

SINGAPORE GOVERNANCE AND TRANSPARENCY INDEX (SGTI)

A Collaboration Between



Centre for Governance, Institutions and Organisations
NUS Business School



Strategic Media Partner

THE BUSINESS TIMES

The Singapore Governance and Transparency Index (SGTI) is aimed at assessing companies on their corporate governance disclosure and practices, as well as the timeliness, accessibility and transparency of their financial results announcement.

The SGTI is a joint initiative of CPA Australia, NUS Business School's Centre for Governance, Institutions and Organisations (CGIO), and Singapore Institute of Directors, supported by The Business Times. It uses a framework based on the Governance and Transparency Index that was issued from 2009 to 2015, with an updated section on stakeholder engagement. SGTI is closely-aligned with the Singapore's Code of Corporate Governance, which was last revised by the Monetary Authority of Singapore in 2012, and G20/OECD Principles of Corporate Governance.

The SGTI score has two components: the base score and the adjustment for bonuses and penalties. The base score contains 5 domains: board responsibilities (35 points), rights of shareholders (20 points), engagement of stakeholders (10 points), accountability and audit (10 points), and disclosure and transparency (25 points). The aggregate of the bonuses and penalties (positive or negative) is incorporated to the base score to arrive at the company's overall SGTI score.

SGTI ASSESSMENT FRAMEWORK

| Sections | Questions | Points {maximum} | Remarks |
|-----------|---|---------------------|--|
| A. | Board Responsibilities - 35% | | |
| | Board size | | |
| | Number of directors on board | 1 | If the board comprises of at least 6 members but not more than 11. |
| | Board independence | | |
| | Proportion of independent directors on board | | |
| | Number of directors on board | {3} | 3 points, if proportion of independent directors on board is more than 50%, 2 points, if proportion of independent directors on board is equal to 50%. |
| | Number of independent directors on board | | |
| | CEO-Chairman separation | | |
| | Is the chairman an independent director? | {3} | 3 points, if chairman is independent, 2 points, if chairman is Non-independent and Lead Independent director is appointed, 1 point, if chairman is Executive and Lead Independent director is appointed. |
| | If the answer to the above is N, is the chairman a non-executive director and not related to the CEO? | | |
| | If chairman is the CEO, is related to the CEO, is a controlling shareholder or is an executive director, does the company have a lead independent director? | | |
| | Board competencies | | |
| | Does at least one of the independent directors have experience in the industry the company is in? | 1 | |
| | Does the company disclose a board diversity policy? | 1 | |
| | Does the company disclose the orientation programmes for new directors? | 1 | |
| | Board duties and responsibilities | | |
| | Does the company clearly state the roles and responsibilities of the board of directors? | 1 | |
| | Board and committee meetings | | |
| | How many times did the board meet during the year? | 1 | 1 point, if the board meets at least 6 times during the year. |
| | How many times did the remuneration and nomination committee meet during the year? | 1 | If the remuneration and nominating committee each meets at least 2 times during the year. |
| | How many times did the audit committee meet during the year? | 1 | 1 point, if the audit committee meets at least 4 times during the year. |
| | Is individual director attendance at board and committee meetings given? | 1 | |

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| Sections | Questions | Points {maximum} | Remarks |
|-----------------|--|-----------------------------|---|
| | Nominating Committee | | |
| | Number of members in the committee | 1 | |
| | Number of independent members in the committee | | |
| | Is the chairman independent? | | |
| | Does the company set limits on the number of directorships that can be held? | 1 | |
| | | | |
| | Selection of directors | | |
| | Is the skills/experience sought disclosed? | 1 | |
| | Is the process followed disclosed? | 1 | |
| | | | |
| | Board and individual director appraisal | | |
| | For board appraisal, is the process disclosed in detail? | 1 | |
| | For board appraisal, is the criteria disclosed? | 1 | |
| | For individual director appraisal, is the process disclosed in detail? | 1 | Both the questions should be "Y", in order to get 1 point. |
| | For individual director appraisal, is the criteria disclosed? | | |
| | Does the company conduct an annual performance assessment of the board committees? | 1 | |
| | | | |
| | Remuneration Committee | | |
| | Number of members in the committee | 1 | |
| | Number of independent members in the committee | | |
| | Is the chairman independent? | | |
| | | | |
| | Executive director/Top 5 executives' remuneration | | |
| | Is the remuneration of executive directors disclosed? (E = Exact, B1= Bands of \$100k or less with upper limit, B2= Bands of between \$100k-\$250k with upper limit, B3= Bands of \$250k with upper limit, ND = Not Disclosed) | {2} | |
| | Is the remuneration of CEO disclosed? (E = Exact, B1= Bands of \$100k or less with upper limit, B2= Bands of between \$100k-\$250k with upper limit, B3= Bands of \$250k with upper limit, ND = Not Disclosed) | 1 | |
| | Is the remuneration of top 5 executives disclosed? (E = Exact, B1= Bands of \$100k or less with upper limit, B2= Bands of between \$100k-\$250k with upper limit, B3= Bands of \$250k with upper limit, ND = Not Disclosed) | {2} | 2 points, if exact remuneration of key executives is disclosed, 1 point, if the disclosure is in 250K bands, and the total remuneration of key executives and key executives' names are provided. |
| | Are the names of the top 5 executives given? | | |
| | Is the aggregate remuneration paid to the top five key management personnel disclosed? | | |
| | Are short-term incentives used? | 1 | |
| | Are long-term incentives used? | 1 | |

