

CORPORATE GOVERNANCE

DRIVING VALUE CREATION IN ASIA-PACIFIC

Corporate Governance in Singapore:

LEADER AT A CROSSROADS

By Mak Yuen Teen



Foreword

EquitiesFirst™ has joined forces with **Nasdaq Governance Solutions** to publish a series of research reports on corporate governance for selected markets in APAC. We have assembled a team of experts on corporate governance in each of the subject markets to provide background and key insights on the space. These reports are for both investors in and management of listed companies focused on creating long-term value in their enterprises.

The topic areas will range from governance best practices, technological shifts, regulatory trends, communication, investor expectations and other topics tailored specifically to each of the regions.

About the Author

Mak Yuen Teen is Professor (Practice) of Accounting at the NUS Business School and a former Vice Dean of the School. He holds First Class Honours, Masters and PhD degrees in accounting and finance, and is a fellow of CPA Australia. Prof. Mak founded the first corporate governance center in Singapore in 2003 at the NUS Business School and was a member of the Governing Council of the Singapore Institute of Directors.

Prof. Mak served on the Corporate Governance Committee which released Singapore's first Code of Corporate Governance for listed companies

in 2001, the Council on Corporate Disclosure and Governance (CCDG) which prescribed accounting standards and revised the Code in 2005, and the Corporate Governance Council which released the fourth version of the Code in 2018. He is currently a member of the Corporate Governance Advisory Committee set up by the Monetary Authority of Singapore (MAS).

He developed the Governance and Transparency Index, now called Singapore Governance and Transparency Index, and was the Singapore representative to develop the ASEAN

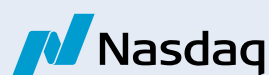
CG Scorecard. In 2017, he launched the first governance index for REITs and business trusts in Singapore, called GIFT.

In 2014, he received the Corporate Governance Excellence Award from the Securities Investors Association (Singapore) for his contributions to improving corporate governance in Singapore. The following year, he received the Regional Recognition Award for CG Contribution from the Minority Shareholders Watchdog Group and was recognized by the Singapore Institute of Directors as a Corporate Governance pioneer.



About EquitiesFirst

EquitiesFirst is a global investment firm, specializing in equity-backed lending. For nearly 20 years, we have provided innovative capital solutions to investors which can be vital or transformative. We work exclusively with corporate leaders, founders and other long-term investors. These stakeholders are united by a common interest in the continued growth and maturation of their underlying businesses. This is the essential objective of good corporate governance. It is our ambition that this research project can serve as a key resource and reference for our partners who engage meaningfully with these topics on a daily basis.



About Nasdaq Governance Solutions

Nasdaq Governance Solutions, a business of Nasdaq, Inc., offers an integrated suite of governance technology and consultative solutions designed to advance governance excellence worldwide. Through its Nasdaq Boardvantage board portal and collaboration solution and its board and management evaluations and assessment tools, the resources from Nasdaq Governance Solutions help governance professionals organize, streamline, and manage boardroom processes and requirements.

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Executive Summary

Over the past 20 years, there have been significant reforms in corporate governance of listed issuers in Singapore, with four versions of the Code of Corporate Governance released since the first Code in 2001. Compliance has generally been high and improving. However, as delistings increased and new listings declined, some changes have been wound back and listing rules relaxed. While Singapore continues to be rated as one of the best in Asia in corporate governance standards and practices, it is at a crossroads as momentum slows and other Asian markets begin closing the gap.

Further, realization of the full benefits of good corporate governance remains elusive for many companies as a “box-ticking” mindset is still prevalent. With an increasing focus on “ESG” (Environmental, Social and Governance) issues, there is also a risk that the momentum in improving “G” will be further lost.

This report examines the evolution of corporate governance in Singapore over the last 20 years, the current state of corporate governance and recent developments, and likely direction in the coming years.

Some key takeaways from the report are:

- Singapore’s position as regional leader in corporate governance standards, is under threat
- Complacency and an impetus to attract more listings is undermining this legacy
- New, ambitious challengers in the region are beginning to close the gap, with some outperforming Singapore in certain areas
- Singapore corporate boards must do more to improve board effectiveness, which requires much more than mere compliance with rules
- Regulators and domestic investors must continue to hold boards accountable and push for higher standards
- There are optimistic trends in gender diversity and ESG reporting

Introduction



Singapore's stock exchange was demutualized in December 1999, renamed the Singapore Exchange (SGX), and in November 2000 became the third stock exchange in Asia Pacific to be listed, after Australia and Hong Kong. The MCSI World Index includes Singapore among the 23 developed markets in the index.¹

Between 2000 and the mid-2000s, the number of listings on SGX more than doubled but has been declining from 2015 (FIG. 1). Total market capitalization has also seen a fall in recent years.² As of June 2021, there were 685 listings on SGX with total market capitalization of US\$680.6 billion (including 29 secondary listings). This compares with a peak of 778 listings in 2010.

Between 2008 and 2011, the percentage of foreign listings made up more than 40% of all listings (FIG. 2), with those from the People's Republic of China (PRC) making up about half of these foreign listings. In 2012, the percentage of foreign listings declined below 40% and continued to decline to its current percentage of just over 33%. Many of the PRC listings — often called S-chips - imploded in accounting and corporate governance scandals and were suspended and then delisted. 📉

