

# ASEAN Corporate Governance Scorecard

**Briefing on Structure & Assessment Methodology, Past Performance of Singapore Listed Companies and Opportunities for Areas for Improvement**

**Friday, 21 Jun 2019**

# Opening Address

**Ms Phua Wee Ling**

*Executive Director & Head of Markets, Policy  
& Infrastructure Dept,  
MAS*

# ASEAN Corporate Governance Scorecard

## Singapore Companies Briefing 2019

21 June 2019

**Mr John Lim**

**Past Chairman**

**Singapore Institute of Directors**

**Prof Lawrence Loh**

**Director**

**Centre for Governance, Institutions & Organisations**

**NUS Business School**

Domestic Ranking Bodies:



Centre for Governance, Institutions & Organisations  
NUS Business School

# Contents

- ▷ Scorecard Initiative
- ▷ Scorecard Structure
- ▷ Singapore's Progress in the Scorecard
- ▷ Areas of Improvement
- ▷ Enhancements in Company Recognition

# Scorecard Initiative



# Scorecard Initiative

- ▷ Started in 2011; 6 participating countries include 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*
- ▷ ASEAN Capital Market Forum Working Group comprises representatives from six countries, currently coordinated by Securities and Exchange Commission Philippines
- ▷ SID and CGIO appointed by Monetary Authority of Singapore as domestic ranking body (DRB)
- ▷ Scorecard enhancement
  - *Scorecard revised in 2016*
  - *G20/OECD Principles of Corporate Governance used as main benchmark*
- ▷ Scorecard enhancement
- ▷ Scorecard assessment will be conducted every two years to allow companies to incorporate improvements to their corporate governance practices based on their previous assessment results

# Scorecard Structure



# Scorecard Structure

1

## LEVEL ONE

Covers 5 areas:

- Rights of Shareholders
- Equitable Treatment of Shareholders
- Role of Stakeholders
- Disclosure and Transparency
- Responsibilities of the Board



2

## LEVEL TWO

Bonus items reflecting other emerging good practices;

Penalty items reflecting issues indicative of poor governance



# 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)	(-65)

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

# Scorecard Structure

Part	Number of Items
A – Rights of Shareholders	20
B – Equitable Treatment of Shareholders	15
C – Role of Stakeholders	13
D – Disclosure and Transparency	32
E – Responsibilities of the Board	65
<b>Level 1 Total</b>	<b>145</b>
<b>Bonus</b>	<b>13</b>
<b>Penalty</b>	<b>25</b>
<b>Total</b>	<b>183</b>

**Note:** a. 31 questions (or 21%) out of the total 145 Level 1 questions are given more weight based on the key areas to sharpen the focus.

b. A complete copy of the ACGS template can be downloaded from the ASEAN Capital Markets Forum website at:  
[http://www.theacmf.org/ACMF/upload/asean\\_cg\\_scorecard\\_12\\_may\\_2017.pdf](http://www.theacmf.org/ACMF/upload/asean_cg_scorecard_12_may_2017.pdf)

# Assessment Process

## Shortlist:

100\* largest companies by market capitalisation

## Analyse\*\*:

100 companies by DRBs using Scorecard

## Peer review:

Top 35 companies for each country by governance performance by other DRBs

## Publish:

Companies in Singapore by rank based on corporate governance scores, ASEAN Top 50 after peer review in alphabetical order

