The Directors'

Bulletin

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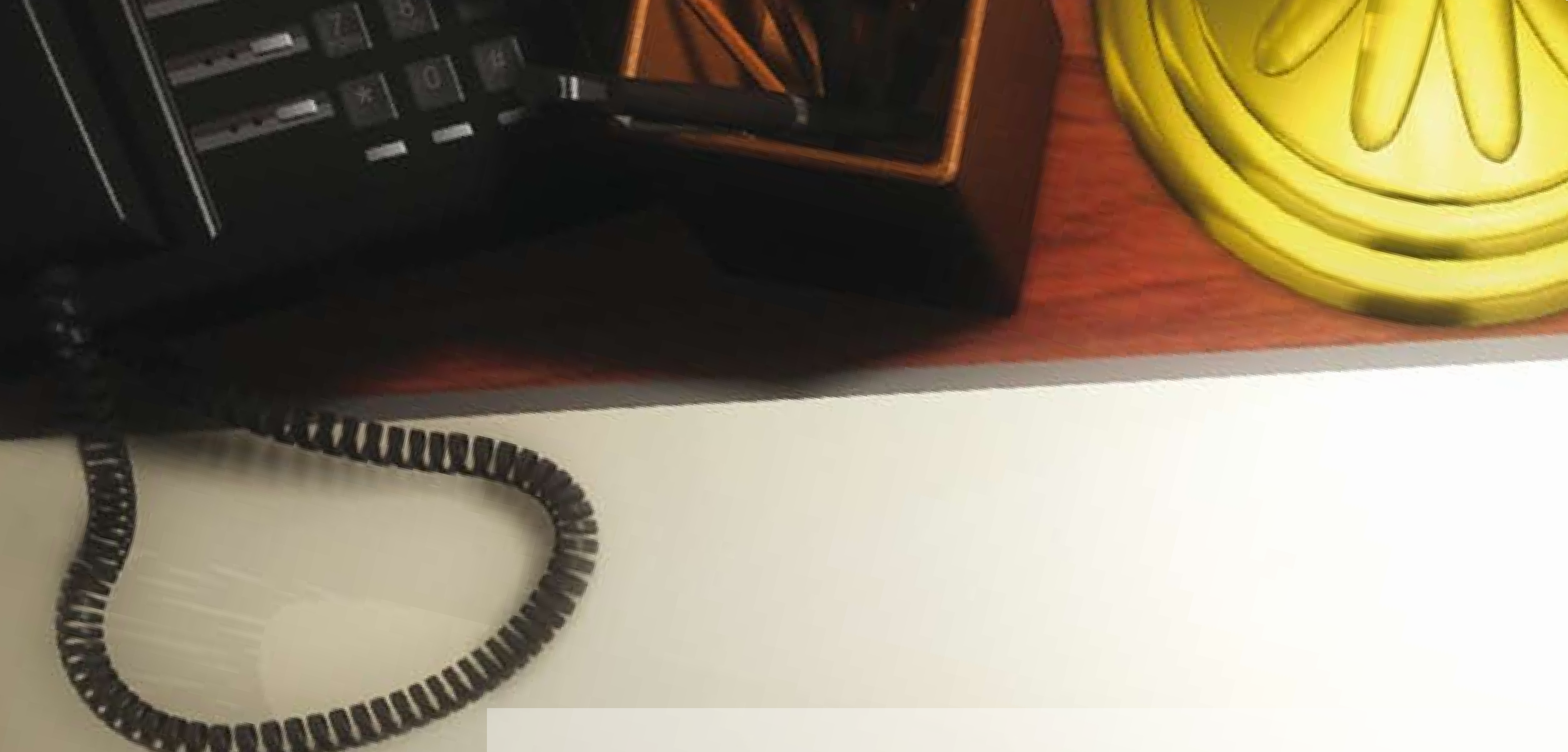
SID
SINGAPORE INSTITUTE OF DIRECTORS

Governing the company in difficult times

Perspectives from thought leaders –
Hear from Professor Tommy Koh, Ambassador at Large



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From the editor

As we hit the half mark of the Year 2009, it is heartening to note that there are many who believe that the worst in the credit crunch is over, with various green shoots emerging in various countries and industries. Although it is hardly time to pop champagne as yet, given the opposing views as to where the economy is headed and how long it will take to fully emerge from the current downs, it is comforting that there is some light at the end of the tunnel.

However, before revelling, the Editorial Team felt that it was still useful for all to take a step back and consider how they can improve matters. With this in mind, the articles in this issue focus on how to think positive and thrive in recessionary times, reviewing the role of the board in how they can manage the reputation of their companies in these trying times, questioning which are the companies that will survive this downturn, and looking at ways to better manage cash and credit flow, amongst other areas. Each of these articles are timely as they focus on the here and now and provide some degree of guidance for businesses searching for answers.

A new highlight of the Directors' Bulletin is the Perspectives From Thought Leaders. The first of such perspectives is provided by Professor Tommy Koh, Ambassador at Large and leading thought leader in all things right, as he shares his quick thoughts on the Wall Street meltdown, the importance of having a thinking board, the disparate remuneration packages that increasingly plague our corporate corridors and the state of corporate social responsibility and corporate philanthropy in Singapore. In a succinct manner, Professor Koh also provides fodder for thought. He stops us in our paths and makes us question how the very simple solutions could have been forgotten through a culture reeking of greed.

It is not possible to avoid touching on the independent director and his role in any issue of the Directors' Bulletin, and this issue is no different. Was the deleveraging that occurred so quickly ravaging many in their paths as they unfolded a direct result of independent directors not performing their role effectively? To respond positively to this question would be to put too much blame at the feet of the independent directors. Yet, it is clear that they are partially to be blamed. Lack of sufficient knowledge, perhaps brought about by inadequate, not insufficient, training is a further factor. And certainly, the lack of a willing enquiring mind is also another consideration. On this, Professor Koh notes that "it is harder for independent directors to resist the temptation to align themselves with the chairman or CEO. However, they would be failing in their duty if they failed to resist the temptation".

The articles in the Directors' Bulletin aside, this quarter saw the Institute release its latest Singapore Board of Directors Survey 2008/09. The Survey undertaken in conjunction with the Singapore Exchange, Aon Consulting, Egon Zehnder International and PriceWaterhouseCoopers is the sixth in the series of surveys conducted to date. It shows by way of comparison to past surveys that companies have at least in form taken positive steps to ensure compliance with good corporate governance principles. On this, it is noted that 98% of the companies have achieved the recommendation in the 2005 Code of Corporate Governance on the issue of at least a third of the board comprising independent directors. However, it is clear that good corporate governance is not just about the form; and on that front there is still some way to go for many companies.

It remains for me to thank, on behalf of the Institute, all contributors and others who have enabled this issue of Directors' Bulletin to be produced. The Institute looks forward to suggestions and thoughts from you on how else this Bulletin can serve your needs better. ■

Kala Anandarajah
Editor

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President's Message

Dear Fellow Members,

As we approach the end of the first half year of 2009, the global and local economic and financial downturn is still with us despite some recent signs of pick up in the stock, property and oil prices. The broad general consensus remains that the recovery is still some way away.

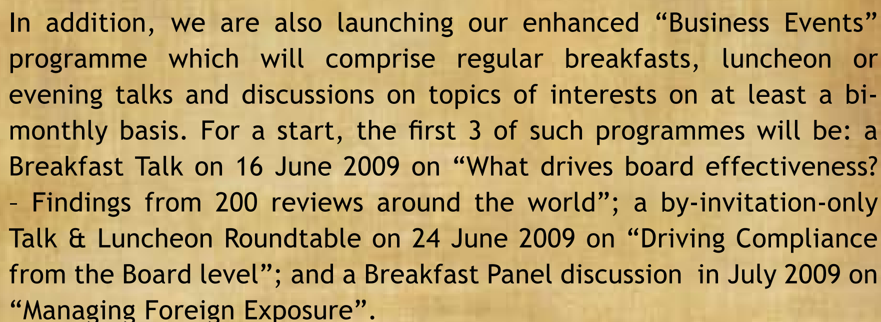
This is why we have chosen to focus in this issue of the Bulletin on articles relating to managing the company in difficult times, such as "Survival of the fittest"; "How to thrive in a recession"; and "Managing Cash in crisis".

We are also privileged to have in this issue a feature interview with Professor Tommy Koh, who has candidly shared with us his insightful personal views on a number of corporate governance issues, including the role of independent directors in Singapore, and also on corporate social responsibility and corporate philanthropy.

As there can still be opportunities even in the worst of times, the present downturn and slowdown certainly presents us with many opportunities to examine our processes and options, and to invest in the necessary changes that will enhance our continued relevance and stand us in good stead for the future.

Here at the Institute, we have started to implement in stages, the longer term plans we have recently articulated.

Starting from the new financial year in July 2009, we will start to roll out a more structured and comprehensive training programme for directors and aspiring directors. This will include a revamp of our popular one day programme "Understanding the Regulatory Environment in Singapore", which is also conducted in Mandarin in Singapore and in China. At the next level, we will be introducing our new modular half day programmes on the different board committees and associated issues, which will be run as a regular series twice a year. These will from now on be conducted as part of our regular training programme. This is so that those who miss a module will be able to attend another run of it in the next 6 month cycle. These will be in addition to our existing Certificate in Company Directorship programme, run with the Singapore Management University, and which we hope to be able to expand to include the Diploma modules in 2010, once there is a sufficient critical mass of graduates from the pre-requisite Certificate programme.



In addition, we are also launching our enhanced "Business Events" programme which will comprise regular breakfasts, luncheon or evening talks and discussions on topics of interests on at least a bi-monthly basis. For a start, the first 3 of such programmes will be: a Breakfast Talk on 16 June 2009 on "What drives board effectiveness? – Findings from 200 reviews around the world"; a by-invitation-only Talk & Luncheon Roundtable on 24 June 2009 on "Driving Compliance from the Board level"; and a Breakfast Panel discussion in July 2009 on "Managing Foreign Exposure".

We will also be holding a media briefing later this month to announce the results of our Board of Directors survey, which will be featured in the next issue of our Bulletin.

Starting with the next issue of our Bulletin, we will be increasing the frequency of our publication to bi-monthly or 6 issues a year.

Finally, members will shortly be receiving their membership renewal forms. We will be using this opportunity to ask you to update your particulars for our database. These returns will also enable those members who would like to be considered for appointment as independent directors of SGX listed companies to indicate accordingly. The updated information will provide the necessary base information for our new Directory of Potential Independent Directors which we plan to launch later this year.

We will progressively announce more details of our other plans for the Institute as they are finalized.

As we face the current continued economic uncertainty, we need to look for silver linings and prepare ourselves to seize new opportunities. Your Institute plans to assist you and be part of your preparation.