FIG. 1: NUMBER OF LISTINGS AND TOTAL MARKET CAPITALIZATION ON SINGAPORE EXCHANGE²

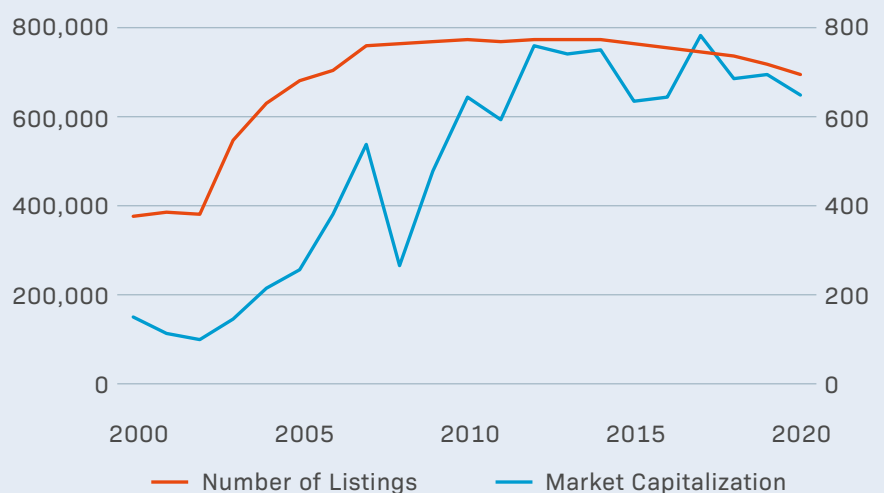
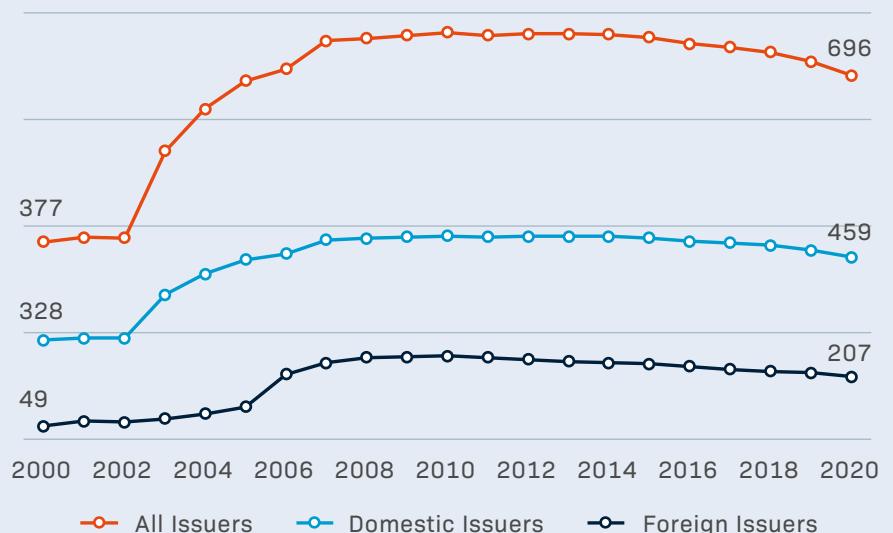


FIG. 2: TYPE OF LISTINGS ON SINGAPORE EXCHANGE²



1. <https://www.msci.com/home>

2. World Federation of Exchanges (The data was retrieved on July 8, 2021) <https://statistics.world-exchanges.org>

Listing Segments



There are two listing segments on SGX — the Mainboard and a second board called Catalyst. The Catalyst board operates on a sponsor-based regime modeled after AIM in London. It is intended for growth companies with no or minimal financial or operating history. Differences in admission requirements, admission process, ongoing oversight and continuing listing requirements apply for the two segments.

Over the last 10 years, the percentage of Catalyst listings has nearly doubled from 17 percent to 32 percent of all listings. Catalyst listings do not attract a significant institutional investor following and retail investors are not permitted to use their retirement

Of the 468 listings on the SGX Mainboard, 29 are secondary listings with their main listing in overseas exchanges such as those in Hong Kong, London, Malaysia and Tokyo

savings in the country's public pension scheme to invest in such listings.

Of the 468 listings on the SGX Mainboard, 29 are secondary listings with their main listing in overseas exchanges such as those in Hong Kong, London, Malaysia and Tokyo.³ These secondary listings comply mainly with the listing rules of the exchange where they have their primary listing.

Singapore also has a vibrant market for real estate investment trusts (REITs) and is ranked third in Asia Pacific by market capitalization of REITs, after Japan and Australia. There are currently 34 listed REITs, plus another eight business trusts and six stapled REITs/business trusts — all listed on the Mainboard⁴. 

³ Singapore Exchange (The information was retrieved on July 8, 2021) <https://www.sgx.com/>

⁴ REIT Market 101 - Savills <https://pdf.savills.asia/selected-international-research/reits-en-1111.pdf>

The Corporate Governance Journey Begins

After the East Asian financial crisis, when weaknesses in corporate governance and disclosures were identified as a key contributing factor, Singapore embarked on its journey to reform corporate governance and disclosure standards at the end of 1999. Three committees were formed to review company law and the regulatory framework, corporate governance and disclosure standards. The private sector-led Corporate Governance Committee was established in December 1999 and released the first Singapore Code of Corporate Governance (SCCG) in 2001.

The SCCG operates on a “comply or explain” basis, and was revised in

2005, 2012 and 2018⁵. The most recent review focused on improving the implementation of the “comply or explain” approach. This resulted in a major restructuring of the Code into principles, provisions and practice guidance, a strengthening of the “comply or explain” approach, and certain practices made mandatory in the listing rules. Companies that do not follow recommended practices must still comply with the principles. Practice guidance, some of which were previously in the main Code itself, are voluntary. For the first time, a permanent committee called the Corporate Governance Advisory Committee was established under the Monetary Authority of Singapore (MAS) in 2019

to promote improvements in corporate governance on an ongoing basis.

All issuers with a primary listing on SGX are subject to corporate governance requirements and recommended best practices that are mostly set out in the SGX Rulebooks and the SCCG. Banks, insurance companies, REITs and business trusts are subject to additional corporate governance regulations and/or guidelines issued by the Monetary Authority of Singapore (MAS). Issuers listed on Catalist are subject to less stringent listing rules in certain areas to give them more flexibility and speedier access to capital. 🇸🇬



5. Monetary Authority of Singapore, Code of Corporate Governance <https://www.mas.gov.sg/regulation/codes/code-of-corporate-governance>

Major Institutions

The corporate governance ecosystem in terms of regulatory bodies and market institutions in Singapore has also evolved over the last 20 years. Responsibilities for enforcing corporate governance rules rest with several key regulators, including:

01

Singapore Exchange Regulation (SGX Regco)

a wholly-owned regulatory subsidiary of SGX, which is responsible for enforcing the listing rules;

02

Accounting and Corporate Regulatory Authority (ACRA)

which is responsible for enforcing company law, compliance with accounting standards and regulation of external auditors;

03

MAS

which is responsible for enforcing securities law and regulations;

04

Other regulatory authorities

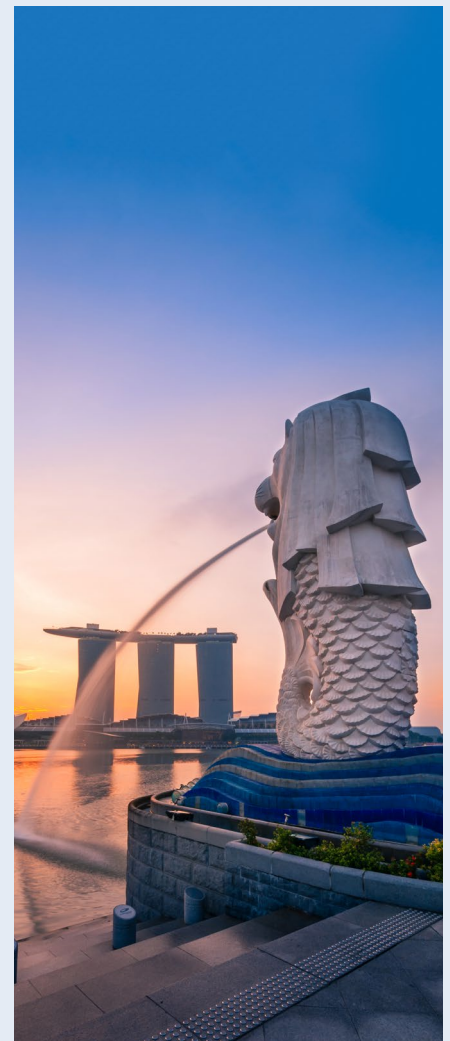
responsible for investigating and prosecution of offences under various statutory rules.

