The Directors'

Bulletin

The Official Newsletter of Singapore Institute of Directors
Issue No. 2/2008
MICA(P)153/06/2007

SID
SINGAPORE INSTITUTE OF DIRECTORS

Board Compensation

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Publisher
Singapore Institute of Directors

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Design
PricewaterhouseCoopers,
Marketing & Communications

Printer
Camy Press

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From the Editor

We are pleased to present you with the second issue of the Directors' Bulletin from the Institute. The first order of the day is to thank Mike Gray for his excellent contributions to the editing of the Directors' Bulletin over the last two years. With Mike at the helm, the Bulletin has seen a change in format and an up-scaling, if I may, in its look and feel. Anyone who knows Mike knows him to be even more active in his retirement than before and more exciting interest have taken his time away from us. Nevertheless, I can see Mike continuing to contribute to the Institute in more ways than one in the years to come. Thank you Mike.

This issue continues with the approach that has been taken over the past several issues, and attempts to some degree a thematic approach. The theme is chosen based on what is most topical or important at any particular time. For this issue, the focus is primarily on board compensation and renewal. We have a range of articles touching on key aspects of board compensation, including a Statement of Good Practice ('SGP') on how the remuneration committee should function. With this SGP, the Institute has now introduced 9 SGPs. You can get past copies from the Institute's website. Apart from the SGP, there are also articles that deal with how independent directors should be compensated and the disclosures that should be undertaken for director and CEO remuneration. We are also pleased to include an article on board succession planning, a topic so often taken too lightly. Relating to this, we have been fortunate to have views from various top level directors who have for one reason or another left boards that they sat on.

Apart from the thematic articles, we felt it was important to revisit the issue of board and shareholder engagement and to review how wealth creation can be sustainable. Additionally, we have our usual round of articles providing you with an overview of the developments in corporate governance across the world, an update of events past and present the Institute is or has been involved in and information on new members.

Pulling together a publication is no easy feat and it is even harder, when one is sourcing for articles from as wide spread a ranger of authors, professions and geographical scope as possible. We have slowly but gradually achieved this over the years. For this, we must thank our friend and partners from across the world, without whose support and commitment, this could not be done.

As I take over the editorial function of the Directors' Bulletin, we will continue to explore how best to make this a Bulletin that serves your purpose and is relevant to you as a director. Do let me have any suggestions or feedback that we can take on board. I look forward to hearing from and working with all of you.

Kala Anandarajah
Editor

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President's Message

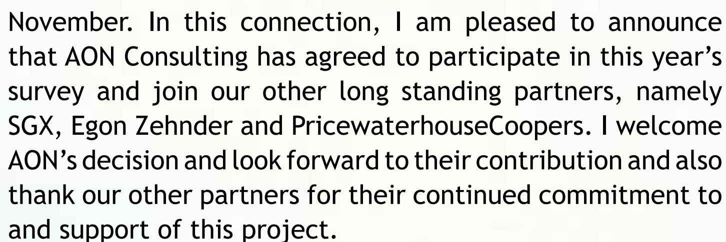
Dear Fellow Members,

Time really flies, without so much of a flutter, we have entered the second half of 2008 and are into the second issue of our Bulletin for this year. As you may have noticed our bulletin has in the last 18 months focused on subjects of significant importance to our membership and to the corporate community at large. We have covered topics on "Independent Directors" and on "Board Evaluation" and in this issue are featuring "Board Compensation and the Role of the Board Remuneration Committee".

Your Institute has always maintained the position that having competent directors with high integrity and a board with a good mix of relevant skills and experience provides a strong assurance of board effectiveness. Consequently ensuring effective selection and appointment of well qualified directors and the continued and systematic evaluation of their performance are critical functions of a board nominating committee. While much debate has been generated on the independence of directors which is important to a board, it is our firm belief that competence is as, if not even more, important.

Related to the appointment, development and retention of competent directors is the question of their compensation. While there is general agreement that the duties and responsibilities of directors, particularly non-executive directors, have significantly increased in recent years requiring greater commitment of time and resources from these individuals and that such directors should be fairly remunerated for their contribution there is as yet no comprehensive study on what a fair level of remuneration should be in Singapore. Although there is currently a fairly well developed guideline on how a non-executive director should be paid, combining the payment of a basic fee as a director/chairman and with additional fees for chairmanship or membership of various board committees, and in some cases further supplemented by attendance fees for meetings. There is a lack of reference on how these fees have been determined in the first place, except by reference to prevalent market practice.

Your Institute is aware of this short coming and is planning to conduct a study on this subject later this year, in conjunction with our Board of Directors Survey. As a result, the commencement of this survey has been deferred to allow for the incorporation of additional items but which will still be conducted this year, with results expected by



November. In this connection, I am pleased to announce that AON Consulting has agreed to participate in this year's survey and join our other long standing partners, namely SGX, Egon Zehnder and PricewaterhouseCoopers. I welcome AON's decision and look forward to their contribution and also thank our other partners for their continued commitment to and support of this project.

As part of our continued service to our membership and to the community of directors here, your Institute will also be producing a publication on Good Practice Guide later this year. I am confident this publication will be a most useful reference for all of us as directors.

The current strategic review of our Institute is progressing well and findings from this review are expected to be available by September this year.

On 21st September afternoon SID will be holding its annual golf event at the Sentosa Golf Club. More details on this event will be out later this month but you are requested to mark it in your calendar and keep this date free. As always this will be a fun filled event and an opportunity for members and guests to fellowship and demonstrate their golfing prowess.

I would also like to use this issue of our publication to express our thanks and appreciation to our Executive Director Gabriel Teh who retired at the end of April 2008 after 6 years' service. Gabriel was a great pillar of strength in the administration of our Institute and we wish him many years of happy retirement and grand parenting.

The Institute is currently in the process of identifying a suitable candidate for the newly created position of CEO which we plan to fill by October this year. As was indicated in earlier issues of our Bulletin, your Institute expects to undertake a broader range of activities and new initiatives following our strategic review. In the meantime Chew Seok Hwee who has been with SID for 7 years has been appointed to head our Administration and Membership services and will report to the new CEO. Please join me in congratulating her on her promotion.

Warm Regards,
John KM Lim
President

Statement of Good Practice
Guiding The Remuneration Committee

With all the intense shareholder scrutiny, media attention and the ever increasing complexity of business management and executive compensation plans, it seems that chairing and serving on the Remuneration Committee ("RC") is becoming one of the most difficult jobs in corporate boards these days. Shareholders will increasingly demand RCs to take a higher level of active oversight in how directors and senior executives are being paid and scrutinize the business rationale behind every single compensation component.

RCs would do well to adopt practices that fufil the letter and the spirit of the principles laid out in the Code of Corporate Governance ("Code"). RCs should have an enhanced role in providing oversight in the area of executive compensation in order to create shareholder value while motivating directors and senior executives.

I. Principle 7 of the Code recommends that "there should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration."

To avoid potential conflicts of interest (or the perception of such conflicts) the RC should be staffed entirely with non-executive directors, a majority of whom, including the Chairman, should be independent directors. This is prescribed by Guideline 7.1 of the Code

Before a formal and transparent procedure can be installed, it is important to establish a charter or terms of reference for the RC for fulfiling the following roles and responsibilies:

- Development of a compensation philosophy for the directors and executive management, which serves as a basis for and cascades down to the rest of the organization.

- Identification of the company's key strategic, financial and operating objectives which can be used as a basis to incentivize the directors and executive management.

- Development of compensation practices, which utilize the different compensation components of base salary, annual and long-term incentives, perks and benefits, to meet the following objectives:

  - Attraction and retention of executives,

  - Alignment with shareholders' interests;

  - Maintenance of internal equities;

  - Appropriate mix between fixed pay versus variable pay based on the desired risk to reward ratio;

  - Balanced focus on annual business performance and long-term sustainability;

  - Reinforcement of the company's desired culture;

  - Avoidance of shareholder and media criticism;

  - Efficiency and compliance with all relevant tax, accounting and other legal rules; and

  - Protection of executives in corporate development events (for example, changes-in-control, retention or severance provisions), yet not setting barriers to value-enhancing corporate transactions.

- Initiation of regular compensation program reviews, and making recommendations to the board on changes.

- Review and approval of CEO pay increases and variable incentive awards.

- Review of compensation decisions for the other executives.

- Administer all aspects of incentive pay programs (or delegate such administrative duties).

- Hiring and contracting with key executives, and protecting proprietary information while guarding against future competition through employment agreements, confidentiality undertakings and non-competition covenants.

- Making decisions regarding severance pay of top executives when needed.

- Review of director fees.

- Approval of the write-up on the RC to be inserted in the corporate governance report within the annual report.

