SID

SINGAPORE INSTITUTE OF DIRECTORS

Directors' Conference 2014

TOWARDS THE NEW CAPITALISM

Conference Booklet

Wednesday, 3 September 2014
9.00am to 5.30pm
Marina Bay Sands, Grand Ballroom

ABOUT

SID
SINGAPORE
INSTITUTE OF
DIRECTORS

Mission

To promote the professional development of directors and corporate leaders and encourage the highest standards of corporate governance and ethical conduct.

Vision

To be the national association advancing the highest level of ethical values, governance, and professional development of directors.

Formation

Since its formation in 1998, SID has continued to play a crucial role in the development of good corporate governance practices and the professional education of directors.

Membership

With over 2,000 members today, SID is well regarded as the national professional body for company directors serving the local corporate community. Its membership includes prominent individuals from listed companies and the professions. Adding to the Institute's influence and strength is the growing number of corporations which have joined the Institute as corporate members.

Governing Council

The affairs of SID are directed by a Governing Council comprising of up to 20 reputable corporate leaders and professionals elected from the general membership. A full time secretariat led by the Executive Director is responsible for the day-to-day operations of SID.

Research and Thought Leadership

The Institute has provided thought leadership on corporate governance and directorship issues in Singapore. It played a key role in drafting the Code of Corporate Governance in 2001 and made substantial contributions to the revised code in 2012.

To encourage best board practices, SID launched the first Singapore Best Managed Board Award and later the Best CEO Award, which are now presented at the annual Singapore Corporate Awards co-organised by SID, the Business Times and Institute of Singapore Chartered Accountants, and supported by ACRA and SGX.

SID and the Centre for Governance, Institutions & Organisations (CGIO) of NUS Business School have been appointed by the MAS as the Domestic Ranking Body for the ASEAN Corporate Governance Scorecard, an initiative of the Asian Development Bank.

The Institute conducts regular surveys on board matters. Its two major biennial studies on listed companies conducted in alternate years with the support of SGX are the "Singapore Board of Directors Survey" and the "Singapore Directorship Report".

SID regularly produces articles and publications of interests to directors and corporate leaders. These include the quarterly *SID Directors' Bulletin* to keep directors abreast of current issues, and "Boardroom Matters", a weekly column in *The Business Times* and *BT Invest*. In addition, the Institute researches and issues *Statements of Good Practice* to guide and inform directors of best practices in areas such as new director appointments, addressing conflicts of interest and director fees.

Professional Development

SID provides a full range of training programmes for the professional development of its members and to increase the pool of individuals qualified to serve as directors.

SID's professional development curriculum covers a series of formal courses that cater to the continuing development of directors which include:

- For aspiring or new directors: "So, You Want to be a Director?" and "Board and Director Fundamentals"
- For new or defaulting directors: "Directors Compliance Program"
- For the foundations of directorship: "Effective Board Leadership", "Listed Company Director Programme", and "SID-ISCA Directors' Financial Reporting Essentials".
- For advanced certificate programmes: "INSEAD International Directors Programme" and "SID-SMU Directorship Programme"
- For chairmen of boards and board committees: "Chairmen's Conversations"
- For boards on a custom basis: "Corporate Governance Updates for Listed Companies"

In addition, SID organises regular talks, forums and seminars all-year round on current topics of interest to members.

SID holds two major annual forums: the flagship SID Directors' Conference featuring international and local speakers on trends and issues impacting directors and governance, and a year-end Corporate Governance Roundup.

Other Programmes

SID regularly organises members' networking events including an annual SID Golf Tournament.

SID's Board Appointment Service seeks to help companies search for suitable director candidates from SID's database of members.

SID website is being redesigned to be an online hub for corporate governance and directorship matters.

SID participates in international corporate governance forums such as the OECD Asian Roundtable on Corporate Governance and is a member of key international networks such as the Global Network of Director Institutes.

For more information, please visit www.sid.org.sg or contact the Secretariat at (65) 6422 1188.

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Organising Committees

Conference Committee
Robert Chew (Chairman) | Kala Anandarajah | Wilson Chew | Chaly Mah | Dileep Nair | Robin Pho

Social Enterprise Marketplace Committee
Karen McGregor | Alfie Othman | Grace Sai | Teo Mee Hong | Eunice Woo

Secretariat
Penelope Phoon | Chia Yi Hui | Florence Lum

Section 1
Conference Programme

0800 Registration

0900 Welcome Address

Mr Willie Cheng, *Chairman, SID*

Guest of Honour Address

Ms Grace Fu, *Minister in Prime Minister's Office; Second Minister for Environment & Water Resources; Second Minister for Foreign Affairs*

0930 Keynote Address

Breaking Through to Tomorrow's Bottom Line

Mr John Elkington, *Co-Founder & Executive Chairman, Volans*

Renowned global strategist John Elkington will challenge current business thinking and discuss Profit 3.0, where leading corporations define a positive bottom line beyond traditional shareholder returns achieved at any cost.

Achieving Tomorrow's Bottom Line requires a strategic C-suite platform that does not simply aim to decrease negative impacts, but increase positive contributions across value chains. Breakthrough thinking from today's leaders will set a trajectory to push existing boundaries, grasp opportunities and provide long-term, sustainable solutions. In this 'New Capitalism' the game changes, but the old adage rings true; only the fittest survive.

1000 Networking Coffee Break

1030 Panel Discussion

Tomorrow's Capitalism: Moving from Shareholder Value to Shared Value

In recent years, unbridled brute capitalism has been increasingly viewed as a major contributor to global social, environmental and economic problems. Companies are perceived to be prospering at the expense of the broader society. A 'New Capitalism' is emerging which focuses on creating a better balance between economic and social value and identifies new opportunities in addressing societal needs and challenges.

What are the elements of this New Capitalism? How is it already being manifested in leading corporate practices worldwide? Are the issues and solutions of the West applicable to Singapore and Asia? To what extent should these issues form part of the agenda of the board and of companies going forward?

A high powered panel of local and international speakers with tri-sector backgrounds, in business, government and not-for-profit, will address these questions.

Moderator:
Professor Tommy Koh, *Ambassador-at-large, Ministry of Foreign Affairs*

Panellists:
Mr John Elkington, *Co-Founder & Executive Chairman, Volans*
Ms Euleen Goh, *Chairman, Singapore International Foundation*
Mr Lim Boon Heng, *Chairman, Temasek Holdings*
Mr Peter White, *COO, World Business Council for Sustainable Development*
Mr Stephen B. Young, *Executive Director, Caux Round Table*

1215 Enter the Social-Business Hybrids

Mr Robert Chew, *Board Member, National Council of Social Services*

Alternative forms of business organisations, accountable to more than the shareholder, have existed for some time, but in recent years they have mushroomed. Mr Chew's interests straddle both the social and business sectors and he will cover the evolution of such organisations and introduce the many that already exist in Singapore.

1245 Lunch in the Social Enterprise Marketplace

Network with friends and colleagues, and interact with 28 social enterprises that will be showcasing their products and services, affiliations, and business and social models. Learn more about this new approach to free enterprise while enjoying your favourite treats in a bazaar environment.

1445 The Social Enterprise Pitch

Be a part of how social change leaders communicate with hard-nosed corporate leaders on their emerging business models.

1515 Keynote Address

Finding the Right Balance of Achievements, Growth and Sustainability by Today's Directors

Mr Magnus Böcker, *CEO, Singapore Exchange*

Striking a balance between economic growth and sustainability requires a cohesive mindset. Board members today are highly-skilled, knowledgeable of their companies and strategic in their business approach. Just as it is important for boards to perform their responsibilities, it is just as critical that they instil a governance culture that sustains the company in the long run. Are today's boards doing enough to make certain their companies are healthy and provide sustainable values well into the future?

1530 Panel Discussion

Today's Capitalism: Thursday Morning's Issues for Boards and Strategic Leaders

As we contemplate tomorrow's capitalism, it is critical to examine the key challenges and hot topics that are on the shorter term business agenda. For many boards, these topics include the seemingly perennial and ongoing issues of board and gender diversity, crisis management, delistings, and the impact of new regulatory requirements.

This panel of senior business leaders and corporate governance experts will debate and shed light on these and other important contemporary issues.

Moderator:
Mr Till Vestring, *Partner, SE Asia, Bain & Co*

Panellists:
Mr Magnus Böcker, *CEO, Singapore Exchange*
Mr JY Pillay, *Chairman, Tiger Airways Holdings*
Mr Peter Seah, *Chairman, DBS Group Holdings*
Ms Susan Stautberg, *Founder, Women Corporate Directors*

1715 Closing Remarks

1730 End

Section 2

Speaker Biographies

Ms Grace Fu
Mr Willie Cheng
Mr John Elkington
Prof Tommy Koh
Ms Euleen Goh
Mr Lim Boon Heng
Mr Peter White
Mr Stephen B. Young
Mr Robert Chew
Mr Magnus Bocker
Mr Till Vestring
Mr JY Pillay
Mr Peter Seah
Ms Susan Stautberg

Ms Grace Fu
Minister in Prime Minister's Office; Second Minister for Environment & Water Resources; Second Minister for Foreign Affairs

Ms Grace Fu began her career with the Overseas Union Bank as an Auditor. Between 1991 and 1995, she worked in corporate planning, financial control and business development positions in several entities of the Haw Par Group. In October 1995, Ms Fu joined the PSA Corporation and took on responsibilities in finance and marketing. She assumed the position of Financial Controller of PSA Corporation in October 1998. In April 2003, Ms Fu was appointed CEO, Singapore Terminals, and before leaving the PSA Group, she was the CEO of PSA South East Asia and Japan.

Ms Fu was elected as a Member of Parliament in June 2006 and was appointed Minister of State for National Development in August 2006. In April 2008, Ms Fu was promoted to Senior Minister of State, and was appointed in the Ministry of Education and the Ministry of National Development. In May 2011, she was appointed as Senior Minister of State in the Ministry of Information, Communications and the Arts, and the Ministry of the Environment and Water Resources. In August 2012, Ms Fu was appointed Minister, Prime Minister's Office and Second Minister for Foreign Affairs, and the Second Minister for the Environment and Water Resources.

In addition, Ms Fu sits on the boards of the Peoples' Association and the Chinese Development Assistance Council. Further, she is involved in committees such as the Economic Strategies Committee, the Sino-Singapore Tianjin Eco-City and the National Integration Council.

Mr Willie Cheng
Chairman
Singapore Institute of Directors

Mr Willie Cheng is a former managing partner of Accenture, a global management consulting and technology services firm. Since his retirement in 2003, he has stayed involved with the business and the infocomm community. He currently sits on the boards of UOB Bank, Far East Hospitality Asset Management, SingHealth and Integrated Health Information Systems.

However, he spends the larger part of his time working with nonprofit organisations on boards and as a volunteer. He is currently a director of CHARIS, apVentures, Council for the Third Age, NTUC Eldercare, Catholic Foundation and SymAsia Foundation.

He has written extensively on the nonprofit sector. He is author of *Doing Good Well: What does (and does not) make sense in the nonprofit world* and co-editor of *The World That Changes The World: How philanthropy, innovation, and entrepreneurship are transforming the social ecosystem.*

He is an Honorary Fellow of Singapore Computer Society, and a Fellow of the Singapore Institute of Chartered Accountants and the Singapore Institute of Directors.

Mr John Elkington
Co-Founder &
Executive Chairman
Volans

Mr John Elkington is a writer and thinker, a serial-entrepreneur and an 'advisor from the future'. At the age of 11 he raised money for the newly formed WWF and went on to dedicate his life to helping business leaders across the globe towards sustainability and innovation.

Mr Elkington is a world authority on corporate responsibility and sustainable development and is credited with coining the 'triple bottom line'. In 2004, BusinessWeek described John as "a dean of the corporate responsibility movement for three decades".

Mr Elkington serves on some 30 boards and advisory boards, where a key part of his role is to channel the future into the present across a wide range of disciplines. He is writing his 19th book alongside Jochen Zeitz, former CEO of PUMA and now co-chair, with Sir Richard Branson, of The B Team. The book is provisionally titled The Breakthrough Challenge, exploring ways to institutionalise tomorrow's bottom line as a mainstay of tomorrow's business stretching beyond CSR and reporting.

Prof Tommy Koh
Ambassador-at-large
Ministry of Foreign
Affairs

Prof Tommy Koh is Ambassador-At-Large at the Ministry of Foreign Affairs, Chairman of the Centre for International Law and Rector of Tembusu College at the National University of Singapore. He is the Co-Chairman of the China-Singapore Forum, the India-Singapore Strategic Dialogue and the Japan-Singapore Symposium.

He was Singapore's Permanent Representative to the United Nations in New York for 13 years. He was Ambassador to the United States of America for 6 years. He was also the President of the Third UN Conference on the Law of the Sea. He chaired the Preparatory Committee for and the Main Committee at the Earth Summit. He had served as the UN Secretary General's Special Envoy to Russia, Estonia, Latvia and Lithuania. He was also Singapore's Chief Negotiator for the USA Singapore Free Trade Agreement. He has chaired two dispute panels for the WTO.

Ms Euleen Goh
Chairman
Singapore
International
Foundation

Ms Euleen Goh is the non-executive Chairman of the Singapore International Foundation (SIF).

A Chartered Accountant with further professional qualifications in banking and taxation, she is a non-executive independent board member of DBS Group Holdings Ltd and DBS Bank Ltd, CapitaLand Ltd and SATS Limited and a Trustee of Singapore Institute of International Affairs. She also chairs the Board of Singapore Chinese Girls' School, and the Board of Governors of NorthLight School as well as DBS Foundation Ltd.

Ms Goh held various senior management positions in Standard Chartered Bank retiring in March 2006 after 21 years with the Bank.

She was past Chairman of International Enterprise Singapore and Accounting Standards Council, Singapore and had been non-executive director of various listed and unlisted companies in Singapore and overseas.

Ms Goh was named as Her World Woman of the Year 2005. She was awarded a Public Service Medal in 2005 and a Public Service Star in 2012 by the President of the Republic of Singapore.

Mr Lim Boon Heng
Chairman
Temasek Holdings

Mr Lim Boon Heng is the Chairman of NTUC Enterprise Co-operative Limited and the Deputy Chairman of the Singapore Labour Foundation.

He was previously a Cabinet Minister within the Prime Minister's Office. Mr Lim's career spans the private and public sectors, having led Singapore's National Trade Union Congress, and having served as a Member of Parliament (1980 to 2011) and Cabinet Minister for Trade and Industry. Before entering the public sector, Mr Lim spent a decade at NOL (Neptune Orient Lines).

He is also Chairman of Temasek Holdings since 1 August 2013.

He holds a Bachelor of Science (Honours) degree in Naval Architecture from the University of Newcastle-upon-Tyne, UK.

Mr Peter White
Chief Operating Officer
World Business Council for Sustainable Development

Mr Peter White joined the WBCSD in September 2013 as Chief Operating Officer, following over 20 years developing the sustainability programme at Procter & Gamble, the world's largest consumer goods company. For the last seven years, Mr White was P&G's Director for Global Sustainability, creator and chair of the Sustainability Leadership Council and a key architect of the company's long term sustainability vision and 2020 goals. During that time, he was the WBCSD Liaison Delegate.

Mr White is also a Visiting Professor at the Newcastle Institute for Research into Sustainability at Newcastle University, UK. Prior to joining P&G, he held teaching and research positions at the Universities of Oxford, California (Berkeley) and Arizona, and taught in Nigeria with the UK development charity Voluntary Service Overseas.

A biologist at heart and by training, Peter holds a doctorate in Chemical Ecology from Oxford University, and Master's degrees in Zoology (Oxford) and Applied Hydrobiology (London).

Mr Stephen B. Young
Executive Director
Caux Round Table

Mr Stephen B. Young is Executive Director of the Caux Round Table, an international network of experienced business leaders who advocate a principled approach to global capitalism. Mr Young has published Moral Capitalism, a well-received book written as a guide to use of the Caux Round Table ethical and socially responsible Principles for Business. In 2008 Prof. Sandra Waddock of the Carroll School of Management of Boston College listed Mr Young among the 23 persons who created the corporate social responsibility movement in her book The Difference Makers.

Mr Young served as Honorary Consul of Singapore in Minnesota for 5 years.

Mr Young came to Minnesota in 1981 to be the third dean of the Hamline University School of Law. Previously, he had been an Assistant Dean at Harvard Law School.

Mr Young has also taught at the University of Minnesota Law School, Vietnamese history for the College of Liberal Arts, University of Minnesota and Public Office as a Public Trust for Minnesota State University - Mankato. He has published articles on Chinese jurisprudence, Qur'anic guidance for good government, the culture and politics of Vietnam and Thailand, legal education, Native American law, the history of negligence, and the law of war.

Mr Robert Chew
Board Member
National Council of
Social Services

Mr Robert Chew is a Managing Partner of Stream Global, an early stage technology investor and incubator. He is currently a Board Member of Pteris Global, Alexandra Health System, Yishun Community Hospital, Dover Park Hospice, Kwong Wai Shiu Hospital, Integrated Health Information Systems, Shared Services for Charities, and the National Council of Social Service. He was a former Partner of Accenture.

He is a Fellow and Council Member of the Singapore Computer Society (SCS) and the National Information Technology Standards Committee (ITSC). He chairs ITSC's Cloud Computing Standards Task Force.

He was awarded SCS's IT Leader of the Year in 2009 was conferred the Public Service Medal in 2013.

Mr Magnus Böcker
Chief Excecutive
Officer
Singapore Exchange

Mr Magnus Böcker joined SGX as Chief Executive Officer on 1 December 2009.

Mr Böcker has over two decades of leadership experience in the exchange industry, including being president of NASDAQ OMX, spearheading the creation of OMX (the Nordic Exchanges Company), and subsequently playing a key role in the merger of OMX and Nasdaq in 2008.

During his tenure with OMX, Mr Böcker served in various capacities, including CFO, COO and President of the OMX Technology division, before he became CEO of OMX AB in 2003. Under his leadership, OMX became the world's largest provider of technology solutions for exchanges and clearing organisations.

Mr Böcker is a member of the Shanghai International Financial Advisory Council. He sits on the council of the Institute of Banking and Finance in Singapore, and is a member of its Investment Committee. He serves on the Financial Industry Competency Standards Steering Committee and the Advisory Board of the Sim Kee Boon Institute for Financial Economics at Singapore Management University. He is also on the Advisory Panel of Singapore's Diversity Task Force.

Mr Till Vestring
Partner, SE Asia
Bain & Co

Mr Till Vestring is a partner of Bain & Company's SE Asia practice and based in Singapore. He joined Bain in 1990 in Munich and has spent the last 18 years in Asia, with postings in Sydney, Hong Kong, Singapore and Tokyo. He was Bain SE Asia's Managing Partner from 2007 to 2013 and Head of Bain's Asia Industrial Practice from 2003 to 2007.

Mr Vestring has worked extensively with SE Asian companies and multinationals on portfolio strategy, growth strategy, M&A and merger integration, organisation and performance improvement programmes.

He has published articles on strategy, M&A and cost competitiveness topics in the Harvard Business Review, Sloan Management Review and other publications.

Mr Vestring has a Masters in Economics from the University of Bonn in Germany and an MBA from the Haas School of Business, University of California at Berkeley.

He is a non-executive board member with Inchcape plc (since 2011) and of the Singapore Chinese Orchestra (since 2008).

Mr JY Pillay
Chairman
Tiger Airways Holdings

Mr JY Pillay is the Chairman of the Council of Presidential Advisers of the Republic of Singapore; a Member of the Presidential Council for Minority Rights; the Chairman of the Securities Industry Council; Rector of Angsana College, National University of Singapore; and Chairman of Tiger Airways Holdings Limited.

He was with the Administrative Service of the Government of Singapore (1961 – 1995), rising to Permanent Secretary in 1972. He had served in the ministries of finance, defence and national development, and as Managing Director of the Monetary Authority of Singapore and the Government of Singapore Investment Corporation. He was the High Commissioner in Britain (1996 – 1999) and Chairman of Singapore Exchange Limited (Nov 1999 – Dec 2010).

Mr Pillay also held chairmanship of government companies including Development Bank of Singapore (1979 – 1984); Singapore Airlines (1972 – 1996); Temasek Holdings (1974 – 1986); and Chairman of the Council on Corporate Disclosure and Governance (2002 – 2007).

He has a B.Sc (Hons) from the Imperial College of Science & Technology, University of London.

Mr Peter Seah
Chairman
DBS Group Holdings

Mr Peter Seah joined the Board of Directors of DBS Group Holdings Ltd and DBS Bank Ltd on 16 November 2009 and assumed the role of Chairman on 1 May 2010. He is Chairman of the Compensation and Management Development Committee, Executive Committee and Nominating Committee, as well as a member of the Audit Committee and Board Risk Management Committee. In addition, he is Chairman of DBS Bank (Hong Kong) Limited and also chairs its Board Risk Management Committee.

Mr Seah is the present Chairman of Singapore Health Services Pte Ltd and LaSalle College of the Arts Limited. He was a banker for 33 years before retiring as Vice Chairman and CEO of the former Overseas Union Bank in 2001.

Mr Seah is a member of the Temasek Holdings Advisory Panel. He also serves on the boards of CapitaLand Limited, StarHub Ltd, STATS ChipPAC Ltd and GIC Private Limited.

Mrs Susan Stautberg
Founder
Women Corporate Directors

Mrs Susan Schiffer Stautberg, Co-Founder, Co-Chair, and CEO of WomenCorporateDirectors (WCD), is also the President of PartnerCom Corporation, which assembles and manages Advisory Boards globally for businesses, governments, and non-profits. She also co-founded OnBoard Bootcamp (OBB), an insider's guide on how to be selected to a Corporate, Private Company or Advisory Board Director position.

In her capacity as Corporate and non-profit Director, Susan has served on or created the Advisory Boards for AMEX Open, Avon, Bayer Diabetes Care, Cigna, Citigroup, Goldman Sachs, Houlihan Lokey, Medtronic, Merrill Lynch, Northwestern Mutual, Proctor and Gamble, The Times Centre for Learning (India), Walmart, and others.

Mrs Stautberg addresses groups around the world. Her writing includes six books; she has written or been featured in numerous articles including Business Week, The New York Times, The Wall Street Journal, and The Financial Times.

Mrs Stautberg holds a B.A. degree from Wheaton College, a M.A. in Public and International Affairs from George Washington University and an Executive Education Programme at Harvard Business School.

Section 3

Readings : Today's Capitalism

Gender diversity: More fiction than fact

By Annabelle Yip, Partner, WongPartnership

It is a truism that diversity is good for the boardroom. A diversity of professional background, nationality, industry, knowledge, age and generation, work and life experience, skills, education and gender adds value to the boardroom. Complemented by progressive refreshing of the board, diversity on the board helps to prevent group-think, provides directors with different perspectives and insights and fodder for new ideas, encourages new and sometimes innovative ways of thinking, promotes debate, and makes directors work harder to defend and persuade other directors to concur with their points of view.

Yet the reality is that the boardrooms of Singapore public-listed companies have been sluggish to embrace diversity. The annual Singapore Board Diversity Report 2013 (BD Report) published by the National University of Singapore Business School Centre for Governance, Institutions and Organisations and Board Agender in November 2013 showed only a miniscule increase in the percentage of women in the boardrooms of Singapore Exchange (SGX)-listed corporations; from 6.9% in 2011, 7.3% in 2012, to 7.9% in 2013.

The figure of 8.3% in the more recent report issued by the Diversity Task Force regarding Women on Boards (DTF) in April 2014 entitled "Gender Diversity on Boards: A Business Imperative" (DTF Report), is only slightly better. The DTF was initiated around two years ago by the Singapore government to address gender diversity issues at the workplace.

Do these corporations need a better carrot and/or a stronger stick?

At this snail's pace of growth, the DTF Report notes that the proportion of women-held directorships will only reach 17% in 2030.

In this regard, Singapore lags behind other Asian countries, including Indonesia, Malaysia, China, and Hong Kong. Women are even more under-represented in Singapore leadership positions; less than 5% of Chairpersons and CEOs are women. Indeed, both reports showed that more than 55% of SGX-listed boards have no women at all. The BD Report also noted that only 13 out of 677 SGX-listed corporations surveyed have three or more women.

Are there any reasons to do something about this besides the approach of gentle encouragement that is taken in the Code of Corporate Governance 2012 (Code)?

The Code has a single Guideline 2.6, under Principle 2 on "Board Composition and Guidance", stating that the Board and its committees should comprise "directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the company".

The focus on gender diversity is not an issue of prioritising gender above other aspects of diversity, but gender diversity is low-hanging fruit that can be easily addressed and would yield meaningful results. On the other hand, other types of diversity arguably tend to be more complex. A properly structured board selection process will go some way to achieving diversity in other areas.

Based on measurements done using the Governance and Transparency Index over a five-year period, the BD Report found that gender diversity has had a positive effect on firm performance in terms of return on assets and return on equity, as well as corporate governance quality. It concluded that "Female board members seem to perform better in achieving goals for majority shareholders, compensation issues, transparency and investor relations – such as in the area of fairness and openness which helps in mitigating conflicts of interest."

While the DTF Report highlighted the conflicting studies that both support and do not support the causal links between board gender diversity and improved financial performance, it noted the clear benefits of gender diversity in leading to better board effectiveness and corporate governance, allowing companies to better use its talent pool to compete effectively, and meeting demand by shareholders and institutional investors for board gender diversity.

The Code is, for now, for SGX-listed corporations, the only place in any rules or regulations in Singapore where gender—or other—diversity on the board of directors is expressly mentioned.

Is that about to change?

The DTF Report made 10 recommendations. Amongst them are that regulators consider placing more emphasis on gender diversity in the Code, taking reference from other countries (e.g. requiring companies to disclose their gender diversity policy), and amending SGX's rules and templates (e.g. those relating to announcement of directors) accordingly.

Another recommendation included the establishment of a Diversity Action Committee (DAC) to facilitate the implementation of the recommendations. The DTF Report states that the DAC will be supported by the SGX, and the CEO of SGX chairs the DAC.

