

Navigating Sustainable Governance

Professor Lawrence Loh
Director
Centre for Governance and Sustainability
NUS Business School

1 August 2024

Findings of the Singapore Governance and Transparency Index 2024

Presented at the Singapore Governance and Transparency Forum

Agenda

- 1. Background**
- 2. General Category**
 - a. General Performance**
 - b. Size Effect: Overall**
 - c. Size Effect: Sustainability**
- 3. REIT & Business Trust Performance**
- 4. Summary**

SGTI Partnership

A Collaboration Between



Centre for Governance and Sustainability
NUS Business School



SINGAPORE
INSTITUTE OF
DIRECTORS

Strategic Media Partner

THE BUSINESS TIMES

SGTI Advisory Panel

Ms Chen Huifen

Editor, The Business Times

Ms Rachel Eng

Managing Director, Eng and Co. LLC

Mr Loh Hoon Sun

Senior Advisor, Phillip Securities Pte Ltd

Mr Max Loh Khum Whai

Former Managing Partner (Singapore & Brunei), EY

Mr Low Weng Keong

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

Context of Singapore's Corporate Governance Landscape

Global:

- Sustainability being incorporated into corporate governance (sustainable corporate governance)

Local

- Maturing of market in corporate governance practices and processes
- Efforts to professionalise directorship (SID Director Accreditation Programme)

A New Dynamic SGTI

- Revised SGTI is a dynamic index, with greater flexibility to align with changing regulatory requirements
- Takes reference from the SID Director Competency Model

SGTI Framework – General Category

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

Board Responsibilities (35 points)

Rights of Shareholders (10 points)

ESG & Stakeholders (20 points)

Accountability & Audit (10 points)

Disclosure & Transparency (25 points)

+

Adjustments for Bonus & Penalty (43 points)

=

Overall SGTI Score (143 points)

SGTI Coverage

General Category (477)

Excluding 178 Companies:

- 6 newly listed
- 28 secondary listings
- 55 funds
- 49 suspended from trading
- 25 delisted
- 15 others

REITs & Business Trusts (43)

Excluding 3 REITs & Business Trusts:

- 2 suspended from trading
- 1 annual report not released for 2 years

Note:

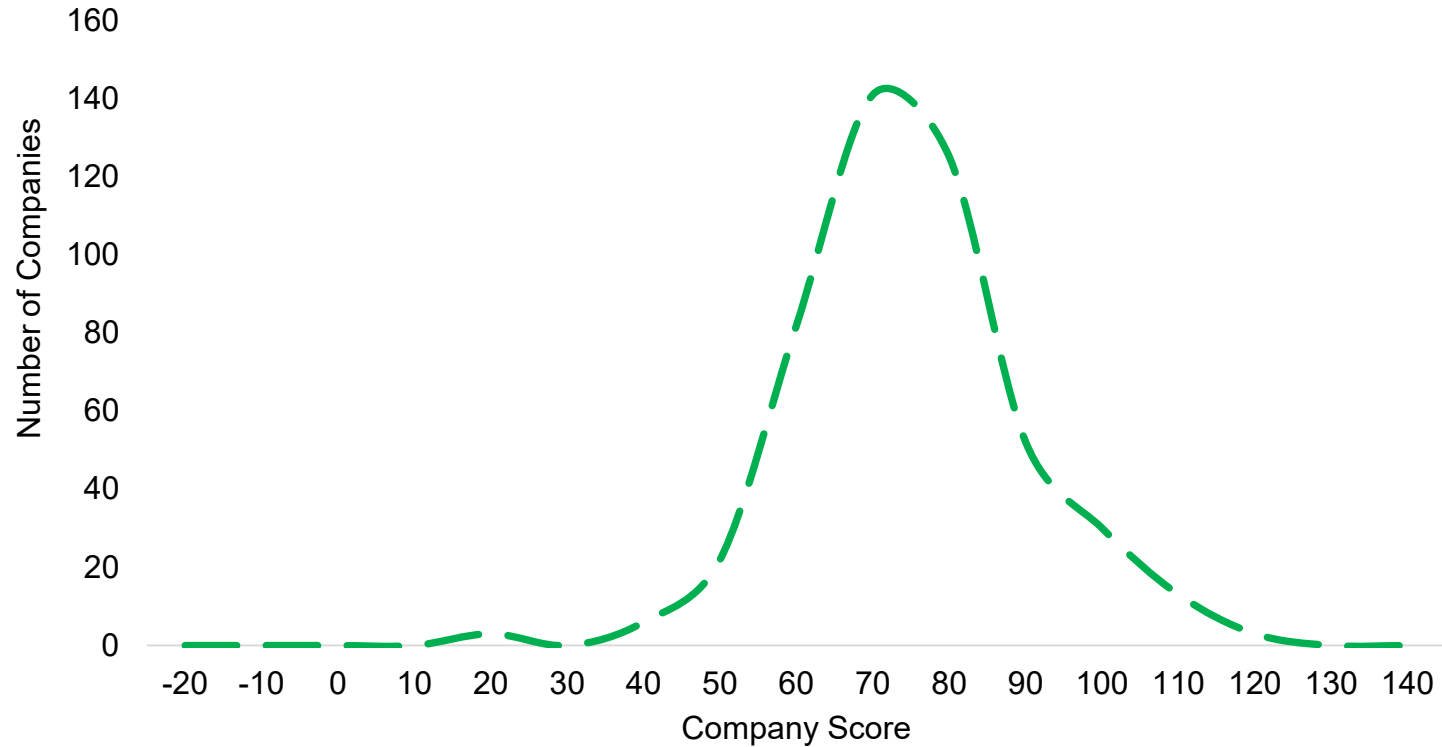
SGTI 2024 assessed companies based on their annual reports for Financial Year 2023 released by 31 May 2024.