To manage the above roles and responsibilites properly requires good process management. To be formal and transparent, the RC should have a pre-determined year-round agenda. Some other useful practices to adopt are:

- RC to take the initiative to drive the agenda, with management providing supporting information, as required.

- RC to meet more often when there is corporate restructuring, legislative changes, significant executive or market movement or changes. An annual cycle may encompass the following activities:

  - Establish performance and incentive targets at the beginning of year.

  - Review competitive compensation trends and actual performance during the year as well as address any off-cycle events or issues.

  - Make end-of-year compensation decisions, based on competitive market and performance reviews.

  - Disclose compensation philosophy and compensation payments in annual report.

  - Seek shareholder approval for director fees, where appropriate, at the AGM.

- Chairman of RC to be thoroughly briefed by internal/external experts during finalisation of agenda papers.

- Send RC papers sufficiently in advance of the meeting to allow for a thorough preview.

- Allow sufficient time at each meeting to address critical issues properly.

- Allow for private sessions, when necessary, during which management is not present, to allow for impartial and unencumbered discussion.

When external expertise is needed, it is important to find an executive compensation consultant who is not only technically competent but who is able to exercise independence and objectivity with the interest of the company in mind. While the consultant needs to work with management to understand the business issues and perspectives, the RC should take responsibility and charge over the process and outcome of an exectuive compensation review, including the hiring and firing of the consultant.

II. Principle 8 of the Code focuses on the level and mix of remuneration. It states: "The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully.... [and] a significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance."

The challenge in executive compensation is to balance talent objectives with performance objectives. An over-emphasis on pegging compensation to the market in order to attract and retain executive talent may come at the expense of a strong linkage between compensation and performance. An over-emphasis on the latter may hamper the company's ability to attract and retain executive talent.

The RC should ensure the establishment of a compensation framework that is market competitive and a compensation strategy that helps to support the company's objectives (e.g., talent attraction, performance, etc.).

The total compensation package typically is comprised of fixed and variable components. Fixed components include:

- Base salaries;

- Benefit programs; and

- Perquisites.

Incentives, in both annual and long-term forms, make up the variable portion. When setting forth compensation policy, the RC should determine the appropriate balance between the fixed and variable components (and within that, short- vs. long-term incentives). A number of factors, including economic factors, competitive and industry practices, business cycles and priorities, company culture and management philosophy, affect this decision.

The RC should be well aware of not only the competitive positioning but the magnitude of the total potential compensation costs (including the perks and benefits) to the company, particularly for the CEO's package. It should not be constrained by industry averages or past practices but exercise independent judgment in determining the appropriate level of compensation considering a multitude of factors as well as business conditions. The RC should also be aware of the differences in

compensation levels throughout the company and be comfortable with the relative differences.

Performance measurement is frequently a key challenge. There is a growing tendency to include in the compensation arrangements not only financial but non-financial metrics (e.g., compliance standards, customer/quality data, employee and organization capability development, etc.) in a more explicit and well-defined manner, especially in annual executive appraisal. This inclusion has the advantage of basing incentives not just on achieving financial results alone, but indicating the quality and sustainability of the results.

Some financial and non-financial measures used to incentivize executives are illustrated below.

Measures used to incentivize senior executives
Market-oriented, e.g., Total Shareholders' Return, Wealth Added Returns
Value-oriented, e.g., Economic Value Added, Customer Value Added, People Value Added, Cash Flow Return on Investment
Yield-oriented, e.g., Return on Assets, Return on Equity
Operating result-oriented, e.g., Revenue Growth, Margins, Costs, Productivity
Customer-oriented, e.g., Customer Satisfaction, Retention, Brand Perception
Employee-oriented e.g., Employee Engagement, Capability Development

In structuring long-term incentive awards (whether stock or cash-based) for executives, the RC should take into account the company's performance over the years, relative shareholder returns, the value of similar awards to executives at comparable companies, and what has been given in the past years to the executives. Other than devising vesting schedules to reward and/or retain executives through performance and/or tenure conditions, the RC should consider ways to encourage executive stock ownership in order for them to have a stake in the company and to align their interests with that of the shareholders.

III. Principle 9 of the Code indicates that "each company should provide clear disclosure of its remuneration policy, level and mix of remuneration and the procedures for setting remuneration in the company's annual report.... to enable investors to understand the link between remuneration paid to directors and key executives, and performance."

The RC should ask itself the following questions when approving and disclosing any executive compensation program:

- Are we clear about the components in the program and their respective objectives?
- Have we satisfied ourselves that the program is, and understand how it is, aligned to stakeholders' interests and good business practices?
- What are the weaknesses, if any, in this program?
- Is the program structured to match pay vs. market measures with expected performance vs. market measures?
- Are we basing incentive awards on absolute performance and how is that performance relative to industry peers? Are we paying for something unnecessary?
- Is the program helping to focus executive attention on short- and long-term performance, growth and returns?
- Are stock-based incentives run within industry norms?
- Will executives be motivated by the program? Will they feel that there is internal fairness and market parity?
- How will the program be viewed by the media, shareholders andinvestment analysts?
- Will the program stand the test of time; during good performance and bad, and through bull and bear markets?
- Is there anything in this program that will set a bad precedent?
- How will we know if this program is a success?

After approval of the program, proper documentation of the context, design considerations and details of the program are necessary for future reference. The company's auditors should also be invited to review the incentive plan calculations.

Proper and effective communication to the executives is frequently a determinant of the success of even a well-designed program. Effective communication needs to take into account what the key messages of the program are and how best should the messages be communicated to all parties.

Lastly, there should be in place a review process within a fixed timeframe, such that it becomes a natural part of the RC's agenda in the future. ■

Compensating Independent Non-Executive Directors

Overview

With more frequent corporate scandals erupting and the on-set of the recent sub-prime crisis, questions such as "Where were the board of directors who were supposedly providing oversight to ensure such things don't happen?" are often asked. While the answer to such a question is not a clear-cut one, there is no doubt that the demands and expectations on independent non-executive directors (INEDs) are increasing all the time. This begs the question of whether the INEDs should be compensated more. This article reviews the challenges involved in the compensation of INEDs.

The Increasing Role Of INEDs

INEDs are expected to shoulder a greater corporate stewardship role and provide active oversight with increasing responsibilities and time commitment. We are likely to see the continuing trends as follows:

- Each INED will sit on fewer boards.
- Each will bring his/her own expertise to round out what is needed on the board.
- Director compensation will rise in order to reflect the increased time and effort needed, as well as the supply/demand imbalance.
- Director compensation will have a more direct linkage to contribution.

Compensating The INEDs

The Singapore Code of Corporate Governance, Guideline 8.2 reads, "The remuneration of non-executive directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors. Non-executive directors should not be over-compensated to the extent that their independence may be compromised."

Implicit in the Guideline are also the principles that compensation should be attractive enough to attract quality candidates and that director compensation should be aligned with the long-term interests of the shareholders.

Challenges In Managing INEDs Compensation

While recognizing that the director compensation level will rise as demand and complexity increase, we expect to see the following four challenges in the compensation management arena:

1. Manage by the total as opposed to individual component

As the compensation level rises and the variety of compensation arrangements increases, there is an increasing need to manage director compensation on an overall basis, rather than as an array of separate components. Boards should measure the total compensation value and ensure that it is commensurate with the directors' responsibilities, contribution, risk or opportunity costs, and that it is within the range practiced by comparable companies. Once the total level is established, boards should then determine how best to deliver the total value via the appropriate components of fees and forms of equity compensation, each carrying a different message and reinforcing different types of

thinking and behaviors. Individually and collectively, the parts support the intent of aligning directors' interests with those of the shareholders.

2. Changing cash compensation components

While a meeting fee is still a common mode of director compensation, we expect to see a shift towards annual retainer fees. The obvious reason is the simplification of the fee structure. On the other hand, underlying the change is also the notion that it is not purely the time commitment that is being compensated, but the effort and value contributions of the director concerned.

Along the same lines, we are seeing an increasing use of role-based fees, i.e., chair fees, committee fees, lead director fees, etc., which reflect the differing demands in the form of differential fee payments.

3. Changing mix of cash vs. equity compensation

Equity compensation is a good way to align the directors' interests with the shareholders. The traditional mode of stock options as a form of director compensation has been criticized as encouraging a short-term focus and risky decisions while carrying little risk to the directors (as they can simply not exercise the options if the price goes under the water). Today, the more popular modes of restricted stock or performance shares, granted at fair market value, may take the edge off this criticism.

When the stock is granted as a part of the total compensation package to the directors and communicated as such, there is likely a perceived loss of compensation if the stock price declines significantly thereafter. Thus equity compensation is not necessarily "painless." Additionally, stock ownership and retention requirements, if put in place, can help to foster a long-term orientation and thinking.