Carrots and Sticks

It is clear that despite the Code, Singapore listed corporations have dragged their feet on diversifying their boards. Do these corporations need a better carrot and/or a stronger stick?

Neighbouring Malaysia, which saw government action to redress gender imbalance on its boards in the form of an official target to achieve 30% representation on the boards of Malaysia-listed corporations by 2016 and the establishment by the Malaysian government of a Women Directors Programme, has made greater strides in increasing the percentage of women on boards.

The DTF Report does not recommend either imposing quotas or setting targets, but instead makes 10 recommendations involving multiple stakeholders, and recommends that they be allowed to run their course before an assessment is made with regard to the setting of quotas or targets.

The recommendations include the giving out of awards and publication of rankings based on gender diversity practices, having industry leaders be advocates for the issue, and putting in place programmes to train women candidates to be board-ready and help qualified women take on senior management or board positions.

In my view, imposing a requirement to explicitly disclose the proportion of women on the board, and possibly also in senior management, in annual reports, will go some way to increasing awareness and eventually lead to positive action by boards to improve their gender balance. The disclosure should be accompanied by an explanation of the corporation's policy or targets in relation to gender (and perhaps other aspects of) diversity, and also whether it is on track to meet its previously stated policy and targets. While gender balance is not mandated by way of quotas or externally-imposed targets, this approach compels corporations to be transparent before stakeholders and the public about where they stand on the issue.

The BD Report states that such an approach, to require companies to report on board diversity targets and their progress towards achieving them, thus putting the topic on the board's agenda and forcing the board to measure diversity and take action, is the easiest tool available to accelerate change.

To address a common criticism, highlighting the danger of tokenism in relation to the active encouragement of inclusion of women on boards is to willfully fail to recognise that the odds are inevitably stacked against bringing on board a woman, regardless of merit, for as long as directors are not required to do so. Old habits die hard, and male directors will always be more comfortable recruiting other directors in the same familiar way, relying on the Singapore equivalent of the "old boys' network". All things being equal, a male director has no incentive to consider which woman may fit the position if he thinks that a man can do the job and it is an easy choice for him to make.

It is for this reason that one of the DTF's recommendations is for corporations to put in place a formal search and nomination process (including the use of search firms or professional associations as appropriate) to recruit directors. The DTF noted that a hefty 42% of SGX-listed corporations which responded to its survey used only the personal networks of directors in their board recruitment process.

Until boards are sensitised to the need to address gender imbalance and the consequences if they fail to do so, things are unlikely to change much. The need for the corporation to redress gender imbalance or face certain unfavourable consequences will help also to encourage women directors to be less hesitant to recommend other able women to the board, because that will be seen as something the corporation actively needs to do. This is not to say that women should be appointed to boards regardless of merit or competence.

Addressing gender diversity may help to promote diversity in other areas as well, perhaps increasing directors' acceptance that board members do not necessarily have to be cut from similar cloth. Similarly, addressing diversity in other areas such as age or background, may well have a positive impact on appointment of women to boards. The narrow preference of many local boards to appoint persons of a certain seniority who have just retired from top positions in large corporations is inward-looking and, indeed, dangerous in the fast-paced business environment of present times. The appointment of younger directors—increasing diversity as regards age or seniority—will likely lead to greater numbers of women on boards. Indeed, the BD Report notes that women directors also tend to be younger than their male counterparts.

The DTF Report points out that besides seniority, local boards tend to prefer certain attributes such as board experience or experience in traditionally male-dominated industries or functions. It is necessary for corporations to cast the net wider and aspire to having a diverse board through a properly structured board appointment process that systematically and regularly identifies the corporation's needs and the persons who can best fulfil those needs on the board.

Increasing the pool of women directors it is hoped will lead to a virtuous cycle where more directors become more familiar with more women who are directors or in senior positions, leading to more of them being appointed with greater ease, so that over time they will become identified not just as women directors but as able equals to male directors, and gender becomes a secondary consideration. In the distant future, it is hoped that there will no longer be a need to single out gender as a focus of diversity, and that appointing a woman as a director will come as naturally as appointing a man, and board diversity will have become a core value of the majority of Singapore listed corporations. ■

The above article was first published in the Directors' Bulletin of the Singapore Institute of Directors (Quarter 1, 2014). It has been updated to reflect the report of the Diversity Task Force which was published in April 2014.

Shareholder activism and how directors can respond

By Jerry Koh, Partner, Allen & Gledhill LLP

Introduction

The global corporate landscape has seen a growing trend of "shareholder activism", a facet of corporate governance which broadly encompasses the notion of shareholders taking on a more active role in a company's affairs.

While Singapore has seen its share of tugs-of-war between companies and shareholders, albeit on a smaller scale compared to its U.S. counterpart, generally the objective of shareholder activists remains the same regardless of jurisdiction, which is to effect changes in the way a company is managed in order to enhance its value. Establishing a fruitful and enriching relationship between companies and such shareholders is therefore advantageous to the companies' long-term growth.

This article aims to examine the extent of dialogue companies should have with their shareholders and how directors should go about engaging shareholders.

Common Shareholder Concerns

... more companies would realise the benefits of engaging their shareholders.

It is observed that as shareholder activism in Singapore is still in its developing stages, the major concerns of shareholders revolve around standard issues such as financial performance, executive compensation and return of cash to shareholders. Most questions raised by shareholders at annual general meetings centre on the company's general business and performance, such as whether the company has sufficient cash and capital resources to meet budget requirements and whether the board and management can execute its stated strategies, as well as the quantum of executive compensation, particularly where this is not considered to be in tandem with the amount of dividend declared, if at all, to shareholders.

Shareholder Engagement and Shareholder Groups

The shareholder base of a company typically includes a wide range of shareholders, and the manner in which directors should relate to each group of shareholders should be adapted accordingly. Some of these shareholder groups are explored below.

Institutional investors and hedge funds

Institutional investors tend to be the "big boys" in the market, being typically leading domestic and international banks. Boards are traditionally more receptive to the views of such investors as it is recognised that they may have extensive exposure to business strategies in a particular sector.

Institutional investors in Singapore have yet to reach the levels of activity demonstrated by their counterparts in Western capital markets. This may be because institutional investors here face a unique barrier to shareholder engagement, namely the limitation on proxies under section 181 of the Companies Act, Chapter 50 of Singapore (the "Companies Act"). However, the Ministry of Finance has accepted the recommendation of the Steering Committee for Review of the Companies Act to amend the relevant provision by allowing custodian banks and nominee companies to appoint more than two proxies, thereby better enfranchising beneficial shareholders and encouraging more active participation at general meetings.

Hedge funds similarly feature prominently as shareholder activists in the U.S. but significantly less so in Singapore. A judgement call is required by management and the board in each case to determine whether the activist hedge fund is looking for short-term gains at the cost of the company's long-term health.

Retail investors

In the past, directors in Singapore typically approached the engagement of retail investors warily, as it was thought that such shareholders were just being difficult. However, three factors suggest that a shift from limited engagement to welcoming interaction may be due.

First, the investor base has matured considerably over the last five to 10 years as Singapore grew in status as a global financial and commercial hub. As retail investors have evolved on the whole to be more interested in the way companies are run and more appraised of the corporate decision-making process, legitimate views expressed by retail investors should be welcomed.

Second, a bottom-up approach to corporate governance is emphasised in the revised Code of Corporate Governance issued by the Monetary Authority of Singapore in 2012 (2012 Code). The 2012 Code underscores the role of shareholders as guardians of corporate governance and the importance of effective communication between companies and their shareholders, recommending more strongly that companies "actively engage their shareholders and put in place an investor relations policy".

Third, the dynamics between companies and their shareholders have shifted with the advent of technology. Social media has made it much easier for shareholders to disseminate their views publicly and join together for lobbying purposes. Engagement could go a long way towards resolving any unhappiness before any negative publicity which may depress long-term shareholder value arises.

Considerations Relating to Shareholder Engagement

The following paragraphs set out three considerations for directors which aim to strike a balance between promoting discourse while maintaining certain lines which shareholders should not cross.

Setting boundaries

The boundaries which directors should bear in mind are twofold, namely (i) the amount of say shareholders should have in company matters, and (ii) the extent of information which may be disclosed to shareholders.

(i) Separation of powers in companies

As the doctrine of separation of powers in companies dictates that management and board matters remain exclusively within the purview of the company which shareholders are not allowed to interfere with, the ensuing question is where the line for shareholder engagement should be drawn. It is considered that while shareholders' feedback and views on corporate policies and business strategies which have been adopted are welcomed, certain matters relating to the future direction of the company fall under the board's authority to manage the company's business and affairs as delegated to management and should be precluded. This is supported by Singapore's current statutory framework.

Section 157A of the Companies Act provides that "the directors may exercise all the powers of a company except any power that this Act or the memorandum and articles of the company require the company to exercise in general meeting". Under section 152 of the Companies Act, shareholders of public companies are also vested with the power to remove directors by ordinary resolution, while section 176 of the Companies Act provides for the right to requisition an extraordinary general meeting. These rights collectively signal that there is a separation between ownership and management, with shareholders' protection being derived from ownership rights which are distinct from the actual management of the company.

(ii) Disclosure of information to shareholders by directors

While directors should be diplomatic when engaging shareholders, they should err on the side of caution when it comes to offering material information or promises relating to future corporate opportunities, direction or strategies. This is to avoid any selective disclosure of sensitive information, which is prohibited by Appendix 7.1 of the Listing Manual of Singapore Exchange Securities Trading Limited.

Companies could have in place corporate disclosure policies which are communicated to directors, together with guidelines on what constitutes material information which may not be disclosed to shareholders. A tight relationship between management and directors would also help to ensure that the same messages are passed to shareholders.

Engagement with a view to fostering shareholder goodwill and confidence

The immediacy of interaction and enclosed setting at general meetings mean that directors should be particularly tactful when engaging shareholders at such occasions. The general guiding principle is to seek to cultivate shareholder goodwill and confidence, which may be achieved by being respectful, approachable and patient to shareholders.

As a starting point, directors should not give dismissive answers when shareholders ask what appear to be legitimate questions. Directors should also possess a sufficiently in-depth understanding regarding the company's business, as shareholders expect directors to actively evaluate alternative financial and business strategies for the company. Finally, directors are also recommended to remain cordial throughout when answering questions raised by shareholders in order to avoid appearing cavalier.

Conducting general meetings objectively and being prepared

In relation to the actual conduct of general meetings, directors should aim for these to be held in a manner which is procedurally regular and fair in both appearance and fact.

While general meetings will always retain an element of unpredictability, directors can ensure such meetings run smoothly by formulating appropriate and proportionate responses beforehand. The formulation of response plans for as many contingencies as possible would help directors to avoid being caught on the wrong foot when facing shareholders.

Conclusion

Through constructive engagement of shareholders, directors will be able to convey the inputs of shareholders on governance and other matters to the company, in effect helping companies to attain higher standards of corporate governance and optimise shareholder value. It is hoped that the considerations set out in this article would help to elucidate the thought process for directors seeking to deal with shareholder activists, so that more companies would realise the benefits of engaging their shareholders. ■

The above article first appeared in the the May 2014 issue of the Newsletter of the Securities Law Committee of the Legal Practice Division of the International Bar Association (Vol 20, No 1), and is reproduced by kind permission of the International Bar Association, London, UK. © International Bar Association.

The author would like to thank Jane Ng for her assistance in preparing this article.

Minding your Ps & (FA)Qs on corporate governance

By Lim Swee Yong, Director and Marcus Tan, Associate Director, Stamford Law Corporation

With the increasing interest in corporate governance in Singapore in recent years, and the introduction of the Code of Corporate Governance 2012 (Code), we thought it an opportune time to recap our responses to three frequently asked questions we encounter in the course of our dealings with directors of SGX-listed companies:

Q: My ex-boss has invited me to be an independent director of a company he controls. I last worked with him 4 years ago. Am I considered independent under the Code?

The Code provides that an "independent" director is one who has no relationship with (i) the company, (ii) its related corporations (which refers to the company's holding company, subsidiary or fellow subsidiary), (iii) its 10% shareholders[1] or (iv) its officers that could interfere, *or be reasonably perceived to interfere*, with the exercise of the director's independent business judgement with a view to the best interests of the company.

It is for the Board to determine, taking into account the views of the nominating committee, whether you are independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, your judgement. As a director, you should disclose to the Board any such relationship as and when it arises.

... three frequently asked questions we encounter in the course of dealings with directors of SGX-listed companies

The Code also lists examples of relationships or situations which would raise a presumption that a director is not independent:

a) a director being employed by the company or any of its related corporations for the current or any of the past 3 financial years;

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1 The term "10% shareholder" refers to a person who has an interest or interests in one or more voting shares in the company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares (excluding treasury shares) in the company.

b) a director who has an immediate family member who is, or has been in any of the past 3 financial years, employed by the company or any of its related corporations and whose remuneration is determined by the remuneration committee;

c) a director, or an immediate family member[2], accepting any significant compensation from the company or any of its related corporations for the provision of services, for the current or immediate past financial year, other than compensation for board service;

d) a director:
   (i) who, in the current or immediate past financial year, is or was; or
   (ii) whose immediate family member, in the current or immediate past financial year, is or was,

   a 10% shareholder of, or a partner in (with 10% or more stake), or an executive officer of, or a director of, any organisation to which the company or any of its subsidiaries made, or from which the company or any of its subsidiaries received, significant payments or material services (which may include auditing, banking, consulting and legal services), in the current or immediate past financial year. As a guide, payments[3] aggregated over any financial year in excess of S$200,000 should generally be deemed significant;

e) a director who is a 10% shareholder or an immediate family member of a 10% shareholder of the company; or

f) a director who is or has been directly associated with[4] a 10% shareholder of the company, in the current or immediate past financial year.

The list is not exhaustive, and a Board may determine that a director is independent notwithstanding these circumstances, but must explain the basis for their decision.

As you do not fall within any of the listed examples above, you would ordinarily be considered eligible for the role. However, the Board and nominating committee must also assess on an ongoing basis whether you (and every independent director of the board) are able to exercise independent business judgement in your role in the best interests of the company.

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2 The term "immediate family" refers to the person's spouse, child, adopted child, step-child, brother, sister and parent.

3 Payments for transactions involving standard services with published rates or routine and retail transactions and relationships (for instance credit card or bank or brokerage or mortgage or insurance accounts or transactions) will not be taken into account, unless special or favourable treatment is accorded.

4 A director will be considered "directly associated" with a 10% shareholder when the director is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the 10% shareholder in relation to the corporate affairs of the corporation. A director will not be considered "directly associated" with a 10% shareholder by reason only of his appointment having been proposed by that 10% shareholder.

Q: Is there a cap on the number of directorships (whether executive or non-executive) that I can hold in SGX-listed companies?

The Code stipulates that when a director has multiple board representations, he must ensure that sufficient time and attention is given to the affairs of each company.

There is a recognition that different individuals may have different circumstances and bandwidth, and that there is no one size fits all answer to this question. The nominating committee of the company should assess if a director is able to, and has been carrying out his duties as a director adequately, taking into consideration the director's number of directorships of listed companies and other principal commitments[5]. Ultimately, a director should be confident that he or she has the sufficient bandwidth and is able to commit the requisite time and attention to each company before taking on an additional board seat.

The Code also states that the Board may determine the maximum number of listed company Board representations any director may hold, and disclose this in the company's annual report.

Q: I am currently the CEO of an SGX-ST listed company, while my father is the non-executive chairman. I was told that in 2016, half our board should be independent. Our board has 8 members with 4 executives who are family members, 3 independent directors and the non-executive chairman. We are not a big company and feel that appointing 2 more independent directors will make our board too large. The additional cost is also an issue.

The Code requires that independent directors should make up at least half the board where the chairman is not independent or the CEO and chairman are immediate family members. This particular requirement will take effect in 2016.

You have a couple of options. One is, as you suggested, appointing more independent directors to make up half the board. You could also consider rearranging the composition of the board by appointing one of the existing independent directors as the independent chairman – your father can be a non-executive director instead. If you can do this, the existing requirement that one-third of the board be independent will continue to apply. If circumstances permit, you could also reduce the number of executive directors on the board. ■

[5] The term "principal commitments" includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

Open all hours: Shifts in corporate governance over time

By David Chew, Leader, Deloitte Southeast Asia's Center for Corporate Governance and James Walton, Clients & Markets Deputy Leader, Deloitte Southeast Asia

Let us speak of a time that the young today may not be able to imagine… a time when the news was only updated at certain key times of day. Originally, this was when the newspapers were printed (morning and perhaps evening editions); when TV and radio channels chose to read the news at selected times.

Of course, since there was only limited space for the news given this infrequent distribution, major political, social and economic events took precedence: the fact that a large national conglomerate posted reasonable results in first quarter trading was not going to make it into the bulletins. Shareholders heard about their company's results through newspaper advertisements or by attending the AGM – and often not until long after the situation may have passed.

The situation changed with the advent of cable television and the first non-stop news networks: given the need to fill endless airtime, they were able to cover a wider range of topics and to have dedicated shows focused purely on the business climate and investor topics. Soon after, the spread of the internet allowed for instant communication and awareness – which then went to another level with the advent of social media, which allowed one stakeholder to easily disseminate information, opinions, gripes and grievances – true or false – to the masses.

…innovation in corporate governance in the years to come stems from positive circumstances, rather than negative.

Of course, while all this was happening, the corporate governance requirements for organisations were also becoming more complicated; with globalisation, increased regulatory pressures and heightened scrutiny to deal with already, the increased accountability of this new digital age has turned governance into a 24/7 task that guarantees a few sleepless nights for directors and CEOs each quarter.

But many companies have evolved to face these challenges and tackle corporate governance head-on through innovative approaches to compliance, communication, stakeholder engagement and governance practices.

So How Has Corporate Governance Itself Changed?

More and more companies are talking about new practices like integrated reporting and sustainability reporting – concepts that have really only existed in the public consciousness in recent years. Some of the innovations in governance stem from necessity – facing up to new regulatory requirements and demands from stakeholders. However, other innovations have been brought about by companies themselves on a voluntary basis, as part of a desire to be seen as being at the forefront in this area, and therefore a well-governed company to invest in.

Integrated reporting is about going beyond traditional financial reporting to look into how the company will create value over the short, medium and long term – with aspects of strategy, governance, performance and prospects being taken into account. This involves giving a forward-looking level of detail not required by most stock exchanges but welcomed by analysts and investors alike.

The International Integrated Reporting Council (IIRC) has been running a pilot program since 2011 with a group of over 90 businesses including Unilever, Coca-Cola, Microsoft, China Light and Power, Hyundai and HSBC. According to the IIRC CEO, Paul Druckman, these companies form a kind of corporate governance 'innovation hub' with their willingness to stretch the boundaries of reporting.

According to Dan Konigsburg, Managing Director of Corporate Governance and Public Policy at Deloitte Touche Tohmatsu Limited, the level of effort companies make to be proactive in their reporting is often a factor of how important brand is in their industry. "All things being equal, if brand image or customer perception is not critical to your ongoing success, you're less likely to go above and beyond what you need to. In contrast, in a competitive investment market or a brand-reliant space – like consumer products companies, for instance – our experience shows that the desire to be seen as a market leader in governance pushes companies to innovate and experiment."

The King Report in South Africa, which published its third installment in 2009, recommended that companies integrate their financial and sustainability reports to align the two aspects of the business. The King Report III went even further in identifying several emerging best practices and trends in governance that companies should focus on, including alternative dispute resolution, risk- based internal audit, shareholder approval of non-executive directors' remuneration and new approaches in the evaluation of board and directors' performance.

Finding the Balance

Another shift in corporate governance practices in recent years has been a shift in mentality in how boards think about diversity. While a number of countries have been instituting rules around the composition of boards and management, in other countries companies are choosing to be at the forefront of this social inclusion agenda by creating programs to encourage greater diversity across their organisation. One school of thought has that women are more likely to ask nontraditional or unorthodox questions in board meetings and more readily admit when they don't know an answer.

Only a handful of countries have mandated such policies thus far, with Norway leading the way with a rule requiring that the boards of all publicly traded and public limited companies must have at least 40% female representation.

However, the experience in Norway has been that while the number of women in boards has increased, executive presence has not – leading many to point to what they call a group of 'Golden Skirt' directors occupying multiple board seats with minimal responsibility and not having the effect that they could in more impactful top management roles.

A study by the University of Michigan found that this quota law had actually had a negative impact on organisational value. However, several other studies suggest that diversity in the boards of Fortune 500 companies does actually align with superior financial performance – but the findings have shown different aspects in the background of those women and even in the number of women present in the board as also being very important. A growing school of thought holds that one token woman cannot change the culture, but a group of three or more can start to influence the board's thinking – in the same way that a group of three directors with any particular mindset can start to influence a board if aligned.

When it comes to board composition, an innovative approach to appointing directors – whether that means broadening by gender, background, experience or race – may lead to a fresh perspective on an organisation's corporate governance.

Stakeholder Engagement – Winning Hearts and Minds

It's not just corporate governance practices and regulations that are changing though – it's also about how companies engage with their stakeholders in the digital, mass media age. The sharing of information on company performance – whether directly through corporate press releases and websites or indirectly through various analyst channels and the news – has greatly increased shareholder awareness. This combined with an increased understanding of what the numbers mean enabled by channels offering access to basic investor guides. Through the 1990s and into the 2000s, this meant that shareholders were more and more aware and beginning to make their voices heard. However, communication was still largely a one-way street and shareholders often disorganised until social media provided a voice and a meeting place for the disgruntled, disenfranchised or just plain disappointed and leading to a rising tide of shareholder activism. Social media gives real-time information access that is light years ahead of the communications channels of the past. It allows two-way communication which means shareholders can ask questions; and whether they are answered or not by the company, the question is still out there in the public domain. When fully engaged, social media is a collaboration tool, allowing users to share information and band together for both good and bad purposes. Several companies have found this out to their cost in recent years as social media users have grouped together quickly over the web to stage protests or boycotts, both digital and physical.

If used effectively though, social media offers great potential for true shareholder engagement through its open forum format which allows for group discussions, the ability to stage instant conversations and chats and the inter- connectedness of the various channels. Intel, being a technology company, is one example of an organisation that has harnessed the power of the new age through electronic meetings, exchange news and online portals.

There is also some debate around who should be leading those dialogues. According to Konigsburg, in western organisations we are beginning to see Boards of Directors getting directly involved in conversations with investors; however this is not often the case in Asian organisations. "This is often a controversial subject: where does the Board's oversight role allow it to go directly to solicit feedback over the heads of the Management? Is it fair for the Chairman to call investors to ask what is wrong?" According to him, there is no right or wrong answer: "the answer is often a factor of the local culture and the ownership structure of the organisation. But all companies should be very clear on where that line is drawn, not least to avoid a confrontation with management."

So What Next for Corporate Governance?

A tough question indeed. To paraphrase Plato, "necessity is the mother of invention": but in the case of corporate governance, history has shown that innovation more often stems from a company choosing to stand out to gain advantage or quickly adapting to a fast-moving societal change, rather than innovating to comply with the regulations that we see coming in advance. However, not all innovation is positive; we have also seen innovations in corporate governance that some would see as negative – for example, excessively diversified investor portfolios and the increasing prominence of professional directors sitting across too many boards.

With the onset of the new capitalism, innovation in corporate governance may encompass voluntary disclosure beyond compliance and include the evaluation of environmental, social and governance performances. This will hopefully bring a sharper focus on creating and sustaining business value over the long term, whereby the underlying assets—financial, human, manufactured, social, or natural—are not depleted, but increased.

Businesses cannot afford not to take risks, or else they will stand still: the challenge all boards face is to balance risk with acceptable reward, and corporate governance involves creating business value while managing amongst a myriad of risks. Corporate governance continues to evolve to keep pace with the emerging global business environment and organisations must strive to keep up or even get one step ahead.

Dan Konigsburg has one wish though: "my biggest hope is that innovation in corporate governance in the years to come stems from positive circumstances, rather than negative. I hope that innovations stem from a desire of companies to lead the way and set an example, rather than from having to find ways to deal with increasing regulation." ■

Data analytics: Not a luxury for risk management

By Neo Sing Hwee and Raymond Leong, Advisory Partners, EY Singapore

Risk-free growth hardly exists. In today's highly competitive and complex business environment that is defined by increased economic volatility, technological disruptions and regulatory scrutiny, companies are constantly challenged to comply, innovate and grow – all within its established risk appetite and ability to minimise its risk exposure.

Having a robust risk management framework and strong process controls is fundamental to risk management – and leading companies are re-energising this "traditional" approach to risk management with new capabilities of data analytics, where the insights derived are enabling organisations and their boards to better monitor and manage the multifaceted risks they face.

Transform Internal Audit

[Data analytics] is fast becoming an essential and effective tool in the management's arsenal as organisations grow and expand.

At the core of risk management is the internal audit (IA) function. According to EY's *Matching Internal Audit Talent to Organisational Needs* report, the effective use of data analytics by IA provides a competitive advantage for the organisation. However, while data analytics is not a new concept, few (12%) IA functions use data analytics throughout the entire audit cycle – from risk assessment and identification to testing to continuous auditing. The majority (55%) only uses data analytics for testing, if at all.

That is a missed opportunity for the IA function to leverage data analytics. Data analytics can be deployed throughout the IA process, from risk identification, to scoping or procedural development, testing, through to interactive reporting and trend analysis.

One of the benefits of data analytics is the ability to increase audit coverage, enabling IA to cover a larger or full population of the transactions, when compared with traditional sampling approaches. As data analytics provides IA with the ability to efficiently identify anomalies and outliers within the entire transaction population, resources can be effectively deployed to spend more time on the investigation of these anomalies and outliers.

Further, many data analytics tools available today allows recording and saving of analytics procedures into a script. These analytics scripts enable IA to reuse the procedures for similar internal audit engagements in the future. This improves productivity by freeing up man hours so that resources can be spent focusing on the results, instead of developing and performing the analytics procedures.