Warm Regards,
John KM Lim
President

Perspectives From Thought Leaders

Some Thoughts on Corporate Governance in Singapore

By *Professor Tommy Koh, Ambassodor At Large*

Editor's Note: Corporate Governance remains an amorphous concept, incapable of precise definition; and even if defined, is incapable of precise implementation as it involves managing the impossible, ie the human trait of culture. Time and again, rules and regulations have been prescribed to provide guidance to corporations on how best to manage their affairs so that they are reflected as a good corporate citizen; as one who has ensured that in the process of profit maximisation, integrity, transparency and responsibility have not been abdicated, and that all shareholders are treated fairly. Yet, questions have once again resurfaced as to whether the rules and regulations have to be tweaked, reviewed or be provided with greater detail. These questions are not new. Rather than attempt an answer in the abstract, the Insitute felt it was a good idea to have thought leaders share their perspectives.

For this first article, given the current global economic meltdown, the Institute approached Professor Tommy Koh, himself a global citizen, for his thoughts on the situation. We set out here Professor Koh's views.

Question 1

Do you think the meltdown of Wall Street was caused by the culture that greed is good?

I think the meltdown of Wall Street was caused by several factors: inadequate regulation, lack of transparency, an unwarranted faith that the market will always get it right, and the culture of greed. The pressure to make quick money and to produce exceptional returns had led some brainy people on Wall Street to invent more and more complex instruments and investment products which even a genius like Warren Buffet could not understand. The whole saga of the sub-prime crisis is truly outrageous. It was a con game. I still cannot understand why the boards and managements of so many leading financial institutions in the US and Europe allowed themselves to be deceived. I guess they were all intoxicated with greed and had failed miserably to discharge their responsibilities. The regulators were equally blame-worthy. They were asleep on their watch. I fear, however, the lessons will soon be forgotten and greed, which is part of the human condition, will haunt us again.

Question 2

You have served on two boards. What positive lessons have you learned from your 5 years on the SingTel Board?

I have learned several valuable lessons. First, in choosing directors, the three most important qualities to look for are: competence, integrity and diligence. Second, the SingTel Board has a nice balance between Singaporeans and non-Singaporeans. Third, the board has a good mix of directors with different backgrounds, experiences and skills. Fourth, the annual strategic workshop was an excellent opportunity for board and management to bond and to think strategically about opportunities and challenges. Fifth, the relationship between board and management was optimal: it was neither adversarial nor too cosy. Sixth, the SingTel board took corporate governance very seriously and the committees of the board were empowered to fulfil their respective mandates. I believe that many of these lessons may be applicable to other boards. At the end of the day, what we want in Singapore is for companies to have effective boards. An effective board is one composed of men and women of competence and integrity, endowed with a diversity of skills and experiences, knowledgeable about the company's business and able to give management strategic directions and hold it accountable.

Question 3

What are your observations on the role of independent directors in Singapore?

Executive directors, independent directors and non-independent directors all play valuable roles on a board. Having served twice as an independent director, my sense is that there is a growing appreciation in Singapore for the role of the independent director. Obviously, whether or not an independent director acts "independently" depends on the individual and on the culture of the board. Some boards are dominated by their powerful chairmen. Other boards are dominated by their powerful chief executive officers. In those situations, it is harder for independent directors to resist the temptation to align themselves with the chairman or CEO. However, they would be failing in their duty if they failed to resist the temptation. I am optimistic that, over time, our independent directors will feel empowered to act independently.

In Malaysia, newly appointed directors are required to attend certain courses. I think we should do the same in Singapore so that all directors are aware of their rights, responsibilities and liabilities. Each company should also have orientation courses for their new directors.

On the vexatious question of whether there should be a limit on the number of directorships a person should accept, I do not know what the correct answer is. My personal rule is to serve on only one board at a time.

Question 4

Do you approve or disapprove of the growing disparity in the incomes earned by our senior management and the rest of the company?

I basically disapprove of this growing trend in Singapore. I do not know whether it is due to globalisation or to the pernicious influence of the Wall Street model of capitalism. I remember once asking a director of human resources what were the median income and the gini coefficient/index of his company. He looked puzzled and said he did not know and had never heard of the term "gini coefficient or index". The coefficient or index measures income inequality. It will surprise many Singaporeans to learn that Singapore has become a more unequal society than the United States. I feel that a wage system is intrinsically unjust if it pays someone at the top of the pyramid $6 million a year and another employee at the bottom $600 a month. We should never forget that the good results of a company are seldom, if ever, due to the brilliance of one person. It is usually the result of the contributions of a team. Our present reward system does not reflect this reality.

Question 5

Are you satisfied with the present state of corporate social responsibility ('CSR') in Singapore?

I am not satisfied. Most companies in Singapore pay lip service to CSR. We need to convince our companies that, as C K Prahalad has said, CSR is not charity. It is good for the business. Professor Prahalad, a hard-headed professor at the Michigan Business School, has demonstrated that there is a business case for all companies to practise CSR. Why is CSR good for a company's business? Because a company which practises CSR is better able to attract talented people. Because many customers prefer to patronise such companies increasingly, shareholders demand for their companies to be friendly to the environment, empower women, and create social capital.

Question 6

What about corporate philanthropy?

I concede that, unlike CSR, there is no business case for corporate philanthropy. I would, however, argue that all great companies should contribute to philanthropy. Why? Because profitable companies, like high net-worth individuals, should give back to the community which nourishes them. I would, therefore, urge all our major companies to consider setting up their own foundations and to follow the recommended international practice of contributing 1 to 2 per cent of their annual profits to their foundations. Temasek Holdings has shown the way. It is time for the Temasek-linked companies to emulate its good example. We also need more of our private companies and wealthy families to set up their foundations. If we all do our part, together, we can build a better Singapore.

Professor Tommy Koh
Director of DBS Bank (1994 to 2003)
Director of SingTel (2003 to 2008)
Chairman, Institute of Policy Studies

FEATURE

Avoiding The Rocks

The Role of The Board In Corporate Reputation

Background

As the economic crisis deepened towards the end of 2008, Spencer Stuart and Brunswick joined forces on a research project to explore the impact of the economic downturn on attitudes towards corporate reputation. We were interested in discovering whether there has been an increased interaction between the boards and corporate affairs function, and how that interaction has been affected by the downturn. Are boards treating corporate reputation as a serious governance issue and are they facing reputational issues into risk management?

Over a three-month period we interviewed 20 board chairmen and corporate affairs directors of leading FTSE companies to gain a variety of board and executive-level perceptives on these and other questions relating to reputation management and the evolving role of corporate affairs.

This report is a summary of the findings from the study undertaken. Very broadly, this study shows that corporate reputation affects a business in many ways, not least in its ability to attract and retain top-performing executive and non-executive talent. It is the role of the board and top management to safeguard the business reputation through behaviours that are consistent with the business' values, from their own perspective as well as that of the organisation's.

Corporate reputation and the recession

All those whom we have interviewed acknowledged the critical nature of corporate reputation and the fact that business success can be seriously jeopardised by reputational damage. As one chairman pointed out "Corporate reputation is always with you - it doesn't just surface during an economic crisis. A business with a strong financial control, sound governance and good corporate citizenship and other reputational assets such as goodwill and a powerful brand will deploy these characteristics to get them through the tough times."

However, when asked whether corporate reputation becomes more or less central to business success during a period of economic turmoil, our interviewees divided into two opposing schools of thought: those who believe that reputation has become more important in light of recent events (a slight majority), and those who believe that its perennial significance is unaffected by the downturn.

> *"There is a huge protective shield in having a quality* reputation."

Inevitably, those in the eye of the storm are most likely to assign increased importance to matters of reputation. There is a clear view that financial services institutions are most severely affected, with poor performance, lack of confidence and impaired trust all contributing to reputational damage.

Participants felt that few issues are causing more damage to corporate reputation than remuneration. While the negative reaction to pay in the banking sector is felt to be sometimes justified, the effect on talent retention of changing remuneration models in response to the much-criticised bonus culture is a real concern for the industry. While it is possible that this kind of reputational damage may spread to other sectors over time, the reputation of companies in other industries, consumer goods for example, remains less affected by the recession.

Opinions were not split entirely down sector lines, however. As one representative of a consumer business remarked: "When times are good, the difference between a good, bad or indifferent reputation is less obvious; however, when times are tough, levels of scrutiny change and there is a huge protective shield in having a quality reputation."

Several of those who viewed corporate reputation as more important during the downturn observed that it has evolved from being mainly linked to CSR and certain sensitive issues to being a key issue in corporate strategy and commercial planning. Addressing reputational issues thoroughly involves considerable forward planning, rather than merely reacting to events. Demonstrating good corporate behaviour is seen as even more critical in bad times, given the speed at which things can change, the greater scrutiny businesses are under, and the growing anti-business sentiment.

Those who view that reputation is no more important today then it is was before take the view that it is not the importance of reputation that has increased so much as the heightened general awareness of the economic crisis. Indeed, the more sceptical argue that companies do not collapse because of a decline in reputation but because of fundamental performance issues.

Supporting the notion that corporate reputation is no more critical during recession, one chairman said: "If people are not going to take corporate reputation seriously all the time, then there is something wrong with the company."

Another chairman drew an interesting distinction between reputational damage resulting from poor performance which, if addressed and resolved, is only temporary, and damage done to the core values and integrity of the business, from which it may never recover. "In my view, the current crisis has not changed the implications of either," he said.

"I can't think of one company that has suffered significant reputational damage and has shrugged it off without an impact on the business."

The multi-dimensional nature of corporate reputation means that companies must continually to weigh up their areas of exposures and examine where their reputation issues are placed at stake; companies have a variety of stakeholders and different relationships affect corporate reputation in different ways.

Whether or not recession has triggered a change in the way companies address this issue, corporate reputation is clearly considered central to the fortunes of a business, and this in turn becomes a central role for the corporate affairs director.

Adding value in the downturn

The corporate affairs directors we spoke to felt they can add most value in this climate by concentrating on the core aspects of their role – for example, ensuring processes are in place to pick up 'distress signals' – and making everyone in the organisation aware of issues relating to corporate reputation and areas of potential risk. The nature of their role positions them well for understanding societal shifts, the changing expectations of stakeholders and the directions of government thinking. This is particularly important at a time when governments everywhere are taking a more interventionist role in business, making a deep understanding of regulation and public policy essential.

"These days, people at the top of a corporate affairs function take a more conceptual approach. They come from a variety of different backgrounds but they must be able to express ideas clearly and simply."

