

# **ASEAN CORPORATE GOVERNANCE SCORECARD**

**ACGS Forum on 23 January 2024**

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# Introduction

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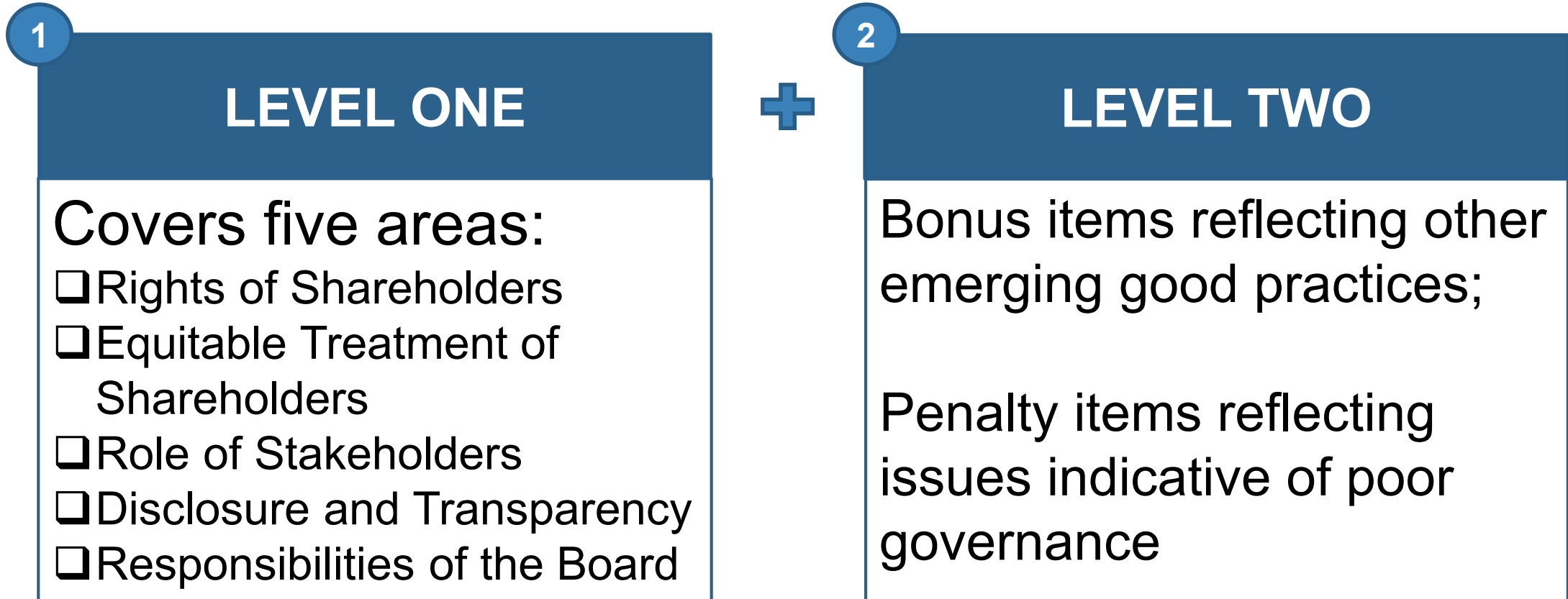
# Introduction

- ▷ Started in 2011 as an initiative of the ASEAN Capital Markets Forum (ACMF) with the collaboration of the Asian Development Bank and with 6 participating countries, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam
- ▷ Underlying rationale
  - *Reflect global principles and internationally recognised good practices*
  - *Universal and capable of being applied to different markets in ASEAN*
  - *Robust quality assurance processes to ensure independence*
  - *Highlight performance of ASEAN companies with good corporate governance performance*
- ▷ ASEAN Capital Market Forum Working Group comprises representatives of the relevant regulators from each of the 6 participating countries and is currently co-ordinated by the Securities Exchange Commission of the Philippines
- ▷ Each participating country appoints a 'domestic ranking body' (DRB) to be responsible for the work associated with the assessment of their agreed listed entities
  - *SID and CGS appointed by Monetary Authority of Singapore as the DRB for Singapore*
- ▷ Scorecard enhancement
  - *Scorecard was recently reviewed. Revision will be used in ACGS 2024 assessment*
  - *Main guiding references: OECD Principles of Corporate Governance 2023, ICGN Global Governance Principles 2021*