The chief body for company directors — the Singapore Institute of Directors (SID) — was formed in 1998. There is also an investor body called the Securities Investors Association Singapore (SIAS) in Singapore representing the interests of retail investors, founded in 1999.

An essential part of being an effective director is professional education,

both as a first-time director and on a continuing basis. Starting from 1 January 2019, SGX requires all first-time listed company directors to attend mandatory training, within a year of becoming a listed company director. Directors assessed as having appropriate experience may be exempted, but SGX has the discretion to mandate training for such directors. 📄

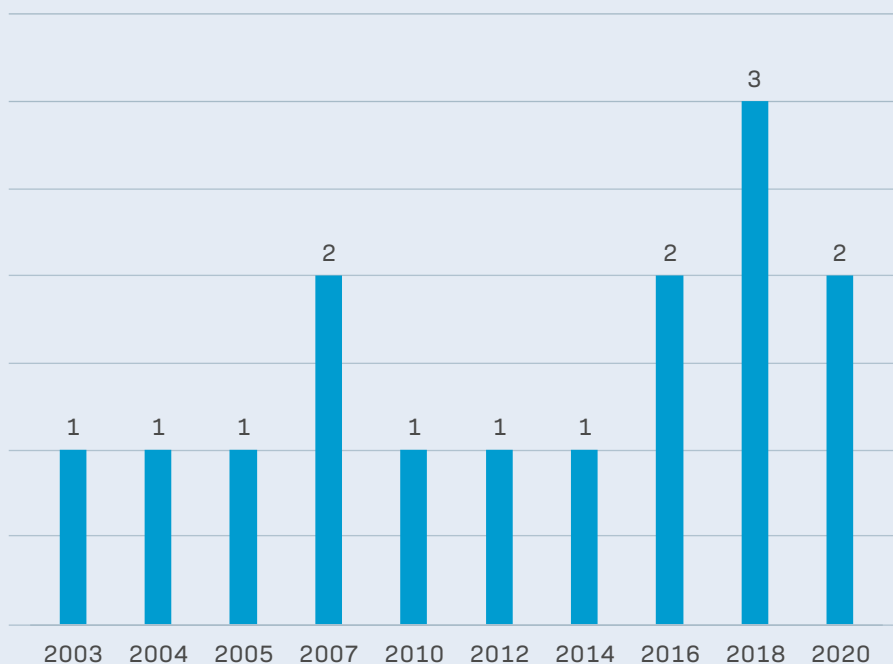
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Overall State of Corporate Governance

In the rankings published by the Asian Corporate Governance Association since 2003 covering up to 12 Asian markets, Singapore has consistently ranked in the top three (FIG. 3).⁶ Excluding Australia, Singapore's ranking has never been lower than second. In its latest 2020 CG Watch, Singapore was ranked joint second with Hong Kong, behind Australia. However, there are areas where Singapore under-performs markets which are ranked lower on an overall basis. For example, in the areas of "Investors", there is little domestic institutional investor engagement in Singapore, partly because the public pension fund, called the Central Provident Fund, does not invest in equities. Therefore, the investor activism by domestic pension funds that we see in many developed markets is absent in Singapore.

FIG. 3: SINGAPORE'S OVERALL RANKING IN THE ACGA CG WATCH⁷



Note: The chart above indicates Singapore's overall ranking out of 10 markets from 2003 to 2005, 11 markets from 2007 to 2014, and 12 markets from 2016 to 2020.

FIG. 4: TRENDS IN OVERALL CORPORATE GOVERNANCE DISCLOSURES FOR SINGAPORE LISTED COMPANIES⁷

An upward trend in corporate governance disclosures in Singapore



FIG. 4 shows that an upward trend in corporate governance disclosures in Singapore based on annual studies by the Centre for Governance and Sustainability (CGS) at the NUS Business School, National University of Singapore. However, it should be noted that the corporate governance disclosure scores may not reflect actual practices of companies and there are changes in methodology which reduce the comparability of the scores over time. 📈

6. Asian Corporate Governance Association (ACGA), CG Watch <https://www.acga-asia.org/cgwatch.php>
 7. Centre for Governance and Sustainability, Corporate Governance Highlights, 2020

Implementation of Key Corporate Governance Practices

While Singaporean companies have generally made good progress in adopting best corporate governance practices, investors should be cautious because this does not necessarily equate to implementing the spirit and substance underlying good corporate governance. For example, companies that have more directors who are classified as Independent Directors (IDs) may not necessarily have truly independent or effective boards.

Separation of Chairman and CEO Roles

Since the first edition of the SCCG, companies have been encouraged to separate the roles of the Chairman and CEO. FIG. 5 shows an increasing proportion of Singaporean companies separating the two roles. Companies having an independent Board Chairman have increased steadily over the years to slightly more than 30% in 2021.^{8,9,10} As best practice, boards should strive to appoint independent chairmen.

Independent Directors

Rules and guidelines on IDs have been enhanced over the years, starting from an initial requirement for all issuers to have at least two IDs under the listing rules, with the SCCG recommending that at least one-third of the board be made up of IDs. With effect from 1 January 2022, the listing rules require all companies to have at least two IDs or one-third of IDs, whichever is higher. The latest SCCG recommends that