\* Note: Vietnam only has 70 companies

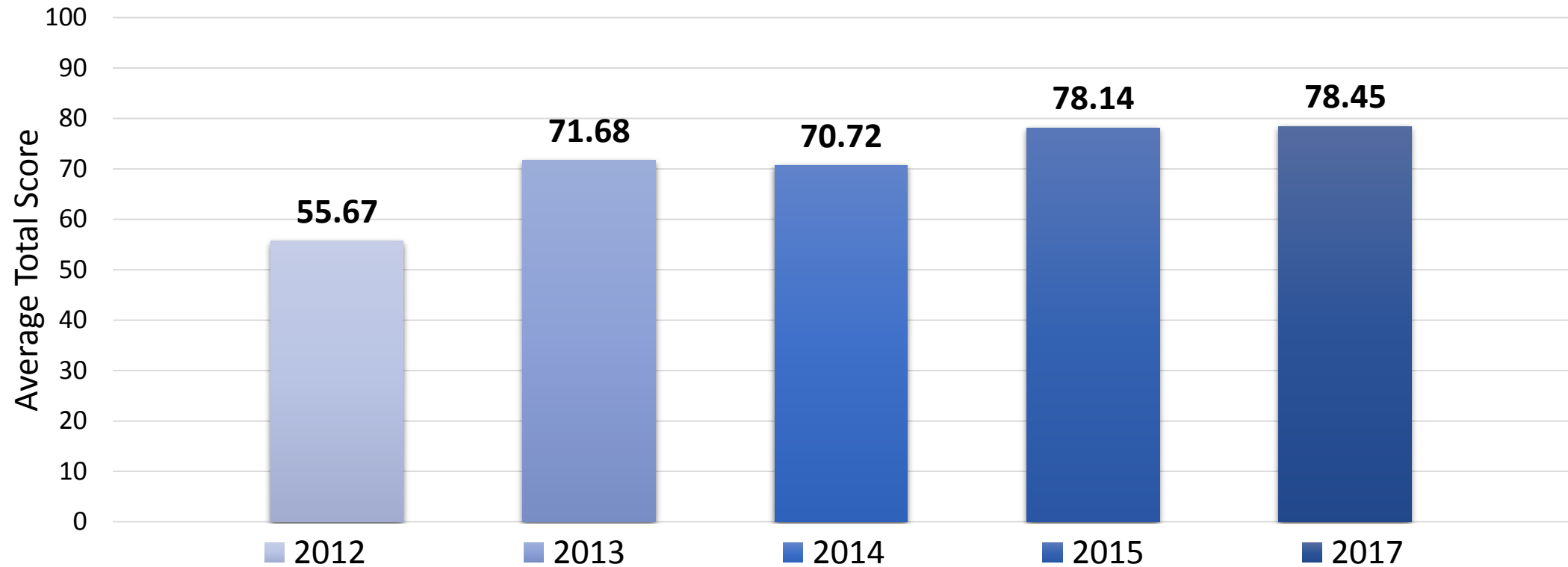
\*\* Data sources:

- Annual reports for the financial years ending between April 2018 and March 2019
- Company websites
- SGX announcements and media articles between 1 August 2017 and 31 July 2019
- REITs and Business Trusts were excluded

