

Singapore Governance and Transparency Index (SGTI) Methodology (Trust-Specific Items)



SGTI Scoring Structure for REITs and Business Trusts

The SGTI assesses corporate governance disclosures and practices for all Singapore-listed companies, based on publicly available information. In addition to SGX listing rules and the Code of Corporate Governance, REITs and Business Trusts have to adhere to additional guidelines and rules such as the Code on Collective Investment Schemes and the Business Trust Act. These additional elements are reflected in the new questions on the questionnaire.

REITs and Business Trusts are assessed on corporate governance disclosures via both the questions in the SGTI base score [maximum 75 points] and trust-specific items in the SGTI base score [maximum 25 points]. These two sets of questions form the base score [maximum 100 points].

The final SGTI score for REITs and Business Trusts will incorporate both the base score and the adjustments for bonuses and penalties [maximum 43 points].

The overall scoring structure is summarised in Figure 1 below.

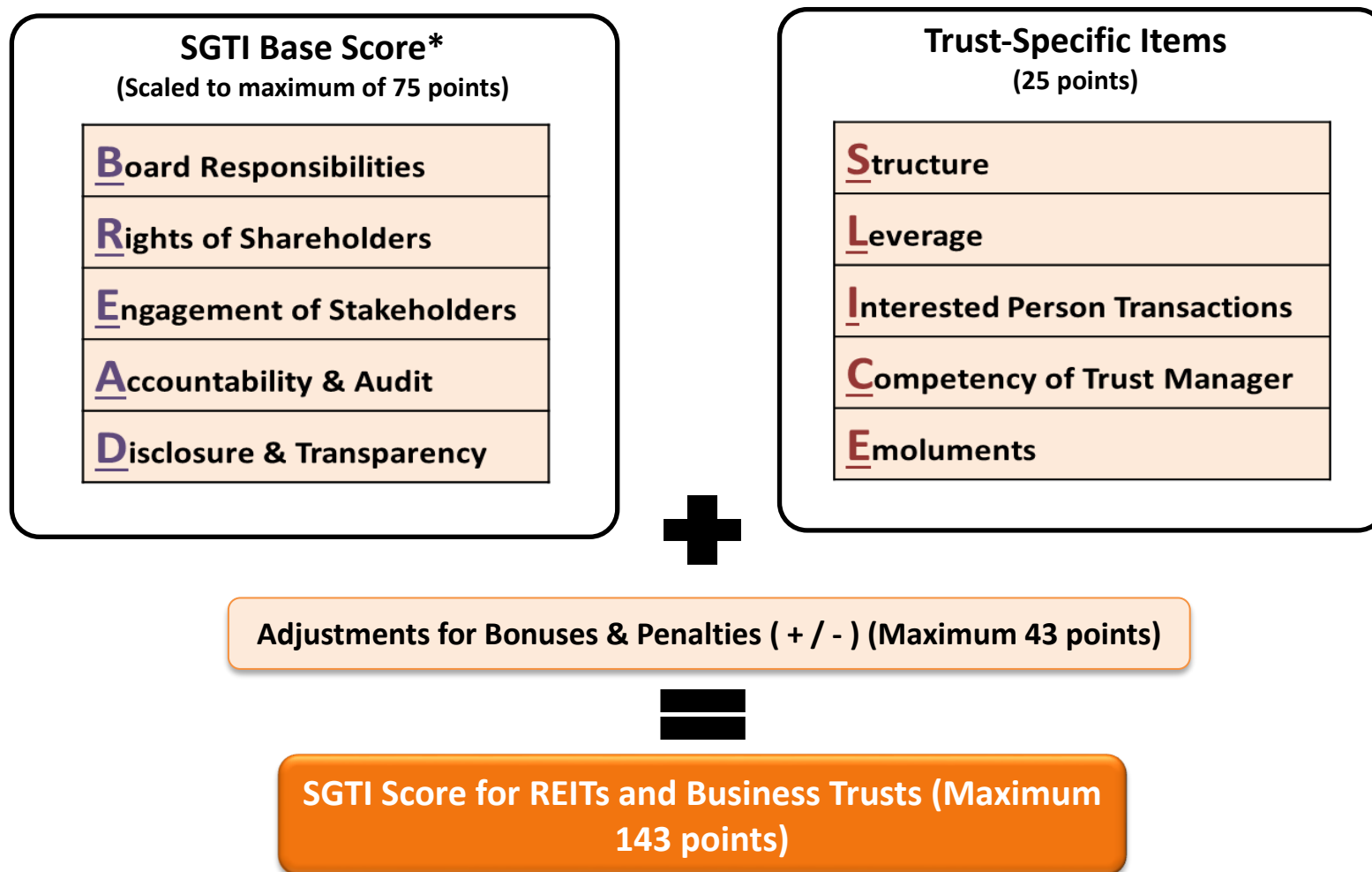


Figure 1: SGTI 2017 Scoring Structure for REITs and Business Trusts

* In the scoring of the SGTI for General Category, this is worth 100 points, not 75 points.

Trust-Specific Questionnaire

S/N	Criterion	Points
Structure		
1	Rationale or justification for choice of REIT manager / trustee-manager.	1
2	Provisions for removal of REIT manager / trustee-manager.	1
3	Whether website or annual report indicates that Trust Deed will be provided to unitholders via email or physical copy upon request or whether trust deed is disclosed on the website or annual report.	2
Penalties		
4	Trustee is linked to Manager.	-2
5	Sponsors / Manager have/has a blocking stake (50%) in the event of takeover.	-2
6	Individual valuation for each of the top 10 individual property/asset (if trust has 10 properties/assets or more) or all of their properties/assets (if trust has less than 10 properties/assets) in their current portfolio is not disclosed.	-2
7	There is no independent valuer. (Minus 5 marks). There is an independent valuer but none of the independent valuers is appointed or approved by trustee. (Minus 3 marks).	-5
Sub-total (Max Points)		4
Leverage		
8	There is a gearing policy set in place by trust.	2
9	The trust maintains a balanced gearing-to-debt maturity ratio.	2
