

# **Upholding ESG with Strong Governance: Board Leadership & Regulation as Impetuses**

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***Findings of the Singapore Governance and Transparency Index 2023***

Presented at the Singapore Governance and Transparency Forum

# Agenda

- 1. Background**
- 2. General Category**
  - a. General Performance**
  - b. Board Practices**
  - c. ESG Practices**
- 3. REIT & Business Trust Performance**
- 4. Regulation Momentum**
- 5. Summary**

# SGTI Partnership

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## A Collaboration Between



Centre for Governance and Sustainability  
NUS Business School



SINGAPORE  
INSTITUTE OF  
DIRECTORS

## Strategic Media Partner

# THE BUSINESS TIMES

# SGTI Advisory Panel

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**Ms Chen Huifen**

**Editor, The Business Times**

**Ms Rachel Eng**

**Managing Director, Eng and Co. LLC**

**Mr Loh Hoon Sun**

**Senior Advisor, Phillip Securities Pte Ltd**

**Mr Max Loh Khum Wai**

**Former Managing Partner (Singapore & Brunei), EY**

**Mr Low Weng Keong**

**Past Global President & Chairman of the Board, CPA  
Australia**

# SGTI Coverage

## General Category (474)

Excluding 202 Companies:

- 3 newly listed
- 30 secondary listings
- 49 funds
- 75 suspended from trading
- 3 annual report not released for 2 years
- 20 delisted
- 22 others

## REITs & Business Trusts (43)

Excluding 5 REITs & Business Trusts:

- 2 suspended from trading
- 1 delisted
- 2 others

Note:

SGTI 2023 assessed companies based on their annual reports for Financial Year 2022 released by 31 May 2023.

Other sources of information for assessment include sustainability reports, websites and announcements on the SGX website.

