

# **The New Corporate Governance Landscape – Are We Ready?**

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**7 August 2019**

Findings of the Singapore Governance and Transparency Index 2019  
Presented at the Singapore Governance and Transparency Forum

# SGTI Partnership

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## A Collaboration Between



Centre for Governance, Institutions & Organisations  
NUS Business School



## Strategic Media Partner

# THE BUSINESS TIMES

# SGTI Advisory Panel

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**Ms Rachel Eng**

**Managing Director, Eng and Co LLC**

**Mr Loh Hoon Sun**

**Senior Advisor, Phillip Securities Pte Ltd**

**Mr Low Weng Keong**

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

**Mr Chaly Mah**

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

**Mr Wong Wei Kong**

**Editor, The Business Times**

# Corporate Governance Milestones

Revised Code of  
Corporate Governance  
(2<sup>nd</sup> review)

SGTI extended to  
REITs and  
business trusts

Code 2018  
comes into  
effect in 2019



Governance &  
Transparency Index  
(GTI) launched

SGTI Introduced

Revised Code of  
Corporate Governance  
(3<sup>rd</sup> review)

# SGTI Assessment Coverage

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## General Category (578)

Excluding 123 companies:

- 14 newly listed
- 30 secondary listings
- 8 funds
- 60 suspended from trading
- 1 not released report for 2 years
- 10 delisted

## REITs & Business Trusts (46)

Excluding:

- 1 cash trust

# SGTI Framework – General Category

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

**B**oard Responsibilities (35 points)

**R**ights of Shareholders (20 points)

**E**ngagement of Stakeholders (10 points)

**A**ccountability & Audit (10 points)

**D**isclosure & Transparency (25 points)

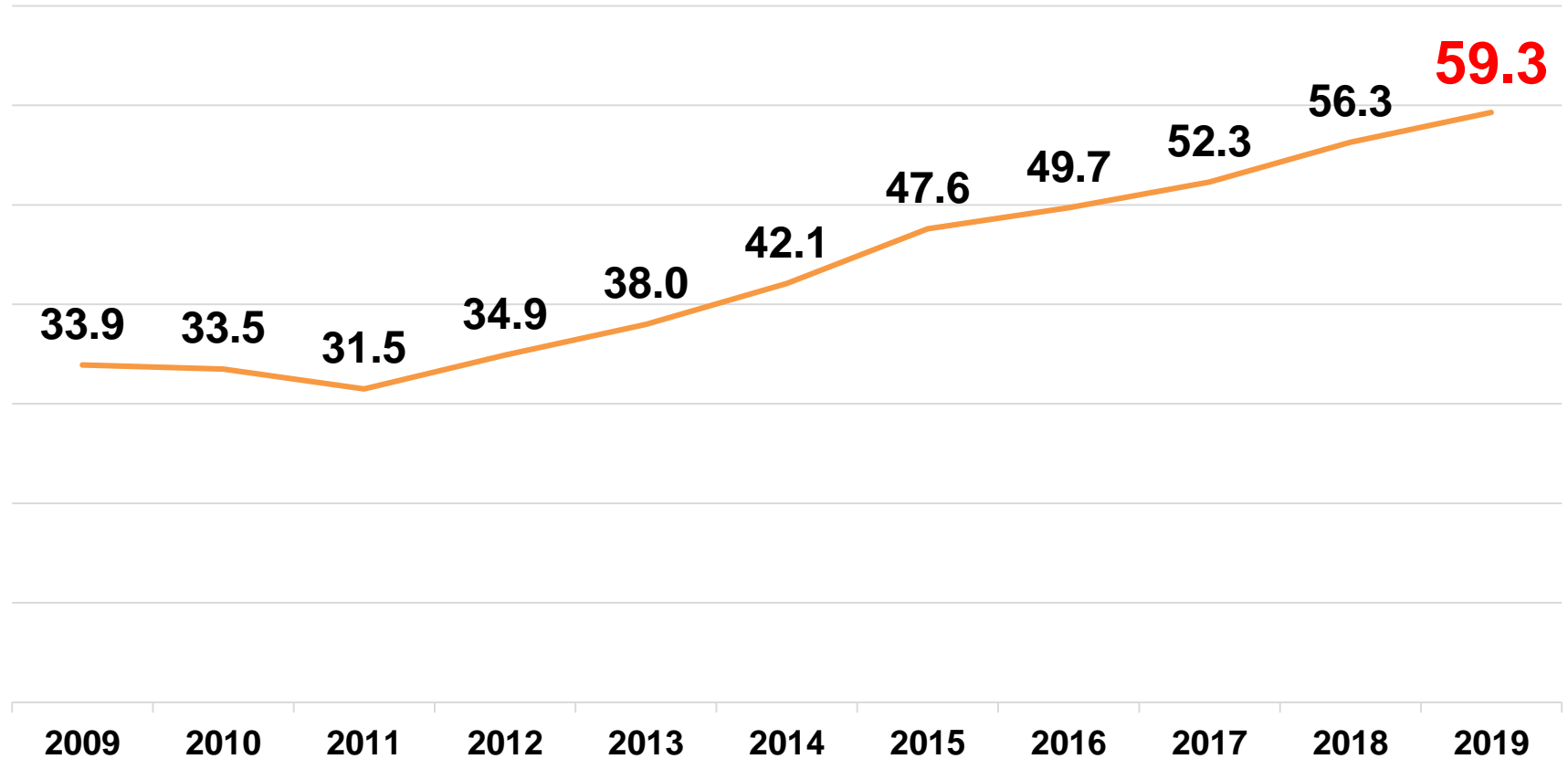
+

Adjustments for Bonus & Penalty (43 points)

