

# Corporate Governance Beyond the Pandemic

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NUS Business School

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***Findings of the Singapore Governance and Transparency Index 2021***

Presented at the Singapore Governance and Transparency Forum

# Agenda

- 1. Introduction**
- 2. General Performance**
  - a. Observable Effects**
  - b. Board Issues**
  - c. Stakeholder Issues**
- 3. REIT and Business Trust Performance**
- 4. Integrating Governance and Sustainability**
- 5. Conclusion**

# SGTI Partnership

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## A Collaboration Between



Centre for Governance and Sustainability  
NUS Business School



## Strategic Media Partner

# THE BUSINESS TIMES

# SGTI Advisory Panel

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**Ms Rachel Eng**

**Managing Director, Eng and Co LLC**

**Mr Loh Hoon Sun**

**Senior Advisor, Phillip Securities Pte Ltd**

**Mr Low Weng Keong**

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

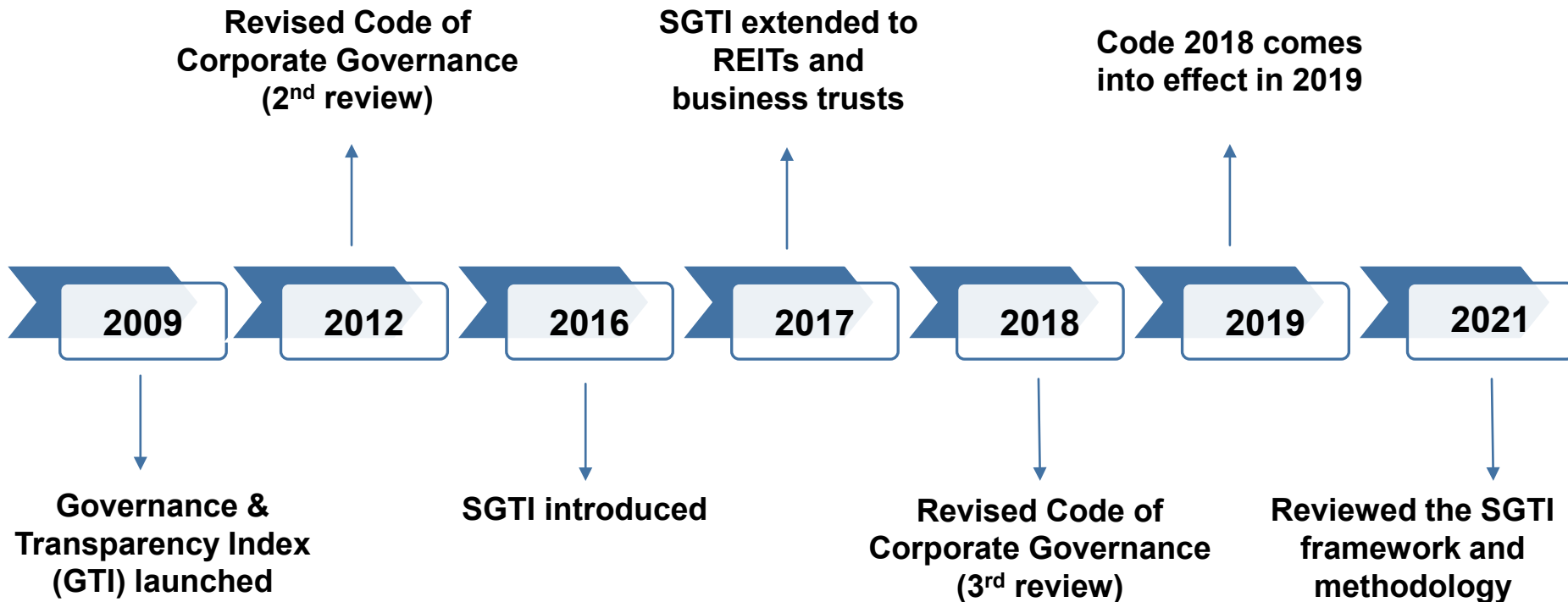
**Mr Chaly Mah**

**Chairman (Retired), Deloitte Singapore  
Chairman, Singapore Accountancy  
Commission**

**Mr Wong Wei Kong**

**Editor, The Business Times**

# Corporate Governance Milestones



# SGTI Coverage: Pandemic Year Assessment

## General Category (519)

Excluding 261 companies:

- 14 newly listed
- 29 secondary listings
- 76 funds
- 71 suspended from trading
- 4 not released report for 2 years
- 51 delisted
- 16 others

## REITs & Business Trusts (43)

Excluding 8 Business Trusts and REITs

- 2 newly listed
- 2 suspended from trading
- 4 delisted

Note: SGTI 2021 assessed companies based on their annual reports for Financial Year 2020 released by 15 June 2021. Other sources of information for assessment include sustainability reports, websites and announcements on SGXNet.

# SGTI Framework – General Category

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

**Board Responsibilities (35 points)**

**Rights of Shareholders (20 points)**

**Engagement of Stakeholders (10 points)**

**Accountability & Audit (10 points)**

**Disclosure & Transparency (25 points)**

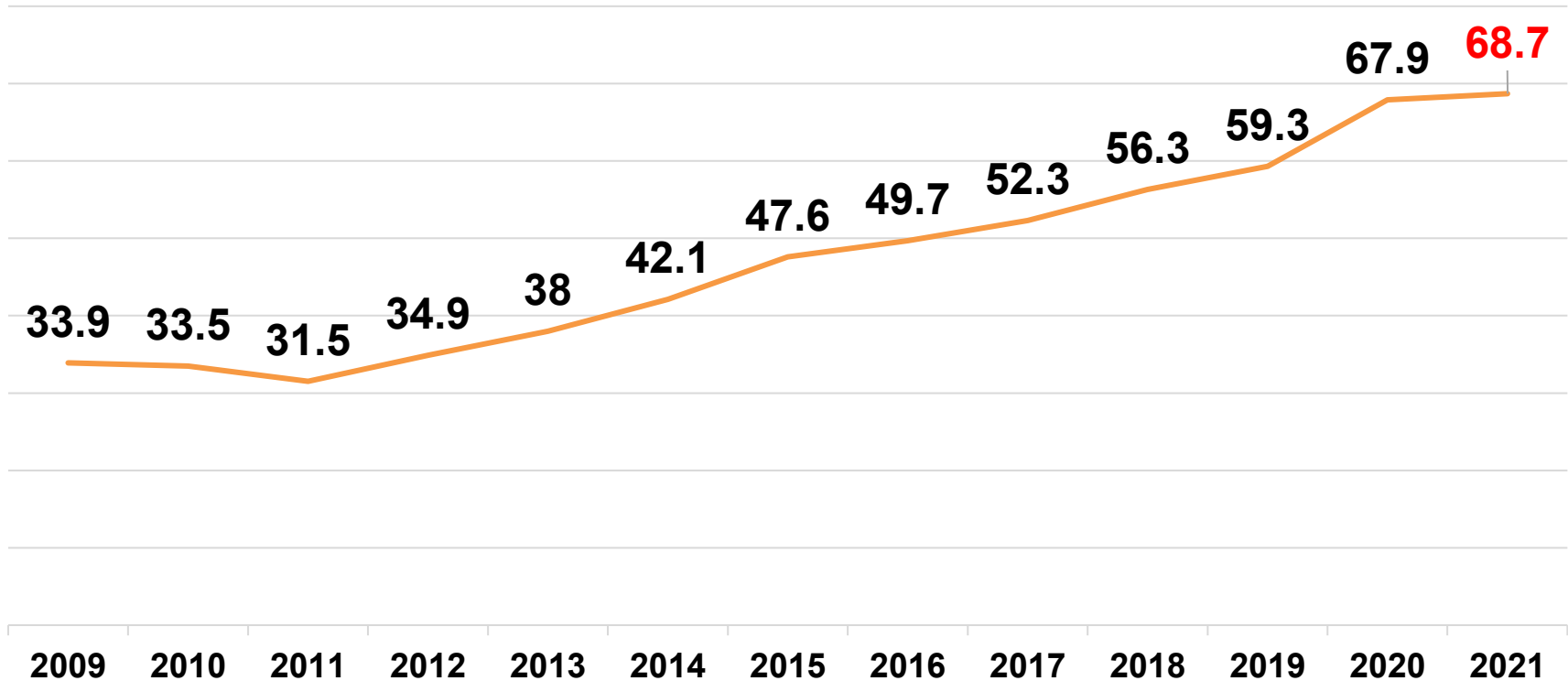
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**Adjustments for Bonus & Penalty (43 points)**