# SGTI Framework – General Category

## **B.R.E.A.D Base Score (100 points)**

**Board Responsibilities (35 points)**

**Rights of Shareholders (20 points)**

**Engagement of Stakeholders (10 points)**

**Accountability & Audit (10 points)**

**Disclosure & Transparency (25 points)**

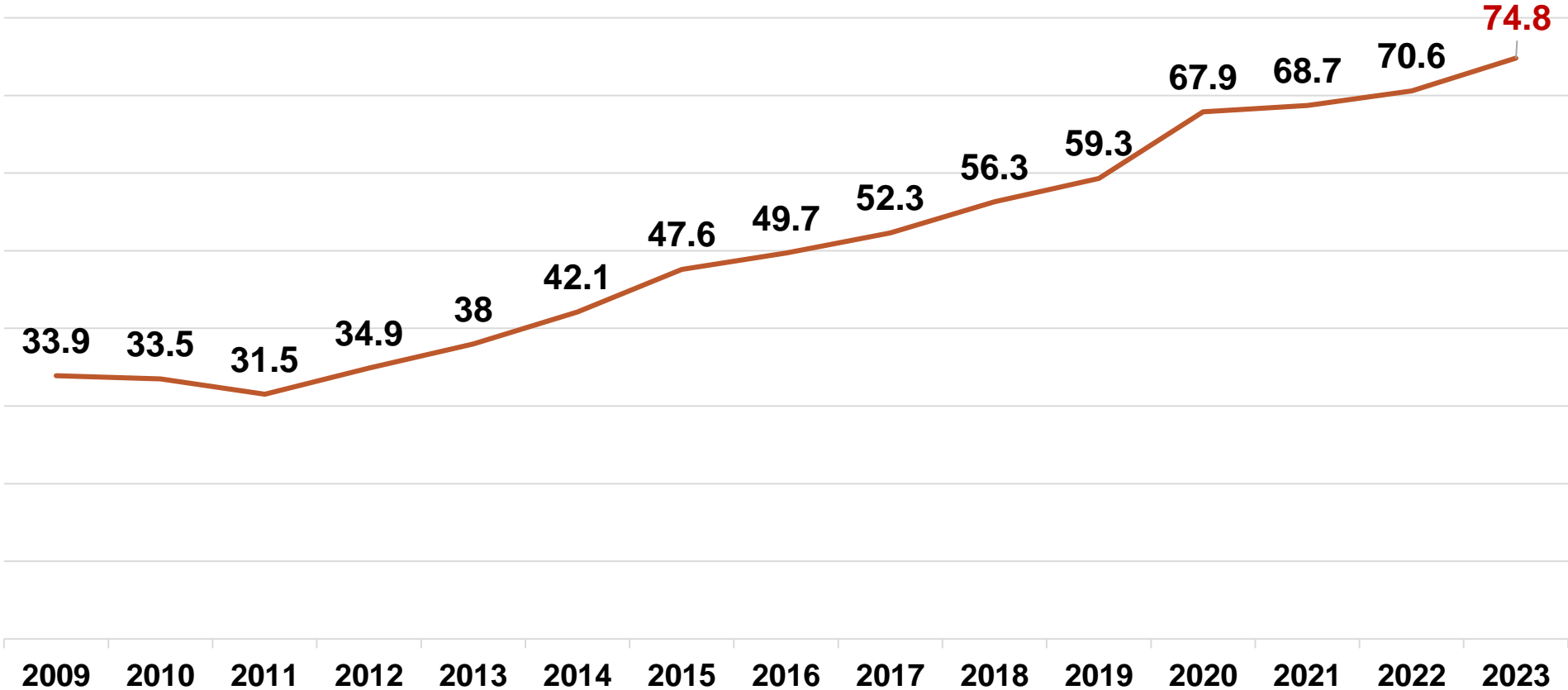
**+**

**Adjustments for Bonus & Penalty (43 points)**

**=**

**Overall SGTI Score (143 points)**

# Mean Score – General Category

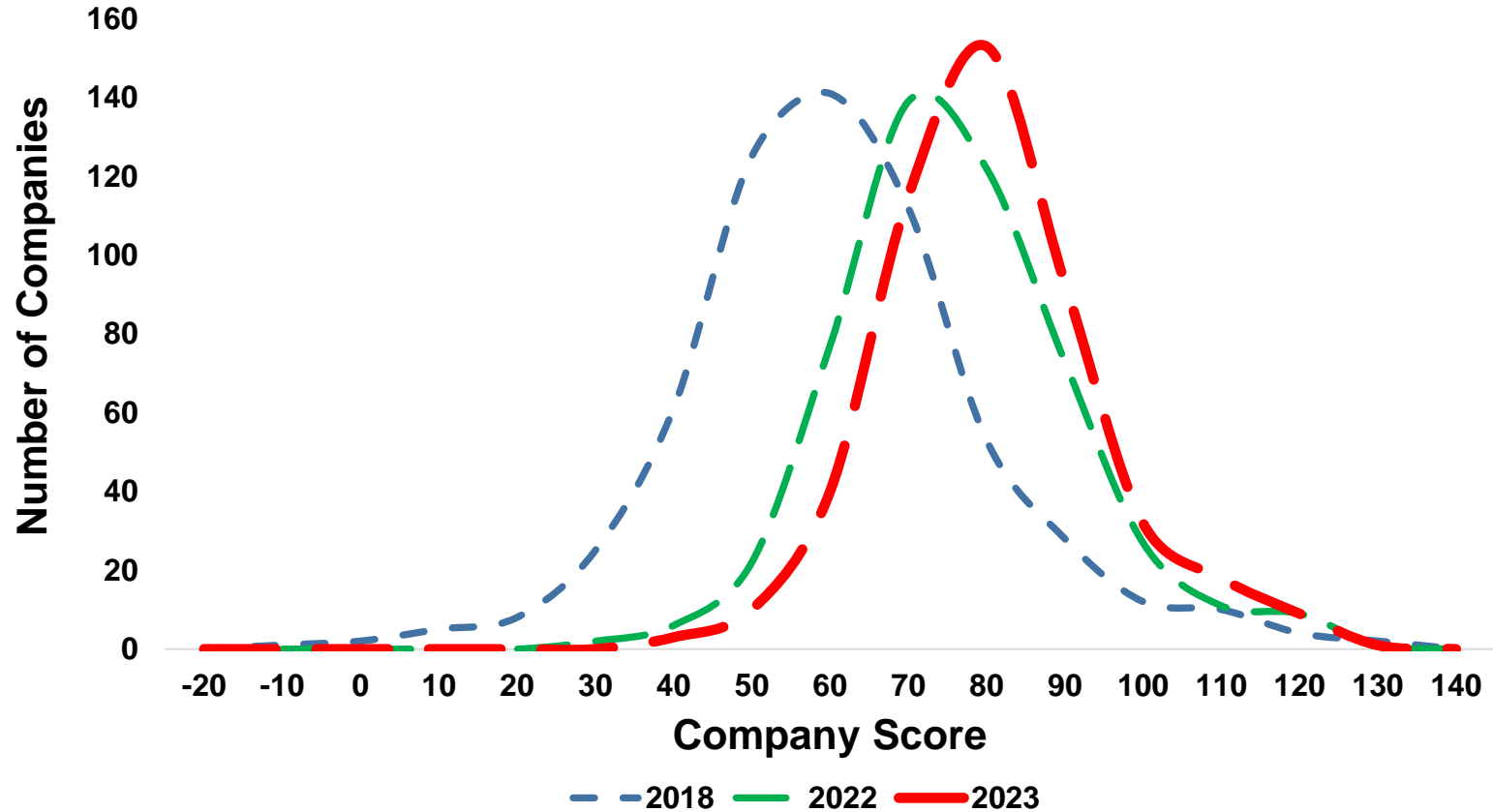


# Score Change Breakdown

SGTI 2023				SGTI 2022			
Base SGTI 2023 Score	Bonus	Penalty	Overall SGTI 2023 Score	Base SGTI 2022 Score	Bonus	Penalty	Overall SGTI 2022 Score
69.3	14.8	9.3	74.8	66.3	13.6	9.3	70.6