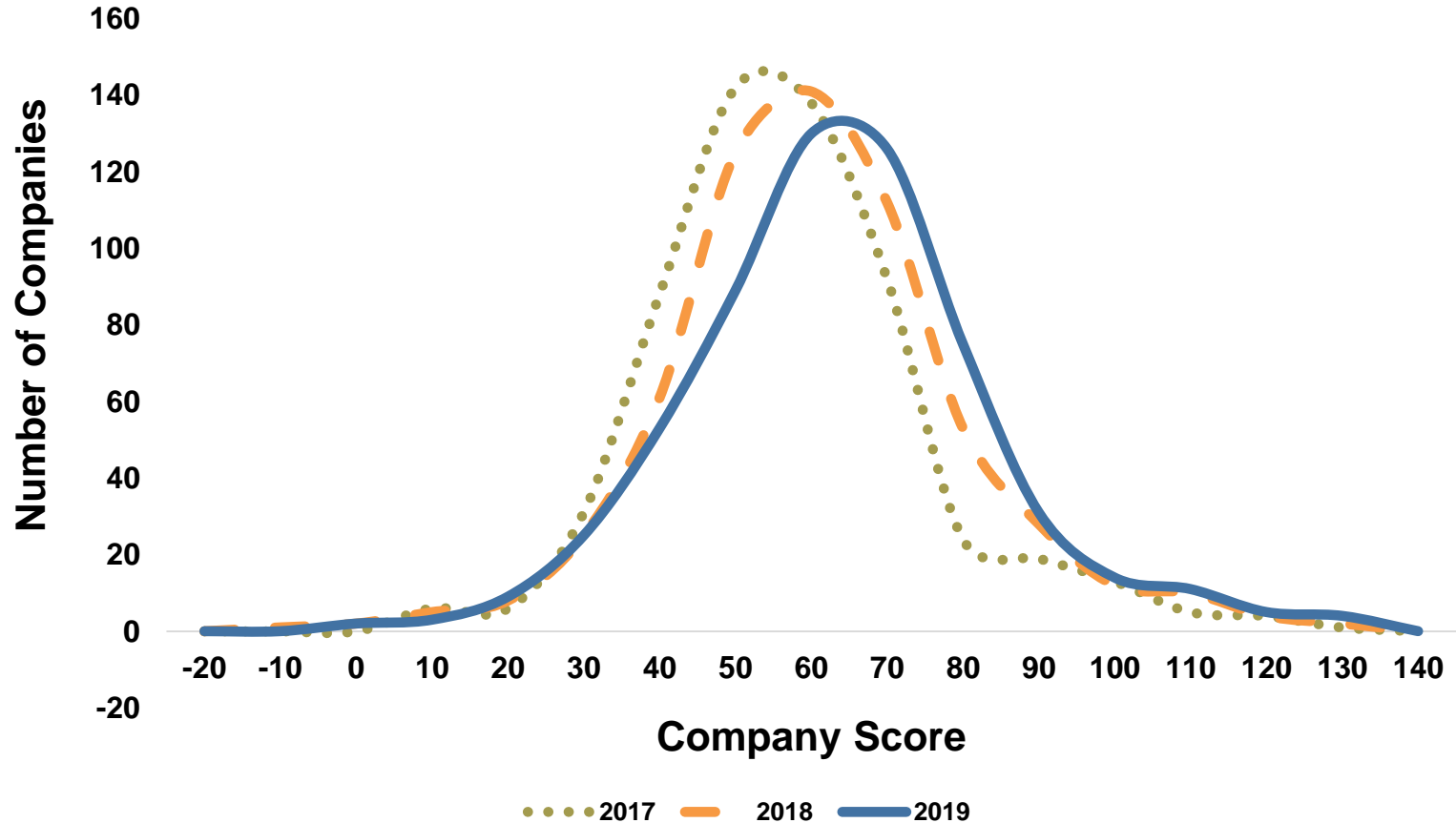
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Overall SGTI Score (143 points)