The frequent use of data analytics provides a good foundation for the eventual implementation of continuous controls auditing (CCA). The successful implementation of CCA requires a good understanding of the underlying data and data structures that support business transactions, a set of robust and effective rules to accurately identify anomalies and exceptions, and the experience and ability to develop similar rules for new business or risk areas. With regular deployment of data analytics in IA, these attributes would be further enhanced, providing auditors the required foundation to embark on the CCA journey.

Managing Fraud Risks

With companies increasingly seeking growth in markets with higher perceived levels of fraud, bribery and corruption risk in a climate where regulators and law enforcement bodies intensify their cross-border collaboration, the costs associated with noncompliance are growing. Outdated risk assessments, undetected frauds and poorly executed investigations, followed by failure to properly remediate internal controls, exacerbate the risks facing companies.

EY's Global Forensic Data Analytics Survey 2014: Big Risks Require Big Data Thinking revealed that most respondents believed that big data can play a key role in fraud prevention and detection. Yet, only a mere 2% were actually leveraging big data technologies and only 11% were using statistical analysis and data-mining tools.

With a robust set of analytical algorithms and rules, data analytics enables organisations to effectively identify unusual, suspicious and potentially fraudulent transactions. Another benefit of data analytics is the ability to detect potential misconduct that could not have been done before through the analysis of past and present behaviours.

Business areas that can benefit from data analytics include procurement and payment, and payroll and human resource where algorithms can be set to seek out approval bypass and unusual patterns in transactions or anomalies in expense claims or leave records.

However, not all analytical tests cover the same risk levels for all organisations. Hence, it is useful to perform a risk assessment exercise to understand the fraud risks that are relevant for the organisation, by taking into consideration the industry the organisation is in, as well as the processes, procedures and controls that the organisation has already established.

In addition, a risk framework can also be developed to determine the risk level for each analytical test, and subsequently, to compute a risk score for each flagged transaction. This risk score can then be used to risk-rank the flagged transactions, and would enable the organisation to effectively prioritise the follow-up and investigative actions required.

The use of data analytics has already been widely adopted by organisations for investigations when frauds are reported. Increasingly, more organisations are proactively deploying data analytics to help to detect fraud. For example, the Department of Transport in UK saved £500,000 by identifying losses from payments to suppliers through the use of data analytics. The use of data analytics in fraud detection also increases the employee's perception that fraud will be detected, and hence, has a strong deterrence effect on potential fraudsters.

Analytics is No Longer a Luxury

Data analytics is no longer regarded as a new-fangled luxury that only large multinational organisations adopt – it is fast becoming an essential and effective tool in the management's arsenal as organisations grow and expand. Organisations that lag the trend are not just passing over opportunities to boost the rigor and value of risk management – they are opening themselves to potential problems that can compromise their operations, profits and reputation. ■

The views reflected in this article are the views of the author and do not necessarily reflect the views of the global Ernst & Young organisation or its member firms.

Disclose, or what and how to disclose – That is the question

By Irving Low, Partner, KPMG in Singapore

Recent changes in the Singapore Exchange (SGX) Listing Rules and Singapore Code of Corporate Governance 2012 (revised Code) have encouraged the establishment of robust processes and more transparency for stakeholders. This is particularly so in relation to remuneration, risk management and internal controls.

Over the past few months, many Singapore listed companies with financial years ending 31 December 2013 released their annual reports.

While some demonstrated great strides in implementing more robust processes and disclosures in their annual reports, others lagged behind.

When you consider how many queries SGX made to companies for disclosures failing to meet requirements, it becomes clear that better education surrounding the changes are needed.

Typical queries related to why companies were 'silent' (i.e. made no mention of the requirement), had omitted key components or did not sufficiently explain departures from the requirements.

In Singapore, while transparency in disclosure is improving, this is only the tip of the iceberg.

To explore this issue, KPMG conducted a study of all SGXNET company queries issued in April 2014. During this period, SGX queried 123 companies, of which 98 percent were listed on the Mainboard. Of these,

- 53% were from manufacturing related sectors
- 15% were from real estate while companies from other sectors made up the balance.

Looking at the results of the study,

- 37% of total queries related to *Principle 9 Remuneration Disclosures* of the revised Code; and

- 31% of total queries related to *Principle 11 Risk Management and Internal Controls* of the revised Code and SGX Listing Rule 1207(10) related disclosures.

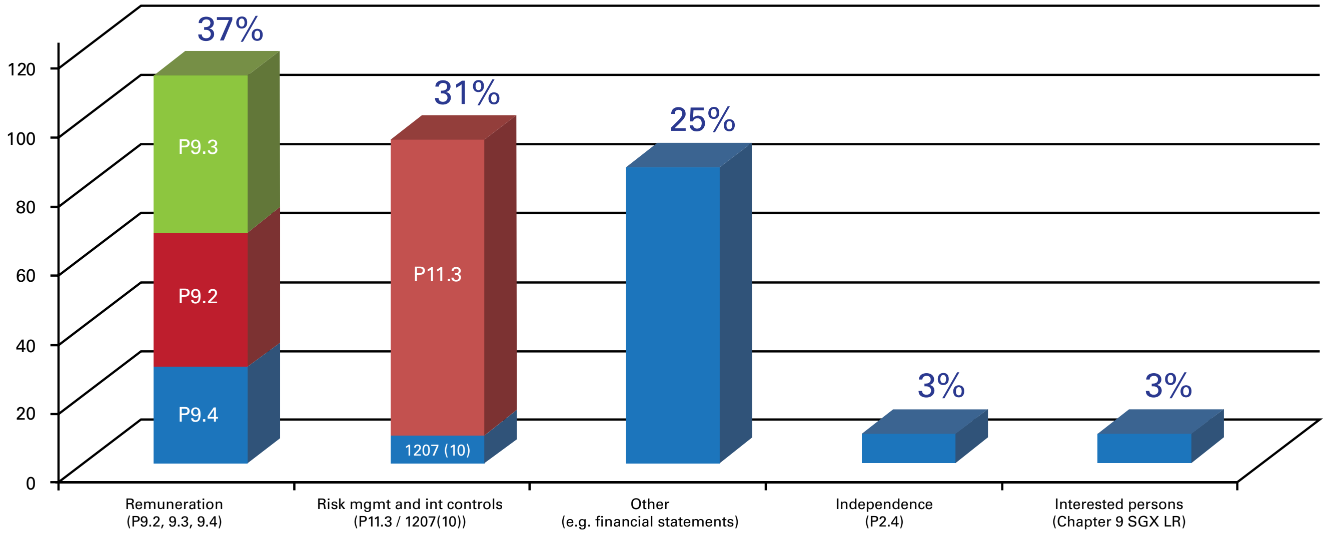


Figure 1:
Breakdown of SGXNET queries by type, number and percentage (for the period 1-30 April 2014)

Source: KPMG Risk Consulting Analysis 2014

If we look at these results, a pattern starts to emerge. Companies appear to fall into one of three categories – those which do not support fuller disclosure, those that want to disclose more but don't know how and those that don't know what to disclose.

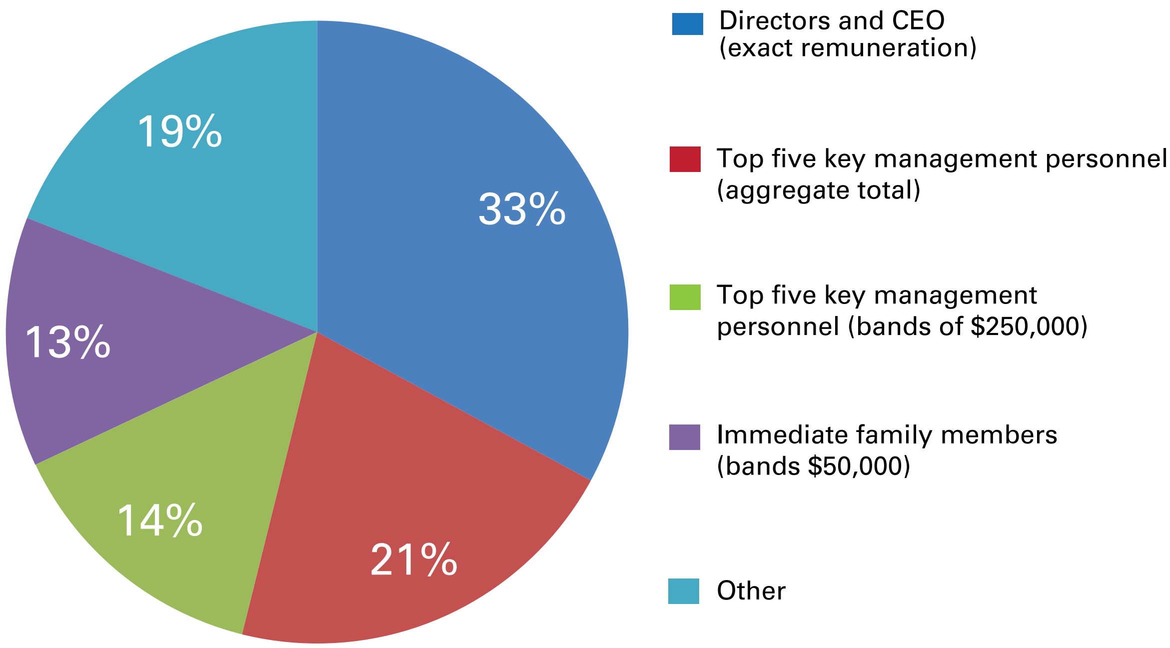
"I Don't Want to Disclose"

Looking at the queries related to remuneration, risk management and internal control disclosures, 27% were resolved through 'explanations'.

By choosing the route of exception rather than compliance with the requirements even in the face of an SGX query, many companies signal they preferred less disclosure. This is especially so in relation to queries surrounding disclosing remuneration.

Among the total remuneration related queries made, as highlighted in Figure 2, the most significant deficiencies related to:
- 33% not disclosing exact remuneration for directors or their CEO
- 21% not disclosing the aggregate of total remuneration paid to the top five key management personnel
- 14% not disclosing remuneration of the top five key management personnel in bands of $250,000

Figure 2: *Breakdown of SGXNET queries categorising remuneration related deficiencies*



Source: KPMG Risk Consulting Analysis 2014

Understanding that disclosures of remuneration related to directors, senior executives and relatives can be sensitive, most companies provided a brief explanation for non-compliance with the revised Code. They typically cited confidentiality and the risk of competitors poaching talent as reasons.

Others appeared to be adopting a 'wait and see' approach to remuneration disclosure.

As stakeholder activism increases, companies may need to enhance transparency in disclosing remuneration.

How effective a 'comply or explain' regime will ultimately be, remains to be seen. Some countries, in particular the UK, have opted for legislation to ensure consistency and transparency.

"I Want to Disclose but Don't Know How"

At the same time, our study found that many companies were willing to take on board the new requirements.

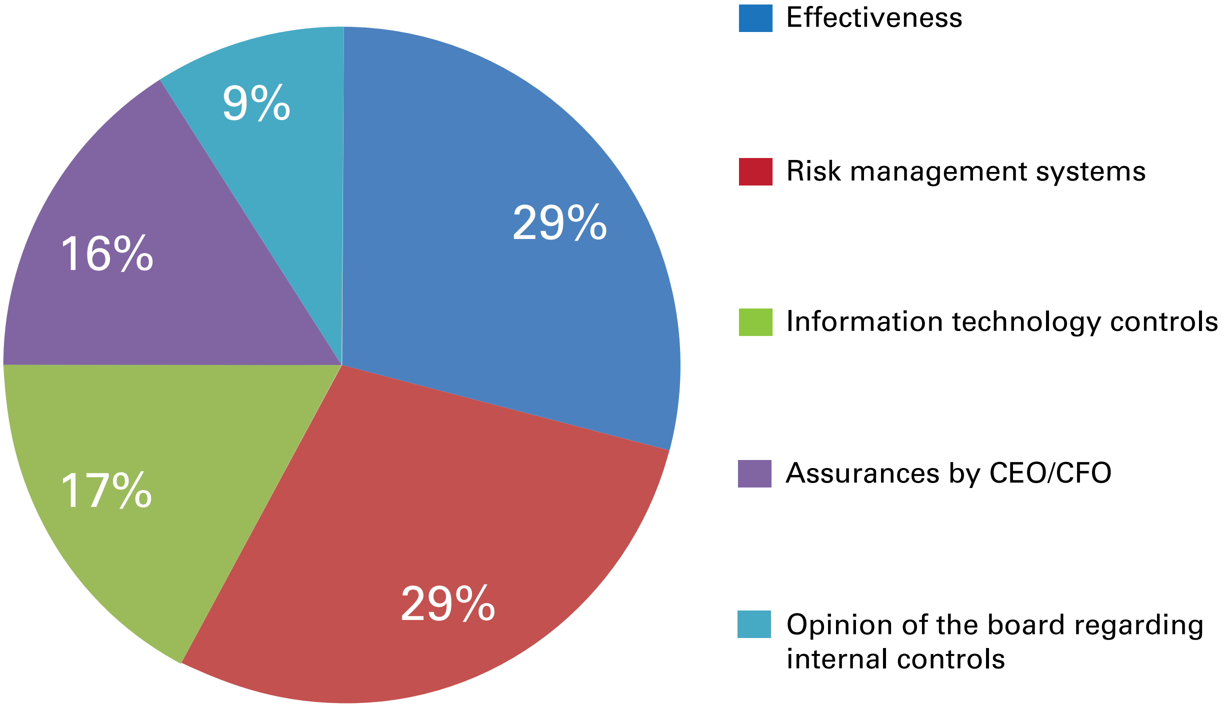
Among the total remuneration, risk management and internal control related disclosure queries, 62% were resolved by compliance.

Many companies were thus willing to disclose more, but initially unaware of the requirements or unsure how to do so.

We found that the most common queries, of the risk management and internal control related queries, related to pertinent omissions found in initial disclosures, as shown in Figure 3:

- 29% did not to disclose 'effectiveness'
- 29% did not disclose 'risk management systems'
- 17% did not disclose 'information technology' controls

Figure 3: *Breakdown of SGXNET queries categorising risk management and internal control related deficiencies*



Source: KPMG Risk Consulting Analysis 2014

This is not surprising given the difference in terminology between SGX LR 1207(10), a mandatory SGX listing rule introduced in 2011, and *Principle 11.3* of the revised Code, a 'comply or explain' requirement introduced in 2012.

SGX LR 1207(10) requires a company board, with a concurring audit committee, to provide an ***opinion*** regarding the adequacy of internal controls covering financial, operational and compliance risks.

In comparison, *Principle 11.3* of the revised Code requires the board to ***comment*** on the adequacy and effectiveness of the risk management and internal control system. This covers the financial, operational, compliance and information technology controls.

Another example of an area causing confusion is the drafting of the board's opinion, as required in SGX LR 1207(10), and the board's comment as required in *Principle 11.3* of the revised Code.

Some 44% of companies with risk management and internal control related queries separated the board's ***comment*** from the board's opinion. This is in line with both existing rules.

However, 56% of total queries were met with the provision of a combined opinion of the board.

This means one opinion capturing all requirements of SGX LR 1207(10) and the revised Code *Principle 11.3*. This opinion covered the adequacy and effectiveness of risk management and internal controls. It covered financial, operational, compliance and information technology controls.

When opting for a combined board 'opinion', companies should not forget the greater legal liability associated with an opinion. The onus to be accurate also falls more heavily on them.

"I Don't Know What to Disclose"

Despite some companies receiving an SGX query highlighting gaps in their disclosures, 11% of total remuneration, risk management and internal control disclosure related queries were not satisfactorily revised.

The most common area where revised disclosures were unsatisfactory related to companies not disclosing the effectiveness of their risk management and internal controls.

This is critical, as it amounts to failing to disclose the validation of controls operating as intended in practice. At a minimum, an explanation as to why a company had not assessed its effectiveness is needed.

An emerging area where boards and audit committees are increasingly requesting further guidance relates to disclosing control deficiencies and material weaknesses.

Interestingly, the study did not find any disclosures highlighting reportable weaknesses in the risk management and internal control systems.

This finding is consistent with a recent 2013 ISCA-KPMG study which found only one percent of 250 listed companies on the SGX disclosing a "negative opinion". That is, inadequate controls (supported by an explanation).

Many boards and audit committees are finding it difficult to develop a framework that
- clearly defines deficiencies, whether individual or at an aggregated level
- enables timely identification and the escalation of deficiencies
- allows for mitigation within the period and / or clear mitigation plans to be endorsed; and
- provides thresholds and explanations for disclosing deficiencies where required.

To encourage more companies to develop control deficiency oversight programmes and prepare meaningful disclosures, further guidance is needed.

Conclusion

In Singapore, while transparency in disclosure is improving, this is only the tip of the iceberg.

That tip, above water, is the primary means by which disclosures to stakeholders of governance practices are made.

Naturally, it must reflect the substance that lies beneath the surface. While companies can easily edit the wording in an annual report to satisfy current requirements, more needs to be done to ensure that the words reflect the reality.

Stakeholders are depending on this information. Directors therefore have a duty to disclose this, with confidence and integrity.

A recent scenario we have encountered demonstrates an emerging development in the role of directors, particularly independent directors, in challenging the underlying practices within an organisation.

As part of the annual report review process, an independent director was reviewing the risk management and internal control disclosures section prepared by management. The disclosures contained certain descriptions of internal controls activities.

Rather than accepting the disclosures at face value, the independent director asked management to confirm that the internal control activities were being practiced and requested that the CEO confirm this in person.

This incident highlights the critical role that independent directors play in challenging information presented to the board and setting an appropriate tone-at-the-top that values adequate and effective risk management and internal controls within the organisation.

As this was the first time that disclosures complying with the revised Code were made, there is a natural learning and adoption curve to establish robust underlying processes and disclose in accordance with requirements.

Now is the time for directors, audit committee members and management to take heed of the lessons learned in time to prepare for annual disclosures for financial year 2014 reporting. ■

The views expressed in this article are the views of the author.

Analysing strategic risks

By Jim DeLoach and Sidney Lim, Managing Directors, Protiviti

An "early mover" is a firm that quickly recognises a unique opportunity or risk and uses that knowledge to evaluate its options either before anyone else or along with other firms that likewise recognise the significance of what's developing in the market and seize the initiative. Failing to attain "early-mover status" can be fatal in today's complex business environment. It relates to recognising market shifts affecting the validity of an enterprise's critical strategic assumptions and, if necessary, acting on them. The dichotomy is not "first" versus "second." It is "early" versus "late," where the market decides what "late" means.

Succeeding consistently in attaining early-mover status on significant issues affecting the strategy over time can lead to superior longer-term enterprise value performance. Early movers have the advantage of time, offering numerous decision-making options. More importantly, they are more likely to survive a major market shift than their less-aware, less-nimble and reluctant-to-move peers. Simply stated, the stakes of being an early mover can be as high as preserving the company's right to play.

Strategic risk analysis can help make the strategy more robust and realistic

The Issue

Strategic risks are the risks that either the business model is not aligned effectively with the strategy or that one or more future events may invalidate fundamental assumptions underlying the strategy. Arising from internal process issues and disruptive change in the external business environment, these risks can be lethal because they may be potential "enterprise value killers" and, more important, may not be known to management and the board, contributing to what are often called "blind spots."

As many learned during the financial crisis, 100-year-old companies can evaporate or become near extinct in a matter of days – all due to a loss of market confidence and reputation. Given the speed of business, companies gain competitive advantage by adopting early-mover status so they can endure and prosper in the future. So when making decisions in a risky world, it is best to be careful when placing too much weight on what the organisation thinks it knows than on what it doesn't know, because what it doesn't know may be much more important to its future success. This starts with analysing strategic risks.

Challenges and Opportunities

Analysing strategic risks is not easy. Because these risks are not susceptible to the type of precise measurement that operational risks are, the analytical framework applied to them must be more qualitative in nature. Since strategic risks have a longer time horizon than other risks, the degree of flexibility in terms of options will be different from the shorter-term focus typically afforded operational risks.

Because an effective strategy is about pursuing the best bets in the context of the enterprise's desired risk/reward balance, strategic risks are often "compensated" risks, as the potential for upside is sufficient to warrant accepting the downside exposure. For example, the risks associated with initiating operations in new markets, introducing new products, or undertaking large research and development projects are "compensated" risks because the act of taking them is inseparable from executing the enterprise's strategy.

By contrast, "uncompensated" risks are one-sided because they offer the potential for downside with little or no upside potential. Many managers often think of risks as uncompensated. That mindset presents a challenge when integrating risk assessment with strategy setting.

Another challenge is that strategic risks are more about what the organisation doesn't know. What sets strategic risks apart from other risks is that they may arise from uncertainties requiring ongoing monitoring of the environment to track key risk indicators and trending metrics to ensure strategic assumptions remain valid over time. Research has shown that the strongest market players often experience difficulty in reacting to disruptive change in the business environment. And reaction is impossible if the company is flying blind by not monitoring what is most important. This "blind spots" deficiency can be fatal if the company's strategic assumptions lag far behind industry realities and the corporate strategy does not reflect the new conditions.

Where to Begin

Companies aspiring to be early movers must quickly recognise the opportunities and risks that matter. Strategic risk analysis facilitates this recognition by assisting senior management with understanding the critical assumptions underlying the strategy and using contrarian analysis to challenge those assumptions. Contrarian analysis is driven by identifying the critical strategic assumptions and the scenarios that could impair or invalidate them. This analysis is important because at the root of every flawed strategy is one or more underpinning assumptions about the future that eventually prove to be erroneous.

A company can fall so in love with its business model and strategy that it fails to recognise changing paradigms until it is too late. While no one knows for sure what will happen that could invalidate strategic assumptions in the future, organisations can count on the validity of their assumptions coming under question as the business environment changes over time. Strategic risk analysis can help make the strategy more robust and realistic through the consideration of the underlying assumptions and risks and evaluation of the impact of different scenarios in the future. ■

Six tips for better remuneration-related disclosures

By Shai Ganu, Market Business Leader – ASEAN Talent Consulting, Mercer

The corporate governance environment is changing dramatically and executive remuneration issues are being closely scrutinised by shareholders, proxy advisors and the business media. In light of this increased focus on executive pay practices, shareholders and regulators in Asia are demanding more comprehensive disclosure on the pay levels, compensation package designs, and performance assessments for key executives. However, shareholders often express concerns about the amount and clarity of information provided on this subject.

Here are six tips on how remuneration disclosures could be enhanced and, in doing so, satisfying or even going beyond corporate governance requirements.

Tip 1: Letter from the Remuneration Committee Chairman to Shareholders

First and probably the easiest to implement, is a letter from the remuneration committee chairman to shareholders.

The opening remarks should introduce the remuneration report and provide shareholders with important information such as business context, executive remuneration, and the governance areas that the committee explored over the past year and likely focus areas for the next year. It should provide an overview of key decisions made during the year along with the rationale for any changes to the executive remuneration framework. This is also an opportunity for the board to reiterate to shareholders that it believes the current remuneration philosophy/framework is reasonable. Most shareholders are interested in knowing that the remuneration committee is actively monitoring executive remuneration.

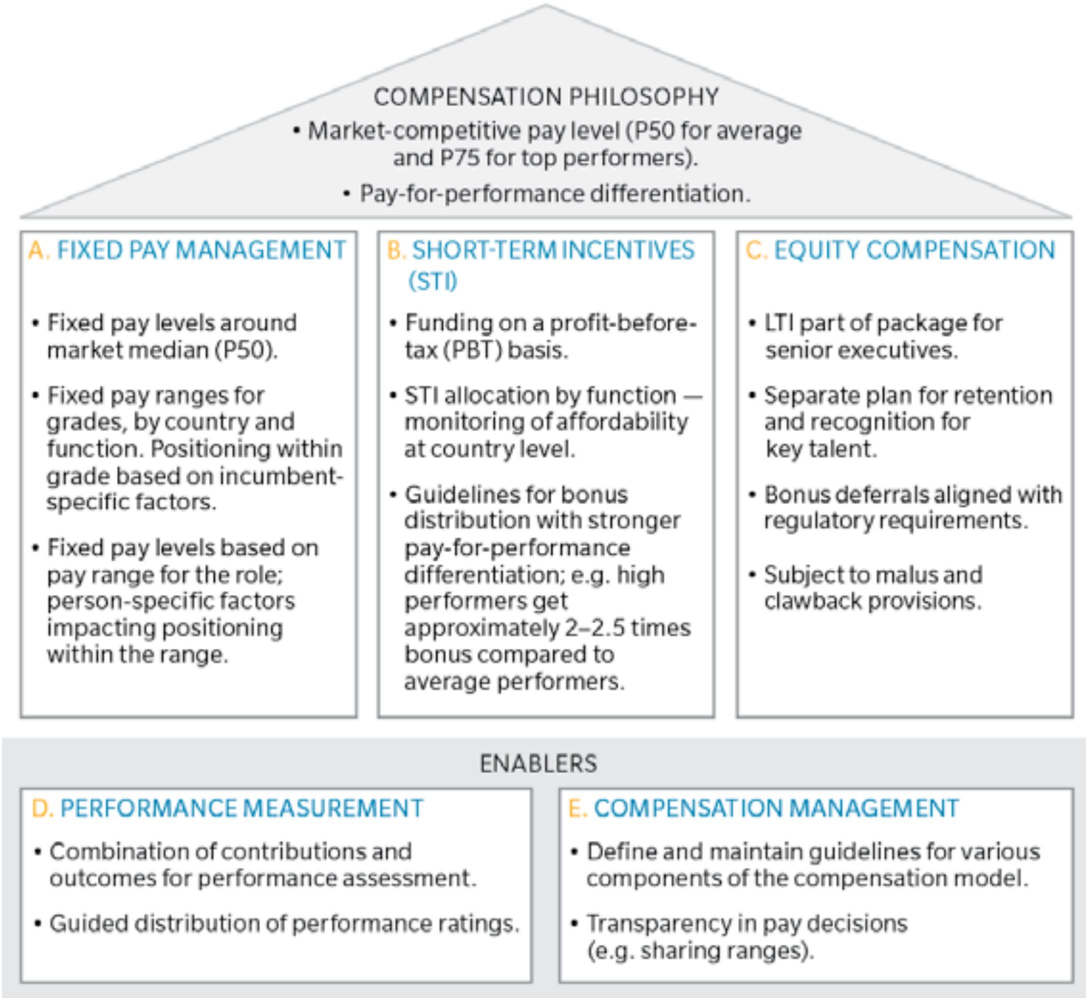
Not only does such a letter add a personal touch, but it also sets the scene for reading the remainder of the remuneration report.