# Scorecard Structure

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# Scorecard Structure



# Scorecard Structure

## Level 1 Score (Max = 100 points)

Rights of shareholders (10)

Equitable treatment of shareholders (10)

Role of stakeholders (15)

Disclosure and transparency (25)

Responsibilities of the board (40)

## Level 2 Score (Max = 30 points)

Bonus	Penalty
(+30)	(-67)

**Total Score Attainable  
(Max = 130 points)**

# Scorecard Items

Section	No. of Items
<b>A – Rights of Shareholders</b>	<b>21</b>
<b>B – Equitable Treatment of Shareholders</b>	<b>15</b>
<b>C – Role of Stakeholders</b>	<b>13</b>
<b>D – Disclosure and Transparency</b>	<b>32</b>
<b>E – Responsibilities of the Board</b>	<b>65</b>
<b>Level 1 Total</b>	<b>146</b>
<b>Bonus</b>	<b>13</b>
<b>Penalty</b>	<b>25</b>
<b>Total</b>	<b>184</b>

**Note:** 31 questions (or 21%) out of the total 146 Level 1 questions are given more weight based on the key areas to sharpen the focus.



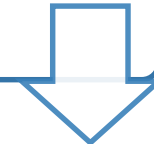
# Assessment Process

- ▷ Each DRB assesses the top 100 publicly-listed business entities by market capitalization in their jurisdiction.
- ▷ The top 35 ranked entities from each country are randomly peer-reviewed by the other 5 DRBs and any differences in the assessment are reconciled.
- ▷ This assessment process is currently used to produce:
  - *The top 20 ranked entities in ASEAN*
  - *The top 3 ranked entities in each country*
  - *A list of all entities in ASEAN which have attained a minimum score of 75 percent out of 130 points (classified as investible ASEAN Asset Class)*
- ▷ Assessment currently done on a biennial basis

# Assessment Process

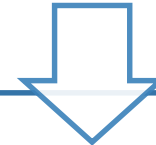
## Shortlist:

100 largest listed entities by market capitalization



## Assess and Analyse\*:

100 listed entities using Scorecard



## Peer Review:

Top 35 Singapore listed entities by governance performance



## Publish:

Singapore listed entities in ASEAN Asset Class, Top 20 ASEAN, Top 3 in Singapore and lastly, by rank based on undisclosed corporate governance scores

### \* Data sources for ACGS 2021:

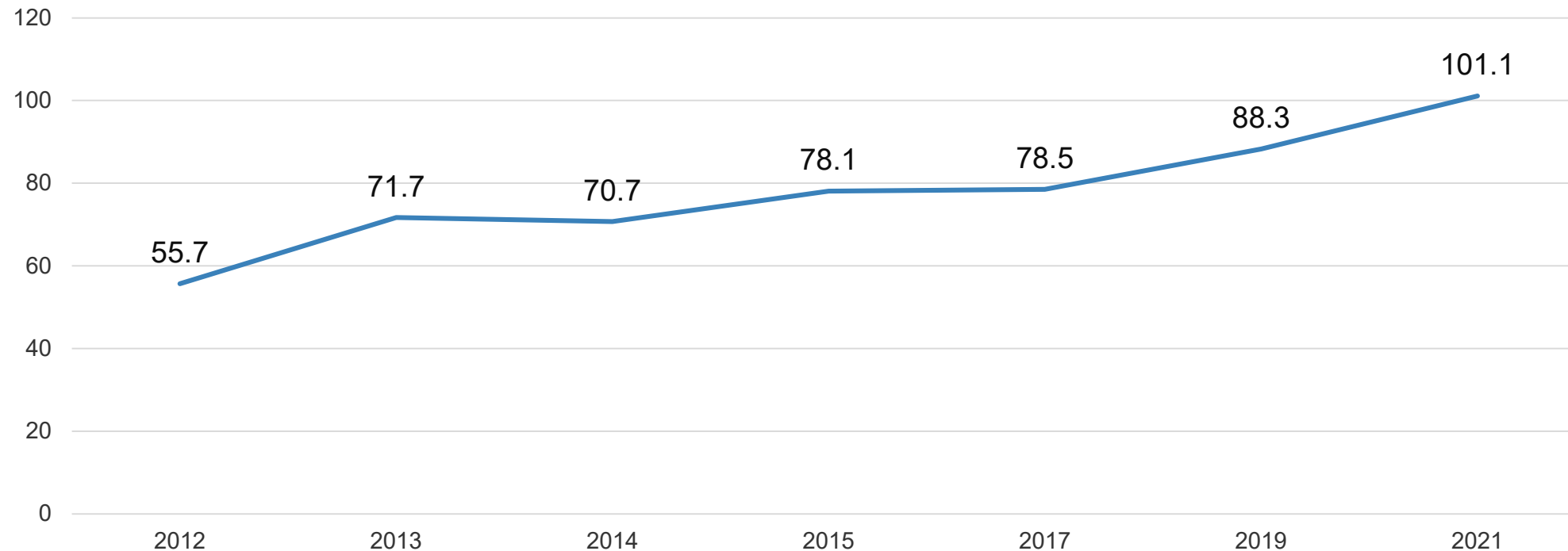
- Latest annual reports for the domestic assessment period ending in November 2021
- SGX announcements and media articles between 1 January 2020 and 30 November 2021
- REITs and Business Trusts were included

