

ASEAN Corporate Governance Scorecard Country Report for Singapore 2018

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SID
SINGAPORE
INSTITUTE OF
DIRECTORS



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Scorecard Initiative

Scorecard Background

- ASEAN Corporate Governance Scorecard (ACGS) started in 2011
- 6 participating countries include Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam
- Underlying rationale
 - Reflect global principles and internationally recognised good practices
 - Universal and capable of being applied to different markets in ASEAN
 - Robust quality assurance processes to ensure independence

Scorecard Implementation

- ASEAN Capital Market Forum Working Group
 - Comprises representatives from six countries
 - Currently coordinated by Securities and Exchange Commission Philippines
- SID and CGIO appointed by Monetary Authority of Singapore as domestic ranking body
- Scorecard enhancement
 - Scorecard revised in 2016
 - G20/OECD Principles of Corporate Governance used as main benchmark

Scorecard Structure

Scorecard Framework

LEVEL 1



Covers five areas:

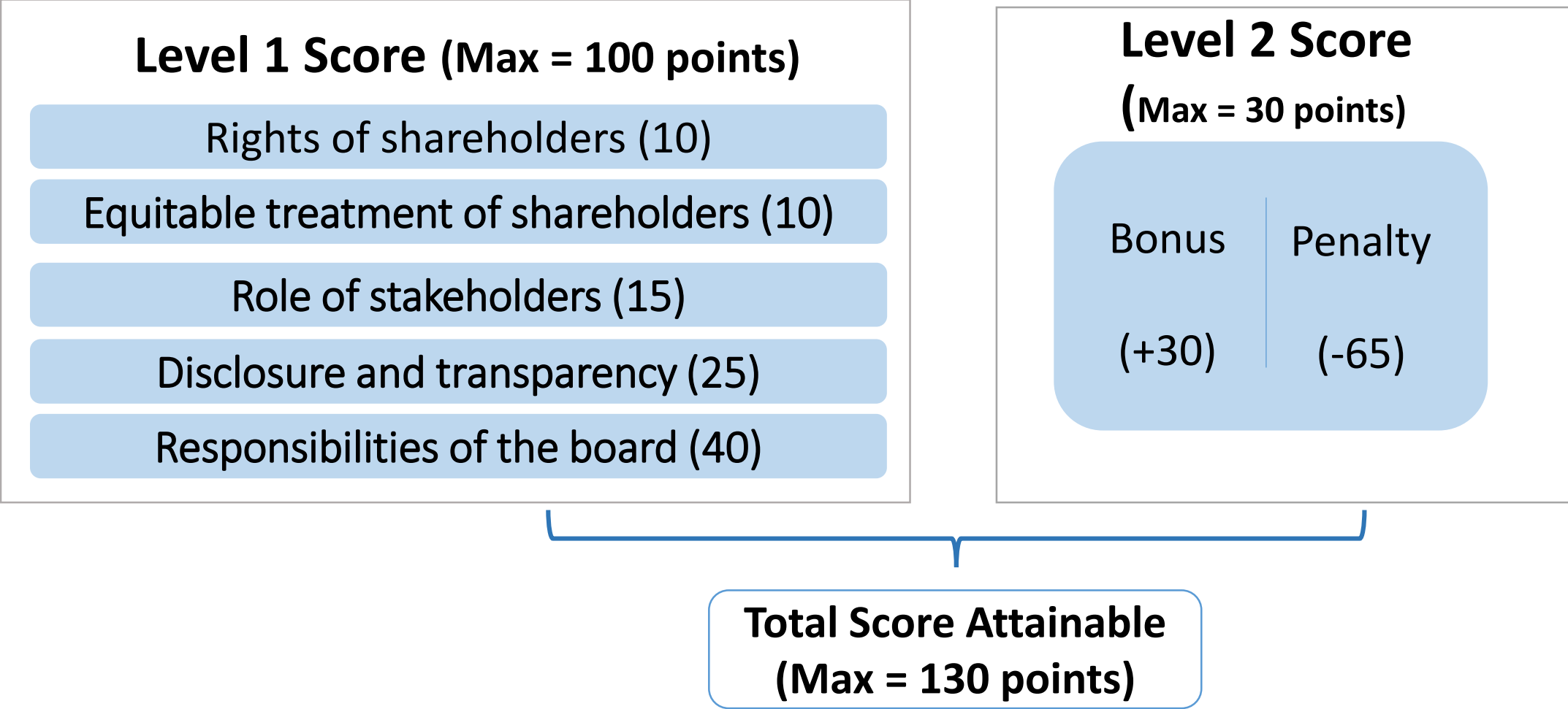
- **Rights of Shareholders**
- **Equitable Treatment of Shareholders**
- **Role of Stakeholders**
- **Disclosure and Transparency**
- **Responsibilities of the Board**

LEVEL 2



Bonus items reflecting other emerging good practices
Penalty items reflecting issues indicative of poor governance

New Scorecard Methodology



Scorecard Items

Part	Number of Items
A – Rights of Shareholders	20
B – Equitable Treatment of Shareholders	15
C – Role of Stakeholders	13
D – Disclosure and Transparency	32
E – Responsibilities of the Board	65
Level 1 Total	145
Bonus	13
Penalty	25
Total	183

Note: 31 items (or 21%) out of the total 145 Level 1 items are given more weight based on the key areas to sharpen the focus.