Other sources of information for assessment include sustainability reports, websites and announcements on the SGX website.

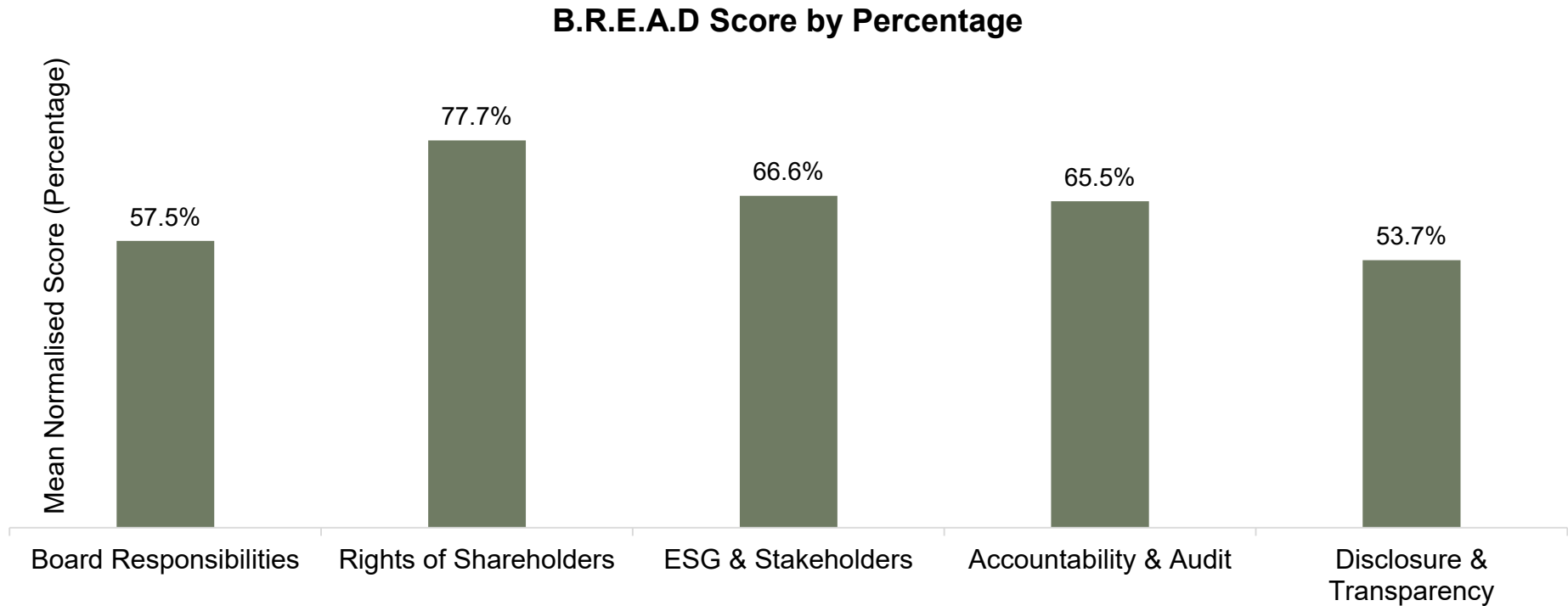
Breakdown of Score

SGTI 2024			
Base SGTI 2024 Score	Bonus	Penalty	Overall SGTI 2024 Score
61.2	12.6	4.5	69.3