# Singapore's Progress in the Scorecard

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# Singapore's Average Total Score (2012-2021)

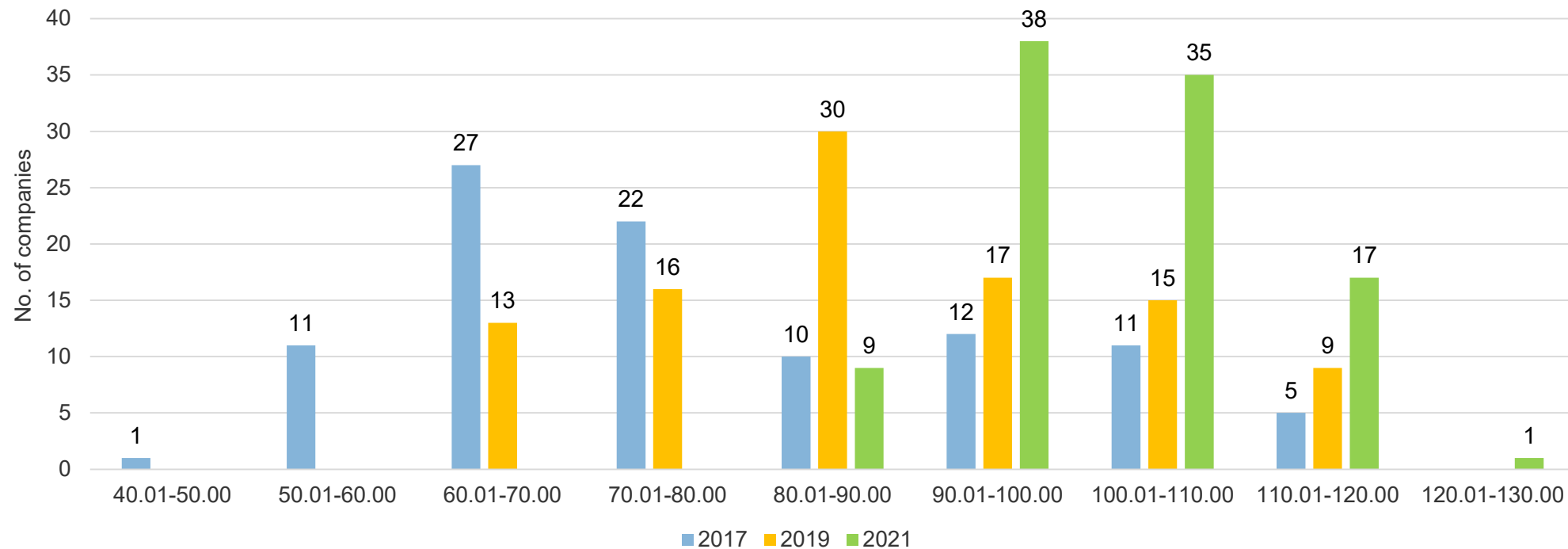
Overall, there has been steady improvement since 2012



**Note:** 2016 was a gap year for revision and no assessment was conducted. After 2016, ACGS is conducted in every two-year cycle.