Assessment Process

Shortlist:

100 largest companies by market capitalisation

Analyse*:

100 companies using Scorecard

Peer review:

Top 35 Singapore companies by governance performance

Publish:

Companies by rank based on corporate governance scores

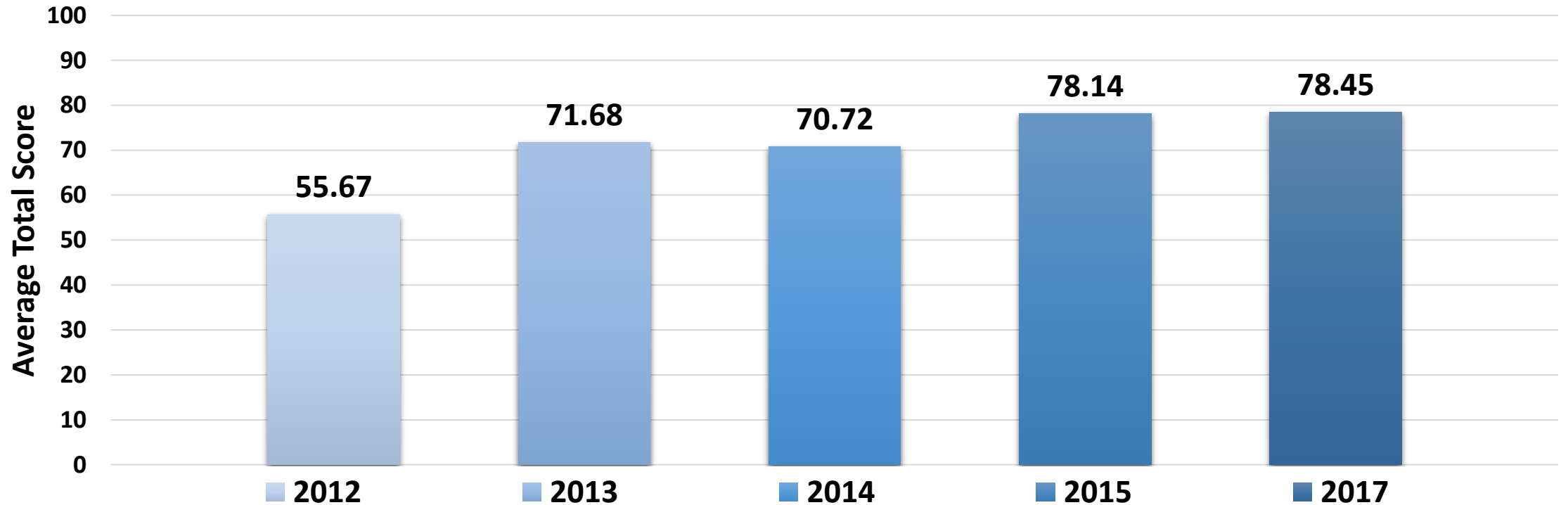
* Data Sources

- Annual reports for year ending between 1 April 2016 and 31 March 2017
- SGX announcements and media articles between 1 August 2015 and 31 July 2017
- REITs and Business Trusts were excluded

Key Trends and Findings

- Singapore's Performance

Singapore Average Total Scores



Note: 2016 was a gap year for revision and no assessment was conducted

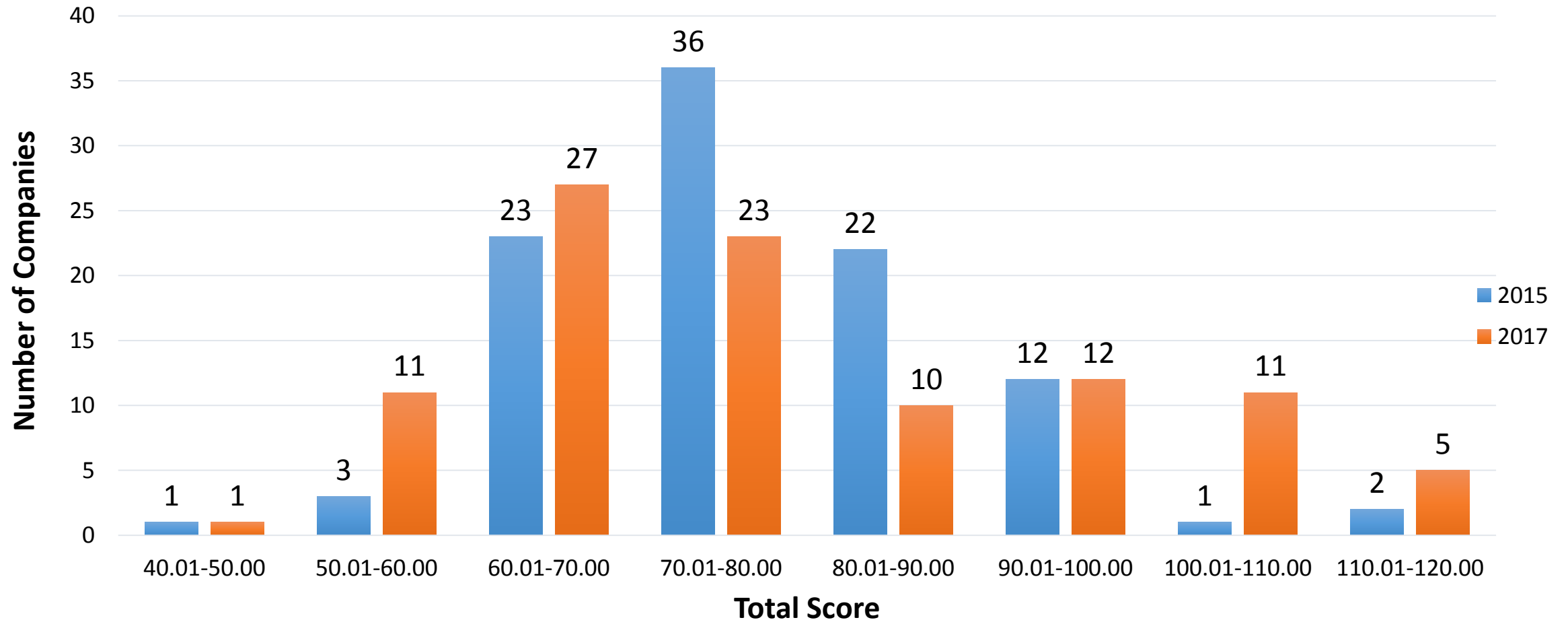
Singapore Performance Over the Years

Year	Average Total Score	Average Level 1 Score*	Total Score Range	Maximum Attainable Score
2012	55.7	56.4	37.9 - 81.7	117
2013	71.7	65.1	46.8 - 105.0	142
2014	70.7	67.0	43.9 - 105.5	128
2015	78.1	74.6	49.0 - 116.0	126
2017	78.5	73.7	46.4 - 120.0	130