**=**

**Overall SGTI Score (143 points)**

# Mean Score – General Category

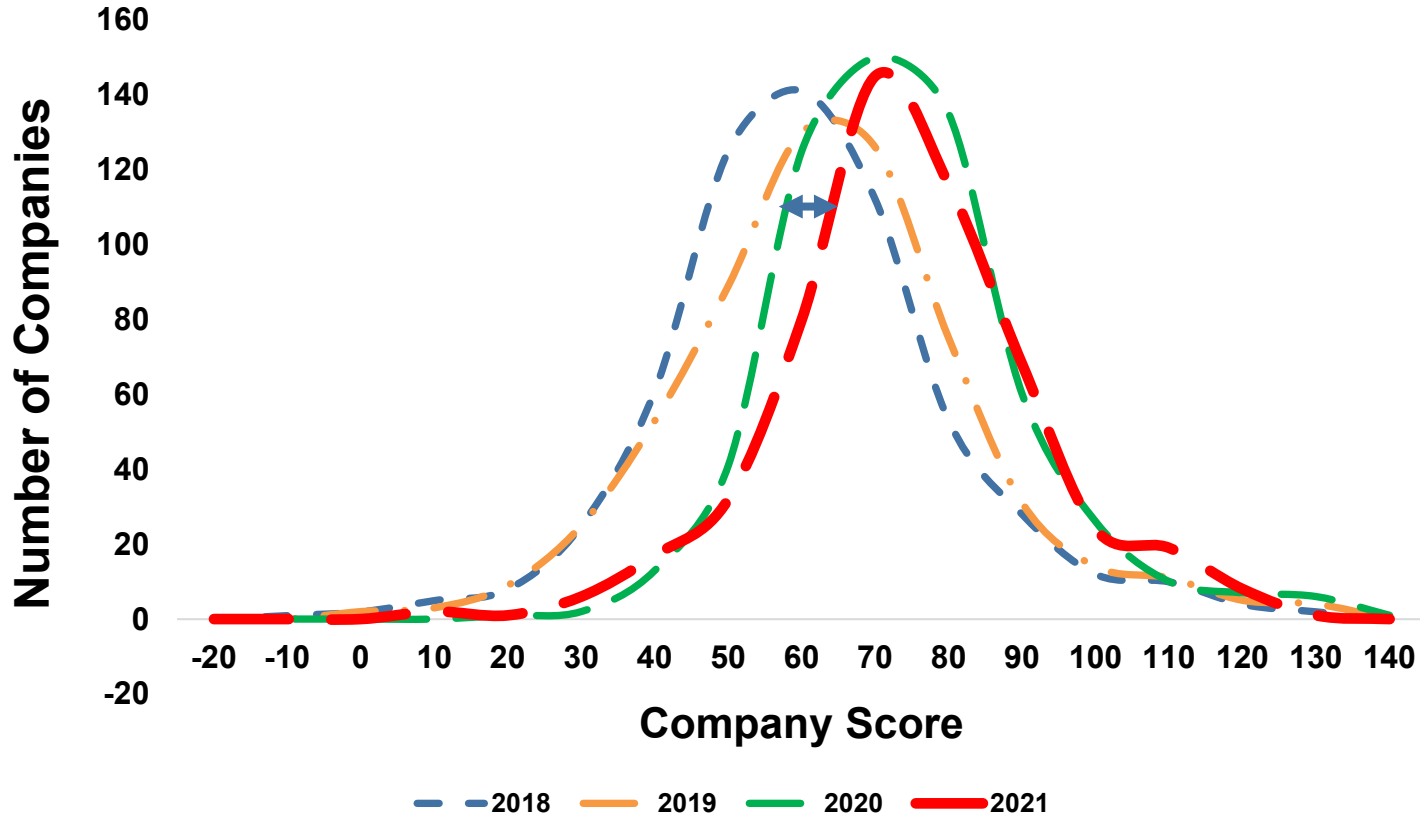




# Score Change Breakdown

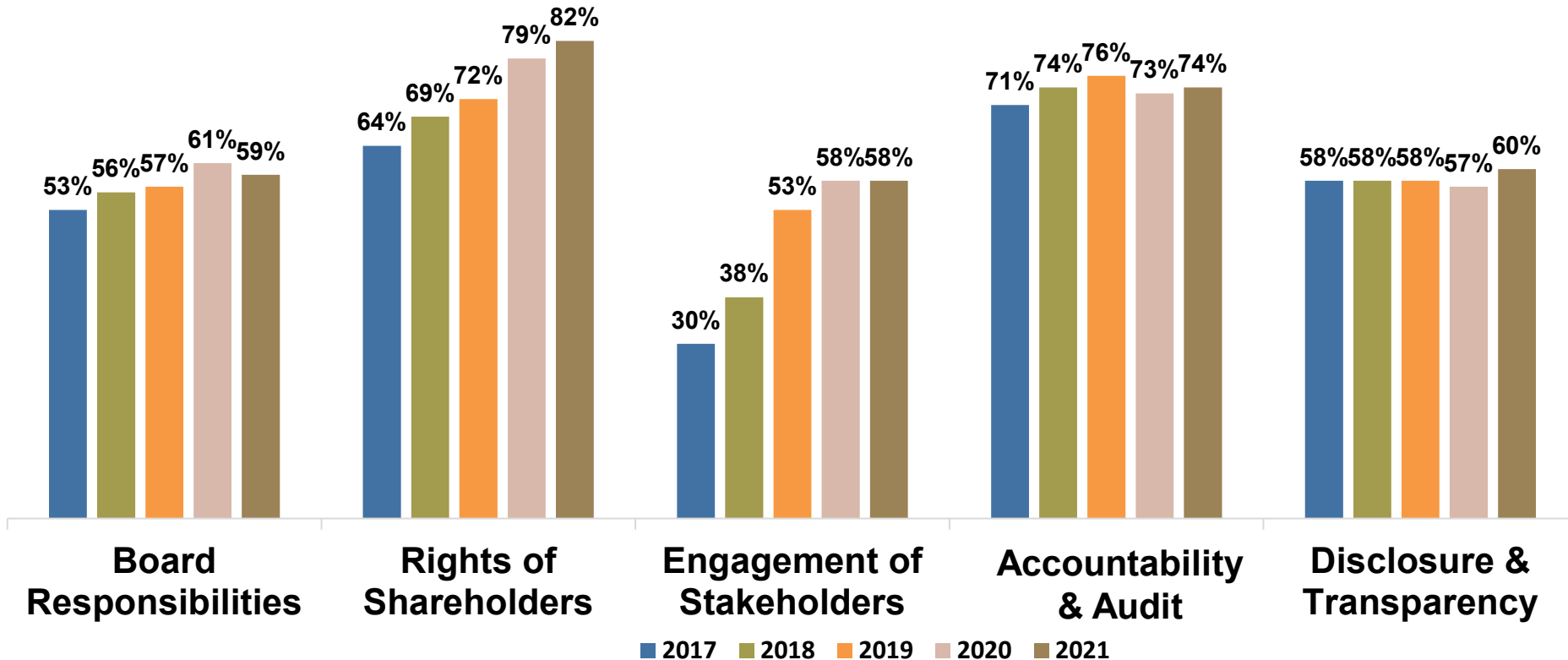
SGTI2021				SGTI2020			
Base SGTI 2021 Score	Bonus	Penalty	Overall SGTI 2021 Score	Base SGTI 2020 Score	Bonus	Penalty	Overall SGTI 2020 Score
65.3	12.7	9.3	68.7	64.8	11.6	8.4	67.9