# Distribution of Singapore Entities by Total Score (2017-2021)

Consistent rightward shift in scores, no companies with <80 points in 2021



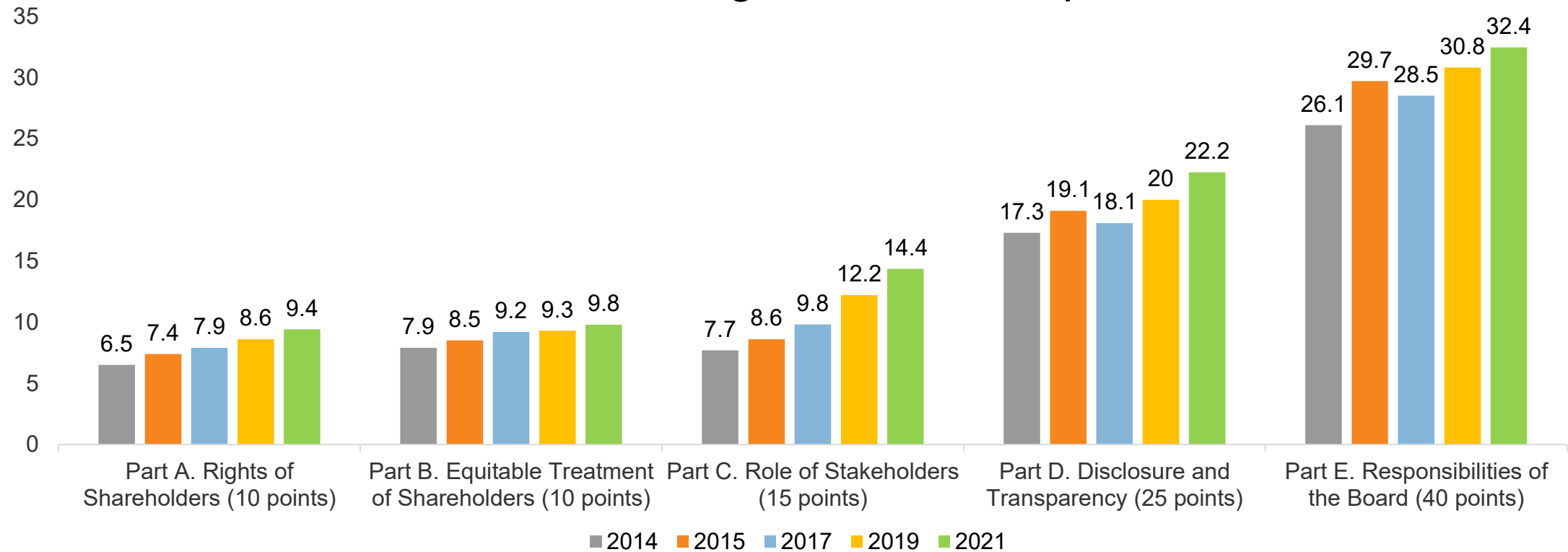
# Average Scores of Singapore Entities 2019 vs. 2021

Significant overall improvement contributed by bottom 50 entities

	Average scores	
	2019	2021
All 100 entities	88.3	101.1
Top 50 entities	99.7	107.7
Bottom 50 entities	76.8	94.5

# Singapore Level 1 Scores (2014-2021)

Overall improvement for each section,  
Parts D and E have largest room for improvement