Stock ownership requirements mandate that the directors attain a certain level of stockholding (typically 3-5 times of annual retainer fees) in typically 4-5 years.

Stock retention requirements mandate that directors hold a certain amount of stock for a specified time period, often going beyond retiring from the board. The rationale is that by doing so, the directors and the shareholders have the common interest in increasing total shareholder returns, and thus the decisions made during the directors' service term should be aligned with the interests of the shareholders as well.

In summary, equity compensation given as a part of a total compensation package, coupled with stock ownership and/or retention requirements help align interests. It is important to take note of the Code's cautioning against having excessive compensation that may compromise directors' independence. As long as equity compensation is reasonable and not excessive, the temptation to take undue risks would not be encouraged.

4. Managing an objective and transparent process with inherent conflict of interest

While executive compensation is reviewed by the Remuneration Committee (RC) that is made up of INEDs who are "disinterested" parties, there is no such "disinterested" party in reviewing director compensation. In a sense, all directors are "interested" parties.

Managing the review and deliberation process is even more critical in this case. The RC should pay particular attention to the use of objective data and independent advice where needed; and to the creation of a rigorous deliberation process that sifts through the facts and establishes clear principles and rationales so as to reach the right conclusions and decisions relating to director compensation.

After the review by and recommendations of the RC, the full board deliberates on the recommendations and arrives at the final decision.

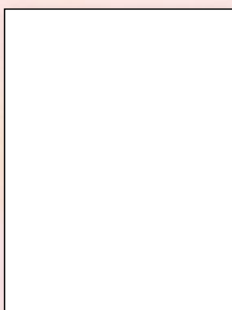
Conclusion

The board, through the RC, should endeavor the following:

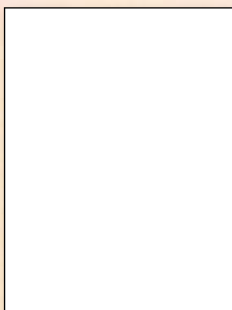
- Define a targeted total compensation value for each director, encompassing all forms of director compensation, based on sound principles, objectives and rationales.
- Streamline the fee components with clear objectives for each.
- Determine the desired mix between equity and fees.
- Consider the applicability of stock ownership and retention requirements and a time period during which this target is to be met and what the holding period should be.
- More importantly, maintain a process by which directors can determine the compensation program in a transparent and objective way.
- Disclose fully in the annual report the philosophy and process used in determining director compensation and the value of all compensation components.

FEATURE

Disclosure of Non-Executive Director and CEO Remuneration in Singapore



Mak Yuen Teen



K. K. Lalanika Vasanthi

[1] *Mak Yuen Teen is co-director of the Corporate Governance and Financial Reporting Centre (CGFRC) at the National University of Singapore and regional research director (Asia-Pacific) at Watson Wyatt Worldwide. K.K. Lalanika Vasanthi is manager of the CGFRC.*

The Singapore Code of Corporate Governance (Code) was updated in 2005 and became effective on 1 January 2007. With respect to remuneration matters, the Code recommends that there should be a Remuneration Committee (RC) comprising entirely of non-executive directors, the majority of whom, including the Chairman, should be independent. Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration. The Code goes on to say that the board should include within, or annexed to its financial statements, a report on the remuneration of directors and at least the top five key non-director executives. As a minimum, the report should disclose the names of the relevant individuals whose remuneration falls within bands of $250,000. This is an improvement to the SGX Listing Manual Chapter 12 that only requires disclosure of the number of directors whose remuneration falls within the following bands: $500,000 and above, $250,000 to $499,999 and below $250,000.

Notably, the Code does not specify an upper limit to the bands. This implies, for example, that if the highest remunerated director received $825,000, then the upper band to be disclosed would be $750,000 to $999,999. The Code further states that within each band, there needs to be a breakdown (in percentage terms) of each director's remuneration earned through base or fixed salary, variable or performance-related income or bonuses, benefits-in-kind, and long-term incentives. The Code further recommends that, as best practice, companies should fully disclose the remuneration of each individual director.

In this article, we report the results of a survey of disclosures related to remuneration matters. Data on remuneration disclosure practices were collected from the latest available annual reports of 684 companies listed in Singapore from May to July 2007. The sample included 521 Mainboard companies and 163 Sesdaq (now Catalist) companies but

excluded trusts, funds and REITS. These companies had board sizes ranging from 3 to 16 directors, with an average size of 7.

1. Composition of Remuneration Committee

95% of companies disclosed that they have a RC and the same percentage disclosed the full name list of the RC members. 56% have a majority of independent directors on the RC while 34% have all independent directors. 89% said that the RC is chaired by an independent non-executive director. 86% of the companies disclosed the attendance of RC members at committee meetings.

2. Non-Executive Director Remuneration

Guideline 8.2 of the Code recommends that "the remuneration of non-executive directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors". The survey found that 11% of companies said that their NEDs were paid additional fees for being committee chairs and 22% said that their NEDs were paid additional fees for being committee members. 10% paid attendance fees to NEDs for attending board, committee or annual general meetings and 2% paid additional fees to NEDs for other reasons.

2.1 Disclosure of remuneration amounts for NEDs

45 companies, comprising 42 Mainboard and 3 Sesdaq companies, disclosed exact remuneration for each NED by name. One of the Mainboard companies disclosed the exact remuneration of its directors by name but did not disclose which ones were non-executive. Therefore, only 7% of companies followed the Code's encouragement for companies, as best practice, to fully disclose exact remuneration of each director. The table below shows the distribution of the companies by their market capitalisation.

542 companies comprising 395 Mainboard and 147 Sesdaq companies disclosed NED remuneration in bands. For both Mainboard and Sesdaq companies that had disclosed NED remuneration in bands, the most commonly used band is "0 – 250,000" (Singapore dollars). However, there were 18 other bands found for the Mainboard companies, and six other bands found for the Sesdaq companies, such as "0-100,000" and "0-150,000".

Notably, all the Mainboard and Sesdaq companies had disclosed NED remuneration using a band with a ceiling, with "<S$250,000" being the limit in majority of the cases.

Table 1: Number of Companies Disclosing Exact NED Remuneration by Market Capitalisation

Market Capitalisation (SGD)	Number of companies
> 1 billion	21
> 500 million	3
< 500 million	19
Sesdaq	3
Total	46

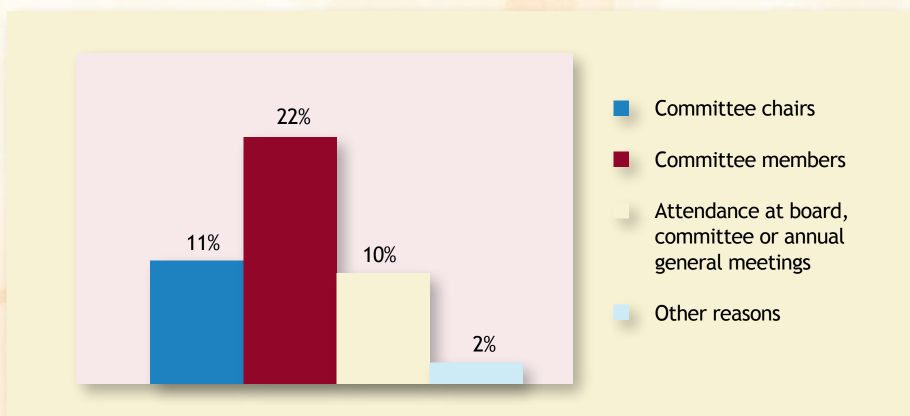
2.2 Non-executive director remuneration mix

Out of the 46 companies that made exact NED disclosure, twenty-three companies granted share options to NEDs. The number of options granted to each NED ranged from 5000 to 6 million. Four companies disclosed that their non-executive directors are eligible to participate in the company's share options scheme but no options have been granted to the NEDs yet.

One company included other share-based compensation in its NED remuneration. Four companies made contributions to directors' retirement schemes. Five companies included benefits in its NED remuneration.

An increasingly popular practice for NEDs in developed markets such as U.S., U.K. and Australia, also adopted

Figure 1: Payment of additional fees to non-executive directors



in Singapore by SingTel, is for the board to adopt a policy encouraging its NEDs to own shares in the company up to, say, the equivalent of one year of NED fees and to hold those shares until they leave the board. This is to better align the directors' interests with the interests of long-term shareholders.

3. CEO Remuneration

Principle 8 states that the "a significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance". Guideline 8.1 recommends that "the performance-related elements of remuneration should be designed to align interests of executive directors with those of shareholders and link rewards to corporate and individual performance" and that "there should be appropriate and meaningful measures for the purpose of assessing executive directors' performance".

