

# Trusts fare well in new governance index

But like other listed firms, Reits and business trusts were weakest in terms of remuneration details

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Real estate investment trusts (Reits) and business trusts in Singapore scored well in a new corporate governance ranking but like other listed firms, disclosure was the poorest when it came to remuneration details.

Keppel DC Reit, Parkway Life, Soilbuild Business Space, AIMS AMP Capital Industrial and Starhill Global were the top five in the new Governance Index For Trusts unveiled yesterday. SPH Reit was 13th.

This is the first league table for the 45 Reits and business trusts listed here. They have a total market capitalisation of about \$85 billion.

The index was developed by corporate governance expert Mak Yuen Teen and active investor Chew Yi Hong, with the support of accounting body CPA Australia.

“Existing governance indices in Singapore exclude this class of assets because their governance structures and practices, and applicable rules and regulations, are different from that of listed companies,” Professor Mak said.

He noted that the 43 trusts assessed did “quite well”, with an average score of 65 out of 100. Two trusts were excluded from the scoring as they are newly listed and have not published their annual reports.

SGX chief regulatory officer Tan Boon Gin hopes that the index will not only “increase transparency, but also act as a catalyst for Reits and business trusts to benchmark themselves against one another and to raise overall corporate governance standards of the sector”.

While the corporate and management structure of trusts differs from that of a typical company, the same fiduciary duties remain in place for the board and senior management, Mr Tan noted.

Prof Mak told *The Straits Times* yesterday that disclosure of remuneration details is “the weakest area” for Reits and business trusts.



Keppel DigiHub, a data centre owned by Keppel DC REIT, in Serangoon North. The Reit – together with Parkway Life, Soilbuild Business Space, AIMS AMP Capital Industrial and Starhill Global – was among the top five in the new Governance Index For Trusts, the first league table for the 45 Reits and business trusts listed in Singapore. PHOTO: KEPPEL CORPORATION

“In fact, for trusts, it is even worse because they take the position that it is not the unit holder’s business, because they are not the ones paying the remuneration. It is the manager who pays the remuneration.”

Only 7 per cent, or three trusts, disclosed the chief executive’s or executive director’s exact remuneration, while 26 per cent had remuneration bands for these positions. The remainder did not make any disclosures.

While 77 per cent disclosed the actual fees paid to each non-executive director, only 16 per cent stated

the actual fee structure or how fees are determined, Prof Mak said.

Prof Mak also wants more trusts to link a manager’s performance

\$85b

Total market capitalisation of the 45 Reits and business trusts listed in the league table.

fee to distribution per unit or net asset value per unit, instead of net property income.

“Just because net property income has increased, it does not necessarily mean unit holders’ interests have improved,” he said.

“A better measure would be to look at returns, which take into account the amount of investment, or distribution per unit, which takes into account the number of units.”

Trusts scored well for being transparent about fees paid to the manager and other entities providing services to the trust.

Also, Prof Mak said they fared better than listed companies in terms of investor relations and communication with shareholders.

“Look at the timeliness of their notice of meetings, how quickly they release their results, and the way they organise their websites; for trusts, the whole website is investor-focused,” he said.

“For some listed companies, it is hard to find their investor relations link on the website, which seems to be designed mostly for customers.”

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