# Singapore's Share in ASEAN Top-Performers

Higher share of Singapore entities achieving ASEAN Asset Class

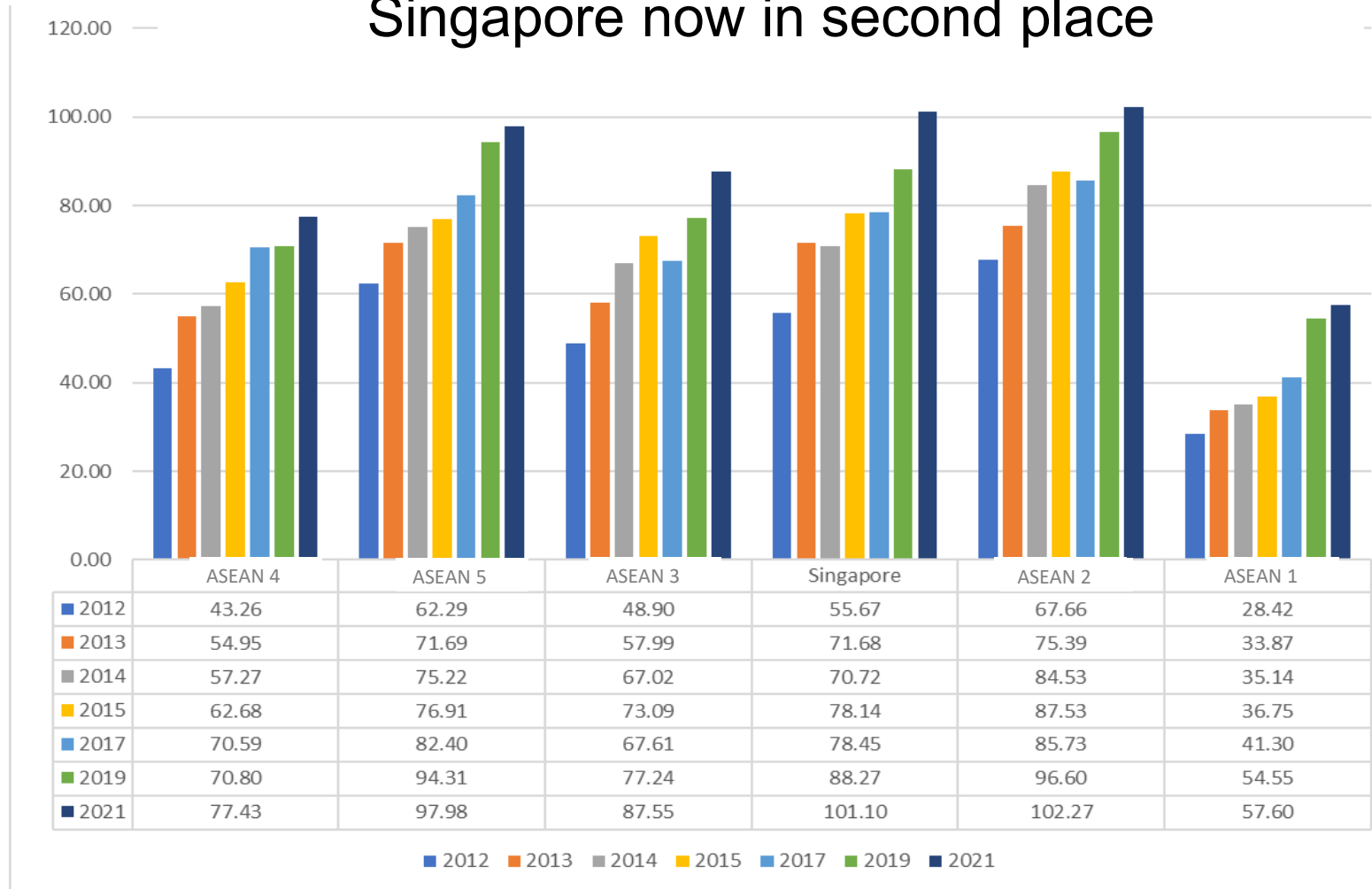
ACGS Ranking	Number of Singapore Entities in 2019	Number of Singapore Entities in 2021
TOP 20	5 (25%)	4 (20%)
ASEAN Asset Class	26/138 (19%)	62/234 (27%)

**Note:** ASEAN Asset Class refers to companies which scored at least 97.5 marks or above out of a maximum total of 130 marks.