# Mean Score Trend – General Category



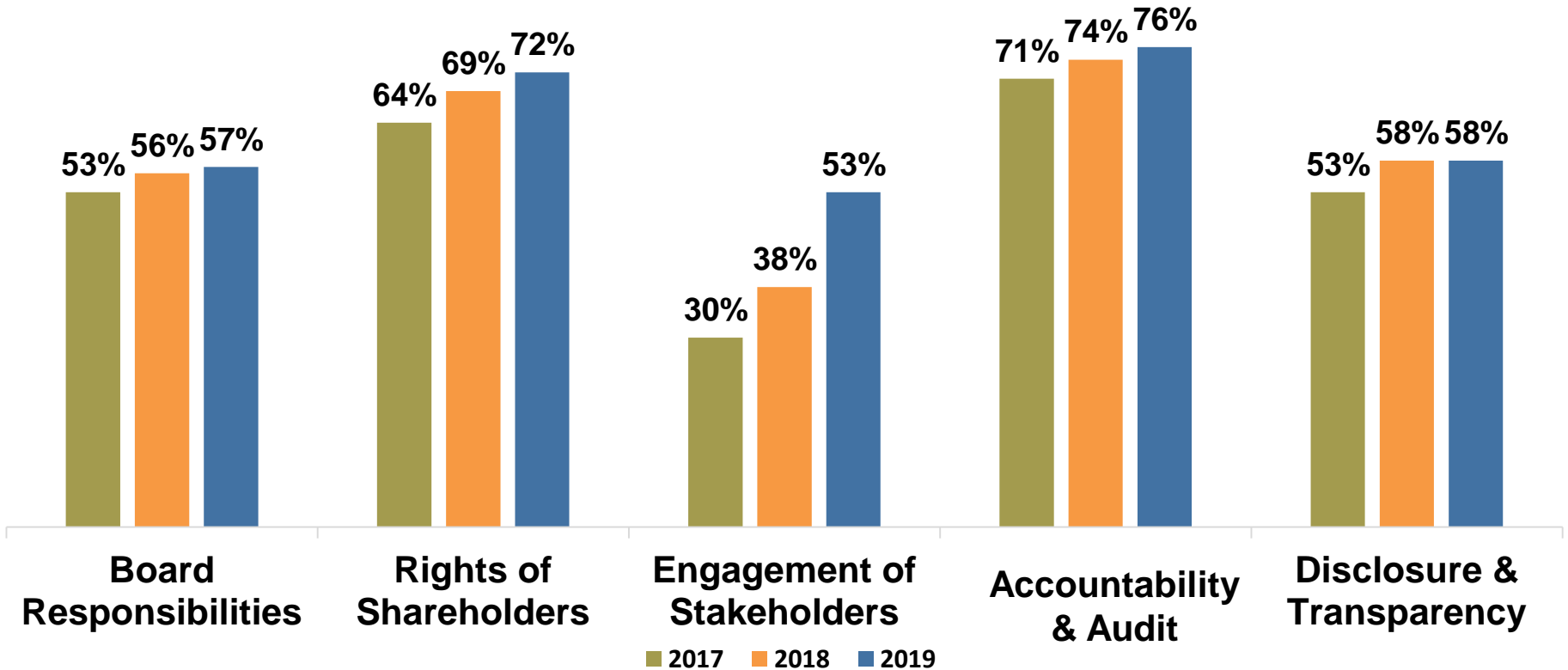
# Company Score Distribution





# Sectional Scores

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



# Key Findings – General Category

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**Board Responsibilities**



**Board & Director Appraisals**

**Rights of Shareholders**



**Shareholders' Information & Participation**

**Engagement of Stakeholders**



**Sustainable Policies & Practices**

**Accountability & Audit**



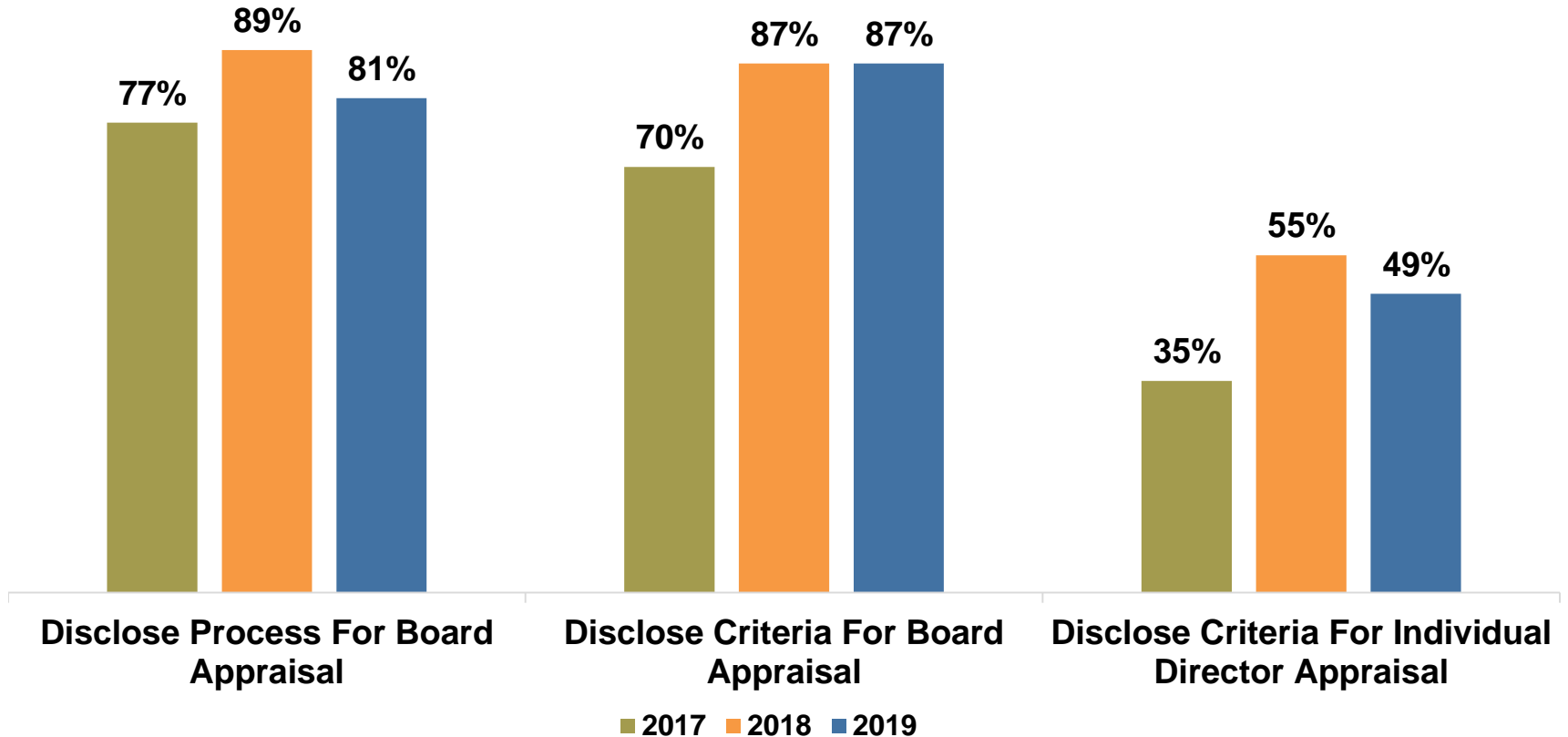
**Committee Composition & Internal Controls**