In this climate, boards are acutely aware how quickly reputations can be lost, therefore the corporate affairs team has a unique opportunity to make an impact and raise expectations of what it can achieve. Corporate affairs directors are getting involved at an earlier stage in decision making and playing a broader role in the business. "Those who manage or work alongside us have come to realise the very significant benefit of active management of a corporation's reputation."

Internal communications is seen as the area which needs the most focus and attention in the present climate. Corporate affairs directors have a major role to play in keeping staff engaged and motivated while making sure that they understand what lies behind tough decisions.

> *"We are passionate about corporate responsibility. This has been an important message to send down through the organisation – that the business stands for things, as well as being a business."*

Finally, the value of presenting a company's positive contributions to society should not be overlooked during an economic downturn when the focus is primarily on crisis management. This is felt to be even more important at a time when the wider role of business is being debated and sectors such as financial services are facing tough questions about their duties and responsibilities to society.

The board and corporate reputation

So how does the recession affect the way boards view reputation and corporate affairs function?

Many boards are talking more about corporate reputation in the current environment and consequently, board members are becoming increasingly aware of the impact that reputation and communications can have on the business, by examining the implications for investor confidence, customer reactions and media sentiment.

Corporate affairs directors might normally expect to submit a report to the board twice a year on social responsibility and reputational matters. Today, however, many find themselves attending board meetings more regularly as the issue of corporate reputation rises higher up the board agenda. Board directors who have taken a great deal on trust during good times appear to be asking tougher questions and paying closer attention to risk and compliance, conscious of the fragility of their own individual reputations as well as that of their company.

> *"The board increasingly sees corporate reputation as important in gaining commercial advantage and driving business value."*

Boards have become more sensitive to the different dimensions of corporate reputation. External issues affecting shareholders, the media and other stakeholders are vital, but so is the need to reinforce the values of the company through effective internal communications. Both chairmen and corporate affairs directors pointed out that enhancing corporate reputation has a knock-on effect on workforce morale and the employer brand. It is the board's responsibility to ensure that the CEO and executive team cascade brand values and clear consistent messages throughout the organisation, something that the corporate affairs director will almost certainly have a strong hand in delivering. One chairman was particularly forceful about the need for executives to be visible and the importance of top-down example setting.

As we heard in the interviews, the health of a company's reputation can be a major issue for individuals considering joining a directorship. The ability to attract directors and talented executives depends on it, and is an important reason for boards to make it a priority.

Those who did not report a heightened interest in reputation from the boardroom cited a preoccupation of boards concerned mainly with the financial and operational aspects of the business, such as managing the balance sheet, maximising cash flow and taking decisions about capital expenditure. Their emphasis, in other words, is on financial rather than reputational risk.

> *"I think the chief executive needs to be more visible internally during difficult times than when the business is going well."*

While many chairmen agreed that reputation should be treated as a core governance issue, most felt that it is difficult to distinguish reputation from all things that influence it; reputation per se flows from, rather than drives, strategy, behaviour and performance. In the words of one chairman: "We say our company is well governed. We have a clear set of values and a sensible well articulated strategy. If we are consistent and successful in these things we protect our reputation."

> *"Among chairmen there was a clear consensus that boards must pay close attention to matters of corporate reputation and that reputation and risk are intertwined at every level."*

When asked about their personal role in managing a company's reputation, the chairmen we spoke to unanimously insisted that it was their duty to take a back seat (except in times of extreme crisis) to the chief executive.

One corporate affairs director remarked that the CEO should be the chief reputation officer, although CEOs' appetite for communication can vary greatly. In certain sector the chief executive may assume a higher-than-normal profile. This is particularly true in those sectors with a strong consumer connection and large workforce, where a charismatic personality is a common trait of the CEO who needs to communicate effectively and motivate a large and diffuse workforce. Such a dynamic figurehead can be a huge asset, although one chairman voiced a note of caution: "If the CEO becomes the brand, that is extremely dangerous, because the reputation of the company is linked to the fortunes of an individual. The CEO should manage the business in a way that strengthens and underpins the corporate brand, rather than his or her own.

> *"In a fragile, brittle market, having a solid reputation based on a belief that the company is doing the right thing is an important underpinning for the business."*

As a steward of the company's brand and reputation, the corporate affairs director needs to be strong enough to stand up to the CEO and the board if he or she judges that what they are doing is dangerous to the brand.

Thinking about governance and risk

There was consensus among the chairmen and corporate affairs directors we spoke to that reputation is an important governance issue and should be factored into risk management. There were, however, differing views as to how best to do this in practice. Should corporate reputation be included in the risk register, for example?

Some felt that reputation will take care of itself provided the basics of the business are strong. Existing risk management controls should pick up on specific issues that relate to the corporate affairs aspects of reputation. One person remarked that his company's risk matrix does not have reputational risk as one of its 18 risk headings, on the grounds that "reputation is a casualty or consequence of management failure in other areas."

Others – particularly those from specific sectors such as food and beverages, retail and financial services – felt that reputation needs more active risk management. Chairmen to highly regulated sectors believe that reputation has to be embedded in governance thinking, as do those presiding over highly visible consumer brands where the risks of negative coverage and a consumer backlash are potentially devastating.

> *"Reputational risk comes in the top five risks after things like financial, markets and management risks. Only relatively recently has it been treated as a separate risk item."*

One chairman of an industrial group makes health & safety the number one boardroom agenda item at every meeting. He was not alone in emphasizing how important it is for the board to pay attention to those areas where the company's reputation is most exposed. Nevertheless, the risks can be mitigated by good tracking and sound administration: "If risk management is embedded in your business, the chances are that your reputation will come through most crises in a sound way." One corporate affairs director who is actively engaged in risk management was clear that the responsibility for carrying out effective risk control should lie with the executive. "The board needs to feel comfortable that there is a framework in place but not to monitor day and night what the risks and issues might be."

In today's climate, not all chairmen would agree. In some industries such as financial services, risk and audit are the responsibility of separate committees, and some boards now even have a reputational risk committee. There is clear evidence that boards are increasingly involved in risk supervision (no great surprise in the light of recent events in financial markets) and that reputation is coming under particular scrutiny.

Interacting with the chairman and the board

In the interviews with both chairmen and corporate affairs directors, we explored the nature of the interactions and what 'best practice' should be in terms of the relationship between corporate affairs and the board.

Both parties agreed that a good corporate affairs director will be in regular, if not constant, touch with the board chairman and will be invited to submit regular reports for the board's consumption, attending occasional board meetings when required (e.g. in the midst of a crisis) or when reputational issues appear on the agenda for discussion.

However, there was a strong view – expressed by both corporate affairs directors and chairmen – that there

was no need for the corporate affairs director to be on the board. He or she should have access to the board, but not a formal place at the boardroom table. Boards are already often too big and other important executive roles, such as HR, marketing and information technology, are not represented. However, there was almost universal agreement that the corporate affairs director should sit on the group management board or executive committee.

The changing corporate affairs function

The impact of the recession on the corporate affairs function should be seen against broader changes in the function over the past five years. The recession has arguably served to raise the profile and importance of corporate affairs but changes were already underway.

The level of professionalism was already growing as the role had broadened in scope, taking in far more than media relations. A number of the corporate affairs directors we spoke to talked about the tendency to involve communications directors and heads of corporate affairs in the merits of a decision, rather than merely how it is presented internally or to the outside world. Today's corporate affairs director is more likely to be actively involved in change management, forming a partnership with the CEO alongside other functional heads such as HR, finance and communications.

> *"Today's corporate affairs director needs to have commercial insight, be financially literate, sensitive to how large organisations work, understand the political dimension and be supremely articulate - verbally and in print."*

Some commented that the function itself is not without reputational issues of its own, for example the perception that corporate affair is mainly about 'spin' rather than more substantive matters like policy development. Corporate affairs professionals can counter these by building trust and influence over time, strengthening internal relationships and careful management of the function and its place in the organisation.

Concerns for the future and issues to monitor

There appears to be a growing recognition by boards that corporate reputation is critical to the health of a company, that it must be monitored more closely than ever and that it is a key component of risk management. Contact between boards and the corporate affairs function is on the increase and as the demands on corporate affairs directors change they have a unique opportunity to make a lasting impact.

Our research interviews raised a number of interesting issues that corporate affairs functions will need to address over the medium to long-term finance.

IS REPUTATION DEFINED TOO NARROWLY? It is easy to be defensive and dwell on the threats to reputation, at the expense of building support for positive stories, such as social responsibility, sustainability initiatives and other investments that reinforce the brand

WILL THE BUSINESS MEDIA BECOME EVEN MORE SCEPTICAL as the recession deepens? Will the experience of the downturn make journalists more mistrustful of corporate messages and communications?

WHAT SKILLS AND CAPABILITIES ARE NEEDED within corporate affairs functions to meet the challenges of the downturn and enable companies to emerge from it stronger than before?

HOW CAN CORPORATE AFFAIRS PROFESSIONALS help guide their CEOs and boards through a more complex political and regulatory environment, including the government's increasingly interventionist business and industrial policy and the prospect of greater political volatility.

HOW CAN RENUMERATION COMMITEES ENSURE that they are not contributing to the weakening of corporate reputations by approving remuneration packages that are structured in a way that may encourage destructive or unethical behaviours?

WHAT IMAGINATIVE NEW WAYS CAN BE FOUND to enhance internal communications as a means of motivating and retaining staff?

HOW DO CORPORATE AFFAIRS PROFESSIONALS deal with the emerging anti-business sentiment, particularly in highly sensitive sectors such as financial services?

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Survival Of The Fittest

Firms going bust, a credit squeeze, spiralling unemployment and a nightmare on the High Street... the economic picture is certainly bleak. But there are tactics that entrepreneurs, directors, professionals and retailers can use to emerge relatively unscathed from recession. It's time for strong leadership, good communication skills, tackling stress and a positive outlook. Director asked business experts from a range of sectors for their tips on weathering the storm and how to profit when the dust settles.

Motivate for morale

Jonathan Austin
Chief Executive of Best Companies, which promotes workplace engagement

Bosses need to work harder at keeping staff engaged when times are tough. It's more important than ever to remember the factors that drive the involvement of employees and all too easy to let this practice fall from your agenda. But it is critical for maintaining morale and keeping performance high. So what can directors do to boost engagement levels during a downturn?

Communicate well. Everyone inside the organisation needs to know what is going on, but you need to tell it like it is. Use language that is honest which everyone can relate to, and avoid the temptation to dress up bad news. I've even heard redundancies referred to as "synergy-related headcount adjustments", which is an appalling euphemism and a statement likely to raise levels of disengagement among the "survivors" in an organisation.

Leaders need to be visible and accessible. People will assume the worst if managers are not around so show up, walk around and reassure your people. Make sure you're on hand to answer their questions and give them information about what is going on.