* Out of a maximum Level 1 score of 100 points

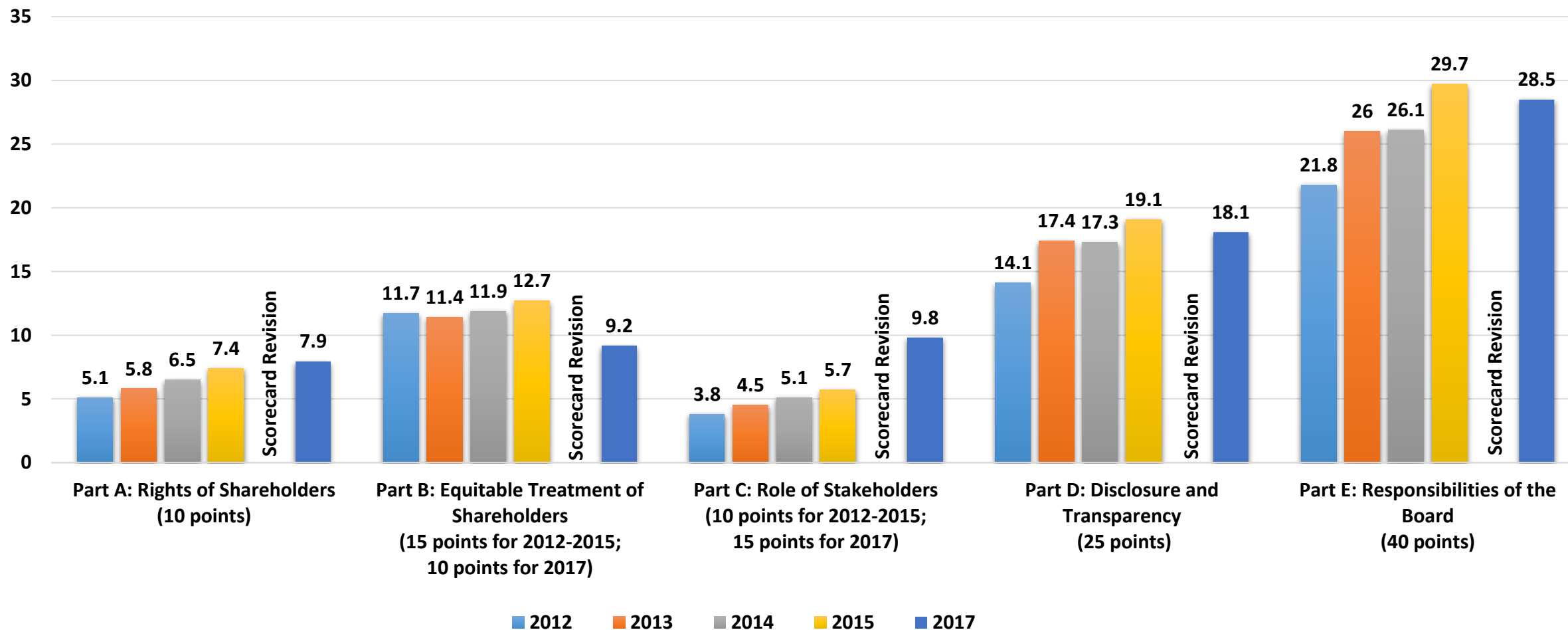
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Total Score Distribution Curve



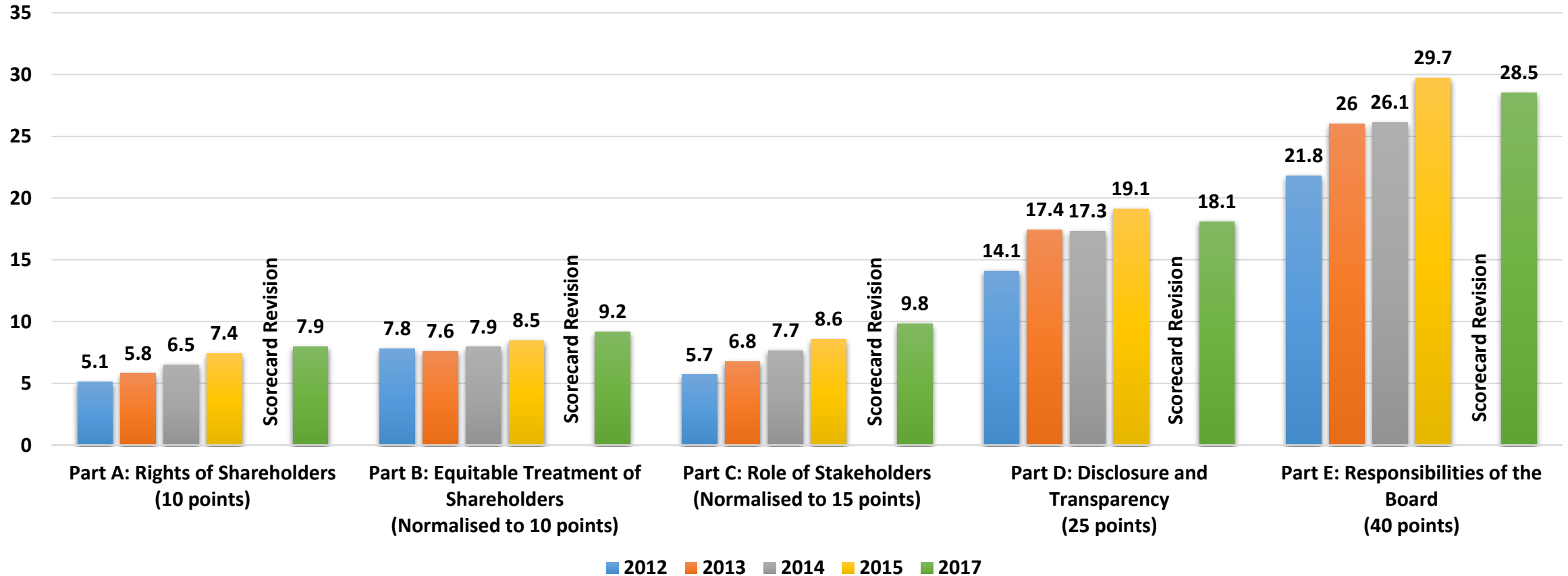
Note: 2016 was a gap year for revision and no assessment was conducted