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| Sections | Questions | Points {maximum} | Remarks |
|-----------------|--|-----------------------------|---|
| | Does the company disclose information on the link between remuneration paid to the executive directors and key management personnel, and performance? | 1 | |
| | Does the Remuneration Committee periodically seek remuneration consultants' advice on remuneration matters for directors? | 1 | |
| | | | |
| | Non-Executive director fees | | |
| | Is the fees of non-executive directors disclosed? (E = Exact, ND = Not Disclosed) | 1 | |
| | Is the fee structure disclosed? | 1 | |
| | | | |
| | Total: Section A | 35 | |
| | | | |
| B. | Rights of Shareholders - 20% | | |
| | Fundamental shareholder right | | |
| | Does the company pay dividend (final/annual/interim/special dividends) to all its shareholders within 30 days after the declaration of dividends and/or after shareholders' approval of final dividends at shareholder general meetings? | 1 | In case of scrip dividend scheme, dividend where a share alternative is offered, the dividend payment date must be not less than 30 market days, but not more than 35 market days, after the book closure date. |
| | Right to participate effectively and vote in general shareholder meetings | | |
| | Do shareholders have the opportunity, evidenced by an agenda item, to approve remuneration (fees, allowances, benefit-in-kind and other emoluments) or any increases in remuneration for the non-executive directors? | 1 | |
| | Does the company disclose the voting and vote tabulation procedures used, declaring both before the meeting proceeds? | 1 | |
| | Do shareholders have opportunities to ask questions in the latest AGM, and does the meeting minutes record details of shareholders' questions and answers? | 1 | |
| | Does the company disclose the appointment of an independent party (scrutineers/inspectors) to count and validate the votes at the AGM? | 2 | |
| | Does the company disclose the attendance of the chairman of the Board at the latest AGM? | 1 | Both the questions should be "Y", in order to get 1 point. |
| | Does the company disclose the attendance of the CEO/Managing Director at the latest AGM? | | |
| | Is poll voting used, instead of show of hands, for all resolutions at the latest AGM? | 2 | |
| | Conduct of interested person transactions (IPTs) and management of conflicts of interest | | |
| | Does the company disclose policy that requires directors of the board to refrain from participation in board discussions and decision making process on a particular agenda when they have conflicts of interest? | 1 | |
| | Does the company ensure that IPTs are conducted fairly and on arm's length basis? | 2 | |
| | Institutional investors | | |
| | Does the share ownership of insitutional investors, other than controlling shareholders, exceed 5%? | 1 | |
| | Shareholder participation | | |

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| Sections | Questions | Points {maximum} | Remarks |
|-----------------|---|-----------------------------|--|
| | Does the company disclose that it allows shareholders who hold shares through nominees to appoint more than two proxies or to attend AGMs as observers without being constrained by the two-proxy rule? | 1 | |
| | Does the company disclose detailed information on each agenda item for the AGM in the Notice? | 1 | |
| | Does the company publish detailed information of the vote results? | 1 | |
| | Are all the directors required to stand for re-election at least once every three years? | 1 | |
| | Do shareholders or the board of directors approve the remuneration of the executive directors and/or the senior executives? | 1 | |
| | Dividend payment | | |
| | If dividends are paid, is there disclosure of company's policy on payment of dividends? | 2 | |
| | If dividends are not paid, is there disclosure of reasons for not paying out dividends during the financial year? | | |
| | | | |
| | Total: Section B | 20 | |
| | | | |
| C. | Engagement of Stakeholders - 10% | | |
| | Rights of stakeholders established through law and mutual agreements upheld | | |
| | Does the company disclose a policy and its relevant activities that : | | |
| | Specify company's efforts to ensure customers' health and safety? | 1 | |
| | Demonstrate the company's attempts to employ eco-friendly and sustainable value chain processes? | 1 | |
| | Describe the company's interaction and cooperation with the relevant communities? | 1 | |
| | Describe the company's anti-corruption programmes and procedures? | 1 | |
| | Explain how the company protects creditors' rights? | 1 | |
| | | | |
| | Stakeholders' avenue for redress for violation of rights | | |
| | Performance enhancing mechanisms for employee participation | | |
| | Does the company disclose relevant policy to ensure the health, safety and welfare of its employees? | 1 | |
| | Does the company provide training and development programmes for its employees? | 1 | Company should disclose both the details of the training and development programmes and relevant data on training and development programmes undergone by its employees. |
| | Does the company publish relevant results of such training and development programmes that its employees participated in? | | |
| | Stock options | | |
| | Is the vesting period for stock options / PSP (Performance share plan) 3 years or more? | 1 | |
| | | | |
| | Whistleblowing policy | | |
| | Does the company have a whistleblowing policy? | 1 | |
| | If the answer to the above is yes, are key details of the policy disclosed and is anonymous reporting allowed? | 1 | |
| | | | |

