

## CORPORATE GOVERNANCE

# Governance index leaps to new high, but still room for improvement

It hits record 67.9 points; but scores for accountability and audit, disclosure and transparency slide as some still fail to embrace spirit of the rules

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### Singapore

THE Singapore Governance and Transparency Index (SGTI) 2020 surged to a record high, but two crucial components – accountability and audit as well as disclosure and transparency – have been falling and warrant concern, as industry players see an even greater need for governance to survive the Covid-19 turmoil.

In his opening address at the Singapore Governance and Transparency Forum, Singapore Exchange Regulation (SGX RegCo) chairman Tan Cheng Han stressed that in times of rapid change and uncertainty, it is crucial to embed the culture of timely, accessible and transparent disclosures within a company.

“During this era of extreme uncertainty and therefore risk, it is obvious that high standards of corporate governance, including proper disclosures to members of the investing public, become even more important,” he said.

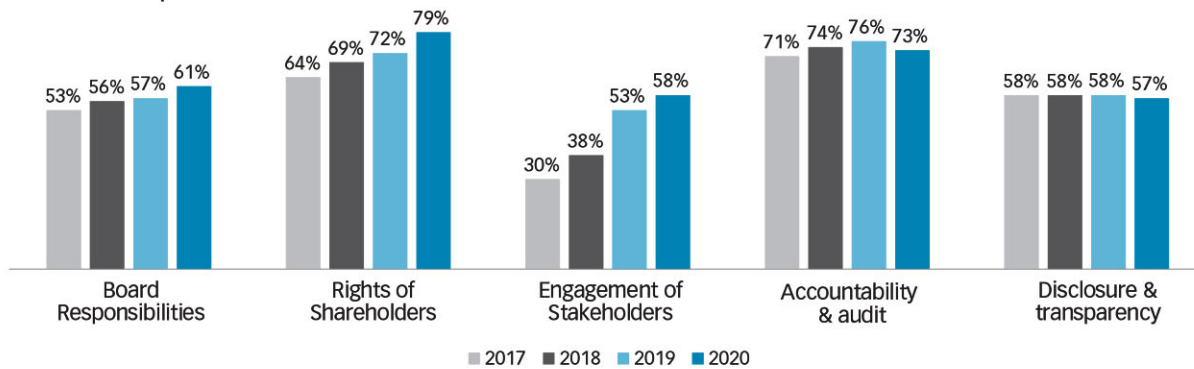
A “top-down” and “highly prescriptive approach” to corporate governance by regulators will not always be helpful in such circumstances, he added. “Of course this is not binary; there will be times when clear prescriptive rules are necessary and these can co-exist with principles-based rules for corporate governance.”

There is still a tendency for some companies to act according to the letter of the law, rather than its spirit, resulting in tardy and vague disclosures. All stakeholders, especially management, need to respect the roles of other stakeholders and “to see them as partners rather than as a necessary cost for doing business”, Mr Tan said.

The SGTI, which assesses companies on corporate governance disclosure and practices as well as the timeliness, accessibility and transparency of their financial results announcements, hit a record high of 67.9 points this year against 59.3 points last year, in the general category assessing 577 listed companies.

