



Corporate Governance

Singapore Governance and Transparency Index

August 2023

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Preface

An increased awareness and desire for a sustainable future have motivated companies to adopt sustainable business practices and disclose material topics relating to environment, social and governance (ESG) in their annual or sustainability reporting reports.

Companies indeed make headlines for their commendable efforts, and also attract attention when caught greenwashing, whitewashing, greywashing or even green-hushing. Companies set themselves apart by having strong leadership exhibited by the board of directors, who provide strategic direction and ensure the effective implementation of strong governance, ensuring and upholding robust ESG practices.

The Singapore Governance and Transparency Forum 2023 brought together industry captains and experts to discuss what differentiates companies in their ESG endeavours. A joint initiative by CPA Australia, the Centre for Governance and Sustainability (CGS) at the National University of Singapore Business School, and the Singapore Institute of Directors (SID), the Forum has established itself as a key platform for exploring progress in corporate governance and transparency within Singapore-listed companies.

The event welcomed 180 participants, including representatives from listed firms, regulators, policymakers, consultants, and other professionals. Attendees actively contributed to the discussions, sharing valuable perspectives and raising insightful questions, highlighting the importance of these topics in shaping Singapore's corporate environment.

Professor Lawrence Loh: SGTI Findings for 2023

Background

- SGTI is a collaboration between CPA Australia, CGS and SID, with The Business Times as a media partner
- The five-member Advisory Panel for SGTI comprises:
 1. Ms Chen Huifen, Editor, The Business Times
 2. Ms Rachel Eng, Managing Director, Eng and Co. LLC
 3. Mr Loh Hoon Sun, Senior Advisor, Phillip Securities Pte Ltd
 4. Mr Max Loh Khum Whai, Former Managing Partner (Singapore & Brunei), EY
 5. Mr Low Weng Keong, Past Global President & Chairman of the Board, CPA Australia

SGTI Coverage

- SGTI 2023 assessed all SGX-listed companies based on their annual reports for Financial Year 2022 released by 31 May 2023.
- Other sources of information for assessment include sustainability reports, websites and announcements on the SGX website.

General Category (474)	REITs & Business Trusts (43)
Excluding 202 Companies: <ul style="list-style-type: none">• 3 newly listed• 30 secondary listings• 49 funds• 75 suspended from trading• 3 annual report not released for 2 years• 20 delisted• 22 others	Excluding 5 REITs & Business Trusts: <ul style="list-style-type: none">• 2 suspended from trading• 1 delisted• 2 others

SGTI Framework – General Category

- The SGTI score has two components: the base score and the adjustment for bonuses and penalties.
 - The base score is based on an assessment framework with five dimensions

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

Board Responsibilities (35 points)

Rights of Shareholders (20 points)

Engagement of Stakeholders (10 points)

Accountability & Audit (10 points)

Disclosure & Transparency (25 points)

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Adjustments for Bonus & Penalty (43 points)

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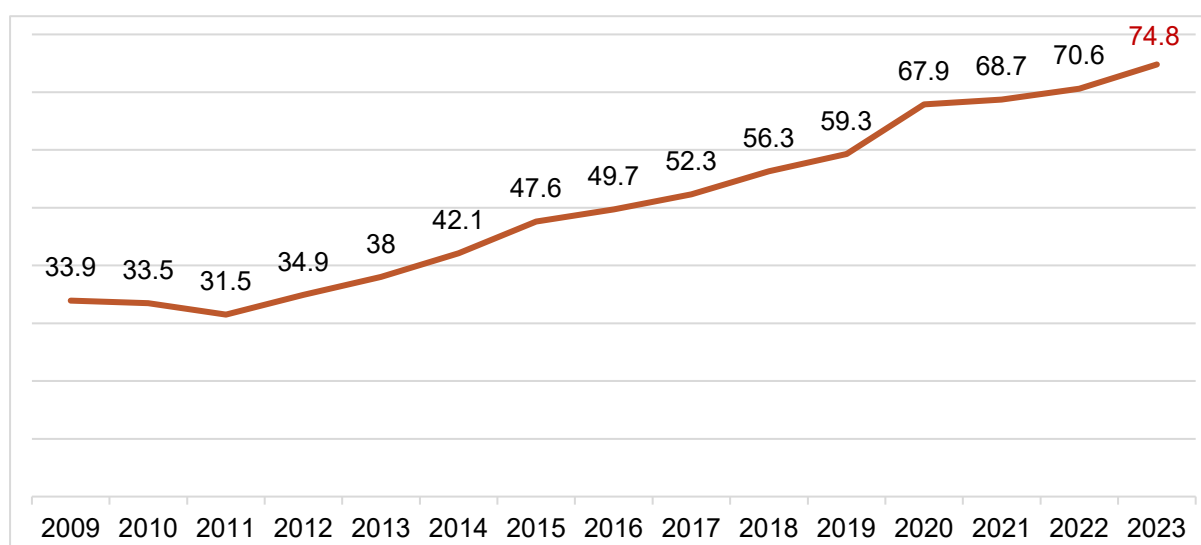
Overall SGTI Score (143 points)

General Category

General Performance

Mean Score

- The Singapore Governance and Transparency Index (SGTI) rose from 70.6 to 74.8 in 2023.
 - This is a significant improvement, representing the largest quantum of increase in the mean score since 2020