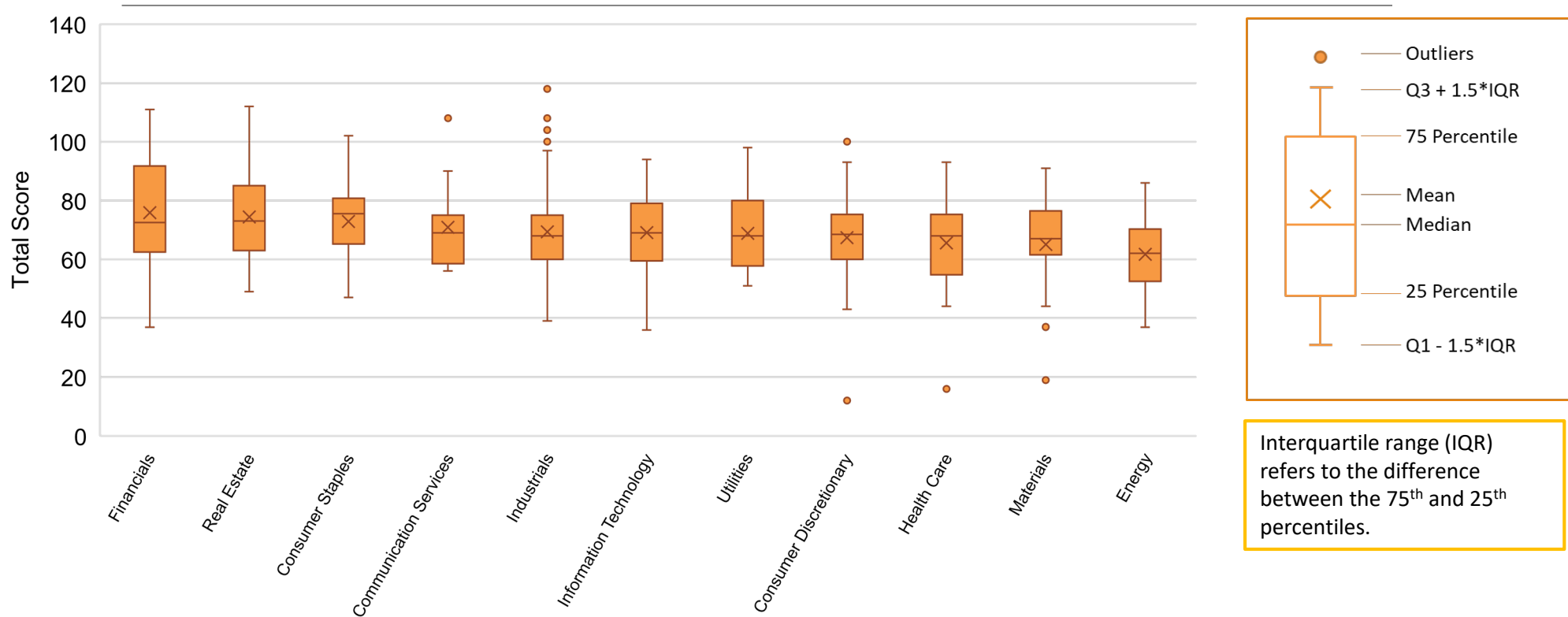
Score Distribution



Sectional Scores



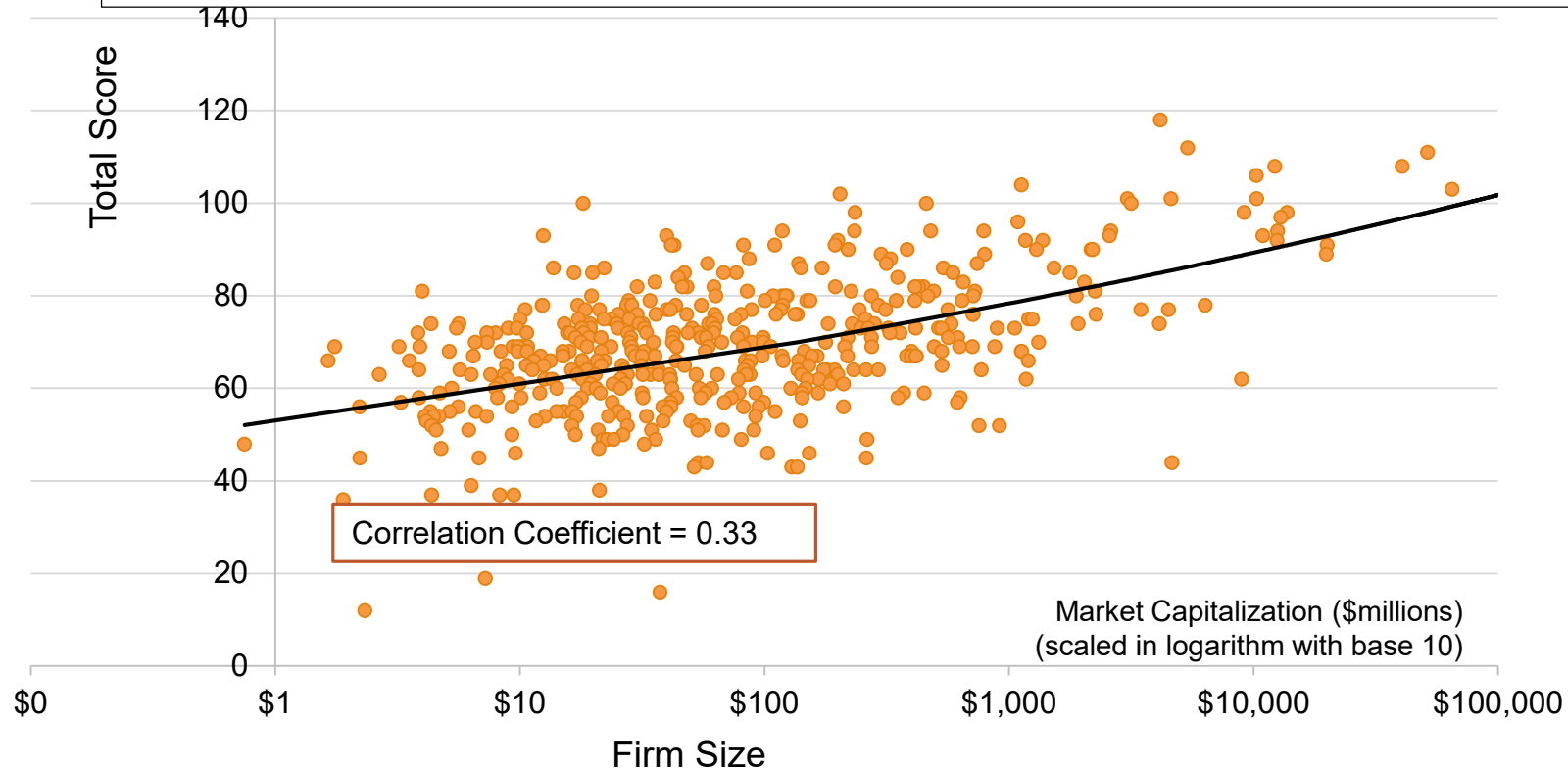
Industry Effect



