

# Corporate governance improves at Singapore-listed companies

Best progress made by smaller firms but new areas of concern surface with WFH

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Companies listed in Singapore continued to improve their corporate governance standards this year, with smaller firms making the most progress.

But new areas of concern have also emerged as a result of work-from-home (WFH) arrangements during the Covid-19 pandemic.

The Singapore Governance and Transparency Index (SGTI) was higher this year compared with that in 2020, with the overall score for companies in the general category reaching 68.7 points, up 0.8 point from 67.9 points last year.

In the real estate investment trust (Reit) and business trust category, the score rose to 85 points from 84.8 last year.

The companies are evaluated based on board responsibilities, shareholders rights, stakeholder engagement, accountability and audit, as well as disclosure and transparency.

Of the 519 Singapore-listed companies ranked in the general category, inflight food caterer Sats emerged in the first place for the second year running. In joint second place were Singapore Exchange and Singtel.

The companies' strong performances are attributed to continued disclosure of the processes and criteria for how board members were appraised by the committees that nominated them, among other reasons.

Smaller companies made the biggest improvement in corporate governance this year.

Associate Professor Lawrence Loh of the National University of Singapore Business School's Centre for Governance and Sustainability said: "Last year, there was a strong correlation between high corporate governance standards and big companies. This year, that gap has narrowed considerably."

Smaller companies such as Sing Investments and Finance, Yoma Strategic Holdings and Del Monte Pacific scored well on the SGTI this year.

Ascott Residence Trust claimed



Staff at work at Sats Inflight Catering Centre 2. Of the 519 Singapore-listed companies ranked in the general category, inflight food caterer Sats emerged in the top spot for the second year running on the Singapore Governance and Transparency Index. Singapore Exchange and Singtel were in joint second place. ST FILE PHOTO

the top spot in the Reit and business trust category, followed by Far East Hospitality Trust and Ascendas Reit. The trusts did well in sustainability management and also in disclosing policies on the amount of funds they could borrow to invest for higher returns.

But some areas of concern have also emerged as a result of the coronavirus pandemic.

These include disclosures on board responsibilities, which deteriorated this year compared with last, said Prof Loh.

"There is a decline in disclosure on board matters, such as movements of directors and key management personnel from one company to another. The boards of directors are reluctant to disclose, beyond standard boilerplates, the reasons why some directors or executives leave a company," he said.

He added that most firms are

## Need for more climate-related information as expectations evolve

Listed firms improved corporate governance standards this year, but investor expectations continue to evolve, and disclosure requirements, including in areas such as sustainability, must evolve in tandem, said the chief executive of Singapore Exchange Regulation. Mr Tan Boon Gin was speaking at the launch of the Singapore Governance and Transparency Index 2021, which assesses the performance of listed companies in these areas.

Companies have been required since 2016 to produce sustainability reports which outline their environmental and social activity.

Mr Tan noted that investors are increasingly interested in non-financial statement disclosures in-

volving climate, sustainability and board diversity. He said Singapore companies should build upon that momentum and prepare for "intensifying scrutiny" by investors on the climate-related aspects of their businesses.

A survey of local financial institutions found climate-related disclosures are taken into consideration when evaluating which businesses to lend to, what risks to underwrite, or what assets to invest in. "Companies are increasingly having to prove to financial institutions that they have the wherewithal to deal with climate risk," said Mr Tan.

A review of listed companies' sustainability reports found climate-related information is still

lacking, with little assurance and standardisation of the data reported. Financial institutions have noted that there is a need for quality data metrics that are consistent with international frameworks, which would permit comparability between companies so they can make more effective investment decisions.

There is still limited consensus on standard setting for sustainability reporting in Singapore, Mr Tan said.

He also pointed to the need for more board diversity, noting it is important that companies benefit from perspectives that directors with different backgrounds and experience may offer.

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## IMPACT OF VIRTUAL PLATFORMS

**There is change in board dynamics. Communications have become less formal on virtual platforms and this has had an impact on record-keeping and decision making.**



**ASSOCIATE PROFESSOR LAWRENCE LOH**, of the National University of Singapore Business School's Centre for Governance and Sustainability, on the deterioration of official documentation standards this year.

now no longer disclosing the remuneration details of their top five management executives in their annual reports. "These disclosures used to tell a longer story. Now, only the bare minimum is disclosed," Prof Loh said.

Since the onset of the pandemic, the number of board meetings has declined and official documentation standards have deteriorated.

Prof Loh said this could be because directors and management are communicating more via e-mail, as well as social media platforms such as WhatsApp and other messenger applications.

"There is change in board dynamics. Communications have become less formal on virtual platforms and this has had an impact on record-keeping and decision making," he said.

As there is no proper framework for remote meetings and communications, some decisions may not be representative of shareholders or inclusive of the entire board.

"This raises concerns about objectivity and fairness, and does not represent good corporate governance," Prof Loh said.

He added that most Singapore-listed companies have also engaged less with the media and the public.

The SGTI is an annual study jointly conducted by CPA Australia, the National University of Singapore Business School's Centre for Governance and Sustainability and the Singapore Institute of Directors.

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