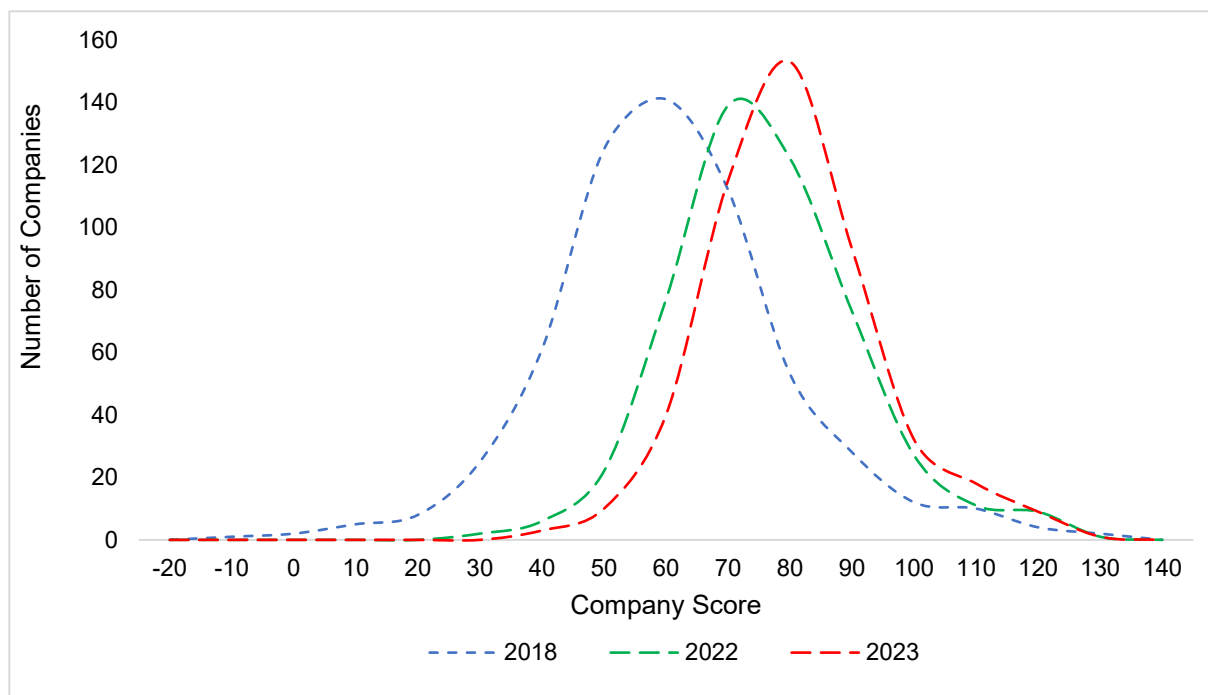
Score Change Breakdown

- The increase was mainly due to a rise in the mean base score

SGTI 2023				SGTI 2022			
Base SGTI 2023 Score	Bonus	Penalty	Overall SGTI 2023 Score	Base SGTI 2022 Score	Bonus	Penalty	Overall SGTI 2022 Score
69.3	14.8	9.3	74.8	66.3	13.6	9.3	70.6

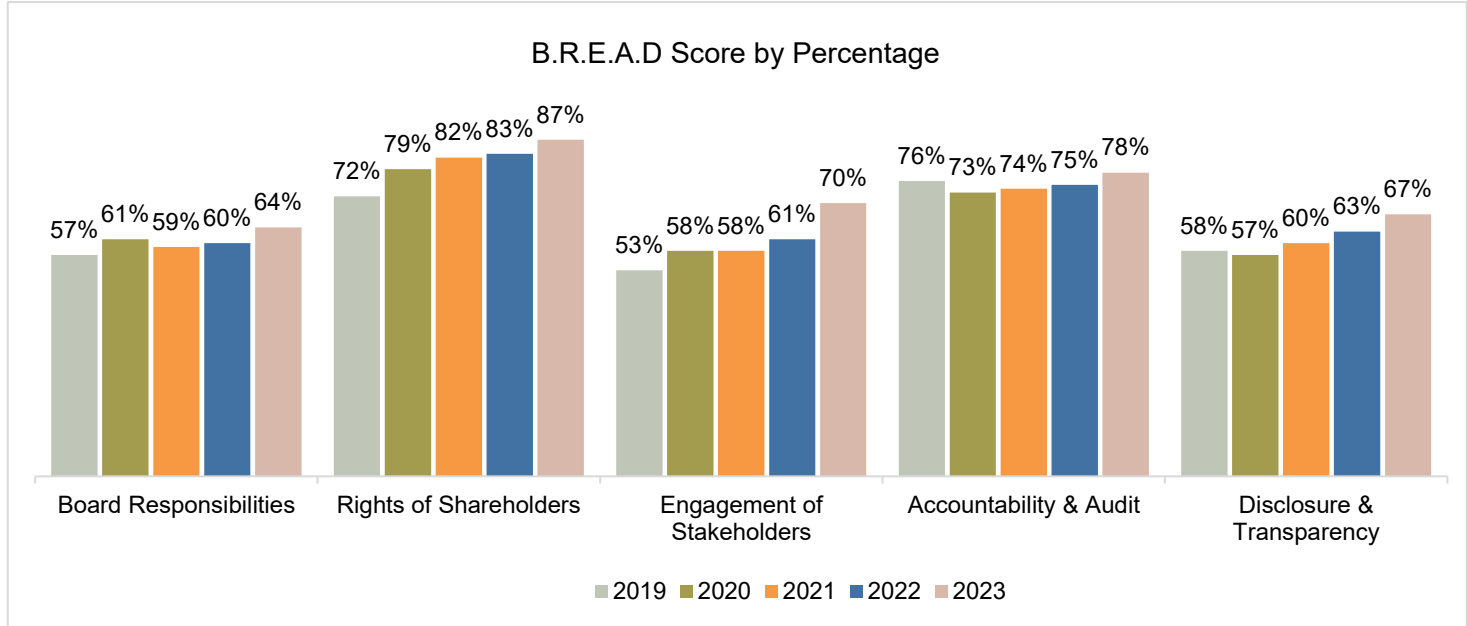
Score Distribution

- The distribution of scores shows a clear right-ward shift, with successively lower standard deviations
 - The standard deviations are: 13.9 (2023) vs. 15.1 (2022) vs. 17.3 (2021)