The remuneration mix for CEOs typically consists of the following components:

- base salary (including CPF contributions);
- short-term incentives (STIs) typically in the form of bonuses;
- long-term incentives (LTIs) typically in the form of share options; and/or
- benefits.

Given the focus of corporate governance on the creation of long-term shareholder value, long-term incentives have grown in importance internationally as a component of the remuneration of CEOs and other senior executives. Similarly, we expect long-term incentives for CEOs and senior executives to become more important in Singapore.

3.1 Disclosure of remuneration amounts for CEOs

Compared to disclosure of exact remuneration of NEDs, an even smaller number of companies (approximately 5%) made exact disclosure of CEO remuneration. The majority of companies disclosed in bands, with 'competitive reasons' being the most commonly cited reason for not disclosing exact CEO remuneration.

There were 36 companies (including four Sesdaq companies) that made exact CEO remuneration disclosure. The market capitalisation of the companies are shown in the table below.

Table 2: Number of Companies Disclosing Exact CEO Remuneration by Market Capitalisation

Market Capitalisation (SGD)	Number of companies
> 1 billion	16
> 500 million	2
< 500 million	14
Sesdaq	4
Total	36

536 companies (comprising of 390 Mainboard and 146 Sesdaq companies) disclosed the remuneration of their CEOs in bands. Similar to NED remuneration, the most commonly used band by both Mainboard and Sesdaq companies was "0 – S$250,000". The second most commonly used band by companies was "S$250,000 – S$500,000". There were 42 other bands found for Mainboard companies and 11 other bands found for Sesdaq companies.

Of the companies which disclosed CEO remuneration in bands, 19% of the Mainboard companies and 12% of the Sesdaq companies did not specify an upper limit, with the most commonly used uncapped amount being ">$500,000".

3.2 CEO remuneration mix

Of the 36 companies which disclosed exact CEO remuneration, 28 paid their CEOs bonuses ranging from $6,000 to just over $4 million. The percentage of the CEO's bonus relative to the base salary for these CEOs ranged from 7% to 1857%, with a median of 74 %.

Nine companies separately disclosed the amount paid to pension schemes or CPF for their CEOs, while most companies disclosed that the salary and bonus amounts included CPF contributions and other allowances.

Thirteen companies disclosed benefits for their CEOs ranging from $3,800 to nearly $360,000. Benefits disclosed include: medical and dental benefits, car allowance, club memberships, group insurance, housing allowance, other allowances and benefits-in-kind.

Twenty-three companies granted share options to their CEOs, ranging from 100,000 to 1 million options. The vesting schedules ranged from three to ten years.

4. Disclosure of remuneration amounts of top executives

Only 1% of the companies (comprising entirely of Mainboard companies)

disclosed the exact remuneration of their senior management, excluding the executive directors. 80% of the companies, comprising of 399 Mainboard and 145 Sesdaq companies disclosed the remuneration of their key executives in bands. The main reason given for disclosing in bands or non-disclosure was due to competitive reasons.

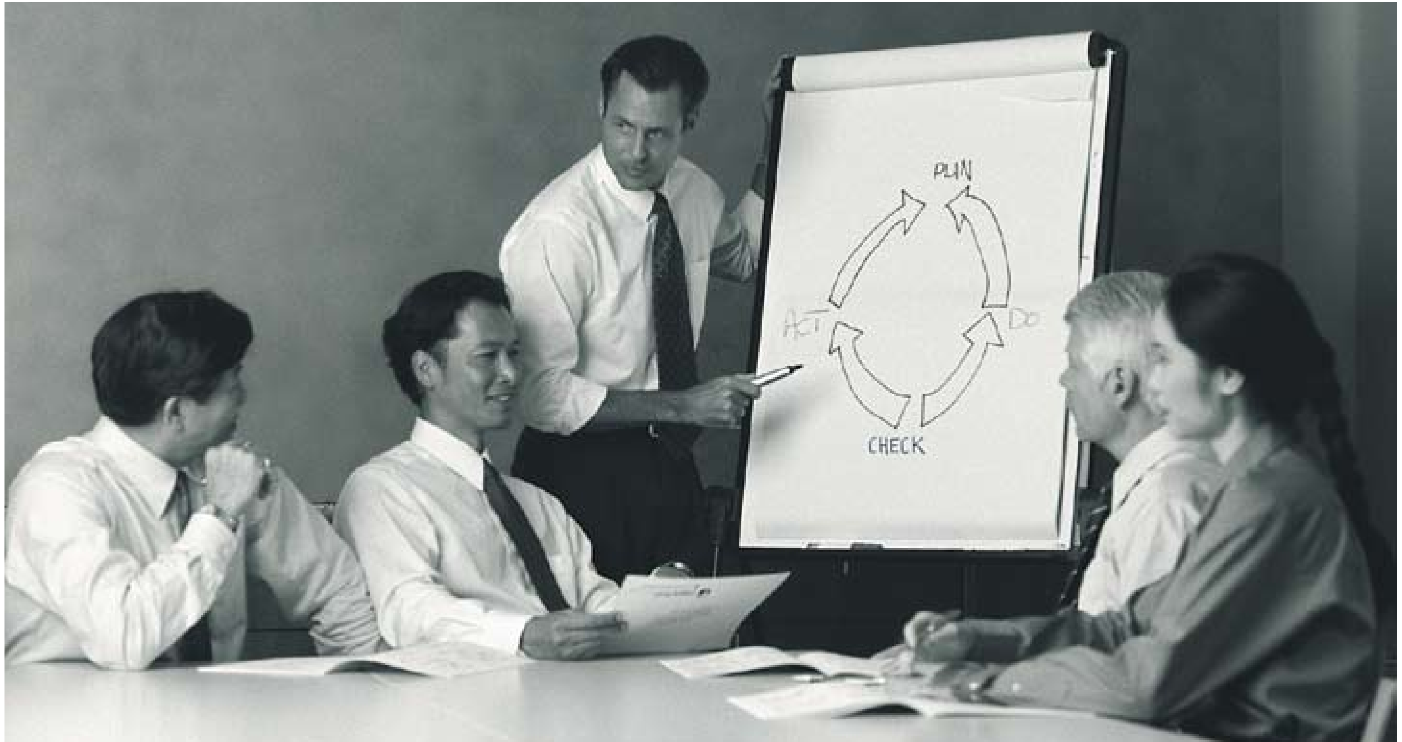
Most of the companies disclosed the remuneration in bands of $250,000 (e.g. S$250,000 – S$500,000; S$500,000 – S$750,000), with "<S$250,000" being the most commonly used band. 19 companies did not specify an upper limit for the remuneration of some of their executives, with the uncapped amounts ranging from ">S$150,000" to ">S$1,750,000".

5. Conclusion

In this article, we reported on the results of survey of disclosures related to remuneration matters in annual reports of SGX-listed companies. Only about 7% disclosed the exact remuneration of each individual NED, 5% disclosed exact CEO remuneration, and 1% disclosed exact remuneration of their senior management other than the executive directors.

Although disclosure of remuneration of directors and senior executives generally remains poor in Asia, Hong Kong now requires the disclosure of exact remuneration of each individual director in its listing rules. This has brought Hong Kong closer to the standards of developed markets such as U.S., U.K. and Australia. Beyond the poor disclosures of remuneration amounts and mix, Singapore companies also typically do not disclose performance metrics for the executive directors. While principle 9 of the Code recommends that companies "should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance", most companies do not currently do so.

Given the number of companies which are controlled by families or management, and the ability of family and management shareholders to control the appointment of independent directors, including those serving on remuneration committees, the poor disclosures of remuneration amounts, mix and policies create a real risk that directors and key executives are able to extract excessive remuneration which hurt minority shareholders. We believe the Singapore should consider moving our disclosure standards relating to remuneration matters closer to practices in the more developed markets. The developed markets operating on a disclosure-based regime considers high standards of remuneration disclosures as one of the key elements of such a regime, and not something which should be left to the discretion of companies or to market forces. ■



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Managing CEO's performance: A board's agenda

By Na Boon Chong

Overview

AS the pressure mounts on publicly-owned companies to improve their corporate governance practices, more firms are adopting formal CEO evaluations, going beyond merely providing a three-year contractual arrangement of terms and conditions.

A common fallacy is that the CEO's performance and the company's performance are one and the same. In reality, this often is not the case.

In Aon Consulting's recent Best Managed Board (BMB) study, working jointly with the Singapore Institute of Directors and released in February, 80 per cent of the participating boards evaluate their chief executives' performance formally. This is consistent with global trends where 80 per cent of the companies do so.

In our consulting experience, we have developed a CEO performance management framework with common performance categories for the board to use in evaluating the CEO's performance. The framework is presented below, accompanied by illustrative questions.

