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Managing Human Capital In A Downturn

Perspectives from thought leaders -
Hear from JY Pillay, Chairman, Singapore Exchange

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From the editor

In the last issue of this Directors' Bulletin, I had indicated 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. During the National Day Rally on 16 August 2009, the Singapore Prime Minister, without saying so in as many words, also recognised that the worst is over. Yet, he cautioned that we are not out of the woods, and that we need to continue to re-engineer and see how best we can broaden our markets.

With this in mind, the Editorial Team decided to look into human resource issues. The aim was to review critical matters relating to talent management, provide guidance to the board on how to manage their human resources in a way that enables them to keep their best, whilst keeping cost structures efficient. The focus is not just on the management team, but also a head-on review of concerns that arise when directors have to be let go. In reviewing these issues, an article to provide assistance to the board and audit committees on the issues of the day is also included. All of these are never easy tasks. We are fortunate to have articles from a wide range of experts to guide companies in these areas.

Continuing with the Perspectives From Thought Leaders column, we are pleased to have Mr JY Pillay, Chairman of the Singapore Exchange share his thoughts and views on what the ideal board composition is, whether the board's key role is indeed one of oversight or a combination of oversight, strategising and managing, what the specific role of the Chairman is, and the frequency of board renewals. Importantly, Mr Pillay has with explicit clarity stated what the roles of the board and of management respectively are and how they should best interact. He also shared how the CEO and the board should interact when a Tsunami hits. All said, however, having a good board boils down to the individual.

As promised in the last issue of the Directors' Bulletin, we have included an executive summary of the Institute's latest Singapore Board of Directors Survey 2008/09 in this issue. 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 the 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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Presidents' Message

Dear Fellow Members,

Although there are signs that the global economy is stabilizing and confidence is returning, media reports indicate that sustained recovery is still some time away and global demand has yet to recover.

In light of the current downturn, our theme for this issue of the Bulletin is "Managing Human Capital In A Downturn". Organizations must be prepared to better manage talent and employee costs in order to improve the bottom line. It is also critical for those who, despite the number of assistance programmes in place, are still faced with the prospect of having to downsize, to handle this with sensitivity in order to avoid unnecessary loss of talent and experience, as well as the loss of employee confidence and morale.

We thus feature articles such as "Managing talent and retaining them in this recession", "Managing Human Capital Issues in the Current Economic Downturn" and "Termination of Directors in a time of Retrenchments - How and Implications".

Since our last issue, we had on the 17 June 2009 announced the results of the sixth Singapore Board of Directors Survey 2008 / 09, as well as released the Survey Report. This was done at a joint press conference by the Institute and our partners the Singapore Exchange, Aon Consulting (Global Research Centre), Egon Zehnder International and PricewaterhouseCoopers. The results of our Survey was widely covered and reported by the media (including the print media, television and the newswires). In this issue, we include an article summarising the findings. A copy of the Survey Report has also been sent to members and additional copies are available for purchase.

Our revamped basic one day programme "Understanding the Regulatory Environment in Singapore - What every Director ought to know" was relaunched at the end of July and was well received. We also had capacity attendances at our other workshops including at our level two courses such as our second Nomination Committee workshop on "CEO Performance, Development and Succession Management" and our second Remuneration Committee workshop "Executive and Board Compensation Design Issues".

We will shortly be rolling out more level two workshops. This will be in the form of a new 5 module series on Audit Committees in partnership with PricewaterhouseCoopers. Details of these and other seminars will be announced shortly. This is part of our more structured and comprehensive training programme for directors and aspiring directors.

For our enhanced "Business Events" programme, there was a breakfast talk on "Non Executive Directors' Fees - The State of the Market for Non Executive Directors" on 21 Aug 2009. In the week of 26 Aug 2009, we had arranged for a luncheon talk on "Warren Buffett Corporate Governance: Building a World Class Board of Directors" by Robert P Miles, a renowned author and expert on Warren Buffet. The latter was organized in collaboration with the Malaysian Alliance of Corporate Directors.

The Institute will also be organizing our annual golf tournament on 4 October 2009 at the Palm Course of the Raffles Country Club. We look forward to a strong response and an afternoon of great golfing and fellowship.

Starting with this issue "The Directors' Bulletin" will be published bi-monthly. Our website is also being revamped and we expect to launch the new website before the end of this year. An added feature of the proposed new website will be the convenience of on-line payment.

I look forward to catching up with all of you at our forthcoming events.