Stay focused on long-term objectives. Align the workforce behind your strategic vision to make sure that everyone is pulling together and feels part of a team. Employee engagement is often linked to the effectiveness and performance of senior managers, so set an example to be followed.

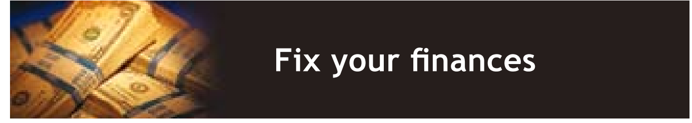
And finally, don't abandon training and development initiatives. Although these budgets are often the first to get cut in a downturn, it's crucial that staff, including directors, have the right skills to help take the business forward. Additionally, let your employees know the organisation values them as individuals, and that the brakes haven't been slammed on in terms of investment in their development.

Fight stress

Dean Gardner
Managing Director of Employer Services
a division of NorthgateArinso
the HR services provider

In the past four months, we've seen a 100 per cent rise in redundancy-related calls to our advice line from SMEs. Managing redundancies and making sure they're handled properly is a major concern for businesses. It's tough for people to find jobs right now, and the knock-on effect is that they are more likely to go to a tribunal after they lose their positions. Maintaining standard practice and not rushing procedure because you're under pressure is crucial. My tips on managing stress at work are:

- Take time to communicate. Talk to your people each week about the business and make them feel part of it. This is crucial for alleviating stress and anxiety, and will also prevent harmful speculation. It's also about managing the expectations of those employees that are left if you have had to lose jobs.
- Provide access to outplacement services. This is a good affordable option and while it helps those that have been made redundant, it is also a strong message for people still in the business. Guide people to manage workloads more effectively by creating rest areas, encourage them to take regular breaks and make sure they use their holiday entitlement.
- Keep the staff handbook up to date so that people know their rights. Manage your people carefully. Failure to develop and maintain your staff could leave you in a precarious position when conditions improve.
- It's vital that SME directors think about the long-term consequences of actions they're taking now. Ensuring high standards of practice and looking after your people will pay dividends when the upturn comes.



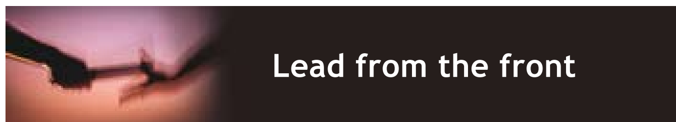
Fix your finances

Dr Andrea Moro
Finance Lecturer at the
Open University Business School

The downturn is not discriminating against industry sectors, making it difficult to identify areas of strength. The High Street is descending into a wasteland and major financial institutions are proving the old adage that the bigger they are, the harder they fall. But businesses can insulate themselves and minimise the effects of recession. As financial management is the key to survival, they must:

- Strengthen relationships with banks. In a recession, banks are less available to provide funds, especially to new customers. As a consequence, banks prefer to strengthen existing ties, leveraging all confidential information they collect as a basis for making decisions. Banks are increasingly monitoring activity and asking for supplementary information to gain an insight into the operational value of a business.
- Improve reporting. Boost your relations with a bank by responding to requests. The most effective way to do this is to sharpen your reporting procedures so that information can be collated quickly and efficiently. Anticipating what information the bank will request beforehand will allow you to act swiftly to capitalise on any opportunities. Provide bank financial statements as well as all other documents, including financial forecasts and business plans, as soon as you have them.
- Expand your own knowledge. Banks employ different lending technologies so make sure you have the data to exploit all possible avenues. They are: financial statement lending, based on evaluating statements; asset-based lending, which focuses on the provision of collateral and its quality; credit scoring lending, based on statistical techniques; and, finally, relationship lending, which looks at recurrent needs such as lines of credit and overdrafts.
- Plan effectively. Support your requests with strong documentation, including a detailed business plan. This will highlight robust areas of your company that could be bolstered in order to safeguard funding.

- Be transparent. Try to be crystal clear when explaining your business, including the evolution of the relationship with your customers and suppliers; the market evolution; the strategy to address recession; and the behaviour of competitors. Don't hide bad elements, but on the other hand don't over-inflate good areas.



Lead from the front

Bill McCabe and Tony Turnbull
McLane Group
a consultancy specialising in leadership

Customer and consumer focus have become the distinguishing factors between successful and failing companies. Ethical, environmental and economic factors determine where customers will go to buy goods and services and companies must respond accordingly. This requires organisations to be flexible, responsive and in a state of change themselves. And here lies the real problem. Change is seen as threatening. So how does an organisation improve employee motivation when some of the traditional tools of working towards a fixed vision seem to be vanishing? It's about managing energy effectively. Follow these four tips and you'll be on the right track:

Keep your staff informed on the state of play within your business and what you are thinking; if times are tough, make sure your team feels supported; offer acknowledgement and appreciation when required; and motivate staff to get the job done.

But it's not just employees who have to adapt in a downturn; good leaders must demonstrate three key behaviour patterns. First, in difficult times it becomes imperative that leaders offer high-quality coaching and mentoring. This is essential where change is to be regarded as desirable rather than a threat. Second, they must ensure that their teams have the equipment, training and empowerment needed to work in a changing environment. Teams will feel valued and valuable. Third, leaders should practise respect, appreciation and encouragement. This will support the long-term development of relationships. Organisations wishing to steer their way out of recession need to show strong leadership skills and create a sense of purpose for staff.

Know the law

Rowena Herdman-Smith
a partner at commercial law firm Mishcon de Reya

Unless you are relying on luck, only those who really know their business and the market are going to be around to see much of 2010. My top tips for managing customers and suppliers fall into two categories. They are:

Understand your agreements

- What agreements do you have in place? Are they in writing? You don't need a written contract to have a binding agreement, but it certainly helps regulate a business relationship and can avoid unnecessary legal disputes.
- What do those contracts actually say? We meet clients all the time who haven't read agreements that may be key to their business. Alternatively, they know the bits which work day to day, but have never considered what happens if something goes wrong.
- Deal with any issue that arises, such as non-payment, using the contract terms. If you want to do something differently, get professional advice first. You may compromise your company's rights if you don't.
- If you need (or are asked) to change contract terms, consider how best this can be achieved and whether this is to be permanent or temporary (such as a change to payment terms).
- Don't allow your company to be in default under a contract unless it is a calculated decision. Seek professional advice first.
- Many contracts are automatically renewed if no action is taken. But this may not be the time to allow such renewals. You may be missing an opportunity to renegotiate or put work back out to tender.

Know your customers and suppliers

- Keep in touch with them on a regular basis. Manage your exposure to them but understand their issues.
- Do what you can to find out how their businesses are faring. That includes checking annual returns.
- Manage the information about your business that they receive.
- Monitor your competitors – you may be able to pick off their key suppliers and/or customers.

Stay afloat

Alan Tomlinson
Partner at Tomlinsons
The business recovery and insolvency specialist

Almost every day we read about yet another company going into administration or more people becoming personally insolvent. But how, as a director of an SME, can you prevent this from happening to you?

In many cases, if you can stop the business getting into trouble, your personal finances will remain in order, too. So it's more important than ever you are vigilant and keep a close eye on key symptoms that may spell trouble ahead.

For example, having to make time-to-pay arrangements with suppliers, finding yourself with insufficient funds to pay the monthly PAYE or quarterly VAT, or constantly having to juggle funds so there are sufficient monies in the bank to enable cheques to be paid, all indicate potentially serious problems that are not going to be solved simply through the injection of further funds. In these circumstances, you should not remortgage your house to inject funds into the business or raise your overdraft facility without taking advice. But you must understand the signs that you are getting into financial difficulty early on. This will give you a head start in dealing with the situation constructively.

Acting early could mean you avoid liquidation and turn your business around. If keeping your business in its current state is no longer possible, acting early can at least mean a more satisfactory outcome such as a pre-pack administration that preserves the goodwill of your business and maximises the value of assets for the benefit of creditors. Alternatively, it could mean you can arrange a Company Voluntary Arrangement (CVA), which is a deal between your business and its creditors, overseen by an insolvency practitioner, to give it time to sort out its affairs while the creditors take a back seat.

In some cases, the company may be doing well, but you yourself are struggling financially. Once again, taking advice early increases your options. Don't, whatever you do, stick your head in the sand.

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RESILIENCE IN 2009

How to thrive in a recession

In times of subdued demand and economic turbulence, companies can fall from the top positions in their sector. Recent examples include Lehman Brothers and Babcock & Brown. At the same time, others thrive, rising to be major players in their industries, as St George Bank, Harvey Norman and Toyota have done. As pressure increases on company directors to steer their companies through turbulent conditions, here are 10 strategies boardrooms must consider.

1 Anticipate change in demand and respond

In a downturn, customers defer spending, change buying criteria and shift preferences towards value products. Demand shifts from one segment to another and new opportunities emerge. This is an opportunity to offer value substitutes and shift focus to alternate segments. For example, telecommunications companies might offer highly discounted bundles to lock in customers. Or banks might offer internet-only accounts as a way for them and their customers to save money.

Questions for the boardroom: Are we confident that our revenue projections account for shifts in customer demand (downside and upside)? How has our marketing strategy been adjusted?

2 Invest in strengths. Divest from cash drainers

Empirical evidence suggests successful companies continue to invest in turbulent times, acquiring assets consistent with their core competencies, often at good prices.

With a strong balance sheet, the Commonwealth Bank can acquire BankWest to grow its market presence. Directors should position their companies to exploit turbulent conditions by building a recession war chest.

Divest or put on hold speculative investments that might have appeared good in a buoyant economy, but risk becoming cash drainers in a recession.

Questions for the boardroom: Do we have the right corporate portfolio given changes in risk and economic conditions?

3 Focus on cash flow

Can our company afford to weather a 20 per cent decline in sales or a 30 per cent dilution in margin for key products? What happens if five per cent of debtors default? Will your company have adequate cash to cherry-pick distressed assets in a buyer's market?

Research shows Australian primary resource companies carry an average of 14 per cent working capital as a percentage of operating revenue, compared with global best practice of 10 per cent. Cash can also be created in other ways, such as revisiting customer payment terms to reduce receivables and bad-debt risk.

Questions for the boardroom: Have we revised our target cash and inventory levels, given the rising cost of funds and economic outlook, and how do actual levels compare with these targets? How much extra cash can we generate – for example, by selling slow-moving stock?

4 Reduce leverage

Around 25 per cent of the lucrative capital gains achieved by private equity firms during the recent growth period are attributed purely to the strategy of acquiring assets with high leverage. This makes sense because in a buoyant economy it is easier to achieve a return on assets superior to the cost of borrowing. Conversely, in a recession the prospect of achieving returns higher than interest expense diminishes. This explains the problems at Babcock & Brown and other investment banks. A company should adjust debt levels according to its expectations and its continuing capacity to finance the debt. In a recession, reduce debt.