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| Sections | Questions | Points {maximum} | Remarks |
|-----------------|--|-----------------------------|--|
| | Total: Section C | 10 | |
| D. | Accountability and Audit - 10% | | |
| | Composition of the audit committee | | |
| | Are all the audit committee members independent? | {2} | 2 points, if all the members are independent, 1 point, if all the audit committee members are non-executive with an independent chairman. |
| | If the answer to the above is N, are all the audit committee members non-executive with an independent chairman? | | |
| | Does the majority of the audit committee members have an accounting or finance background? | 1 | |
| | Does the audit committee chairman have an accounting or finance background? | 1 | |
| | | | |
| | Risk management and internal control systems | | |
| | Is there disclosure of the process and framework used to assess the adequacy of risk management and internal control systems? | 1 | |
| | Is there disclosure that the internal auditor meets or exceeds IIA standards? | 1 | |
| | Does the annual report have a statement by the board or audit committee on the adequacy of the risk management and internal control systems (including operational, financial compliance, and information technology)? | 1 | |
| | Does the company identify the in-house head/team of internal audit or the name of external firm that conducts its internal audit? | 1 | |
| | Is there a CEO/CFO certification of financial statements? | 1 | Both the questions should be "Y", in order to get 1 point. |
| | Is there an assurance from the CEO and the CFO regarding the effectiveness of the company's risk management and internal control systems? | | |
| | | | |
| | External auditor and auditor Report | | |
| | Is the Audit Committee primarily responsible for proposing the appointment and removal of the external auditor? | 1 | |
| | | | |
| | Total: Section D | 10 | |
| E. | Disclosure and Transparency- 25% | | |
| | Transparent ownership structure | | |
| | Does the company disclose the direct and indirect (deemed) shareholdings of directors? | 1 | |
| | Quality of Annual Report | | |
| | Does the company's annual report disclose the following items: | | |
| | Corporate objectives | 1 | |
| | Financial performance indicators | 1 | |
| | Non-financial performance indicators | 1 | |
| | Key risks (including operational risks) and how these risks are assessed and managed | 1 | |

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| Sections | Questions | Points {maximum} | Remarks |
|-----------------|---|-----------------------------|--|
| | Disclosure of related party transactions (RPTs) and interested person transactions (IPTs) | | |
| | Does the company disclose a detail policy that sets out procedures for the review and approval of material/significant IPTs? | 1 | |
| | For each material/significant IPT, does the company identify all related parties and its relationship with each party? | 1 | Both the questions should be "Y", in order to get 1 point. |
| | For each material/significant IPT, does the company disclose the nature and value of each transaction? | | |
| | Does the company disclose the type of material transactions that require board approval? | 1 | |
| | | | |
| | Directorships/Chairmanships in listed companies | | |
| | Is there disclosure of all the directorships and chairmanships held by its directors at present and over the past 3 years? | {2} | Disclosure of 3 years = 2 points, Disclosure of only current year = 1 point. |
| | Is there disclosure of only the current directorships and chairmanships held by its directors? | | |
| | | | |
| | Timeliness of release of results | | |
| | Financial year end | {3} | 3 points, if released with 30 days, 2 points, if financial statements released within 31-60 days. |
| | Results release date | | |
| | Number of days taken to release the results | | |
| | Does the company release its audited annual/financial report no later than 60 days from the company's financial year end? | 1 | |
| | | | |
| | Medium of communication | | |
| | Does the company use the following modes of communication? | | |
| | Analyst's briefing | 1 | At least either of the questions should be "Y" to get 1 point. |
| | Media briefings /press conferences | | |
| | | | |
| | Corporate website | | |
| | Are details of its code of conduct or ethics disclosed? | 1 | |
| | Is the link provided on the SGX website and/or annual report? | 1 | |
| | Does the website have a clearly dedicated IR link instead of providing the financial information under links such as "News" or "Announcements"? | 1 | |
| | Are the latest financial results available on the website? | 1 | Both the questions should be "Y", in order to get 1 point. |
| | Is the latest annual report available on the website? | | |
| | Is the IR contact given on the website/annual report? | 1 | |
| | Does the company have a website disclosing up-to-date information on the following: | | |
| | Group corporate structure | 1 | |
| | Clear vision and mission statements? | 1 | |
| | | | |