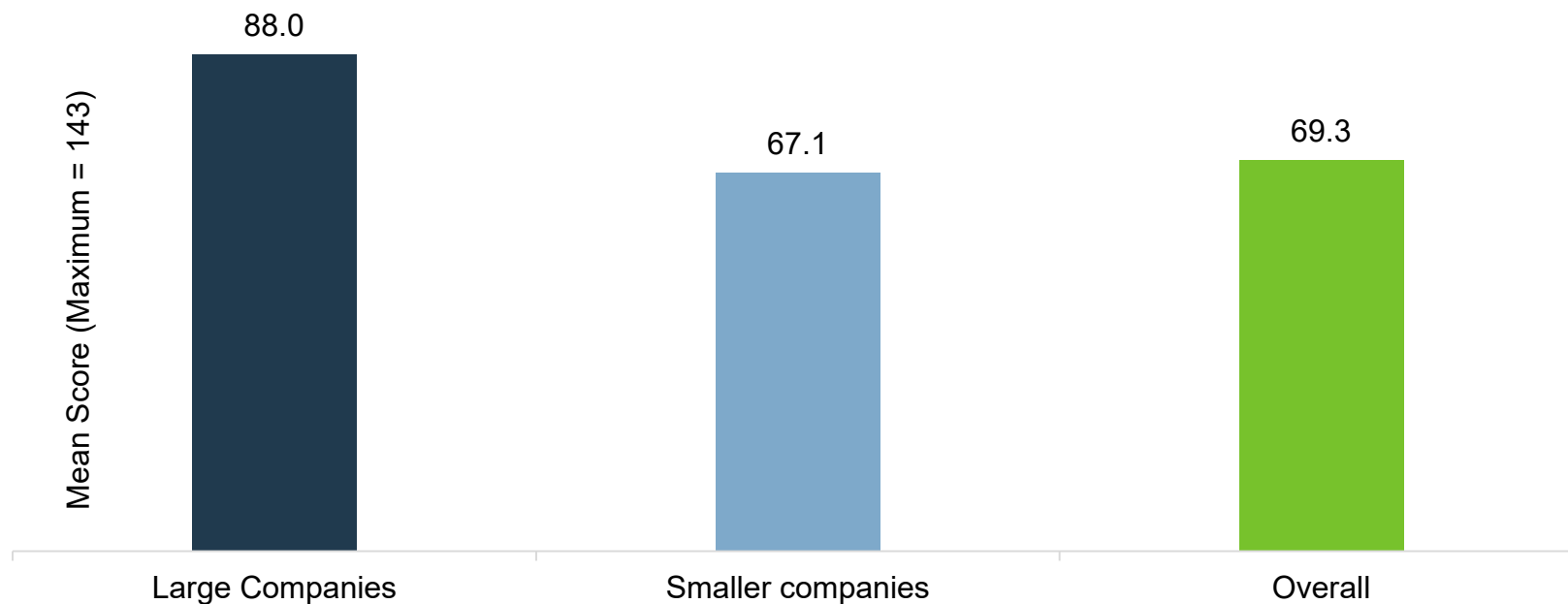
On average, Financials companies had higher mean scores and higher variations in scores compared with those in other industries