Questions for the boardroom: Do we have the right funding mix and structure in place?

5 Switch to more flexible capacity

Creating flexibility in operating capacity (to handle lower or different demand) means your company will carry fewer fixed costs when recession hits. By operating capacity, we refer to call centres, assembly lines, back-office processing, sales force, logistics and so on. Some of the ways this strategy might be applied include offering temporary contracts instead of hiring permanent staff, engaging third-party sales channels on a risk-reward basis and negotiating new supply thresholds with suppliers.

Questions for the boardroom: What are the flex options and the magnitude of flex in each of our major operating functions and in terms of product volume and mix?

6 Cost down without damage

Companies that slip in a recession generally fail to recover to the top positions in their sector. This is because across-the-board cuts mandated by the board at the peak of the recession destroy business value and employee morale.

Directors must ensure their companies are capable of trimming costs at the right time, in the right areas while also matching demand. Do this by analysing operations and costs to earmark expenses that might be necessary in good times, but dispensable in difficult times, such as administrative overheads, duplicate management layers and higher-specification raw materials.

Questions for the boardroom: What are our cost-reduction contingency plans (these should be surgically specific expenses that don't damage customer or business value)?

7 Revisit projects for viability and cash-flow effect

Cash is king in a recession. The rising cost of funds changes project hurdle rates and underlying assumptions shift. For these reasons, all projects should be reviewed for their strategic merit under new economic conditions. Some may be accelerated, others deferred. For a bank, this might mean deferring a product-platform upgrade, but accelerating projects aimed at gaining sales productivity in recession-proof segments. For producers such as OneSteel or George Weston Foods, the return on investment for projects to reduce inventory will appreciate vis-a-vis network optimisation projects.

Questions for the boardroom: Has the business case for our portfolio of major projects changed? Should we revisit all projects with an updated set of filters to test viability and strategic fit?

8 Engage employees to adapt

When a recession hits, successful companies engage employees to adapt to new conditions by aligning them to realistic but still aspirational targets, as opposed to berating them for not meeting sales targets. They build confidence in leadership to steer them through tough times. The aim is to engage your best talent to adapt to changes in market, rather than to look for a job elsewhere.

Questions for the boardroom: How have we adapted our employee engagement strategy to navigate through turbulent times to ensure our most talented people stay passionate?

9 Exploit supply conditions

In a recession, desperate CFOs defer payment to suppliers, and suppliers feel the cash squeeze and the cost of increasing debt. Competition intensifies and price wars may erupt among your supplier base. This is an opportunity to revisit supply contracts to lock in lower prices or take advantage of bargains. Conversely, a recession is an opportunity to get closer to strategic suppliers - to negotiate improved quality, preferential treatment, and other sources of competitive advantage.

Questions for the boardroom: What are our supply market opportunities given the magnitude of falling prices and atmosphere of risk aversion among suppliers (in terms of cost down and competitive gains opportunities)?

10 Anticipate desperate competition

Desperate companies employ desperate sales tactics, such as price deals at a loss as they try to generate revenue to cover fixed costs, thereby flooding the market with offers that damage long-term industry profitability. Can your company afford not to follow or can it find higher ground? During difficult conditions, Qantas improved premium services to business customers, against the trend of other airlines, thereby locking in loyalty of its high-value segment.

Desperate competitors make across-the-board cuts, damaging customer and employee relationships. This is an opportunity to win market share and recruit the best talent in the marketplace.

Questions for the boardroom: What will the market look like during and after the recession in terms of behaviour and structure? What action can we take to thrive during a recession and realise long-term advantage afterwards?

Preparation, timing and messaging is essential

Preparation for a downturn should not be self-fulfilling - it should not result in a premature slide in revenue, or panic among employees and suppliers. Cutting back variable costs, such as temporary staff in outbound telesales, should happen when recession hits, not before. Board members and executives should be vigilant in their communications, avoiding words such as “recession” and “cutbacks”. Instead, they should use phrases such as “switching to flexible capacity” and “investing in strengths”.

James Lau is a partner at boutique strategy consulting company Business Development Partners.

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Managing Cash In Crisis

Working Capital The Hidden Treasure

By Alvin CY Tan

If we were to ask if you wanted interest-free cash without any hidden catches attached, it is likely that there would be unanimous take up in this present climate. The question is – is there such a source of cash available out there?

This hidden treasure can be found and derived from liberating cash from a company's own working capital. The advantage of tapping into working capital value creation is that it is one of the cheapest source of liquidity and the easiest value creation levers to pull. Concurrently, an improvement in working capital will reduce exposure to bad debts and slow inventory as it improves process efficiency and effectiveness, which enhance predictability of and improve cash flow forecasting.

The idea of improving a business working capital to free up cash is not new but it is only catching on recently as liquidity dries up. To a lot of people, working capital is basically an accounting number, consisting of accounts receivables, accounts payable and inventory. The perception is that to improve a company's working capital position, all they need to do is collect faster, pay slower and reduce the inventory holding. There may be some truth to these perceptions but how do you ensure:

1. The working capital improvements are sustainable in your company?
2. There is clear visibility of cash flow?
3. Cash flow is properly managed to run the business, whereby you do not end up "squeezing" your suppliers until they can no longer support you and most importantly, to ensure that customers' service level are not compromised?

There are internal and external factors that affect working capital. The focus should be on internal factors that are within the control of the business. There is a need to look at it from an end to end process starting from "sales to quote management" all the way to "cash allocation" for the receivables; "procurement strategy, budget and forecast process" to "payment issuance and cash management" for payable; and finally for inventory, "product range management' to "finished goods warehousing, logistics and returns" (Refer to diagram A for end to end processes for working capital management).

Diagram A: End to end processes for working capital management

Order to cash:

Procure to pay:

Forecast to fulfill:

To make the improvements sustainable, the business also needs to address all operational levers (refer to diagram B) and optimize the building blocks, including policy/procedure, process, organization/people, system/tools and metrics (refer to diagram C) that impact working capital.

Diagram B: Operational levers

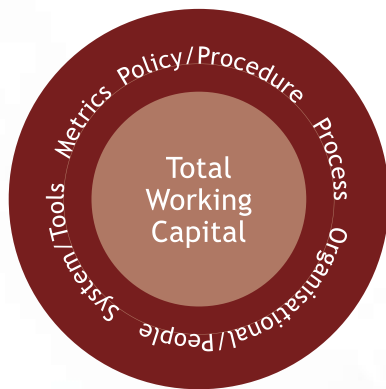


Diagram C: Working capital building blocks

Policy/ Procedure	• Clear statements that address the cross-functional roles and responsibility requirements of the business • Direct linkage between policies and the competitive strategy of the business
Process	• Alignment of functional objectives with overall corporate objectives • Cross-functional processes with clear accountability • Clearly differentiated process for high and low value items
Organization/ People	• Coordinated activities managed through correct organization structure • Professionally trained staff with comprehensive and relevant skills • Clear understanding of the commercial impact of activities
System/Tools	• Clear understanding of system functionality and operational application • Simple configuration that supports operational execution • Sharing of information across the whole process
Metrics	• Key performance indicators with clearly established targets • Measurement of process activity and efficiency as well as financial performance • Trade-off measurement (eg.: inventory and customer service relationship)

To demonstrate why the "Working capital building blocks" cannot be ignored or neglected, please take a look at an illustration at the end of the article.

Working capital is an effective indicator of a company's operation and financial efficiency and effectiveness. The closer a company is to their "best possible" situation (best possible day sales outstanding, best possible day payables outstanding and best possible day inventory outstanding), the better the company can focus on developing its core business. By managing the drivers of working capital properly, a company will be able to reap significant operating cost and customer service improvement, paying attention to the areas mentioned earlier. However, the challenge is in managing and maintaining a balance between conflicting objectives like inventory level versus customer service, payment performance versus strategic importance and stock-keeping unit proliferation versus market strategy.
As the pace of globalization accelerates, supply chain management will become more and more complex. Customers will also start to consolidate their purchases and leverage it with fewer suppliers to gain economies of scale, and higher discounts and rebates with better terms and service. With advancement in technology and new products, the lifecycle of a product also tends to get shorter causing production planning and inventory management to be increasingly difficult. Thus, a company's working capital needs to be leaner and be flexible enough to react faster to market conditions and changes, so as to stay ahead of their competitors and be in the game.

As the saying goes, "The best place to find a helping hand is at the end of your arm".

Illustration:

A typical mid size company starts to experience some cash flow issues as they are seeing a significant increase in their Net Working Capital (NWC = Receivables + Inventories – Payables) as a percentage of their sales.

The company's NWC might in this instance account for about 30 percent of their total sales. The factors that account for such a high level of NWC include:

- Sales not growing in proportion to Accounts Receivable (AR)
- No formal credit control
- High level of AR overdue
- Build up of physical inventory
- Steep increase in price of raw material (commodity item)
- Short payment term for commodity item

The company, being aware of the situation, starts to try and reduce their working capital level. Basically, to a lot of businesses, in order to reduce working capital, they will aim to reduce the amount of inventory holdings, collect their AR faster and stretch out the Accounts Payable longer. This might be true in terms of reducing the amount of working capital at a point of time. However, the most important question here is: is this sustainable for the business?

Individual department heads are then tasked to achieve the above objectives and goals, which are usually pegged to their key performance indicators (KPIs). Most of the time, these "strategic" goals are set without equipping the department heads with the necessary tools and knowledge on how to go about achieving them.

This usually results in some silo behaviors that can affect the overall performance of the company. For example, the production team may want to cut the amount of inventory that they are holding,

but the sales people are unhappy as one of their directives is to increase the amount of sales. The sales people are afraid of losing sales as they may not have goods to deliver to the clients. The delivery of raw materials may also become inconsistent as the accounts payable team starts to delay payments and the purchasing team starts to buy on longer terms. The suppliers may no longer give them priority as the business is not as profitable as before. While everybody wants to do their part for the company, they may fail to recognize that their individual departmental action may be a trade-off for another department.

The following describes some of the actions that are usually within a company's control and can be undertaken quickly and simply to ease its cash flow problem in relation to the building blocks of working capital. In addition to these, other actions can and should be taken to facilitate improvements in working capital.

a) Analyze the company's situation and identify gaps or opportunities for improvement. The management team needs to establish a clear and understandable goal with clear policies and requirements between cross-functional roles. Priorities and accountabilities are to be decided to differentiate goals that are high and low value in terms of returns. The management also needs to define clear and simple processes and procedures that are in line with the strategic goal for operations to execute.

b) Provide training to staff from various departments at various levels to understand the importance of managing working capital and how it affects the company. This will empower them to understand how their departmental or individual actions can affect other departments' functions and operations within the company.

c) Foster the sharing of information among the various departments and equip staff with tools to achieve "quick wins" for working capital reduction. The key is to let them see the potential and possibilities as a form of motivation.

d) Establish a system of measurement to track the progress and sustainability of the efforts. Improvement in working capital should not be at the expense of customer service levels.