... shareholders and regulators in Asia are demanding more comprehensive disclosure on the pay levels

Tip 2: Discussion of the Company's Executive Remuneration Framework

Second – and this logically follows the committee chairman's comments – is a discussion on the company's executive remuneration framework. Most companies do this in some shape or form, but progressive companies provide detailed information on their remuneration philosophy – the role of each remuneration element and the package as a whole, plus how this is aligned to (or intended to drive) the company's business objective.

Discussion regarding the peer groups used for compensation benchmarking, the committee's assessment of the executive talent pool (that is, where they hire people from or lose people to), and the construction and execution of incentive arrangements all provide shareholders with a better understanding of the company's remuneration philosophy. This helps contextualise the numbers in the compensation disclosures section.



Tip 3: Disclosing Actual Compensation Levels for the CEO and Senior Executives

Third is the issue of disclosing actual compensation levels for the CEO and senior executives. Regulators in most jurisdictions suggest that companies should disclose pay levels for the CEO and at least the top five executives. Progressive companies, however, disclose remuneration details for all key management personnel. There has been reluctance on the part of some companies to disclose individual executive remuneration, as it is deemed sensitive information. We believe that increased remuneration disclosures do not pose any commercial disadvantage; as such information is usually available through other channels anyway.

Based on Mercer's experience, the most important compensation driver from an executive's perspective is a sense of fairness (not greed, as is popular belief). Increased remuneration disclosure may actually help with the assessment of fairness – particularly if companies start disclosing actual take-home pay – which is the next point.

Tip 4: Disclosing Realised Pay

Fourth is the practice of disclosing realised pay. Under the accounting standards, companies are required to disclose the accounting values of certain pay components, such as equity-based payments. These accounting values usually reflect the probability of achieving future performance conditions and are not guaranteed. These values could be different to the amount actually vested that is available for the executive to spend (that is, realised pay).

Realised pay includes the executive's annual base salary, the cash component of the bonus plan paid out during the year (that is, non-deferred element), and the value of any equity that may have vested from prior years' awards. It is different from target pay levels, which are intended to indicate the earning opportunity if certain performance conditions are met. Companies are beginning to disclose realised or take-home pay for their senior executives, as this is more representative of what the executive actually earns each year. It also allows for better comparisons of pay and performance over a long period of time.

Realised-pay disclosures can also help quell perceptions of egregious pay levels, particularly in cases where the accounting disclosures are much higher than actual take-home pay. However, companies should carefully consider the implications of realised pay disclosures and maintain them in both good and bad years.

Monetary values in SGD	Fixed Remuneration (A)	STI cash payment (B)	STI outcome as percentage of target	Prior year equity awards vested (C)	Total (take home pay for the year) (A+B+C)
Chief executive officer Grace Kho	2,019,567	1,994,218	100%	577,020	**4,590,805**
Chief financial officer Jiawen Zheng	1,310,511	954,878	90%	425,122	**2,690,511**
Chief operating officer Kevin Ruiz	1,341,688	809,157	95%	340,210	**2,491,055**
Chief risk officer Shawn Shen	1,245,685	689,188	95%	324,398	**2,259,271**
Chief human resources officer John Luo	1,040,210	736,194	100%	175,348	**1,951,752**
Chief information officer Sonalika Tyagi	1,234,522	877,122	95%	257,131	**2,368,775**

Tip 5: Demonstrating Alignment between Pay and Performance

Fifth is demonstrating the alignment between pay and performance. While many companies claim that "pay for performance" is a foundation of their philosophy, it is important to understand where performance truly lies. Generally, shareholders want to understand two things: what impact the actions of the executive team had on the value of their shareholding; and whether they would have been better or worse off investing in a peer company instead. The remuneration report can help address these questions in the following ways:

- Better disclosure of key performance indicators (KPIs)
- Detailed peer comparisons of relative pay and performance
- Risk assessments
- Time-orientation of executive pay

Proxy advisors are increasingly using such pay-for-performance analyses to inform their voting decisions. Leading companies are being proactive and including these analyses in their remuneration reports.

Tip 6: Disclosure of Non-executive Director Fees

The last tip is regarding disclosures of non-executive director (NED) fees. While some companies disclose the base and committee fees paid to NEDs, only a few disclose the philosophy behind NED pay – for example, peer group for compensation benchmarking, desired positioning after considering the workload and reputational risks, delivery of fees via shares to help increase NED shareholding etc. In addition to total emoluments received by NEDs, leading companies also disclose the NED fee policy and target fees for chairing and membership of the board and committees. This helps in assessing the company's total cost of governance.

Conclusion

The above tips will help Asian companies improve the quality of their compensation disclosures — which can enhance the company's reputation as an organisation with robust corporate governance mechanisms. A good remuneration report is not necessarily the longest or the one that discloses the most information. Rather, it is more important to have the right disclosures in the right format, to set the context for shareholders, and to clearly demonstrate linkages to performance.

Implementing these tips will also help Asian companies satisfy, and in most cases exceed, the disclosure requirements included in their jurisdiction's listing rules or corporate governance codes. It is important to note that Asian countries follow the "comply or explain" approach rather than the legislative route adopted by some of their Western counterparts, which while difficult to enforce, does minimise the risk of unintended consequences.

In summary, we note that a lot of Western companies are a long way down some of these paths — however, there is room for improvement for Asian companies. A concise, well-structured report with the enhancements discussed in this article will go a long way toward bridging the gap, complying with regulatory requirements, and bolstering shareholder confidence regarding the governance of Asian companies. ■

Effective shareholders' communications

By Daniel Or Lay Huat, Executive Director, OKP Holdings

As the global economy continues to stride towards economic growth, it is important for companies to re-focus on the fundamental principles of corporate governance – value creation and economic growth for their stakeholders.

Corporate governance in Singapore remains a *spirit of law* rather than *a letter of law* as the various principles are non-obligatory in nature. Listed companies are required under the Singapore Exchange listing rules to disclose corporate governance practices and explain any deviations from the code of corporate governance in their annual reports.

The importance of and emphasis on corporate governance arose out of the 1997 Asian Financial Crisis. The Singapore Code of Corporate Governance (Code) was created in the aftermath of the crisis and first came into being in 2003. Since then there has been two revisions, with the latest one issued by the Monetary Authority of Singapore (MAS) in May 2012 (the revised Code).

Much still remains to be done. One area highlighted in the 2013 ASEAN Corporate Governance Scorecard where Singapore public-listed companies (PLCs) fared badly among its ASEAN neighbours was in the "Role of Shareholders". Singapore companies had an average score of just 44.6% whereas Indonesia and Malaysia were above 58%[1].

...it is important for companies to re-focus on the fundamental principles of corporate governance

Among the various principles outlined in the revised Code to enhance corporate governance, communication with shareholders is but one new paradigm gaining importance[2]. Traditionally,

[1] *The ASEAN Corporate Governance study assessed 529 listed companies in Singapore, Indonesia, Malaysia, Philippines, Thailand and Vietnam. Within Singapore, the study assesses the largest 100 Singapore PLCs by market capitalisation, Joint Initiative of the ASEAN Capital Markets Forum and the Asian Development Bank*

[2] *"Building relationships with your shareholders through effective communication", James D.C. Barrall, Latham & Watkins LLP, November 2012*

the shareholder vote has served as a primary means of shareholder communication and seldom includes systematic engagement go beyond quarterly earnings calls and investor conferences. In addition, voting at annual general meetings (AGMs) or extraordinary general meetings (EGMs) have historically served as the main mechanisms for expressing shareholder preferences and influencing corporate directions.

In this article, I would like to share how OKP, a publicly listed transport infrastructure and civil engineering company on the Singapore Exchange which has won several awards for investor relations and transparency[3], uses effective communications to enhance its corporate governance.

One of the key channels of communication with investors is the AGM where investors would have the opportunity to raise concerns and seek clarifications with the Board of Directors and senior management team on the company's recent developments and strategic direction going forward. Since listing, OKP ensures the attendance of all directors, especially Chairpersons of the Audit, Nominating and Remuneration committees, at these general meetings.

In addition, the management informs shareholders of AGMs through notices published in the newspapers, reports or circulars sent to all shareholders and via the company's website. The length of time between the notice of AGM published in the newspapers and the date of the AGM is more than the regulatory requirement of 14 days. This is to provide shareholders ample time to make arrangements to attend the company's AGM. For instance, this year, OKP sent out its Notice of AGM on 1 April 2014, four weeks before the AGM which was scheduled for 28 April 2014. For shareholders who were unable to attend in person, they were given the option to nominate up to two proxies to attend on their behalf.

In a bid to achieve a high standard of transparency and promote effective investor communications, the Board encourages active participation at the AGMs and EGMs since these are the principal forums for dialogue with shareholders. Shareholders are actively encouraged to attend to ensure a high level of accountability of the Board and to stay updated on the company's strategies and goals.

OKP also facilitates an online Q&A forum after the full year announcement of financial results and before the AGM. This has been a practice of the company since its IPO in 2002, allowing investors and shareholders to pose questions to the senior management of the company in an open forum for up to one week. This also helps those shareholders who may have multiple AGMs to attend. In order to increase the outreach to shareholders, an SGX announcement is made to notify the public of the opening and closing dates of the online Q&A forum. All responses from the senior management would be publicly available within one week of closing the online forum which is hosted via OKP's investor relations channel on the financial portal, shareinvestor.com, and its own corporate website.

OKP believes in regular and timely communication with shareholders as part of its organisational development to provide clear and fair disclosure of information about the Group's business

[3] *These include the Best Investor Relations Award in the Small Cap Category in the Singapore Corporate Awards in 2008 (Silver), 2009 (Gold), 2012 (Bronze) and 2013 (Bronze), as well as the Most Transparent Company in the Mainboard Small Caps Category of the Investors' Choice Awards 2012 and 2013.*

developments and financial performance which would have a material impact on the share price or value of the company.

In order to provide investors with an accurate and balanced account of the Group's operational and financial performance, OKP uses multiple communication channels to engage effectively with its shareholders, investors and other stakeholders. Senior management at OKP and its dedicated investor relations (IR) team consistently maintain open modes of communication through email and telephone with the shareholders, media and investment community which comprises financial analysts and investors. The contact details of OKP's IR function is clearly stated in its website and this allows close proximity to relevant stakeholders.

OKP believes that shareholders' interests are its priority and makes a conscious effort to keep its shareholders updated of all major corporate developments as it believes that all shareholders should be treated fairly. As such, OKP is also concerned about the rights of its minority shareholders and consistently reviews governance arrangements to ensure that all shareholders are well protected. The committed IR function at OKP keeps its shareholders and investors updated by issuing announcements on contract wins, strategic developments and other important material information through SGXNET, press releases and email alerts. On its corporate website, shareholders could also view all quarterly financial results and annual reports with ease.

As part of OKP's efforts to continuously grow the company, it is important to maintain strong relations with both the investment and media community. The onus therefore falls on the IR team who arranges for meetings between senior management, fund managers and analysts to allow them a better understanding of the Group's operations. In addition, the management also conducts media interviews to provide shareholders and the public a deeper insight of the Group's business and management perspectives when the opportunities avail.

Despite the challenging business operating conditions within the construction industry in which it operates, OKP continues to create value for its shareholders through various avenues such as higher standards of corporate governance. This aids in amplifying its corporate reputation. An aspect often overlooked, corporate reputation is a collective perception of a company by its stakeholders which translates to a valuable intangible asset for companies. Having a good reputation is beneficial as it draws customers, repeated purchases and favourable treatment by suppliers, bankers, media and investors[4].

While corporate governance remains non-mandatory in Singapore, OKP diligently strives to exceed expectations. This is reiterated in OKP's IR policy "to ensure fair, open and ethical business dealings with all stakeholders, including shareholders, customers, employees, suppliers, business partners and the general public". [5] ■

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[4] *"Amplifying corporate reputation through corporate governance", Dr Wilson Chew, BTInvest, 7 March 2014*

[5] *"Investor relations policy", Pg 67, OKP Holdings Limited Annual Report 2013*

Section 4

Readings : Tomorrow's Capitalism

Get ready for the breakthrough decade

By John Elkington, Co-Founder & Executive Chairman, VOLANS

We are living through a great transition in how economies operate, markets function and societies thrive. The global economic crisis, high profile collapses of corporate giants, shifting consumer and shareholder expectations, increasing dominance of the Asian and Latin American economies, and government funding constraints are just some of the drivers of the new realities facing businesses.

It is no wonder therefore that Alex Steffen of Worldchanging tweeted on 10 May, 2014, that "What happens in the next 40 years is critical for all humanity for centuries to come. What happens in the next ten years sets the range of what's possible". And Volans – a think-tank and consultancy founded in 2008 to bridge the work of social innovators and entrepreneurs into the mainstream worlds of business and finance – has declared the period 2015-2025 the "Breakthrough Decade".

Before looking at addressing the next decade, it is useful to look back at the past five decades. The shifts since 1960 are covered by four societal pressure waves. Each of these waves is accompanied by a theory of change which helped businesses shift their behaviours and mindsets. A theory of change should:

- define the key building blocks required to bring about a given long term goal;
- map one or more change pathways, i.e. the trajectories that the processes of change must follow;
- identify the types of interventions needed to drive the required outcomes; and
- identify and analyse the key assumptions that the key stakeholders use to understand and manage the change process.

...living through a great transition in how economies operate, markets function and societies thrive.

The first societal pressure wave was built up through the 1960s and peaked between 1969 and 1972. World population reached 3.7 billion by 1970, with much talk of the population explosion. During this time, space missions spurred the development of computers and microprocessor technology, leading to the proliferation of personal computers, and the rise of companies like Microsoft, Apple and Dell. Industry was seen as the villain and the predominant theory of change stressed the need to regulate and control miscreant corporations.

Wave 2 saw the collapse of the Soviet-centred Communist bloc and peaked between 1988 and 1991. World population had reached 5.2 billion by 1990. In parallel there was new focus on moving business "beyond compliance". This period saw a growing emphasis on a new theory of change, with a stronger preference for the use of **market mechanisms**, with movements like green consumerism impacting retailers and producers.

Wave 3 included many Waves 1 and 2 agenda issues in the context of the processes of globalisation, liberalisation and privatisation, with a very different agenda surfacing around the anti-globalisation movement. World population reached 6.1 billion in 2000. As markets and supply chains globalised well ahead of governance systems, the spotlight was on the increasingly important roles of multinational corporations, particularly their stumbles, as with companies like Monsanto, Nike and Shell. Theories of change during this period focused on how to use societal pressures on business than on regulation.

The events of 9/11 2001 cut short Wave 3. Security and sustainability characterised Wave 4. World population reached 6.8 billion by 2010 and we saw the beginning of a generational handover as the Baby Boomers retired, and Gen X and Y made their priorities felt. Ecommerce and social media began to transform businesses and communities. We saw the emergence of multiple theories of change, including a growing emphasis on the role of entrepreneur, and a growing interest in the continuing rise of the BRICS. Businesses increasingly embraced concepts like Sustainability and Integrated Reporting, and Shared Value.

Economic growth had remained the objective throughout Waves 1 through 4, though we observed growing concern about the consequences of unbridled capitalism.

While the timing of Wave 5 remains uncertain, Volans had declared the period 2015 to 2025 as the Breakthrough Decade. This will coincide with next round of the UN Millennium Development Goals, the Sustainable Development Goals. World population is forecasted to reach 7.3 billion in 2015 and is expected to hit 8 billion by 2024. The IT environment is likely to morph substantially, with ubiquitous computing, smart buildings and infrastructures, the Internet-of-Things, wearable technologies, novel sensing technologies and radically different business models built around the integration of Big Data.

Ultimately we urgently need a wider acceptance of the fact that effective, efficient and legitimate politics, government and governance are essential to success. As a result, the Breakthrough Decade must see business leaders not just playing an increasingly active role in politics themselves, but also calling for politicians to play their part, too, and helping them to do more, better and faster. ■

The original article by John Elkington, entitled "Get Ready For The Breakthrough Decade" can be found at http://volans.com/2014/05/get-ready-for-the-breakthrough-decade/. Edits have been made with the author's permission.

Modern capitalism in crisis: An opportunity for reinvention for co-operatives

By Tan Suee Chieh, Group CEO,
NTUC Enterprise Co-operative Ltd

A Crisis of Confidence

In our post-global financial crisis world, the norms, beliefs and values that have underpinned our global economic system for decades are being questioned and debated. There is a keen sense of the failings of the hitherto dominant philosophy of the single-minded short term pursuit of profit and growth, and reliance on the efficiency of financial and capital markets. Alternative economic models remain elusive, and there are now increased calls for a new capitalism.

In the meantime, in a bid to prevent the repeat of the turbulence that rocked our markets and economies in 2008-2009, governments and regulators around the world have tightened the screws on businesses especially financial institutions, demanding greater accountability and transparency, stronger capital adequacy and closer adherence to new and expanding rules and regulations.

Businesses, including co-operatives, have found themselves caught up in this development. In some cases, like among financial institutions, the stricter regulatory regimes disadvantage co-operatives that depend on withdrawable membership capital for their operations.

Co-operates have much to offer the world as it searches for alternatives to capitalism...

There is an element of indignation among co-operatives – and rightly so – because the unbridled greed which led to extreme risk-taking, aided by esoteric financial engineering, did not originate from the co-operative sector (although co-operatives have also had our share of excesses and failures). The main players were the co-operatives' philosophical (and real-world) commercial competitors whose assumed efficiency in allocating capital and risk has oft been held up as a benchmark. Will the "tsunami of regulation", the purported cure for the ills of the commercial financial system, become a malaise for co-operatives?

The Opportunity for Co-operatives

But co-operatives need not be defensive. If anything, the crisis of modern capitalism has opened an opportunity for the co-operative movement to remind the world of a better and more balanced way of way of doing things.

In 2009, the United Nations General Assembly proclaimed that 2012 would be the International Year of Co-operatives under the slogan, "Co-operative enterprises build a better world." The International Co-operative Alliance or ICA has adopted a Blueprint for a Co-operative Decade that promotes co-operatives as the preferred form of enterprise.

Co-operatives have much to offer the world as it searches for alternatives to capitalism in the philosophy underpinning our economic organisations. As a community, we have consistently asserted that co-operatives are better for the world because we put People at the core, and not Profits. This is our heritage. It springs from the early 19th century and has its roots in early British socialism (as propounded by Robert Owen and others), which was anchored on the dignity of labour, a belief that labour should take precedence over capital in the terms of reward of production, and a conviction that both individual and society can be perfected through cooperation.

There were also others in continental Europe who focused on the farming community from which the first financial co-operatives were formed. The father of financial co-operatives was Friedrich Raiffeissen in Germany, who believed that Christian brotherhood meant that richer and poorer farmers should come together in collective self-help.

The earliest co-operatives that were born in the Dickensian throes of the Industrial Revolution were thus all about workers and farmers coming together in a spirit of collective self-help – as consumers, producers or borrowers – against the oppression of the times. The first modern co-operative, the Rochdale Society of Equitable Pioneers, was formed in 1844.

The co-operative difference is therefore the result of this philosophical and historical heritage. Today, this is captured in a set of values and principles put out by the ICA. Through principles of democracy and autonomy, the co-operative safeguards the dignity of the individual human person over money, which means one vote per member, not one vote per dollar (or unit capital); and by making decisions in collective interests rather than solely in the interest of capital.

These values and perspectives contribute to greater stability and sustainability. Since more capital does not buy more control, co-operative managers do not need to please capital providers. We are neither compelled nor incentivised to take large risks with the money of depositors and policyholders, or to use excessive leverage to maximise return on equity, two of the primary causes of the financial crisis.

Instead, the focus is on maximising value to the right People, by providing the right product or service, at the right price or cost and even in the right place. There is less pressure to secure short-term financial gains, which means that we need not borrow from the future to do so. This plays into the space of new capitalism.

In a nutshell, the *raison d'etre* of the co-operative is to serve a collective purpose (People) and not to extract maximum gain (Profit) for its owners.

A New Paradigm for Businesses

But is our People philosophy adequate to assure the world that it will not only not set off a systemic crisis as capitalism has done, but also create the conditions for global growth in trade, innovation incomes, and prosperity?

Clearly, this is easily invalidated by both logic and instance. We risk self-conceit if we assert that our co-operative alternative is perfect or even sufficient. In the real world, not all individuals will remain members of their co-operatives all their lives; not all members will be active participants of their co-operatives without succumbing to dormancy or apathy; not all co-operatives will have enough members or adequate resources to fully fund their operations in a scalable manner; and not many outside capital providers will quietly proffer their resources without an acceptable return. Hence, the co-operative model is insufficient to create the scale, risk-taking and innovation which seem to be capitalism's greatest strength.

Put another way, if the commercial company's dogged pursuit of Profit has been too extreme, the co-operative's People-only mantra has also been too monolithic, especially if People is narrowly defined as members only.

Moreover, both company and co-operative have yet to demonstrate that sustainability is in an active and integral part of their nature, rather than just a tolerable add-on. On a micro level, sustainability means that enterprises must be financially sound, while demonstrating due regard for labour, customers and the environment as an integral part of its policies and operations. On a macro level, this speaks to the sustainability of the economy, society, the environment and the planet into future generations.

The time is ripe for a conversation on a bold new model for businesses and for the global economic system. We need to shift the paradigm from benefiting a single class of persons to promoting the interests of all stakeholders; from short-term opportunism to long-term sustainability; and from a "winner takes all" mentality to optimisation, balance and co-operation in its highest form. Businesses of all forms need to set their sights high and explore the concept of a sustainable, responsible and long-term enterprise that embraces all 3 "P"s of People, Profit and Planet – the triple bottom line coined by John Elkington of Sustainability in 1994 and which so aptly describes the necessary destination of our economic world's thought journey.

For co-operatives, this means broadening the definition of People we serve to encompass not just members, but also customers, employees and even the local and global community; and to extend our care for People to stewardship of the Planet in which this generation and future ones live and work. Profit and capital are not enemies, but partners and enablers which help bring managerial discipline and promote financial sustainability.

This is not only a philosophical challenge but also a practical one. Co-operatives would have to find ways to allow greater representation of different interests in their governing bodies, without becoming ungovernable and chaotic. Further research and innovation into robust and appropriate performance measurements of the three bottom lines would also be needed.

Yet, it is in line with the international co-operative community's values, heritage and ambitions to undertake such an ambitious and uphill trek. Ultimately, it is only in bringing the ideals of co-operation to a more consummate form, that co-operatives can ensure their relevance in the global economic system and fulfil its aspiration of building a better world. There is good momentum for success and the co-operative community is well-placed to lead the way. ■

The above article is adapted from a 9 May 2014 post on the International co-operative and Mutual Insurance Federation's website (http://www.icmif.org/modern-capitalism-in-crisis-the-opportunity-of-our-time).

The capitalism we need

By Constant Van Aerschot, Executive Director, Business Council for Sustainable Development Singapore

We live in a highly capitalistic society. Many will argue that capitalism has served us well so far. And they are right. It has been a great engine of prosperity for most. We have seen spectacular progress in standard of living, health and education, and also significant reductions in poverty, mortality rates and labour hardship.

So why should business leaders take the risk to re-visit a system that has been so beneficial for shareholders and society? And why now? Unfortunately, shortcomings are becoming more apparent with possibly catastrophic consequences. One of the flaw is the fact that the system has no breaks when it comes to environmental damage and to limits of the use of natural resources.

Pressing Challenges for Humanity

First, human activity has become such a global force of change over nature that we threaten to overwhelm the world as we know it. The entire Earth system, its physical and ecological processes upon which we depend, is at risk. Based on scientific research, the Stockholm Resilience Institute[1] has identified the nine planetary boundaries[2] that need urgent attention: climate change, stratospheric ozone depletion, ocean acidification, interference with the global nitrogen and phosphorus cycles, land use changes, global freshwater use, rate of biodiversity loss, aerosol loading in the atmosphere, and chemical pollution.

Should business leaders take the risk to re-visit a system that has been so beneficial for shareholders and society?

The first signs that "something isn't quite right" are becoming

[1] *The Stockholm Resilience Centre is an international research centre at Stockholm University that focuses on the resilience of social-ecological systems*

[2] *Planetary Boundaries are the operational conditions required to keep nature and the planet at large stable. Failing to stay within these "boundaries" will end the Holocene, a period of 10'000 years of extraordinarily stable, warm, inter-glacial geological period that allowed the development of modern society*

apparent: more frequent and extreme weather events, floods, droughts, changes in rainfall patterns, shifting seasons affecting agriculture, changes in wind patterns, sea level rise. These events affect the economy, and companies are beginning to experience serious disruptions to their supply chains, face productivity losses, while their insurance premiums increase.

Secondly, we are the first generation to recognise that humanity is threatening the Earth's capacity to support our own prosperity. We are currently switching off our life support machine. And we know it. This new insight represents a great responsibility, and the moral obligation to act.

Thirdly, it takes time to overcome barriers to change. Understandably, there is strong psychological resistance, incredible inertia in institutions, business practices and entrenched mind-sets.

Finally, the current economic model is based on continuous growth. To fuel this growth, companies need natural resources, most of which are finite. Some examples include water, rare earth elements, land and the atmosphere. Moreover, many of these non-renewable resources are irreversibly transformed into goods and services, leading ultimately to their depletion.

Humanity is at a critical cross road: either we embrace a transformation of our society, or we follow a path towards the end for humanity. Nothing less. And since we can't increase the size of our planet, we have to review its economic model. Given the scale and urgency of the issue, simply "Doing good" or "Giving back to society" is no longer appropriate.