# Score Distribution



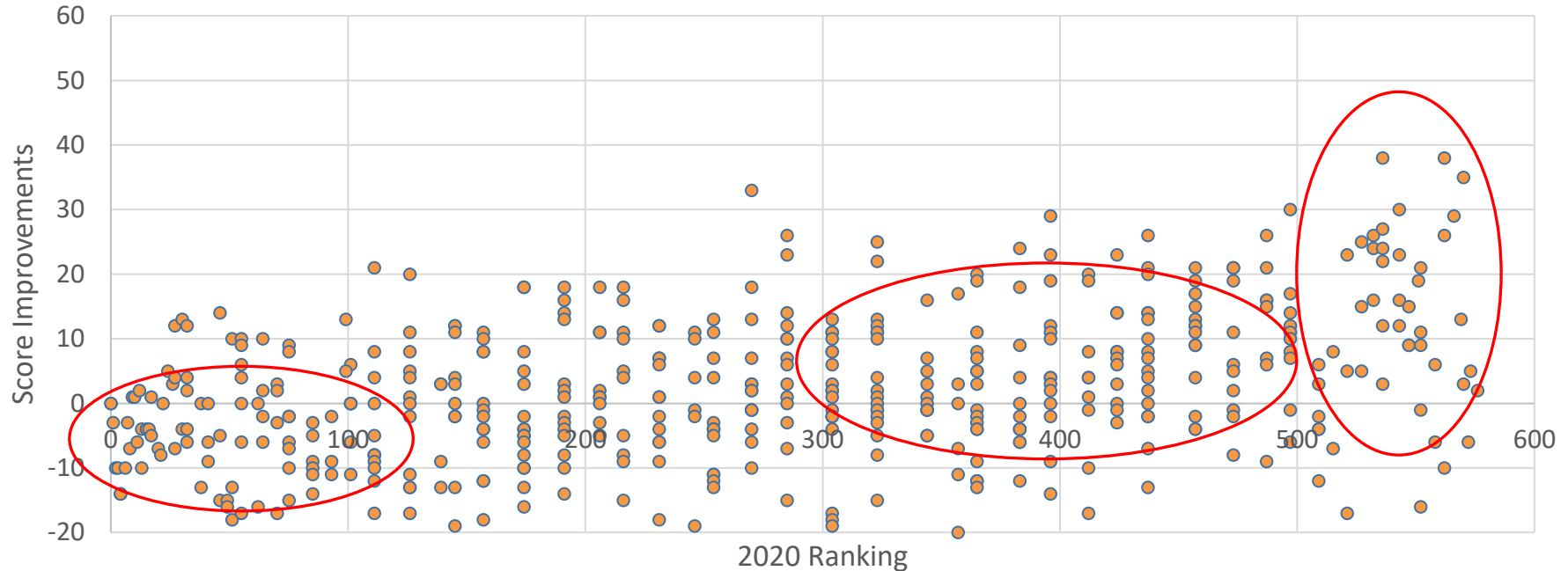
# Sectional Scores

## B.R.E.A.D Score by Percentage



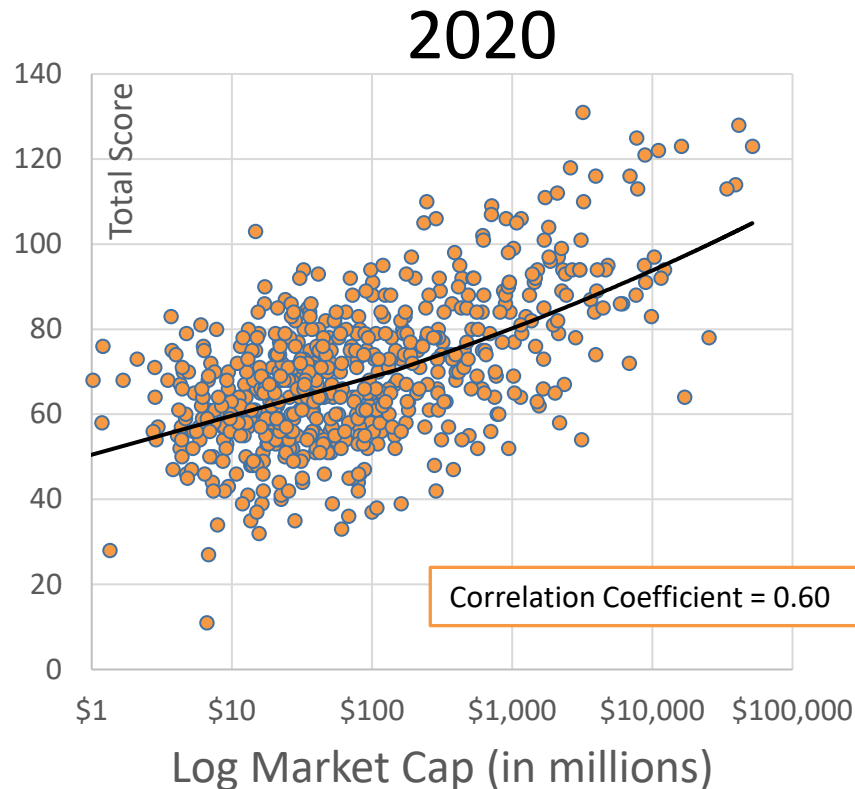
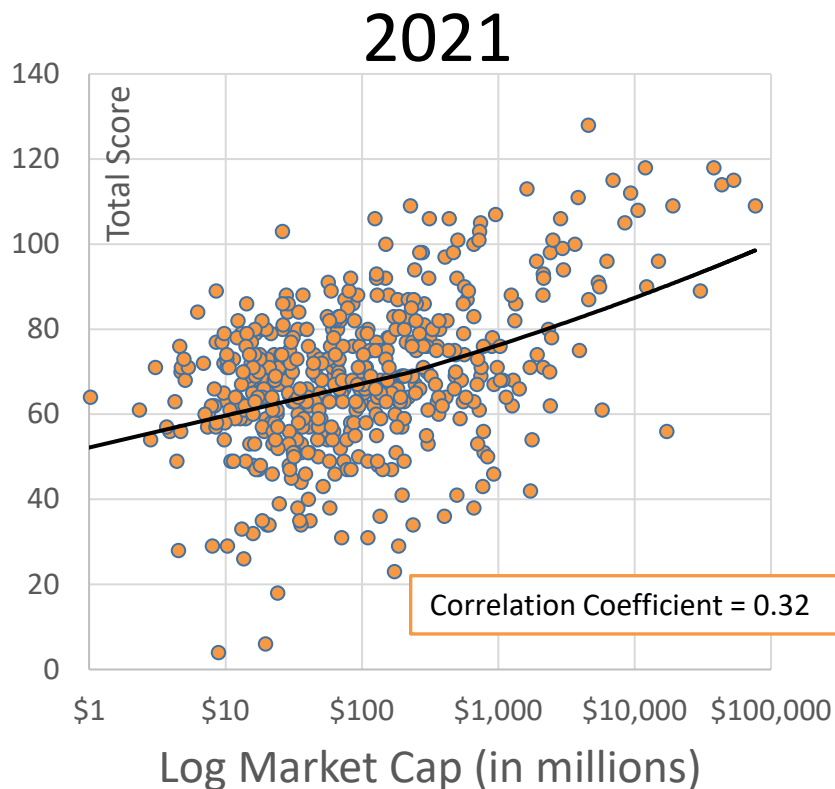
# Range Effect

Score Improvements (from 2020 to 2021) against 2020 Ranking

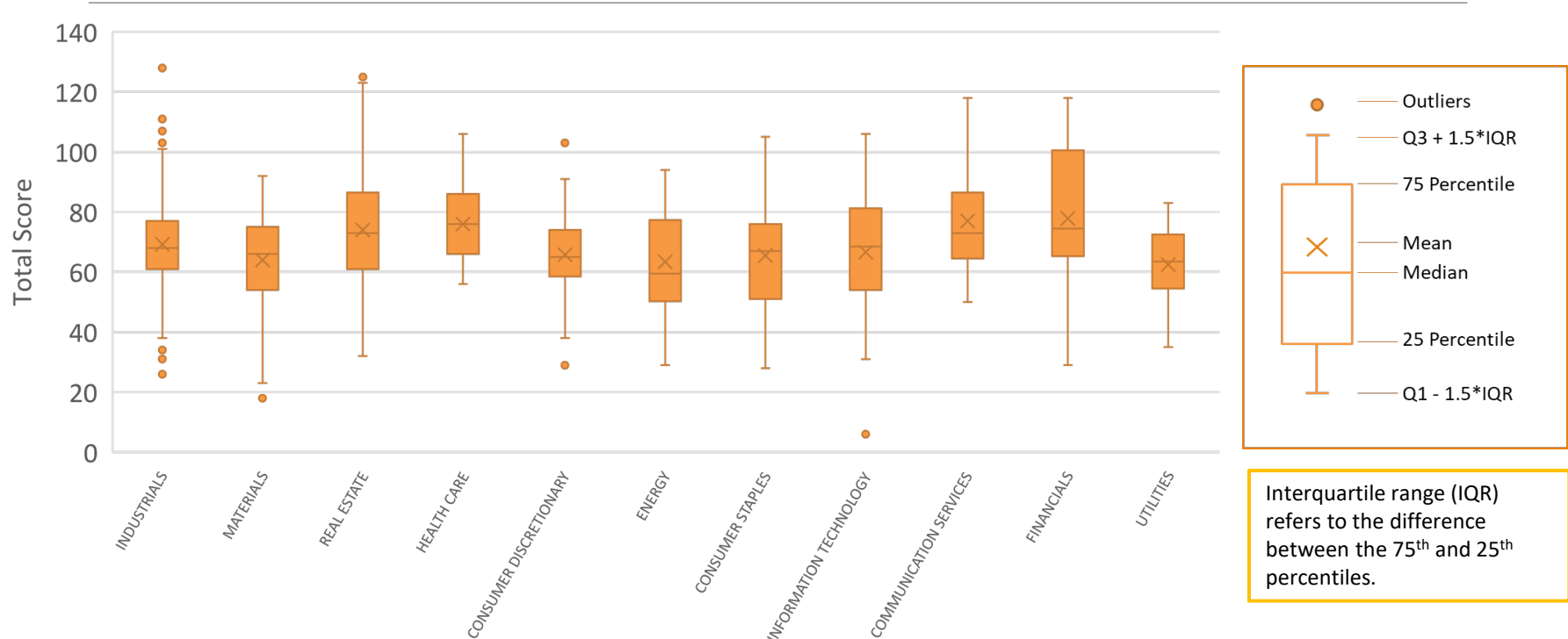


- Companies that were ranked top 100 in 2020 experienced an overall decrease in scores
- Companies that were ranked from 300 – 500 in 2020 showed a general improvement in scores
- Companies that were ranked the lowest in 2020 showed much significant improvement