### General performance

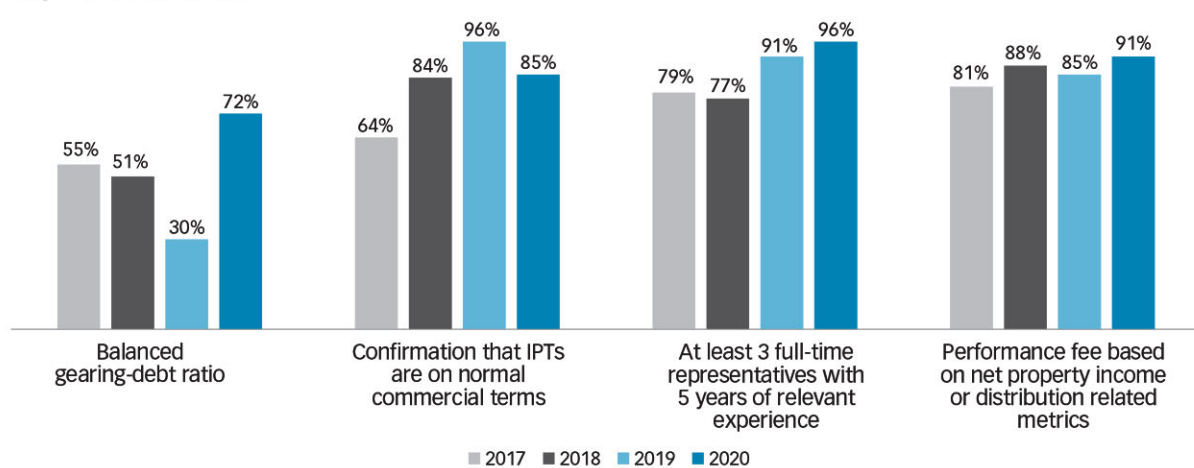
#### Room for improvement



Source: SGTI 2020

### Reits and business trusts

#### A-grade performance



Source: SGTI 2020

The 45 real estate investment trusts (Reit) and business trusts, on average, achieved a higher score of 84.8, partly due to additional regulatory requirements. The SGTI is a joint initiative of CPA Australia, NUS Business School's Centre for Governance, Institutions and Organisations (CGIO), and Singapore Institute of Directors. *The Business Times* is the strategic media partner.

Within the general category, companies showed improvements in scores on shareholders' rights, board responsibilities and stakeholders' en-

gagement. But the percentage score for accountability and audit fell to 73 per cent from 76 per cent previously, while disclosure and transparency dipped to 57 per cent from 58 per cent a year ago.

The percentage score for disclosure of key risks and risk management strategies fell to 24 per cent this year from 33 per cent three years ago and 31 per cent last year. Disclosure of risk tolerance policy fell to 5 per cent from 8 per cent last year. Linking risk management with remuneration also needed to be addressed.

The disclosure of name and relationship for each related party transaction has been falling, from 57 per cent three years ago to 42 per cent this year. Disclosure of the nature and value of each significant related party transaction was also on a decline from 52 per cent three years ago to 38 per cent this year.

In a panel discussion following the unveiling of the findings, Chaly Mah, former chief executive of Deloitte Southeast Asia and chairman of Deloitte Singapore, said many companies have found their business continu-

ity plans do not work in a pandemic environment.

“This is where the board plays a very important role. Because of its governance role, the board has to ask all the difficult questions to management around cost management, conservation of cash... the physical and mental health and safety of your people and whether the business model will survive post-Covid,” Mr Mah said.

Beh Siew Kim, chief executive of Ascott Residence Trust's managers, said that during these challenging times for the hospitality sector, environmental, social, and governance (ESG) issues may be slighted, but “the governance part is vital for us to come out of the Covid-19”.

Lee Wai Fai, group chief financial officer at UOB, shared that interactions with the board are “very frequent now” and the board is in constant dialogue with investors, including those in the US, on what the bank is doing and where it sees the areas of high risks, especially when the government relief is eventually removed. Frequent communication is also extended to staff, to ease concerns over job security and retrenchments.

Mr Lee said there is a need to look at disclosure more holistically, rather than in a siloed manner.

Sustainability was another key topic the panel focused on, with many agreeing that it is no longer an agenda driven by regulators, but an embedded practice driven by the market as global funds go green.

UOB's Mr Lee shared that four years ago, the bank was not ready for sustainability reporting, and generated two pages on the topic in its annual report. Today, it makes up 66 pages.

“It's a journey,” he said, adding that these days when he makes presentations to investors, he has to allocate up to an hour on sustainability. “We have moved from four years ago, doing what SGX said to do, to now embedding these practices.”

➔ More reports: Pages 2, 6, 7, 20



## CORPORATE GOVERNANCE

# Sats, Singtel, CDL lead the pack in SGTI2020 ranking

Telecommuting shows up weak risk management, particularly in times of crises

By **Rae Wee**

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### Singapore

SCORES for the Singapore Governance and Transparency Index (SGTI) again reached a new high this year, with companies achieving a mean overall score of 67.9 points – up 8.6 points from the previous year.

Ground handler and caterer Sats came out on top with a score of 131 points, moving up five places from 2019 when it scored 115 points.

Singtel ranked second and City Developments third. CapitaLand and DBS Group Holdings tied for fourth place with a score of 123 points, while Keppel Corp was propelled to the sixth place from 21st last year.

The SGTI is published annually by CPA Australia; NUS Business School's Centre for Governance, Institutions and Organisations (CGIO); and the Singapore Institute of Directors.

It evaluates companies based on their corporate governance practices and disclosures, as well as the timeliness, accessibility and transparency of their financial results.

This year, scores were given to a total of 577 Singapore-listed companies and 45 real estate investment trusts (Reits) and business trusts.