A Necessary Evolution

There is no reason to be fatalistic. We have created the societal conditions we live in and we have the power to change it. The capitalism we need is one that manages the 'Commons'[3] so that it does not become a tragedy. We need a system that secures the 'safe operating space of Earth's ecological processes' such as the climate system and hydrological, carbon and nitrogen cycles, upon which humanity depends.

Business Has to Lead

There are two reasons for businesses to assume leadership roles.

First, businesses have vested interest in politically and socially stable environments in order to minimise the risks and costs of doing business. However, this desired state is threatened by the reasons given above, and compounded by the rise in income inequalities that lead to social tensions, conflicts, and possibly wars to secure food, energy, water and land. International governance may not be able to deliver the required leadership and national governments may be too concerned with the next election.

Secondly, business has, collectively, the technology and innovation capabilities to address most of

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[3] *The tragedy of the commons is an economics theory by Garrett Hardin, according to which individuals, acting independently and rationally according to each one's self-interest, behave contrary to the whole group's long-term best interests by depleting some common resource*

the environmental challenges. The key issue, however, is how those solutions can be scaled up. That's where more collaboration is required. On carbon capture and storage (CCS), for example, forming partnerships to build synergies with CCS-focused organisations, engaging with major funding mechanisms such as the Global Climate Fund to focus on CCS, and engaging with policy makers could all be ways to join forces to accelerate CCS' development and implementation.

A New Type of Leadership

To support and promote the evolution of capitalism, we need different types of business leaders - people who understand how to combine short term performance with long term interest. Paul Polman, CEO of Unilever, made the decision not to give quarterly profit and loss reports. Such a concrete measure may influence 'short-termism'. It is also better aligned with investment cycles, their returns, and attract long term investors to the company.

Finally, we need people who have the ability to work in more transparent and effective ways in collaboration with others. Leaders who understand the strategic importance of sustainability to their business and see the opportunities rather than the costs.

Company directors' requirement to exercise "due care" must lead them to request CEOs and senior management to look at sustainability from a value creation perspective, rather than from a perspective of philanthropy or corporate social responsibility (CSR). The way CSR is practiced is often simply too disconnected from business realities. Peter Bakker, President of the WBCSD[4], even went as far as to say at the recent World Cities Summit: "CSR is dead".

The Journey towards True Cost, True Profit and True Value: Accounting for Externalities

In economic terms, an externality is the cost or benefit to one party that results from an activity of another party without there being any compensation. The haze, CO_2 emissions or water pollution are examples of negative externalities. Joseph Stiglitz, one of today's most influential economists and recipient of the Nobel Memorial Prize in Economic Sciences states that "Whenever there are externalities (…) markets will not work well."

One of the necessary evolutions of capitalism is to account for externalities in standard business practices. And capital markets need now to enter the discussion and valuation to distinguish good from bad natural capital performance of companies.

This is already ongoing within companies with carbon emissions. Major companies already include a 'shadow carbon price' (or internal carbon price) as a core element in their business strategies.

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[4] *World Business Council for Sustainable Development*

They do this for three reasons:

1. As a business planning tool to help identify revenue opportunities, risks, and cost reductions. It guides capital investment decisions leading to energy efficiencies.

2. Regardless of the current regulatory environment, companies need to prepare for some form of carbon regulations as this will either represent a cost or an opportunity to them.

3. Many companies set internal targets for greenhouse gas (GHG) reductions. A shadow carbon price helps them to evaluate returns on related investments.

On 3rd June 2014, The World Bank Group, together with a growing coalition of governments and major business associations, issued a call to support a price on carbon. The statement will be launched at the UN Climate Summit in New York this September 2014.

Environmental Profit and Loss

Jochen Zeitz, then CEO of the sports clothing manufacturer Puma, commissioned an Environmental Profit & Loss exercise in 2010. The study found that the potential cost of externalities[5] (including those of its suppliers) was €145 million, for a total annual profit of €202 million. More than the financial value, the outcome allowed the management to take better decisions on product design, choice of materials, suppliers, processes and R&D investments.

The Way Forward

Humanity cannot survive without nature, but nature will definitely survive without us. Companies need enlightened new leaders who quickly take over from those who cannot see the forest for the trees. And a modern form of capitalism has to include the cost of externalities to create a global level playing field. Companies need to collaborate more to develop and use new tools and frameworks that include environmental and social considerations. A great step is taken when leaders focus more on dependency rather than impact, and on opportunities rather than risks.

We need to reflect on the future we want and our responsibility in it. We still have a choice … but not for much longer. As Abraham Lincoln put it: "The best way to predict your future is to create it". And the future will need to be sustainable, or we won't have any. ■

5 *Includes water use, GHG, land use, air pollution and waste from Puma's own operations and from tier 1 to 4 suppliers*

Sustaining capitalism through an "ACE" framework

By David Leow, Independent Director, Mencast Holdings

Though Facebook and Twitter get all the attention, capitalism is the greatest system for social interaction in history. Capitalism drives billions of interactions daily and has enriched the lives and living standards of the majority of people around the world. Global GDP is approximately four hundred times greater than the year in which Adam Smith wrote *"The Wealth of Nations"*[1]. This means our planet will produce as much in the next 24 hours as it did in an entire year at the beginning of the industrial revolution.

Despite success by mercantile measures, capitalism is increasingly viewed as unfair and unsuited to meet wider societal goals. In this article, we examine the major criticisms levelled at capitalism as well as proposing an innovative framework for companies and their corporate boards to pursue a sustainability agenda.

The Major Criticisms of Capitalism

The morals of the market may always be our own, but it is equally true that our morals will also not be those of our neighbours.

Three major charges are laid against capitalism. The first of these are ethics based, such as those in Michael Sandel's *"What Money Can't Buy"* which argues that free markets fail in moral dimensions. The second charge is that capitalism generates unsustainable wealth inequality such as levelled by Thomas Piketty's in his NYT bestseller *"Capital In The 21st Century"*. The final criticism is that capitalism and companies are unsuited to sustainable development. We look at each of these issues in turn.

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[1] *Global GDP in 2013 was USD72 trillion using CIA World Factbook data and USD195 billion in 1750 using data from Brad DeLong of the Department of Economics, UC Berkley. The "Wealth of Nations" was first published in 1776.*

Are Free Markets Amoral?

Markets can be free without being amoral. "Free" does not refer to the absence of morals, but instead to the freedom of buyers and sellers to transact based on supply and demand.

The strongest argument against markets amorality is to simply note that a truly amoral market would collapse upon itself - trust is required for markets to function for any length of time.

In practice, markets are imbued with the conscience and collective morality of its stakeholders – buyers, sellers, governments, financiers, management, employees and the public. Today, consumers can further express moral choices by supporting ethical consumerism. Examples of ethical products include Fairtrade, Dolphin Safe, Free Range, Organic, Halal, Kosher and Rainforest Alliance Certified products.

The morals of the market may always be our own, but it is equally true that our morals will also not be those of our neighbours. To the degree that stakeholders generally agree that the market falls short of some standard of desired behaviour, there may be a valid argument for regulatory intervention. Examples of justifiable regulatory intervention include clean air policies to remove pollution externalities, labour protection laws that assure fair wages and conditions for workers and consumer "lemon" laws to correct information asymmetries.

Unequal is not Necessarily Unfair

Though at first blush, it seems reasonable to expect a fair economic system to produce an equal income distribution, a closer examination supports the opposite conclusion. To provide incentives for the productive over the unproductive and the diligent over the lazy, a fair system must support income inequality.

For example, in 2013 Forbes named Oprah Winfrey, Floyd Mayweather and Madonna as the highest earning celebrity, athlete and artist respectively. To suggest it is fair for their income to be the same as the average person is of course faintly ridiculous as each possess a lot more market appeal, talent, and work ethic than the average person.

It would be similarly ridiculous to suggest that Mayweather should receive Madonna's income if he should suddenly to become a singer, or conversely for Madonna to receive Mayweather's income if she inexplicably decided to forsake concert performances for the pugilistic arts.

Ultimately, fairness is about equality of opportunity – the ability to leverage individual talent in the market to become the next Oprah, Mayweather or Madonna. Thus, the fairest system is that which provides the most opportunity for the greatest number of people to offer their talent in the market. And while not perfect, capitalism is just this system.

As earlier, there is a valid role for regulatory intervention to correct extreme and unsustainable inequality, for example through the use of progressive income taxes, consumption taxes or even a wealth tax as endorsed by Thomas Piketty.

Towards a Model for Sustainable Development

Companies are uniquely suited to executing a sustainability agenda due to their skill at innovation and marshalling resources, ubiquity at every stage of the value chain, and deep influence with all key stakeholder groups.

Being charged with long term oversight and leadership, corporate boards also have a unique opportunity – even responsibility – to advance the sustainability agenda as a priority for companies.

The "ACE" Framework for Sustainability (Affirm, Co-opt and Energise)

True sustainability is a daunting goal as it is crowned at the apex the impossible objective of ecological immortality at nominal cost. As much as we may wish otherwise, this goal is unreachable today. Instead, the realistic and actionable goal is begin on a pathway to sustainability that starts today.

Jim Collins famously wrote "The good is the enemy of the great". In sustainability, we argue exactly the opposite. It is more useful to pursue good plans now rather than great plans later as conserved resources will be used with less environmental impact in the future. For example, energy efficiency in the US has roughly doubled in the last 30 years[2] and whilst recycling rates of precious metals has crossed 50%, it is near zero for many common metals[3].

We offer a framework with three steps for corporate boards and management to begin the journey towards sustainability. These are:

ACE: Affirm ▸ Co-opt ▸ Energise

The ACE framework introduces two practical and innovative paradigms. The first is to acknowledge there are useful activities a company can perform immediately (action items) and activities that can only be performed in the future (planning items). The second is to explicitly recognise that companies cannot achieve the goal of sustainability in isolation but require the support and involvement of a number of market participants such as buyers, sellers, governments, financiers, management, employees, civic groups, shareholders and the public.

Affirm

All companies should conduct a formal review process prepared by management and approved by the board to cut waste and environmental impact. These are efficiency based processes that generate cost savings or are cost-neutral to the firm and as common sense, entirely uncontroversial items that can and should be undertaken immediately. Simple examples will be reducing material, energy and water wastage, insulating buildings, recycling and so on.

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[2] *As measured by the barrels of oil consumed per dollar of GDP*

[3] *United Nations "Recycling Rates of Metals" lists 34 of the 60 studied metals as having recycling rates of under 1%*

Co-opt
While it is popular to argue otherwise, case law and regulation suggests that corporate boards and management are not at liberty to expend corporate resources on activities that do not generate shareholder value without the consent of their shareholders.

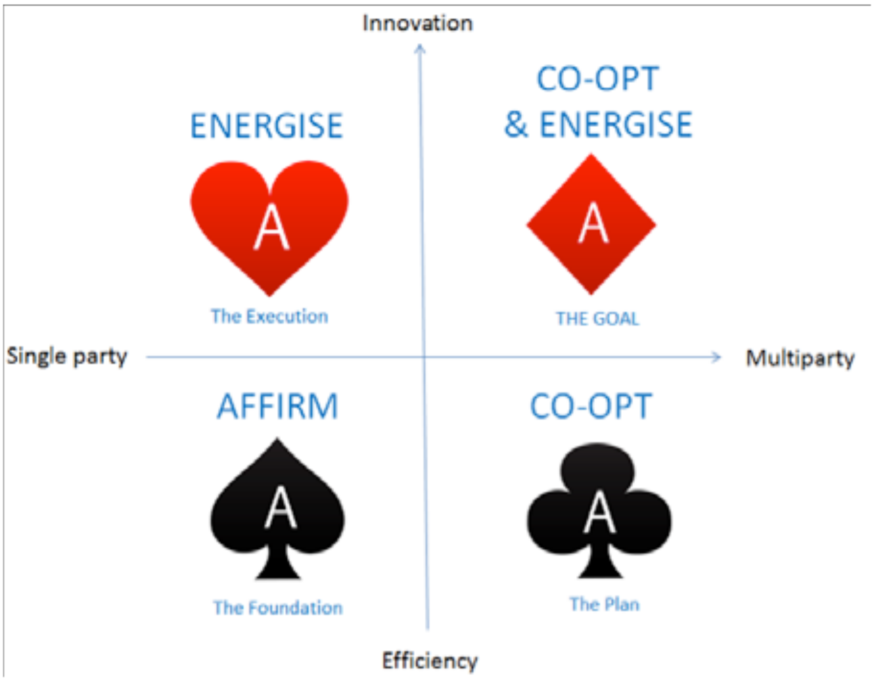
Where a company undertakes activities that have no direct economic benefit for the firm, it should co-opt stakeholders to support its actions. This can be done in a variety of ways. As very brief examples: Shareholder mandate from shareholders to support CSR initiatives, lobbying for industry codes of conduct and presenting consumers with the information to encourage support of initiatives such as Fairtrade or Rainforest Alliance.

For most companies, the most difficult category of initiative will be those that require co-opting outside stakeholders. This process will rarely be fast, automatic or always successful. Nonetheless it is an important part of securing a mandate to invest corporate resources in areas that have no immediate benefit to today's bottom line.

Energise
"Energise" means actively pursuing opportunities to support sustainability that involve the use of resources not currently within the firm. These are innovation based processes and are optimised through alignment of objectives and engagement of staff at all levels within a firm.
Under this category are two broad categories of initiatives: 1) new products and services with a sustainability component, and 2) innovations that allow the same production with less resources and environmental impact. Examples of the former include green labelled products (e.g. organic food), "cash for trash" businesses (e.g. recycling) and energy efficient product lines. Examples of the latter could include novel techniques to reduce or eliminate material usage or enhance recycling (e.g. replanting, using 100% recyclable PET and aluminium etc.)

The ACE Framework (Affirm, Co-opt, Energise)

Broadly speaking, the ACE framework differentiates activities on one dimension by being immediately implementable efficiency based indicatives rather than longer cycle innovation driven initiatives; and on another dimension by being activities that a company can undertake by itself as compared to those where it is necessary to co-opt support from outside stakeholders.



In the ACE framework, a firm will operate at different levels of excellence in each of the following four tiers:

Tier	Description
Spades	The "Spade" represents the basic efficiency tier that all companies can – and should - pursue immediately. This tier is represented by a spade – a basic but highly efficient tool. This is an action focused tier.
Clubs	The "Club" represents the community of stakeholders and comprises all strategies and actions taken to co-opt stakeholders. This is a planning focused tier.
Hearts	The "Heart" represents staff engagement and the alignment of internal processes and corporate objectives with overall sustainability goals. This is an execution focussed tier.
Diamond	The "Diamond" represents the successful achievement and synergistic combination of all earlier tiers. Success at this tier is the overall goal of a great sustainability program – a rare, glittering and enduring prize.

Companies can also use "ACE" as a scorecard, scoring themselves in each of the four tiers. An "Ace" is the highest possible mark, and represents the achievement of all achievable goals within the tier. The numbers 2-King will then be lower scores. An Ace of Diamond is only possible with Aces in all other tiers. This is the apex of what we can achieve in sustainability today – a rare and glittering prize to seek. ■

Going green all the way

By Dr Ng Kian Bee, Deputy Director, Nanyang Polytechnic

It was a cloudy Sunday morning, on 3 August 2014. Over 8,500 walkers, young and old, congregated at Marina Bay for the 4-kilometre ComChest Heartstrings Walk. Among the multitude of coloured t-shirts, there was a vivid bunch of greens – the familiar green of StarHub, Singapore's infocommunications provider. The occasion was not only dominated by StarHub staff in their green T-shirts, but the company and its staff contributed a significant part of the $1.5 million raised.

At this Sunday walk, I had the pleasure of meeting StarHub CEO Tan Tong Hai and learnt about their commitment to sustainable business. What struck me most is the way that he and the company seek to embed sustainability and social responsibility in every aspect of the organisation. CSR or corporate social responsibility is not just a buzz word, it is not an independent organisational unit, nor is it just about charitable giving. Instead, the company's sustainability initiatives are far reaching and all encompassing.

Let me seek to describe the multitude of sustainability initiatives in terms of the three major stakeholder groups: the environment, community and customers.

...the multitude of sustainability initiatives in terms of the three major stakeholder groups: the environment, community and customers.

Saving the Environment

As a fully-integrated info-communications company, most of StarHub's energy footprint comes from its telecommunications networks. In 2009, the company established an environmental policy to commit to minimising its overall energy footprint.

First is its use of renewable and clean energy. Solar-powered mobile base station transceivers (BTS) are installed at StarHub Green, its headquarters building and the rooftop of IKEA at Alexandra Road.

More significantly, StarHub's mobile network was modernised in 2013 with more efficient and capable 3G equipment, while adding another network to support LTE. Despite the expanded network, the company's mobile network's electrical consumption dropped 12 %.

About the same time, StarHub streamlined service calls to customers' locations so that vehicles could be shared and maximised. This operational improvement led to over 52,000 litres of fuel being saved annually.

The company has sought to embed environmental values in the corporate culture by creating Green Corporate Key Performance Indicators which account for 5% of every employee's bonus, including the CEO.

Consequently, every year, there is less paper consumed and increased paper recycling.

Empowering the Community

As a responsible corporate citizen, StarHub has sought to help the less privileged in society in various ways.

One percent of all its revenue derived from IDD 008 and IDD 018 calls goes to the StarHub Sparks Fund to support charitable causes.

It provides subsidised mobile access to help low-income households, senior citizens and people with disabilities. For example, its Active Stars scheme offers 25% extra credits on pre-paid cards, among other benefits, for senior citizens aged 55 years and above.

To help bridge the Digital Divide, StarHub introduced Golden Gurus – tech-savvy senior citizens who will be information technology champions to their peers. These Golden Gurus are supported by social media and other online tools.

An innovative app, MySmartEye connects the visually impaired to a worldwide community of sighted micro-volunteers, who then lend the power of sight to the visually impaired. When a visually impaired individual snaps a picture, it is shared in real time with micro-volunteers who can describe the picture and have their comments read out over the visually impaired user's smart phone.

StarHub works closely with Changi Prison and Singapore Corporation of Rehabilitative Enterprises (SCORE) to provide work opportunities to offenders and ex-offenders. Some 20 inmates work as StarHub's call centre agents while others provide labour for co-axial cable assembly through one of its suppliers. The company also uses SCORE catering, where the food is prepared by inmates, for some of its corporate events.

Engaging Customers

StarHub seeks to engage its customers in going green and giving back to society.

Customers can go paperless by receiving electronic statements instead of printed bills, an initiative which saved an estimated 7,600 kg of paper in 2013. Complementing the electronic bill, an App on both the iOS and Android platforms allows its customers to view the details of their accounts and bills on and pay through their mobile devices.

For customers who still want their bills mailed, StarHub removed Business Reply Envelopes, which saves about 15 tonnes of paper each year. However, customers who still wish to can print the Business Reply Envelopes online.

In 2012, StarHub realised that, while there were many avenues for recycling paper, plastic, metal and glass, there were very limited avenues for recycling electronic waste (e-waste). To fill a gap, it created e-Waste Recycling bins, now available at 27 locations island-wide. To date, more than 13.5 tonnes have been recycled.

StarHub's customers are currently the only ones in Singapore who can redeem their StarHub Rewards points from the company's loyalty programme for tax-deductible contributions to charity for causes such as Earth Hour, Care Corner Counselling Centre and MINDS Towner Gardens School.

These and other initiatives helped StarHub to be ranked 29th on the 2014 Corporate Knights' Global 100 list of the world's most sustainable corporations. It is the highest ranked telecommunications company on the list worldwide.

Yet, it is not such recognition that drives it, but the fundamental philosophy of a "Next Gen" company, as I learnt from its CEO that Sunday morning, to integrate doing good with doing well in a sustainable manner. ■

Integrated reporting

By Ho Yew Kee, Head and Professor, Department of Accounting, NUS Business School and Mikkel Larsen, Managing Director, DBS Group

Overview

Integrated Reporting (<IR>) is a framework developed by the International Integrated Reporting Council (IIRC)[1] with the vision for <IR> to be accepted globally as the corporate reporting norm benefiting organisations, investors and society through sound and well-informed decision-making that leads to efficient capital allocation, sustainable growth and prosperity. According to the <IR> framework released in December 2013, the purpose of <IR> is to explain how a company creates value over time to providers of financial capital.

An integrated report is different from the traditional AR or the SGX-proposed SR and is arguably broader in scope. The following are major integrated report-AR and integrated report-SR distinctions:

... benefiting organisations, investors and society through sound and well-informed decision-making that leads to efficient capital allocation, sustainable growth and prosperity.

- The financial statements in the AR limit the measurement of performance to those which have a financial impact in a given year and can be recognised by GAAP or the relevant prescribed financial reporting standards. <IR> aims to measure performance more broadly than the scope of the AR. <IR> accepts that some performance and value creations have yet to be reflected in financial performance[2]. Some examples of this may be customer loyalty and market advantages.

  In practice these "non-GAAP" values are often most effectively reported in the form of non-financial Key Performance Indicators (KPIs). An AR at times lacks clarity in the connectivity and

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[1] *Founded in August 2010, IIRC adopts the explicit mission to "create the globally accepted <IR> framework that elicits from organisations all material information about their strategy, governance, impacts, performance and prospects in a clear, concise and comparable format; to secure the adoption of <IR> by report preparers and gain the support of regulators and investors".*

[2] *The IIRC often outlines the fact that studies indicate that 80% of companies' market cap is not captured by the book value of the company and the value relevance of reported financial information has been decreasing over time.*

interdependencies among key drivers of value creation such as governance, risk, sustainability and financial performance. There is often a lack of a coherent structure or framework when the AR reports these drivers of value creation in different parts of the AR or in an ad hoc manner without an obvious link. In contrast, an integrated report provides insight on how a company uses its capitals (that is, the company's resources and relationships) and how the capitals affect the company. It explains how the company's strategy is executed, what risk is created and governed, and how this ultimately transforms into performance. Value creation for the organisation within the external environment in the short, medium and long term is what <IR> is all about.

- The main difference between an integrated report and an SR is the focus which in turn impacts what gets reported. The SR focuses on environment, social and governance issues which are of interest to all stakeholders – financial or non-financial. The integrated report focuses on value creation, which is also useful to all stakeholders, but is primarily targeted at the investors. The integrated report thus focuses more on the strategy and answers the question, "Why will our company be of relevance and value in the long term". The SR focuses more on the company's direct impact on the environment and society. An integrated report will only provide information on environmental matters that materially affects value creation. The materiality of what gets reported will be different from an SR in that <IR> will focus on what is material to the success of the company's strategy rather than what may be most relevant to specific stakeholder groups such as NGOs.

This difference is reflected in the structure and content of the integrated report. Table 1 shows the main content of an integrated report.

Table 1: Proposed content elements of an <IR>

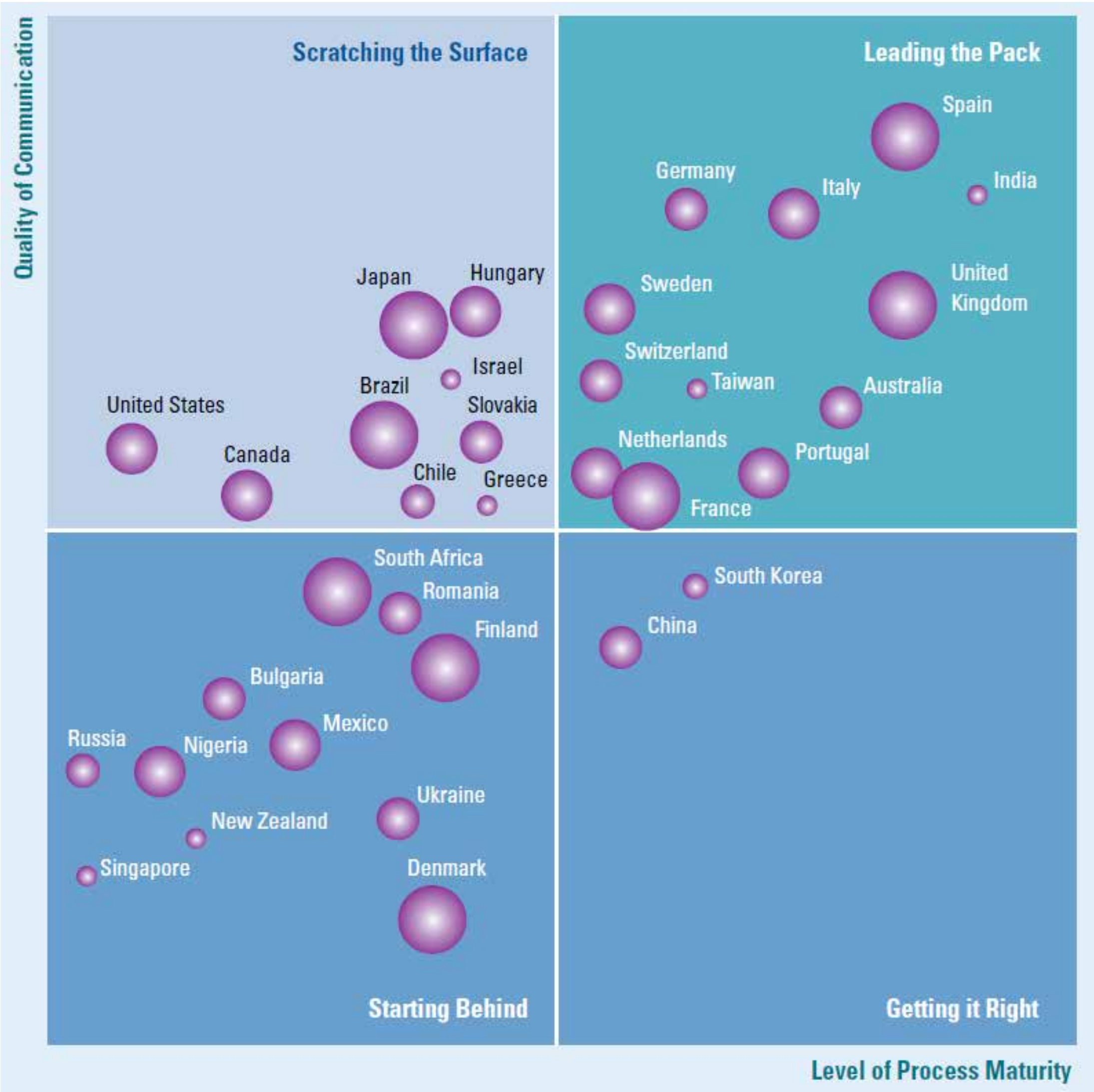
Content	**Key Issues**
Organisational overview and external environment	What does the organisation do and what are the circumstances under which it operates?
Governance	How does the organisation's governance structure support its ability to create value in the short, medium and long term?
Business model	What is the organisation's business model?
Risks and opportunities	What are the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term, and how is the organisation dealing with them?
Strategy and resource allocation	Where does the organisation want to go and how does it intend to get there?
Performance	To what extent has the organisation achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?
Outlook	What challenges and uncertainties is the organisation likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?
Basis of presentation	How does the organisation determine what matters to include in the integrated report and how are such matters quantified or evaluated?