Singapore Scores Breakdown Over the Years



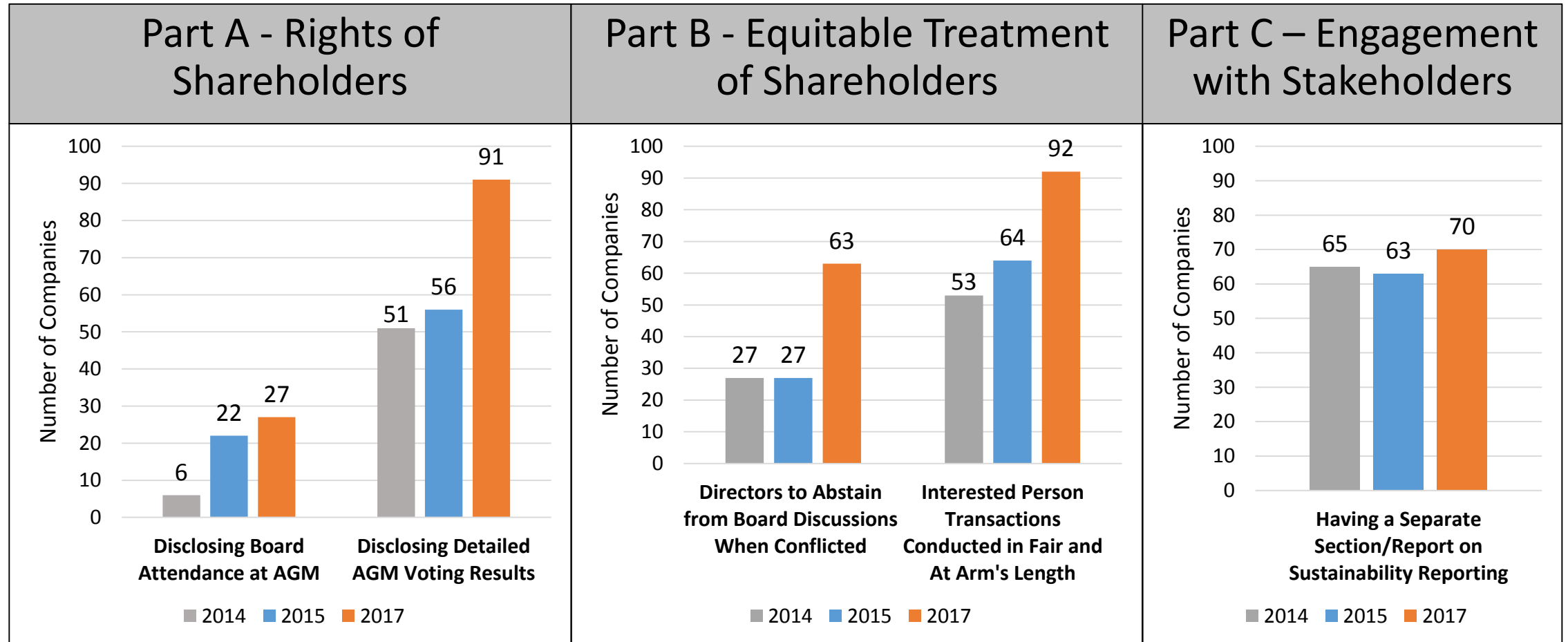
Note: 2016 was a gap year for revision and no assessment was conducted

Singapore Scores (Normalised) Breakdown Over the Years



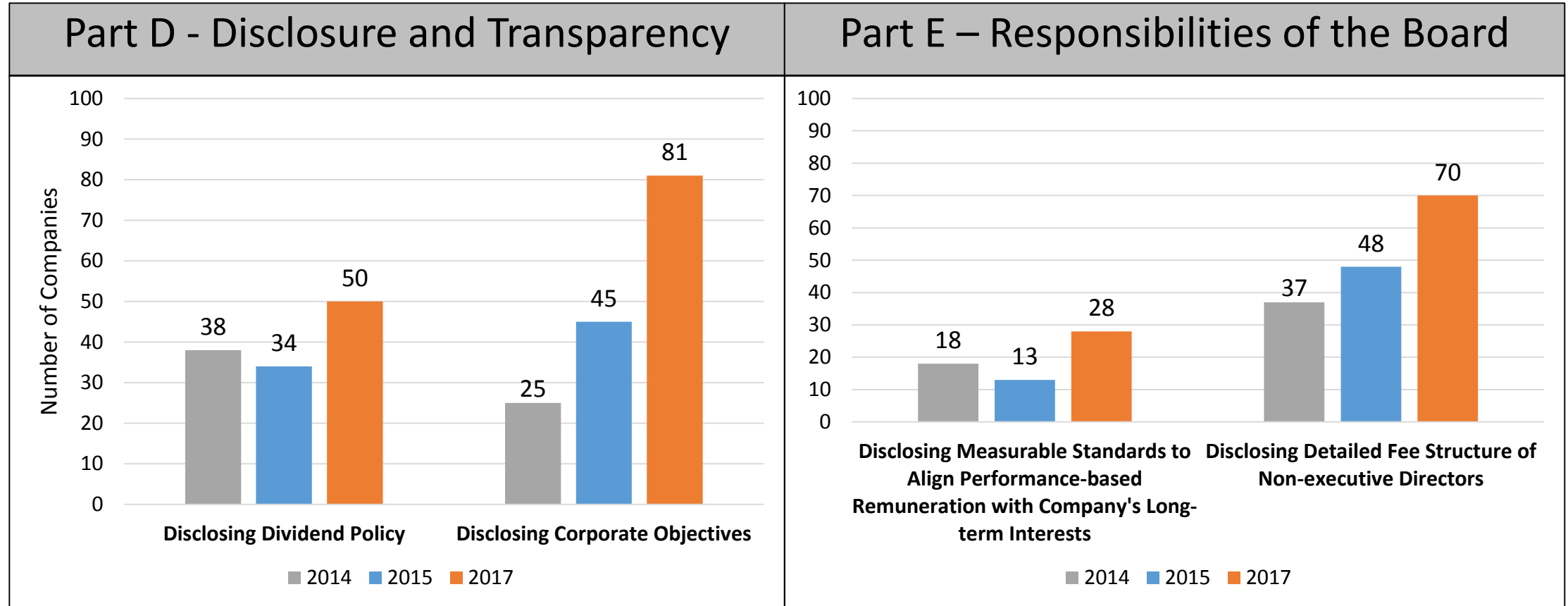
Note: 2016 was a gap year for revision and no assessment was conducted