# Singapore's Progress in the Scorecard

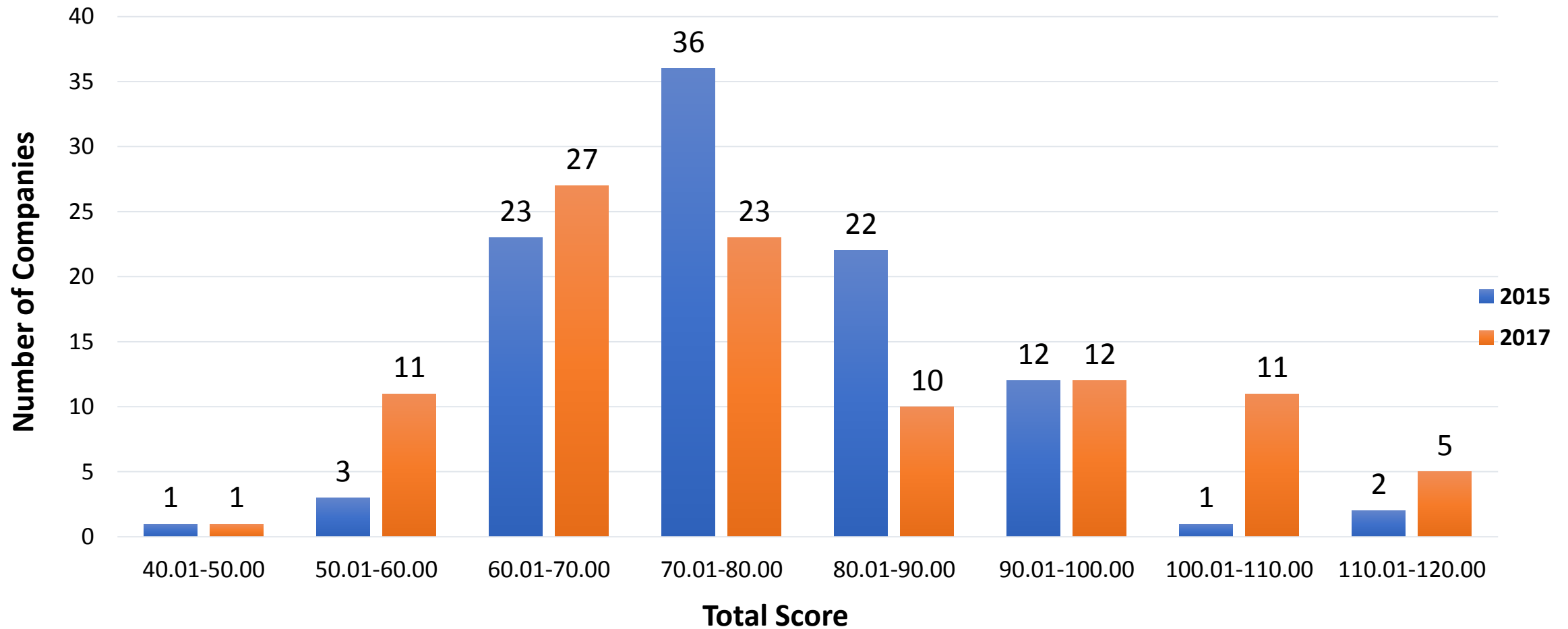


# Singapore Average Total Scores



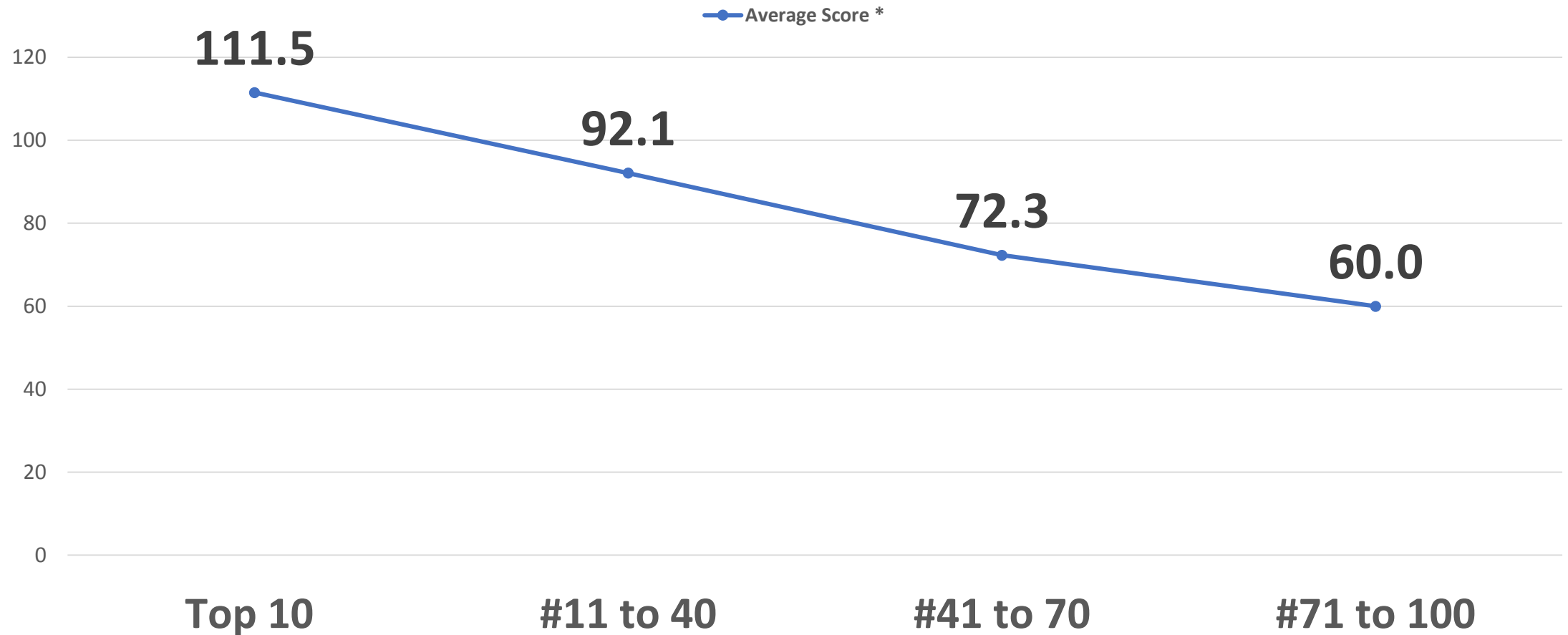
**Note:** 2016 was a gap year for revision and no assessment was conducted.