# Size Effect

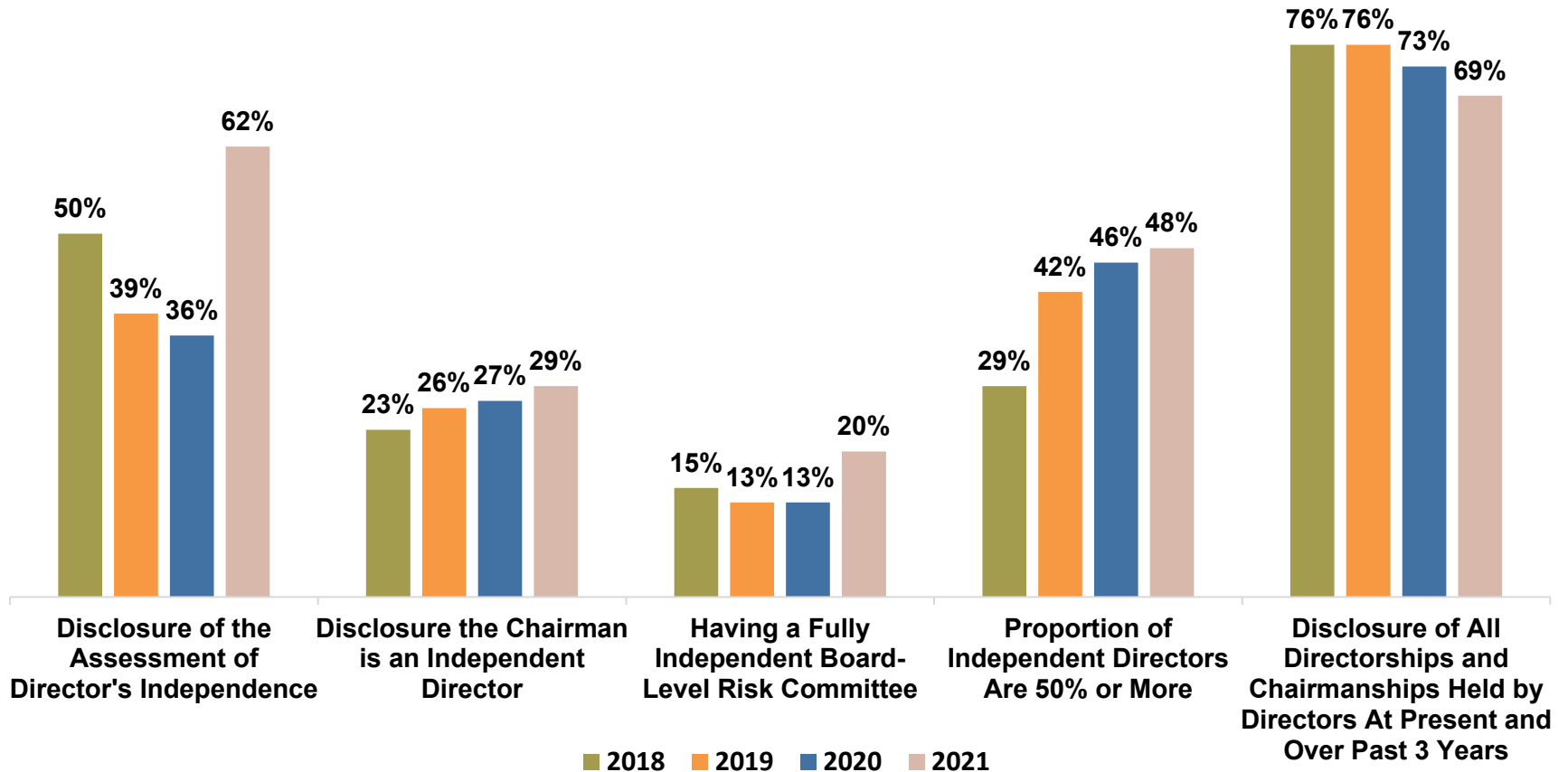


# Industry Effect

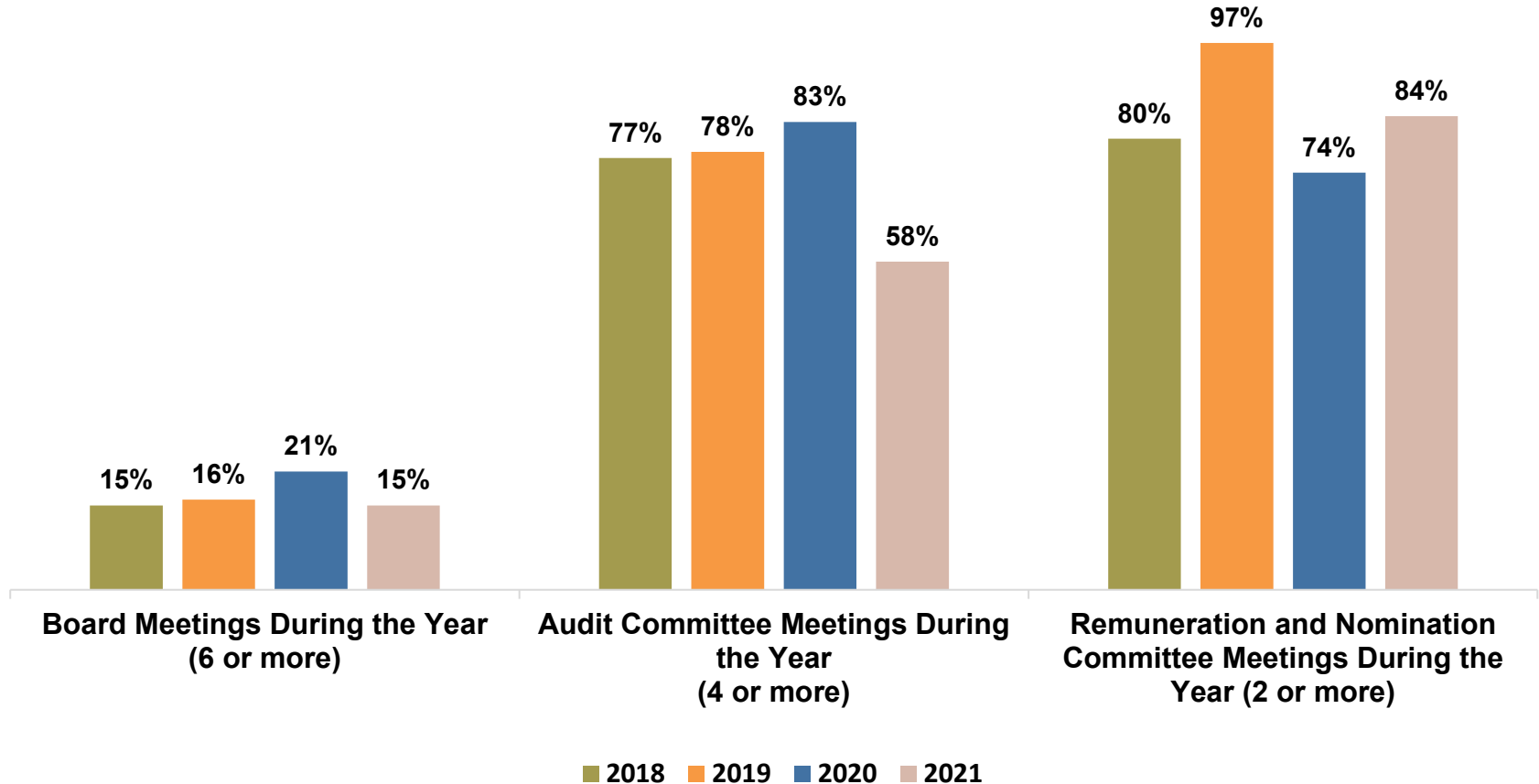


- Financial and Communication Services industries had highest mean scores as compared to others
- Real Estate and Financial industries had higher variations in scores than companies in other industries