Performance category

Strategy development and execution

Does the company have a well-defined strategy?

Does the management process result in decisions that clearly support the long-term strategy?

Are specific measures in place to monitor achievement of the long-term strategy?

Has the long-term strategy been communicated clearly to the board and their support obtained?

Financial results

Has the company defined appropriate long-term financial objectives consistent with its business strategy, and annual goals that support these objectives?

Has the company achieved financial results for the past fiscal year at a level that clearly supports the company's long-term strategic direction that compares favourably against other competitors?

Is sufficient, timely, and clear information provided to the board about results achieved, and progress towards achieving longer-term financial goals?

Operations control and risk management

Are appropriate internal systems in place to maintain effective operations control?

Have critical risks to the business been identified and the accountabilities for managing these risks been allocated?

Is the CEO able to recognise and balance the need to grow the business as well as to mitigate the risks associated with that?

Is the board kept abreast of the risk levels of the critical risks to the business and management decisions relating to these risks?

Vision and leadership

Does the CEO lead the company with a clearly defined sense of business direction and purpose?

Has the CEO effectively communicated his vision and values for the company to all employees? Does he serve as a role model for this vision and values?

Does the CEO assess performance and make timely changes in strategy and resource allocation?

Does the CEO effectively serve as the company's liaison with the industry and the investor community?

Succession planning and management development

Has the CEO selected an effective senior management team capable of achieving the company's business strategy?
Has the CEO taken steps to ensure that key executives have sufficient exposure to the board, and receive the board's feedback on their performance?

Are programmes in place that will aid in retaining and motivating this top management team, or attracting new executives as needed?

Is there an effective process in place for identifying and developing the next generation of senior managers?

Has the board or the nominating committee reviewed the succession planning process and results?

Human capital management

Does the CEO take steps to maintain employee engagement at its highest possible level? Are systems in place to measure this?

Has the CEO ensured that programmes are in place to provide capability development as needed to support the business strategy? Are systems in place to measure progress towards the capability development objectives?

Is there a sound reward and recognition policy in place to attract, motivate and retain good performers?

Government, customers, shareholders and community relations

Has the CEO effectively communicated with the appropriate government entities concerning the company's vision, value, goals and objectives?

Has the CEO effectively communicated with environmental, social and other stakeholder entities concerning the company's vision, value, goals and objectives?

Has the CEO ensured that programmes are in place to maintain effective relations with such groups and the local communities served by the company?

Board relations

Do the CEO and the board have an effective working relationship? Do they have open communications?

Is the board kept fully informed on all important issues facing the company (internal and external)?

Has the CEO facilitated the information flow to the board and committees' decision making? Allowed direct access to senior management? To external advisers?

Does the CEO recommend appropriate policies for the board's consideration? Does the CEO, together with the board, operate with a role description for the board and for the CEO, including the definition of the limits to management's responsibilities?

A common fallacy is that the CEO's performance and the company's performance are one and the same. In reality, this often is not the case.

An effective evaluation uses objectives that focus on behaviours and actions that the CEO can control directly. It also should adjust for changes in the industry and economy so that the CEO is neither punished for an unforeseen market downturn nor rewarded undeservingly by an exuberant market.
■

The writer is Director of Consulting, South-east Asia, Aon Consulting

FEATURE

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Succession Planning Is No Longer Just For CEOs*

By George L. Davis, Egon Zehnder International, Boston

Overview

Over the past five years, board recruitment has evolved in many ways in the United States. Driven by the collision of an increasing demand for highly qualified, dedicated, and independent directors with a diminishing supply of interested and available candidates, new board recruitment trends are emerging. Succession practices that have been regularly applied for years among executive ranks have begun to transfer to the boardroom. Most notably, succession planning is no longer exclusively reserved for the position of the CEO.

Challenges In Shifting Practices

Today many boards are adopting the best practices of executive and CEO succession planning for their own nominating committee to assist with future director recruitment. In order to understand this subtle yet substantive shift, it helps to know the external factors that are influencing and pressuring director behavior today. These are:

- High pressure to comply with rules and regulations
- Increasing workloads for full boards and individual committees
- Great demand for specific function skill sets
- Globalization and emerging-market expertise are new valued competencies
- Director recruitment and retention are both getting more difficult.

As a result, many boards are finding it hard to identify, attract, and retain directors with the right blend of industry, functional, and experience skill sets, and thereby create a balanced board over the long term. In the past, board recruitment was a short-term singular event with a "point and shoot" philosophy of finding a person with a pre-defined set of skills. However, this incremental addition approach is becoming outdated due to the myriad of needs and pressures confronting non-executive directors.

One area in which the conflicting supply and demand scenario is most evident is when it comes to planning board committee rotations. With a view to the future, chairmen have the tricky responsibility of balancing functional expertise and generalist skill sets across an array of committees. Compounding this balancing act is the need to maintain diversity on the board in all its forms: race, gender, and national origin. Thus search committees are under pressure not only to find the best qualified individuals, but also to ensure that their boards are well balanced and diverse. Among a shrinking pool of candidates, individuals must be found who offer the skill and diversity profiles that not only fill the gaps around the board table but also correspond to committee vacancies. Frequently this leads to the "impossible director search" – a lengthy and frustrating process for all concerned.

Longer Term Strategies To Board Renewal

As a natural consequence, many boards are thinking and acting on a longer-term basis. Just as CEOs look 2-3 years into the future as they identify and groom their successors, planning job rotations and developmental goals, so nominating committees are beginning to map out future board retirements, evaluate the incumbent directors' skill sets, and design a more systematic approach to board searches. This involves drawing up an inventory of current skills, competencies and diversity on the board, and it enables the gaps created by future vacancies to be more readily and clearly defined. Furthermore, this assessment can then be expanded to involve committee assignment rotations, as well as future committee chair nominations. At the same time, diversity needs can be taken into account and chairmen can ensure that their boards have the right blend of domestic and international skills.

In short, what is evolving is a growing trend to succession planning at board level. This strategic longer-term approach equips the board to better manage the shrinking candidate pool. By planning and evaluating the next two to three vacancies, boards can trade off certain competencies with a view towards a second near-term recruitment, and avoid being suddenly confronted with a list of "must-have" requirements to be met at short notice.

To prevent being trapped in this type of predicament, nominating committees are turning to executive recruiters like Egon Zehnder International for help. Boards are increasingly aware that they may not know where the emerging talent is, or what the future availability of certain key executives may look like. By actively working with boards and CEOs at the highest level, Egon Zehnder International consultants have daily interactions with executives seeking board roles on a broad basis. Furthermore, having worked with companies on CEO succession planning and executive assessment as a core part of its business, Egon Zehnder International is now stepping up its involvement in this new era of board succession planning.

Backed by this kind of professional support and armed with a strategic map for board succession, many companies have begun to initiate the recruiting process much earlier. Finding a truly outstanding director in a 2-3 month time frame is a rare if not impossible achievement. Nominating and search committees often look 12-24 months into the future and begin seeking candidates for multiple seats to give them the flexibility to manage the trade-offs mentioned earlier.

With a strategic long-term map, boards and their professional advisors can move fast to secure a candidate when executive talent makes itself available, because they know what they are looking for and the chairman, CEO, and nominating committee have already agreed on a plan. It also gives the board a competitive edge over other companies who may not have been as farsighted and move more slowly in this ultra-competitive marketplace.

Conclusion

In sum, boards are now coming to benefit from the succession planning methods that CEOs have been using in their own executive recruitment and development activities for some time now. The "point and shoot" director search is evolving into a process where the longer-term planning of skills and competencies proves an invaluable aid and basis for recruitment, committee rotations, and incumbent director training. Moreover, board succession planning is helping companies to win through in a competitive marketplace with a shrinking talent pool. The consequence is that boards are becoming more disciplined in their director searches, engaging professional help, taking a longer-term view, and being systematic in their planning – thereby boosting the chances that the individual members and overall composition of their board will reflect only top caliber talent. ■

Weil, Gotshal & Manges LLP
MEMORANDUM
January 2008

Rethinking Board and Shareholder Engagement in 2008

In 2008 we predict — and encourage — increased efforts by boards of directors to engage shareholders in less contentious, more cooperative interaction and communication. We also encourage shareholders to consider how they, in turn, might foster more constructive relationships with corporate boards, including through consideration of the appropriate limits of shareholder power.

Shareholder activism has provided strong stimulus for rebalancing corporate power in the past twenty years. Beginning in the late 1980's and early 1990's and accelerating to the present, we have seen a continuing rebalancing of corporate power in the U.S. from management to the board of directors and the shareholders. To the extent that this shift has brought governance practices more into line with the theoretical accountability of management to the board and of the board to the shareholders, it is a shift that is in the nature of a correction. This rebalancing has been assisted by a host of legislative, regulatory, listing rule and voluntary "best practice" reforms, many of which are still of fairly recent vintage with the full effect not yet wholly known.