Size Effect

Significant relationship between firm size and performance

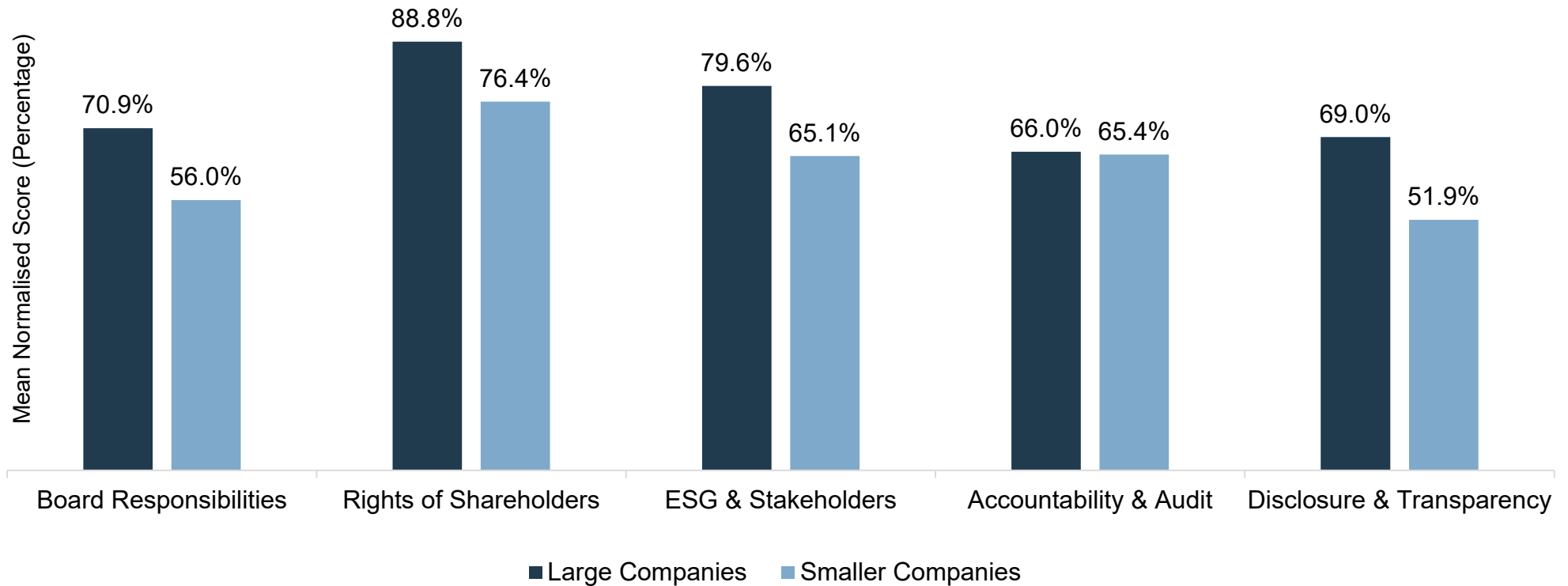


SGTI Score by Company Size

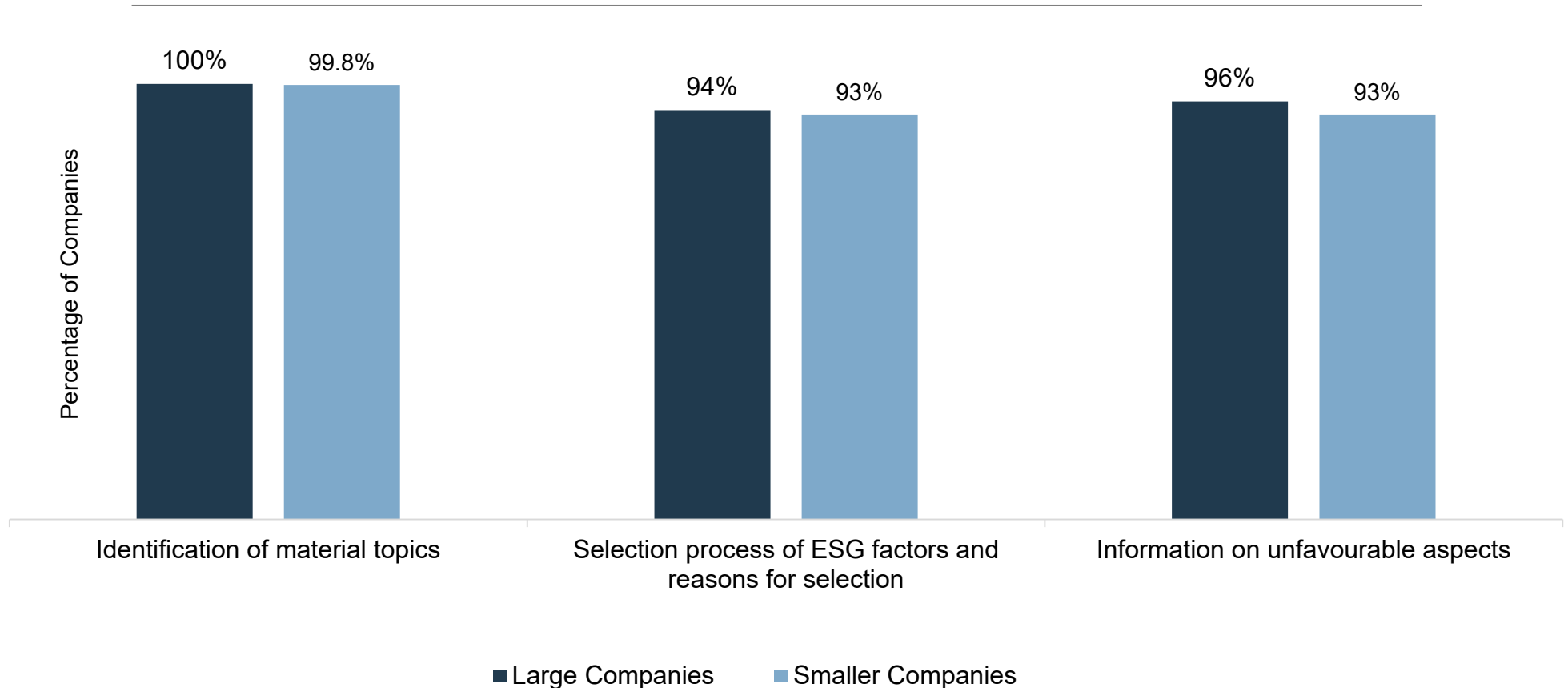


Note: Large companies defined as having market capitalisation of over \$1 billion.
Smaller companies defined as having market capitalisation of up to \$1 billion