# Board Independence

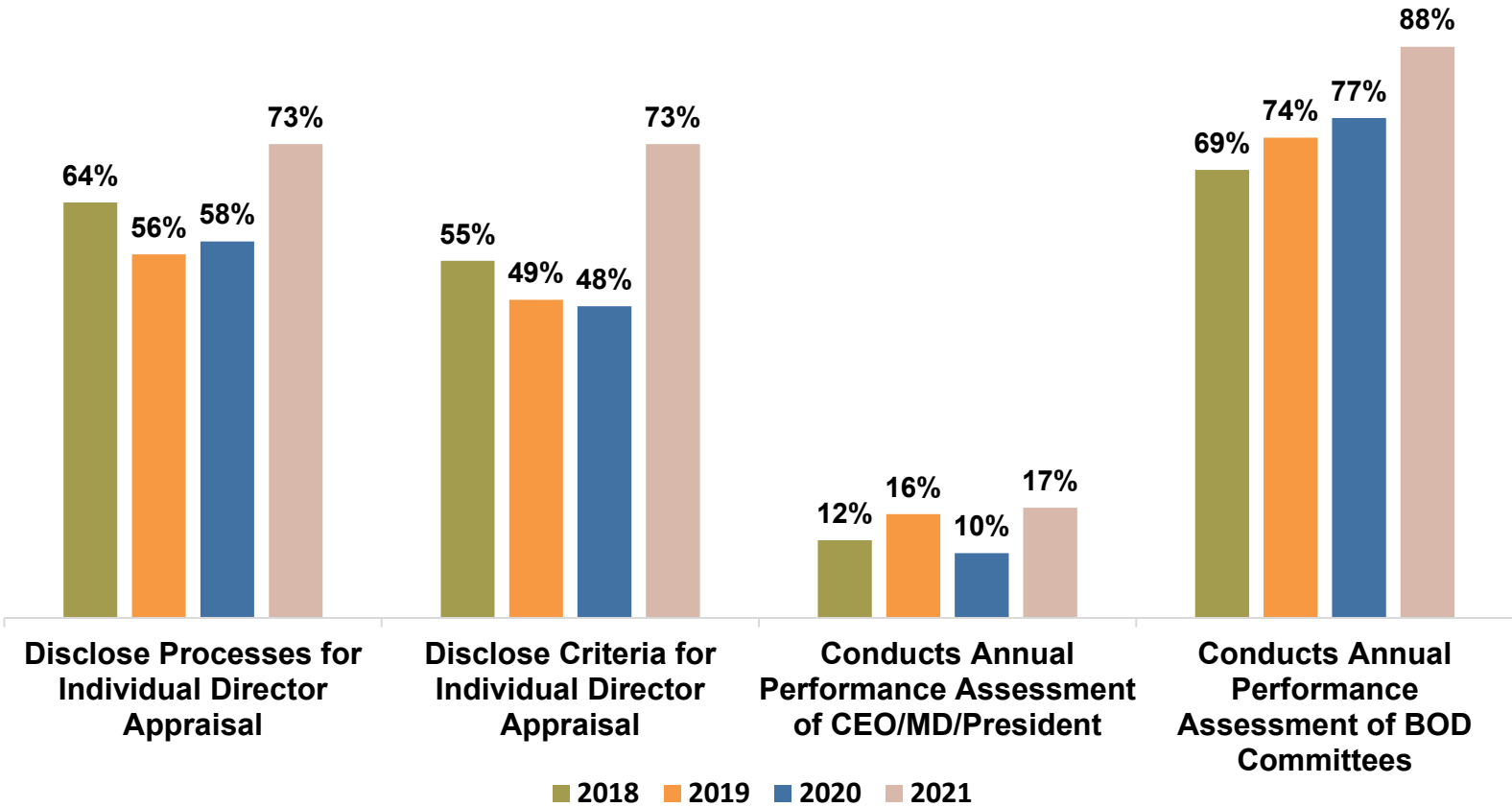


# Board and Committee Meetings

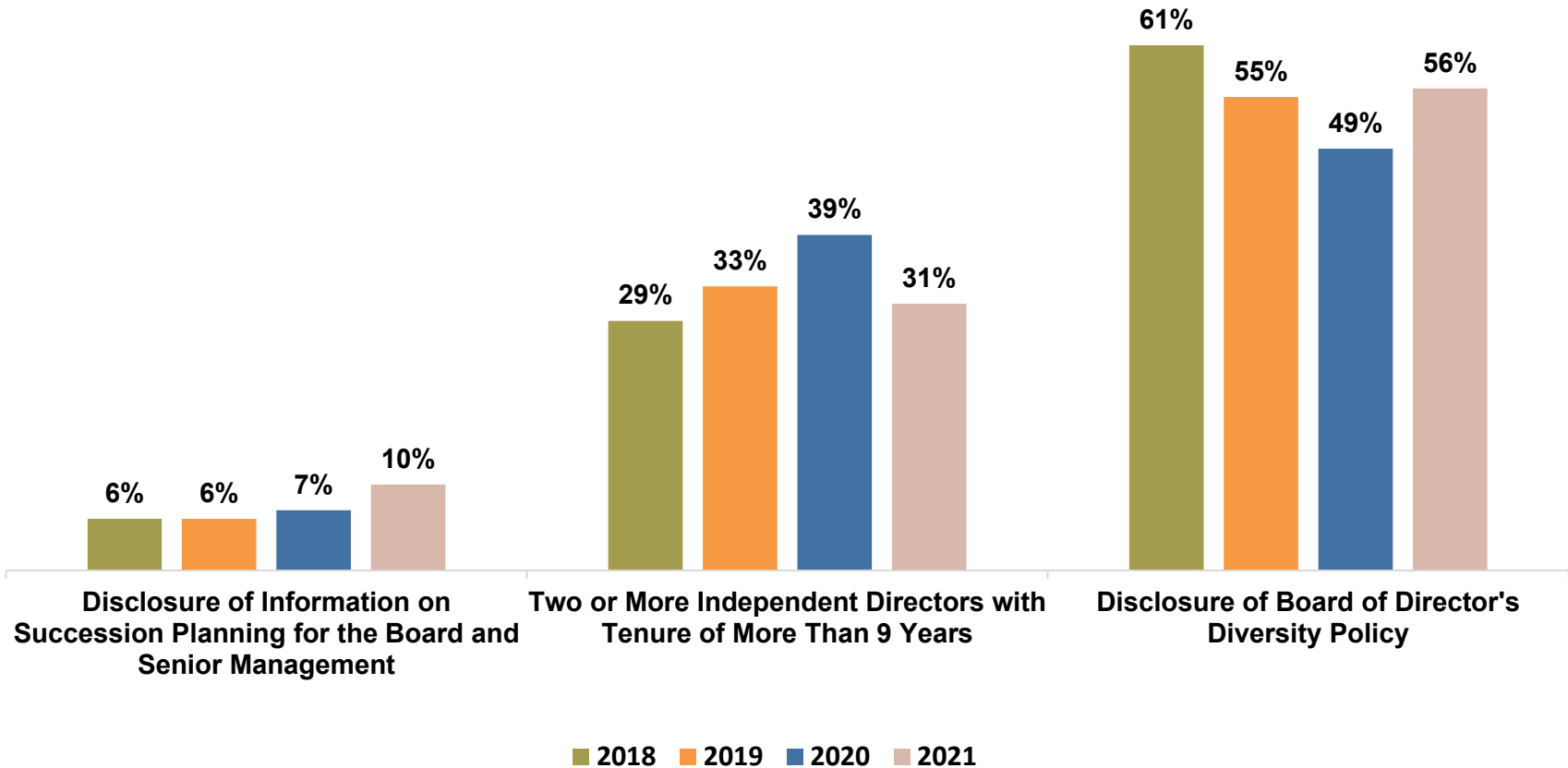




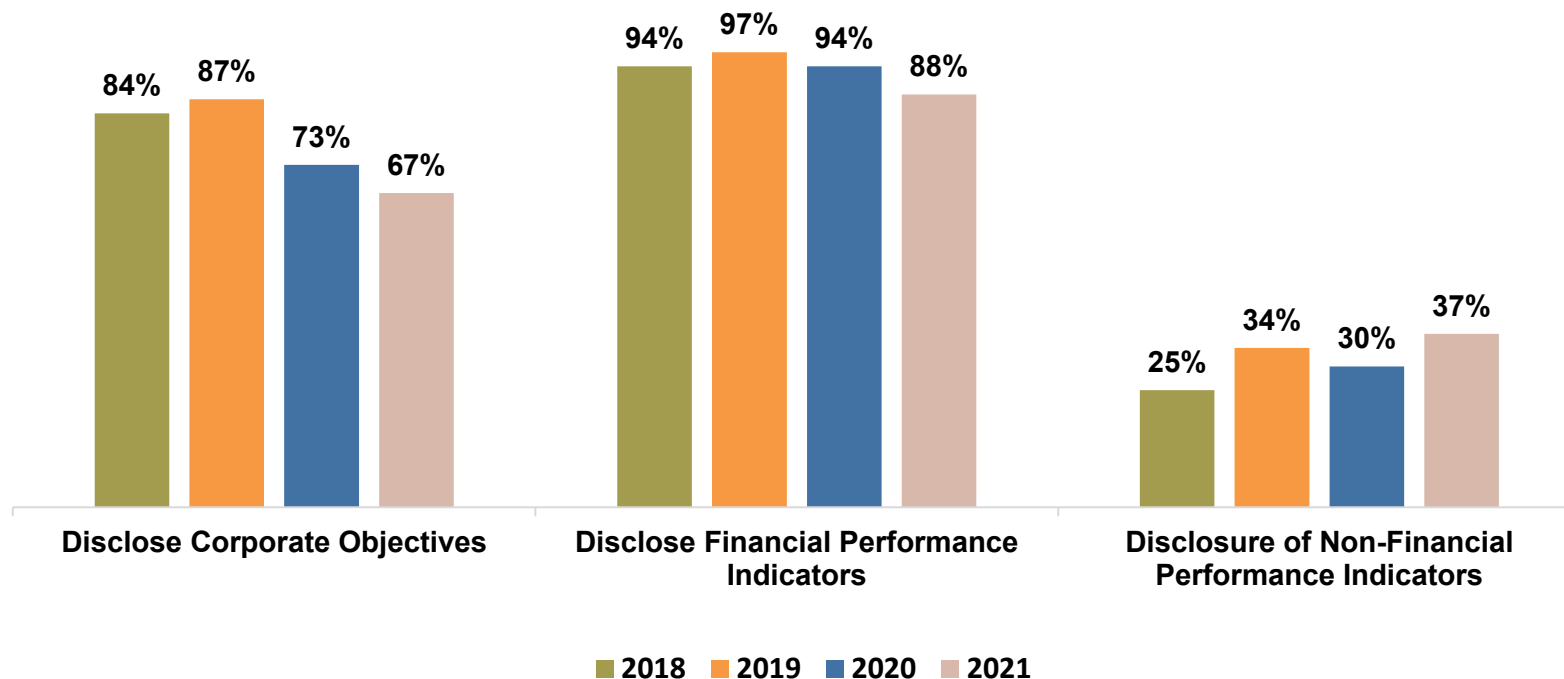
# Board Appraisals



# Board Appointments

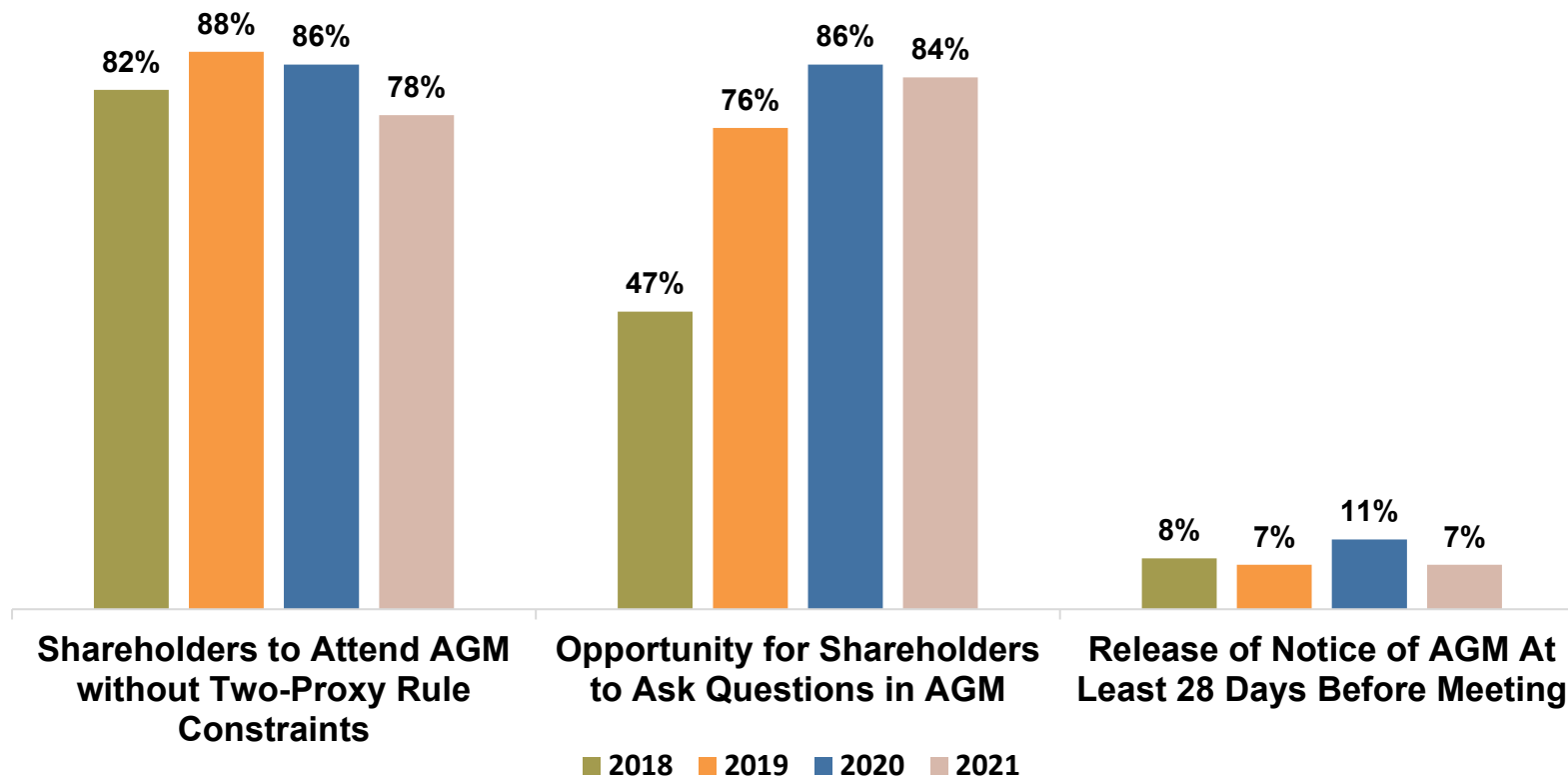