Companies in the general category were first given a base score, before being awarded bonus points for good practices or having penalty points deducted for issues that pointed to poor governance.

"It's very encouraging to see such an improvement in scores this year, and reflects well. Many companies have worked hard to communicate their efforts around these issues, and it's heartening to see them being recognised," said David Smith, head of corporate governance for Aberdeen Standard Investments in Asia-Pacific.

While the scores mostly showed signs of improvement, disclosures re-

lated to risks and associated risk management strategies have declined.

Companies that disclose their risk tolerance policy or the link between risk management and remuneration hover at the five to 10 per cent mark.

David Gerald, chief executive of the Securities Investors Association (Singapore), said the group is "disturbed" by the lack of such disclosures.

"Some of the annual reports are form over substance still," he said.

Lawrence Loh, associate professor at the NUS Business School and director of CGIO, said that while low rates of disclosure do not necessarily imply deficiencies in risk management, "it does put into question the robustness of the risk management structures adopted by companies, particularly in times of crises".

This was evident when telecommuting became the main mode of working, following the outbreak of the novel coronavirus.

Justin Tang, head of Asian research at United First Partners, said that in the early stages of lockdown, "it was clear that many companies were not equipped for their staff to work from home effectively".

But companies with good corporate governance would have had the "necessary structures that will allow them to rapidly make the necessary decisions in response to the crisis", he added.

Still, the "strides" made in this year's scores and results come as no surprise to Irving Low, co-head of advisory at KPMG in Singapore, thanks to revisions made to the Code of Corporate Governance and SGX listing rules in 2018.

But he expects to see "an interesting read of the results" next year. He said: "In light of Covid-19, coupled with trade wars, how and will companies actually be as transparent to disclose adequately to reflect the reality of business on the ground?"