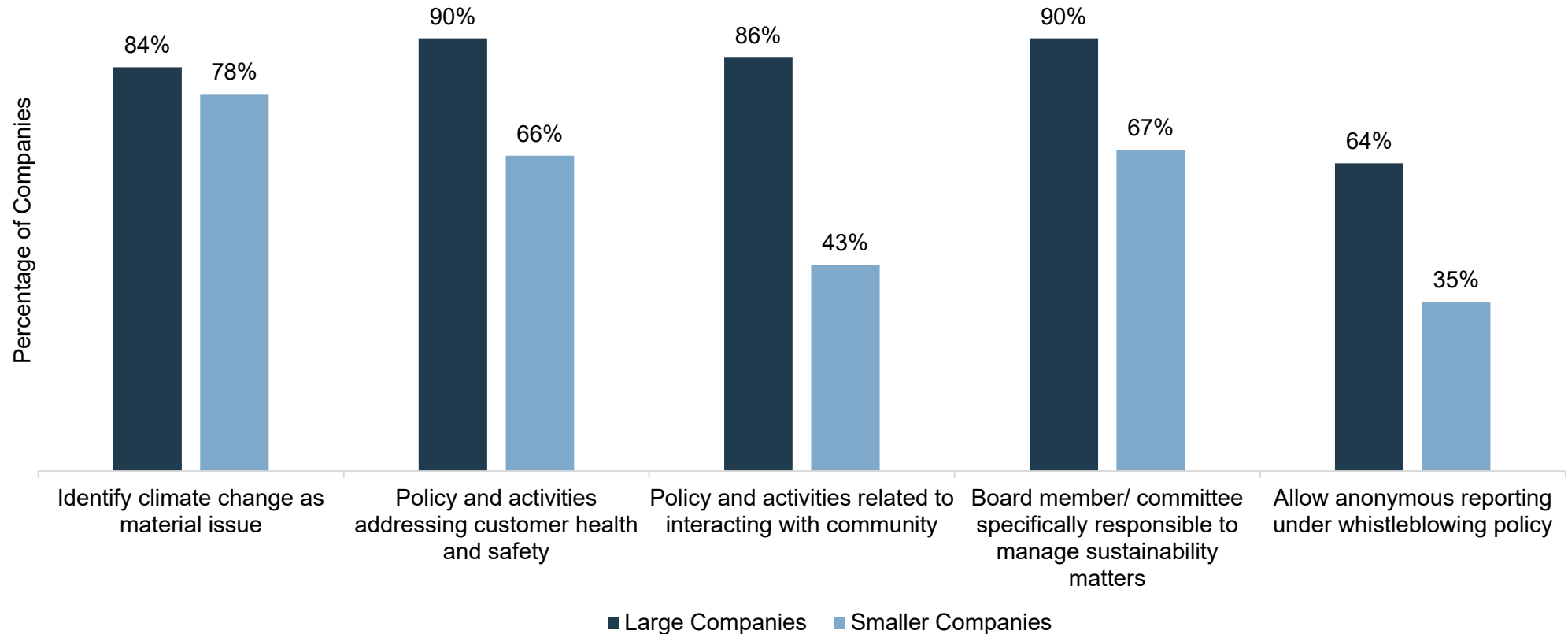
B.R.E.A.D Scores by Company Size



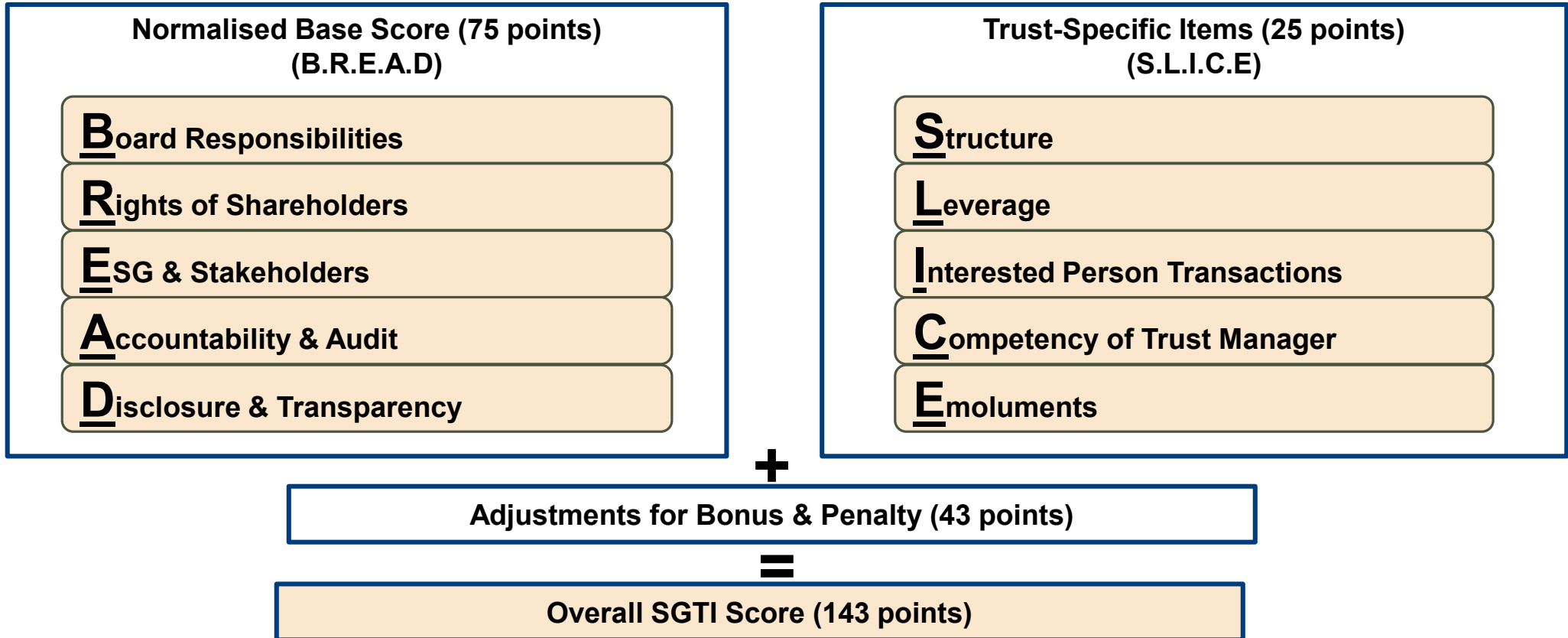
Sustainability Reporting Processes by Company Size