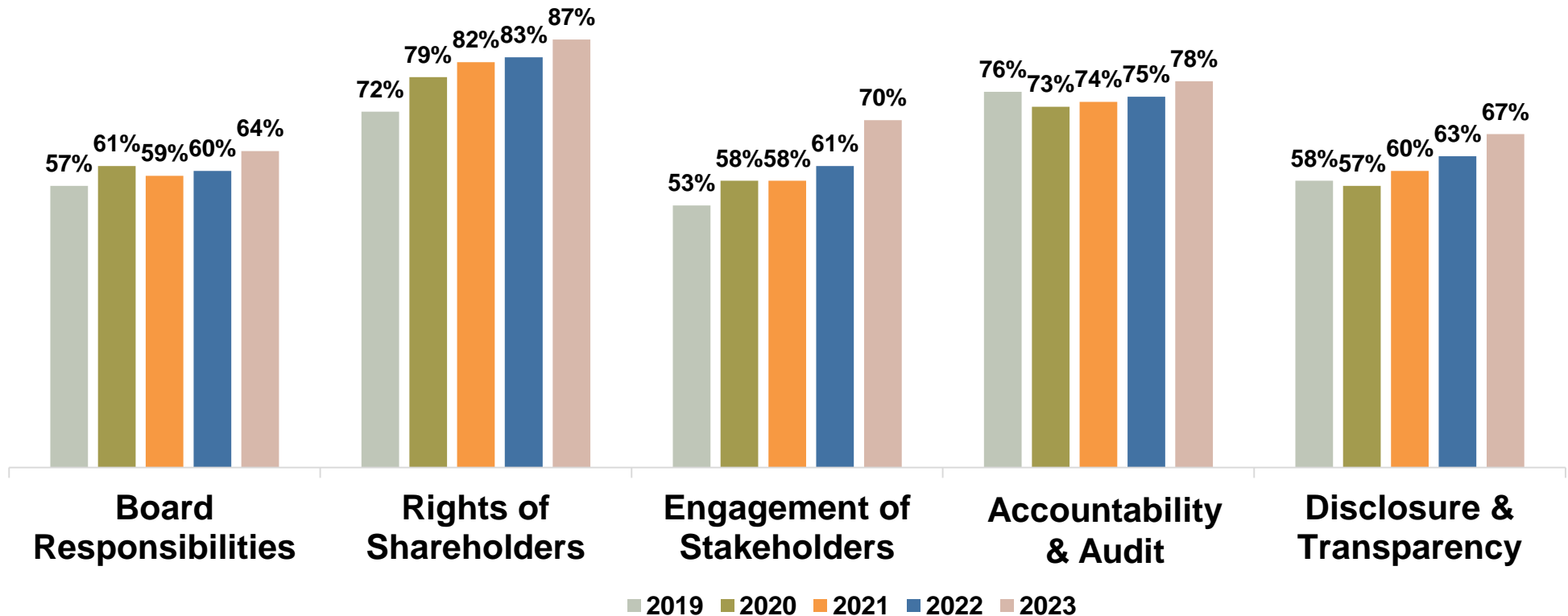


# Score Distribution

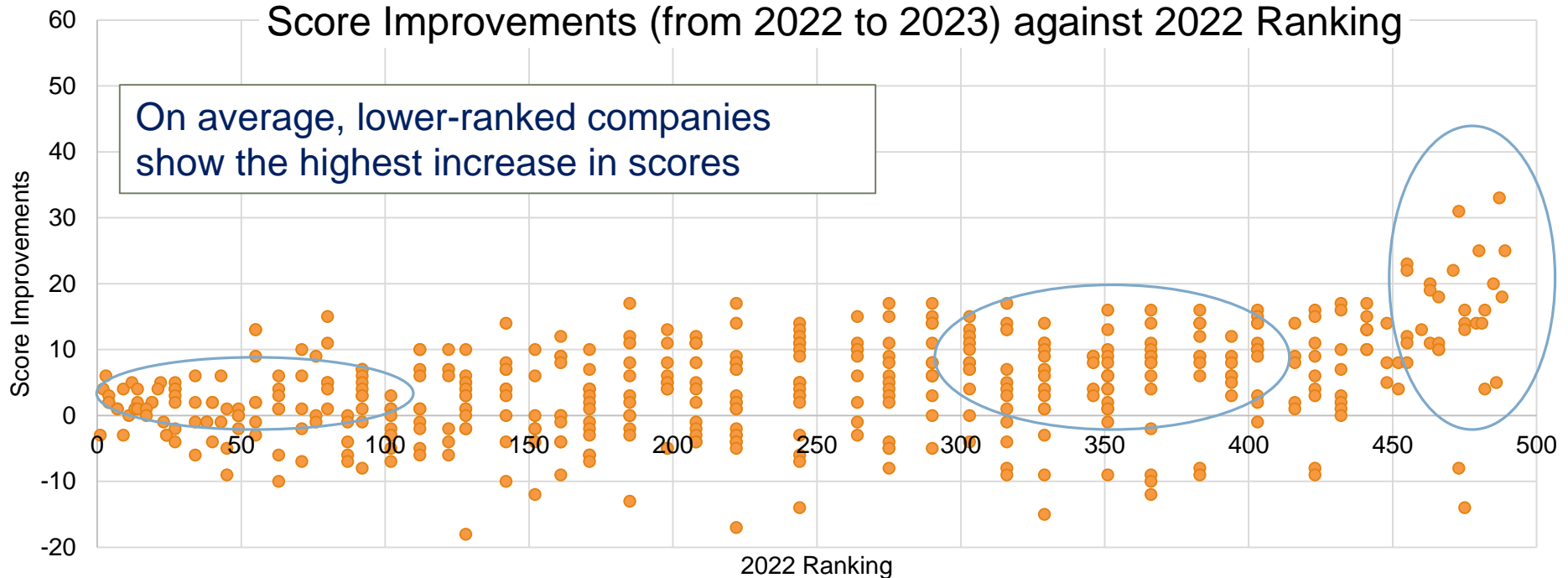


# Sectional Scores

## B.R.E.A.D Score by Percentage



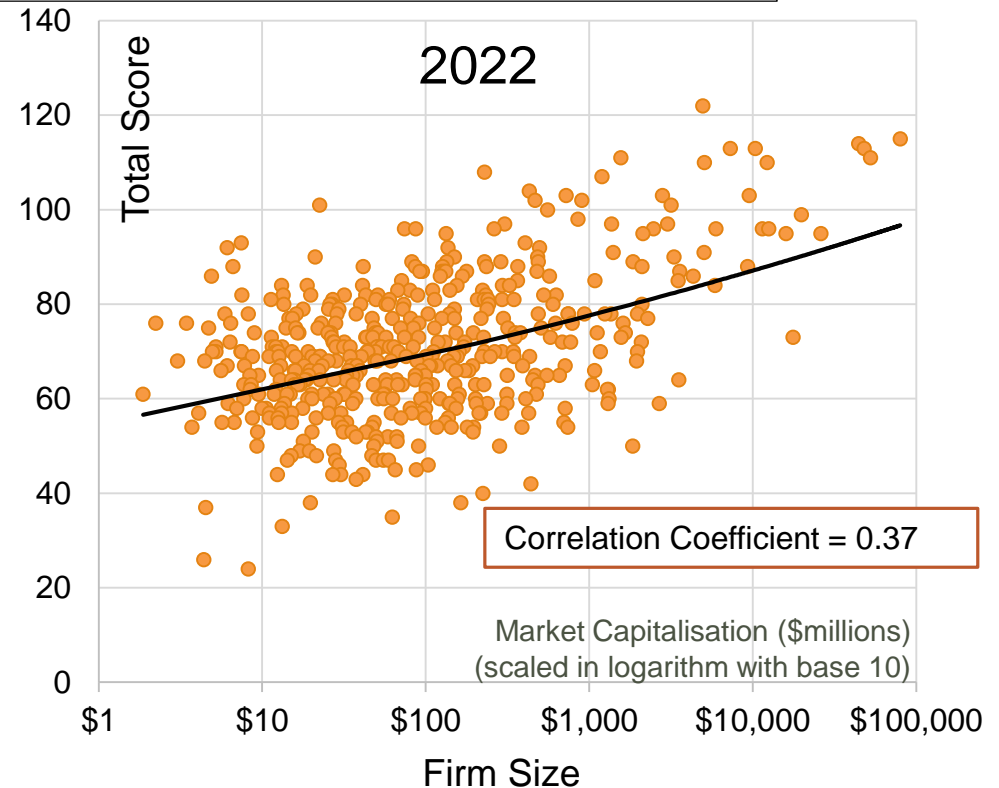
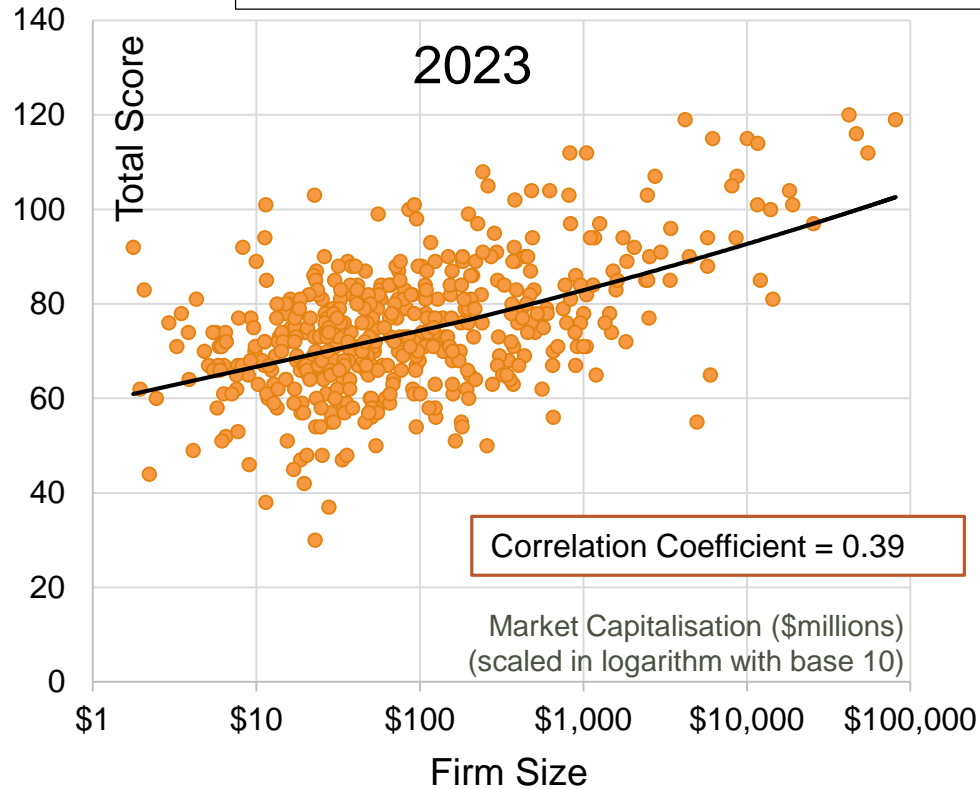
# Range Effect



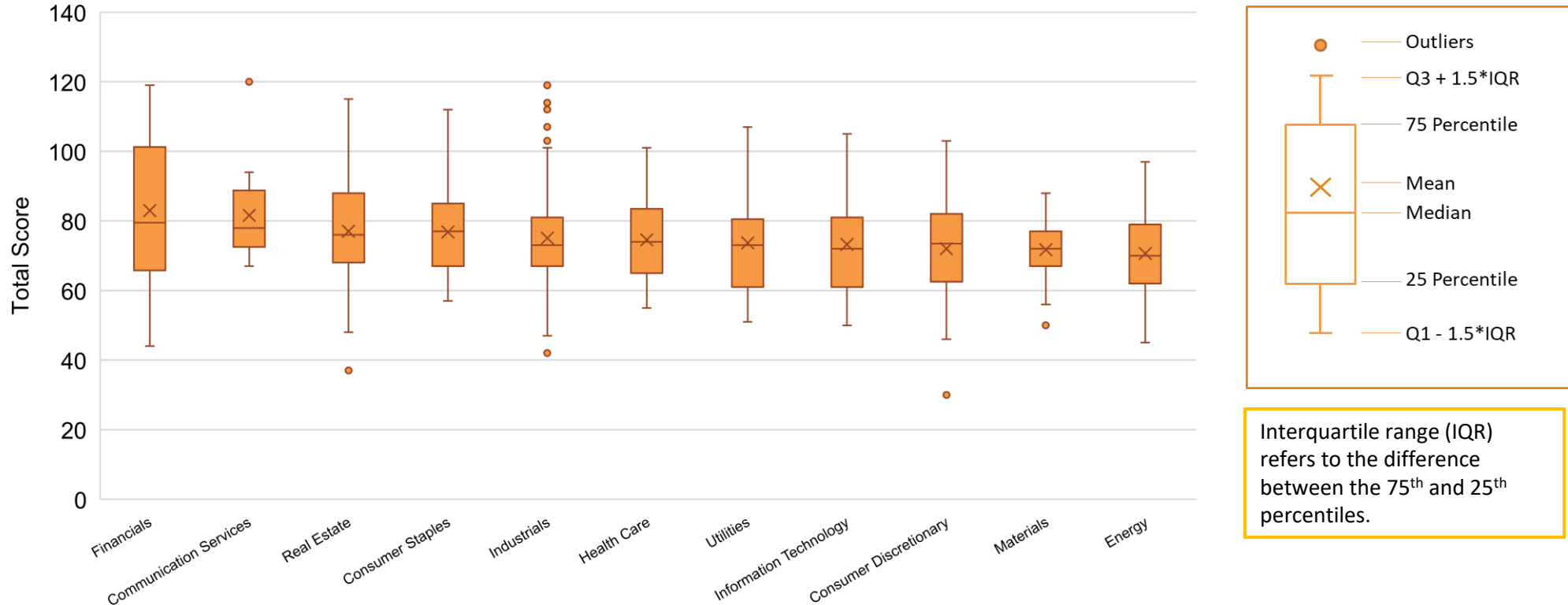
- Companies that were ranked top 100 in 2022 experienced a slight increase in scores (mean 1 point increase)
- Companies that were ranked from 300 – 400 in 2022 showed a general improvement in scores (mean 5 point increase)
- Companies that were ranked the lowest in 2022 showed significant improvement (mean 11 point increase)

