

CORPORATE GOVERNANCE

Singapore corporate governance improving; SATS maintains lead in governance index

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THE Singapore Governance and Transparency Index (SGTI) climbed to a new high this year, as companies committed themselves to better corporate governance and sustainability disclosure practices.

According to results released on Wednesday (Aug 3), the index's mean score in the general category breached the 70-point mark for the first time, hitting 70.6, up from 68.7 a year earlier.

For the third year running, ground handler and caterer SATS came in first on the index's general category, with a score of 122 points out of a possible 143 points.

Singapore divisional president of CPA Australia Max Loh said the positive trend in this year's findings demonstrates the "commendable efforts" of companies as they improve their governance and transparency.

Companies in the general category fared better in disclosing stakeholder engagement practices, with their mean score rising by 3 points to 61, while average scores for performance in disclosure and transparency also rose 3 points to 63. Both sections are among the sections of the index with the lowest average scores.



The trio of local banks were still ranked in the top 10 companies on the Singapore Governance and Transparency Index in 2022. PHOTO: ST FILE

"As businesses begin their recovery from the turbulence caused by the global pandemic, many new and emerging challenges are adding significant complexities to managing businesses. In this context, good leadership and governance – with a focus on accountability, transparency and sustainability – will remain the bedrock of long-term sustainable business performance," Loh added.

The trio of local banks also stayed within the top 10 companies on the index.

DBS gained 8 places to rank sec-

ond on the index, while UOB rose 2 places to rank fourth alongside City Developments and Singapore Exchange. OCBC lost 3 places to rank seventh, tied with Singapore Post.

Among the Straits Times Index's constituents, Thai Beverage was most improved – climbing 233 places to be ranked 185 this year. It scored 73 points, up from 56 points a year earlier.

In the wider market, maintenance, repair, and operations solutions provider Mencast Holdings improved by the greatest margin, jumping 304 places to be ranked 92

this year. The company scored 82 points, up from 58 points the year before.

Meanwhile, Micro-Mechanics and Sing Investments & Finance each received a special commendation under the mid-cap and small-cap categories, respectively.

The SGTI evaluated 489 Singapore Exchange-listed companies based on their corporate governance practices, as well as the timeliness, accessibility and transparency of their financial disclosures.

It was jointly conducted by CPA Australia, NUS Business School's Centre for Governance and Sustainability and the Singapore Institute of Directors. *The Business Times* is the strategic media partner for the study.

For the general category, the SGTI score is made up of a base score as well as an adjustment for bonuses and penalties.

Companies in this category are given a base score under the "BREAD" framework, which evaluates board responsibilities, rights of shareholders, engagement of stakeholders, accountability and audit, as well as disclosure and transparency.

Bonus points are then awarded for good practices, while penalty points are deducted for issues that point to poor governance.

Ascott Residence Trust retains corporate governance crown for Reits, business trusts

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ASCOTT Residence Trust (ART), the largest hospitality real estate investment trust (Reit) in Asia-Pacific, has topped the ranking among Singapore-listed Reits and business trusts for best corporate governance practices for the second straight year.

A stapled group comprising Ascott Real Estate Investment Trust and Ascott Business Trust, ART scored a total of 110.6 points for the 2022 edition of the *Singapore Governance and Transparency Index*.

On top of corporate governance practices, the annual study – jointly conducted by CPA Australia, the National University of Singapore (NUS) Business School's Centre for Governance and Sustainability (CGS) and the Singapore Institute of Directors (SID) – also evaluates Singapore-listed companies on the timeliness, accessibility and transparency of their financial disclosures.

Companies were evaluated based on their board responsibilities, rights of shareholders, engagement of stakeholders, accountability and audit, and disclosure and transparency.

In addition, the 44 Reits and business trusts were scored on their structure, leverage, interested person transactions, competency of Reit manager or trustee-manager, and emoluments.