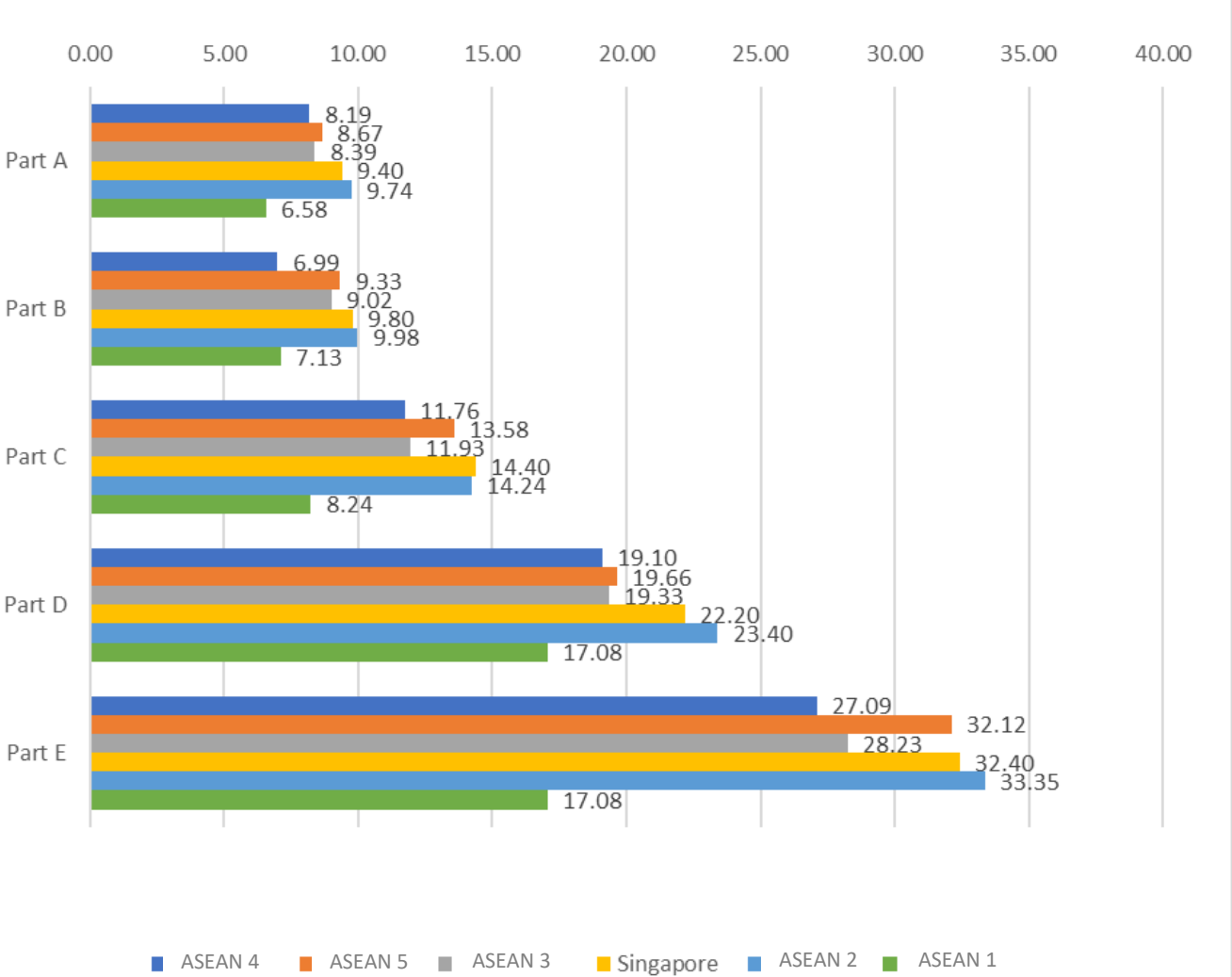
# Average Total Score by Country (2012-2021)

Singapore now in second place



Source: ACMF Working Group D Secretariat 2021

# Average Level 1 Scores by Country 2021



Singapore in second place for most sections, ranked first for Part C - Role of Stakeholders

Source: ACMF Working Group D Secretariat 2021

# ASEAN Top 20 Listed Entities By Country

In 2021 Singapore had 4 entities within the Top 20 vs. 5 in 2019

ASEAN Top 20 Entities	2019	2021
ASEAN 4	0	1
ASEAN 5	7	3
ASEAN 3	4	5
Singapore	5	4
ASEAN 2	4	7
ASEAN 1	0	0

# ASEAN Asset Class By Country

In 2021, over 25% of the total ASEAN Asset class companies were from Singapore

ASEAN Asset Class	2019	2021
ASEAN 4	10 (7.2%)	9 (3.8%)
ASEAN 5	39 (28.3%)	54 (23.1%)
ASEAN 3	20 (14.5%)	32 (13.7%)
Singapore	26 (18.8%)	62 (26.5%)
ASEAN 2	43 (31.2%)	76 (32.5%)
ASEAN 1	0 (0%)	1 (0.4%)
Total	138 (100%)	234 (100%)

**Note:** ASEAN Asset Class refers to companies which scored at least 97.5 marks or above out of a maximum total of 130 marks in ACGS.

