



Corporate Governance

Singapore Governance and Transparency Index

April 2024

CORPORATE GOVERNANCE FOR A SMART NATION

April – June 2024 – Corporate Governance Update Q2 2024

(Based on data made available by 31 May 2023)

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Introduction

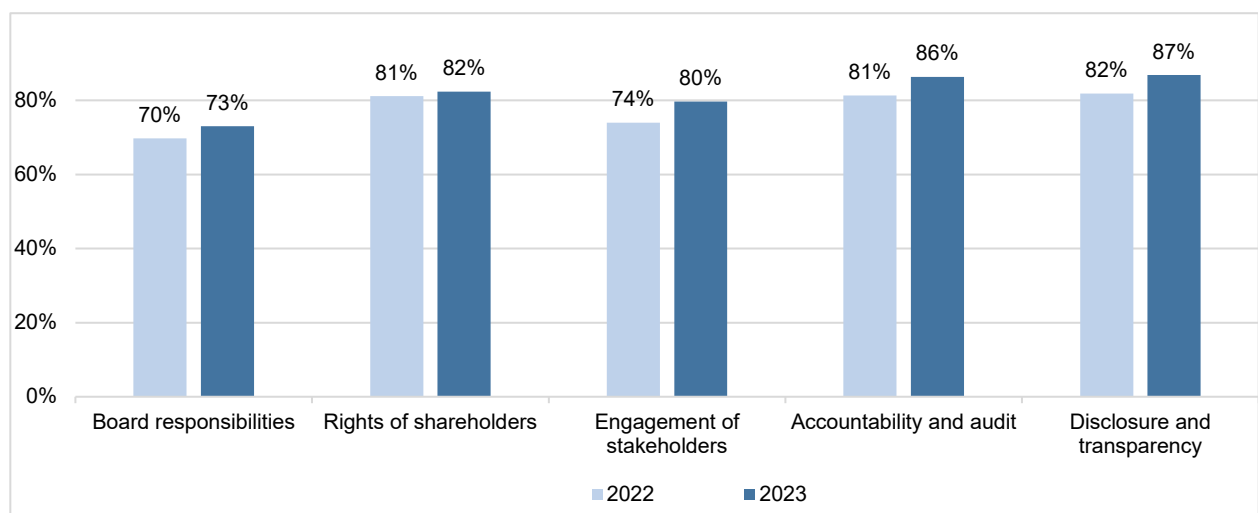
The update this quarter will focus on the performance of business trusts and REITs in their corporate governance (CG) disclosures and practices. The results presented here are based on an assessment of all 43 SGX-listed entities that released their annual reports by 31 May 2023.

Overall Performance

Business trust and REIT scores showed significant improvement in 2023. With mean overall scores having remained at around 85 points since 2020, the mean score in 2023 increased by four points to 89.3 points. In contrast to 2022, the business trusts and REITs exhibited an increase in their mean base score. The mean base score rose by almost two points (from 71.5 points to 73.4 points), while mean bonus points rose by a marginal 0.5 point to 19.7 points. Also notable was the drop in mean penalties of 1.6 points in 2023, in contrast to the 0.3 point increase incurred in 2022.

The five main dimensions of CG assessed are: board responsibilities; rights of shareholders; engagement of stakeholders; accountability and audit; and disclosure and transparency. Business trusts/REITs exhibited the strongest performance in the latter two, with mean scores of 86% and 87% respectively. These two dimensions also ranked among those with the largest improvement, each having mean scores five percentage points higher than in 2022. Sustainability-related disclosures showed similar progress; the mean score for engagement of stakeholders rose six percentage points, from 74% to 80%.

Scores for Five Main CG Dimensions Assessed (2022-2023)



Indicators Specific to Business Trusts and REITs

The unique business model of business trusts and REITs requires them to be subject to additional guidelines, such as the Code on Collective Investment Schemes. Adherence to

these guidelines is assessed in an additional five components: trust structure; leverage; interested person transactions; competency of trust manager; and emoluments.