Warm Regards,
John KM Lim
President





Perspectives From Thought Leaders

Revisiting Board Composition & Roles and Relationships Between Directors Inter Se and With Management

JY Pillay, Chairman
Singapore Exchange

The issue of the human trait of culture was raised in the Editor's Note in the first Perspectives From Thought Leaders in Issue 2/2009 of this Directors' Bulletin. Broadly picking up on that concept, I had opportunity to speak with Mr JY Pillay, Chairman of the Singapore Exchange on his take about putting together an effective Board, the interactions between the different directors, with a focus on the role of the Chairman, and the role of the Board as a whole. What became evident very quickly was that all said and done, it boiled down to the individual, the skills, ability, business acumen and well, emotional quotient of the individual were critical elements. However, having a very good individual by itself was insufficient, and it was necessary to ensure that the group of individuals were able to work effectively together. This is not always easy to achieve.

Mr Pillay shared his thoughts on this and various other issues including, importantly the roles of the Board and management and how the two should best interact. There has been no clearer articulation in my view of this to date. He saw the role of the Board as being one to make decisions on critical matters that the Board determined was important. It was not for the Board to formulate policies, nor to strategise, nor of course, to manage. It was for the Board to challenge, review, discuss and arrive at a decision based on options that have been provided to it by the Board. Ultimately the

Board was accountable to shareholders and so needed to ensure that decisions could withstand challenges on any major decision it took.

By way of background, Mr Pillay has enjoyed the privilege of having served on the boards of Government linked companies as a civil servant (before the introduction of the Code of Corporate Governance), as well as one board in the private sector, OCBC Ltd, and now the Singapore Exchange. He was also instrumental in introducing the Code of Corporate Governance as it currently stands, and was the Chairperson of the Council on Corporate Disclosure and Governance, which has since been disbanded.

We set out here some of Mr Pillay's thinking.

Question 1

What would in your view be the ideal Board?

The way SGX constitutes its Board may be peculiar to SGX. We do not look specifically for directors with speciality expertise, whether this be in IT, derivatives, a profession, etc. We are not hung up on getting directors from representative countries around the globe either. The reason for not requiring experience in a speciality is that this may be an ephemeral requirement; and second, the company can always hire the requisite

expertise; or engage a consultant. So what is it that we look for? Essentially experience in running and managing a company. The key is really about understanding what makes a company tick. This does not mean that all the Board members have to be CEOs of companies. For SGX, there will be some partiality for people with broad financial experience as well. Of course, there is no objection if the director has specialised knowledge, which all members of the SGX Board do possess. We have, for example, one member with vast experience in regulatory work. He is particularly useful for the risk management committee and conflicts committee, which seeks to reconcile our regulatory accountability with our commercial interests. It is interesting to note that that director runs a small commercial organisation, and so has management skills as well.

Yes, experience can matter. For example, in a bank, you may want directors with similar characteristics. Perhaps, there is a need for experience in consumer banking. A person with such experience could also be useful in SGX as it deals with a very large number of retail customers, in our Depository.

Question 2

Should the Chairman of the Board always be an independent director?

Ideally the Chairman should be truly independent, particularly where there is a dominant shareholder, a situation that SGX is happily free of. He plays a crucial role; he sets the tone. If the Chairman feels that he serves at the will of the majority shareholder, and is concerned about his longevity, he will be constrained. However, if the Chairman is willing to tough it out, then he can set the right tone in the Board and the committees, particularly the NC and the RC. If so, the Board will have a secure foundation.

Question 3

What advantages are there to the Chairman being an Executive Chairman? Does this compromise the oversight function of the Board?

An Executive Chairman now is not a natural state of affairs in a company. A classic example for a long time was Keppel Corporation. Nonetheless they were a very well run company. What they did to ameliorate the situation was to appoint a lead independent director, since the Chairman's and CEO's roles were fused. This now has changed, and Keppel has separated the roles of Chairman and CEO.

Question 4

What is the role of the Chairman in managing the Board?

There usually is a variety of views from Directors on the Board on any issue. Some Directors may speak up more passionately and firmly on some issues, whilst others, take a more reticent approach. And on other issues, the positions may be reversed. The Chairman's role in such circumstances is really to allow every Director to express his views freely, for example, by calling upon the Directors one by one. Directors can occasionally be very passionate and push their views, but they never cower the other directors. Where the issues are of some complexity, management could be asked to provide more information, and the matter discussed at the following meeting.