**Disclosure & Transparency**

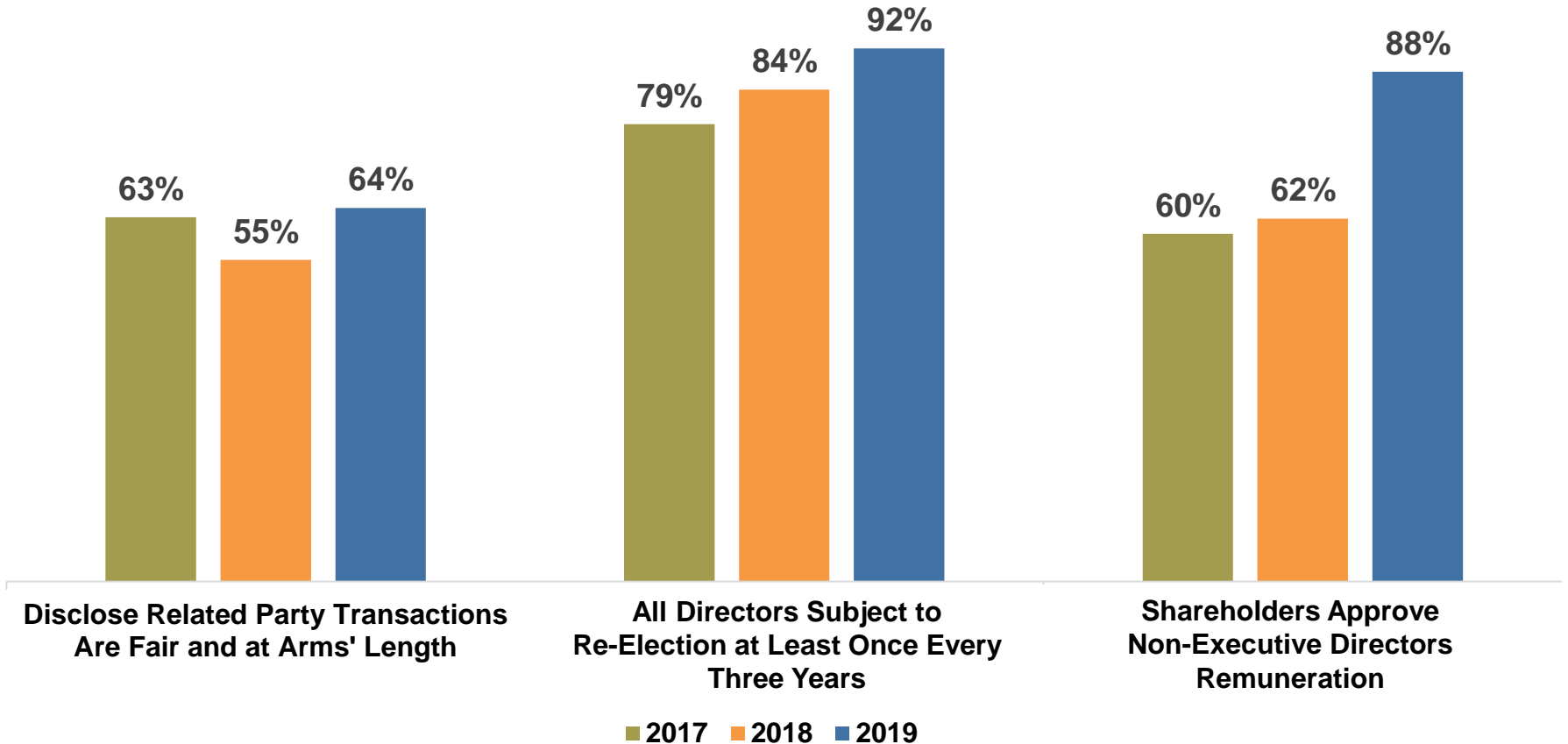


**Director Tenure**

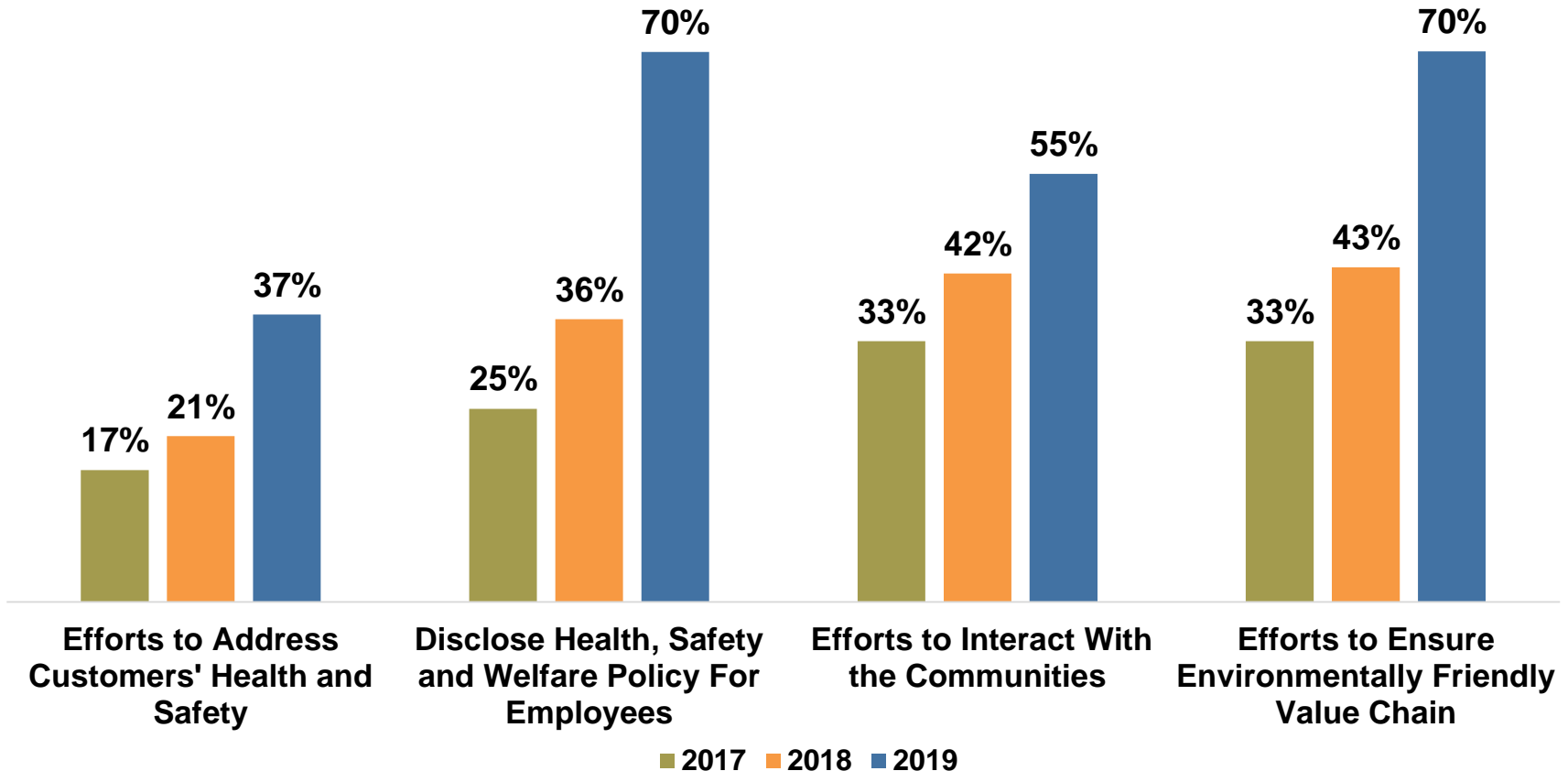
# Board Responsibilities: Board & Director Appraisals



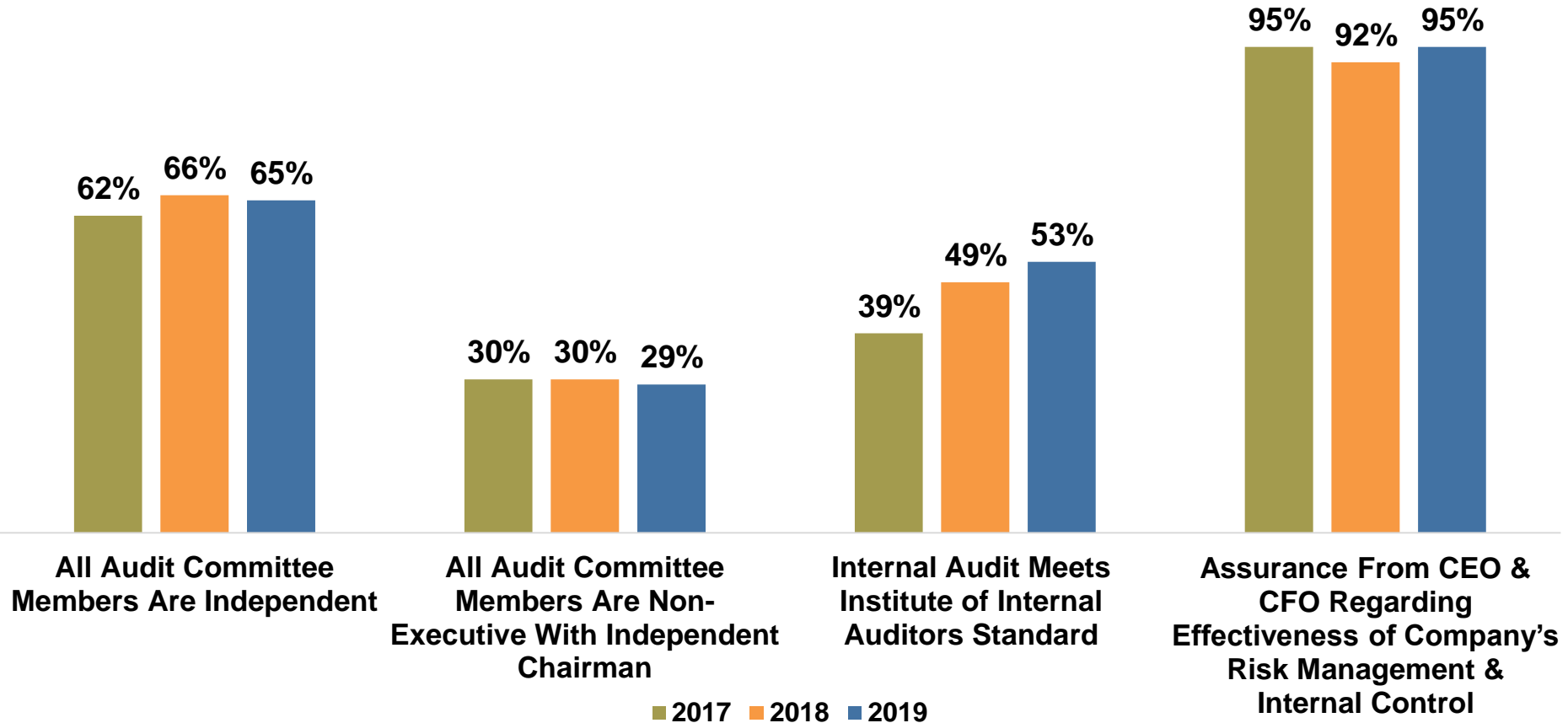
# Rights of Shareholders: Shareholders' Information & Participation