We caution, however, that the forces for change should abate once an appropriate balance is achieved, or a new imbalance will result. We are not yet at the point of a new imbalance but one could result if we don't give the multitude of reforms a chance to settle into effect. Activist shareholders — and the proxy advisors they often rely on — need to respect that the corporation, by law, is "managed by or under the direction of" the board. Indeed, this legal empowerment of the board goes hand in hand with the limited liability that shareholders enjoy.

The fundamental role of shareholders in corporate governance is to assure that the board of directors is composed of persons capable of "managing and directing" in the best interests of company and its shareholders. Boards should expect continuing pressure from shareholders for "rights" designed to provide this assurance. Boards are well-advised to be open to shareholder communications on topics that bear on board quality and attention to shareholder value, communications that are likely to improve mutual understanding and avoid needless confrontation.

Gone are the days when shareholders can broadly claim that boards are inactive, inattentive, and intractable or captives of management. The new reality is that boards are already engaged in an unprecedented level of dialogue with shareholders, and many show real interest in finding ways to further such communication. Certainly, boards and managements have come a long way in recognizing that shareholders have a very legitimate interest in how the company is governed. The quid pro quo on the shareholder side is to act as concerned and rational owners who make decisions based on knowledge of the nuances; who

avoid rigid, box-ticking methods of judging good governance; who

Don't abdicate to proxy advisors their responsibility to use judgment; and who avoid activism for activism's sake.

We are optimistic that good will and common sense will prevail, and cooperative efforts and dialogue between shareholders and boards will aid in reaching consensus about the following issues, all bearing on board quality:

1. Board composition and independent leadership.

Shareholders have a legitimate interest in the make-up and leadership of the board to which control of the corporation is delegated. Yet in many respects the board is better positioned to ensure that the right mix of experience, expertise and independence is at hand. Enhancing opportunities for significant long-term shareholders to provide their views to the nominating and governance committee about desirable characteristics, potential candidates and favored leadership structures should help broaden the committee's perspectives. Efforts to understand shareholder views and to communicate the board's own views on these issues are consistent with, and may even be viewed as necessary in light of, the widespread adoption of majority voting, strong shareholder sentiment in favor of proxy access, the move to electronic proxies that reduce the cost of contested elections, and the pending New York Stock Exchange rule that would bar brokers from voting without customer instructions in even uncontested director elections.

2. Corporate performance disclosures.

Shareholders have a legitimate interest in understanding what they own and how it is performing. They expect disclosure to accurately reflect the performance and condition of the company. Boards may wish to consider their own role in overseeing how the company communicates material developments to shareholders. Is the board satisfied that it is providing management with appropriate guidance in this area or is this an issue that is largely left to management, investment relations and the lawyers? Also, as advocated by the Aspen Principles (June 2007), boards should consider whether there is benefit to be had in foregoing quarterly earnings guidance and the pressures for short-term focus that it may well bring.

3. Executive performance, compensation and succession.

Shareholders have a legitimate interest in information about the performance and compensation of the senior executive officers and the board's efforts to create an incentive culture designed to promote performance. They also have a legitimate interest in issues relating to management succession. Shareholders' interests in these matters relate to their ability to make informed buy/sell/hold decisions as well as informed decisions in voting for the fiduciaries that represent them. Shareholders are not well-positioned to make these decisions themselves, and enabling second-guessing is not the role of disclosure. Transparency of compensation and the processes followed to decide compensation (including any conflicts with respect to compensation consultants) should allow shareholders to make a judgment about whether compensation is principled, straightforward, and rational in relation to performance so that shareholders may make educated decisions in board elections and as relates to their investment. Improved communication and dialogue with significant long-term shareholders about executive compensation may provide 2 compensation committees with a broader perspective and balance in relation to the views

provided by management. It may also lessen the push for an advisory vote on executive compensation ("say on pay").

4. Strategic direction.

Shareholders have a legitimate interest in understanding the strategic direction of the company. Boards and managements have considerable interest in ensuring that their shareholder base — and especially significant long-term shareholders — can evaluate whether corporate direction is aligned with their investment priorities. Efforts to improve communication about strategy are particularly important in relation to (i) long-term strategies that involve disproportionately higher costs over the short-term, such as investments in R&D, and (ii) major transactions that require shareholder action.

5. Societal concerns, including climate change and other issues.

Shareholders have legitimate interests in information about corporate policies and practices with respect to social and environmental issues such as climate change, sustainability, labor relations and political contributions. These issues, many of which do not fall neatly within a line item disclosure requirement, bear on the company's reputation as a good corporate citizen and consequently, the perceived integrity of management and the board.

Reaching out to shareholders in a concerted fashion will not appeal to every board. However, it is likely to be a prudent approach for companies seeking to avoid confrontation. Setting a positive and constructive tone in shareholder relations not only has the potential to elicit for the board useful insights about shareholder perspectives but also may encourage shareholders to focus on long-term performance and act as owners making rational investment decisions.

More broadly, it may be time for a dialogue on the limits of shareholder power. Where is the legitimate boundary? Long ago owners gave up rights to control the joint stock company in return for limited liability — and directors took on the fiduciary liability. If shareholders insist on ever-greater say in corporate decision-making, at what point do we need to rethink director liability? We may well miss the opportunity to achieve lasting balance in the corporate power structure if shareholders fail to recognize and respect that there are limits on the issues that are appropriate for shareholder initiatives — limits that are in keeping with both the duty of the board to direct and manage the affairs of the corporation and the limited liability that has been granted to shareholders. ■

Ira M. Millstein, Holly J. Gregory and Rebecca C. Grapsas

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Managing the Five Capitals for Sustainable Wealth Creation!

Overview

A contemporary enterprise is an innovative business vehicle focussed upon creating sustainable wealth and at the same time being a great corporate citizenship, a focus upon profit-people-planet. A business with goals in all three areas of profit, people and plant is more complex. It follows that the governance and leadership most also be more sophisticated. Around 1760 the industrial revolution and industrial economy started in Europe and spread across the world. The focus in the seventeen and eighteenth centuries was upon managing physical and financial capital for internal efficiency often with an internal win and external loose outlook. Only in the 1970's the knowledge economy started with widespread computing and communications technology. The focus is on managing human capital. Now we are in the twenty first century and stakeholders are aware of managing aspects across profit-people-planet. Enhanced governance and management styles and capabilities are required.

Rules, Regulations, Law & Governance

Corporate governance creates wealth by setting a clear mission, vision, goal and strategy. The business operations may actually be simple yet setting goals across profit-people-planet makes the governance more complex and the operational leadership more challenging. Very simply the governance and leadership capability and style of the industrial economy or even the knowledge economy are unlikely to suit.

Dr Stephen B. Young of the Caux Round Table suggests that there are five types of capital to manage: physical, financial, human, social, and reputational capital. This is based upon far reaching research on best business practices and ethics across USA, Europe, Austral-Asia and Japan. Therefore we have a hint that industrial economy and even knowledge economy management styles and capabilities are insufficient to manage all five core capitals, specifically social capital and reputational capital.

The Caux Round Table proposes that key governing principles for sustainable wealth creation must include the following two aspects: Living and working together for the common good, mutual prosperity, with healthy and fair competition; and Valuing human dignity and the sacredness of each person, be they employees, customers or stakeholders.

Although law, regulation and commercial market forces can go a long way towards ensuring these principles are adhered to, it is really determined by the mission, vision and values and conduct set by the Board of Directors. External forces can drive compliance. It is an internal Board choice, that determines the tone, spirit and behaviour.

Leadership Styles

Recently, Dr Deepak Chopra has been leading workshops on the Soul of Leadership, awakening us to the possibility that there are seven different types of leadership each more appropriate in different times and situations. In our new economy, where we must value all five types of capital, we require different leadership style then the aggressive and arrogant win-lose styles of the last 50 years.

Dr Jane Houston, is a guru on human potential and has been working with the United Nations to develop new leaders for our modern time. Her own mentor was Margaret Mead. She calls this contemporary style of leadership, social artistry. Social artistry is about ancient wisdom. Modern management seems to believe that there is nothing to learn from our ancient forefathers and fore mothers. Modern business and especially social enterprise shows that we can learn a great deal from our ancient lineage. A group focussed upon developing human potential is the Society of Jesus, known as The Jesuits. They have over the centuries contributed to personal development

and contribution to society, far larger than their small numbers.