# Areas for Improvement

- ▷ Room for improvement remains particularly in addressing board responsibilities, and disclosure and transparency, e.g.
  - *Limiting independent/non-executive directors to holding five concurrent board seats*
  - *Nominating Committee comprising entirely independent directors*
  - *Board disclosing process for management succession planning*
  - *Disclosing shareholdings of senior management*

# Scorecard Revision

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# Scorecard Revision

- ▷ In order to ensure the integrity of the Scorecard, its contents are periodically reviewed and revised in accordance with developments in CG guidelines and best practices, both globally and regionally.
  - *This is to ensure that the Scorecard used to assess the listed business entities is both current and relevant.*
- ▷ *G20-OECD Principles* is the main reference used
- ▷ First revision carried out in 2016 using the OECD's 2015 version of its Principles.
  - *The revised Scorecard has been used in the 2017, 2019 and 2021 assessments.*
- ▷ Current revision used the recently-launched 2023 *G20-OECD Principles*
  - *Publications from other globally recognised organisations (e.g. ICGN) also used as references.*
- ▷ The revised Scorecard was also developed with inputs from key staff members of OECD and ACMF's Working Group and was approved by ACMF in mid-October.

# Revised Scorecard Structure

PART	ACGS v.2 No. of Items	ACGS v.3 No. of Items*	ACGS v.2 Weightage	ACGS v.3 Weightage
A – Rights of Shareholders	21	30 (0)	10%	20%
B – Equitable Treatment of Shareholders	15		10%	
C – Role of Stakeholders	13	22 (8)	15%	15%
D – Disclosure and Transparency	32	34 (0)	25%	25%
E – Responsibilities of the Board	65	63 (0)	40%	40%
<b>Level 1 Total</b>	<b>146</b>	<b>149 (8)</b>	<b>100%</b>	<b>100%</b>
Bonus	13	18 (7)	30	31
Penalties	25	26 (1)	-67	-69

\*Number of new questions in brackets

Note: 7 default questions have been moved from Level 1 to the Appendix (3 from Section A, 3 from Section B and 1 from Section D)



# Main Changes to ACGS v.3

- ▶ Addition of new questions
  - *New questions are mainly related to sustainability and resilience*
- ▶ More rigorous standards of assessment
  - *Questions moved from Level 2 to Level 1*
  - *Stricter assessment guidelines*

# New Questions Added (Selected)

## Mainly sustainability-related questions

New Question	Guiding References	Summarised Rationale
C.1.1 Does the company identify/report ESG topics that are material to the organization's strategy?	OECD Principles 2023 VI.A.1  ICGN Principles 2021 7.7 Materiality and sustainability	Sustainability information is deemed material when it can reasonably affect an investor's evaluation of a company's value, considering both legal requirements and stakeholder concerns, focusing on sector-specific environmental and social factors, striving to address both external and internal impacts.
C.1.2 Does the company identify climate change as an issue?	OECD Principles 2023 VI.A  ICGN Principles 2021 7.5 Climate change	Investors are increasingly interested in companies disclosing their climate change and sustainability risk management, with a focus on adapting to a net-zero economy and reducing carbon emissions through clear targets and reporting on risk management actions to assess progress.
C.1.6 Does the company confirm that its Sustainability Report / Reporting is reviewed and /or approved by the Board or Board Committee?	OECD Principles 2023 VI.A.3	Corporate disclosure frameworks should have the goal of providing information that a reasonable investor would consider important in making an investment and voting decision. The same level of rigor applied to the measurement and reporting of financial information should be applied to the measurement and reporting of sustainability-related information.
C.2.1, C.2.2 Does the company engage internal/external stakeholders to exchange views and gather feedback on sustainability matters that are material to the business of the company?	OECD Principles 2023 VI.A.1 and VI.B	Material sustainability information should influence investor assessments and may vary over time, considering local context, company-specific factors, and dialogue with stakeholders.