Cash flow management is more than just managing cash. In fact, when working capital is managed properly and correctly, bad debt exposure should fall, and inventory obsolescence should be reduced with a corresponding decrease in interest costs and increase in customer service levels.

The writer is *Alvin CY Tan, Senior Manager, Transaction Advisory Services, Ernst & Young Solutions LLP.*

Alternative Ways To Raise Capital In This Economic Downturn

The year 2009 has brought with it a tremendous amount of uncertainty in all aspects of economic (and some would argue non-economic) sphere of life. However, one thing that almost all people are agreed on is that we are currently passing through one of the worst economic crises since the Great Depression of the 1930s.

The pre-crisis days when companies could raise capital through a variety of traditional means are a distant memory and there is little visibility on when things will go back to "normal". Some of the traditional sources of funding for a company during a normal economic environment included:

- Working capital lines (fund / non fund based)
- Term loans from banks / financial institutions
- Bond issues (if the quantum of fund raising was significant)
- Rights issues of equity / equity linked instruments
- Issue of new equity shares for placement to select investors

Prudent companies also ensured that they matched capital use and source appropriately along the parameters of risk and timelines. Thus long term sources were used for long term purposes such as expansion of facilities, setting up new plants or acquisitions, while short term sources were used for short term purposes such as working capital and trade financing.

The current economic downturn was preceded by a period of unprecedented economic growth and credit expansion with a strong theme of underlying optimism. Companies and other investors were sometimes tempted to use short term capital for long term uses such as expansions and acquisitions.

While credit markets showed signs of shakiness since mid to late 2007, the sudden pace and the extent of deterioration in credit markets and in the global economic situation after the collapse of Lehman Brothers in September 2008 caught most people by surprise. As a result many companies are in a situation where they are

facing refinancing risks for their short-term loans in an environment of severe capital scarcity. Examples include some companies and investors that used short term bridge loans for acquisition financing without an assured "take-out", or companies that used their working capital facilities to invest in development of new projects which have now been hit by the downturn.

The crisis also put a strain on traditional bank financing including trade and working capital finance with banks cutting credit lines and withdrawing facilities even from some long standing clients.

The situation has subsequently improved since the bleak days of September/October 2008 with strong support from all key Governments to shore up the banking system and with equity investors now willing to consider investments in companies as borne out by the recent spate of rights issues and the surge in stock prices (though it remains to be seen if this is sustainable). However, even after these improvements, the situation has not resumed to "normal" and capital raising for day to day business operations and for projects is not an easy proposition for most companies.

In the current situation, companies need to think "out of the box" when considering options to raise capital. We have outlined below a few examples of the methods companies are actually using to raise capital in the current environment.

In general terms we could classify these sources of capital that companies are utilizing in the current climate as:

- External sources
- Internal sources

Raising Capital from External Sources

In the current environment, the traditional sources of external capital viz banks, bond investors, and shareholders (including institutions and retail) have been affected by the general environment of risk aversion.

In this situation, companies that are backed by cash rich shareholders, could consider rights issues underwritten by controlling shareholders. While the regulatory aspects could take some time, this could be a dependable method of raising capital for some companies.

Debt financing, while difficult, is also not completely ruled out as an option. In certain cases, companies are able to raise finance from banks or finance companies especially for working capital purposes or where the finance is against specific income generating assets. Chances of success are usually better where customers have existing relationships with the banks or financial institutions in question. Examples include certain financial institutions offering asset backed financing for specific working capital / trade financing requirements, financing of select oil & gas assets with specific long term contracts with credit worthy customers etc.

In cases where the above is not possible, given the uncertain economic situation, companies are raising capital through mechanisms that provide capital providers with the ability to benefit from the upturn, but at the same time providing for some downside protection. These methods include:

- placement of shares at a discount to market
- issue of convertible instruments

Placement of shares at a discount:

In this case equity shares are issued on a preferential basis to investors with appetite for significant blocks of shares in the company. The investors could range from distressed situation hedge funds to individual high networth investors. The shares are typically placed at a discount to the market price to generate interest and to provide some measure of downside protection to the investors.

The potential advantage from the company's perspective is the speed at which this exercise could be carried out. However the key issue is that the discount to market price results in a higher dilution in addition to potentially sending a price signal to the market. The possibility also exists of investors trying to lock in a gain by selling the shares in advance of the issue of the placement shares, thus putting some downward pressure on the market price.

Investors could find this attractive based on the recent pricing trend and the discount offered. Key challenges remain the absence of downside protection beyond that offered by the price discount.

The key issues to consider include:

- pricing - discount that is acceptable
- suitability of the type of investors from the company's perspective
- immediate extent of dilution and impact on controlling shareholder dynamics

- requirements for shareholder approvals
- degree of discount permissible under applicable regulations

Issue of convertible instruments:

These instruments are typically structured as either convertible preference shares, notes or convertible bonds. They could also be issued as a bond with attached warrants.

Companies could find this an attractive mode of raising long term capital as the instrument is either converted into equity shares or redemption (if any) is typically after 3-5 years. Further conversion pricing is typically at a premium to recent stock market prices thus being potentially less dilutive than issuing shares at a discount. The coupon (or dividend) on the instrument is also likely to be lower than the borrowing rate for the company in the current environment, bringing cashflow benefits. Further, the typical investors such as private equity funds could potentially contribute further value by providing the company with access to their expertise and networks.

On the other hand, we believe that certain private equity investors could find these instruments interesting due to a combination of factors. These include the strike price being attractive from the perspective of historical stock market valuations, the conversion feature providing the ability to benefit from the upside, and the redemption features providing downside protection which is valuable in the current environment. In many cases, the investor could also have a board seat and certain minority protection features.

Key issues to consider include regulatory, accounting and other issues such as:

- overall economic package - conversion price, coupon, conversion timeline, etc.
- suitability of the investor from the company's perspective
- requirements for shareholder approval, depending on the extent of dilution, features of the instrument and existence of a general mandate from shareholders
- constraints on the features of the instrument especially in the case of listed companies
- accounting aspects of the instrument - certain ways of structuring the instrument could make a difference in terms of it being classified as debt or equity with attendant impacts on the financial statements

Raising Capital from Internal Sources

A source that companies usually do not consider in normal circumstances is the release of capital from their own balance sheet and operations. The measures to release internal capital cover a range of timelines, with some providing capital in the short term, while others taking longer to implement but being more permanent in nature.

Some of the measures being taken by companies to generate capital from their internal resources include:

- Reduction of working capital required in the business
- Rationalization of business locations
- Divestment of non-core operations

Review of working capital from a bottom up approach can assist in identifying items of working capital that do not have a high rotation in the business, which can then be used to release capital for the business. Examples include some retailers, where slow moving stock is being cashed out via large discounts to recover capital. Unless the improvements in working capital are permanent, as the business starts picking up, reinvestment in working capital will be required. We believe that with the credit situation improving over time, working capital financing should be possible and therefore this measure could at least provide a temporary source of funding for the company.

Some companies with operations across multiple locations are reviewing all their plants and operations in light of the reduced production levels with an aim to consolidate manufacturing in a few large locations and shut down the smaller locations to reduce overheads and to make production more efficient. This also creates a surplus of certain assets with a potential to dispose them for cash (though a "book" loss may be incurred).

Finally certain companies are undertaking a strategic review of their businesses to determine core and non-core elements. The non-core elements could potentially be more valuable to other companies which could

therefore offer a reasonable value for these operations. In addition, private equity funds are also now reviewing opportunities to acquire such non-core operations which could be grown faster with sufficient injection of capital and other resources. Examples of this approach include situations where companies could spin-off their non-core businesses into a joint venture with a financial investor to release capital for the parent company. The financial investor's interest would be to work with the management team of the joint venture to create value through growth and other means with the objective of eventually exiting via an initial public offer or a sale to a strategic investor. The deal structure could provide for a situation where, if it so desires, at this stage, the parent company could possibly buyout the financial investor.

In conclusion, while the environment is certainly tough, fundamentally sound companies will have options to raise capital to tide them over the current financial crises. The key is to think "out of the box" and to tap capital sources that have not traditionally been large providers of capital in a corporate context. Of course, the actual solution adopted in a particular situation would eventually be determined by the board of directors based on a balanced consideration of risk, return and availability of capital.

The author is an Executive Director with PricewaterhouseCoopers Corporate Finance Pte Ltd ("PwC"). The views expressed here are his own. While this article is written in good faith to inform readers at a general level, it is not and should not be construed as being, a substitute for exercise of judgment by the reader prior to taking or refraining from any action. Readers should take suitable professional advice prior to taking or refraining from any actions based on the contents of the article.

Corporate Governance

The foundation for corporate citizenship and sustainable businesses

Corporate Citizenship and Sustainable Businesses

Corporate citizenship — a commitment to ethical behavior in business strategy, operations and culture — has been on the periphery of corporate governance and board leadership, linked mainly to corporate reputation. However, in today's globalized and interconnected world, investors, creditors and other stakeholders have come to recognize that environmental, social, and governance responsibilities of a company are integral to its performance and long-term sustainability.

Today, these concerns help determine profits. For companies to operate successfully and sustain growth, boards must incorporate these new dimensions into their core decision-making processes.

The global financial crisis has heightened the need for corporate boards of directors to provide well-informed strategic direction and engaged oversight that stretches beyond short-term financial performance. Doing so prepares companies to more comprehensively address risks, by anticipating potentially adverse impacts on people and the environment and managing tangible and reputational risks. It can also generate wealth by creating shareholder value through an increase in business opportunities and broader access to markets.

A new vision of business is emerging — one where a set of core values, encompassing human rights, environmental protection and anti-corruption measures, guides the board's oversight, relationship with management, and accountability to shareowners.

"Good corporate governance practices instill in companies the essential vision, processes, and structures to make decisions that ensure longer-term sustainability. More than ever, we need companies that can be profitable as well as achieving environmental, social, and economic value for society."

Rachel Kyte
Vice President, Business Advisory Services, IFC

> A well-governed company takes a longer-term view that integrates environmental and social responsibilities in analyzing risks, discovering opportunities and allocating capital in the best interests of shareowners. There can be no better way to restore public confidence in both businesses and markets and build a prosperous future.
>
> **Georg Kell**
> **Executive Director, UN Global Compact**

Boards, collectively and directors individually, are central in accomplishing these objectives, for, as Sir Adrian Cadbury said, "corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals."