# Singapore Total Score Distribution Curve



**Note:** 2016 was a gap year for revision and no assessment was conducted.

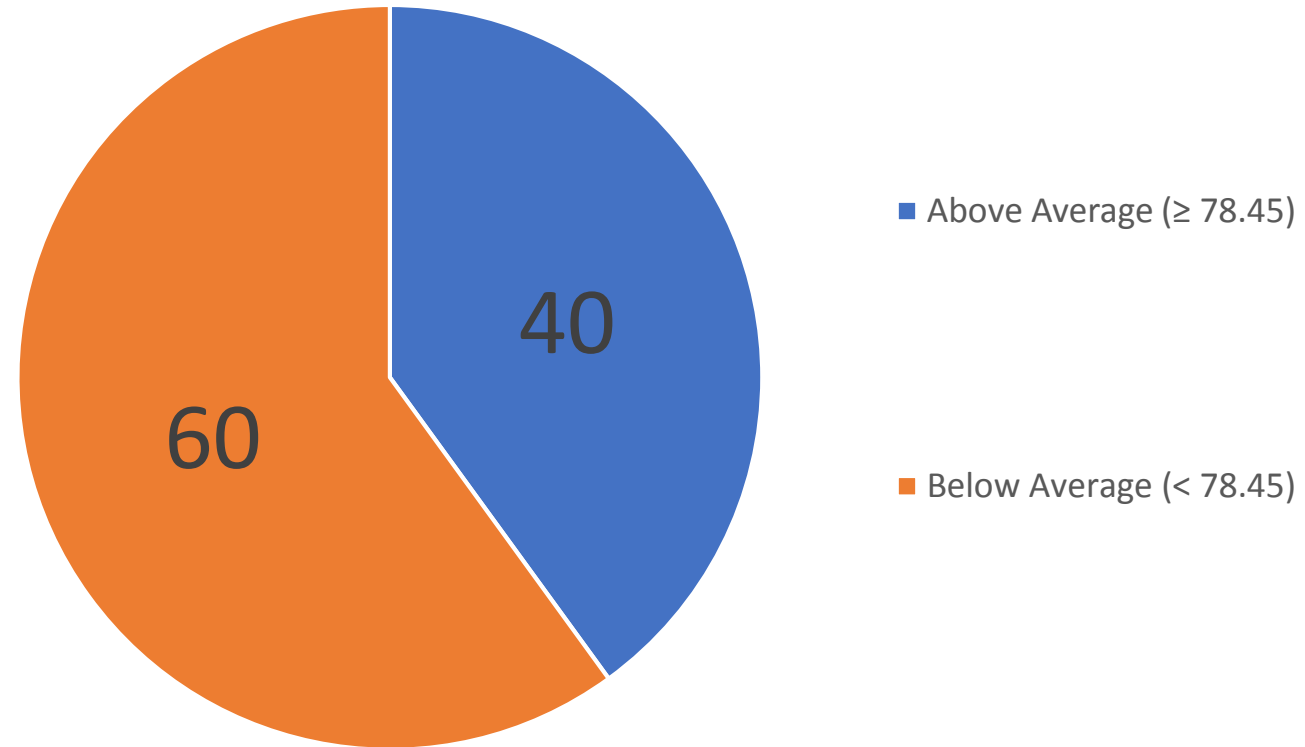
# Singapore Companies' Average Score by Band