# Size Effect

Relationship between firm size and performance is maintained

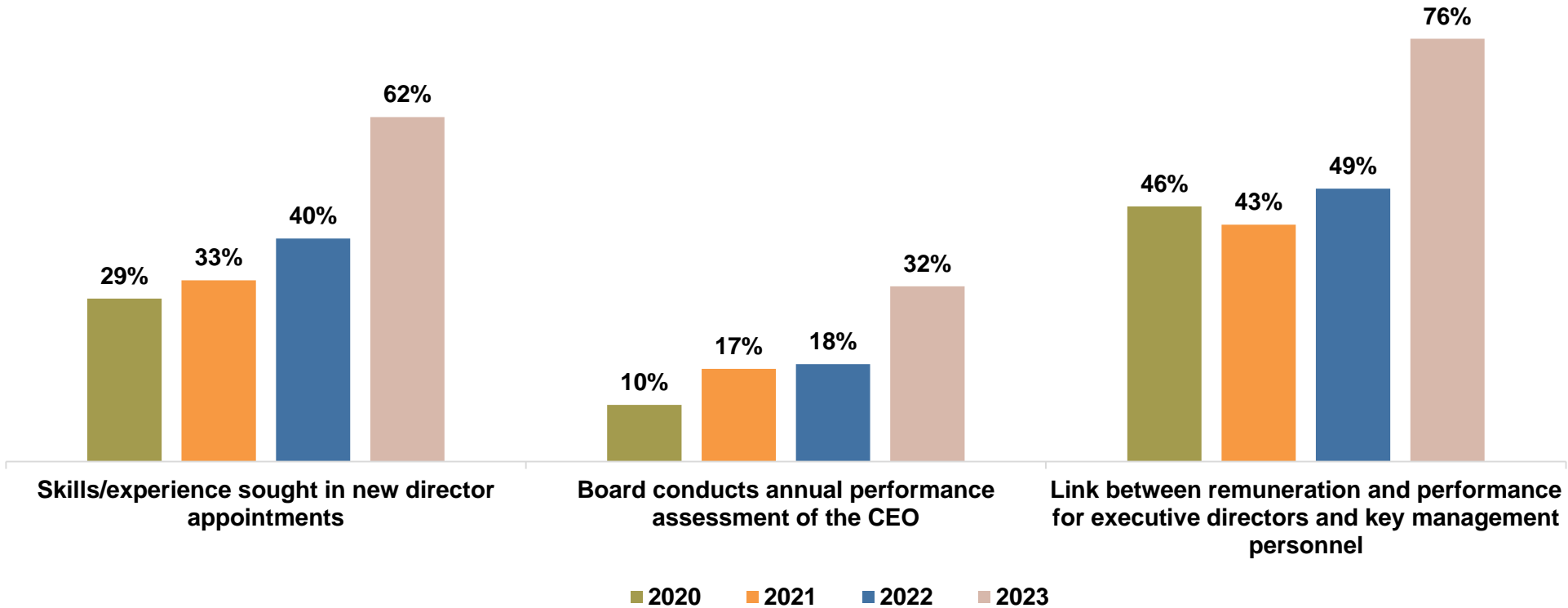


# Industry Effect

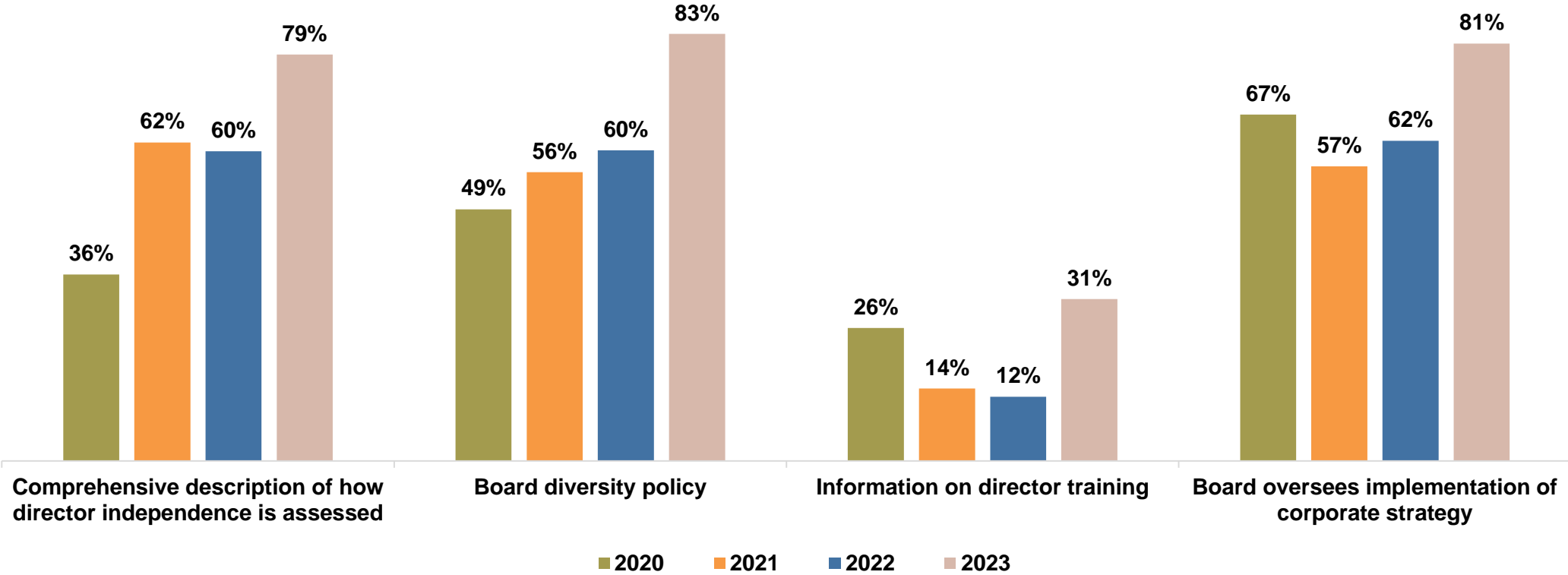


On average, Financials companies had higher mean scores and higher variations in scores compared with those in other industries