Interested Person Transactions

The IPTs of business trusts and REITs require special attention because of their sponsor-centric business model, and the generally illiquid nature of their transactions. SGX requires the disclosure of IPTs that have a value of at least 3% of the group's latest audited net tangible assets, including a confirmation that the transactions were conducted on normal commercial terms and are not prejudicial to the interests of participants.

Almost all the business trusts and REITs continue to comply with this requirement. 98% of assessed entities provided this confirmation in 2022 and 2023, as did 96% in 2021.

Competencies of Trustee/Trust Managers

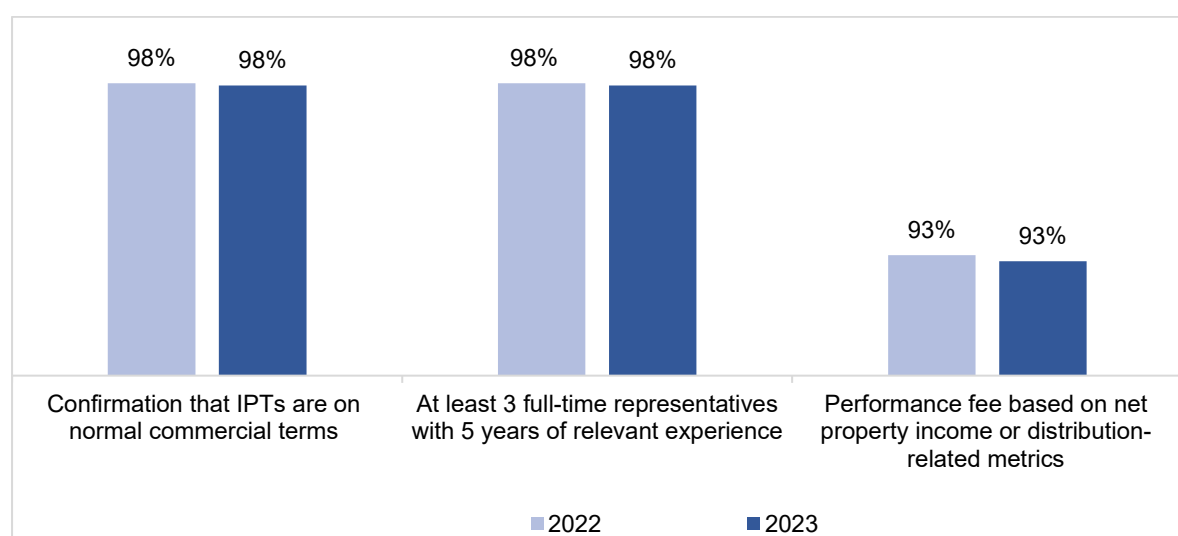
Trustee managers of business trusts and trust managers of REITs are responsible for setting and executing the strategic direction of their entities, including the acquisition and divestment of properties. Given the importance of these roles, the competency of trustee/trust managers is included in the assessment.

Business trusts and REITs have taken steps to ensure they have competent trustee/trust managers, with 98% having a minimum of three full-time representatives (including CEOs) with at least five years of relevant business trust/REIT management experience. Again, this is the same as the 2022 result.

Emoluments

Business trusts and REITs have also maintained their level of transparency on emoluments. As in 2022, 93% of the assessed entities disclosed that trustee/trust manager performance fees are based on net property income or distribution-related metrics.

Key Performance Indicators: Business Trusts and REITs



Board Practices

While the assessed entities have maintained their performance in the key performance areas, they have improved their disclosures related to board practices. Over 90% of the assessed entities disclosed: information on how they assess director independence; the link between remuneration and performance for executive directors and key management personnel; and board diversity policies. This represents increases in disclosure rates of 11 percentage points, 16 percentage points and seven percentage points respectively. Disclosures regarding how the board oversees implementation of corporate strategy rose a higher 22 percentage points (reaching 81% of assessed companies), while disclosures of skills and experience sought when appointing new directors rose by 16 percentage points to 77%.

Board Practices