Influence of Development of Corporate Entities

Lets also, look at the history of commerce. The first corporation limited by shares was the Dutch East India Company in 1602. Prior to that time the only expansive commercial vehicle was partnership law. The earliest body of limited liability partnership law suitable for trade is the Qirad in Islam. It is likely that the Qirad originated in the Arabian Peninsula with the Arabian caravan trade. It later became one of the most widespread tools of commercial activity. It was an arrangement between one or more investors and an agent where the investors entrusted capital to an agent who then traded with it in hopes of making profit. Both parties then received a previously settled portion of the profit, though the agent was not liable for any losses. From AD650 to AD1250, the Golden era of Islam the commercial world was largely driven by such trade partnerships, one of the key reasons why Islam spread across the world.

Partnership law was adopted in Italy in tenth century. Even today most accountants and lawyers use the partnership vehicle for business. This vehicle has also been updated in recent years to offer limited liability partnership business vehicles. The partnership vehicle is alive. The partnership has as owners the leaders and operational managers and expectant staff that one day they too may become partners. The partnership often has a paternalistic approach. Hence, just looking at

200 hundred years of industrial age contemporary management thinking ignores 1500 hundred years of ancient commercial wisdom.

Concluding Words

We have a wealth of management knowledge on managing human capital, physical capital and financial capital. Social enterprise leadership will therefore also need to draw upon more wisdom about managing social capital and reputational capital, which intrinsically is about people and the planet. The old administrations and government agencies based upon managing less than all five are like the dinosaurs under pressure of extinction.

Social enterprise and the governance and leadership of the five types of capital is one of the transformational trends of this period of time and key to governance of profit-people-planet. ■

Paul A Zaman is the CEO of Qualvin Advisory, we provide "smart support for busy executives" to listed and unlisted companies in creating sustainable wealth and being good corporate citizens, getting a firm and fair share price and institutional investor engagement. Telephone +65 6733 1395 Email: pzaman@qualvin.com. Get free insights, practice guides and CEO survey results at www.qualvin.com.

FEATURE

Corporate Governance Developments from Around the World

A. United Kingdom & Europe

1. UK's Combined Code of Corporate Governance Amended

The Financial Reporting Council ("FRC") has announced several changes to the UK's Combined Code on Corporate Governance. These include:

- the removal of the restriction on an individual chairing more than one FTSE100 company; and
- for listed companies outside of the FTSE350, permitting the chairman to sit on the audit committee where he/she was considered independent on appointment.

The revised Code will be published at the end of June and it will apply to accounting periods beginning on or after 29 June 2008. The FRC has also published a regulatory impact assessment and a summary of consultees' responses.

For more information, please visit: http://www.frc.org.uk/

2. Market misconduct: FSA consults on introducing a "leniency" provision

The Financial Services Authority ('FSA') has published a consultation paper proposing changes to the FSA Decision Procedure and Penalties manual and Enforcement Guide which, amongst other things, would include the addition of a new "leniency" factor to the non-exhaustive list of factors to be taken into account when deciding whether to prosecute market misconduct offences.

The FSA's proposal is that, where two or more individuals are engaged in misconduct together, the co-operation of those individuals with an FSA investigation will be a factor and be taken into account in the decision whether or not to prosecute them. The FSA intends the leniency factor to provide a greater incentive to cooperate, as well as improve the efficiency of investigations into market misconduct.

The FSA will need to consider, in each case, whether it is in the public interest to prosecute someone despite any assistance that person may have provided. The FSA says that the considerations it will take into account when making the public interest assessment include:

- The seriousness of the offence.
- The value of the assistance provided.
- The suspect's relative culpability.

If the FSA decides not to prosecute, it may still decide to take civil market abuse or regulatory action (resulting in, for example, public censure or a financial penalty). If the FSA pursues only a civil action, it would still be open to other prosecutors to take criminal action. The consultation deadline is 29 August 2008; the FSA plans to publish a feedback statement in December 2008.

The FSA consultation paper can be found at: http:/linkdoc/documentum services/ilink.asp?Docbase=docbase4_prod&DocNumber=A09482368

3. Changes Proposed to Dutch Corporate Governance Code

The Dutch Corporate Governance Monitoring Commission has proposed changes to the Dutch Corporate Governance Code. The proposed additions to the Code include the following rules:

- If a variable remuneration component (shares, options or a bonus) conditionally awarded in a previous financial year would, in the opinion of the supervisory board, produce an unfair result on account of incorrect financial data or special circumstances in the period in which the predetermined performance criteria have been or should have been achieved, the supervisory board may adjust the value downwards or upwards.

- If the remuneration committee uses the services of a remuneration consultant, that consultant should not provide advice to any management board member.

- The supervisory board should aim to have a diverse composition in terms of age and gender.

For more information, please visit:
http://www.commissiecorporategovernance.nl/Information%20in%20English

B. The Americas

1. Canadian Securities Regulators Propose Improvements to Executive Compensation Disclosure

On 22 February 2008, the Canadian Securities Administrators ("CSA") announced that they were proposing a new format for executive compensation disclosure. The new format will not only significantly impact executive compensation disclosure, but also the internal process by which companies make compensation decisions. Companies will be required to disclose all compensation awarded to certain executive officers and directors in a new tabular format, along with narrative discussion and explanation. This disclosure is intended to provide insight into a key aspect of a company's overall stewardship and governance and help investors understand how decisions about executive compensation are made.

For more information, please visit:
http://www.csa-acvm.ca/home.html

2. Definition of Independence Made Stricter By ISS In US

Directors who served as CEO prior to an IPO will be added to the definition of affiliated insider. Under existing ISS policy, directors are classified into management, affiliated insider and independent. ISS policy is that a majority of directors should fall into the independent category, which is narrower than the stock exchange definition of independence.

C. Asia

1. Singapore Exchange Issues Responsibilities Of Board And Financial Advisers In Assessing Acquisitions Involving Profit Guarantees

The Singapore Exchange Limited has recently issued a note setting out specific responsibilities of the Board of Directors ('Board') and Financial Advisers of a listed company in assessing acquisitions where the purchase consideration of the businesses or assets involves profit guarantees provided by vendors. For example, the Board and the Financial Advisers must assess whether the profit guarantee provided is realistic. They must also ensure the proposed acquisitions are in compliance with all relevant rules and regulations, including the Exchange's requirements on Very Substantial Acquisitions, Major Transactions and Discloseable Transactions.

The note issued by the Exchange is aimed at putting greater responsibility on the Board and the Financial Advisers when the contemplated acquisitions are based on or include profit guarantees provided by vendors. The ultimate objective is for the Board and the Financial Advisers to safeguard the interests of shareholders in such an event.

2. Hong Kong Reviews Its Company Law

The Hong Kong Financial Services and the Treasury Bureau is conducting a review of company law. As part of this programme, it issued a consultation paper in April 2008 concerning company names, directors' duties, corporate directorships and registration of charges. Amongst the questions asked are:

- Should the general duties of directors be codified and, if so, should the UK approach (as in section 172 of the Companies Act (2006)) be adopted?

- Should corporate directorships be abolished, or should every company

be required to have at least one individual person as a director?

The consultation period ends on 30 June 2008.

For more information, please visit:
http://www.fstb.gov.hk/fsb/co_rewrite/eng/home/home.htm

3. Australia Introduces reporting Requirements For Climate Change

The Australian National Greenhouse and Energy Reporting Act 2007 ('NGER Act') commenced in September 2007. The NGER Act establishes a regime which requires certain corporations to report on their annual greenhouse gas ('GHG') emissions, energy production and energy consumption to the new Greenhouse and Energy Officer. This Act represents the first step in the implementation of a national ETS, as information reported under the Act will underpin emissions liabilities under the ETS.

The NGER reporting obligations will commence for some companies in the 2008/2009 financial year, with first reports due by 31 October 2009. Companies at the top of their corporate group in Australia ("controlling corporations") will be required to register and report on behalf of their group. Whether or not a controlling corporation has to report will depend on whether emissions from "facilities" under the "operational control" of the corporation and entities in its group exceed the relevant threshold.

Effectively, the requirements of the NGER Act extends the scope of the reporting obligations of a company under the Australian Corporations Act. ■

SID Evening Talk

An evening talk on "Newest Developments in Fixing Corporate Governance", held on 28 February 2008 at The Executives' Club, was co-organised by AJP Advisers Pte Ltd and SID. It was attended by about 30 participants.

The workshop provided participants with a better understanding of ensuring that managements and boards of directors see their role as agents for the shareholders is having an active market for corporate control.

The talk was conducted by Mr Joel Stern, a recognized authority on financial economics, corporate performance measurement, corporate valuation and incentive compensation and is a pioneer and leading advocate of the concept of shareholder value.

