td>2%</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Properties</td>
<td>37</td>
<td>38</td>
<td>34</td>
<td>6%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Services</td>
<td>136</td>
<td>130</td>
<td>123</td>
<td>20%</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>Transport, Storage And Communications</td>
<td>32</td>
<td>41</td>
<td>38</td>
<td>5%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Others**</td>
<td>20</td>
<td>9</td>
<td>8</td>
<td>3%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Total</td>
<td>664</td>
<td>674</td>
<td>660</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

* Sector classification from SGX.
More details can be found on [http://sgx.com/wps/portal/sgxweb/home/companydisclosure/stock_indiceslist](http://sgx.com/wps/portal/sgxweb/home/companydisclosure/stock_indiceslist)

** Others: Sectors include Agriculture, Electricity/Gas/Water and Mining/Quarrying
ACKNOWLEDGEMENTS

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The contributions of Ms Kelly Teo Mei Feng, Research Assistant, are gratefully recognised.

ADVISORY PANEL

We express our appreciation to members of the Advisory Panel for their continued guidance in the GTI project.

The members of the advisory panel are:
• Mr Ang Hao Yao, Director, Trader Investment Pte Ltd.
• Mr Andrew Kwek, Chief Operating Officer, Pheim Asset Management
• Mrs Lee Suet Fern, Senior Director, Stamford Law Corp.
• Mr Loh Hoon Sun, Managing Director, Phillip Securities Pte Ltd.
• Mr Chaly Mah, Chief Executive Officer, Deloitte Asia Pacific and Deloitte Southeast Asia
• Mr Alvin Tay, Editor, The Business Times

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