**Singapore Governance and Transparency Index 2020: General Category**

RANK 2020	COMPANY NAME	BASE SCORE	ADJUST- MENTS FOR BONUSES/ PENALTIES	OVERALL SGTI 2020 SCORE	OVERALL SGTI 2019 SCORE	RANK 2019	RANK 2020	COMPANY NAME	BASE SCORE	ADJUST- MENTS FOR BONUSES/ PENALTIES	OVERALL SGTI 2020 SCORE	OVERALL SGTI 2019 SCORE	RANK 2019	RANK 2020	COMPANY NAME	BASE SCORE	ADJUST- MENTS FOR BONUSES/ PENALTIES	OVERALL SGTI 2020 SCORE	OVERALL SGTI 2019 SCORE	RANK 2019
1	SATS	97	34	131	115	6	191	HANWELL HDLGS	74	-1	73	69	153	383	FORISE INTERNATIONAL	59	1	60	52	371
2	SINGAPORE TELECOMMUNICATIONS	96	32	128	129	1	191	IFS CAPITAL	73	0	73	65	203	383	FRAGRANCE GROUP	58	2	60	43	470
3	CITY DEVELOPMENTS	91	34	125	117	3	191	ISETAN (S)	64	9	73	70	143	383	FRAGRANCE GROUP	58	2	60	43	470
4	CAPITALAND	92	31	123	122	3	191	MULTI-CHEM	64	9	73	71	136	383	GSS ENERGY	56	4	60	58	300
4	DBS GROUP HDLGS	91	32	123	125	2	191	Q & M DENTAL GROUP (S)	75	-2	73	56	323	383	GYP PROPERTIES	63	-3	60	47	432
6	KEPPEL CORP	97	25	122	100	21	191	REBS HDLGS	70	3	73	67	179	383	KOH BROTHERS GROUP	54	-6	60	48	426
7	SINGAPORE EXCHANGE	96	25	121	121	4	191	RIVERSTONE HDLGS	65	8	73	80	87	383	PAN HONG HDLGS GROUP	57	-3	60	52	371
8	SEMPCORP INDUSTRIES	94	24	118	115	6	191	SING HDLGS	58	15	73	65	203	383	PLATO CAPITAL	55	5	60	48	426
9	OVERSEA-CHINESE BANKING CORP	91	23	114	115	6	191	SINGAPORE SHIPPING CORP	73	0	73	64	214	383	PROGEN HDLGS	61	-1	60	55	337
10	UNITED OVERSEAS BANK	92	21	113	111	9	191	SINGHARY GROUP	70	3	73	65	203	383	T T J HDLGS	62	-2	60	40	488
11	SINGAPORE PRESS HDLGS	90	22	112	110	10	191	SINUA LAND	60	13	73	60	271	383	TAIRING ELECTRIC	64	-4	60	80	67
12	SINGAPORE POST	86	25	111	91	32	191	UNION STEEL HDLGS	67	6	73	52	371	396	ASIA VETS HDLGS	58	1	59	50	401
13	COMFORTDELGRO CORP	92	18	110	103	14	191	YEO HAP SENG	79	-6	73	83	55	396	BLUMONT GROUP	60	-1	59	37	510
13	MICRO-MECHANICS (HDLGS)	85	25	110	101	16	206	BRITISH AND MALAYAN HDLGS	67	5	72	59	282	396	CHINA INTERNATIONAL HDLGS	55	-4	59	50	401
15	DEL MONTE PACIFIC	83	26	109	104	13	206	BROOK CROMPTON HDLGS	67	5	72	70	143	396	CORLUFE GROUP	61	-2	59	47	432
16	VICOM	80	27	107	101	17	206	ES GROUP (HDLGS)	61	11	72	77	81	396	CPH	56	3	59	53	361
17	PERENNIAL REAL ESTATE HDLGS	89	17	106	100	21	206	EXCELPOINT TECHNOLOGY	69	3	72	59	282	396	HENGYANG PETROCHEMICAL LOGISTICS	56	3	59	56	323
17	SBS TRANSIT	83	23	106	87	40	206	MTQ CORP	65	7	72	88	38	396	HAP TONG CORP	52	7	59	44	461
17	TUAN SING HDLGS	84	22	106	106	11	206	PROPNEX	72	0	72	-	-	396	HOSON GROUP	60	-1	59	55	337
20	GLOBAL INVESTMENTS	81	24	105	106	11	206	SHOPPER360	68	4	72	53	361	396	JAWALA INC.	57	2	59	-	-
21	GUOCOLAND	85	19	104	101	17	206	SOLIBUILD CONSTRUCTION GROUP	68	4	72	77	81	396	JUBILEE INDUSTRIES HDLGS	59	0	59	60	271
22	QIAN HU CORP	81	22	103	92	30	206	UNION GAS HDLGS	71	1	72	76	87	396	LUXING GROUP HDLGS	59	0	59	51	385
23	HONG FOK CORP	80	22	102	82	62	206	WILLAS-ARRAY ELEC (HDLGS)	59	13	72	73	110	396	PROCURRI CORP	59	0	59	52	371
24	YOMA STRATEGIC HDLGS	84	17	101	102	15	216	ALLIED TECHNOLOGIES	70	1	71	30	540	396	QT VASCULAR	57	2	59	49	418
25	HONG LEONG FINANCE	85	14	99	96	28	216	ANARA HDLGS	65	6	71	73	110	396	SECURA GROUP	68	-9	59	69	153
26	HONG LEONG ASIA	79	19	98	96	26	216	CFM HDLGS	63	4	71	69	153	396	SITRA HDLGS (INTERNATIONAL)	59	0	59	61	256
27	SIA ENGINEERING CO	79	18	97	92	30	216	EUROSPORTS GLOBAL	66	5	71	73	110	396	SWEET HONG	58	1	59	52	371
27	SING INVESTMENTS & FINANCE	82	15	97	95	29	216	KING WAN CORP	66	15	71	50	401	412	ADVENTUS HDLGS	59	-1	58	50	401
27	SINGAPORE TECHNOLOGIES ENGINEERING	82	15	97	95	29	216	KITCHEN CULTURE HDLGS	66	5	71	41	484	412	CARTIN	57	-1	58	68	167
30	GREAT EASTERN HDLGS	87	8	95	99	24	216	MAXI-CASH FINANCIAL SERVICES CORP	59	12	71	69	153	412	CREATIVE TECHNOLOGY	62	-4	58	59	282
30	OLAM INTERNATIONAL	80	15	95	102	15	216	PACIFIC RADIANCE	64	7	71	-	-	412	EINDEC CORP	53	5	58	62	242
32	FIRST RESOURCES	81	13	94	82	62	216	RH PETROGAS	67	7	71	35	520	412	HATTEN LAND	68	-10	58	50	401
32	GRAND BANKS YACHTS	78	16	94	83	55	216	SIN LESURE GROUP	75	6	71	-	-	412	HONGKONG ENERGY GROUP	68	-10	58	50	401
32	SEMPCORP MARINE	80	14	94	79	75	216	SOUTHERN PACKAGING GROUP	66	5	71	50	401	412	NO SIGNBOARD HDLGS	66	-8	58	39	498