\* Based on 2017 ACGS Data

# Singapore Total Score Distribution

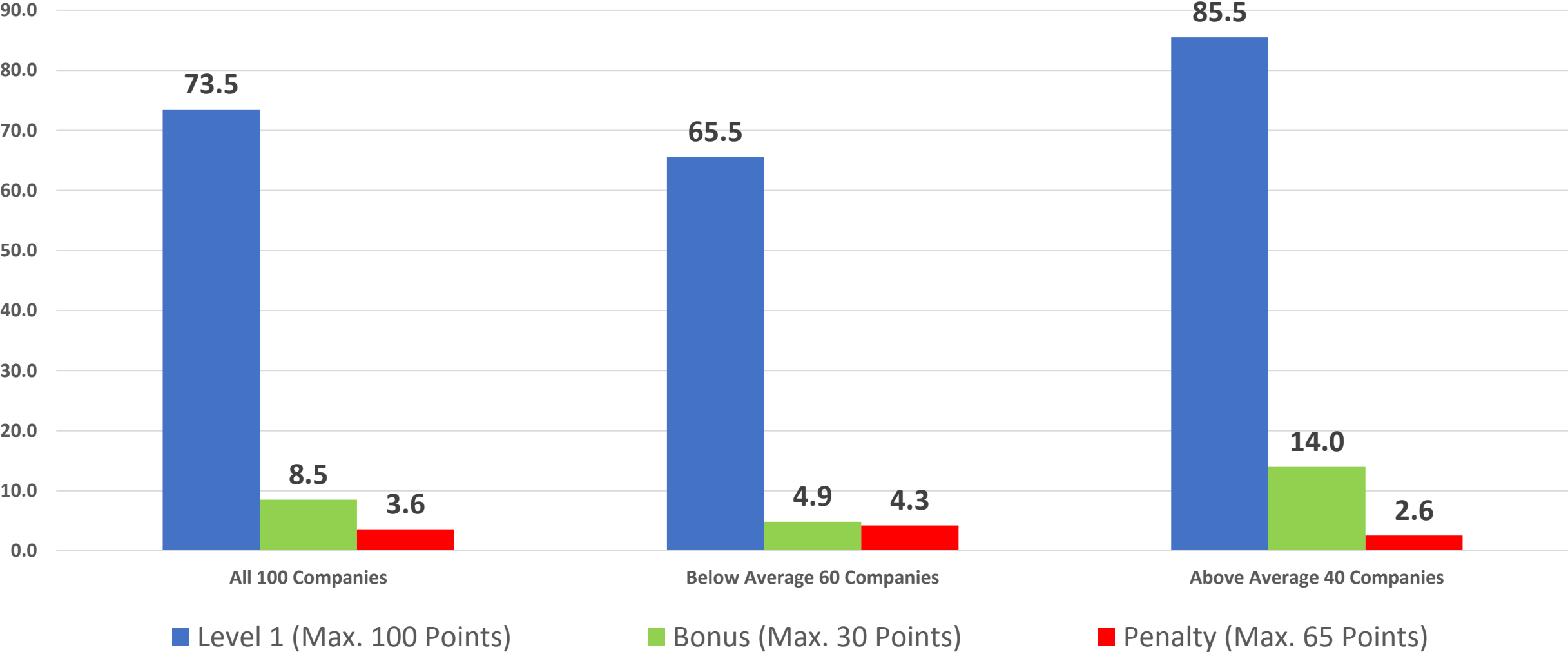
Number of Companies\*