# Corporate Indicators

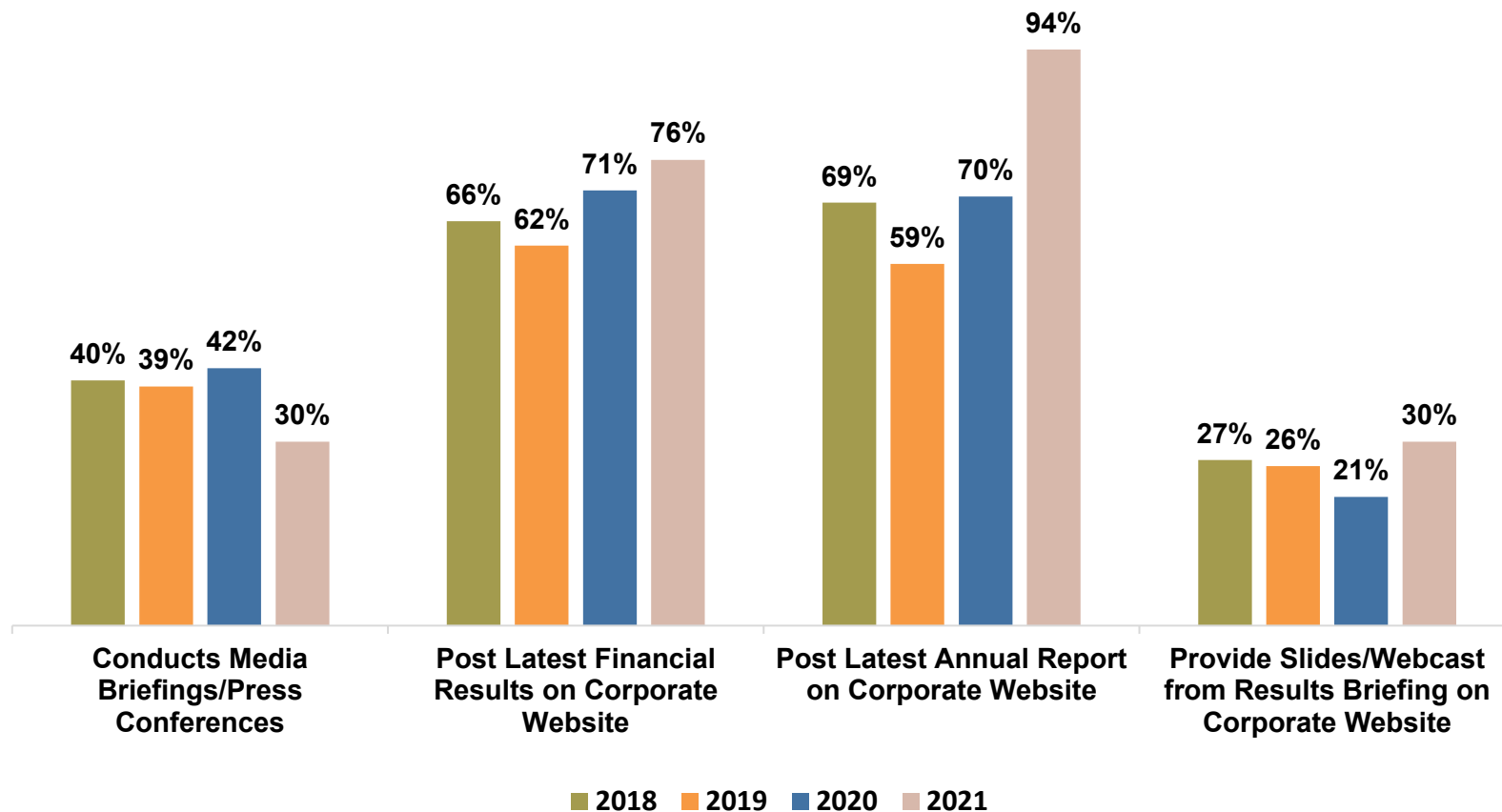


Examples of financial indicators are ROI, ROE and EPS. Examples of non-financial indicators are market share and customer satisfaction level.