SID thanks AJP Advisers Pte Ltd for co-organising the talk. ■

SGX Listed Companies Development Programme

Understanding the Regulatory Environment in Singapore in Mandarin

The Singapore Exchange Ltd (SGX) held another of its Mandarin session on "Understanding the Regulatory Environment in Singapore" in the City of Shenzhen on 25 March 2008 in response to the strong demand from companies in China.

As with a similar training programme conducted in English, the Mandarin version was also designed by SGX and SID and covered topics on directors' duties and responsibilities; governance, risk management and compliance and SGX regulations.

The presenters were Mr Hee Theng Fong, partner at the law firm Hee Theng Fong & Co and a practicing director, Mr Ng Siew Quan, partner at PricewaterhouseCooers. The keynote address was delivered by Mr Richard Teng, Senior Vice President & Head of Issuer Regulation of SGX.

SID thanks the presenters for their kind contribution and SGX for partnering SID to conduct the training programme. ■

SGX Listed Companies Development Programme

Understanding the Regulatory Environment in Singapore

The 10th and 11th runs of the SGX Listed Companies Development Programme on "Understanding the Regulatory Environment in Singapore" were held on 6 March 2008 and 28 May 2008 respectively. The Programme continues to be very popular with listed companies. We had 81 participants for the 10th run and 79 participants for the 11th run.

The training programme, designed by SGX and SID, covered topics on directors' duties and responsibilities, governance, risk management and compliance and SGX's regulations.

The presenters for the 10th run were Ms Kala Anandarajah, partner at Rajah & Tann LLP, Mr Ng Siew Quan, partner at PricewaterhouseCoopers and Mrs Yvonne Goh, managing director of KCS Corporate Services Pte Ltd. For the 11th run, we again had Ms Kala Anandarajah and Mrs Yvonne Goh together with Mr Yong Jiunn Siong, advisory partner at PricewaterhouseCoopers.

At the end of each session, there was a panel discussion involving all 3 presenters and representatives from SID and SGX. For the session held on 6 March, SID was represented by Mr Basil Chan while SGX was represented by Mr Ashley Seow. For the session held on 28 May, SID was represented by Mr Adrian Chan while SGX was represented by Ms Lorraine Chay.

SID thanks all the presenters and panellists for their kind contribution and thank SGX for partnering SID to conduct the training programme. ■

ASHLEY SEOW
NG SIEW QUAN

Members Nite

The quarterly members' nite was held at DXO, an NTUC Club, in the evening of 23 May 2008. The event was kindly sponsored by NTUC Club.

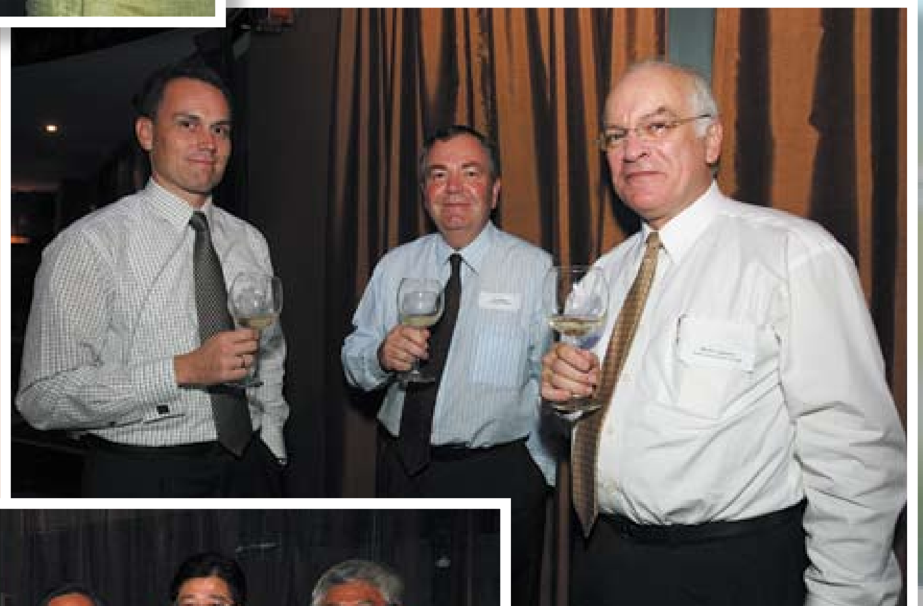
About 40 members attended the gathering. SID Council members like Mr Chew Heng Ching (Chairman), Mrs Yvonne Goh, Mr David Wong and Mr Yeoh Oon Jin were also present that evening.

The evening started with Mrs Yvonne Goh, chairperson for the Membership & Members' Services & Liaison Sub-committee, welcoming members to the gathering.

As part of the evening's programme, Mr Graham Hayward, one of the Membership Sub-committee members, gave a short presentation on the history and development of South American wine. Mr Hayward regularly lectures on "The Art & Appreciation of Wine" at the Singapore Polytechnic. He is also often an International Wine Judge.

The wine added more fun and gaiety to the occasion and members were seen enjoying the wine and light refreshments and food. Feedback from members was positive, with many members commenting that they looked forward to more of such networking occasions. The event truly provided yet another opportunity for the members to make and renew their acquaintanceships.

SID thanks NTUC Club for sponsoring the party, Bacardi Martini, Mr Graham Hayward and his sponsors for the wine tasting sessions and members for their presence. ■



EXIT

Events Calendar

SID-SMU Executive Certificate In Directorship

Executive Skills for Board Members in Challenging Times

The much awaited SID-SMU EXECUTIVE CERTIFICATE IN DIRECTORSHIP is back...

What are the attributes of high performance boards and how can boards guide companies to excel in challenging times of rocketing resource prices, heightened security and environmental concerns? SID, in partnership with the Singapore Management University (SMU), offers a certificate level programme to deal just with these issues and to enhance board members' effectiveness in steering companies towards excellence.

The Programme explores issues dealing with "The Role of Directors", "The Effective Contribution by Directors", "How Macro Forces Shape Industries", "Assessing Strategy", "Financial Health" as well as the "Strategic Drivers that Create Value for the Business". A very practical, discussion style approach is adopted so that participants are equipped with the hard core materials as well as useful everyday tips they can apply.

The certificate level programme comprises of 3 modules.
Each module is 3 days and is conducted over two 1.5 days block, spread over 2 weeks. An assessment follows each module. Participants need to complete all three modules to be awarded the Executive Certificate in Directorship.

Module 1
The Role of Directors: Duties, Responsibilities & Legal Obligations (3rd Run)
18 - 19 September 2008
25 - 26 September 2008
3 October 2008 (Assessment)

Module 2
Strategic Business Directions (1st Run)
(to be advised)

Module 3
Finance for Directors (2nd Run)
30 - 31 October 2008
6 - 7 November 2008
14 November 2008 (Assessment)

For further information and registration:

http://www.smu.edu.sg/executive_education/programmes/2008/sid08/index.asp

Contact:

Ms Karen Yeo
Manager, Office of Executive Education
Tel: 6828 0287
Email: karenyeo@smu.edu.sg

WELCOME ONBOARD

OCTOBER 2007

Kong Clement Budi Irawady	Wee Sin Tho	Gin Hoey Kwan Hoong Kevin
Tan Seng Hwee Jason	Lee Kian Soon	Goh Mong Song
Foo Moo Tan Peter	Eng Siang Cher Patricia	Tan Gim Hwee Braven
Cheong Fook Onn Andrew	Chim Suan Kit Mark	Goh Yin Kiang Euleen

FEBRUARY 2008

Lee Han Siang	Khang Swee Cheng	Yap Wai Ming
Tang Wai Loong Kenneth	Lim Siew Soo	Lim Kok Khoon
Cheong Fook Hing Nicholas		

MARCH 2008

Sheridan John	Hsu Chyi Chin Anthony	Tan Hai Peng Micheal
Wong Koon Lup	Kwok Chong See Raymond	Ang Ziqian
Tan Lip Kee	Tan Yong Kee	Law Allen
Ong Omar Peter Young	Tan Hai Seng Benjamin	Mulia Masli
Tan Yi Hong William		

APRIL 2008

Tang See Chim	Cheng Poh Chuan Gerard	Narayanan Sreenivasan
Gan Wah Kwang	Bahl Neeru	Tan Eng Kim Francis
Lim Ghim Siew Henry	Ong Hwee Li	Chan Tuck Lee
Chong San Chew	Lee Chee Yeng	

MAY 2008

Lim Chwee Heng	Toh Wing Yew	Oh Boon Thong James
Ho Nyuk Choo Deborah Joanne	Neo Lay Hiang Pamela	Lee Tsao Yuan
Zein Tony	Verma Kush	Poh Siew Beng
Murthy Rajashree	Chin Soon Siong	Ferguson Ray
Mittal Shalabh	Cheng Yu-Dong Alvin	Phua Kia Ting

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