SID chair Wong Su-Yen noted that there was “growing awareness of the importance of good corporate governance” among Singapore-listed companies. “It is heartening to see the improvements our companies have made despite the disruption to business-as-usual over the past 2 years,” she said. “This is... a testament to the efforts of all the companies in the industry, not just those at the top, to improve their corporate governance

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SID chair Wong Su-Yen

practices in Singapore.”

While ART retained its crown, it was a case of musical chairs among the other Reits and business trusts in the top 5.

Ascendas Real Estate Investment Trust (A-Reit) overtook 2021 runner-up Far East Hospitality Trust (FEHT) to claim second place in the ranking this year, while CapitaLand Integrated Commercial Trust (CICT) nudged past Netlink NBN Trust to rank fourth.

All the top 5 trusts received lower overall scores this year compared with 2021.

ART's winning score this year was 4.7 points lower than the 115.3 points it chalked up in 2021.

The 2022 scores for A-Reit (108.7), FEHT (107.4), CICT (107.2) and Netlink NBN Trust (105.2) were also between 1.2 and 6.4 points lower than their year-ago scores.

However, the average overall score for all the Singapore-listed Reits and business trusts inched up marginally to 85.3 points in 2022, from 85 points last year.

Since the launch of the Reits and business trusts category in 2017, there has been an improvement in the mean scores for each year.

The Reits and business trusts scored an average of 60.4 points in the inaugural edition in 2017.

“The improvement in corporate governance, as evidenced by the improving mean scores of the index, can be attributed to 2 main factors,” said Professor Lawrence Loh, director of NUS Business School's CGS.

“First, the accountability required by companies on sustainability matters has spurred better corporate governance in recent years. Second, guidelines for corporate governance in Singapore is placing more emphasis on directors' responsibilities and independence in matters relating to governance and transparency,” he said.

How scoring for the Index is done

The Singapore Governance and Transparency Index (SGTI) is a joint initiative of CPA Australia, NUS Business School's Centre for Governance and Sustainability (CGS), and Singapore Institute of Directors. The strategic media partner is *The Business Times*.

The objective of the SGTI is to evaluate listed companies, including Reits and Business Trusts, on their corporate governance practices and disclosures, as well as the timeliness, accessibility and transparency of their financial results.

SGTI is a unified framework comprising two separate categories: the General Category and the Reit and Business Trust Category. These categories are distinct and are not to be compared directly with each other.

For the General Category, the SGTI score has 2 components: the base score and the adjustment for bonuses and penalties. The base score for companies contains 5 sections ("BREAD"): (1) board re-

sponsibilities [35 points]; (2) rights of shareholders [20 points]; (3) engagement of stakeholders [10 points]; (4) accountability and audit [10 points]; and (5) disclosure and transparency [25 points]. The aggregate of bonuses and penalties is incorporated to the base score to arrive at the company's SGTI total score.

For the Reit and Business Trust Category, the companies are evaluated on a similar set of criteria, but with added coverage on the unique nature of their operations. The base score for Reits and Business Trusts includes: items in the base score for the SGTI (converted to 75 points) as well as trust-specific items for Reits and Business Trusts (25 points), which covers 5 aspects ("SLICE"): (1) structure; (2) leverage; (3) interested person transactions; (4) competency of Reit manager/trustee-manager; and (5) emoluments.

SGTI 2022 covers 489 Singapore-listed companies in the Gen-

eral Category as well as 44 Reits and Business Trusts that released their annual reports by May 31, 2022. The sources of information for SGTI assessment include annual reports, sustainability reports, websites and announcements on SGXNet. Announcements made on SGXNet as well as in media coverage that occurred between Jan 1, 2020 and May 31, 2022 have been used to update the scores.

The SGTI assessment is conducted independently with an in-house research team at CGS and guidance from an external advisory panel.

Further information on the scoring methodology, including the full instrument, and past results may be obtained from CGS's website at <https://bschool.nus.edu.sg/cgs/>.

Queries about the SGTI may be sent to cgs@nus.edu.sg. In order to maintain independence and fairness of the SGTI, reports or advice cannot be provided to individual companies.