Source: The International Integrated Reporting Framework, IIRC, December 2013

Relevance for Singapore Companies

Currently, there is only a single listed company in Singapore – DBS Group, which is a member of the IIRC Pilot Programme Business Network – which has adopted <IR>. Singapore is generally conservative in adopting innovations in corporate reporting. For example, a 2011 study by KPMG on corporate responsibility reporting[3] suggested that the adoption rate in Singapore is relatively low internationally. Figure 1 shows that Singapore is in the "Starting from Behind" quadrant while many of the European countries are already in the "Leading the Pack" quadrant when it comes to corporate responsibility reporting.

Figure 1: Status of countries on corporate responsibility reporting



Source: KPMG International Survey of Corporate Responsibility Reporting 2011 (reproduced with permission)

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[3] *Survey of Corporate Responsibility Reporting 2011[4], KPMG International*

The following are some reasons why Singapore companies should consider the adoption of <IR>[4].

1. Need for foreign capital

Singapore companies and brands are less well-known than many global brands. Funding for Singapore's growth potential may not be fully satisfied by the local debt and stock markets, therefore, it is even more important for such companies to prepare an integrated report that clearly outlines the company's strategy, execution and long-term viability to compete for the scarce capital through a more structured and potentially well-accepted disclosure framework[5]. This may reduce the cost of capital – because a firm that can clearly articulate its strategy for value creation in a consistent format reduces the uncertainty and transaction cost facing a financial capital provider when evaluating funding decision – which ultimately leads to increased liquidity and share value.

The disclosure requirements of the Singapore Corporate Code of Governance already ranks among some of the highest in the world[6] and <IR> adoption can strengthen our corporate disclosure and potentially make our companies more competitive in information disclosure.

2. Early signs of investors' growing interest in Singapore

In a study published by Harvard Business Review on "What Makes Analysts Say "Buy"?"[7] (Table 2), clear, well-communicated strategy, ability to execute strategy and governance strength – which are key content elements in <IR> – are ranked much higher in importance for analysts in Europe and America than in Asia. If Singapore analysts become more aligned with the rest of the world by giving more weight to strategy and governance when recommending a "buy", then Asian investors should be interested in <IR>.

Table 2: What makes analysts say "buy"

	Factors Driving "Buy" Recommendation	Importance to Analysts			
		Low	Moderate	High	Very High
Key to <IR>	Clear, Well-communicated Strategy	**A**, L, U			E
	Ability to Execute Strategy	**A**, L,	U	E	
	Governance Strength	**A**, L,		E	U
Not Important to <IR>	Quality of Top Management	L			**A**, E, U
	Innovativeness	**A**	U	E	L
	Low-price Strategy	**A**, L		E	U
	Superior Products or Service Strategy	**A**, E, L		U	
	Balance Sheet Strength	**A**, E, L, U			
	Culture	**A**, E, L		U	
	High Performance Compensation	**A**, E, L	U		
	Projected Industry Growth			E	**A**, L, U
	Industry Competitiveness	L	**A**, E, U		

Legend: A (Asia), E (Europe), L (Latin America), U (USA)

Source: Adapted from Harvard Business Review[7]

While quantitative evidence of investor interest is still hard to come by, there are some early signs that investors in Singapore are becoming more interested in <IR>. The joint ISCA-NUS survey seeks to establish if the anecdotal interest is prevalent. DBS Group's experience in this area has been that most analysts value the clearer articulation of strategy that an integrated report can bring, but <IR> is not yet at the forefront of analysts' mind because <IR> is relatively new. Given the anecdotal interest in <IR> from capital providers in Singapore, a few large listed companies in Singapore are considering adopting <IR>. DBS Group's experience in <IR> suggests that preparing an integrated report is a significant undertaking. However, with investment in education about <IR> by regulators, professional accounting bodies and forward-looking companies, prospective adopters will find the cost of adoption decreasing while the benefits of adoption increase.

3. "Official" support in Singapore

The chief executive of the Singapore Accountancy Commission (SAC) recently announced that Singapore plans to become the hub for <IR> in Southeast Asia[8]. ISCA has set up an Integrated Reporting Steering Committee to formulate plans for <IR> adoption and implementation in Singapore. These are clear signs of the importance of <IR> to key stakeholders in Singapore. There is no shortage of resolve to make <IR> a reality in Singapore.

In summary, <IR> is the next significant reporting innovation for companies since the creation of IFRS by the IASB (and its forerunner) in 1973. Currently, there is a gap in the corporate reporting framework for companies to articulate the essence of value creation. IIRC seeks to be the organisation to fill this gap with <IR>. It is critical for Singapore companies to start thinking about adopting <IR> now that IIRC has published the <IR> Framework to stay in the corporate reporting arena. ■

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[4] *From the perspective of unlisted small and medium-sized enterprises (SMEs), the considerations are largely the same as for listed companies but the relative cost and benefit of an <IR> may be different.*

[5] *This is similar in argument for the adoption of International Financial Reporting Standards (IFRS) for Singapore. The adoption of IFRS allows Singapore companies to tap on international capital as it lowers the threshold for comparability of financial reports.*

[6] *GMI Ratings – Country Rankings as at 27 September 2010*

[7] *"What Makes Analysts Say "Buy"?" by Boris Groysberg, Paul Healy, Nitin Nohria, and George Serafeim, HBR.org, November 2012*

[8] *"International Integrated Reporting (<IR>) Framework will bring tremendous benefit to stakeholders of firms and attract more firms to the region", SAC press release, 16 December 2013*

Section 5

Readings : Social Enterprises

What makes a social enterprise?

By Willie Cheng, Chairman, Singapore Institute of Directors

Recognising the Social Enterprise

Social Enterprises are increasingly fashionable across the world. Although they have been around for some time, rising interest in impact investing has led to the mushrooming of social enterprises in both developed and developing countries.

In Singapore, the three-year-old Social Enterprise Association - which boasts 550 members, including individuals and organisations interested in the space - estimates that there are 200 active social enterprises locally. So pervasive is the movement that the 2012 President's Challenge introduced a Social Enterprise Award with four inaugural winners.

A social enterprise is loosely defined as a business with a social mission. However, there is a surprising lack of clarity and agreement about what it actually constitutes despite the abundance of literature and conferences on the subject.

Consider these four organisations whose founders or representatives have used the label "social enterprise":

- Food For Thought is a cosy and hip European-style cafe with outlets at Queen Street and Botanic Gardens. It gives at least 10 per cent of its profits to charity.
- A-changin is an upmarket apparel alteration service with retail outlets at Orchard and Raffles Place. It has about 34 employees, of whom two-thirds are disadvantaged women. Any profit from the operations goes to the owners.
- The India-based SKS Microfinance helps alleviate poverty by providing financial services to low-income households. It is the largest microfinance institution in India with a loan portfolio of over $1.1 billion and more than six million borrowers. In 2010, it listed on the Bombay Stock Exchange, raising $430 million in equity and enriching its founding investors in the process.

A social enterprise is loosely defined as a business with a social mission.

- The Hong Kong Jockey Club is a non-profit organisation that provides horse racing, sporting and betting entertainment. It devotes its surplus each year to charity and community projects. It is the top grant-maker in Hong Kong, donating $267 million last year.

There are many people in the social sector who would argue that these organisations, notwithstanding the good they are doing, should not be called social enterprises. The confusion and debate seem to rest on two key features of such enterprises: social impact and profit redistribution.

Social Impact

An organisation can be socially impactful in several ways.

Internally, a company can actively employ the disadvantaged of society who otherwise may not be able to find a job. For example, A-changin trains and employs single mothers and former out-of-work women. Similarly, the other three winners of the President's Challenge Social Enterprise Award employ ex-offenders (18 Chefs and New Soon Huat) and at-risk youths and persons with disabilities (Adrenalin Events).

The ComCare Enterprise Fund, which provides budding social enterprises with seed funding of up to $300,000, regards this aspect so important that one of its grant-qualifying conditions is the provision of employment opportunities and skills training for needy and disadvantaged Singaporeans.

Externally, a company can create positive social impact by providing a product or service that alleviates the condition of the poor and needy. For example, SKS Microfinance provides credit and other financial products to people living in poverty, particularly those who do not have access to typical banking services. Social impact can also be achieved if an organisation contributes all or part of its surpluses to charitable causes, as in the cases of the Hong Kong Jockey Club and Food For Thought.

In other words, each of the four organisations mentioned above can claim to have some degree of positive social impact.

The objection to Hong Kong Jockey Club being labelled a social enterprise is that its surpluses are derived from the vice of gambling. There is, therefore, an implicit presumption that not only should a social enterprise create positive social impact, but also it must not create negative social impact. It would go without saying that such an organisation must be socially responsible in how it treats its staff and the environment.

The objection to the other three organisations being labelled social enterprises is that positive social impact, while good and necessary, is by itself insufficient. After all, most companies can claim some degree of social impact. Apple, for example, creates products with significant positive social impact for the world's rich and poor, but it has never sought to call itself a social enterprise. Many mainstream companies also engage in corporate social responsibility and some level of corporate philanthropy.

Profit Redistribution

According to purists, the key test of whether an organisation qualifies as a social enterprise is whether it substantially redistributes its profits to the community.

On that count, A-Changin and SKS Microfinance, whose profits wholly accrue to their shareholders, would not pass the test. In the case of Food For Thought, 10 per cent of profits is not deemed high enough and can be argued to be just good marketing copy.

The reason for this stance by the purists goes back to the roots of social enterprises. Historically, they emerged from the charity sector's search for the holy grail of financial sustainability. Social enterprises were established to fund specific charities or charitable causes in general. Many were set up by the charities themselves.

Dr Mechai Viravaidya, the Thai founder of more than a dozen social enterprises including Cabbages & Condoms Restaurant and Birds & Bees Resort, sums it up best in his inimitable way: "A social enterprise is the best way of financing a non-governmental organisation. I have tried begging for money. It gets harder and harder. I have tried praying. It does not work. Make your own donations with social enterprises."

Microfinance is the quintessential industry which proved that social enterprises can operate at scale while being socially transformative. Professor Muhammad Yunus and Grameen Bank in Bangladesh have been pioneers and the poster children of the microfinance movement.

However, as the industry grew, microfinance institutions funded by regular equity capital came into being.

The debate on the role of shareholder returns for social enterprises came to a head with the spectacular initial public offerings (IPOs) of SKS Microfinance and Compartamos (a Mexican microfinance institution), both of which started as donor-funded non-profits.

Prof Yunus was one of the strongest critics of the IPOs and their profit maximisation maxims. He alluded to SKS Microfinance as loan-sharking. After its IPO, SKS was plagued with losses and bad publicity from reports of suicides linked to its loan collection policies. Several months ago, its founder, who stepped down in 2011, a year after the IPO, publicly said: "Prof Yunus was right."

Disappointed with the direction that the social enterprise movement was taking, Prof Yunus has coined a new term, "social business". A social business has most of the characteristics of the traditional social enterprise, but it functions within a set of tight parameters. Among these is an explicit principle on investment returns: Investors get their investment amount back only. No dividend is given beyond the investment money.

Since then, Prof Yunus has created eight Grameen social businesses. The Yunus Centre, which he founded and chairs, promotes social business to the world and serves as a one-stop resource centre for social business.

Does It Matter?

Some may argue that how a social enterprise is defined is largely irrelevant as long as the vulnerable are not exploited under the guise of charity and the organisation in question is, fundamentally, doing some good.

However, from a governance standpoint, having a clear definition is helpful, if not crucial, to those dealing with, and especially those giving preferential treatment to, social enterprises. After all, apart from being cool, there are some real advantages to being a social enterprise and these advantages should not be abused.

First, there is funding support (free seed capital in most instances) from foundations, social investors and special-purpose funds such as the ComCare Enterprise Fund and the Tote Board SE Hub.

Suppliers and service providers are more likely to be supportive and less demanding. DBS Bank, for example, has a Social Enterprise Package which includes "virtually free banking services".

Staff may join more for the cause than the money. They could be more motivated and less costly. There may even be volunteers helping out for free.

Customers are more likely to buy, and buy more, as people like to be associated with a good cause. Where beneficiaries are employed, the sympathy element goes up.

Regulatory Framework

Beyond gaining clarity with key stakeholders, what is more important is a regulatory infrastructure by which social enterprises can operate.

Currently, there is no legal structure for a social enterprise in Singapore. An organisation can choose to either be registered as a nonprofit (in which case it forgoes doing business) or be registered as a full commercial company (where the profits can, but need not, go to charity).

Most social enterprises in Singapore are set up as private limited companies and we have to take the word of these companies that they are social enterprises.

Recognising that the traditional legal structures do not reflect the reality of social enterprises, the authorities in Britain and the United States have sought to create new legal structures.

In Britain, a new legal entity called the community interest company (CIC) was introduced in 2005. There are limits to the dividend (maximum one-third of profits) and interest payments that can be made to shareholders and financiers.

The CIC's American cousin is the low-profit limited liability company (L3C). An L3C focuses on achieving a socially beneficial objective. Profit is secondary and shareholders are limited to a financial return on investment of 5% or less.

It is unlikely that we can expect any similar legal vehicles in Singapore in the near term. A four-year review of the Companies Act has been concluded and the amendments to the Act are expected to be passed in Parliament by end 2014.

An interim approach could be an accreditation scheme based on a clearer and agreed definition of what a social enterprise is. Accredited organisations can then receive a trust mark analogous to the CaseTrust mark given by the Consumers Association of Singapore to companies.

The growth of social enterprises is a positive development of both the social and business sectors. However, this growth can be facilitated by a clearer understanding of what social enterprises are, and it should be bulwarked by a defined framework and structure by which they can operate. ■

The above article was first published in The Straits Times on 16 February 2013.

The social enterprise dilemma

By Wong Lin Hong, Executive Director, SE Hub Ltd

What is a Social Enterprise?

A common dilemma of social entrepreneurs and investors – as well as others in the social sector – is the concept of "social enterprise". The two words appear contradictory and yet are juxtaposed. An enterprise is a company established for commercial purposes. A social enterprise would then be a business that aims to make profits and also aspires to be "social" – to do good for beneficiaries in society.

The question then arises: Should the organisation not maximise the good that it does by making less or no profits? On the other hand, if the organisation is a business and aims for low profits, would it be doing justice to its shareholders? Charities, voluntary welfare organisations (VWOs) and nonprofits are established with the singular aim of maximising the good that they do, with no thought of making money out of it.

Social entrepreneurs can get schizophrenic over the twin objectives of making money and doing good. Investors in social enterprises are in the same boat and they also have to resolve their conflict over maximising financial returns versus achieving the most social impact from their investments. Is a social enterprise an oxymoron that should not exist?

Social entrepreneurs can get schizophrenic over the twin objectives of making money and doing good.

For a long time, there is the dichotomy of pure social organisations and pure commercial enterprises. In recent years there has emerged a hybrid called a "social enterprise", with different shades of the balance between profit and social objectives. Thus there is now a continuum of private organisations, from purely social organisations (such as charities and VWOs) on one end to purely commercial enterprises on the other end, with the newly emerging social enterprises in between. These three private sectors, together with the public sector, form the four sectors of an economy. The social enterprise sector is also called the Fourth Sector, and its existence is becoming well established worldwide.

How can the dilemma be resolved?

It can be resolved by striking a proper balance between the organisation's profit and social objectives. The primary objective must be to maximise social impact. Attempting to maximise profit while declaring that seeks to do good would not define a social enterprise. Instead it would merely be a commercial enterprise with corporate social responsibility (CSR) programmes.

Nobel laureate Muhammad Yunus has coined a term called "social businesses" to emphasise the profit objective and to remove possible confusion over the term "enterprise". But his definition of a social business is rather restrictive and may be too idealistic for social entrepreneurs. He requires that the founders of a social business do not benefit from the profits gained by the business. They only take salaries, and in fact the salaries are to be heavily discounted, as much as 50 to 70% below market rates.

It would not be realistic to expect that all young social entrepreneurs will accept such a business model. For an investor, this would not be acceptable too, since entrepreneurs should be motivated and rewarded for successfully growing the business, which results in increased social impact.

Hence investors such as SE Hub Ltd subscribe to the UK Department of Trade definition for social enterprises. This states that the majority of profits gained are either ploughed back into the business or donated to charity. When the enterprise achieves profitability, a small part of the profits can be used for bonuses or dividends. Also, market-rate salaries are acceptable, so long as they are reasonable and commensurate with founder capability and affordability of the enterprise.

Financial Sustainability

What is the raison d'être for a social enterprise, and why should it aim to make any profit at all?

Charities, VWOs and nonprofits depend on donations, grants and sponsorships to fund their activities. The more funds that they raise, the more social programmes they can run. If they cannot raise funds and run out of reserves, they have to close down.

On the other hand, a viable social enterprise with sustainable profits will be able to do good permanently. In addition, profits ploughed back can be used to grow the business or improve the quality of the programmes. They just need to focus on their activities and not be distracted by annual fund raising efforts. Of course the profits should be moderate, to reflect the social mission.

Some social entrepreneurs have a schizophrenic attack or deep sense of guilt when they are asked to increase the prices of the products or services to achieve viability. They feel that they would be exploiting their beneficiaries and may be pricing above the affordability level of the beneficiaries. They have to change their mindsets and understand that doing less good over a long term could be better than doing more good and not survive the short term. When they become sustainable, they can tilt the balance towards doing more good.

Admittedly there are many instances where prices have to match affordability and be set at below costs, or cases where the products or services have to be offered free of charge. These organisations have no choice but to be charities, VWOs or nonprofits. In any society there are needed and important roles for such organisations.

Not every social organisation has to mindlessly strive to be a social enterprise. Social entrepreneurs and investors have to keep this in mind and not endeavour to create business models that seem to achieve sustainability but do not really work. Achieving break even for a start up commercial enterprise is difficult enough, not to mention a social enterprise with low profitability and slow growth.

Even with a viable business plan, some social entrepreneurs are so passionate and eager to do the most good right from the start that they lose sight of keeping the business afloat, and the enterprise often flounders beyond rescue.

At SE Hub Ltd, we take pains to impress upon social entrepreneurs that "enterprise" should come before "social" at the start up stage. As the enterprise progresses towards financial sustainability, "social" can progressively take greater importance to eventually become the prime objective. Putting the cart before the horse can lead to failure, or require the social enterprise to morph into a charity.

Business Plan

Entrepreneurs should appreciate that drawing up a business plan is for their own good, and it is not just for the sake of fund raising. The exercise helps to clear up their own minds on the alternative models and roll out plans, and to choose the best strategies that are reasonable and realistic, in relation to the resources available.

Pricing has to take into consideration costs, affordability and prevailing market rates. A strategy could be to have two-tier pricing, with lower prices targeted at the more deserving beneficiaries. Such beneficiaries could be additionally subsidised by community or government agencies, or corporate sponsors. Also, prices could be progressively lowered as the enterprise scales up, achieving efficiencies and economies of scale. Given high operating costs such as labour and rental costs, social enterprises face a challenging dilemma in balancing social objectives against constraints.

Even identifying the best way to help target beneficiaries can turn out to be a dilemma. For example, one entrepreneur decided to help ex-offenders become self-employed by setting up a fast food franchise and training them to be franchisees. After developing the business plan and obtaining in-principle approval for investment funding, the entrepreneur discovered that the target ex-offenders did not want to be franchisees under the control of the franchisor.

Identifying the social needs correctly, together with verifying the desired outcomes, is an important first step integral to drawing up the business plans.

Funding

After the plans are done, entrepreneurs have to decide whether to seek investment or grant funding. Most grants are on a reimbursement basis, requiring funding from the entrepreneurs themselves, their families and friends at the start up. Investors provide funding upfront and usually add value by providing mentorship, business advice and networking assistance.

Social entrepreneurs need to meet with grantmakers and investors to understand their funding objectives, criteria, terms and conditions, and limits. Some entrepreneurs harbour the fear that an investor would take over control of the enterprise and drive it towards maximising profits. While this can happen in the venture capital investment industry, it should not be the case for social investors as their priority is social impact.

Social Investor's Dilemma

The social investor's dilemma of balancing financial returns with social impact can be resolved by stakeholders having clear objectives and expectations. The main objective would be to invest in social enterprises that generate significant social impact. Financial returns of 5 to 10% on a portfolio basis should be acceptable. This compares with expectations in the venture capital industry of higher than 15% compounded returns from each investment, and 100 or 200% return on a total portfolio basis.

A more troublesome dilemma faced by the social investor is the need to divest from a social enterprise subsequent to the investment. This enables the investor to recycle its funds to help other social enterprises.

In the venture capital industry, the common exits are through an IPO or trade sale of the enterprise. However it would take many years, if at all, for a social enterprise to scale to a size that would make it attractive enough for an IPO or trade sale. Even so, the low profitability itself makes it not attractive at all.

The solution adopted by SE Hub Ltd is to invest in the form of a term loan instead of purchasing shares (equity) of the enterprise when we assess that the social enterprise has little possibility to IPO. On maturity of the loan, the capital would be fully returned with the interest earned.

Venture capital investors do not invest in the form of a loan, as their return would be capped at the interest rate, which would be too low compared to their return expectation. A term loan should satisfy the return and exit objectives of a social investor. The interest rate can be between 5 and 10% to match the returns expectation.

A loan would not dilute the entrepreneur's shareholdings. An initial grace period can be built in, so that repayment would start only when the cash flow of the enterprise allows.

Most social enterprises have little collateral and most, if not all, social entrepreneurs baulk at giving personal guarantees. A social investor is not a bank. The only reason why a loan is chosen instead of equity is provide for an exit. Thus, the investor should be prepared to take equity risks in the loan, and not ask for collateral or personal guarantees. The investor should have conducted careful due diligence to mitigate the risks in every investment, no matter how it may be structured.

In some cases, although rare, the social investor may have a buy-back arrangement with the entrepreneur. As the social sector matures, and as large corporations increase social responsibility, another exit would be a trade sale of the investment to a large corporation. The corporation could find that adopting the investee incubated by the social investor is a better choice than its other corporate social responsibility programmes.

Social Impact

A huge dilemma faced by social entrepreneurs and investors is the measurement of social impact. The problem lies in the fact that social impact is almost always subjective and the social sector and academia have not yet found a practical and acceptable methodology to measure it.

Social entrepreneurs need to periodically measure the social impact that they generate to assess whether they are doing good effectively and efficiently. Social investors need to measure the impact that will be generated by potential investees to evaluate and select the best investment opportunities.

Failing the emergence of a widely accepted and practical method of impact measurement and management, the interim solution would be for investors and investees alike to settle on proxies and estimation methods such as cost-benefit analysis.

A frequent question that is faced by investees and investors alike in Singapore is on the degree of social impact that can be achieved, particularly when compared with what can be done in less developed countries. Clearly the bottom of the pyramid in Singapore is nowhere near as low as those in many developing countries. It is fair to say that a dollar spent in such other countries will generate much greater social impact than a dollar spent in Singapore.

Nevertheless, there is no escaping the need to spend the dollar in Singapore. What SE Hub Ltd and our investee companies focus on is whether our dollars spent will generate greater social impact than spending it in other ways in Singapore. But the dilemma remains as to how to make that valid comparison. ■

Landscape of social enterprises in Singapore

By Roshini Prakash and Pauline Tan, Research Associates, Asia Centre for Social Entrepreneurship & Philanthropy, NUS Business School

Overview

The history of social enterprises in Singapore can be traced back to at least 1925, when the first co-operative, the Singapore Government Servants' Co-operative Thrift and Loan Society, was established. At that time, there were no banks or other financial institutions that workers could turn to when they needed financial assistance, so they banded together to form co-operatives as a form of mutual aid. Indeed, in the 15 years between 1925 and 1940, over 43 thrift and loan societies were formed to cater to the needs of civil servants, teachers, custom officers and those working in the private sector.

While co-operatives are the more established form of social enterprise in Singapore, they are by no means the only such entity. Social enterprises are all around us. At the end of 2013 we knew of at least 200 organisations – private companies, public companies limited by guarantee, limited liability partnerships, limited partnerships and others – which self-identified as social enterprises. This is likely an underestimation because apart from the 85 co-operatives in the sample, there could be many other organisations with a similar purpose and business model, but which do not call themselves social enterprises.

At end of 2013, we knew of at least 200 organisations ... which self-identified as social enterprises.

The targeted beneficiaries for the social enterprises are also wide ranging, from ex-offenders, stay-at-home mums, the poor, people with hearing disability, the physically challenged to the elderly. In addition, given the geographically strategic location of Singapore and the relative prosperity of the country, a number of social enterprises have been specifically set up here to target beneficiaries in the region.

In Singapore, the most common social enterprise activity is service provision. In 2013, two out of five social enterprises (mostly co-operatives) fell in this category. The co-operatives not only provide access to loans and credit facilities, but also moderate prices at grocery stores and food courts, cater to early childhood education needs, and ensure the affordability of healthcare and medicine. Non-cooperative social enterprises that fall in this category include tailors, massage services and training courses.

The remainder are in a range of sectors, including business support, e.g., travel services, job placement or events management (15%), food and beverage (10%), education (10%), trade (8%) and others.