ESG Issues by Company Size



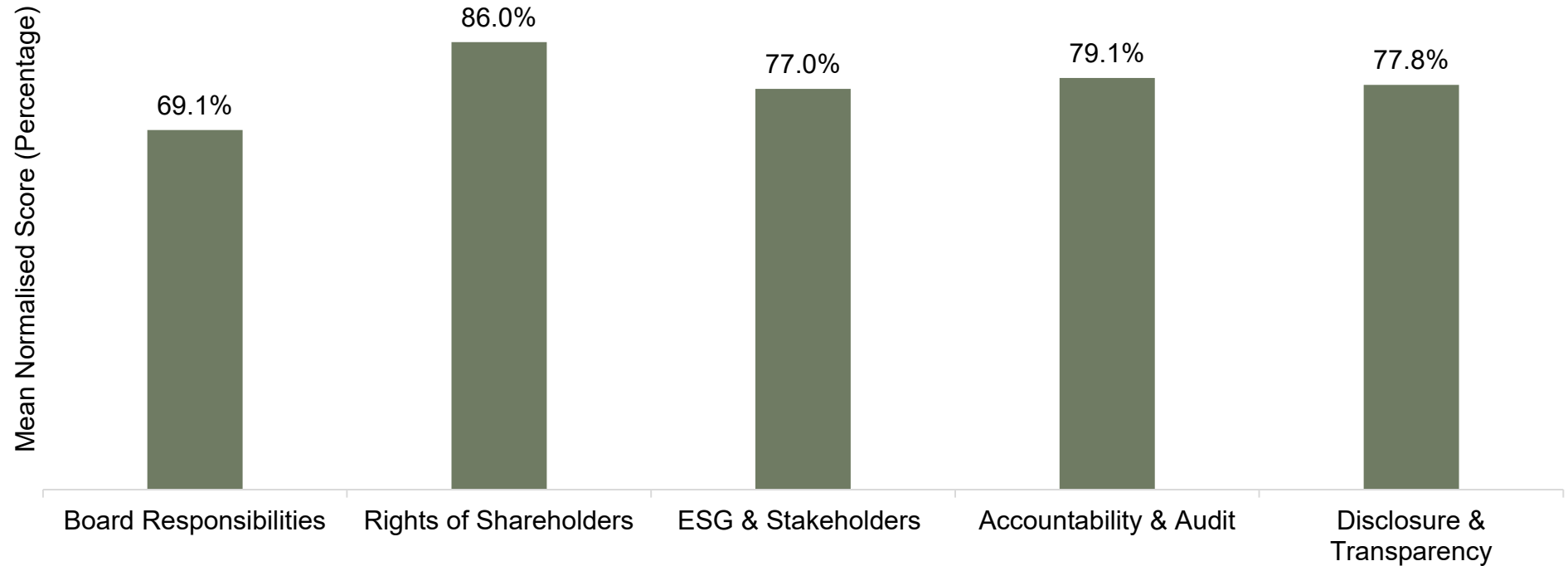
SGTI Framework – REITs & Business Trusts



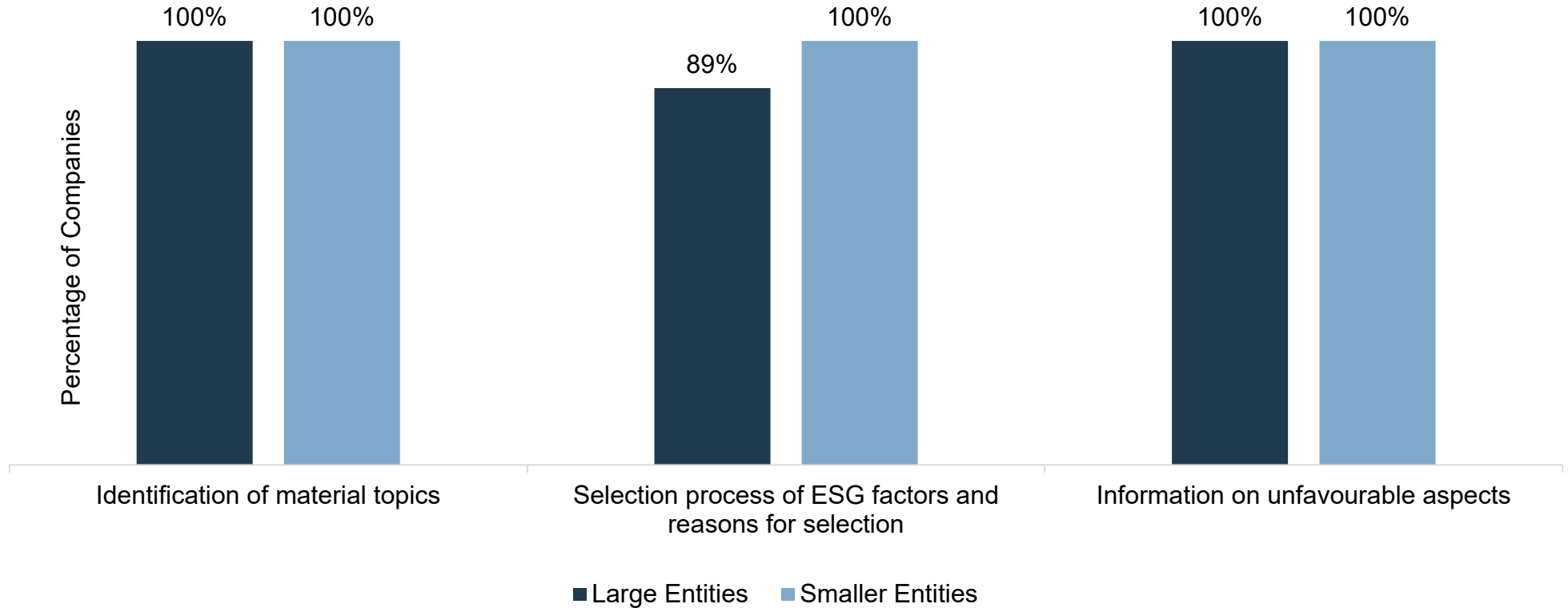
Breakdown of Score— REITs & Business Trusts