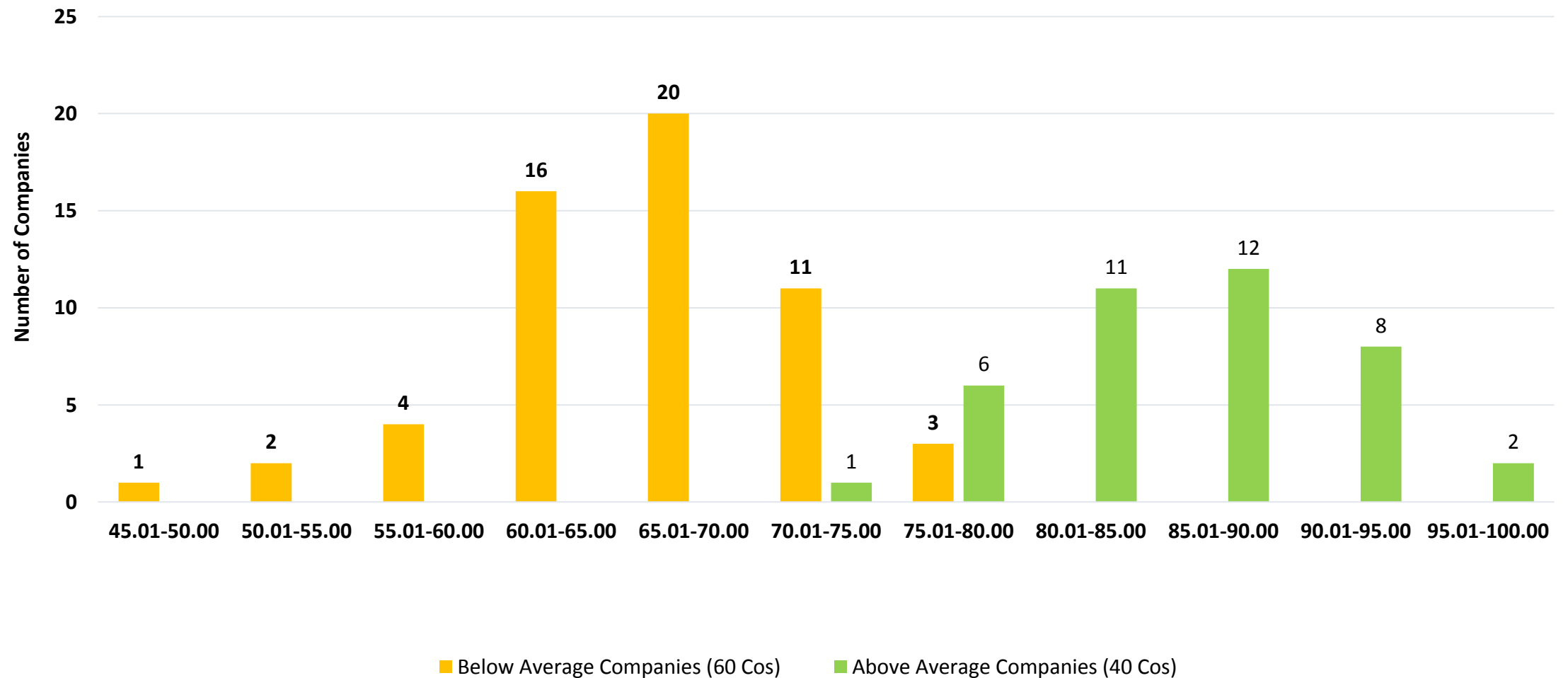
\* Based on 2017 ACGS Data



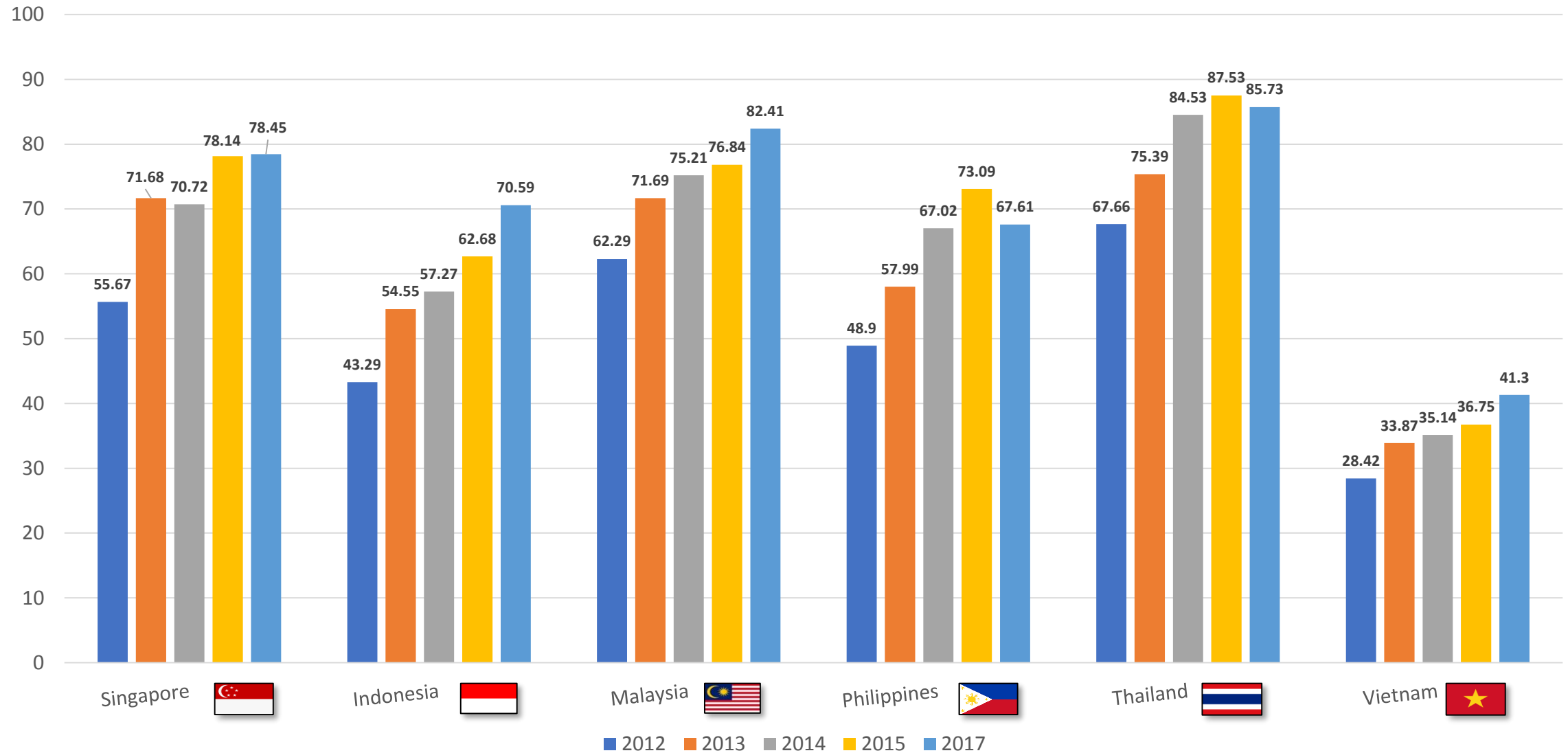
# Singapore Level 1, Bonus & Penalty Scores