FIG. 5: TRENDS IN SEPARATION OF CHAIRMAN AND CEO ROLES AND APPOINTMENT OF INDEPENDENT CHAIRMEN IN SINGAPORE¹⁰

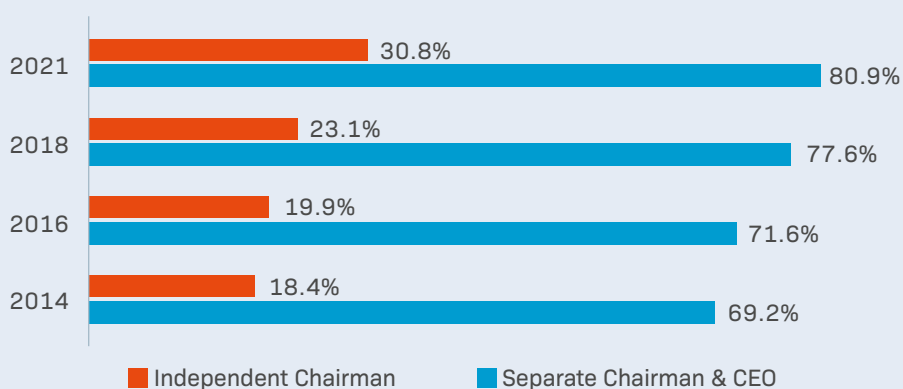
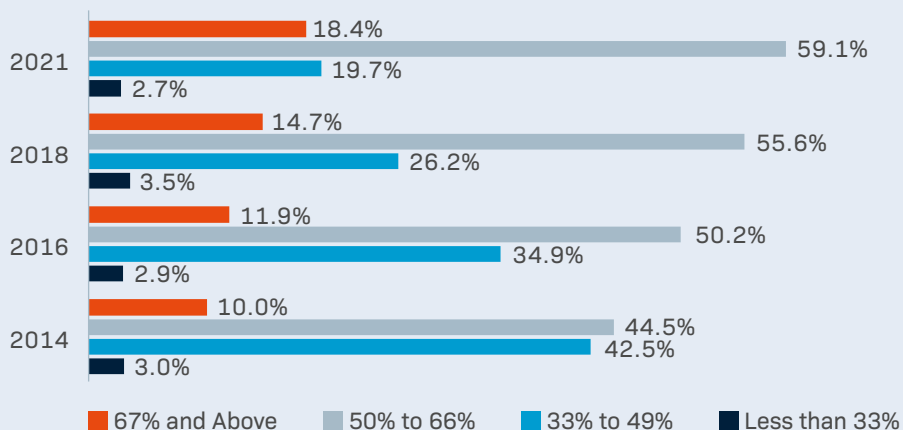


FIG. 6: TRENDS IN PERCENTAGE OF INDEPENDENT DIRECTORS IN SINGAPORE¹⁰



companies without an Independent Chairman have a majority of IDs. FIG. 6 shows a steady increase in boards with at least half IDs over the years, with more than three-quarters attaining this in 2021. As the assessment of whether a director is independent is a matter for the board and the Nominating Committee, and deviations from the criteria in determining independence are generally allowed, an increase in

percentage of IDs does not necessarily mean that there are more IDs who are truly independent. What is more important is that IDs are truly independent and competent and this can be better ensured only if criteria for independence are more strictly enforced, processes for assessing independence improved, and minority shareholders are given more power in appointing IDs.

8. The Singapore Directorship Report 2014, 2016 and 2018
 9. Singapore Board of Directors Survey 2019
 10. Handshakes <https://www.handshakes.com.sg/>

Diversity

In late 2012, the Singapore Government established the Diversity Task Force to examine the state of gender diversity on boards in Singapore, as well as its impact on corporate performance and governance. Following its findings and recommendations, the Diversity Action Committee was formed in 2014, which was then replaced by the Council for Board Diversity (CBD) in 2019.

The focus on gender diversity, and more recently broader diversity including age, has seen the percentage of directorships in Singapore listed companies held by women improve from 8.3% in 2014 to 12.7% today (FIG. 7). However, this is well short of an initial target of 20% of female directors by 2020.

The percentage of boards without a single female director fell below 50% between 2018 and 2021 but less than 20% of boards currently have at least two female directors (FIG. 8). While progress on gender diversity has been slow, Singapore has opted not to specify a specific gender target or quota.

Nearly half of all directors are aged 60 years or older, while only about 22% are 49 years or younger

In terms of age diversity, FIG. 9 shows that nearly half of all directors are aged 60 years or older, while only about 22% are 49 years or younger. Singaporean boards need to improve age diversity by appointing more directors in the younger age groups who are more likely to have skills and expertise in emerging areas such as digitalization, cybersecurity and sustainability.