32	SINGAPORE AIRLINES	78	16	94	99	24	216	THE HOUR GLASS	63	8	71	70	143	412	INTEGRATOR INTERNATIONAL	63	-5	58	65	203
32	SINGAPORE O&G	78	16	94	83	55	216	UNI-ASIA GROUP	63	8	71	69	153	412	PEC	61	-3	58	50	401
32	VENTURE CORP	83	11	94	77	37	216	VKING OFFSHORE AND MARINE	65	4	71	36	415	412	POLARIS	63	-4	58	30	401
38	DYNAMIC COLOURS	76	17	93	83	55	216	YONGNAM HDLGS	65	6	71	57	313	412	SEN YUE HDLGS	55	3	58	64	214
38	GEO ENERGY RESOURCES	74	19	93	86	42	231	BAN LEONG TECHNOLOGIES	66	4	70	54	349	412	YANLORD LAND GROUP	67	-9	58	58	300
38	STARHUB	82	11	93	101	17	231	CHINA KUNDA TECHNOLOGY HDLGS	69	23	70	59	282	412	YANLORD LAND GROUP	67	-9	58	58	300
41	AVI-TECH ELECTRONICS	76	16	92	83	55	231	CLEARBRIDGE HEALTH	68	2	70	80	67	424	ARION ENTERTAINMENT SINGAPORE	58	-1	57	55	337
41	BANYAN TREE HDLGS	84	8	92	85	48	231	FITREE HDLGS	60	10	70	70	143	424	A-SONIC AEROSPACE	56	1	57	61	256
41	FAR EAST ORCHARD	77	15	92	83	55	231	GOLDEN ENERGY AND RESOURCES	67	3	70	66	195	424	CHINA MINING INTERNATIONAL	65	-8	57	59	282
41	HOTEL ROYAL	73	19	92	80	69	231	GSH CORP	70	67	70	67	179	424	FRENGEN GROUP	57	0	57	76	179
41	KODA	78	14	92	75	93	231	HAFARY HDLGS	73	-3	70	69	153	424	GREEN BUILD TECHNOLOGY	59	-2	57	39	498
46	ISON HDLGS	73	18	91	73	110	231	JASON MARINE GROUP	72	-2	70	68	167	424	KEONG HONG HDLGS	66	-9	57	72	123
46	JARDINE CYCLE & CARRIAGE	78	13	91	86	42	231	LIBRA GROUP	67	3	70	49	418	424	KT GLOBAL	60	-3	57	23	562
46	WING TAI HDLGS	78	13	91	80	67	231	NIRPENT	67	3	70	67	179	424	MEGHAN ORGANICS	58	-1	57	42	479
49	MIYOSHI	78	12	90	87	40	231	SK JEWELLERY GROUP	64	6	70	67	179	424	MSM INTERNATIONAL	65	-8	57	66	195
49	UNITED OVERSEAS INSURANCE	69	21	90	86	42	231	SYNAGIE CORP	72	-2	70	-	-	424	ONEAPEX	56	-1	57	-	-
51	AEM HDLGS	74	14	89	79	75	231	TSH CORP	58	12	70	40	488	424	TRUSTSTAR	61	-6	57	-	-
51	CENTURION CORP	75	5	89	80	62	231	UNISUL	66	4	70	60	271	424	UNISUL	57	0	57	51	385
51	HAW PAR CORP	73	16	89	90	34	231	ZHENENG JINJIANG ENV HDLG	70	0	70	75	93	437	ABR HDLGS	63	3	56	67	179
51	MDR	70	19	89	86	42	246	BH GLOBAL CORP	61	1	69	68	167	437	ADVALUE TECHNOLOGIES	60	-4	56	46	445
55	ENGRO CORP	72	16	88	40	488	246	CHEUNG CHEUNG TECHNOLOGIES	65	4	69	68	167	437	ADVALUE TECHNOLOGIES	60	-4	56	46	445
55	HALCYON AGRI CORP	79	9	88	79	79	246	HI-P INTERNATIONAL	70	-1	69	60	271	437	AUSGROUP	58	-2	56	39	498
55	NERA TELECOMMUNICATIONS	78	10	88	85	48	246	PACIFIC CENTURY	63	3	69	48	426	437	CSC HDLGS	53	0	56	54	349
55	REX INTERNATIONAL HDLG	75	13	88	72	123	246	REGIONAL DEVELOPMENTS	67	2	69	62	242	437	ENVIRO-HUB HDLGS	56	0	56	64	214
55	ROYAL PACIFIC HDLGS	76	12	88	64	214	246	STARLAND HDLGS	66	2	69	62	242	437	ENVIRO-HUB HDLGS	56	0	56	64	214
55	SINGAPORE FINANCE	68	20	88	72	123	246	TALKMED GROUP	66	3	69	64	214	437	HYPHENS PHARMA INTERNATIONAL	70	-14	56	-	-
55	UNITED GLOBAL	72	16	88	72	123	246	TEE INTERNATIONAL	74	-5	69	86	42	437	INFORMATICS EDUCATION	48	8	56	30	540
62	CHASSEN HDLGS	74	13	87	63	228	246	VIBROPOWER CORP	58	11	69	47	432	437	ADASON ENTERPRISES	59	-3	56	48	426
62	FRASERS PROPERTY	84	7	84	77	37	246	ACESIAN PARTNERS	65	5	69	46	415	437	LIOW ASIA PAC	56	-5	56	45	456
64	ASL MARINE HDLGS	76	10	86	84	51	254	ADVANCED SYSTEMS AUTOMATION	65	3	68	51	385	437	METAL COMPONENT ENGINEERING	62	-6	56	47	432
64	CHINA SUNSINE CHEMICAL HDLGS	80	6	86	76	87	254	AP OIL INTERNATIONAL	57	11	68	67	179	437	RAFFLES INFRASTRUCTURE HDLGS	64	-8	56	30	540
64	FIRST SPONSOR GROUP	71	15	86	50	401	254	BUND CENTER INVESTMENT	61	7	68	66	195	437	RICH CAPITAL HDLGS	63	-7	56	35	520
64	INTRACOD	71	15	86	79	65	254	CHINA HADAM	65	5	68	53	337	437	SECURA GROUP	68	-9	56	69	153
64	KOP	72	14	86	60	271	254	FABCHEM CHINA	64	4	68	63	228	437	TRANSIT-MIXED CONCRETE	56	0	56	51	385
64	UOL GROUP	81	5	86	74	101	254	FAR EAST GROUP	60	8	68	73	110	437	TRAVELITE HDLGS	62	-6	56	62	242
70	BOUSTEAD PROJECTS	76	9	85	72	123	254	GLOBAL INVAICOM GROUP	70	4	68	64	214	437	VALUENAX GROUP	52	4	56	47	470
70	CDW HDLGS	78	7	85	68	167	254	HG METAL MANUFACTURING	58	10	68	76	87	437	WINAS	59	-4	56	52	371
70	CHIP ENG SENG CORP	74	11	85	62	242	254	HOCK LIAN SENG HDLGS	64	4	68	72	123	437	WORLD PRECISION MACHINERY	59	-3	56	56	323
70	COSMOTEST HDLGS	83	2	85	78	79	254	MEGROUP	60	8	68	-	-	457	AGV GROUP	57	-2	55	44	461