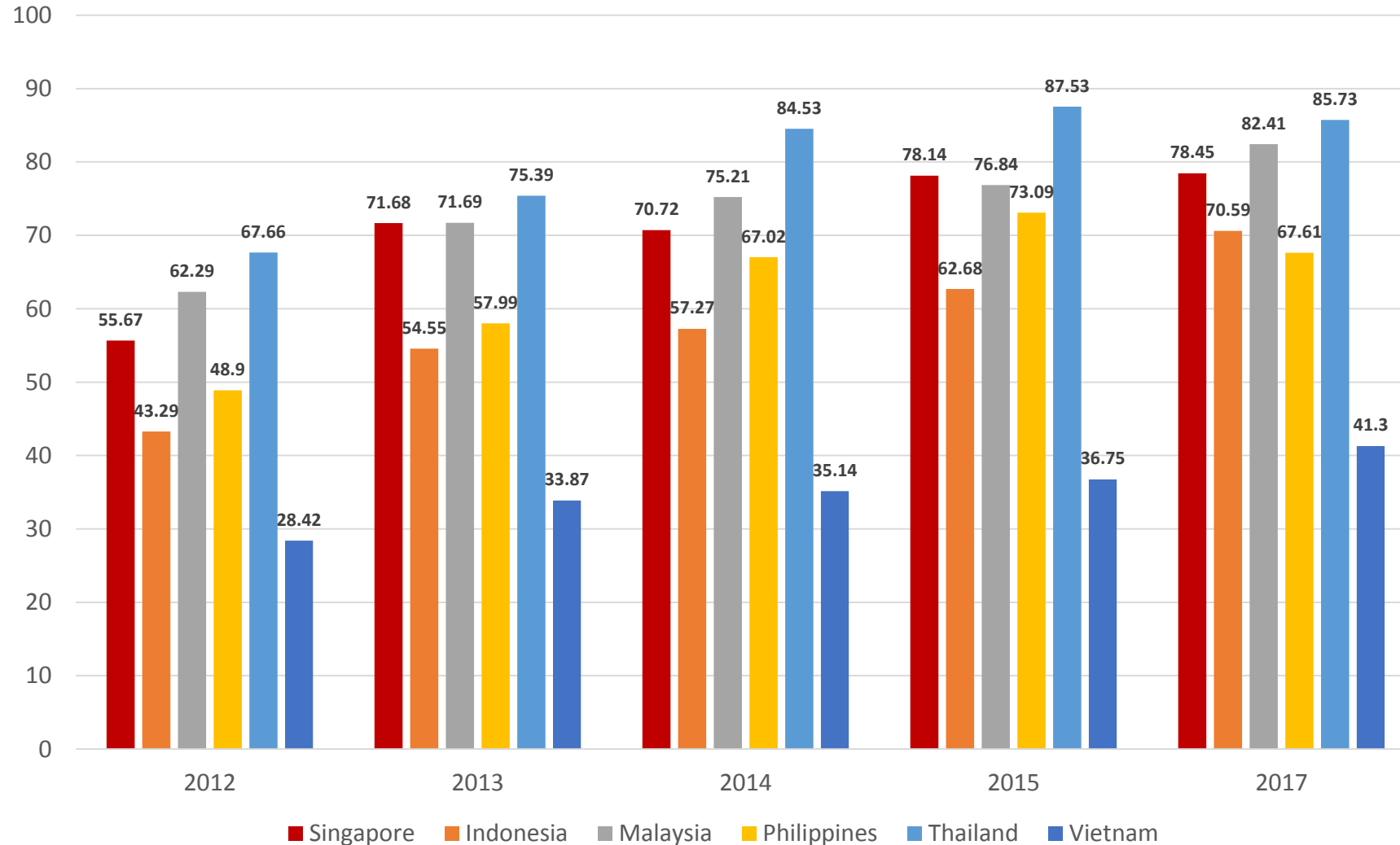
# Singapore Level 1 Score Distribution



# Year-over-year Average Scores by Country



# Country Average Scores Comparison by Year



***Singapore ranked 3rd among ASEAN countries in 2012, 2013, 2014 and 2017; 2nd in 2015.***

# Singapore's Share in ASEAN Top-Performers

ACGS Ranking 2017	Number of Singapore Companies	Percentage by Singapore Companies
TOP 10	5	50%
TOP 20	6	30%
TOP 50	12	24%
TOP 70	16	23%