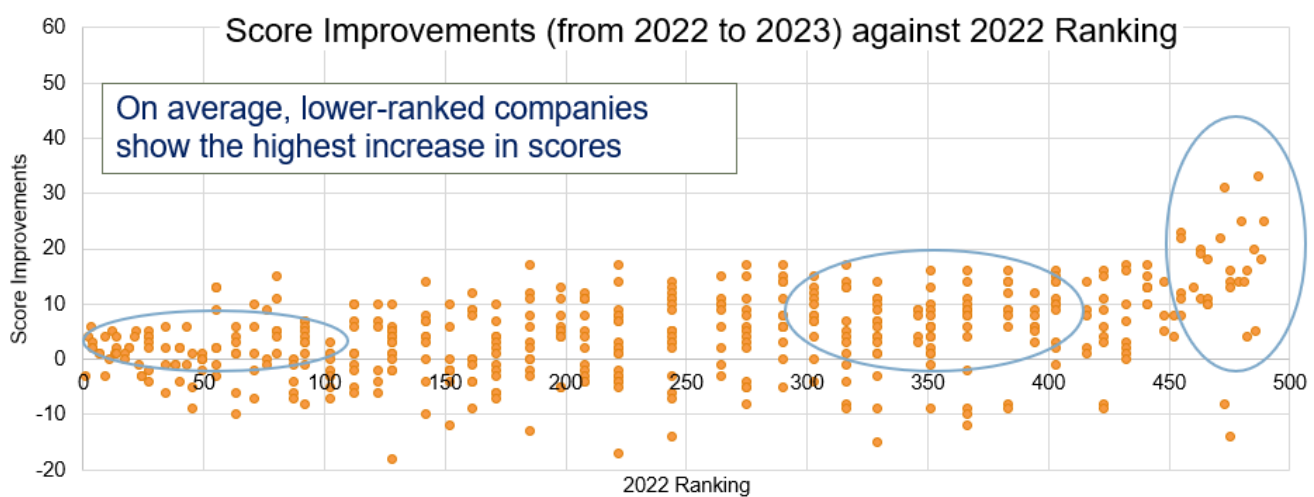
Sectional Scores

- Mean normalized scores for all sections increased
 - The Engagement of Stakeholders dimension had highest increase (9 percentage points)
 - All other dimensions had an increase of 3-4 percentage points.



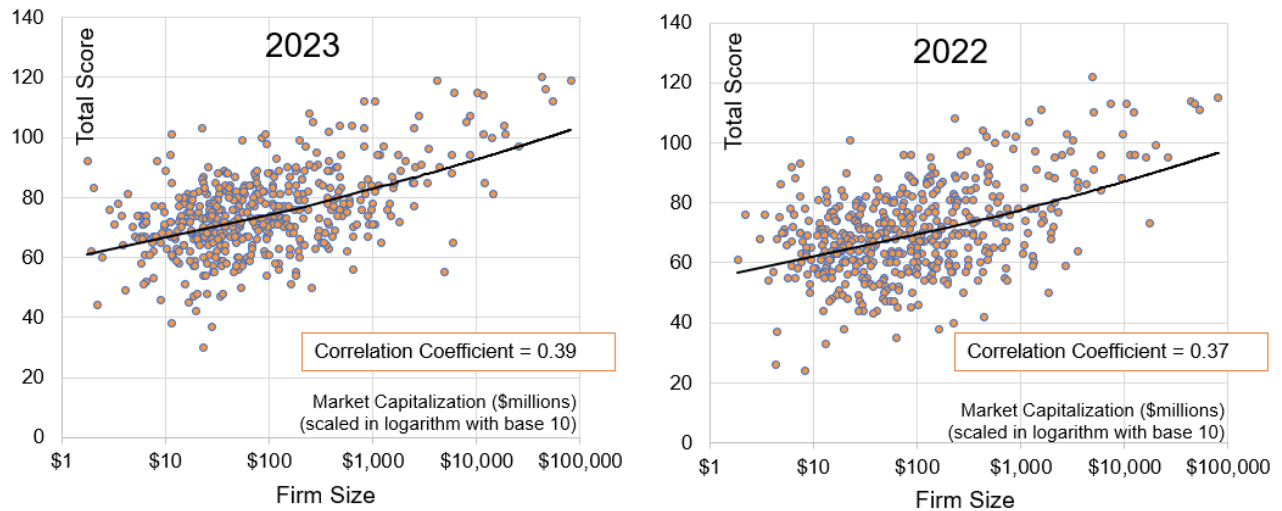
Range Effect

- Unlike 2022, even the companies that ranked the highest in previous assessment had a higher mean score
 - Companies that were ranked top 100 in 2022 experienced a slight increase in scores (mean 1 point increase)
 - Companies that were ranked from 300 – 400 in 2022 showed a general improvement in scores (mean 5 point increase)
 - Companies that were ranked the lowest in 2022 showed significant improvement (mean 11 point increase)



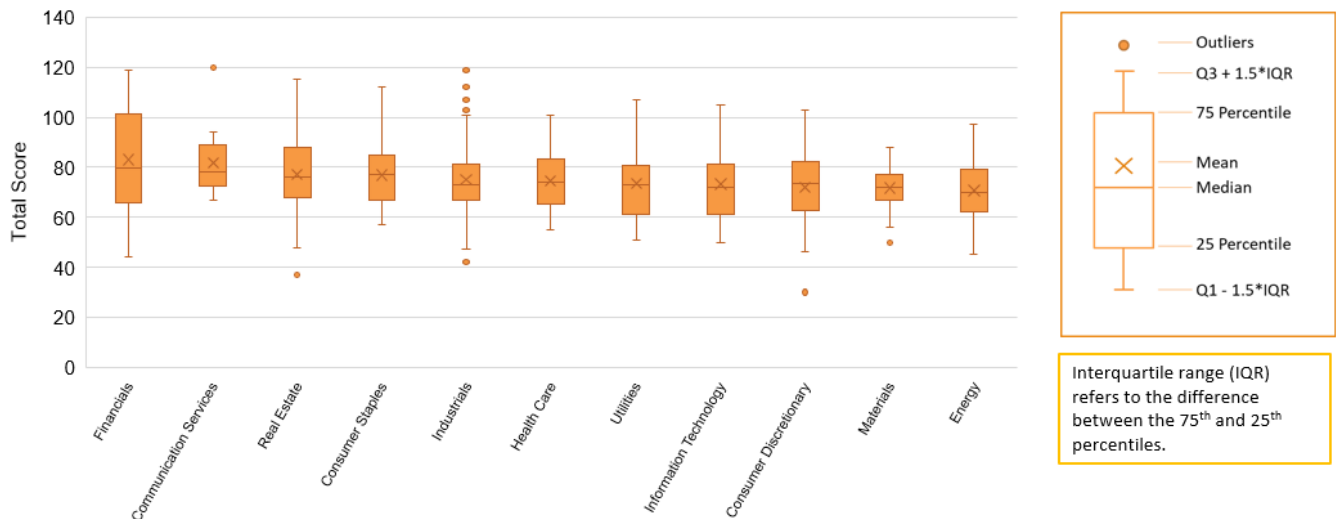
Size Effect

- Relationship between firm size and performance is maintained
 - Correlation coefficient is significant at the 1% level