FIG. 7: TREND IN PERCENTAGE OF FEMALE DIRECTORS IN SINGAPORE¹⁰

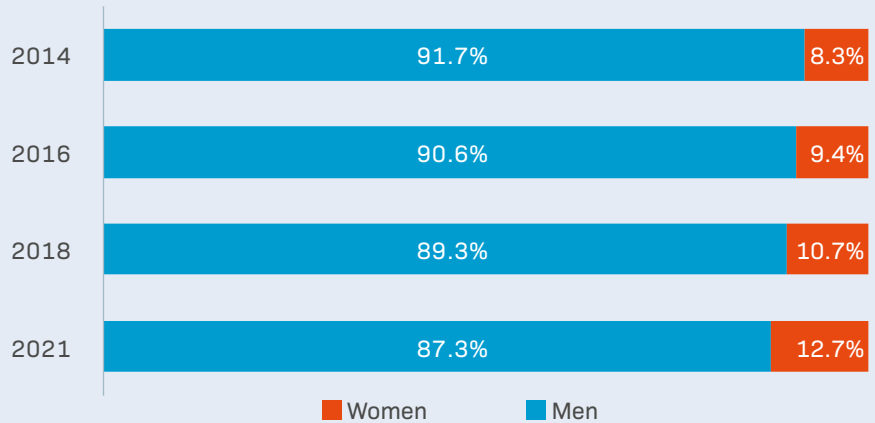


FIG. 8: TREND IN BOARDS WITH DIFFERENT NUMBER OF FEMALE DIRECTORS IN SINGAPORE¹⁰

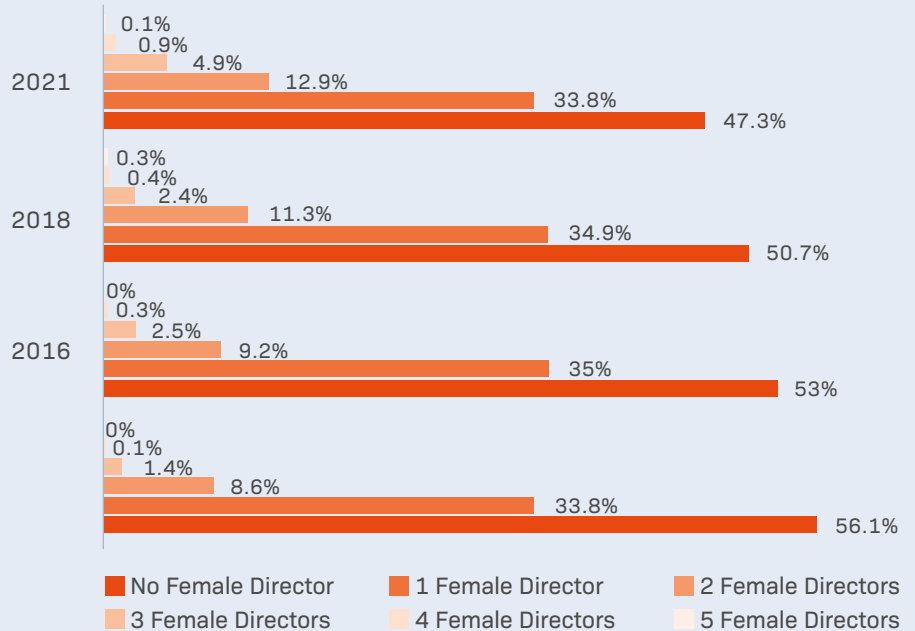
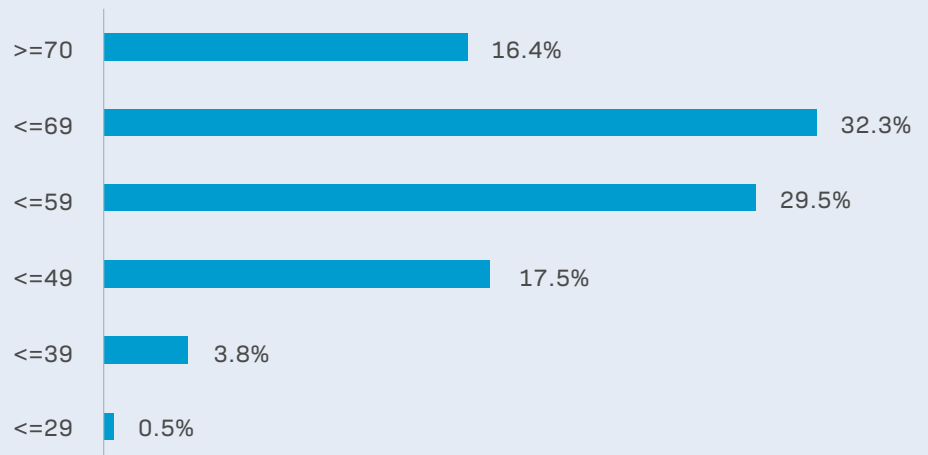


FIG. 9: AGE OF DIRECTORS IN SINGAPORE¹⁰

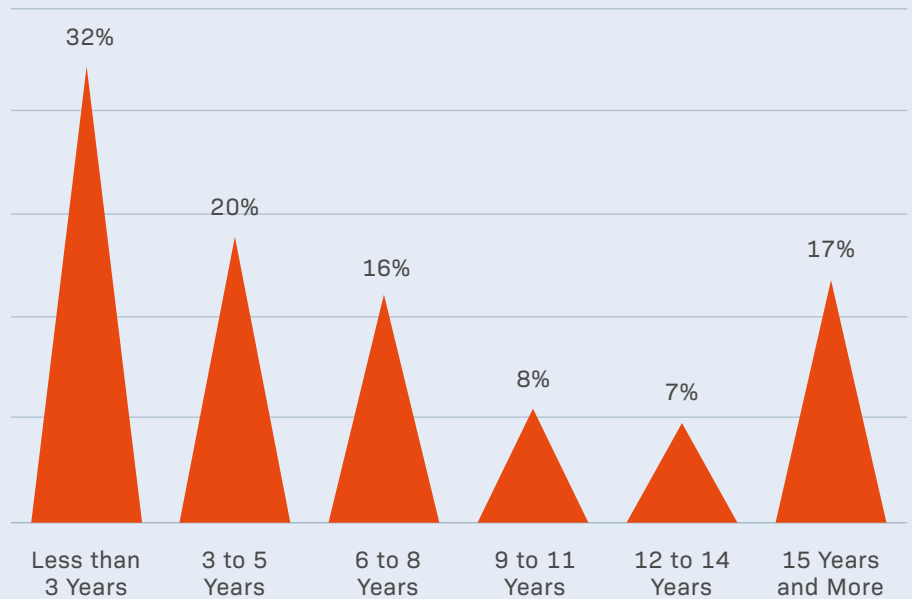


Tenure of Independent Directors

Regulators in many countries see long tenure as a threat to the independence of IDs and have introduced rules or guidelines to limit the tenure of IDs. Starting from 1 January 2022, IDs in Singapore who have served beyond a cumulative period of nine years on the board must have their continuing independence subject to a two-tier vote, with the first-tier vote by all shareholders and the second-tier vote by shareholders other than those who are CEOs, directors or their associates.

FIG. 10 shows that 32% of IDs in Singapore have served more than nine years. Markets such as Hong Kong, Malaysia, Philippines and UK have rules or guidelines that state that IDs who have served more than nine years should either be subject to a stricter review on independence or be subject to shareholders' vote, while other markets such as India, Indonesia and the EU have rules or guidelines that use a tenure limit of between 10 and 12 years.¹¹ There is a recent downward trend in the percentage of such IDs in Singapore and this is likely to continue given the mandatory two-tier vote for IDs after nine years from 2022.

FIG. 10: TENURE OF INDEPENDENT DIRECTORS IN SINGAPORE (2021)¹⁰



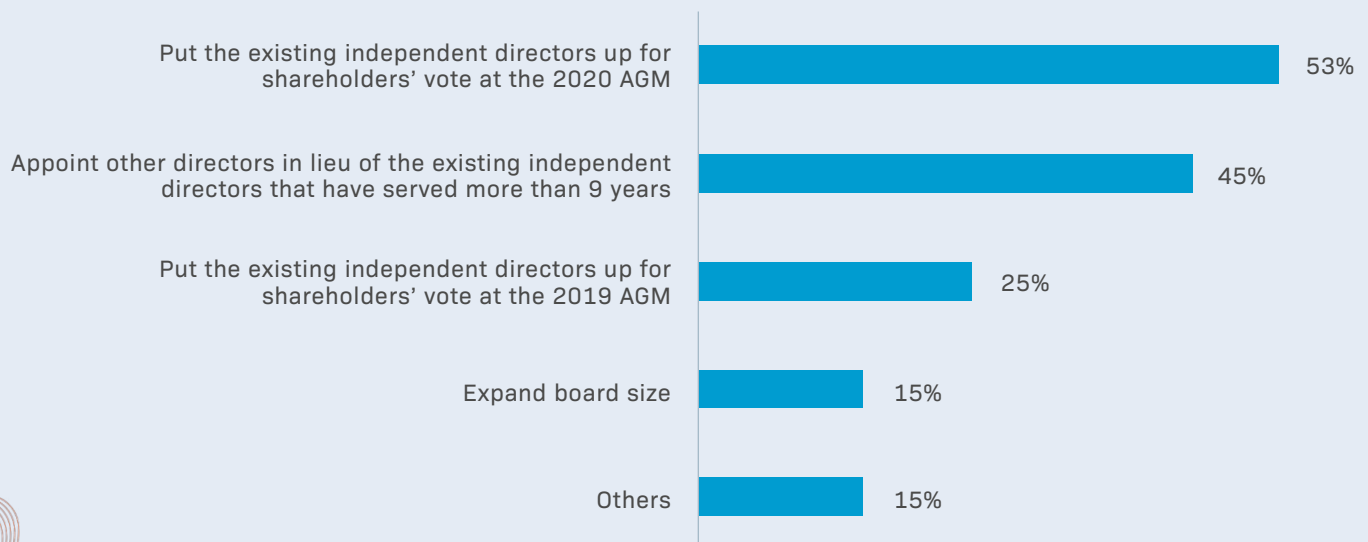
Nevertheless, without strict limits on tenure, some boards may consider retaining long-serving IDs by subjecting these IDs to the two-tier vote — with the hope that minority shareholders will support their continuation.