Selected Results by Sections



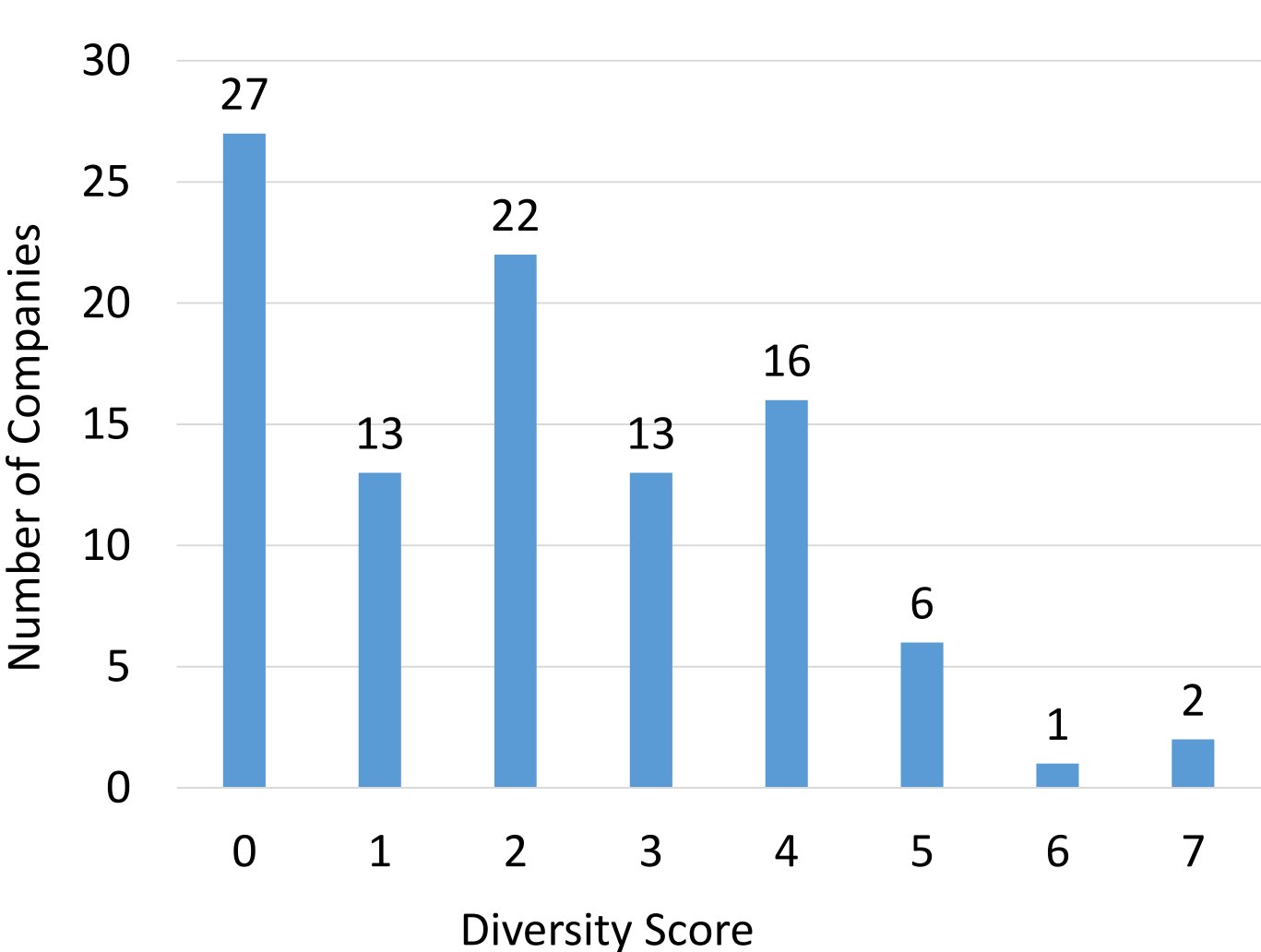
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Selected Results by Sections



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In Focus: Board Diversity Performance

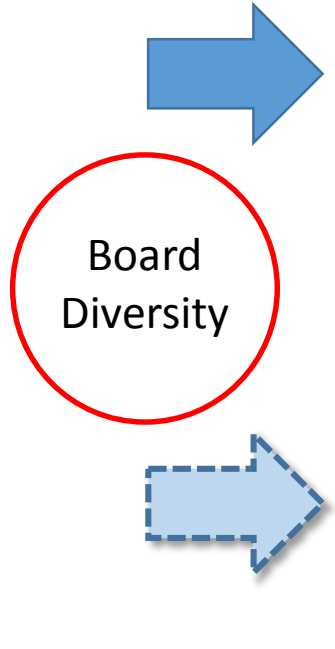




Diversity Score from ACGS (Max 7 points)	
Gender Diversity (Max 3 points)	
1 Female Independent Director	2 points
More than 1 Female Independent Director	3 points
Diversity Policy and Disclosure (Max 4 points)	
- Policy	
- Disclosing measurable objectives	
- Reporting on progress in achieving its objectives	