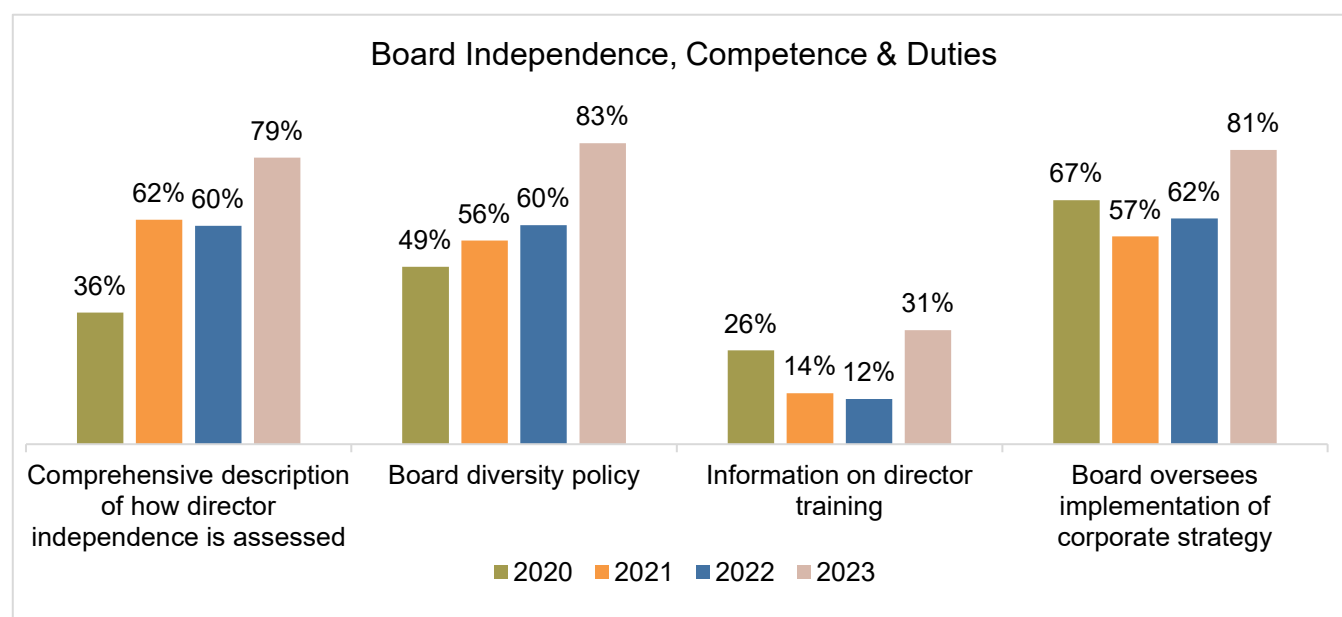
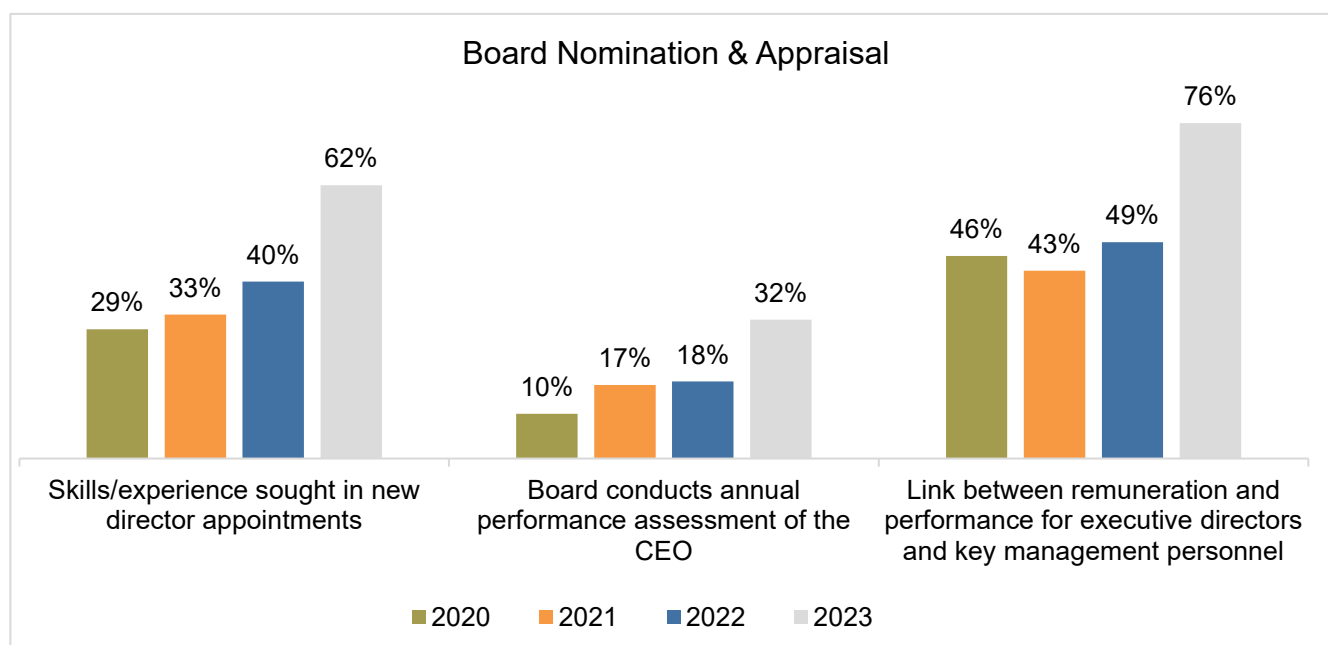
Industry Effect

