

REIT WATCH

Governance and transparency scores of S-Reits hit all-time high

By Candace Li

THE annual Singapore Governance and Transparency Index (SGTI) assesses Singapore-listed companies on their corporate governance disclosure and practices, as well as the timeliness, accessibility and transparency of their financial results announcement, so as to provide investors with greater transparency and accountability.

The SGTI is a collaboration among CPA Australia, NUS Business School's Centre for Governance and Sustainability, and the Singapore Institute of Directors, supported by *The Business Times*.

The SGTI 2021, which assessed companies based on their annual reports for Financial Year 2020 released by June 15, 2021, is divided into two

categories – general category (519 companies) and the Reits and business trusts category (43 trusts).

The mean overall scores of both categories reached all-time highs of 68.7 (general category) and 85.0 (Reits and business trusts category) respectively.

In the Reits and business trusts category, Ascott Residence Trust moved up from third place last year to claim the top rank with an overall score of 115.3.

Far East Hospitality Trust, which scored 113.8 points, moved up two positions to second place and Ascendas Reit jumped from eighth place to enter the top three with 111.1 points.

In the SGTI 2021 press release, it was noted that these trusts had done well in sustainability management and in disclosing policies on the

amount of funds they could borrow to invest for higher returns.

In addition, they have a minimum of three full-time key representatives who each has at least five years of experience relevant to Reit management.

The mean overall score of the Reits and business trust category increased by 0.2 point year on year and the bonus points for good disclosure practices increased by 1.3 points to 18.5 points.

One example of good disclosure, given in the press release, is disclosing information on the succession planning for the board and senior management.

The proportion of companies that disclosed this information increased from 6.7 per cent in 2020 to 30.2 per cent in 2021.

Top 10 SGTI 2021 ranking under Reits and business trusts category

| TRUST NAME | BASE SCORE | ADJUSTMENTS FOR BONUSES/PENALTIES | OVERALL SGTI 2021 SCORE | RANK 2021 | OVERALL SGTI 2020 SCORE | RANK 2020 | YOY CHANGE IN OVERALL SCORE |
|--|------------|-----------------------------------|-------------------------|-----------|-------------------------|-----------|-----------------------------|
| Ascott Residence Trust | 88.3 | 27 | 115.3 | 1 | 101.3 | 3 | 14.0 |
| Far East Hospitality Trust | 81.8 | 32 | 113.8 | 2 | 99.2 | 4 | 14.6 |
| Ascendas Reit | 84.1 | 27 | 111.1 | 3 | 94.4 | 8 | 16.7 |
| Capitaland Integrated Commercial Trust | 83.4 | 25 | 108.4 | 5 | - | - | NA |
| Frasers Logistics & Commercial Trust | 84.4 | 23 | 107.4 | 6 | 92.5 | 11 | 14.9 |
| Ascendas India Trust | 77.2 | 30 | 107.2 | 7 | 84.4 | 24 | 22.8 |
| Cromwell European Reit | 78.8 | 21 | 99.8 | 8 | 95.4 | 7 | 4.4 |
| Capitaland China Trust | 81.8 | 17 | 98.8 | 9 | 98.2 | 6 | 0.6 |
| Keppel Pacific Oak US Reit | 75.7 | 22 | 97.7 | 10 | 91.5 | 12 | 6.2 |
| Parkwaylife Reit | 75.4 | 20 | 95.4 | 11 | 80.3 | 32 | 15.1 |

Note: The list above only consists of Reits and Property Trusts (i.e. NetLink NBN Trust (Rank 4) is excluded from the list). For the full list of Reits and Property Trusts in SGTI 2021, visit sgx.com/research-education/sectors for the monthly S-Reits & Property Trusts Chartbook.

Source: Singapore Governance and Transparency Index (SGTI) 2021

On the other hand, the SGTI press release noted that penalties for poor disclosure practices, such as discrepancies in corporate announcements, increased by 0.1 point to 5.1.

The proportion of Reits and business trusts that received penalty points stood at 9.3 per cent, compared to 4.4 per cent a year earlier.

The top five Reits and property trusts with the most year-on-year improvements in overall scores include: Ascendas India Trust (+22.8 points), Mapletree Commercial Trust (+19.4 points), Ascendas Reit (+16.7 points), ParkwayLife Reit (+15.1 points) and Frasers Logistics & Commercial Trust (+14.9 points). SGX RESEARCH

■ For more research and information on Singapore's Reit sector, visit sgx.com/research-education/sectors for the monthly S-Reits & Property Trusts Chartbook.

■ Source: SGX Research S-Reits & Property Trusts Chartbook