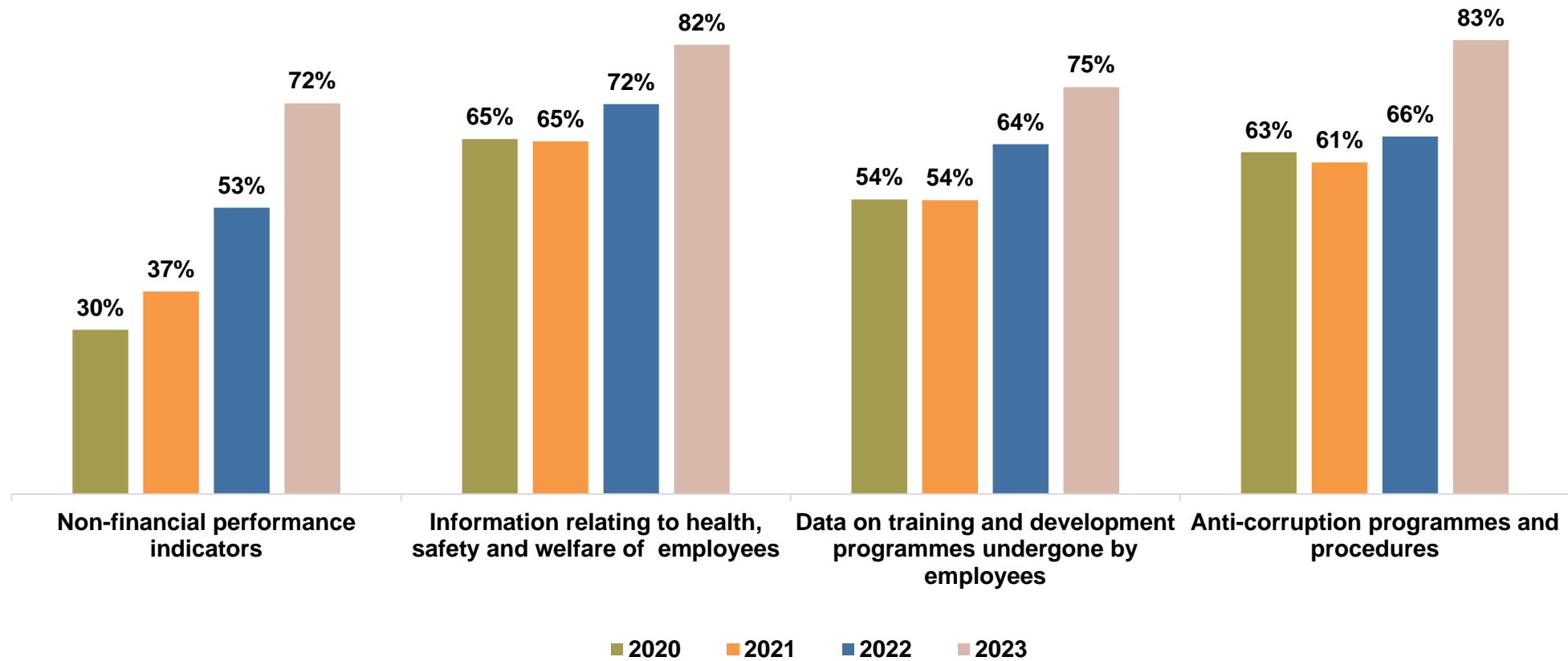
# Board Nomination & Appraisal



# Board Independence, Competence & Duties

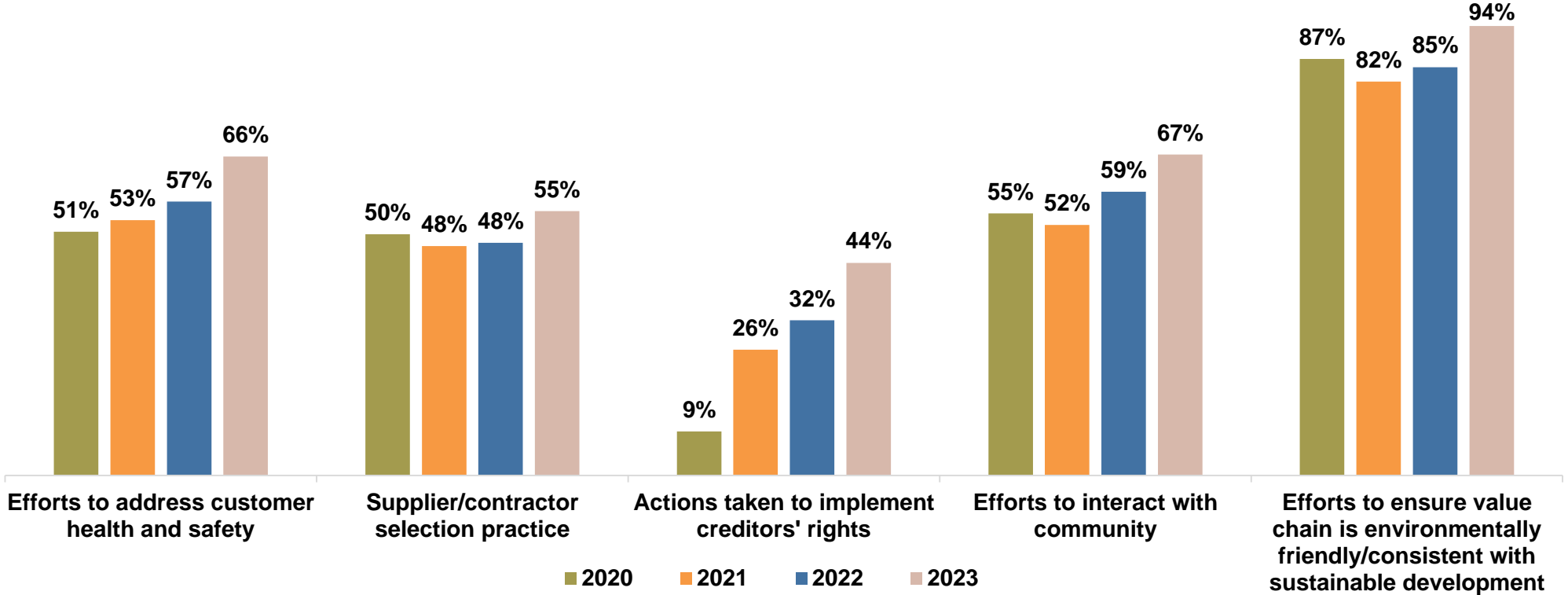


# Internal ESG Issues





# External ESG Issues



# SGTI Framework – REITs & Business Trusts

## Normalised Base Score (75 points) (B.R.E.A.D)

**B**oard Responsibilities

**R**ights of Shareholders

**E**ngagement of Stakeholders

**A**ccountability & Audit