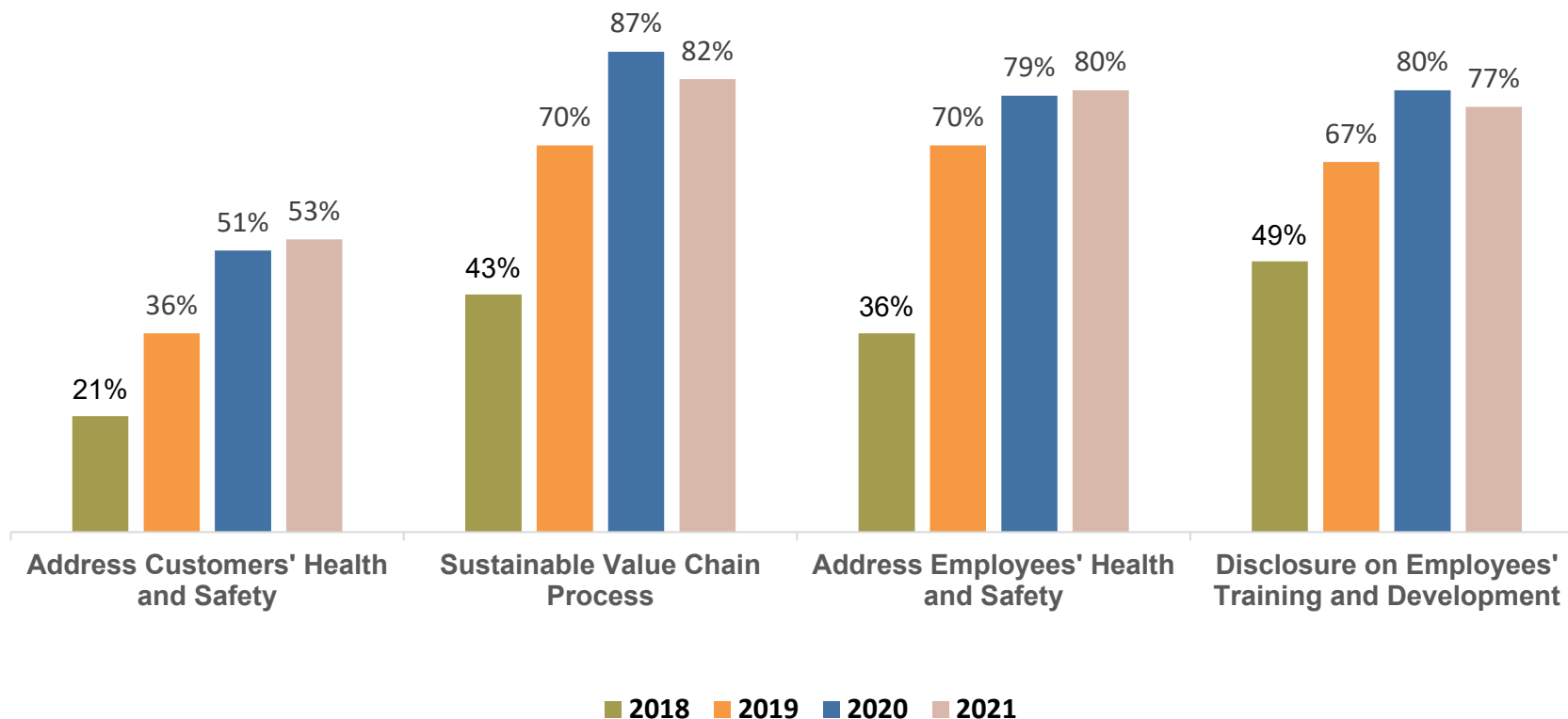
# Shareholder Rights



# Stakeholder Information



# Sustainability Management



# SGTI Framework – REITs & Business Trusts

Normalised Base Score (75 points)  
(B.R.E.A.D)

Board Responsibilities

Rights of Shareholders

Engagement of Stakeholders

Accountability & Audit

Disclosure & Transparency

Trust-Specific Items (25 points)  
(S.L.I.C.E)

Structure

Leverage

Interested Person Transactions

Competency of Trust Manager

Emoluments

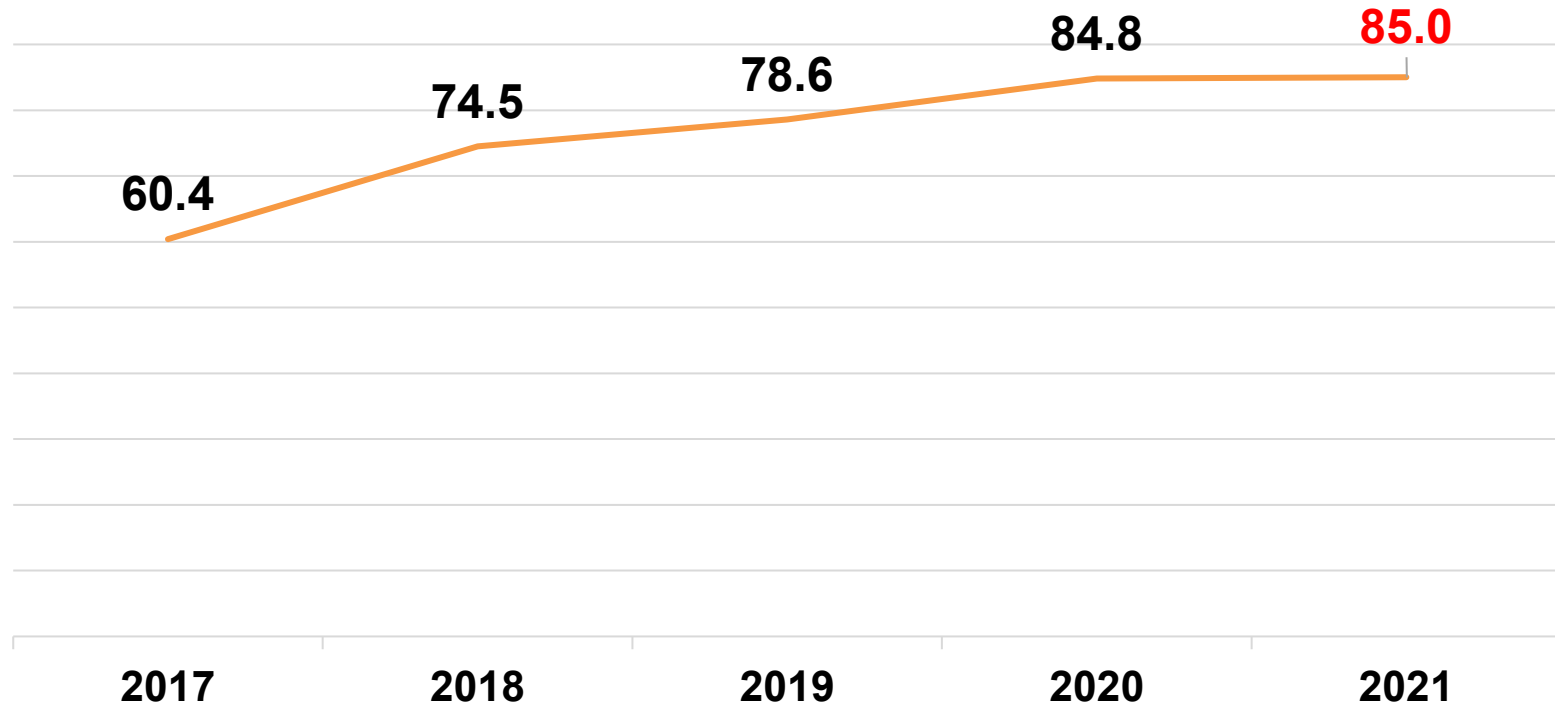
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Adjustments for Bonus & Penalty (43 points)

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Overall SGTI Score (143 points)