The Singapore Board of Directors Survey 2019, which covered 127 Singaporean listed companies, asked companies about their intended actions for long-serving IDs. Less than half said they will appoint other directors to replace long-

serving IDs (FIG. 11).

While there may be legitimate reasons to retain long-serving IDs on an exceptional basis, investors should be cautious about companies which retain multiple long-serving IDs or even a single ID for an overly long period of time. Such companies may not be addressing the need to renew their boards, and the independence and relevance of the competencies of these IDs may be in question.

FIG. 11: INTENDED ACTIONS FOR LONG-SERVING INDEPENDENT DIRECTORS FOR SINGAPORE COMPANIES⁹



¹¹ Mak Yuen Teen, Director Tenure: Stricter Guidelines Needed, Directors' Bulletin, Quarter 2 2017



Multiple Directorships

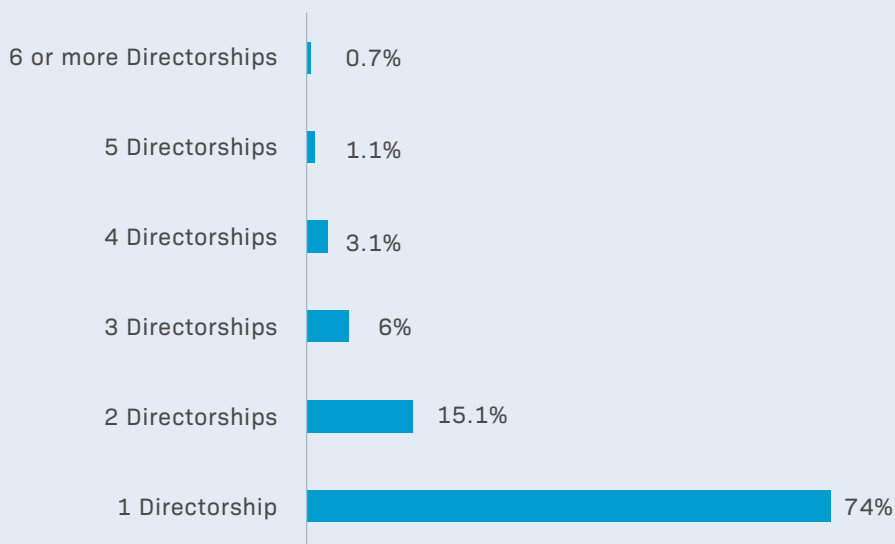
A common concern of investors is directors serving on too many boards — often referred to as “overboarding” — as such directors may not be able to commit sufficient time in discharging their responsibilities. Singapore has not imposed any limit on the number of directorships that an individual can hold, either in the listing rules or the SCCG. According to the Singapore Board of Directors Survey 2019, the majority of respondents said their board or nominating committee has not set a limit nor do they intend to do so. In its 2021 voting guidelines for Singapore, proxy advisory firm, Glass Lewis, states that in the ASEAN region, Malaysia, Indonesia, Philippines and Thailand have all set a limit on number of public company directorships either through regulation or best practice, with most putting a limit of five directorships. It believes that Singaporean companies should also observe the regional best practice that sets a limit.¹²

FIG. 12 shows the number of directorships held by IDs of Singaporean companies. Only a small percentage of IDs hold six or more directorships and therefore “overboarding” is not

a widespread issue. Nevertheless, investors should assess if IDs have too many commitments and may be unable to dedicate enough time to oversee management and operations. In one recent case in Singapore, an ID was appointed to a ninth directorship of a listed company. For the nine companies, he is executive chairman in one, independent chairman in two, deputy independent chairman in two, lead independent director in three, and audit committee chairman in five companies. Seven of the boards meet only twice a year and six of the audit committees of these nine companies meet just twice a year. The effectiveness of such a director and the quality of corporate governance of these companies would be in question.

FIG. 12 shows that nearly three-quarters of all IDs hold only one directorship. Although “overboarding” is a concern for investors, they should also be mindful of companies which appoint inexperienced individuals as IDs. This is not to say that investors should only approve IDs who have prior experience on listed boards but if there are several of such directors on a board, the board may lack requisite experience to discharge its responsibilities. 🚩

FIG. 12: NUMBER OF DIRECTORSHIPS HELD BY INDEPENDENT DIRECTORS IN SINGAPORE (2021)¹⁰



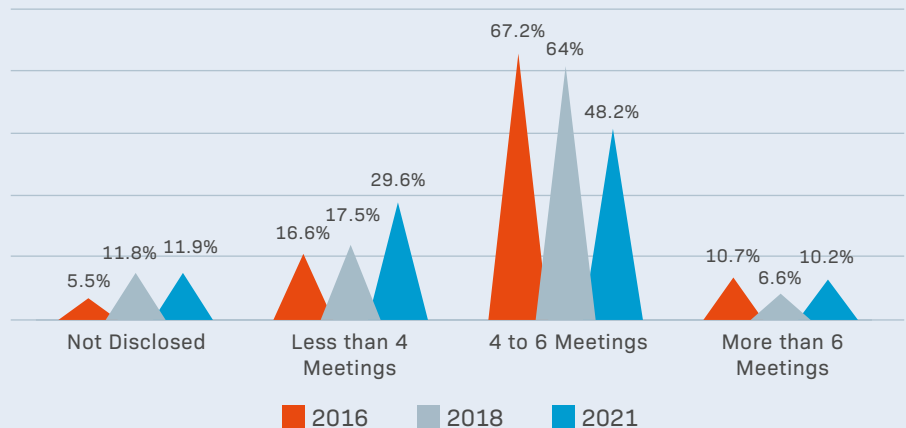
12. Glass Lewis, 2021 Proxy Paper Guidelines: Singapore

Compliance Versus Performance

The evolution of corporate governance in individual markets can be viewed in four phases: awakening, awareness, compliance and performance.¹³ Singapore is well past the first two phases and has been in the compliance phase for some years. The majority of companies comply with corporate governance practices set by regulators. As new rules are introduced, such as tenure limits for IDs, the majority of companies can eventually be expected to comply. However, in order for corporate governance to create long-term value for all stakeholders, companies must do more than “tick boxes” on prescribed corporate governance practices.

