Goverance of trusts: sunny, with a chance of isolated showers

By Mak Yuen Teen and Chew Yi-Hong

Two other trusts made significant gains to enter the top 5, with Mapletree Greater China Commercial Trust, which made the leap from number 26. Just half a point separated the very competitive. Meanwhile, Frasers Logistic Industrial Trust moved up to number 5, while Keppel DC Reit also gained four places to reach number 6.

For this year’s assessment, we also contacted all the trusts that have published email addresses for their investor relations functions, inviting them to complete a self-assessment using the revised scorecard. This was done primarily to increase the engagement with the trusts and provide an opportunity for them to use the scorecard to reflect on their governance. We reviewed the self-assessment as part of our independent assessment. As the assessment for GFI is based on publicly available information available to investors and other stakeholders, our independent assessment is not necessarily the same as the self-assessment provided by the trust. We are delighted that 26 of the 43 trusts we were able to contact by email agreed to participate.

We also reduced GFI slightly later this year so that we could include the latest unaudited financial results for March quarter end. For these trusts, we used the annual results released as late as July 2018. This allows us to use the most updated information provided for the financial year under review to assess the trusts.

The total overall score, including merit and demand penalties, varied from 10 to 79, with a mean of 65.5 and median of 68. Compared to last year, the mean has improved by 3.5 points and the median by 6 points.

While the scores are not strictly comparable to last year’s since the index has been refined slightly, it is clear that there has been an overall improvement. Average score has improved in all areas, except for internal and external audit, where the already high average score last year has remained largely unchanged this year, and business risk, which has seen a slight dip.

In the area of “Board matters”, the improvement is partly due to the enhanced independent requirements introduced by MAN that put a hard limit of nine years for non-executive directors. In the area of “Communication with investors”, the ratings have also seen slight gains, starting to put up minutes of meetings on their websites.

Keppel DC Reit retained the top ranking for the second edition of GFI, joined by the top four (CapitaLand Commercial Trust, Mapletree Commercial Trust, Mapletree Greater China Commercial Trust, and Frasers Logistics Industrial Trust) that have moved up from number 8 in last year’s ranking.

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