Bonuses		
10	Credit rating improves from the previous year or good credit rating is maintained by the trust.	2
Sub-total (Max Points)		6

Interested Person Transactions (IPTs)		
11	Audit committee reviews significant interested person transactions, and unitholders have rights in assessing interested person transactions.	2
	Bonuses	
12	For IPTs, trustee provides confirmation that the transaction is on normal commercial terms and not prejudicial to the interests of participants.	1
Sub-total (Max Points)		3
Competency of REIT Manager / Trustee-Manager		
13	The CEO and directors of a REIT manager / trustee-manager should have at least 10 years of relevant experience, including 5 years at a management level.	1
14	The REIT manager / trustee-manager should have a minimum of 3 full-time representatives (may include CEO) who each have at least 5 years of experience relevant to trust management.	2
Sub-total (Max Points)		3
Emoluments		
	Manager Fees	
	Base Fees	
15	Disclosure of base fees.	1
	Performance Fees	
16	Based on <u>net</u> property income or distribution-related metrics (must be net of borrowing costs).	1
	Acquisition and Divestment Fees	
17	There is disclosure of methodology and amount of acquisition fees.	1
18	There is disclosure of methodology and amount of divestment fees.	1

	Distribution	
19	There is a distribution policy in place.	3
	Bonuses	
20	Benchmark given for performance fee. 1 point awarded for benchmarking against previous year's or years' 2 points awarded if benchmark is a standardised index e.g FTSE REIT Index	2
	Penalties	
21	No justification of acquisitions and/or divestment (if any in the year).	-2
22	There is no disclosure of methodology and amount of property manager fees.	-2
23	There is no component of property manager fees that are based on net property income or other performance-related metrics.	-2
24	Where acquisition price is larger than the higher of the valuations by independent valuers, no justification is given.	-3
25	Where divestment price is smaller than the lower of the valuation by independent valuers OR in the case where sales price is at the forced-sale value (lower than normal valuation), manager did not provide explanations to justify the conditions that make him forced to sell the property.	-3
Sub-total (Max Points)		9
Total Score		25

Source: Centre for Governance, Institutions and Organisations, NUS Business School