Further Trends and Findings

- Selected Highlights in Relation to Board Diversity and Corporate Governance Review Drawing from ACGS Data

Corporate Governance Council Recommendations



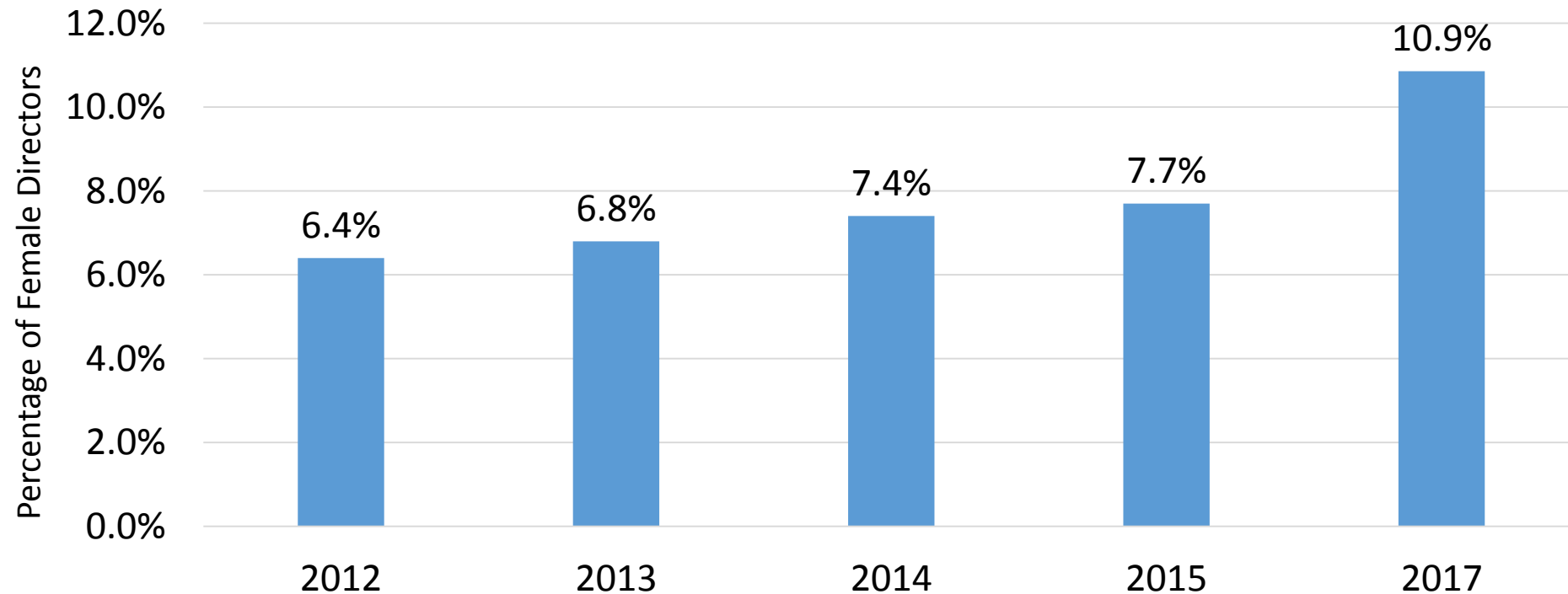
Area	Recommendation	Type ¹ (N/R)	Reference ²			
			Listing Rule ³ (Annex G)	Code (Annex C)	Practice Guidance (Annex F)	Consult Question (Annex A)
 Board Composition	<ul style="list-style-type: none"> Independent directors to form at least 1/3 of board – to become a Listing Rule Independent directors to make up majority of board (from at least half currently) if chair is not independent Directors who are independent of management and business relationship to form majority of board Board to disclose board diversity policy and progress made in achieving policy (including objectives set by company) 	R	MR 210 (5)(c) CR 406 (3)(c)			9
		R		2.2		10
		N		2.4	2	11
		N		2.5	2	12
 Director Independence	<ul style="list-style-type: none"> Tests of director independence to be rationalised: <ul style="list-style-type: none"> Maintain overarching Principles-based definition in the Code Objective and baseline tests to become Listing Rules Remaining tests shifted to non-binding Practice Guidance Threshold for significant payments to or from director or immediate family set at \$50K Shareholder threshold for assessing director independence lowered to 5% from 10% (after 3-year transition) Move the 9-year rule for director independence to Listing Rule, OR impose 2-tier vote (all shareholders and non-controlling shareholders) for independent directors serving more than 9 years (after 3-year transition) Separately disclose non-controlling shareholders' votes on (re)appointments of independent directors with less than 9 years 	R		2.1		4
		R	MR 210 (5)(d) CR 406 (3)(d)		1 1	5
		R				6
		N		2.3	2	7 & 8

Source: Singapore Institute of Directors

Footnotes:

- 1 Type of change: N=New or R=Review to an existing requirement
- 2 Reference to the Listing Rule (LR) number in Annex G of Consultation Paper; Code Provision in Annex C; Practice Guidance in Annex F; Consultation Question in Annex A
- 3 MR=SGX Listing Rules (Mainboard); CR=SGX Listing Rules (Catalist)