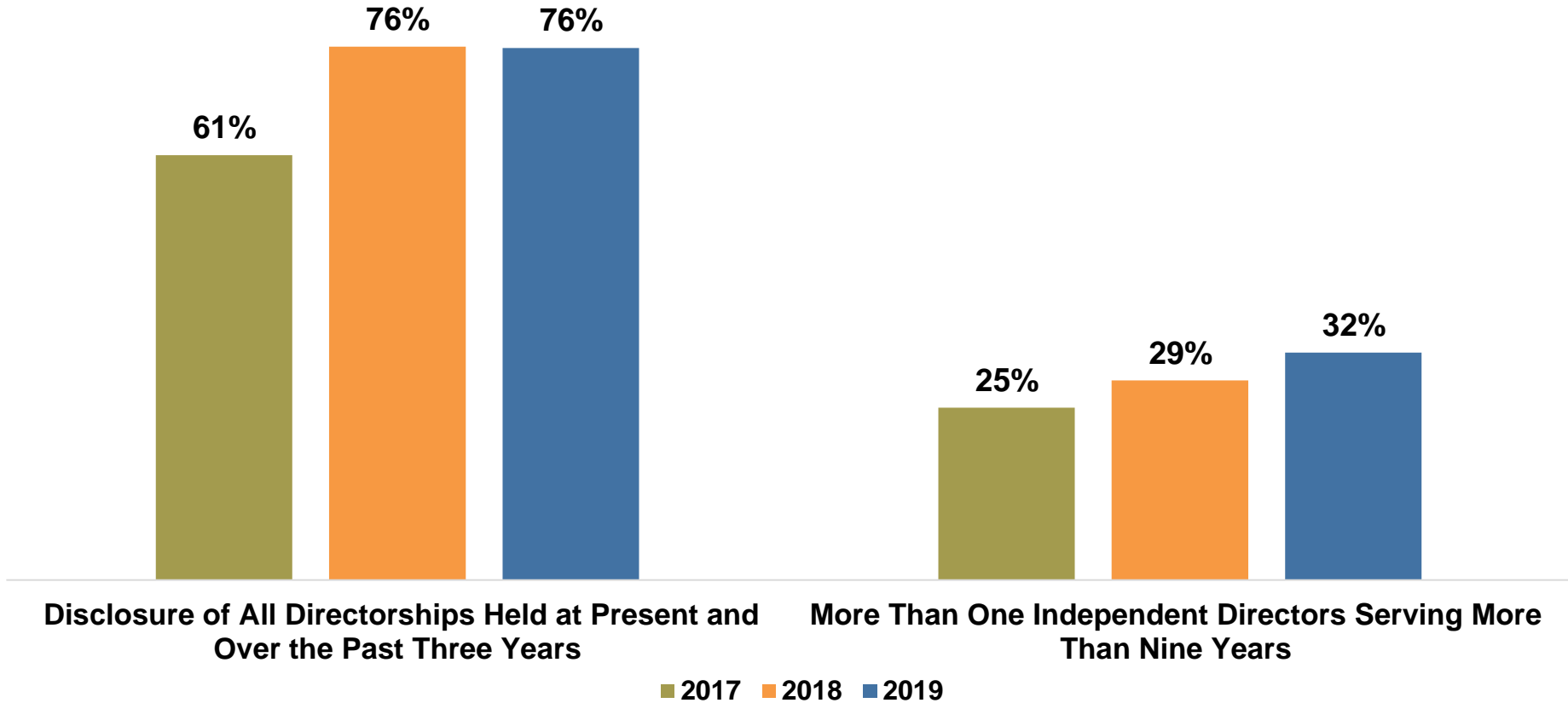
# Engagement of Stakeholders: Sustainable Policies & Practices



# Accountability & Audit: Committee Composition & Internal Controls



# Disclosure: Director Tenure



# SGTI Framework – REITs & Business Trusts

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

Board Responsibilities

Rights of Shareholders

Engagement of Stakeholders

Accountability & Audit

Disclosure & Transparency

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

Structure

Leverage

Interested Person Transactions

Competency of Trust Manager

Emoluments

+

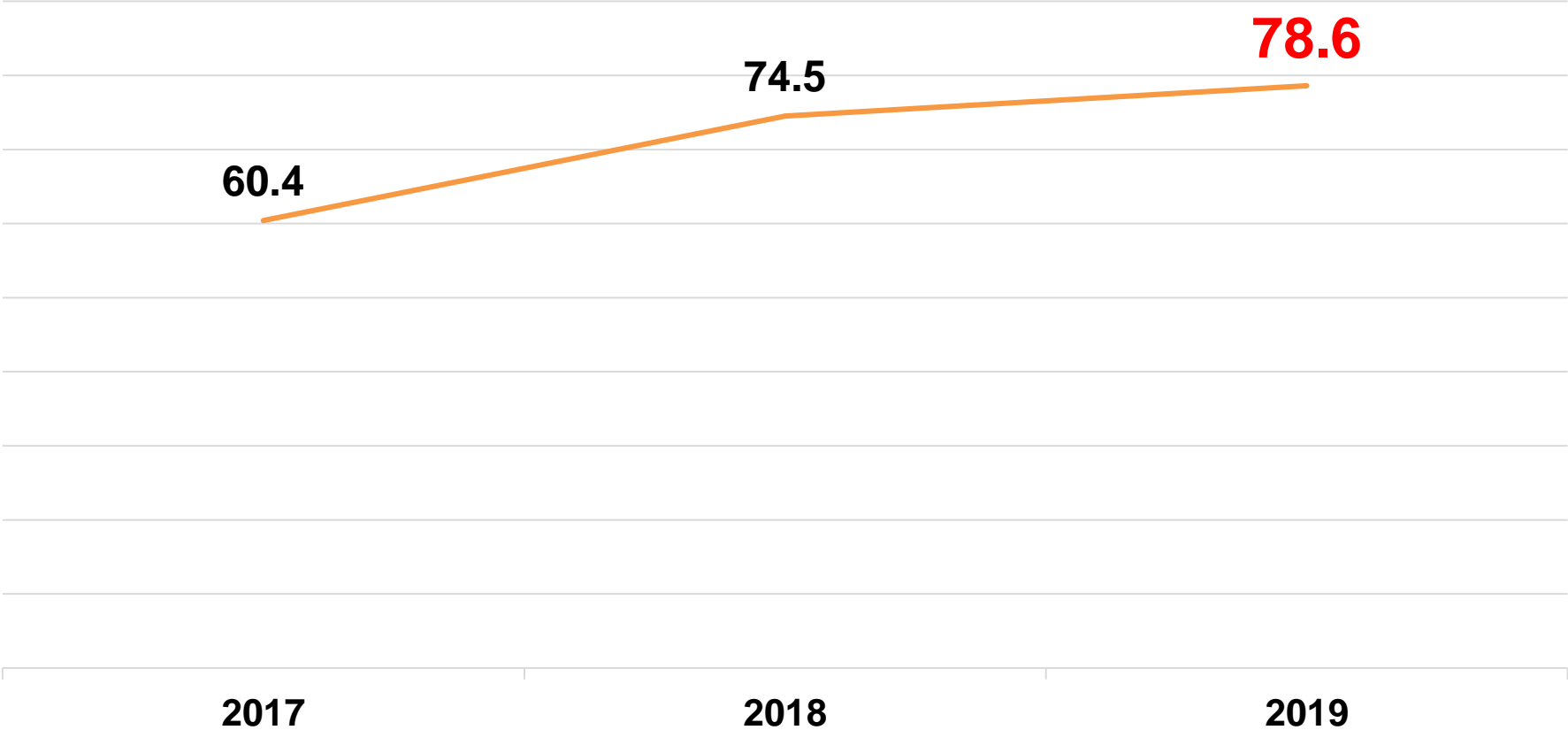
Adjustments for Bonus & Penalty (43 points)

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Overall SGTI Score (143 points)



# Mean Score Trend - REITs & Business Trusts



# Key Findings – REITs & Business Trusts

## Structure

➔ Choice (2%) & Removal of Trust Manager (35%)

## Leverage

➔ Gearing Policy (83%) & Credit Rating (35%)

## Interested Person Transactions

➔ Reviews Significant IPTs (76%)

## Competency of Trust Manager

➔ CEO & Director Experience (37%)

## Emoluments

➔ Disclose Base Fees (96%)