- On average, Financials companies had higher mean scores and higher variations in scores compared with those in other industries



Board Practices

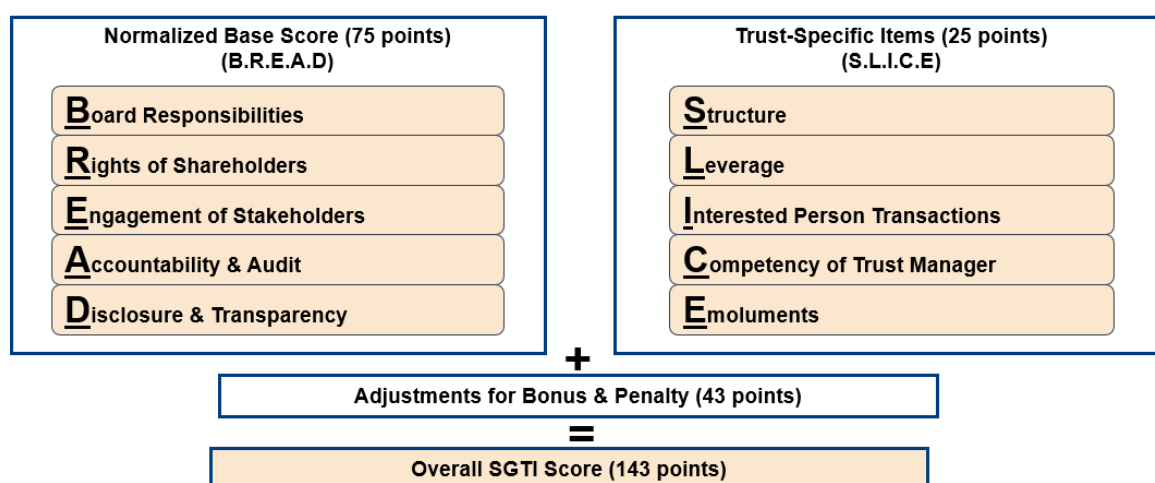
- There was a significant increase in disclosure rates for various board-related indicators.
 - These cover a range of board characteristics and practices such as independence, competence, and selection of directors



REIT & Business Trust Performance

SGTI Framework – REITs & Business Trusts

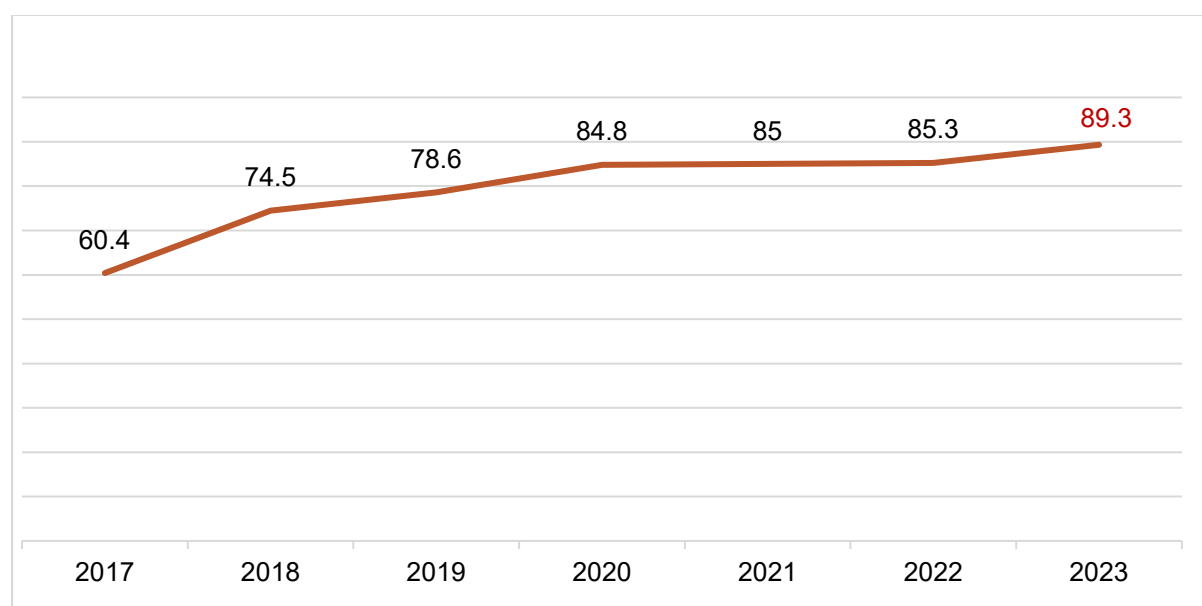
- The unique business model of REITs and business trusts requires them to be subject to additional guidelines, such as the Code on Collective Investment Schemes.
 - Adherence to these guidelines is assessed in the five components of the SLICE framework



Key Highlights

Mean Score – REITs & Business Trusts

- REIT and business trust scores show significant improvement in 2023
 - With mean overall scores having remained at around 85 points since 2020, the mean score has increased by four points to 89.3