Board Gender Representation in 100 Largest Singapore Companies

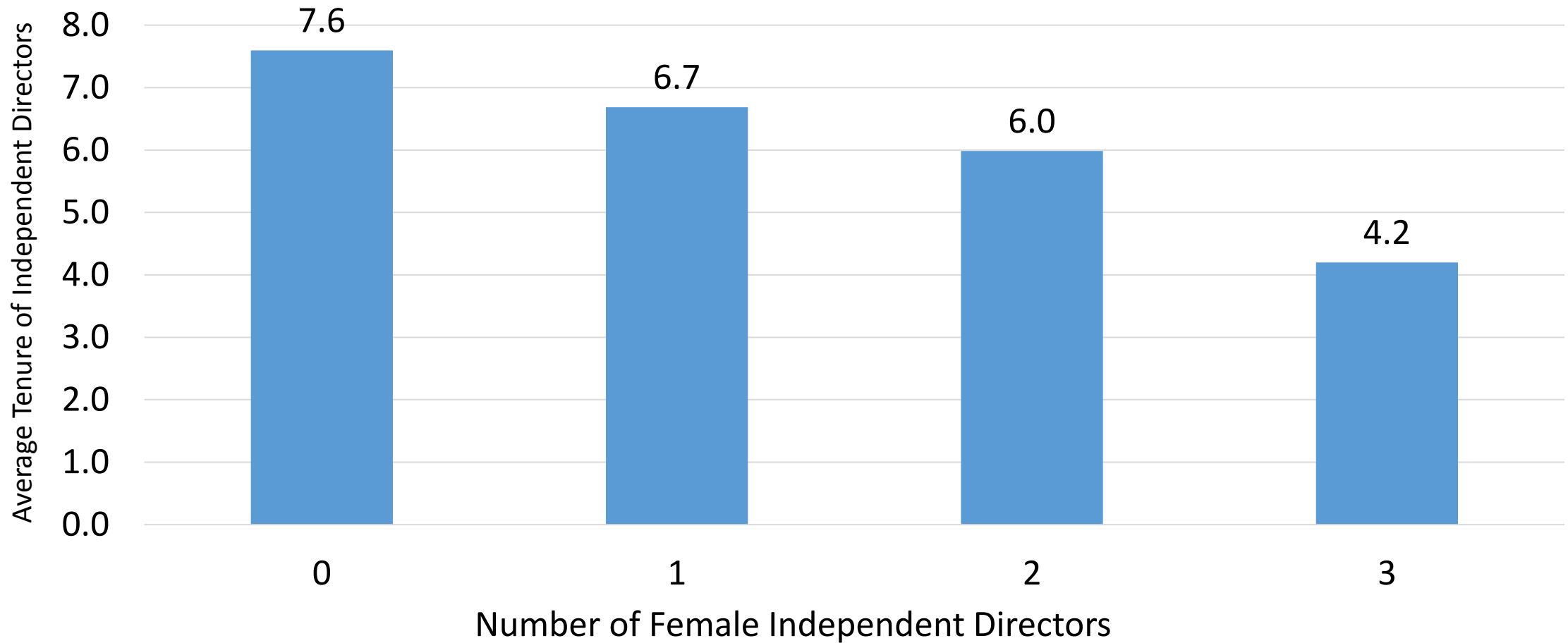


Sources: 2012-2015 - CGIO and KornFerry; 2017 - ACGS

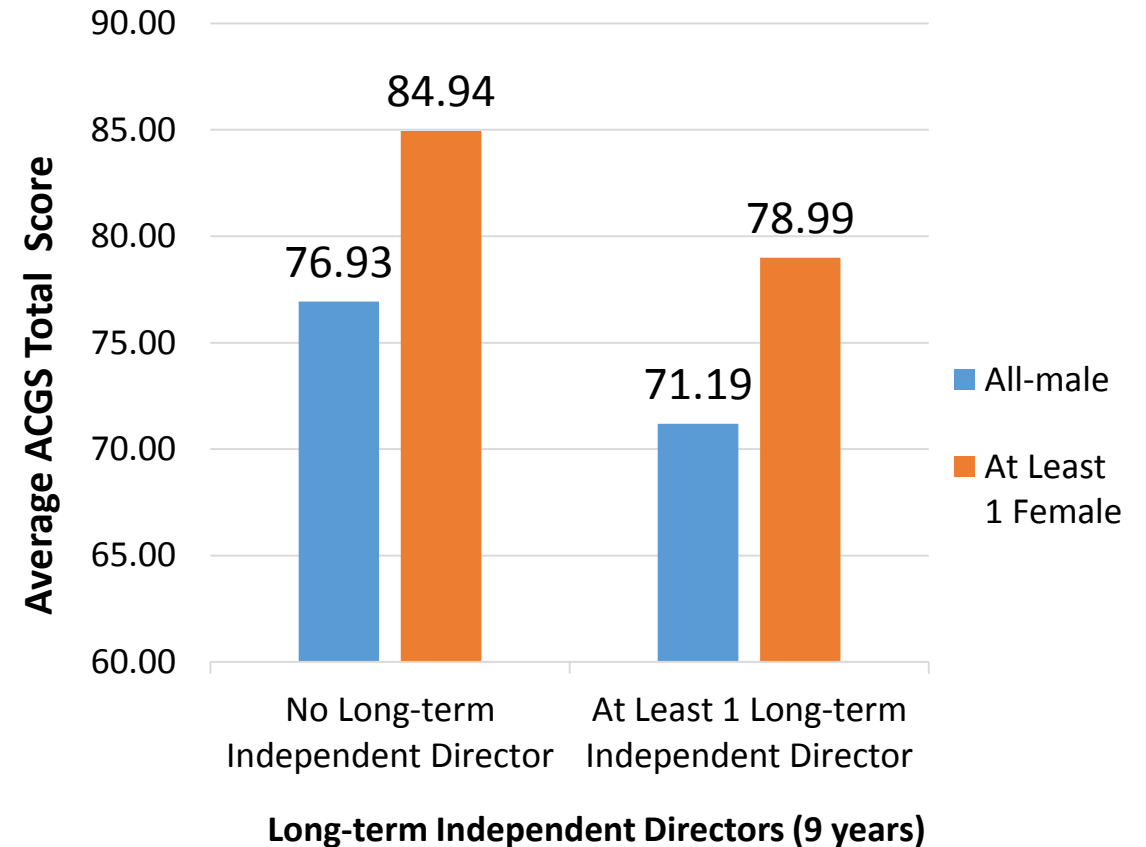
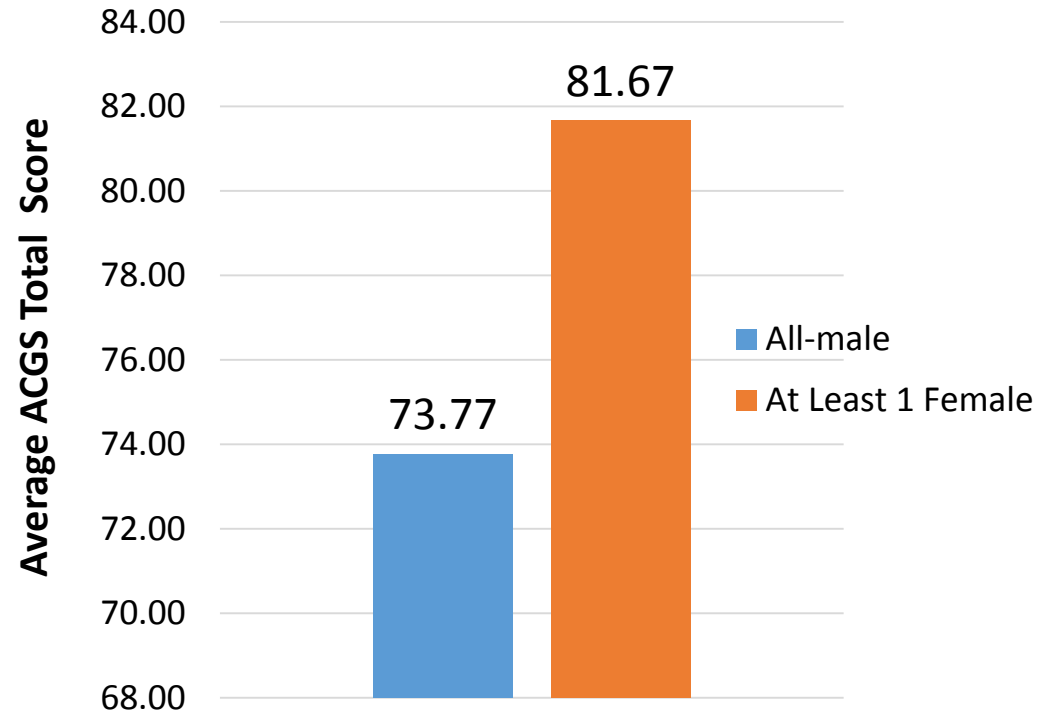
Notes:

1. ACGS 2017 is based on annual reports with financial year end between April 2016 and March 2017.
2. Diversity Action Committee's announcement on 13 February 2018 revealed 13.1% of the board directorships of top 100 primary-listed companies are held by women as at 31 December 2017.

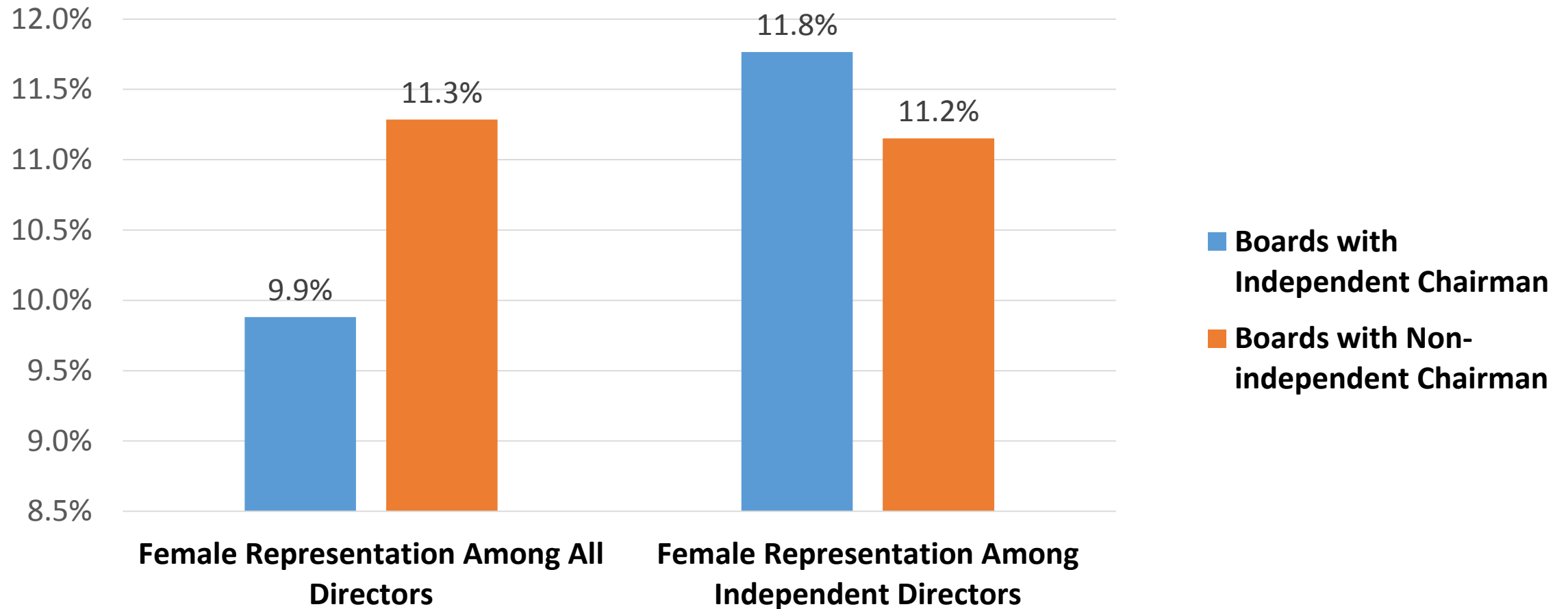
Independent Director Tenure and Gender Representation



Governance Performance and Gender Representation



Board Chairman and Gender Representation



Top Singapore Companies

Top Singapore Companies

Ranking 2017	Company Name	Total Score 2017
1	Singapore Telecommunications Ltd	119.96
2	CapitaLand Ltd	116.44
3	DBS Group Holdings Ltd	115.73
4	Singapore Exchange Ltd	113.06
5	United Overseas Bank Ltd	112.24