Investors should look for companies that go beyond mere compliance by considering other indicators, and engage with boards to assess whether they are merely paying lip service to corporate governance.

FIG. 13: NUMBER OF BOARD MEETINGS HELD IN A YEAR FOR SINGAPOREAN COMPANIES¹⁰

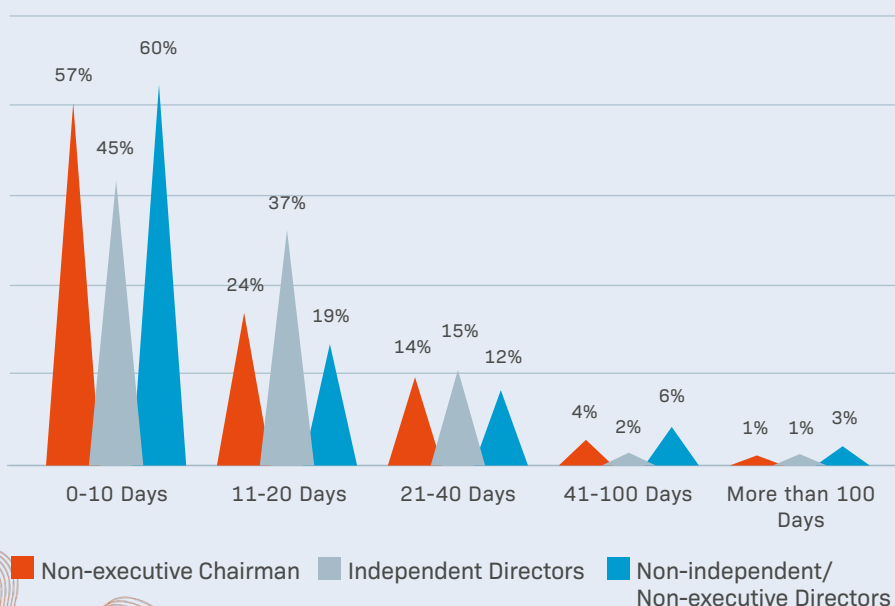


Board Meeting Frequency

Boards that meet infrequently may not be adequately discharging their oversight responsibilities and adding value. FIG. 13 shows that only about one in 10 Singaporean boards met more than six times a year for the latest financial year. More than 40 percent met less than four times. The percentage of

boards having four or more meetings declined substantially compared to 2018 and 2016. Given the impact of the COVID-19 pandemic on the business of many companies, it is surprising that more boards met less often than in the past. It is possible that the need for faster decision-making in challenging times means that some boards are making more decisions virtually, without formal meetings. Nevertheless, it is important for boards to meet regularly in board meetings – whether using physical, virtual or hybrid modes – so that important decisions are carefully deliberated and documented.

FIG. 14: AVERAGE NUMBER OF DAYS SPENT FOR SINGAPOREAN DIRECTORS⁹



A survey in 2019 found that the non-executive chairman in 60% and IDs in 45% of Singaporean companies spent no more than 10 days a year on board duties (FIG. 14). In comparison, a 2015-2016 survey by the National Association of Corporate Directors in the U.S. reported that directors on average spent 248 hours or about one full month per year on board-related matters.¹⁴ While time required will vary depending on the company’s circumstances, the findings in the Singapore survey raises questions as to whether many directors are spending enough time on providing oversight and guidance.

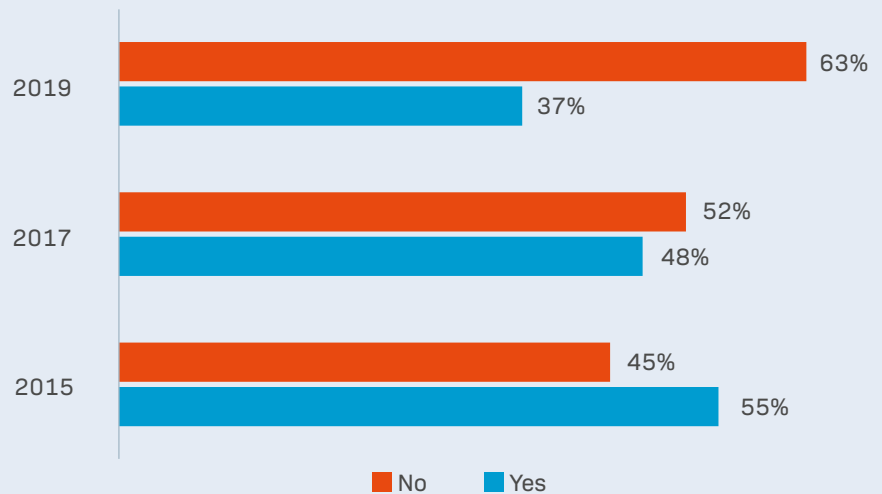
13. Mak Yuen Teen, Governance: Giant Steps Ahead for South East Asia, The Business Times, 6 January 2015

14. National Association of Corporate Directors (NACD), 2015-2016 NACD Public Company Governance Survey, 27 September 2015

Involvement of the board in strategy

Boards have an important role in reviewing and approving strategies, ensuring that risks are adequately considered, and monitoring strategy implementation. Boards which are closely involved in strategy will often hold strategy-only sessions outside of regular board meetings. However, the number of Singaporean boards having strategy-only sessions has declined between 2015 and 2019, with only 37% of boards having such sessions based on a 2019 survey (FIG. 15). Investors should ask boards about their involvement in strategy.