SGTI 2024			
Base SGTI 2024 Score	Bonus	Penalty	Overall SGTI 2024 Score
71.8	16.6	1.8	86.6

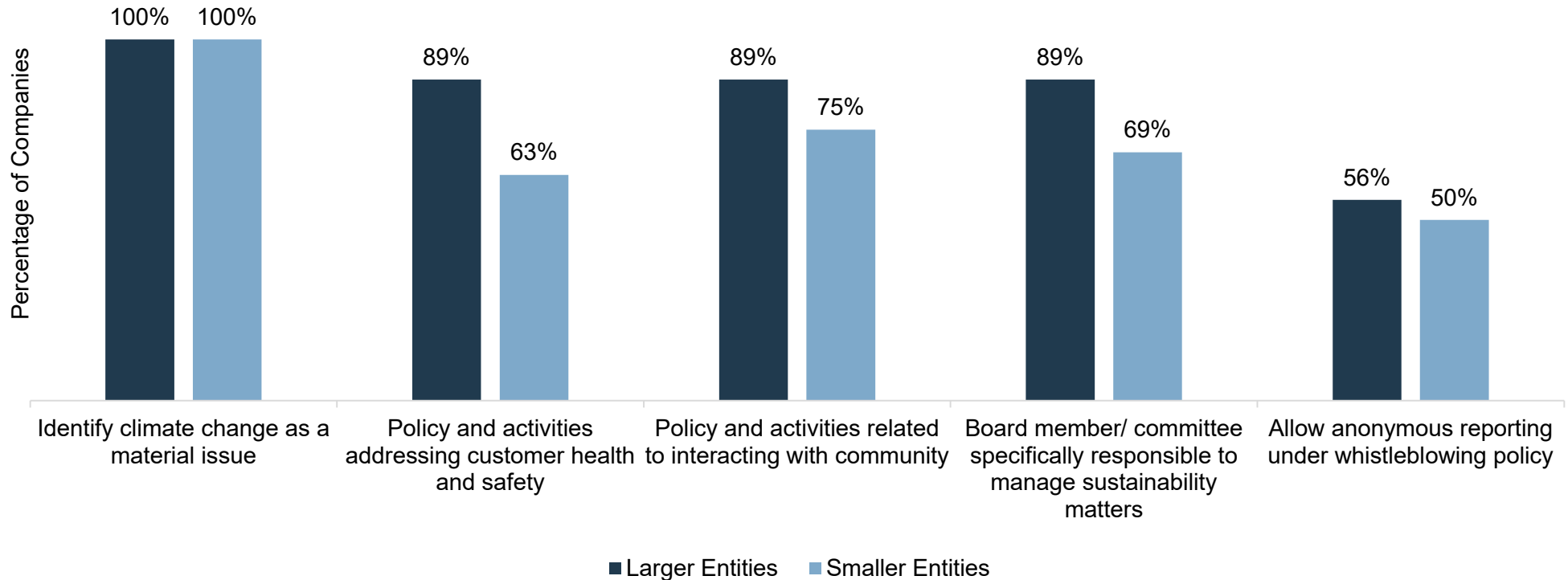
BREAD Scores: REITs & Business Trusts



Sustainability Reporting Processes: REITs & Business Trusts



ESG Issues: REITs & Business Trusts



Summary

- 1. A new dynamic SGTI** was introduced this year, with greater focus on sustainability
- The overall mean score was 69.3 for General Category and 86.6 for REIT & Business Trust Category.
 - **Companies show the strongest performance in shareholder rights, sustainability, and accountability and audit**
- 3. There is a clear size effect:** mean overall score of smaller companies is 20 points less than that of large companies
 - The largest size effect is seen in *Disclosure & Transparency, Board Responsibilities* and *ESG & Stakeholders*

Summary

4. **Smaller companies have made progress in fundamentals of sustainability reporting such as materiality** (identification of material topics, selection process used). Almost all companies disclose these, regardless of size
5. However, **large companies have a clear advantage in areas such as sustainability governance.**
 - Disclosure rate for having a board member or board committee responsible for managing sustainability is 23 percentage points lower for smaller companies
6. Support should be given to smaller companies to raise the standard of sustainable corporate governance disclosures across the market, targeting areas in which they lag behind large companies. **Good governance and sustainability should not be the sole domain of large companies**