**D**isclosure & Transparency

## Trust-Specific Items (25 points) (S.L.I.C.E)

**S**tructure

**L**everage

**I**nterested Person Transactions

**C**ompetency of Trust Manager

**E**moluments

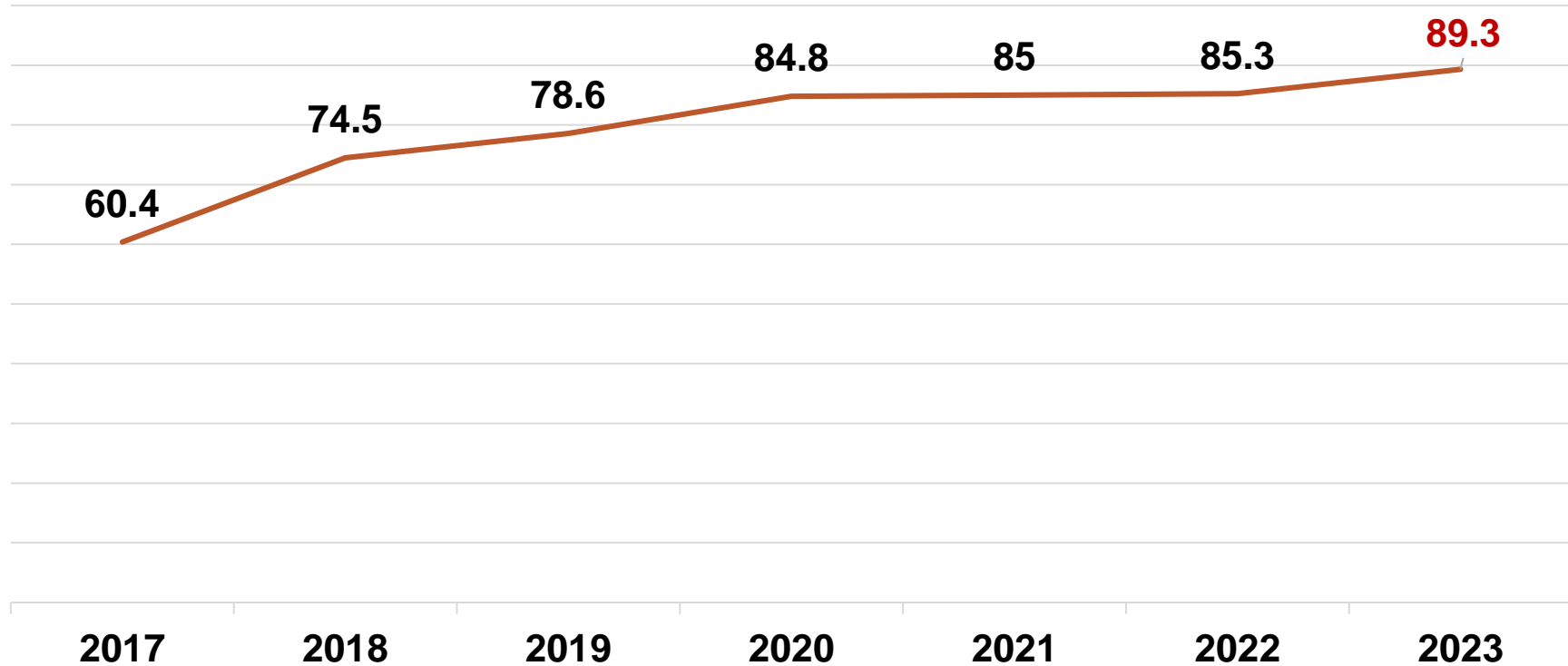
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Adjustments for Bonus & Penalty (43 points)

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Overall SGTI Score (143 points)