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| Sections | Questions | Points {maximum} | Remarks |
|-----------------|--|-----------------------------|----------------|
| | Does the company demonstrate email responsiveness to investor relations function promptly and effectively (i.e. within a week)? | 1 | |
| | | | |
| | Results briefings | | |
| | In the company's annual report, are there commentaries of the board on steps and measures being taken to understand shareholders' viewpoints and concerns, e.g. through analyst briefings, investor roadshows or Investors' Day briefings? | 1 | |
| | Does the company carry out an adequate investor relations policy in order to ensure regular and effective convey of pertinent information to shareholders? | 1 | |
| | | | |
| | Total: Section E | 25 | |
| | | | |
| | Total: Base Score | 100 | |
| | | | |
| ADD | BONUSES | | |
| | Having a positive CG confirmation | 3 | |
| | Disclosing information on the succession planning for the board and senior management | 3 | |
| | Having a board-level risk committee comprising independent directors | 3 | |
| | Having a comprehensive description of how the company assesses the independence of its directors and independent director should be independent from major shareholders | 3 | |
| | Having a policy which prevents non-executive directors from selling stock prior to leaving the company | 2 | |
| | Publishing an annual sustainability report | 3 | |
| | Reducing share issue mandate | {5} | |
| | Having a share trading policy which requires board approval for trading by directors and disclosing the policy | 3 | |
| | Setting the risk tolerance, or having a risk management policy describing the tolerance for various classes of risk by the Board | 2 | |
| | All directors attended the latest AGM | 3 | |
| | External search done when appointing new directors | 3 | |
| | Disclosing detailed information on director training | 3 | |
| | Publishing its notice of AGM (with detailed agendas and explanatory circulars) at least 28 days before the meeting date | 3 | |
| | Adopting integrated reporting in its Annual Reports | 2 | |
| | Having assurance from Board and/or the Remuneration Committee that the level and structure of remuneration align with the long-term interests and risk management policies of the company | 2 | |
| | | | |

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| Sections | Questions | Points {maximum} | Remarks |
|-----------------|--|-----------------------------|---|
| | Total: Bonus Section | 43 | |
| LESS | PENALTIES | | |
| | Non-disclosure of director information | | |
| | Tenure of independent directors (points) | | |
| | Number of directorships held by independent directors | | |
| | Number of external directorships held by CEO and Executive Directors | | |
| | Presence of board interlocks | | |
| | Same independent directors sitting on the nominating, remuneration and audit committees | | |
| | CEO/MD/ED not subject to re-election | | |
| | The Lead Independent Director (LID), if any, is not on the Nominating Committee or the LID failed to meet other independent directors separately | | |
| | Issuance of a profit warning within 30 days after the IPO or after a results announcement | | |
| | Earnings restatements | | |
| | Frequent turnover of senior management (CEO, Executive Directors & CFO) - More than one change within a year | | |
| | Resignation of senior management (CEO, Executive directors & CFO) without adequate disclosure of information regarding the circumstances, search for replacement and expected time frame for appointing a new person | | |
| | Other directors resigning without disclosure of reasons | | |
| | Appointments or resignations of independent directors which are closely linked to controlling shareholders | | |
| | Directors or senior management resigning and raising corporate governance-related concerns | | |
| | External auditors unable to issue an opinion or raises red flag, allegations of fraud reported, unauthorized trading | | |
| | Breach of listing rules | | |
| | Retention or appointment of directors or senior management who have been subjected to regulatory actions | | |
| | Significant interested party transactions involving major shareholders, directors or senior management or evidence of serious conflicts of interest (Points) | | |
| | Issue of share options to independent directors | | |
| | Issue of share options when stock prices are at or near year end lows | | |
| | Late announcement of stock option grants (Points) | | |
| | Investor relations issues | | |
| | Appointment of alternate IDs, insufficient disclosure of nominating process | | |
| | Director attendance at board and committee meetings | | |
| | Query on trading activity | | |
| | Non-audit fees exceed the audit fees if the company engages the same audit firm | | If the non-audit fees exceed audit-fees consecutively for last 2 years. |
| | Chairman has also been the CEO in the last three years | | |

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| Sections | Questions | Points {maximum} | Remarks |
|--------------------------------------|---|-----------------------------|----------------|
| | Presence of a pyramid and/or cross holding ownership structure | | |
| | Legal violations pertaining to labour/employment/consumer/insolvency/commercial/competition or environmental issues | | |
| | Directors or senior managers have an employment relationship with the current external auditor in the past 2 years | | |
| Total Maximum (Base + Bonus): | | 143 | |