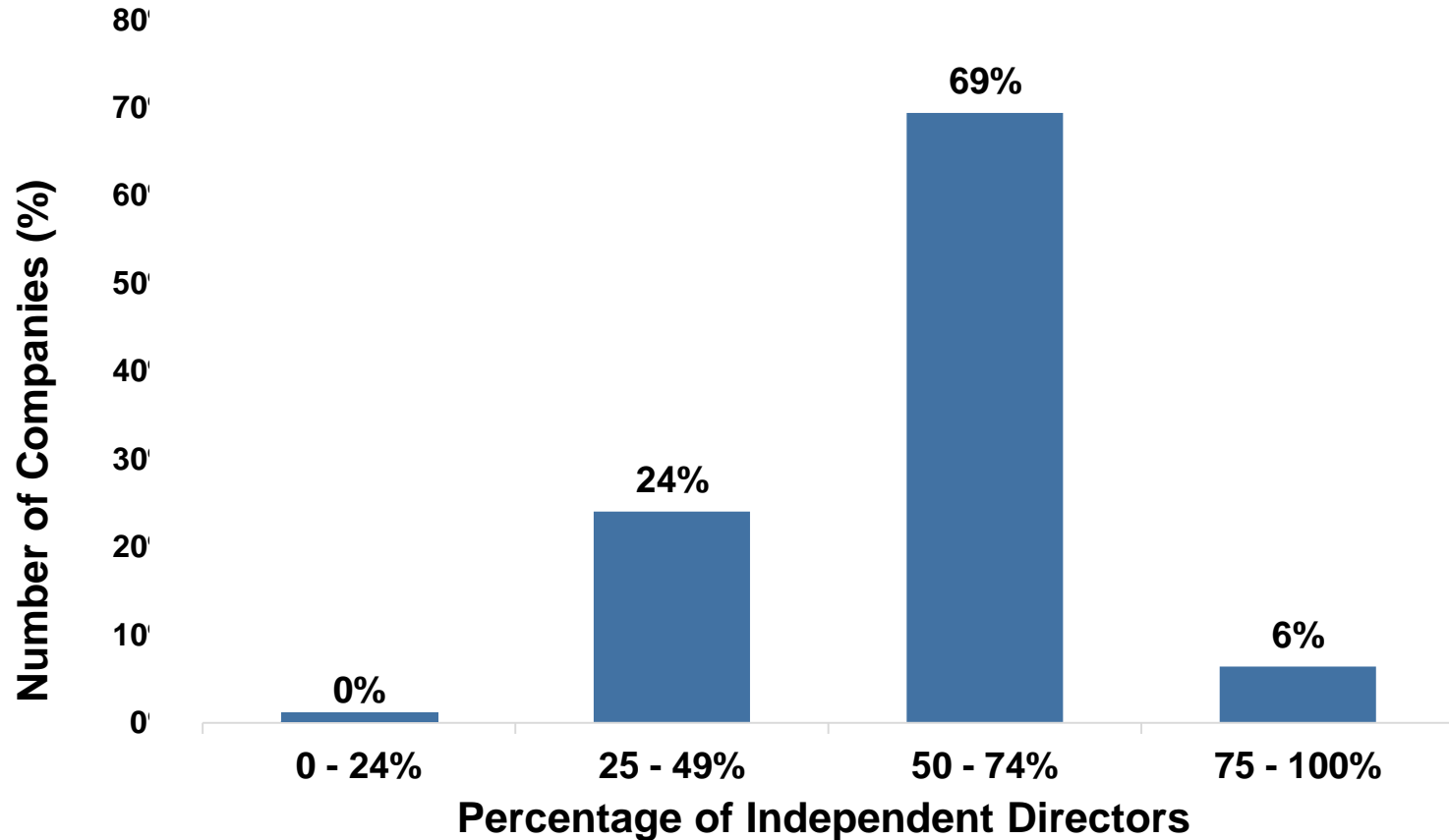
# SGTI 2019 - Looking Forward

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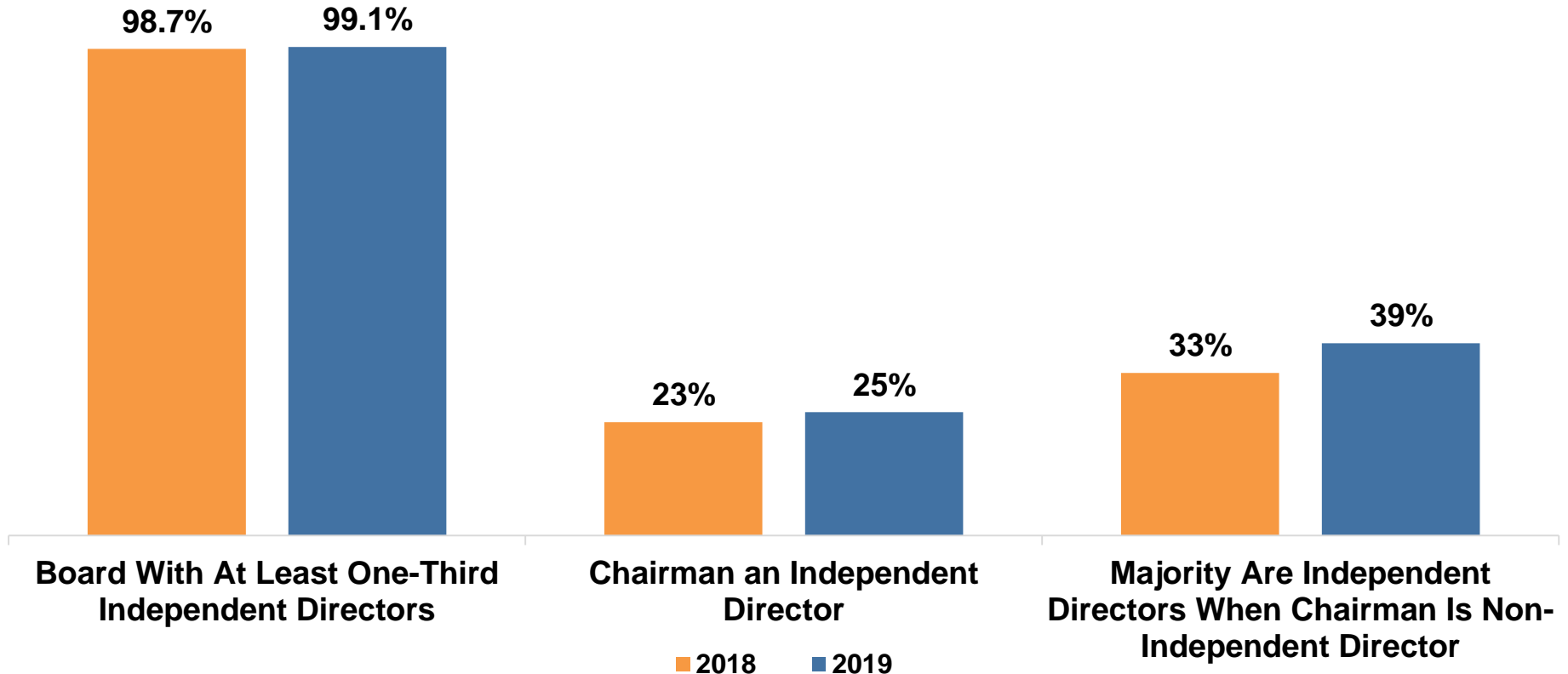
**Board Structures**