The impetus for this new understanding of board responsibilities can be found in a growing number of global and industry-specific initiatives. Chief among these are the OECD Principles of Corporate Governance and the United Nations Global Compact.

These benchmarks inform the work of the Global Corporate Governance Forum in its efforts to promote good corporate governance practices in emerging markets and low income countries.

Board responsibilities

Today's corporate citizenship — defined by a clear call to environmental, social and governance responsibility — links directly to three fundamental functions of boards and their directors' duties to the companies and shareowners they serve:

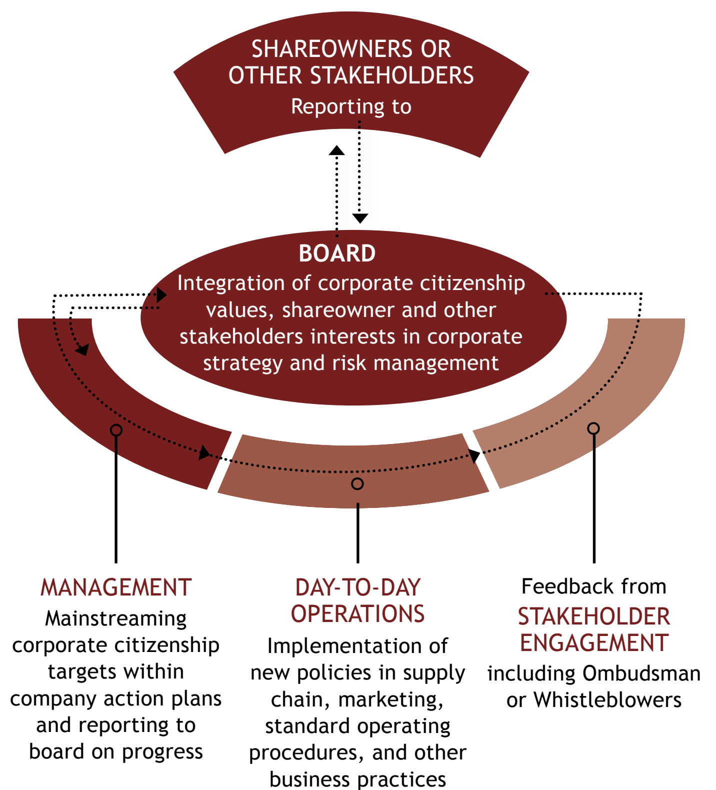
- Protecting stakeholder rights and interests
- Managing risk
- Creating long-term business value

The following sections explain how these aspects link through the OECD Principles and UN Global Compact. The examples of strategies illustrate the business benefits of proactive leadership.

Protecting stakeholder rights and interests

The OECD Principles call on businesses to recognize and safeguard stakeholders' rights, including legitimate interests and information needs. These Principles call on boards to be truly accountable to shareowners and to take ultimate responsibility for their firm's adherence to a high standard of corporate behavior and ethics.

The figure below shows how responsible business and sustainable profits are embedded into the function of the board:



> “Good corporate governance is the glue that holds together responsible business practices, which ensures positive workplace management, marketplace responsibility, environmental stewardship, community engagement, and sustained financial performance. This is even more true now as we work worldwide to restore confidence and promote economic growth.”
>
> **Thierry Buchs**
> **Head, Private Sector Development Division Of Switzerland’s State Secretariat For Economic Affairs (SECO)**

Effective corporate governance requires due diligence in rallying the support and commitment of the broad network of business stakeholders, including shareowners, employees, customers and communities. If stakeholders are adversely affected by a company’s actions, shareowner value will suffer. With the growth in pension and insurance funds and other institutional investors, shareowners are increasingly also company stakeholders, such as employees or customers. Therefore, these groups’ needs are increasingly interconnected.

The UN Global Compact’s ten principles similarly call on boards to address critical dimensions of concern to stakeholders. Boards that recognize the value of a holistic approach to stakeholder engagement, particularly in the environmental, social and governance realms, find that shareowners are similarly committed to such issues. This includes ongoing communication with stakeholders about material concerns, as well as regular disclosure about company performance, ideally linked to periodic financial reporting. Responding to stakeholder concerns can have other direct business benefits:

- Widespread consensus is that the long-term costs of corruption are high for both society and business. Anti-corruption measures can strengthen relationships with stakeholders by building a culture of trust and collaboration.
- When companies enact anti-corruption initiatives that include empowering employees, this in turn can cultivate good reflexes on the part of individuals to address workplace dilemmas.
- Employees who work where their rights and needs are respected tend to be more productive, delivering higher quality work than those who are routinely mistreated.

High standards of integrity, transparency and disclosure can be influential in restoring public and investor trust in the private sector. They are also a starting point for ongoing, constructive dialogue with stakeholders, such as communities, who are affected by and can, in turn, help determine a business’ performance.

Managing risk

New understandings of business risk show that boards have a legal and fiduciary responsibility to manage environmental, social and governance risks. Directors need to be informed and prepared to manage these long-term concerns alongside typical corporate directives. By addressing and managing these risks effectively, boards can position their businesses to perform well financially and secure a long-term license to operate. By failing to do so, boards can undermine their company’s reputation.

More and more companies are extending their internal controls to encompass a range of ethics and integrity issues. Many investment managers examine the rigor and quality of these controls as evidence that companies are undertaking good business practices and are well managed:

- Proactively identifying possible human rights concerns allows a business to more effectively address potential risks.
- Initiatives such as the IFC-led Equator Principles — a financial industry benchmark used by more than 60 financial institutions worldwide to determine, assess and manage social and environmental risk in project financing — and the Dow Jones and FTSE4 Good Sustainability Indexes have made it increasingly apparent that socially responsible practices can improve access to financial markets and reduce capital costs.

- The competitive advantage of risk management gained through anti-corruption includes ensuring alignment with customer expectations, safeguarding reputation, and meeting demands of ethical investment funds, pensions, and other investors.

Creating business value

Core to the role of any board is guiding corporate strategy and creating wealth for shareholders. Many new business opportunities are emerging to address corporate citizenship priorities. Forward-thinking businesses are best placed to benefit. Immediate benefits cited by leading companies include improved reputation, higher employee retention rates, greater productivity, and cost benefits through operational improvements and innovation in products and services.

The most effective corporate citizenship and sustainability strategies are led from the top, incorporate a wide range of stakeholder views and are aligned with the company's business priorities. This ensures a more efficient and strategic allocation of resources to these initiatives, which may generate new business opportunities:

- Improved labor practices in supplier operations can translate into improved productivity and reduced reputational risks. Better working conditions improve the efficiency of the supply chain.
- Human rights strategies, such as preventing discrimination in the workplace and promoting gender and ethnic equality in business processes, have been shown to secure diversity and increase innovation in products and services. A diverse workforce and wider customer base guide development within new markets and previously untapped customer demographics.
- Environmental programs can provide financial benefits, such as reducing operating costs, leading to new markets and technologies, improving employee morale and increasing employee health.
- Good management of environmental, social and governance performance has been shown to strengthen reputation and brand value, important business assets.

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The Ten Principles of the UN Global Compact

The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labor standards, the environment, and anti-corruption:

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labor Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

REGULAR

Corporate Governance Developments From Around The World

ASIA

SINGAPORE

Singapore Exchange ('SGX') Calls On Boards And Audit Committees To Heighten Vigilance In Times Of Financial Turbulence

In March 2009, the SGX called on Boards and Audit Committees to increase vigilance in identifying, addressing and managing risks which may have a material impact on the companies' operations and financial statements in response to the global financial turbulence and challenging market environment.

According to the SGX, Boards and Audit Committees must ensure the integrity and timeliness of information disseminated to investors by instituting good internal controls, ensuring the competence and adequate resourcing of their finance function and supporting effective audits. Additionally, Boards and Audit Committees must effectively identify, monitor and manage risks to the company.

Heightened risks areas identified by the SGX include safeguarding of cash, impairment of account receivables and assessment of off-balance sheet items.

Monetary Authority Of Singapore ('MAS') Proposal For Mandatory Real Estate Investment Trusts ('REITs') Annual General Meetings ('AGMs')

The MAS released a consultation paper on 26 May 2009 proposing an amendment to the Property Funds Guidelines which would make it mandatory for REITs to hold an AGM once every calendar year, within four months of the financial year-end and no more than 15 months after the preceding AGM.

The move, according to the MAS, is to make REITs managers more accountable and 'enhance corporate governance… by providing an important channel for communication' between REITs managers and unit-holders. Further, the REITs AGMs will 'provide a regular opportunity for [REITs managers] to seek general mandates from unit-holders for issuance of new units and thus accord greater flexibility for equity raising'. It is anticipated that the proposed amendment will come into effect from 1 January 2010.

The United States ('US') has implemented regulations requiring mandatory AGMs for REITs and AGMs for REITs are recommended 'best practices' in Australia and Hong Kong.

Singapore Aims For Full International Financial Reporting Standards ('IFRS') Alignment By 2012

In May 2009, Singapore announced plans to converge its accounting standards with the IFRS by 2012 to increase Singapore's attractiveness as a major business and financial centre. Currently, the accounting standards applied in Singapore are the Singapore Financial Reporting Standards ('SFRS'). According to the Accounting Standards Council ('ASC'), the main differences between the SFRS and the IFRS are as follows:

- The SFRS allows for the recording of property sales as construction progresses whereas under the IFRS, sales may only be booked after the completion of a project.
- There is a difference in the recognition of shares in cooperative enterprises between the IFRS and the SFRS.

The changes to the financial reporting standards in Singapore which will bring the standards in line with the IFRS will initially apply to all Singapore-listed firms only.

The ASC is seeking feedback from companies on the plans to align Singapore's accounting standards with the IFRS.

Study On Qualifications Of Audit Committees In Singapore

According to a study commissioned by the Institute of Certified Public Accountants in Singapore ('ICPAS') of 675 companies listed on the SGX and 1,400 audit committee members, many audit committees ('ACs') of listed companies lack formal qualifications or experience. The study showed that 90 percent of ACs of SGX-listed companies have at least one member who is financially-trained whereas the ideal figure should be at 100 percent. The results of the study contradicts the Code of Corporate Guideline which recommends that at least two AC members should have accounting or financial management expertise or experience.

The MAS, the SGX and the Accounting and Corporate Regulatory Authority ('ACRA') in a joint statement issued on 3 March 2009 advised that qualifications are just one of several criteria and '[i]n appointing directors as audit committee members, companies should review and determine their directors' suitability not just based on qualifications, but also relevant expertise, experience and character.'