# Mean Score – REITs & Business Trusts

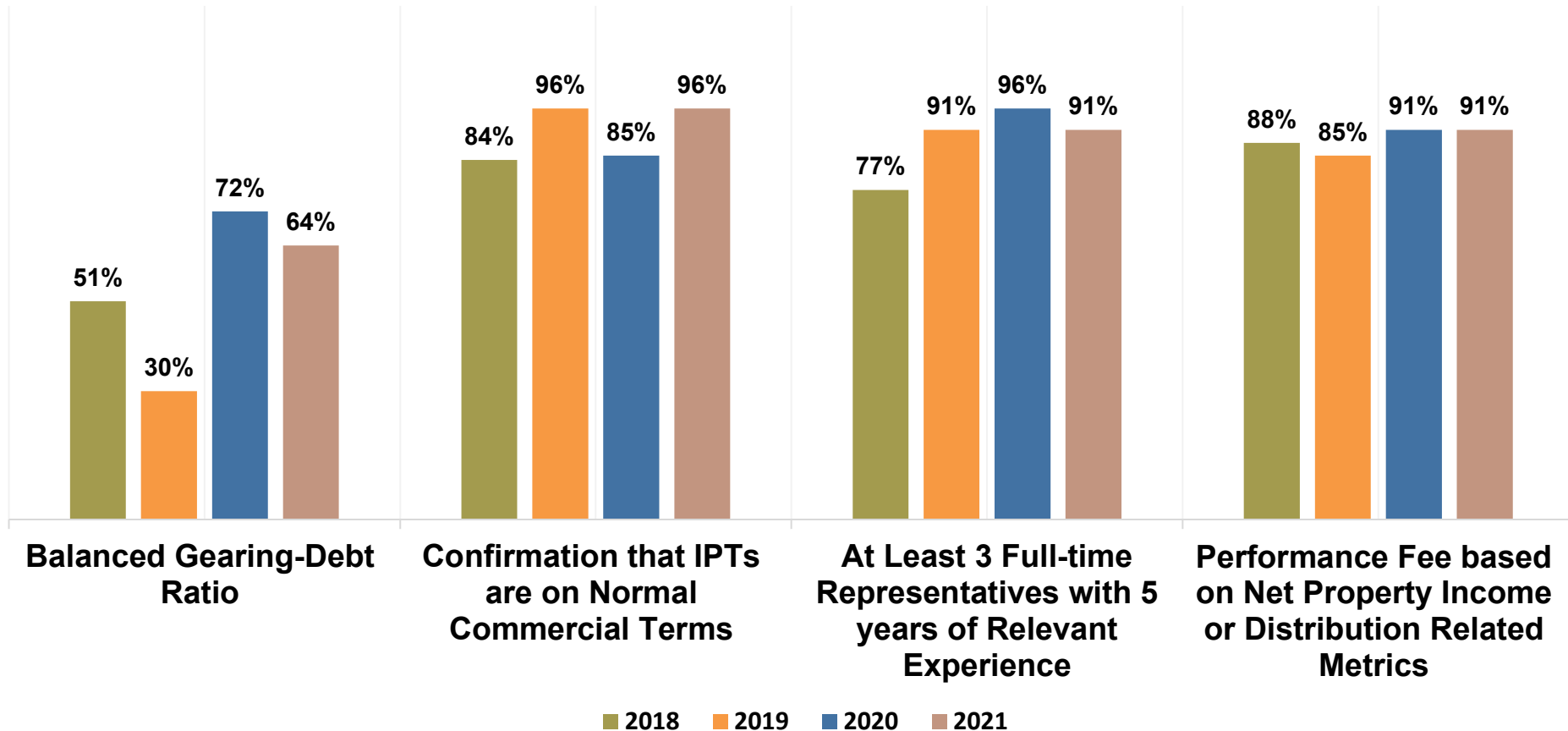




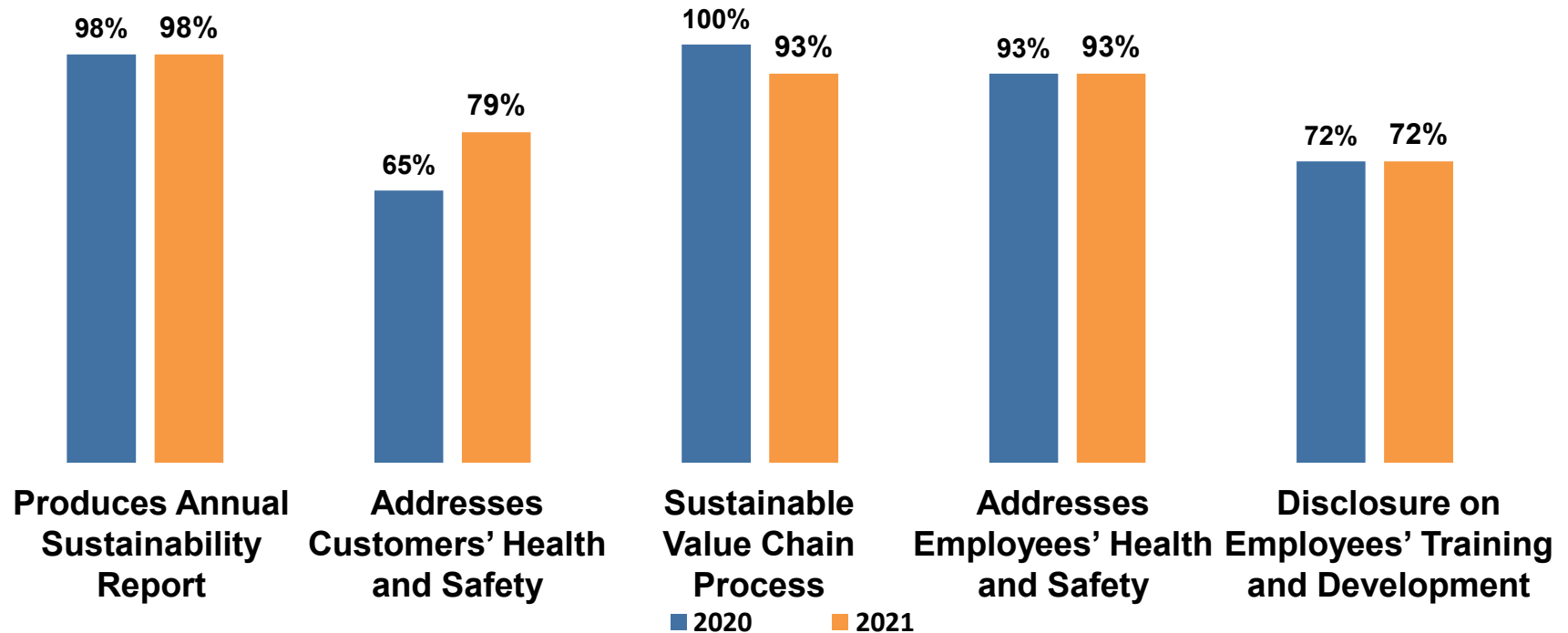
## Score Change Breakdown – REITs & Business Trusts

2021				2020			
Base SGTI 2021 Score	Bonus	Penalty	Overall SGTI 2021 Score	Base SGTI 2020 Score	Bonus	Penalty	Overall SGTI 2020 Score
71.5	18.5	5.1	85.0	72.6	17.2	5.0	84.8

# Key Findings – REITs & Business Trusts



# Sustainability Management – REITs & Business Trusts



# Boards and Stakeholders Beyond the Pandemic: Future Role of Sustainability

- Governance disclosures are guided by Code of Corporate Governance on comply-or-explain basis plus voluntary guidance and mandatory Listing Rules as well as other relevant laws
- Sustainability reporting is mandated by Listing Rules with components on comply-or-explain basis plus voluntary guidance
- With the increased importance attached to ESG (environmental, social and governance) aspects, how do we integrate sustainability into boards of directors in terms of substance and process?
- How about the emerged importance of climate change and the new post-pandemic or endemic?
- Is it time for a revised Code of Corporate Governance?
- What about other relevant initiatives and measures?

Note: The above regulations pertain to listed companies on Singapore Exchange

# Summary

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1. **SGTI 2021 increased marginally and reached all-time high scores** of 68.7 (General Category) and 85.0 (REIT and Business Trust Category)
2. In most domains of B.R.E.A.D, companies generally either maintained or improved their scores. **The domain 'Board Responsibilities' had notable drop in performance.**
3. There is **weaker positive relationship** between market capitalisation and total scores. Financial and Communication Services industries had **highest mean scores**. Real Estate and Financial industries had **higher variations in scores**.
4. For Boards, **assessment for director independence has increased**. **Board and audit committee meetings had decreased**. There was **strong increase** in disclosures on **director and board appraisals**.

# Summary

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5. In the aspect of stakeholders, **there is need for better opportunities for shareholders to ask questions at AGMs** and to receive timely meeting notices. **Media engagement has to be strengthened**. The **core aspects of sustainability** have seen **good progress momentum**.
6. **At the company level, it is essential to integrate sustainability with corporate governance**. Boards have to take on stronger roles.
7. **At the systemic level**, with the importance of **ESG** and critical aspects such as **climate change** and the **post-pandemic or endemic**, **is it time to review the Code of Corporate Governance and introduce other initiatives?**