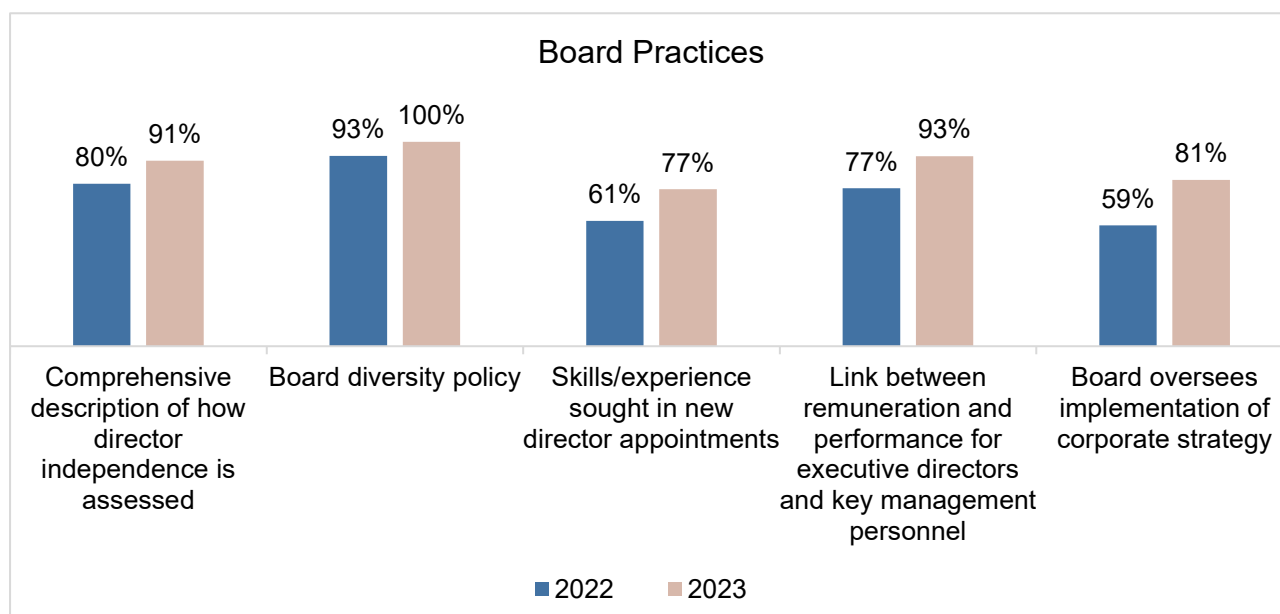
Score Change Breakdown – REITs & Business Trusts

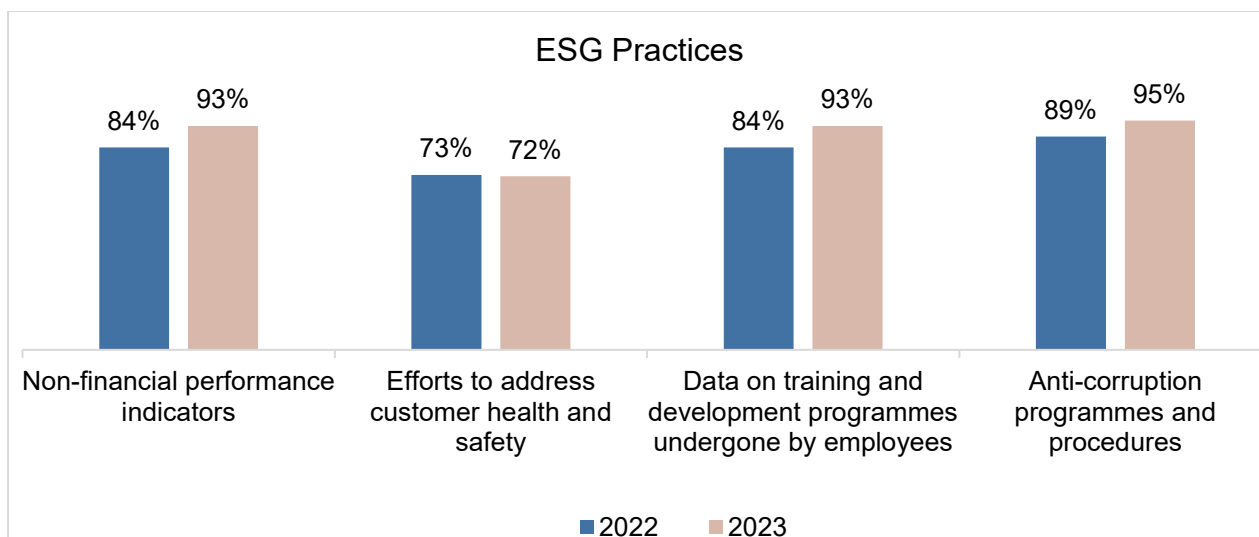
- The mean base score rose by almost two points
 - Also notable was the drop in mean penalties of 1.6 points

2023				2022			
Base SGTI 2023 Score	Bonus	Penalty	Overall SGTI 2023 Score	Base SGTI 2022 Score	Bonus	Penalty	Overall SGTI 2022 Score
73.4	19.7	3.8	89.3	71.5	19.2	5.4	85.3

Board Practices: REITs & Business Trusts

- As with the General Category companies, REITs and business trusts show improvement in board practices.





Regulation Momentum

- Regulation seems to be giving momentum to sustainable corporate governance; improvement may be response to regulatory requirements and support

Listing Rule 710A [board diversity policy] (effective 1 Jan 2022)	↑ Board diversity disclosures
Listing Rule 1207(18A, 18B) [whistleblowing policy] (effective 1 Jan 2022)	↑ Anti-corruption disclosures
Listing Rule 720(7) [director sustainability training] (effective 1 Jan 2022)	↑ Director training disclosures
Listing Rule 210(5)(d)(iii)/(iv) [nine-year ID term limit] (effective 1 Jan 2022 / 11 Jan 2023)	↑ Director independence disclosures
Core ESG Metrics (initial release Dec 2021) Listing Rule 711B(1)(aa),(2) [climate-related disclosures] (effective 1 Jan 2022)	↑ ESG-related disclosures, including non-financial performance indicators

Summary

1. SGTI 2023 increased almost five points, largest quantum since 2020 (74.8 for General Category, 89.3 for REIT & Business Trust Category)
2. Average scores in each of the five BREAD sections rose. Engagement of Stakeholders had the highest increase of 9 percentage points
3. Significant increase in disclosure rates for various indicators related to board practices e.g. independence, competence, selection of directors, board committee meetings, nomination committees, training, appraisal
4. Also significant increase in disclosure rates for ESG practices - most indicators had disclosure rates at least 8-10 percentage points higher than in 2022
5. Overall, regulatory requirements and support have helped listed companies to establish a solid governance foundation which they can leverage to integrate ESG factors into corporate strategy

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6. Companies are now poised to develop sustainable corporate governance. Regulatory authorities are expected to continue to be a driving force, e.g. SRAC recommendations on ISSB-aligned climate-related disclosure requirements

Insights from Mr. Cheung Pui Yuen¹
Divisional President - Singapore, CPA Australia

- From this year's SGTI study, it is heartening to note that Singapore listed companies have charted new records in governance and transparency.
 - This is a testament to the unwavering commitment by companies towards greater transparency and accountability.
- Strong corporate governance is paramount to driving sustainable growth in organizations and protecting the interests of stakeholders. But challenges lie ahead as organizations operate in these unprecedented times of rapid disruption and volatility.
- More than ever, achieving a high level of corporate governance and sustainability has become a necessity, rather than an option.
- This is an ongoing journey where all stakeholders have a part to play.
 - All stakeholders – regulators, directors, management, investors, industry groups and professional bodies – are strongly encouraged to stay the course in this journey.
- The winners of SGTI 2023 are also encouraged to continue to be shining role models for stronger governance and sustainability in the fast-changing business landscape.
- With strong governance and commitment to ESG, we can all play our part to build a better future.