# Areas of Improvement



# Areas of Improvement

Part A: Rights of Shareholders	All (100 Companies)
Does the company disclose the <u>voting procedures</u> used before the start of meeting?	38%
Do the <u>minutes of the most recent AGM</u> record that the shareholders were given the opportunity to ask questions and the questions raised by shareholders and answers given recorded?	48%
Does the company disclose the <u>list of board members</u> who attended the most recent AGM?	20%
Does the company disclose that <u>all board members and the CEO</u> (if he is not a board member) attended the most recent AGM?	18%
Does the company provide <u>at least 21 days notice</u> for all AGMs and EGMs?	45%

# Areas of Improvement

Part B: Equitable Treatment of Shareholders	All (100 Companies)
Are the <u>profiles of directors/commissioners</u> ( at least age, academic qualification, date of appointment, experience, and directorships in other listed companies) in seeking election/re-election included in the notice of AGM/circulars?	49%
In case of related party transactions requiring shareholders' approval, is the <u>decision made by disinterested shareholders</u> ?	13%



# Areas of Improvement

Part C: Engagement with Stakeholders	All (100 Companies)
Disclosure of policy and practices on the existence and scope of the company's efforts to address <u>customers' welfare</u> ?	48%
Disclosure of policy and practices on <u>supplier/contractor selection</u> procedures?	24%
Disclosure of policy and practices on the company's <u>anti-corruption</u> programmes and procedures?	27%
Does the company explicitly disclose the policies and practices on <u>training and development programmes for its employees</u> ?	50%

# Areas of Improvement

Part D: Disclosure and Transparency	All (100 Companies)
Disclosure of <u>non-financial performance indicators</u> in annual report	39%
Disclosure of <u>biographical details</u> (at least age, academic qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of <u>all directors/commissioners in annual report</u>	47%
Disclosure of <u>minutes of AGM and/or EGM</u> on the <u>company's website</u>	12%

# Areas of Improvement

Part E: Responsibilities of the Board	All (100 Companies)
Are the details of the <u>code of ethics or conduct</u> disclosed?	30%
Are <u>all</u> directors/commissioners, senior management and employees <u>required to comply with the code/s</u> ?	23%
Does the company have <u>a process to implement and monitor compliance</u> with the code/s of ethics or conduct?	19%
Does the company have <u>a term limit of nine years</u> or less or 2 terms of five years each <u>for its independent directors/</u> commissioners?	13%
Are the board of directors <u>meeting scheduled before the start of financial year</u> ?	40%
Does the board of directors/commissioners meet <u>at least six times</u> during the year?	24%

# Areas of Improvement

Part E: Responsibilities of the Board	All (100 Companies)
Are <u>board papers</u> for board of directors/commissioners meetings provided to the board <u>at least five business days in advance</u> of the board meeting?	30%
Does the company have <u>measurable standards to align</u> the performance-based <u>remuneration of the executive directors and senior executives with long-term interests</u> of the company, such as claw back provision and deferred bonuses?	30%
Is the <u>chairman an independent director</u> /commissioner?	29%
Does the company disclose the process on how the board of directors/commissioners plans for the <u>succession of the CEO/Managing Director/President and key management</u> ?	23%
Does the board of directors/commissioners conduct an <u>annual performance assessment of the CEO/Managing Director/President</u> ?	36%

# Areas of Improvement

Bonus Questions	All (100 Companies)
Does the company release its <u>notice of AGM</u> (with detailed agendas and explanatory circulars), as announced to the Exchange, <u>at least 28 days before</u> the date of the meeting?	19%
Are the <u>audited annual financial report /statement released within 60 days</u> from the financial year end?	20%
Does the company use <u>professional search firms or other external sources of candidates</u> (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors/commissioners?	19%
Does the board describe its governance process <u>around IT issues</u> including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board?	21%

# Enhancements in Company Recognition



# Key Changes

- ▷ All ASEAN companies scoring 97.5 points and above\* or 75% of the maximum attainable score (currently is 130) will be recognised
- ▷ Top 20 ASEAN companies will be recognised in ranking order compared to previously companies were recognised in alphabetical order within bands

\* Note: In 2017 assessment, 19 Singapore companies scored 97.5 points and above.



**Thank You!**

**SID**  
SINGAPORE  
INSTITUTE OF  
DIRECTORS



Centre for Governance, Institutions & Organisations  
NUS Business School