Ecosystem

There is a sizeable ecosystem of supporting organisations that has developed over the years to encourage the social enterprise movement in Singapore. These include government agencies such as the Ministry of Social and Family Development (MSF); umbrella organisations like the Social Enterprise Association, Singapore National Co-operative Federation and Social Innovation Park that provide networking opportunities and organise various mentoring and capacity-building activities; funders like Spring Singapore, Social Enterprise Hub and DBS Bank; incubators such as NUS Enterprise Centre and The Hub that provide business support and mentorship; and intermediaries like Impact Exchange Asia.

Just as different social enterprises may balance financial and social objectives differently, each of these players in the social landscape may also approach social enterprises with different priorities on social outcomes vis-à-vis financial sustainability. The impact investors generally look for some financial returns for their investments on top of their social objectives. Thus they arguably place a higher premium on financial sustainability than some of the other players. On the other hand, government agencies cover a diverse social mandate with varying degrees of financial sustainability targets.

Financing

There is a myriad of financing options available for social enterprises in Singapore, including loans, grant funding, and social investment. Social enterprises can access loans at preferential interest rates from the DBS Bank Social Enterprise Package or tap on the many existing funding and assistance schemes run by Spring Singapore for small and medium enterprises.

They also have access to grants from venture philanthropists as well as funders who may be interested in their social mission including:

- ComCare Enterprise Funding
- Youth Social Enterprise Entrepreneurship Programme for Start-ups
- Central Co-operative Fund
- New Co-operative Fund
- Social Enterprise Fund
- National Youth Fund
- Jump Start Fund
- North East Community Development Council Social Innovation Fund.

In addition, Singapore is fast becoming the social investment hub of the region. In 2014 alone, we know of three conferences targeting impact investors as well as other funders of the sector. These investors are looking to put their money into scalable and sustainable social enterprises, but these are merely a small subset of the sector at present. Anecdotal evidence suggests that impact investors are finding it difficult to identify these entities. When they do find them, they are typically willing to invest in them. Social enterprises that are just starting out and therefore do not have an established track record of success generally continue to rely on grants from venture philanthropists and funders.

A new funding source that appears to be emerging in the sector is social franchising. In 2014, Eighteen Chefs, the western food chain that employs ex- offenders, was franchised by two lawyers and an accountant, giving them the ability to replicate the business model at a mall. To our knowledge, this is the first time that a social enterprise has used the franchise model in Singapore.

Mentoring and Competition

Recognising that funding alone is not enough to help social enterprises, many supporting organisations particularly the incubators are providing mentoring as well as business training programmes for social entrepreneurs.

In December 2013, the MSF piloted a Social Enterprise Mentoring Programme to strengthen the organisational capabilities of social enterprises and help them scale up their business operations and social impact. It ran for a period of about eight months. The mentors, drawn from the corporate sector, were expected to work with the social enterprises on specific areas such as marketing, strategic planning and business development.

In addition, many competitions and boot camps have sprouted up to help potential social entrepreneurs pick up useful tools and skillsets from practitioners, corporate leaders as well as provide them with a platform to pitch to potential funders and impact investors.

Challenges

While some ambiguity is not uncommon given the nascent stage of the non-co-operative social enterprise sector in Singapore, it does present some challenges particularly as different players in the ecosystem try to understand and grapple with the concept. For example, are all firms that enter a sector or market primarily to meet demand but also achieve social impact as a consequence, such as pharmaceutical companies, social enterprises? Are all schools, hospitals and firms in sectors which are social by nature, social enterprises? What if they cater only to a premium market or exclusive clientele? Is there a case to be made for classifying social enterprises by actual social impact achieved instead of the said social mission?

Apart from the lack of clarity of the concept, social enterprises in Singapore face multiple challenges at an operational level. Many struggle to sustain themselves in the competitive business environment. Their founders may have significant social consciousness but lack business acumen. High rental and manpower costs are stressors for social enterprises balancing double, if not triple bottom-lines.

According to the MSF, about half of the 80 social enterprises it has funded since 2003 are not able to sustain beyond three years of operation despite the fact that these enterprises were selected only after going through a series of rigorous evaluation and approval processes. Even the better known social enterprises such as Laksania and BlisSE Restaurant and Catering were, at the time of writing, reported to be losing money in some of their ventures.

As the sector grows, delineating some parameters or criteria for the organisational form limits the likelihood of 'lemons' in the market, i.e., businesses that selectively label themselves social enterprises for marketing purposes or to appeal to funders or other supporters. It can improve transparency as well as create an identity and a sense of legitimacy for this hybrid organisational form for clients, investors, supporters and the general public. Such parameters also facilitate the development of regulatory policies to support the sector as a whole to ensure sustainability and avoid misuse. However, in developing these parameters, it should be noted that for social enterprises to be truly 'social', it is important that they reflect the needs of the community and society, and these can change over time, sometimes overnight. The term can be restrictive for the diversity of organisations represented within the space.

The challenge for Singapore is to find the right place to draw the line.

Opportunities

Currently, the social enterprise sector in Singapore is very small with those self-identifying as social enterprises representing only an estimated 0.12% of small and medium enterprises in 2012. Despite this, one in three working Singaporeans is a member of a co-operative, and the movement already contributes an estimated S$600 million to the Singapore economy (based on 2010 GDP).

As social enterprises in Singapore gain traction, the growth potential is tremendous. For instance in the United Kingdom alone, there are approximately 68,000 social enterprises, including co-operatives, contributing at least S$50.3 billion to the economy and providing jobs to about 800,000 people. Figures from the United States are still pending the completion of The Great Social Enterprise Census, but preliminary findings suggest that the small sample of respondents already represent over S$378 million in annual revenues and about 14,000 employees across 28 states.

Globally, there is evidence to suggest that more and more new organisations and movements are emerging to address issues ranging from education, healthcare, environmental protection, access to microcredit, landmine eradication, to even the creation of an international criminal court.

Conclusion

Social enterprises offer great potential for economic, societal and job gains. Not only do social enterprises fulfil their social mission, they can be sustainable from the revenue generated from their trading activity in services and goods. Social enterprises are also playing an increasingly important role in complementing the social services offered by charities as well as government agencies.

The social enterprise sector in Singapore is thriving with the myriad of funding and support avenues that are already in place. However many social enterprises in Singapore still suffer from scalability and sustainability issues. For the sector to grow and mature to eventually achieve its potential, an enabling environment needs to be created. The sector will benefit from greater transparency and clarity which will allow social enterprises to be more easily recognisable and understood by consumers, funders, entrepreneurs as well as the community they serve. This will also drive the accountability of social enterprises to attract further social investments to catalyse their growth. ■

The above article is an extract from the June 2014 report of the same name, which is Working Paper No. 1 of the Social Entrepreneurship in Asia series by the Asia Centre for Social Entrepreneurship & Philanthropy (ACSEP), NUS Business School.

CSR in a social enterprise: Doing good, doing right and doing well

By Jonas Kor, Director for Corporate Communications, NTUC FairPrice

The labour movement has been instrumental in the establishment of co-operatives operating as social enterprises at scale in Singapore. One of the earliest such social enterprises is NTUC FairPrice, which has grown to be Singapore's largest supermarket chain.

When it was founded in 1973, the objective was to moderate the cost of living for Singaporeans. While providing affordable daily essentials continues to be FairPrice's core mission, it has expanded its commitments to the community and environment in many ways.

Much of this is now coordinated under a broad Corporate Social Responsibility (CSR) umbrella and the embedding of CSR into the rest of the organisation.

> **The labour movement has been instrumental in the establishment of co-operatives operating as social enterprises at scale.**

FairPrice's CSR journey first began with the formation in 2005 of Singapore Compact of which it was one of the first signatories. Two years later, FairPrice formed a Green Committee. In 2009, it conducted an indepth CSR benchmarking study. This was followed by the setup of a CSR Committee in 2010 comprising senior management across key departments which provides strategic direction on all its CSR initiatives. The year after in 2011, FairPrice went public with its long-term CSR targets and strategies.

CSR Pillars

FairPrice's current vision is "to be the leading responsible retailer, caring and doing the right things for our customers, our staff, our community and our environment".

Towards this end, it identified four CSR Pillars: Responsible Retailing, Wonderful Workplace, Sustainable Environment and

Community Care. These pillars seek to ensure that the CSR efforts are holistic, sustainable and done in the interest of its customers and staff, as well as the environment and the community-at-large.

Under Responsible Retailing, FairPrice ensures food safety and promotes healthier choice products for the well-being of its customers. FairPrice was among the frontrunners in developing products that are free of trans fat, and currently has more than 200 housebrand products that are trans-fat-free. It also encourages local produce in support of local farms which helps to lower carbon footprint. To extend support to smaller scale local suppliers, FairPrice developed a SME Suppliers Support & Development Programme which helped more than 200 suppliers reduce cash flow pressures and increase their capability development.

As an organisation with a staff strength of 9,000, FairPrice has sought to make it the "Best Place to Work" under its Wonderful Workplace pillar. In embracing diversity, it encourages active aging by hiring seniors to be customer relations officers as well as giving fair opportunities to staff with disabilities.

With 120 supermarkets islandwide, FairPrice is conscious of its environmental footprint. Its Sustainable Environment initiatives are led by the FairPrice Green Committee which meets monthly to discuss ways to reduce, reuse and recycle in its daily business functions. The FairPrice Green Rebates Scheme and designated Bring Your Own Bag (BYOB) Lanes encourages customers to bring their own shopping bag by giving them a rebate. This scheme helped saved 8.2 million plastic bags in 2013. In terms of energy saving, FairPrice's new and renovated stores install eco-features that include LED lightings and refrigeration systems that reduces energy substantially. FairPrice is also the pioneer partner of the Building & Construction Authority's Green Mark Portfolio Programme, committing to 20 Green Mark certified stores within 3 years.

Supporting charitable causes and community bonding comes under FairPrice's Community Care pillar. The FairPrice Foundation was set up in 2008 and, to date, about $50 million has been distributed to the community. Apart from financial support, efforts in its Community Care pillar encourage direct interaction with and within the community through various efforts such as FairPrice Share-A-Textbook Programme and Do Good initiative which encourages youths to pledge good deeds. Another key effort is the FairPrice Volunteer Programme that takes place all year round for staff across all levels to volunteer – be it befriending the elderly and physically disabled, spring cleaning for one-room flats or food packing for the low income.

Marking the Next Lap

FairPrice's CSR initiatives have been wholehearted, and it has been heartened by recognition from the industry. It has received several awards for its efforts, including Best Workplace Award (Singapore Compact), President's Award for Philanthropy (Corporate), Green Mark Platinum (BCA), and Best Efforts for CSR (Singapore Retailers Association).

CSR has been a progressive journey. While the recognition has been encouraging, FairPrice is conscious that CSR should not be just another buzzword or passing trend. CSR should be sustainable.

One of the ways FairPrice will continue to sustain its CSR Journey is through ongoing stakeholder engagement. Its staff, customers, working partners and the community-at-large are important CSR stakeholders. In a CSR Consumers Survey conducted in 2011, 61% of its respondents named FairPrice as the "Most Socially Responsible Supermarket". FairPrice has been and will continue to tap on various platforms such as social media, dialogues and campaigns to connect with its stakeholders.

As it maintains the pace of its CSR efforts, the next lap for FairPrice is to widen its outreach by identifying new sustainability issues and working with like-minded partners. The goal is not so much to "finish well" as there is no end to continued sustainability, but to keep FairPrice relevant and dedicated to its focus of doing good and doing right while doing well. ■

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Section 6
Social Enterprise Marketplace

SOCIAL ENTERPRISE MARKETPLACE

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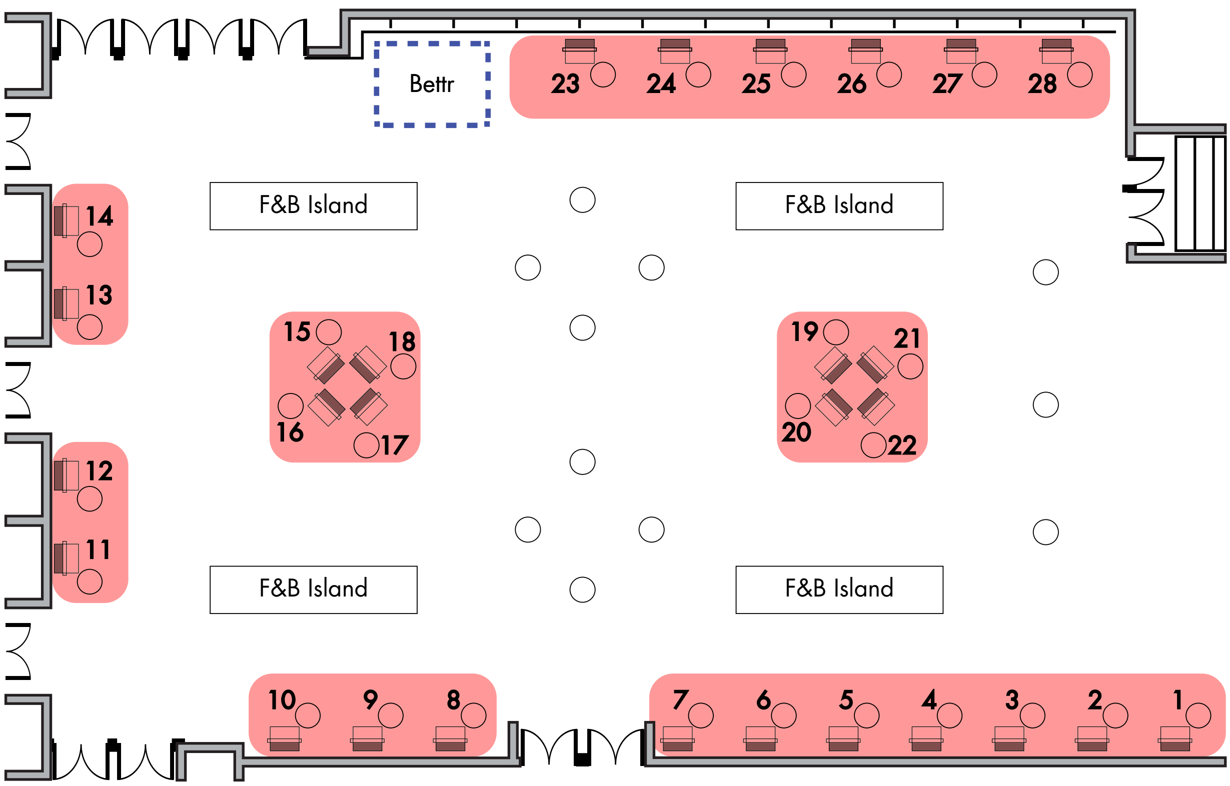
MAP OF THE SOCIAL ENTERPRISE MARKETPLACE



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Adrenalin Group of Social Enterprises

Booth : 15

Set up in 2008, the Adrenalin Group mainly organises events, conferences, exhibitions, meetings as well as promotes branding. With its heart in the social sector, the group lives by the ethos that every event is an opportunity to "do good". Designed such that 50% of the events are given back to society, it has raised an impressive $1.2 million for various social causes and mobilised 10,000 community volunteer hours.

Adrenalin comprises a vibrant team of designers, photographers and technical wizards to support their events' portfolio. Operationally, the group trains and employs physically challenged, hearing impaired and youth-at-risk to be part of their team. To-date, it has employed 100 such beneficiaries in various capacities.

Managing about 120 events a year, Adrenalin has organised Shell's 120th Anniversary celebration, as well as the President's Challenge 2012. Among its milestones is winning the President's Challenge Social Enterprise Award and the Enabling Employer Awards. Other major clients include Mount Elizabeth Hospital and DBS Bank.

For more information, please contact Richardo Chua at ric@adrenalin.com.sg
www.adrenalin.com.sg

BEAT'ABOX GROUP

Booth : 01

Specialising in cajons, a percussion instrument in the form of a wooden box, BEAT'ABOX provides an alternative and creative way to discover one's musical prowess. Not only do they supply cajons, they also enable children, young adults, and even the elderly to explore their own rhythm and to discover new talents through spontaneous self-expression.

One unique mission of the group is to provide a link for multi-challenged people to increase interaction with the rest of Singapore through public performances. From the social perspective, this also encourages racial interaction as different beats influenced by different cultures amalgamates into a unified song.

The cajons are made locally and they are carefully handcrafted with passion. Worth noting is the rich, resonating bass and the clear, crisp snare. Practically, it is lightweight and easy to carry around. BEAT'ABOX wants people to own a cajon at affordable prices, without compromising on sound quality. So check them out to find your own beat!

For more information, please contact Arthur Choo at enquiries@beatabox.com
www.beatabox.com.sg

Bettr Barista

Booth : 16

Ever wanted to learn more about the world of specialty coffee? Bettr Barista Coffee Academy offers international certification programmes from the Specialty Coffee Associations of America and Europe, and is the place to go for world-class coffee education. It also retails freshly roasted coffee beans that are sourced from community-focused, sustainable coffee farms around the world.

Founded as a social enterprise in 2011, Bettr Barista has at its core a unique vocational programme to equip marginalised women and youth at-risk with professional expertise and life skills that prepare them for promising careers in the specialty coffee industry – both locally and further afield. The Academy uses a holistic approach through professional barista training, emotional development and physical skills training and over 25 people have successfully graduated from the programme to date.

Bettr Barista also conducts coffee workshops for the public, runs customised teambuilding for corporates and deploys full-service pop-up mobile brew bars at events. It recently won the 2013 President's Challenge Award for Social Enterprise Startup of the Year. In 2012, it was Singapore's first recipient of the Arthur Guinness Fund.

For more information, please contact Pamela Chng at pamela@bettrbarista.com
www.bettrbarista.com

Bizlink Centre

A Community Enabled Thru' Work

Booth : 02

Bizlink Centre combines the essence of simple business models with engaging marginalised or disadvantaged groups or individuals to provide employment for them. Its five social programmes and seven social enterprises reach out to several differently-abled groups. It specially provides one-stop employment and job assessment services. Aptly purporting the tagline, 'A Community Enabled through Work', Bizlink has helped more than 5,000 differently enabled people with employment since 1985.

Bizlink engages in the following spectrum of businesses:

- Cards and gift making.
- Cleaning services which entail employment for both contract or ad-hoc basis.
- Data management services which include data entry, scanning and indexing of documents, data mining and cleansing, fulfilment services, and printing.
- Floral arrangements and hampers which are assembled in Bizlink's sheltered workshop backyard.
- Food and beverage including Bizlink Catering for both dine-in and outdoor catering, and Bizlink Café, a collaboration with the Institute of Mental Health.
- Manpower outsourcing services for direct hiring by corporations of disadvantaged people.
- Packing and fulfilment of products done in its sheltered workshop.

For more information, please contact Carol Heng at info@bizlink.org.sg
www.bizlink.org.sg

Bliss Restaurant & Catering

Booth : 03

Founded in 2001, Bliss Restaurant & Catering operates four restaurant outlets and provides wedding, catering and culinary workshop services. It has a Halal certified Catering division.

With its outlets and central kitchen located in the heartlands, in the midst of community, Bliss Restaurant wants to be a socially conscious example for others to follow. This lifestyle dining with a social cause provides an ecological F&B experience while indulging in the best foods.

Bliss offers employment opportunity to all even those with immutable traits, and people who would face difficulty in finding work. Its business model of job integration and training is based on an 'open door' policy. Its training courses guide participants to be self-reliant and are designed to be flexible and comprehensive.

With ecological consciousness residing in their restaurant operations, Bliss wants to reduce their carbon footprint by practising constant recycling, conserving energy and using biodegradable disposable wares.

It recently won the 2013 President's Challenge Award for Social Enterprise of the Year.

For more information, please contact Christine Low at info@blissrestaurant.com.sg
www.blissrestaurant.com.sg

Circus In Motion

Booth : 04

Specialising in inventive 'live' performances and the creative use of geometrical shapes, this circus company was set up to address a service gap to facilitate children and youth to express themselves through alternative means. The company has since worked with more than 6,000 under-privileged children and youths from across the board: residential homes, special needs schools, Normal (Technical) Stream students from mainstream schools and underprivileged communities in Thailand, Malaysia, Indonesia and Cambodia.

The company seeks to equip youths-at-risk with life skills through the use of circus arts. It serves as an alternative springboard for low achieving young people to help them grow in their self-esteem and creativity. It provides circus workshops for schools and corporate organisations and also perform for corporate events.

In 2013, the troupe worked with over 1,000 at-risk, special needs and non-academically inclined students. It also performed at the Esplanade's Flipside Festival 2012 and 2014, and True Hearts CommChest 2011 and 2014. It is also the first circus arts company from Singapore to explore "Theatric Circus".

For more information, please contact Jay Che at info@circusinmotion.net
www.circusinmotion.net

Dialogue in the Dark

Booth : 05

So if you haven't had the experience of witnessing all your senses being awoken save your sight, brace yourself for a walking tour through various simulated environments in complete darkness, led by visually-impaired guides. It offers an unusual but effective way to raise awareness of the issues faced by the visually impaired in society.

The concept is simple and powerful, yet the role-reversal experience profound. Customised for the local market, participants go through familiar themed environments which they can relate to but in complete darkness.

Although Dialogue in the Dark has been introduced to many countries, the one at Ngee Ann Polytechnic in Singapore is the first in the world to be set up in an educational institution. Being a training and learning facility, it is run as a social enterprise by final-year students in the School of Humanities & Social Sciences. To-date, it has received more than 80,000 visitors.

Dialogue in the Dark, besides its unique flagship tours in complete darkness, also offers lunch/dinner in the dark, educational workshops, corporate training workshops and motivational talks.

For more information, please contact Glen Ng at ngw2@np.edu.sg
www.dialogueinthedark.com.sg

Dignity Kitchen™

Booth : 06

Dignity Kitchen prides itself as Singapore's first social enterprise food court working with the disadvantaged and disabled communities while offering quality food and service to the public. Its aim is to build and return dignity to the disadvantaged and disabled through education and outreach. It uses a functional food court as a training platform to create that interactive experience between the public and the students. This dynamic learning environment is real and practical for the students to gain insights into what goes in running and working at a food court.

A related initiative called Dignity Mama Stall was started to create an activity avenue for intellectually challenged youths other than running a food stall. Participants are trained here to sell books, or confectionery; or to create unique items from recycled materials and newspapers such as activity cards and bookmarks. Currently one Mama Stall is opened in Khoo Teck Puat Hospital, and another is in NUH Medical Centre with plans for a third one underway.

Dignity Kitchen believes in enhancing educational values to develop participants' skill sets. A unique feature of its outreach activities are events like 'Lunch Treats for the Elderly', 'Hawker for the Day' and 'Working with the Disabled' games. Its objective is to raise awareness of the challenges faced by the disadvantaged.

For more information, please contact Koh Seng Choon at kohsengchoon@projectdignity.sg
www.dignitykitchen.sg

Dream+

Booth : 17

Dream+ encourages athletes to use their experiences and expertise in sports to inspire and nurture talents. Sports include badminton, cycling, swimming, wushu, silat, skating, shooting, sailing, track and field, wakeboarding, windsurfing and triathlon. Started in late 2009, it has 40 athletes mostly youths, and has engaged more than 3,000 youths.

Going beyond its main objective, the group now also conducts mentoring, coaching, motivational talks, and runs sports and sports-related programmes. While the mentoring programme keeps it busy with the schools, Dream+ also conducts workshops and presentations to instil positive values to inspire youth.

A signature programme called Dream+ Sports Academy Programme aims to bring out the potential in each individual. Participants go through 16 stations in various fields such as agility, strength and endurance. Individualised report cards will show the strengths and potential of each participant in the various sports.

Dream+ has worked with organisations like Mendaki, Singapore Olympic Foundation and the Singapore Sports Council.

For more information, please contact Sherman Cheng at sherman@dreamplus.org
www.dreamplus.org

ECOSOFTT - Eco Solutions for Tomorrow Today

Booth : 18

ECOSOFTT specialises in decentralised management of water, wastewater and environmental services. Its technology-based solutions create measurable change and lasting impact in both the developed and developing world.

Its Water SMART Homes & Communities platform reduces water wastage by half, enables its customers to recycle up to 80% of wastewater for non-potable reuse, and discharges the remaining 20% in an environmentally friendly way. Compared to conventional systems, it eliminates an extensive network of pipes, can be deployed by itself or in conjunction with existing water systems, empowers users to take charge of their own needs, and can be implemented in a timely and cost-effective manner.

ECOSOFTT designs and implements appropriate solutions to the communities it serves. Its social business model is to retain 65% of the profits for social projects. Its technological programmes are suited for educational institutes, hotels, resorts, hospitals, offices, food and agricultural industries as well as residential developments and integrated townships.

ECOSOFTT operates its product innovation from its headquarters in Singapore while its projects and social impact activities are carried out in India.

For more information, please contact Marcus Lim at marcus.lim@ecosoftt.org
www.ecosoftt.org

Employment and Employability Institute (e2i)

Booth : 11

The Employment and Employability Institute (e2i) was set up to create solutions for better employment and employability for workers. It was an initiative of the NTUC with support from the Workforce Development Agency, the Singapore Labour Foundation, and the Singapore National Employers' Federation.

Since 2008, e2i has helped more than 300,000 workers by providing better jobs and skills through career coaching, training and job matching. Companies can receive recruitment services, training support and productivity funding. Through collaborating with employers and partners, e2i organises over 100 job fairs a year covering diverse sectors such as hospitality, F&B, retail, manufacturing, transport and logistics; develops more than 50 Place-and-Train programmes; and supports more than 1,000 projects for inclusive Growth Programme which will benefit workers with productivity-led wage increase.

e2i's new Jurong campus provides a one-stop centre with better training facilities and services catering for a larger pool of workers and wider network of employers. It has partnerships with more than 2,000 employers, training providers, industry associations, government agencies, unions, and solutions partners.