¹ Full text of speech available at
<https://www.sid.org.sg/common/Uploaded%20files/Resources/Presentations/SGTI/SGTI-2023-Closing-Address-by-Cheung-Pui-Yuen.pdf>

Insights from Mr. Tan Boon Gin ²
Chief Executive Officer, Singapore Exchange Regulation

- Earlier this year, during a latter stage of the French Open where the stakes were high (and could be expected to be more exciting), the players were relatively unknown. Consequently there were quite a number of empty seats
- Nobody disputes the branding or prestige of the French Open. And the organisers, with the benefit of years of experience, do whatever is necessary to ensure that the event is well-run. But if the players are not well-known, the spectators will not turn up.
 - This parallels with our market:
 - The organisers of the French Open set it up for success by establishing ground rules, and seeding players to promote more exciting match-ups.
 - In the same vein, SGX and SGX RegCo do all they can to ensure that the market is fair, orderly and transparent.
 - They also do their best to raise the branding, not just of the market itself, but also of the companies listed here. They know that participants will only come to the market if the companies are attractive to potential investors and traders
- 3 ways in which SGX and SGX RegCo try to achieve this:

1. Admission Process

The French Open has rules on how entry invitations into the Main Draw and even the Qualifiers are awarded, to ensure and maintain quality.

RegCo similarly has rules, which are designed to ensure that the companies that do list are companies that people would want to invest in.

These include requirements on profitability and market capitalization, as well as other rules designed to ensure good governance and internal controls. It has also worked with the Association of Banks in Singapore to raise standards of due diligence conducted on companies planning to list on the Exchange

As with all rules, there should be room for discretion and flexibility, to allow for innovation and development. In the French Open and other major tournaments, this comes in the form of a small number of “wildcard” slots. These are often given to promising young players, in the expectation that they will add value to the tournament. RegCo has built similar “flexibilities” into its Rules.

One recent example is the introduction of Special Purpose Acquisition Companies or SPACs. But such flexibility must be exercised and utilized judiciously. When SPACs are assessed for listing, factors such as the track record and experience of the sponsors are taken into account. So, only quality sponsors can list SPACs on our market. There are rules that align the interest of the sponsors with shareholders, so the sponsors are incentivized to identify and vet high-quality

² Full text of speech available at:
<https://www.sid.org.sg/common/Uploaded%20files/Resources/Presentations/SGTI/SGTI-2023-Tan-Boon-Gin-Keynote-Address.pdf>

targets to list. This mechanism is aimed at facilitating the listing of pioneering companies on the exchange that add value to the market

2. Evolving our Rules

Earlier this year, changes were made to the 9-year rule for independent directors. When the rule was first introduced, there was some flexibility for companies to retain quality IDs. But over time, it was observed that this flexibility was being used liberally rather than sparingly. So the 9-year rule was hard coded.

Some have loudly lamented these changes. But quietly, many others have heaved a sigh of relief and said that this is a good development. That it will help bring renewal to our market.

The changes to the rules on independent directors, and earlier reforms requiring companies to put in place a board diversity policy should always be read together. Both sets of rules are designed to work in tandem to encourage companies to renew and refresh their boards to ensure that they have the necessary “skills, talents, experience and diversity”.

Just as new coaches can often revitalize the careers of tennis players, the infusion of new blood can help companies update themselves, improve their performance and branding, and become more attractive to investors. If, however, companies simply end up playing musical chairs, with the existing crop of directors swapping positions across companies, it is unlikely that corporates will achieve that objective.

The 9-year rule imposes a 9-year limit for independent directors. It does not guarantee them a 9-year term. Just as tennis players work hard to maintain their rankings to continue to qualify for the next tournament, directors should make sure that they earn their seats and continue to add value to their companies.

Nominating Committees should conduct evaluation of directors’ performance every year to make sure they still bring benefit to companies.

Recently, DPM Lawrence Wong announced the Singapore Institute of Directors’ new accreditation framework for directors to help uplift the directorship profession. We suggest that the Centre for Governance and Sustainability also consider incorporating this into the SGTI scoring framework, so that companies and directors that make the effort to upskill themselves receive appropriate recognition.

21-year-old Carlos Alcaraz beat the veteran Novak Djokovic for the men’s singles title in the Wimbledon tennis tournament on 16 July. Viewership on BBC’s various platforms for the whole tournament was record-breaking. The emergence of fresh blood, like Alcaraz, may have had something to do with it. Similarly, the entry of new directors with new ideas may make our companies more attractive in terms of business growth and investor interest.

3. Using Technology

Since 2006, most Grand Slam tournaments have introduced the use of Hawk-Eye technology, to improve line calls and the quality of adjudication. The same technology also underpins the VAR (Video Assistant Referee) systems which are becoming commonplace in football.

While these systems may be more accurate than human judges, their use has not been without controversy. Every tennis player wants a smooth flowing game, not one where line calls are repeatedly challenged and the game interrupted. In our context, public queries issued by SGX RegCo to companies function much like such challenges. And RegCo is cognizant that these can have a chilling effect on trading in the market.

Hence, technology such as artificial intelligence and other RegTech solutions have been introduced to reduce the rate of false positives. The outcome is that fewer queries are issued. And they are of higher quality. RegCo's regulatory resources are also freed up to focus on higher risk areas.

RegCo is also doing more behind the scenes to actively engage companies on its expectations, and how they can make appropriate and timely disclosures. As companies become more adept at producing clear, current and comprehensive disclosures, the number of disclosure-related queries are likely to decline further.