# New Questions Added (Selected)

New Question	Guiding References	Summarised Rationale
C.3.1 Does the company disclose that the board reviews on an annual basis that the company's capital and debt structure is compatible with its strategic goals and its associated risk appetite?	OECD Principles 2023 VI.C.2	Boards should assess whether the company's capital structure is compatible with strategic goals and associated risk appetite to ensure it is resilient to different scenarios.
(B).C.1.1 Does the company disclose how it manages climate-related risks and opportunities?	OECD Principles 2023 VI.A  ICGN Principles 2021 7.5 Climate change	Companies should provide verifiable metrics for sustainability goals, especially in terms of adapting to a net-zero economy and addressing climate change risks through clear targets and reporting on risk management.
(B).C.1.2 Does the company disclose that its Sustainability Report / Sustainability Reporting is externally assured?	OECD Principles 2023 VI.A.5  ICGN Principles 2021 7.4 Sustainability reports	Phasing in of requirements should be considered for annual assurance attestations by an independent, competent and qualified assurance service provider in accordance with high quality international assurance standards in order to provide an external and objective assessment of a company's sustainability-related disclosure.
(B).C.1.4 Does the company have a unit/division/committee who is specifically responsible to manage the sustainability matters?	OECD Principles 2023 VI.C  ICGN Principles 2021 1.1 Responsibilities	Corporate governance framework should require boards to consider material sustainability risks and opportunities, including climate-related factors, in their functions related to governance, strategy, risk management, and executive compensation.

# New Questions Added (Selected)

New Question	Guiding References	Summarised Rationale
(B).C.1.5 Does the company disclose board's oversight of sustainability-related risks and opportunities?	<p>OECD Principles 2023 VI.C</p> <p>ICGN Principles 2021 1.1 Responsibilities</p>	<p>Board should oversee the company's risk assessment and management (including relevant systemic risks such as climate change, ecological degradation, social inequality and digital transformation) that affect sustainable value creation and preservation and reviewing policies annually, or with any significant business change.</p>
(B).C.1.6 Does the company disclose the linkage between executive directors and senior management remuneration and sustainability performance for the previous year?	<p>OECD Principles 2023 VI.C</p> <p>ICGN Principles 2021 5.3 Performance measures</p>	<p>Boards are increasingly ensuring that material sustainability matters are also considered. These considerations may also relate to key executive remuneration and nomination (e.g. whether targets integrated into executives' compensation plans would be quantifiable, linked to financially material risks and incentivize a long-term view)</p>
(B).C.1.7 Is the company's Whistle Blowing System managed by independent parties / institutions?	<p>ICGN Principles 2021 4.2 Whistleblowing</p>	<p>The board should ensure that the company has in place an independent, confidential mechanism whereby a worker, supplier, shareholder, or relevant stakeholder can (without fear of retribution) raise issues of particular concern with regard to potential or suspected breaches of a company's code of ethics or local law.</p>
(P).C.2.2 Is there any evidence that the company is engaging in greenwashing activities?	<p>OECD Principles 2023 VI.C</p>	<p>Board should ensure that companies' lobbying activities are coherent with their sustainability-related goals and targets.</p>

# Raised Standards of Assessment (From L2 to L1)

Section	Question
Bonus → Section C	<p>C.1.3 Does the company adopt an internationally recognized reporting framework or standard for sustainability (i.e. GRI, Integrated Reporting, SASB, IFRS Sustainability Disclosure Standards)?</p> <p><i>Previously: Does the company adopt an internationally recognized reporting framework or standard for sustainability (i.e. GRI, Integrated Reporting, SASB)?</i></p>
Bonus → Section D	<p>D.3.4 Does the company publicly disclose [i.e. annual report or other publicly disclosed documents] the details of remuneration of each of the executive directors and CEO [if he/she is not a member of the Board]?</p> <p><i>Previously: Does the company disclose details of remuneration of the CEO?</i></p>

# Raised Standards of Assessment (Stricter Assessment Guidelines)

Definition of independent director tightened for Level 2 only:

- *Previous guidelines*: Independent directors/commissioners, who have served for more than nine years or two terms of five years each (whichever is higher) in the same capacity, from their date of first appointment, **will be considered independent if they are deemed to be such in their respective jurisdiction**
- *Revised guidelines*: Independent directors/commissioners, who have served for more than nine years or two terms of five years each (whichever is higher) in the same capacity, from their date of first appointment, **will not be considered independent even if they are deemed to be such in their respective jurisdiction**