FIG. 15: BOARDS HOLDING STRATEGY-ONLY SESSIONS⁹

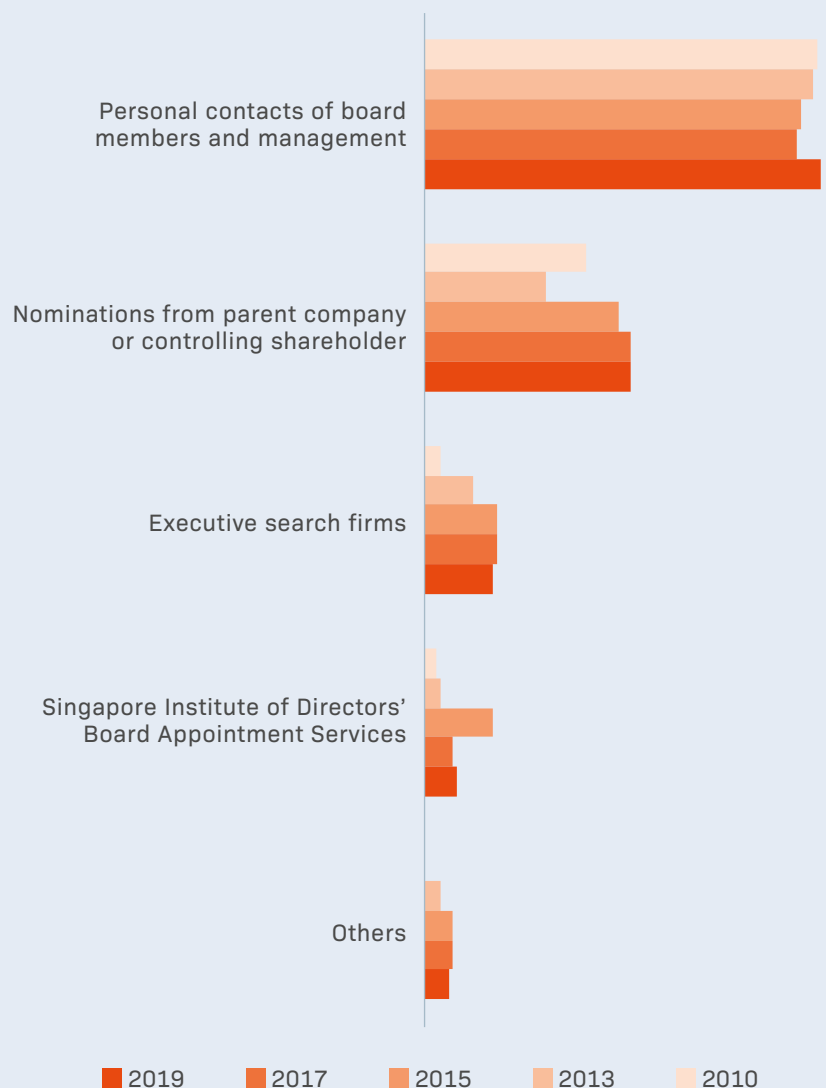


Selection of directors

A robust search and nomination process is essential for ensuring that boards have the appropriate competencies, independence and diversity in thought. However, survey findings indicate that Singaporean companies overwhelmingly rely on personal contacts of board members and management to identify non-executive director candidates, followed by nominations from the parent company or the controlling shareholder (FIG. 16).

In Singapore, some companies are now using wider sources, such as executive search firms and professional bodies, to identify potential candidates but they remain the exceptions. Investors should seek to understand how directors are identified and selected.

FIG. 16: IDENTIFICATION OF NON-EXECUTIVE DIRECTOR CANDIDATES FOR SINGAPOREAN COMPANIES⁹



Other indicators of board effectiveness

To assess the effectiveness of boards, investors should engage with companies on issues such as director induction and professional development; performance assessment of boards, committees, individual directors and CEO; and succession planning of directors, senior management and other critical employees. 🏗️

From “G” to “ESG”

Like many other countries, there is an increasing focus on environmental, social and governance (ESG) issues. Sustainability reporting is now mandatory for listed issuers in Singapore. The Sustainability Reporting Review 2021, covering 569 Singaporean issuers, found a 99.5% compliance rate in the publication of sustainability reports. In terms of material factors identified in the sustainability reports, occupational health and safety was the most common factor identified, followed by anti-corruption (FIG. 17).



FIG. 17: PERCENTAGE OF SINGAPOREAN ISSUERS THAT CITE A FACTOR AS MATERIAL IN SUSTAINABILITY REPORT¹⁵



Like many other countries, there is an increasing focus on environmental, social and governance (ESG) issues

With effect from financial years commencing from 1 January 2021, all listed issuers in Singapore must have a whistle-blowing policy where the identity of the whistle-blower is kept confidential and the individual is protected from reprisal. Issuers will be required to state in their annual reports that such a policy is in place, as well as explain how they have complied with key requirements such as independent oversight of the policy and commitment to protection of the identity of the whistle-blower. Nevertheless, the effectiveness of such whistle-blowing policies remains to be seen, especially without comprehensive legislation in Singapore protecting whistle-blowers. 🚩


Conclusion



Over the past 20 years, considerable progress has been achieved in compliance with key corporate governance rules and guidelines in Singapore. Regional rankings of corporate governance in key Asian jurisdictions consistently place Singapore among the leaders. However, Singapore lags behind other developed markets in the areas of investor protection, regulatory enforcement, shareholder engagement, and a culture among listed issuers of going beyond minimum compliance and disclosure. Regional peers with greater momentum have caught up or overtaken Singapore in certain areas. The ACGA CG Watch 2020 notes that corporate disclosures in Singapore “disappoints” and its performance in domestic investor commitment to corporate governance and ESG is “lukewarm”, being behind the regional curve and comfortably beaten by Australia, Japan, India, Korea and Malaysia.⁶ Truly effective boards remain the exception rather than the norm.

The number and quality of listings have declined in recent years, with more

Singapore is at a crossroads in its corporate governance journey



issuers facing accounting, corporate governance and performance problems. This has adversely affected investor confidence, leading to a fall in liquidity and valuations. This has, in turn, made it more difficult for SGX to attract both domestic and foreign listings. In response, certain rules introduced to improve transparency or market quality (such as quarterly reporting and minimum trading price) have been diluted or eliminated.

Meanwhile, to attract more listings, multi-vote share structures or dual-class shares - which allow founders to control companies with relatively small stakes - which were previously prohibited are now allowed, with little success. SGX is also considering allowing the listing of special purpose acquisition companies (SPACs) to attract more listings.

There are indications that regulators recognize the importance of improving investor protection and regulatory enforcement. However, results are yet to be seen, and there is a continuing tension between improving standards and remaining business-friendly to attract more listings.

As companies in Singapore move from “G” to “ESG”, they should bear in mind that “G” is the glue that holds “ESG” together. Much remains to be done in order to realize the full benefits of good corporate governance.

Singapore is at a crossroads in its corporate governance journey. It remains unclear whether the loss of momentum will continue or if Singapore will reclaim its status as a pace-setter in corporate governance in Asia. 🚩

Acknowledgments

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