The result will be that the market will function more smoothly, queries from the regulator will become fewer, and disclosures will become higher quality. This is a work in progress. But in the past year, there has already been an encouraging decrease in the number of queries posed to listed companies.

☐ An attractive capital market is not just about the exchange. The individual companies, their branding - these are just as important if not more important.

☐ In today's uncertain and challenging world, the link between governance and branding is stronger than ever. The Singapore Governance and Transparency Index ("SGTI") is an important barometer of the overall market.

☐ The scores – both individually and collectively – are a useful signal of how companies are doing, and contribute to their branding.

☐ The results for this year's study show further improvement across the board, which is certainly heartening news.

☐ In the same way the ATP (Association of Tennis Professionals) ranking is important for a player's brand, the SGTI is also crucial for how companies are viewed, their brand positioning, indeed their long-term sustainability

Insights from Ms. Wong Su-Yen³
Chair, Singapore Institute of Directors

- SGTI is an important marker of our progress in corporate governance
 - Now in its 15th year, the index has tracked the corporate governance practices of Singapore-listed companies – when the predecessor Governance and Transparency Index was first launched.
 - Today, listed companies have achieved an all-time high of 74.8.0 points, while real estate investment trusts and business trusts have attained a score of 89.3 points.
 - This is the result of consistent efforts by companies to improve their disclosures and be accountable to their stakeholders.

Championing good governance

- The SGTI represents a significant milestone in our journey towards promoting accountability, transparency and good governance within our nation and beyond.
- At the end of this month, the president of Stanford University Marc Tessier-Lavigne will be stepping down from his post after an independent review of his research found significant flaws in studies he supervised. This is sobering news but why is it important?
 - While Dr Tessier-Lavigne was cleared of accusations of scientific fraud and misconduct, the review said his work “fell below customary standards of scientific rigor,” including insufficient steps to correct mistakes.
 - Despite the review panel findings that there was no evidence of “fraud, fabrication or other intentional wrongdoing”, this highly-respected neuroscientist embraced responsibility.
- Accountability serves as the bedrock of any successful organization or society. It ensures that those in positions of leadership and responsibility are answerable for their actions and decisions.

³ Full text of speech available at https://sid.org.sg/common/Uploaded%20files/Resources/Presentations/SGTI/2023_08_02-SGTI-welcome-address-WSY.pdf

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- Without accountability, there can be no trust, and without trust, progress and development are hindered.
 - By being accountable, we establish a culture of responsibility that drives better decision-making and fosters public confidence.
 - Disclosures are the tools that facilitate accountability.
 - When organizations disclose information openly and transparently, they provide stakeholders with a clear understanding of their activities, financial performance, and risks.
 - Transparent disclosures empower investors, consumers and stakeholders to make informed decisions and hold entities accountable.
 - The SGTI plays a pivotal role in promoting these principles by benchmarking organizations based on their governance practices and transparency levels.
 - Recognizing and rewarding those who excel in these areas creates a powerful incentive for companies and institutions to prioritize good governance.

Uplifting directorship

- Accountability and transparency go beyond mere compliance with regulations.
 - They must be ingrained in the very fabric of our corporate culture and leadership. It requires a commitment to ethical behavior and a dedication to the greater good.
 - Leaders must not only be accountable for their successes but also for their failures and mistakes. This is where leaders of organizations can make an impact.
- The first step is to increase understanding of the issues and build knowledge and skillsets.
 - SGX has pushed through mandatory training for directors on sustainability governance.
 - There is ongoing consultation by ACRA and SGX on the recommendations of the Sustainability Reporting Advisory Committee to advance climate reporting in Singapore
- To uplift the directorship profession and advance excellence in corporate governance, SID is launching its Accreditation Framework for directors to establish standards for director competencies.

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- In providing directors with structured development pathways to acquire essential knowledge and skills, it seeks to enable directors to stay relevant over time through continuous professional development and to also communicate director competencies to boards looking to appoint directors.
 - Sustainability governance is one of the eight competencies in the SID Director Competency Model on which the Accreditation pathway is based, along with corporate governance, director duties and practices, financial skillsets, risk management, strategy development, digital skillsets and human capital.
 - An effective director is one who understands the role and duties of a director and is able to adequately discharge them.
 - SID's continuous learning pathways aim to equip leaders with essential knowledge, skills and attributes to be effective board directors.
 - SID has launched its flagship Board Readiness Programme for aspiring directors.
 - The program, which is aligned with the Director Competency Model, is designed to prepare senior executives and professionals for board directorship positions.
 - The inaugural cohort of the Board Readiness Programme is jointly curated by SID and Singapore Computer Society, and supported by IMDA to specifically prepare women professionals in the technology sector or have technology backgrounds for board roles.
 - Through this initiative, SID seeks to address the dual issue of availability of board-ready women leaders and diversity of functional expertise on boards.
 - Good governance means having the right people, processes and structures in place so that the organization can be well managed, taking into the interests of stakeholders.
 - Good governance and accountability are the bedrock of Singapore's success. They serve as catalysts for fostering investor confidence, attracting capital inflows and enabling sustainable growth.
 - The improved SGTI scores are signs of a more resilient ecosystem as we collectively strive to move the needle to greater disclosures and sustainability reporting.
 - As we embark on this journey, let us be mindful that accountability and transparency are not one-time achievements but ongoing commitments. We must continuously strive to improve and hold ourselves to the highest standards.

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- The SGTI can serve as a catalyst for positive change, inspiring organizations to become more responsible and transparent.

Award Winners for the SGTI 2023

The Singapore Governance and Transparency Forum 2023 recognized outstanding achievements in corporate governance and transparency across various categories. The recognition of these companies serves as a testament to their leadership in promoting sustainable business practices and fostering trust among stakeholders.

Winner: Singapore Telecommunications

Joint 2nd place: DBS Group Holdings and SATS

4th place: United Overseas Bank

Joint 5th place: City Developments and Singapore Exchange

Special Commendation (Mid-Cap): Del Monte Pacific

Special Commendation (Small-Cap): Sing Investments & Finance

Winner – REITs and Business Trusts Category: Capitaland Ascott Trust