**Corporate Practices**

# Board Independence

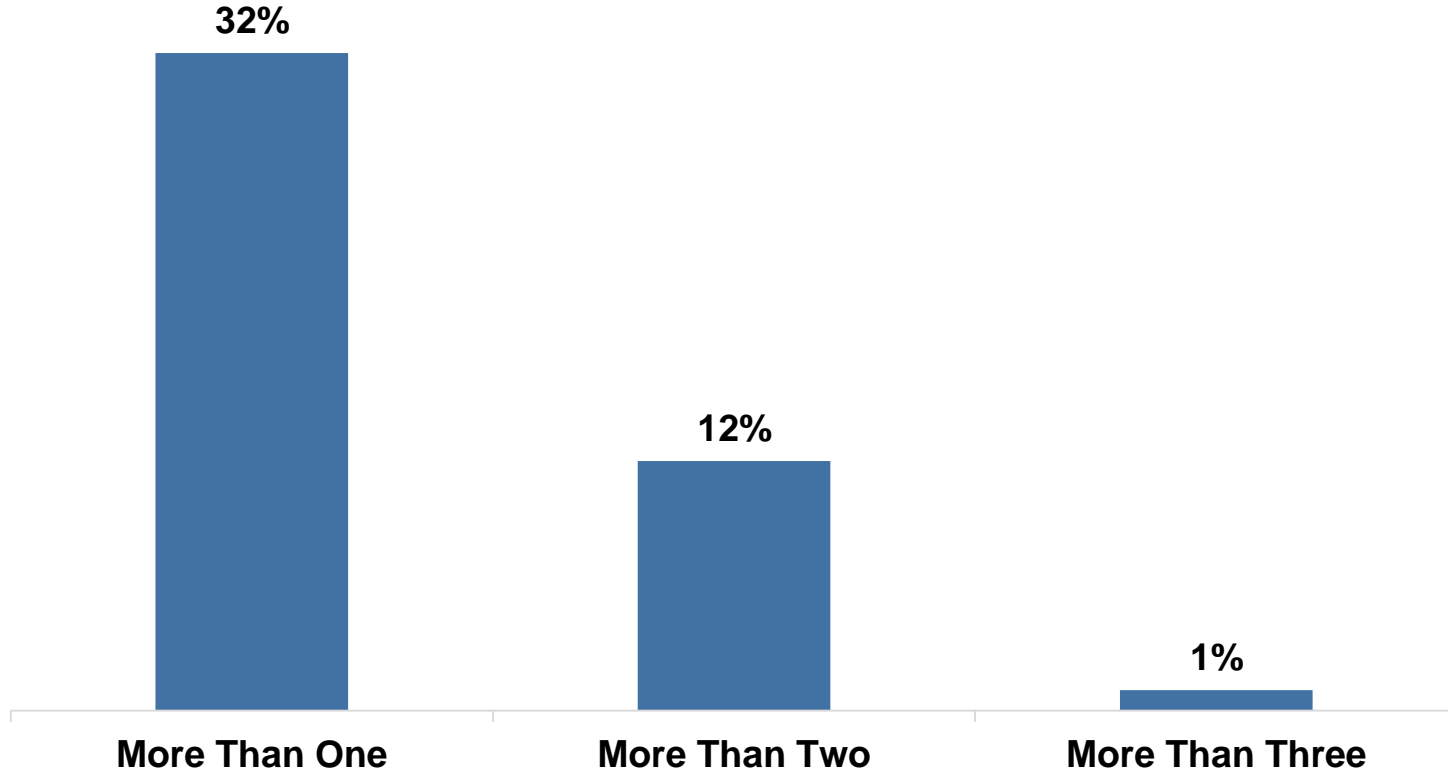


# Chairman and Director Independence

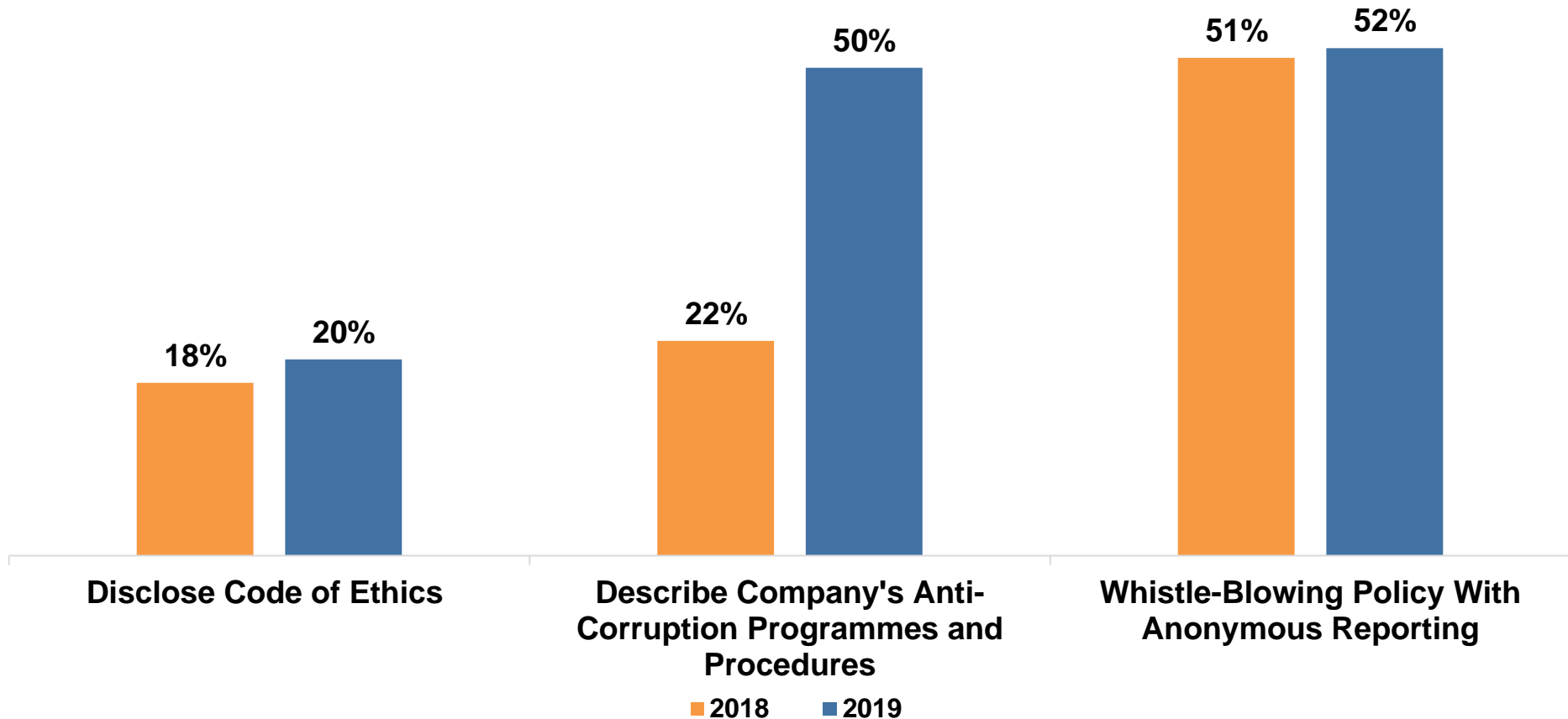


# Independent Directors Serving More Than Nine Years

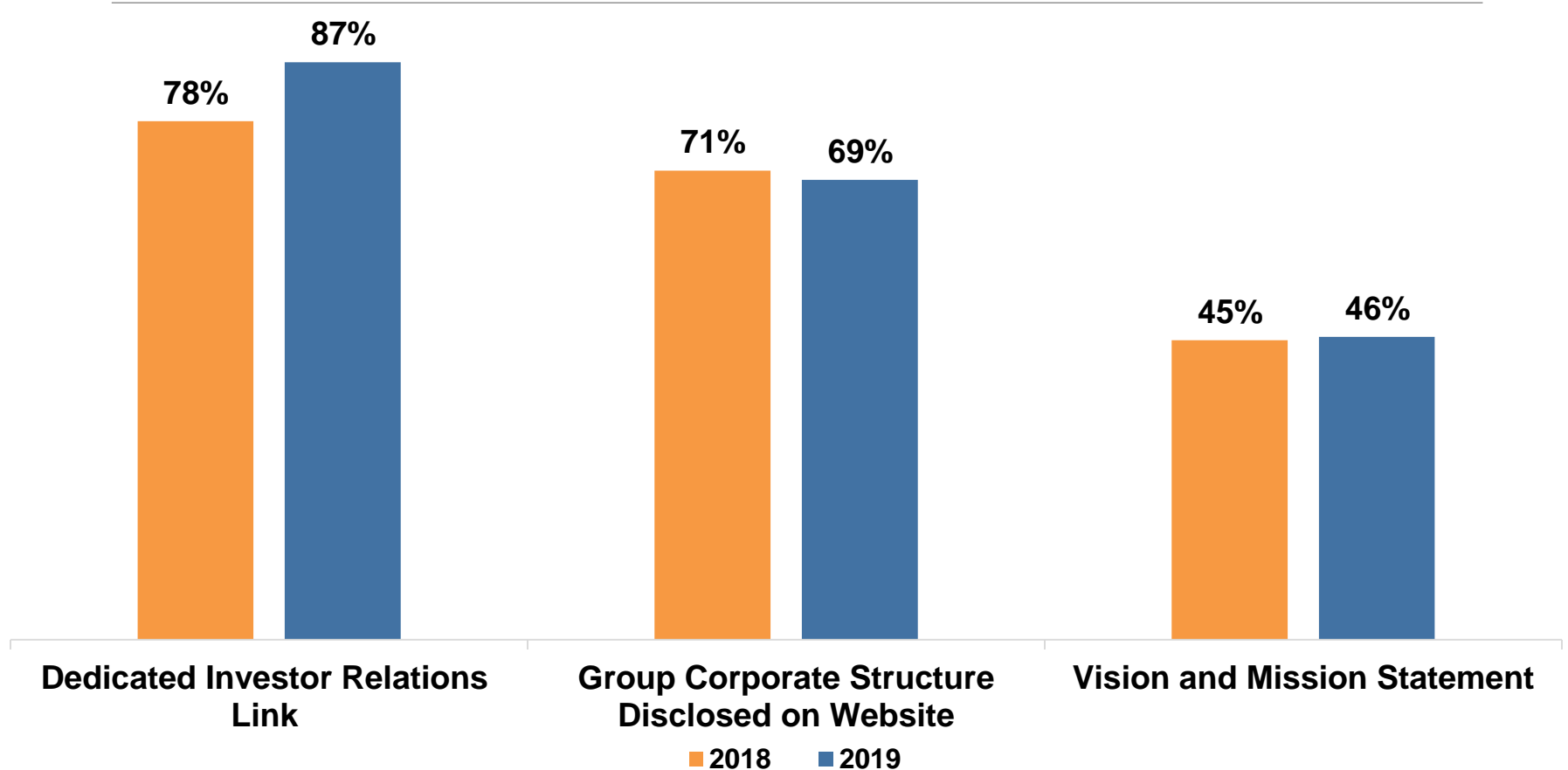
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# Business Integrity



# Investor Relations





# Validation: SGTI Ranks & Scores Shown on SGX Website



Securities

Fixed Income

Derivatives

Indices

Research &

Home > Securities



SingTel (Z74 / STEL.SI)

Industry: Services Communications Services

This company reports in this currency: SGD

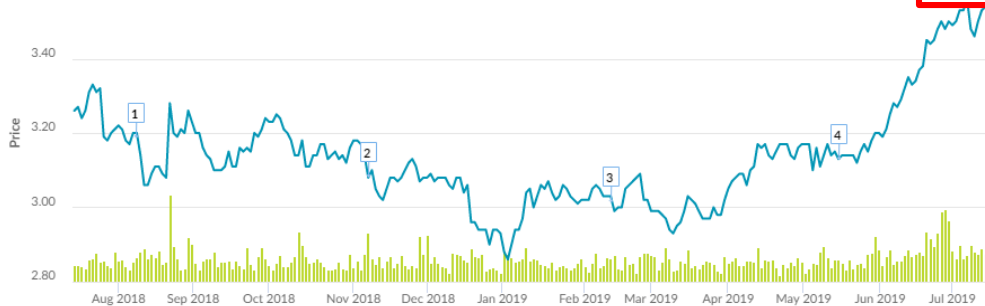
▼ 3.510

-0.03 / -0.847%

As at 15 Jul 2019 04:26 PM

## Prices & Chart

Day Week Month 1 Year 5 Years



Source: Singapore Exchange (SGX)

As at 15 Jul 2019 04:28 PM

## Governance & Transparency Index (GTI) ⓘ

GTI Year	Rank	Score ⓘ
2018	1	129
2017	1	124
2016	1	124
2015	1	118
2014	2	115
2013	2	112
2012	1	111
2011	1	109
2010	1	103
2009	1	94

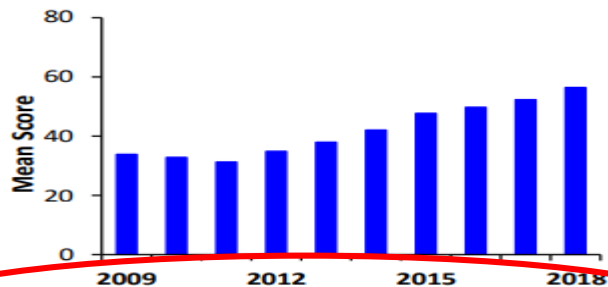
News

Governance & Transparency Index (GTI)

Consensus

# Validation: SGTI Data Used by MAS Financial Stability Review

Chart 3.14  
State of Corporate Governance Disclosures



Source: NUS Centre for Governance, Institutions and Organisations (CGIO)

## **SMEs optimistic on future prospects, banks remain supportive of SME financing**

Business sentiment among SMEs has improved over the past year, but firms remain wary of rising uncertainties from ongoing trade tensions.<sup>115</sup> According to DP Information Group, improved trading conditions have led to quicker settlement of debts for SMEs, with the average time taken to settle debts decreasing from 35 days in Q2 2017, to 33 days in Q2 2018.

Source: Financial Stability Review, Macroprudential Surveillance Department, Monetary Authority of Singapore (MAS), November 2018

# Summary

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1. SGTI 2019 reached all-time high scores of 59.3 (General Category) and 78.6 (REITs and Business Trusts)
2. Engagement of stakeholders notably rose to a score of 53% from last year's 38%. More companies adopted sustainable policies and practices.
3. However, there are areas of concerns:
  - Only 39% had IDs as majority on boards when chairman is non-ID
  - One-third (32%) had more than one IDs serving more than nine years
  - One-fifth (20%) disclosed code of ethics
  - Only 50% described company's anti-corruption programmes and procedures
  - Some 52% adopted whistle-blowing policy with anonymous reporting

# Summary

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Looking forward for new corporate governance landscape:

- The foundation of board structures in place
- The pillar of IDs requires attention
- The practices in business integrity need improvements