MALAYSIA

Corporate Governance Gauge For Listed Companies Launched In Malaysia

The Corporate Governance Index ('CGI'), a gauge for investors to rate local public-listed firms on their level of adherence to accepted corporate governance standards, was launched jointly by the Minority Shareholder Watchdog Group ('MSWG') and Bursa Malaysia on 9 June 2009.

The CGI would include all listed companies on Bursa Malaysia. The companies will be rated and ranked according to their level of compliance to Malaysia's Exchange and Securities Commission's ('SC') Listing Requirements and the Malaysian Code on Corporate Governance standards.

According to the MSWG, the CGI will be a useful guide for investors who are concerned about the corporate governance compliance rating of the companies they invest in or are considering investing in. The CGI, which also ranks the companies, will incentivise the companies to adopt good corporate governance compliance measures and cultures.

GLOBAL

UNITED KINGDOM

UK Banking Industry: Corporate Governance Reform In The Pipeline

The UK Chancellor of the Exchequer, Alistair Darling, announced plans for wide-ranging reforms to the UK financial system in his Budget 2009 speech on 22 April 2009. The Chancellor's recommendations for reform would include reforms to corporate governance and remuneration at banks, improvements to the regulation of banks' capital and liquidity and an increase in transparency. Such reforms will likely take into account the findings of the Walker Review of Corporate Governance of UK Banking Industry ('Walker Review').

The Walker Review, an independent review of corporate governance in the UK banking industry, is led by Sir David Walker. The review, which began in February 2009 and which results are slated to be published in a consultation document this summer, shall include the following areas:

- The effectiveness of risk management at board level, including the incentives in remuneration policy to manage risk effectively.
- The balance of skills, experience and independence required on the boards of UK banking institutions.
- The effectiveness of board practices and the performance of audit, risk, remuneration and nomination committees.
- The role of institutional shareholders in engaging effectively with companies and monitoring of boards.
- Ensuring the consistency of the UK approach with international practice and the promulgation of national and international best practice.
- Identification of where recommendations are applicable to other financial institutions.

CANADA

Canada's private companies will have to adopt either the IFRS or Canada's Accounting Standards Board's ('AcSB') proposed private company financial reporting framework – the Generally Accepted Accounting Principles ('GAAP') – by 2011. For companies planning an initial public offering ('IPO'), the adoption of the IFRS will be required.

According to the findings of a recent joint study conducted by KPMG Enterprise TM and the Canadian Financial Executives Research Foundation ('CFERF'), the GAAP standards are generally supported by private company finance executives from across Canada. According to the study, only one in four of Canada's leading private companies plans to adopt IFRS. The study also showed that smaller companies were more concerned about the costs of adopting the IFRS, and will ultimately rely on a thorough assessment of the costs and benefits before making a decision to adopt the international standard or the new GAAP.

INTERNATIONAL

The International Association Of Insurance Supervisors ('IAIS') and Organisation For Economic Co-operation And Development ('OECD') Publish Draft Issues Paper On Corporate Governance

The IAIS and the OECD published a draft Issues Paper On Corporate Governance ('Paper') on 13 March 2009. The Paper is 'distinct in having an insurer corporate governance focus' and describes the essential components of an insurer's corporate governance framework to improve regulatory and supervisory efficiency.

The Paper discusses the following elements of corporate governance of insurers:

- Foundations of corporate governance.
- Governance structures.
- Functions of the Board.
- Control functions (including risk management, compliance and whistle-blowing / reporting.
- The role of the actuary.
- The role of the external auditor.
- Disclosure and transparency.
- Relationship with stakeholders.
- Interaction with the supervisor.

The draft Paper is available for download at the IAS website at www.iaisweb.org and the OECD website www.oecd.org/daf/insurance/governance.

SGX-SID-Ernst & Young

Financial Workshops Series

The past six Financial Workshops series, co-organised by the Institute, Singapore Exchange Limited ("SGX") and Ernst & Young were well attended and continued to be well received by members and non-members.

The seventh workshop "Managing Cash in Crisis" was held on 20 February 2009. The presenters were Messrs Leslie Koh, Alvin Tan and Aaron Loh of Ernst & Young. Mr Manoj Sandrasegara joined the presenters as panelists for this session.

"A deep dive into the Guidebook for Audit Committees in Singapore (III): Internal Controls and Fraud" was the eighth workshop and it was held on 18 March 2009. The presenters for this session were Messrs Robert Cullen, Lawrance Lai and Ms Siew Kah Lian of Ernst & Young. Ms Annabelle Yip of WongPartnership LLP and Mr Adrian Chan of SID joined the presenters as panelists for this session.

SID thanks SGX and Ernst & Young for collaborating with SID in the series of workshops.

SGX Listed Companies Development Programme

Understanding the Regulatory Environment in Singapore

The 15th run of the SGX Listed Companies Development Programme on "Understanding the Regulatory Environment in Singapore" was held on 28 April 2009. The Programme continues to be very popular with listed companies.

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 were Ms Kala Anandarajah, partner at Rajah & Tann LLP and Mr Ng Siew Quan, partner at PricewaterhouseCoopers.

A panel discussion involving all presenters and representatives from SID and SGX was held at the end of all presentations. SID was represented by Mr Adrian Chan while SGX was represented by Ms June Sim.

SID thanks all the presenters and panelists for their contribution and thanks SGX for partnering SID to conduct the training programme.

SGX-SID-Aon Consulting RC & NC Workshops Series

The Institute together with the Singapore Exchange Limited ("SGX") and Aon Consulting jointly launched a new series of 8 workshops addressing issues commonly faced by Remuneration Committees ("RC") and Nominating Committees ("NC") of Boards.

The first RC workshop "Role and Challenges of the Remuneration Committee" was held on 8 April 2009. It was attended by 77 members and non-members. The presenters were Mrs Yvonne Goh of KCS Corporate Services Pte Ltd, who is also Council Member of SID, Messrs Na Boon Chong and Parangam Ray of Aon Consulting and Mr Loh Meng See of LMS HR Consultancy (S) Pte Ltd. The keynote address was delivered by Ms Yeo Lian Sim, Senior Executive Vice President, Head, Risk Management & Regulation Division of SGX.

"Role and Challenges of the Nominating Committee, and Board Performance Evaluation" was the first NC workshop and it was held on 14 April 2009. The keynote address was delivered by Mr J Y Pillay, Chairman of SGX. The presenters were Mrs Yvonne Goh, Messrs Na Boon Chong and Donovan Oliveiro of Aon Consulting. Messrs Ho Tian Yee, Lim Ho Seng and John Lim, President of SID joined the presenters as panelist for this session. It was attended by 74 members and non-members.

SID thanks SGX and Aon Consulting for collaborating with SID in the series of workshops.

Events Calendar

SID-SMU Executive Certificate in Directorship Executive Skills for Board Members in Challenging Times

SID in partnership with the Singapore Management University (SMU) is offering a certificate-level program for company directors in business and governance. Upon successful completion of the Executive Certificate in Directorship, participants will be eligible to proceed to attend the diploma-level program leading to an Executive Diploma in Directorship.

The certificate-level program comprises three modules, each of three-day duration and conducted in consecutive blocks of 1.5 day sessions spread over 2 weeks. Assessments will be conducted a week after the completion of each certificate module. Upon successful completion of each certificate module, participants will be presented with a certificate of completion. Participants will need to complete all 3 certificate modules to be awarded the Executive Certificate in Directorship.

Module 1
The Role of Directors:
Duties, Responsibilities & Legal Obligations
12 – 13 November 2009, 19 – 20 November 2009
26 November 2009 (Assessment)

Module 2
Assessing Strategic Performance: The Board Level View
30 – 31 July 2009, 6 – 7 August 2009
13 August 2009 (Assessment)

Module 3
Finance for Directors
15 – 16 October 2009, 22 – 23 October 2009
29 October 2009 (Assessment)

For more information and registration, please contact Ms Karen Yeo (Tel: 6828 0287 or email: karenyeo@smu.edu.sg) at the Office of Executive Education, Singapore Management University (SMU). You may also contact SID Secretariat at Tel: 6227 2838 for any enquiries.

SGX-SID-Aon Consulting RC & NC Workshops Series

The next 2 individual workshops in the series on Nominating Committees (NC) and Remuneration Committees (RC) will be held on 1 July 09 and 3 July respectively.

The workshops are jointly organized by the Institute together with the Singapore Exchange Ltd (SGX) and Aon Consulting. They aim to help Board members appreciate and understand the application of the Code of Corporate Governance to focus subject of each workshop, from a practical perspective. They also provide an appreciation of challenges faced by these Board committees on the subject.

RC Workshop 2:
Executive and Board Compensation Design Issues - 3 July 2009 (Friday)

RC Workshop 3:
Incentive and Equity-Based Compensation Design Issues – 16 September 2009 (Wednesday)

RC Workshop 4:
Other Executive Compensation Issues such as Employment Contract, Severance and Change-In-Control Arrangements – 21 October 2009 (Wednesday)

NC Workshop 2:
CEO Performance, Development and Succession Management – 1 July 2009 (Wednesday)

NC Workshop 3:
Director Selection and De-selection – 23 September 2009 (Wednesday)

NC Workshop 4:
Director On-boarding and Development – 19 November 2009 (Thursday)

SID-Ernst & Young Financial Workshops Series

A half-day seminar on "Issues of the day for Boards in 2009" is scheduled for **22 July 2009 (Wednesday)** at the Marina Mandarin Hotel. The workshop is jointly organized by the Institute and Ernst & Young.

In this seminar, we aim to help Boards focus on the following critical issues that are topping boardroom agendas for 2009:

- Internal controls and risk management issues arising from the global economic crisis
- Continuing impact of the economic downturn on financial reporting
- Changes in Singapore FRS for 2009 and its implications on financial reporting

WELCOME ON BOARD

MARCH 2009	APRIL 2009	MAY 2009
Ang Hock Ann	Choo Johnson	Cullen Robert Cullen
Bell Nathan	Cheok Eng Lan, Ann Pao	Dahm Patrick
Gerard Vivien Edouard Henri	Han Tsi Fung	Gan Thiam Poh
Goh Alvin Aloysius	Heng Boon Kiat	Lim Lung Tieng Kelvin
Gotangco Vlen	Leow Clement	Lin Daniel
Kwan Chee Seng	Ng Poh Khoon	Loh Yin Sze
Macdonald Ian	Ong Boon Huat Samuel	Menon Ravi
Mudie James	Ong Sheng Keat	Ong Tony
Ng Sin Tee Gregory	Pao Kiew Tee	Quek Hiong How Raymond
Ng Wan Ming	Pistorio Carmelo	Tan Chian Khong
Tan Huay Pin James	Rouse Joe	Tan Jee Wei Aldric
Wee Way Kiat		Toh Peng Seong
		Yeo Jennifer

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