# 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, Institutions and Organisations (CGIO), and Singapore Institute of Directors. The strategic media partner is *The Business Times*.

The objective of the SGTI is to evaluate listed companies, including real estate investment trusts (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, namely 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 two components: the base score and the adjustment for bonuses and penalties. The base score for companies contains five sections ("BREAD"):

- (1) board responsibilities;
- (2) rights of shareholders;
- (3) engagement of stakeholders;
- (4) accountability and audit; and
- (5) disclosure and transparency. 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 five aspects ("SLICE"):

- (1) structure;
- (2) leverage;
- (3) interested person transactions;
- (4) competency of Reit manager/trustee-manager; and
- (5) emoluments.

SGTI 2020 covers 577 Singapore-listed companies in the General Category as well as 45 Reits and Business Trusts, which released their annual reports by June 30, 2020. The sources of information for SGTI assessment include annual reports, websites, announcements on SGXNet, and investor relations' email responsiveness. Announcements made on SGXNet as well as in media coverage, which occurred between Jan 1, 2018 and May 31, 2020, have been used to update the scores.

Further information on the scoring methodology, including the full instrument, and past results may be obtained from CGIO's website at <http://bschool.nus.edu.sg/CGIO>. Queries about the SGTI may be sent to [cgio@nus.edu.sg](mailto:cgio@nus.edu.sg). In order to maintain independence and fairness of the SGTI, reports or advice cannot be provided to individual companies.