For more information, please contact e2i at 6474 0606
www.e2i.com.sg

Edible Gardens

Booth : 07

Edible Gardens champions the "Grow Your Own Food" movement in land-scarce and import-dependent Singapore. They want their city to grow food at under-utilised spaces like rooftops and sidewalks with the belief that growing food re-connects urbanites to nature, conserves natural resources, and cultivates a sense of community.

They design, build and maintain food gardens in tropical urban Singapore. Their team has more than 15 years of farming, award-winning design and construction experience and they use sustainable natural growing methods, resource recycling and waste minimisation. Their mantra is "beautiful gardens should be productive too".

Edible Gardens support communities via social projects and public outreach. They believe that every urbanite can have access to fresh produce grown naturally.

Join them in this food movement.

For more information, please contact Suekay Li at suekay@ediblegardencity.com
www.ediblegardencity.wordpress.com

Eighteen Chefs

Booth : 08

Second chances are rare in Singapore, but Benny Se Teo doles them out in spades. Ex-drug addict, ex-convict, now chef and social entrepreneur, Benny proves that it is never too late to begin life anew. He is the first Singaporean to be trained at Jamie Oliver's restaurant, Fifteen. Through imparting his culinary skills and his own example and experience, Chef Benny seeks to inspire and help youths-at-risk and past offenders to find alternative and positive ways of integrating into society. Eighteen Chefs works with social agencies locally and regionally, helping to create this awareness and to provide a platform for this group of people to realise their talents in the food & beverage industry.

Eighteen Chefs currently has five restaurant outlets. Its focus is on great affordable food. Its eventual aim is to expand out of Singapore and make Eighteen Chefs a part of the lifestyle of youth globally. By providing them with a safe and non-judgmental working environment, it believes that the youths receive a chance to also work on their recovery through this unity of bonding, and creativity which will eventually allow them to find a satisfying path in life.

Eighteen Chef was winner of 2012 President's Challenge Award for Social Enterprise of the Year.

For more information, please contact Benny Se at benny.seteo@eighteenchefs.com
www.eighteenchefs.com

Ground-Up Initiative (GUI)

Booth : 09

Nestled for five years in Bottle Tree Park in Khatib, Yishun, is a place affectionately called "the Kampung" (short for Sustainable Living Kampung). This is home to the GUI, set up in 2008 to nurture leadership and community qualities.

The Kampung was raised from mostly discarded materials based on the 6R lifecycle approach: Rethink, Refuse, Reduce, Reuse, Repair and Recycle. It is cared for through the power of community – volunteers and Ground-Up Initiative members coming together as a synergistic force. This enables it to host a range of happenings from community activities to education programmes and customised events. The GUI's flagship weekly programme, Balik Kampung (Malay for "returning to the village") has drawn thousands of volunteers of all ages from all walks of life, races and nationalities to the Kampung.

GUI embodies the 5Gs that are its vision for Singapore's society, i.e. one that is Gracious, Green, Giving, Grounded and Grateful. Concepts of "Farming Your Heart", "Walking the Ground" and "Walking the Talk" emphasise leadership development and a culture of trust and openness. This, it believes, builds a community that incorporates personal and social responsibility, creative problem solving, and a resilient, "can-do" entrepreneurial spirit. These are the qualities that are taking GUI into its next phase – developing a Campus and forming partnerships.

For more information, please contact Tay Lai Hock at president@groundupinitiative.org
www.groundupinitiative.org

Ink Fusion

Booth : 19

Ink Fusion is an animation company with a heart. It offers a range of classes including comic and caricature courses, cartooning workshops, toy making, digital illustration techniques, animation production, and fusion courses. These are offered to any child or youth interested in developing their design skills.

Housed in *SCAPE, Ink Fusion produces breath-taking and creative artworks for comics, multimedia games and animations. It aims to nurture the next generation of young artists by helping to uncover every individual's artistic capability, and make drawing effortless and simple for everyone. Specialising in training, it imparts a combination of old school art techniques with modern teaching methods.

There are also art programmes customised for small groups or company team-bonding activities. In addition, Ink Fusion encourages parents to leverage on their programmes to help develop their children's creative potential.

While prestigious art colleges globally often have pre-requisites of a strong art portfolio to gain entry, Ink Fusion develops every individual's talent without any pre-requisites and hones them to excel in their art techniques, providing them the tools to further their aspirations.

For more information, please contact Silver Chia at silver@inkfusion.com.sg
www.inkfusion.com.sg

Milaap

Booth : 20

Milaap is a mission driven company that is changing the way people fund and impact communities in need. Milaap empowers everyday individuals who are looking to-do-good, to create lasting change by giving loans (not donations) to the working poor via its portal, Milaap.org. The recipients use these loans to help themselves get drinking water connections, safe and hygienic toilets, solar based lighting, pay for their kids' education, get job guaranteeing skills or start a small business.

Started in June 2010 by three young passionate entrepreneurs, Milaap enables people to choose whom they want to fund, while tracking how their funds are creating change and get back 100 % of their capital after the change has taken place. To date, Milaap has raised and deployed US$2 million, giving over 15,000 loans impacting over 50,000 lives.

Milaap is well-funded by impact investors from US and Singapore and has received the support of organisations such as DBS, Barclays, Montpelier Foundation, Arc Finance, Seven Bar Foundation among others.

For more information, please contact Sourabh Sharma at sourabhs@milaap.org
www.milaap.org

Newton Circus

Booth : 10

Newton Circus is a Singapore-based social enterprise and technology company dedicated to inventing communities and services that make the world a better place. The core value of doing good is good business drives them to create businesses that meet challenges and opportunities.

Over the last three years, Newton Circus has created and funded the following start-ups and communities:

- Silverline Mobile is a global, award-winning mobile and assisted living service. Through development of mobile apps, wearable sensors, analytics and smart services, it creates a connected system to provide older adults a more secure, productive and happier lifestyle.
- Padang & Co is an Open Innovation company bringing over 5,000 professionals (UP Singapore) from all sectors to consider challenges, collaborate and co-create solutions.
- DEXTRA is the data innovation challenge platform created by IDA. It connects User Enterprises and Data Providers with Data Specialists to develop prototypes and proof-of-concepts to harness the value of data to benefit society and business.
- Next Billion creates mobile platforms to engage emerging market consumers and crowdsource fast reliable data. Mobile Movies establishes networks of local agents who screen films to bring together rural communities and market products that drive positive behaviour change. MOAR! creates flexible work opportunities for under-employed people in urban areas via a fun app.

For more information, please contact Daryl Arnold at daryl.arnold@newton-circus.com
www.newton-circus.com

NTUC Fairprice Co-operative Limited

Booth : 12

NTUC FairPrice was founded by the labour movement in 1973, with a social mission to moderate the cost of living in Singapore. From one supermarket, it has grown to become Singapore's largest retailer serving about 430,000 shoppers daily, with a network of over 120 outlets, comprising FairPrice supermarkets, FairPrice Finest and FairPrice Xtra. Its convenience stores, FairPrice Xpress and Cheers, has a network spanning over 160 convenience stores islandwide and serves over 100,000 customers daily. FairPrice also owns a Fresh Food Distribution Centre and a centralised warehousing and distribution company.

Today, with its multiple retail formats serving the varied needs and interests of people from all walks of life, FairPrice has kept pace with the changing needs of its customers while remaining committed to its social mission and its aspiration to be Singapore's leading world-class retailer with a heart.

In 2008, FairPrice set up the FairPrice Foundation to focus its giving efforts to provide a better life for the community. FairPrice Foundation focuses its giving on three strategic thrusts: to the poor and needy, towards nation-building and community bonding, and for advancing workers' welfare. FairPrice has since donated S$76 million to the Foundation to further these three areas of focus.

For more information, please visit **www.fairprice.com.sg**

NTUC First Campus Co-operative Limited

Booth : 13

Established as NTUC Childcare in 1977, NTUC First Campus Co-operative's mission is to make quality early childhood care and education services affordable and accessible. There is a growing recognition that good quality pre-school is key to a child's development as a lifelong learner. NTUC First Campus seeks to reach out to children from all social backgrounds to give them the opportunity to have a good start in life.

NTUC First Campus currently operates over 125 childcare centres providing some 13,000 childcare places, including My First Skool (child care services accessible to all), the Little Skool-House International (quality premium pre-school bilingual education), and the Caterpillar's Cove Child Development and Study Centre (research and teacher education).

In addition, NTUC First Campus supports the development of the early childhood sector through SEED Institute, a Continuing Education and Training centre that grooms early childhood professionals to provide the best care and education to young children. NTUC First Campus is thus also a community of teachers, parents and early childhood care and education professionals working together to bring out the best in each child and create inspiring moments for all.

For more information, please contact NTUC First Campus at info@ntucfirstcampus.com
www.ntucfirstcampus.com

NTUC LearningHub

Booth : 14

Since its inception in 2004, NTUC LearningHub has trained more than 1.6 million people in the workforce, helping them upskill and reskill, to get better jobs and enjoy better lives. It has grown to become one of the largest private continuing education and training schools in Singapore, offering some 1,000 training course titles in key areas such as IT and innovation, business excellence, personal mastery, leadership and workplace safety and health.

To date, NTUC LearningHub has worked with more than 40,000 companies to identify training needs, define curriculum roadmaps and deliver contemporary training programmes. The organisation has evolved to meet the burgeoning training needs of Singaporeans to continuously keep pace with the dynamic business economy.

The executive education arm of NTUC LearningHub, Next U, represents the Labour Movement's commitment towards getting Singapore's Professionals, Managers and Executives (PMEs) Executives "Future-Ready". With over 300 cutting-edge courses spanning infocomm & technology, service excellence, productivity, innovation and professional certifications from over 15 best-in-class global and local partners, including *Disney Institute* and world-renowned technology brands, we help businesses and professionals realise their full potential.

For more information, please contact NTUC LearningHub at
enquiries@ntuclearninghub.com
www.ntuclearninghub.com

PlayMoolah

Booth : 25

PlayMoolah's vision is to empower people of all ages to build a positive relationship to money. Its mission is to enable an active, conscious and fear-free practice of good money decisions among children, young people and parents.

PlayMoolah began in 2010 by designing technology solutions for children and parents. It creates engaging learning experiences, and tries to nurture good behavioural habits, in how society treats and deals with money. It hopes that this will encourage inter-generational conversations across families. It is currently expanding its reach to target the next impact point – the habits that graduates develop when they get their first pay-cheque.

PlayMoolah has a suite of product offerings that touches the lives of our audiences. Its eco-system of community, technology and educational products integrates multiple stakeholders including financial institutions, tertiary organisations and governmental organisations in service of the larger movement.

As its programmes have multiplied within Singapore, it has also expanded to the US, Australia and Jakarta. Some 40,000 people around the world have been engaged in their programmes.

For more information, please contact Audrey Tan at audrey@playmoolah.com
www.playmoolah.com

ProAge

Booth : 26

ProAge is a health and wellness specialist with both local and international clientele. It seeks to create opportunities for every individual to live and age well in health and happiness. ProAge believes in encouraging an increased independence and quality of life, it hopes that every person will have the freedom and choice to enjoy and embrace life.

Founded in 2008, ProAge began by being a capacity builder – giving talks and consultation to non-profit organisations often at no cost or nominal fees. It has successfully trained and deployed older adults in its programmes as peer leaders by modifying the job scope and adapting the training delivery. Today, its programmes include active ageing, workplace health promotion, exercise rehabilitation, and chronic disease management.

ProAge has been involved in national initiatives with government agencies to promote health for the ageing population, such as the National Brisk Walking Campaign, and Health Promotion Board's Mental First Aid Kit programme. It is strategically linked to academic research institutes, foundations and organisations internationally for joint-research, collaborations, knowledge sharing and is a member of International Council for Active Ageing.

For more information, please contact Isaiah Chng at isaiah@proage.sg
www.proage.sg

SATA CommHealth

Booth : 23

Since its formation in 1947, the Singapore Anti-Tuberculosis Association (or SATA) has established itself as a leading organisation for combating tuberculosis (TB) during the post-war years. As the incidence of TB began falling from the 1960s, SATA extended its outpatient services to treat heart disease, and later to statutory health screening and primary healthcare services. SATA renamed and rebranded itself in 2009 as "SATA CommHealth" to focus on community healthcare.

Today, SATA CommHealth provides a comprehensive range of health screening and primary healthcare services. It has four medical centres located in the heartlands, a community health centre, three mobile X-Ray buses, a mobile mammography service, and a Doctor-On-Wheels service.

On an annual basis, SATA CommHealth sees over 260,000 patients. For 2013, about 14% of SATA CommHealth's turnover was spent on charitable work, including subsidised and free medical care to the underprivileged, the Doctors-On-Wheels programme for more than 600 elderly poor beneficiaries, community health screening, and homecare services to the needy.

SATA CommHealth was the winner of 2013 President's Challenge Social Enterprise of the Year Award.

For more information, please contact SATA CommHealth at enquiries@sata.com.sg
www.sata.com.sg

Singapore Corporation of Rehabilitative Enterprises (SCORE)

Booth : 24

SCORE is a statutory board under the Ministry of Home Affairs. It plays an important role in the correctional system by providing and aftercare services to inmates and ex-offenders. Focusing on employment as a transformational tool to successfully rehabilitate ex-offenders, SCORE runs commercial workshops within prisons to provide work programme for inmates.

Through the work programme, inmates are equipped with employment skills such as teamwork, quality control and communication skills. These skills, will be transferable when they enter the workforce.

Businesses in the workshops include food manufacturing, catering, laundry, bakery, electronic and electric assembly, call centre services and data entry services. Revenue from the businesses are channelled to support SCORE's multi-faceted work in the rehabilitation and reintegration of ex-offenders.

One of its key community engagement initiatives is the Yellow Ribbon Project, now in its 10th year.

SCORE leads by example in giving second chances, with over 10% of its staff strength comprising reformed offenders.

For more information, please contact SCORE at SCORE_Contact_Us@score.gov.sg
www.score.gov.sg

Silver Spring

SilverSpring
PUT THE BOUNCE BACK IN YOUR LIFE

Booth : 21

Silver Spring is Singapore's first social enterprise to champion the employment of mature and experienced job seekers.

Founded in 2009, it was formed initially to help displaced professionals, managers and executives (PMEs) in their 40's and 50's to find employment or alternative careers. It now extends this to retired professionals in their 60s to re-discover their value and find fulfilling re-career options.

Silver Spring partners companies to select the right candidates to match the organisations' needs and DNA. Its unique approach includes close follow-up with companies before and after the recruitment of a candidate. SMEs and MNCs with manpower shortage issues have been assisted through this service.

In addition to its core business of PME placements, Silver Spring's outreach programme actively encourages older people to come back to the work force and keep active. An example is Chatters café which is operated by seniors over 50 years old. Another is the Care Givers Club to support care givers of family members to return to work and cultivating commercially viable cottage industries for senior citizens to be meaningfully occupied.

For more information, please contact Helen Lim at helenlim@silverspring.com.sg
www.silverspring.com.sg

TagBio

Tagbio

Booth : 22

TagBio aims to provide everyone with a means to enhance their personal safety and protect them with the essential personal ID and health information that is made available in time of personal emergencies.

TagBio began in 2011, as a business in the trading and sales of innovative natural, biodegradable products that provide industrial solutions to unmet needs in Environmental Management, Agri-Business, and Consumer Products representing products like hospital grade disinfectants and natural enzymes to promote living and working in a greener and safer world.

As a result of experiences of personal emergencies of both its CEO and COO, they conceived of ID-Life, a system for storing a person's identification and crucial medical information so that paramedics and doctors will have quick access to such information to treat the patient should an emergency situation strike anytime and anywhere.

Today, TagBio is a leader in informational products and services that provides timely health information on behalf of safety-conscious individuals to medical professionals in situations of emergency and necessity. TagBio also runs workshops and training sessions to educate its business partners and potential customers.

For more information, please contact Chew Min Seng at minseng.chew@id-life.com
www.id-life.com

Think Your Way Out

Booth : 27

Imagine being locked in a small space with your friends.
You have one hour to get out.
Puzzles, riddles and clues are the key.
Think Your Way Out together.

Room escaping is a concept that originated in Budapest, Hungary, the city where Rubik's cube was born. Think Your Way Out brought the concept to Singapore in June 2013.

In the game, a team of 2-6 players enter the Game Zone and seeks to get out within an hour, by solving the puzzles and challenges given. The game is intellectual rather than physical. The room and puzzles are designed to be an immersive environment to strengthen bonds, increase communication and boost creative problem solving within the team. Game-masters facilitate the game to customise the difficulty for every team.

Besides creating accessible entertainment with the rooms, Think Your Way Out also create unique experiences for corporates who are interested to develop teamwork and critical thinking skills. The games provide an engaging and interesting alternative for corporate trainings and skills development.

For more information, please contact Zoltan Jakab at zoltan@tywogames.com
www.tywogames.com

T.Ware

Booth : 28

T.Ware specialises in developing innovative, elegant, useful and user-friendly technology products that use touch to communicate and comfort to expand the human experience. T.Ware's vision is to bring touch to life.

Established in 2011, T.Ware's first product was the T.Jacket. The jacket was built on a flexible multi-functional wearable haptics (meaning tactile feedback technology) platform that can both detect and reproduce touch sensations. The T.Jacket simulates a hug by applying deep pressure points to the wearer's body to produce a calming effect.

T.Jacket can help people who are sensory seeking and/or sensory over-responsive. These include individuals with conditions such as Sensory Processing Difficulties (SPD), Autism Spectrum Disorder (ASD), Attention Deficit Hyperactivity Disorder (ADHD), Alzheimer's Dementia and Post-Traumatic Stress Disorder (PTSD). The jacket can be used discreetly in public to improve the quality of life of these individuals. At the same time, occupational therapies, special-needs school teachers and caregivers are able to carry out their job more effectively with the monitoring capabilities of the T.Jacket.

For more information, please contact James Teh at james.teh@mytware.com
www.mytjacket.com

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Section 7
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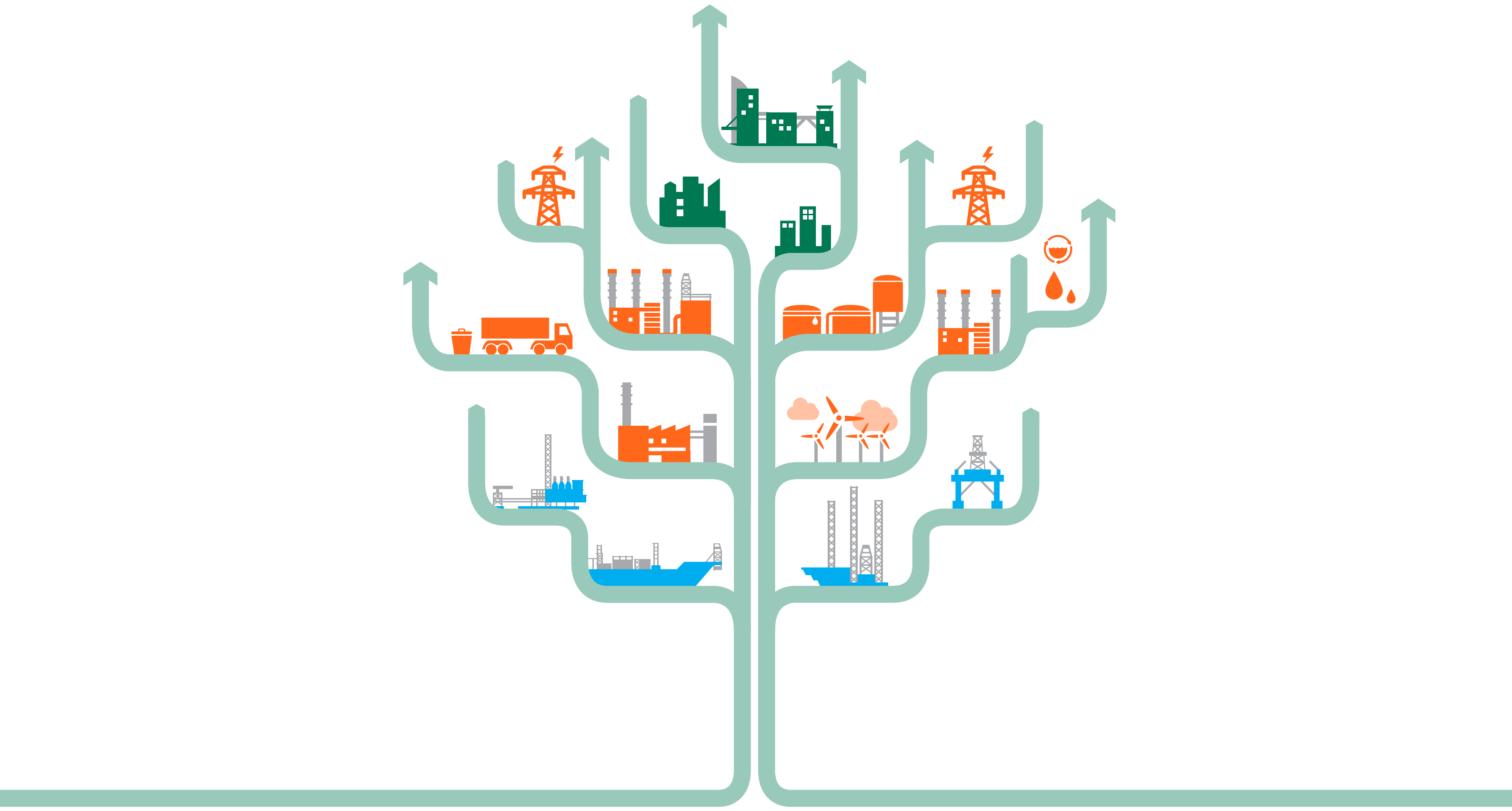

At Sembcorp, we are committed to growing sustainable businesses – businesses that support development, improve quality of life and deliver long-term value and growth.

We recognise that the long-term success of our businesses rests on the bedrock of high standards of corporate governance and integrity, a clear vision and strategy, and the dedication and expertise of the Sembcorp team around the world.

Committed to the pursuit of excellence, we are honoured to receive top accolades for our Board of Directors, our Group President & CEO Tang Kin Fei and our Annual Report at the Singapore Corporate Awards 2014.

Sembcorp is honoured to win the Singapore Corporate Awards 2014 in the following categories*:

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Gold

Best Chief Executive Officer
Tang Kin Fei

Best Annual Report
Gold

*For companies with $1 billion and above in market capitalisation

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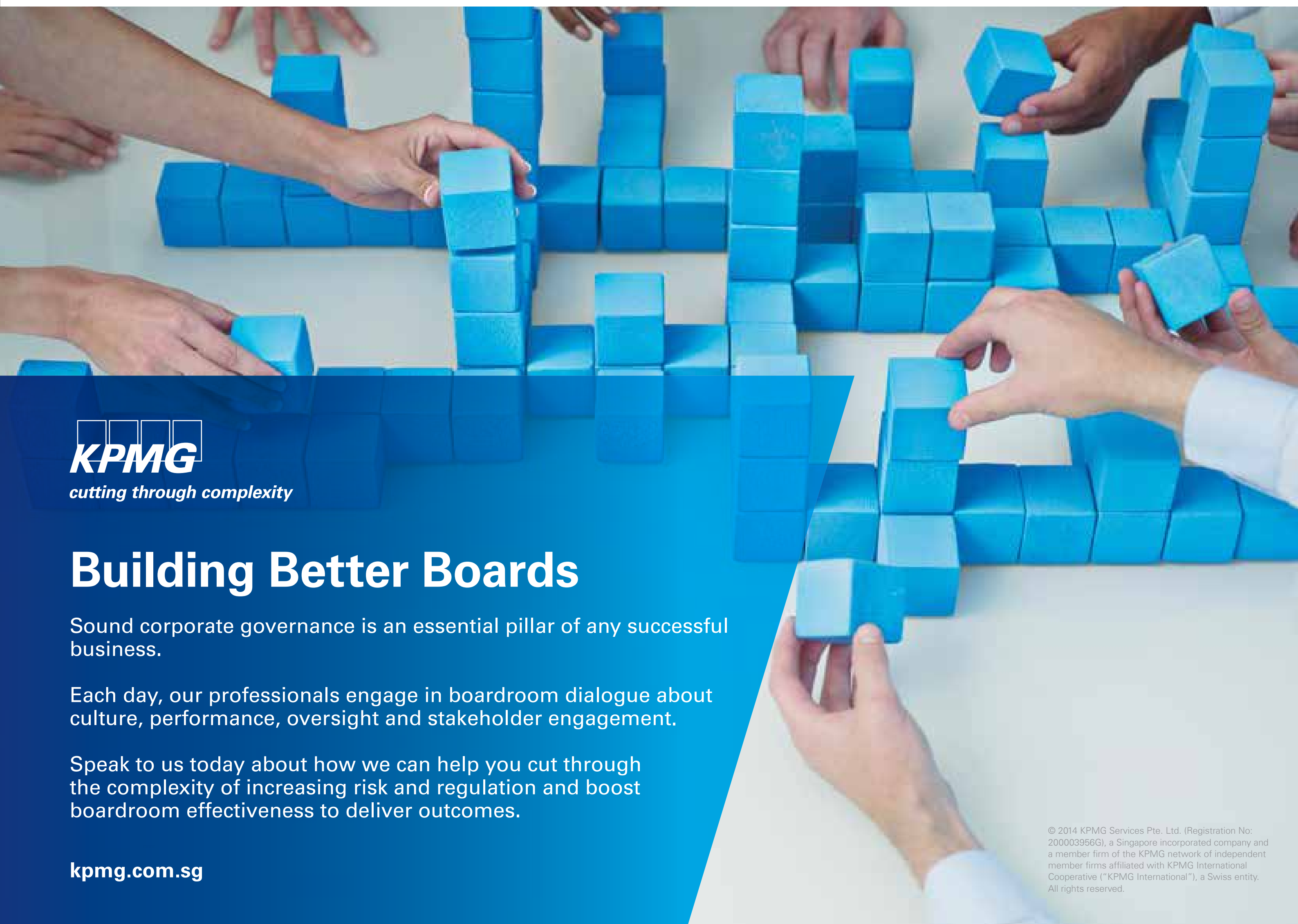

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