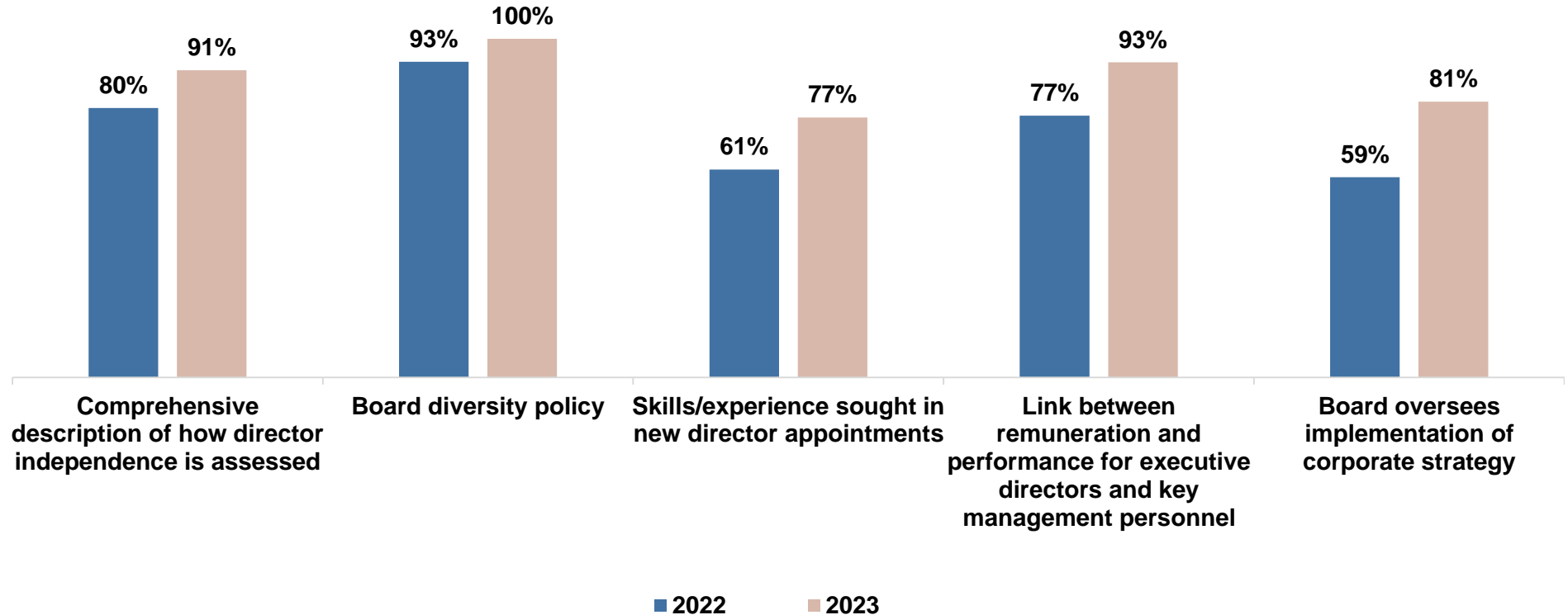
# Mean Score – REITs & Business Trusts



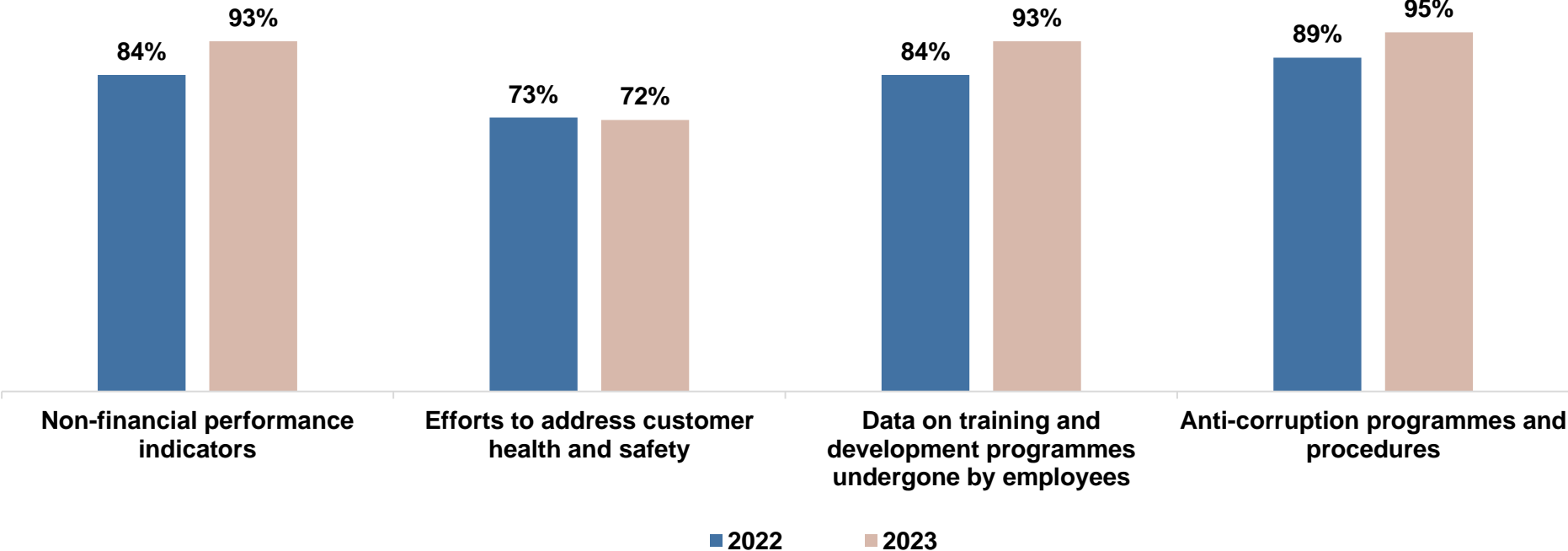
# Score Change Breakdown – REITs & Business Trusts

2023				2022			
Base SGTI 2023 Score	Bonus	Penalty	Overall SGTI 2023 Score	Base SGTI 2022 Score	Bonus	Penalty	Overall SGTI 2022 Score
73.4	19.7	3.8	<b>89.3</b>	71.5	19.2	5.4	<b>85.3</b>

# Board Practices: REITs & Business Trusts



# ESG Practices: REITs & Business Trusts



# Regulation Giving Momentum to Sustainable Corporate Governance

Improvement may be response to regulatory requirements and support, for example:

Listing Rule 710A [board diversity policy] <i>(effective 1 Jan 2022)</i>	↑ Board diversity disclosures
Listing Rule 1207(18A, 18B) [whistleblowing policy] <i>(effective 1 Jan 2022)</i>	↑ Anti-corruption disclosures
Listing Rule 720(7) [director sustainability training] <i>(effective 1 Jan 2022)</i>	↑ Director training disclosures
Listing Rule 210(5)(d)(iii)/(iv) [nine-year ID term limit] <i>(effective 1 Jan 2022 / 11 Jan 2023)</i>	↑ Director independence disclosures
Core ESG Metrics <i>(initial release Dec 2021)</i> Listing Rule 711B(1)(aa),(2) [climate-related disclosures] <i>(effective 1 Jan 2022)</i>	↑ ESG-related disclosures, including non-financial performance indicators

# Summary

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1. SGTI 2023 **increased** almost five points, **largest quantum since 2020** (74.8 for General Category, 89.3 for REIT & Business Trust Category)
2. Average scores in each of the five BREAD sections rose. **Engagement of Stakeholders had the highest increase** of 9 percentage points
3. Significant **increase in disclosure rates** for various indicators related to **board practices** e.g. independence, competence, selection of directors, board committee meetings, nomination committees, training, appraisal



# Summary

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4. Also significant **increase in disclosure rates for ESG practices** - most indicators had disclosure rates at least 8-10 percentage points higher than in 2022
5. Overall, **regulatory requirements and support** have helped listed companies to establish a **solid governance foundation** which they can leverage **to integrate ESG factors into corporate strategy**
6. Companies are now poised to develop **sustainable corporate governance**
  - **Expect regulatory authorities to continue to be a driving force**, e.g. SRAC recommendations on ISSB-aligned climate-related disclosure requirements