Another key role of the Chairman is to ensure that all the Directors gel as a whole. Having a team of very well balanced individuals does not logically produce a well balanced Board. The role of the Chairman is to try and glue the varied personalities together. If he succeeds in managing to achieve accord in the Board, with things working well, that process will percolate down to the rest of the company.

Question 5

Do you see the Board's key role as one of oversight or as a combination of oversight and strategising and managing?

I don't believe it is the function of the Board to manage, to strategise or to oversee, whatever that means. The Board has a set of accountabilities, which does not allow directors the luxury of just overseeing. The Board must be involved in intensive discussions relating to matters brought to the Board and be responsible for taking decisions. It is up to management to formulate the policies. The Board may disagree; but they must never tell the management to undertake 'Y' when they had brought 'X' to the table. Instead, the Board should say that they have decided not to accept 'X', and ask management please consider alternative 'Y', or to make appropriate revisions to 'X' for reconsideration. But this is not to say that when management eventually comes back with 'Y', the Board should accept that blindly.

The Board should query why and how the recommendations had changed and whether any further alternatives should be considered. The Board should ensure that management understands that they are not there to please the Board or to look over the shoulders of the Board to ascertain what the Board prefers. The objective is eventually to make decisions. One may call this oversight - but the focus is really on the discussion followed by a decision. The Board is there to help management formulate and crystallise their thoughts. All said, the Board cannot place oversight above accountability - accountability to shareholders.

The Board must ensure that all important items are brought up to it for discussion and decision. If it is not important, then the matter can be left to management to decide and act upon. In determining what is important, it is what the Board deems as being important which is key.

On strategy, it must be remembered that this is a collaborative effort. Strategy is not something for a genius, such as Albert Einstein, to come up with, after cogitating in a cubby-hole. It needs to be discussed and allowed to bubble upwards and downwards.

Question 6

What mix of independent, non-executive and executive directors would effectively contribute to the effectiveness of the board? Do non-executive and independent directors really make for a more effective Board?

No one really knows what the right mix of independent, non-executive and other directors ought to be for the effectiveness of the Board. In a company where you have a dominant shareholder, how independent would the independent directors really be?

Independent directors may not always be able to candidly express their views at Board meetings. Where there is a dominant shareholder, how independent can the NC be, for example? Yet, this is a matter of evolution. In larger companies, on which there is a greater focus by the media, and a large number of shareholders exist, there tends to be a process whereby the shareholders progressively flex their muscles and require accountability from the independents and others. In smaller companies, one cannot expect that there will be a substantial degree of independence in the Board.

Interestingly most of the GLCs then (ie before the introduction of the Code of Corporate Governance and before Corporate Governance became a buzz) had primarily non-executive civil servants on the Boards, and maybe only the CEO, if at all. Now you hardly see a Government 'walla' in a GLC. But these companies are now run by Temasek Holdings, which, as the dominant shareholder, may be able to determine the composition of the Board.

Question 7

Should the mix of directors on a Board change according to whether the the company was riding an economic high or in the troughs of a recession as is the case now?

I am intrigued by this question. When everything is running smoothly, the board may have a more detached approach, as may the CEO. When a Tsunami hits, then the CEO typically switches to a command and control mode, to seize the hours as it were. But it is not desirable or possible to operate in such a mode indefinitely. There may be a requirement for the board to monitor management more closely; but this does not mean it may usurp the authority of management. There may well be a need for more meetings of the Board. Of course, this is assuming that the Board is competent. Sometimes, the Board is not very effective, and the Board itself may not know that it isn't. In such a case, it may not be advisable to call too many meetings, or to have the board too involved. Then, the CEO has to persuade the Chairman not to convene too many meetings; this of course assumes that the CEO at least is a sensible chap. Other than this caveat, if you do have a good Board, there is no particular reason to change the composition of the Board in a Tsunami. But the modus operandi of the Board could change as the circumstances warrant.

Question 8

How frequently should the Board be renewed? And why?

There are two perspectives here: the perspective of the company and the perspective of the individual. For stability, 2 terms of 3 years, and maybe one further extension as may be necessary. On the SGX Board, there are 3 directors, including myself, who have been on the Board for 10 years. The reason is the demutualisation exercise, which was very difficult, and the Company needed time to stabilise. SGX was very fortunate with a good CEO in Fu Hua, and things took off, so that now the systems are robust and the organisation is sound. The very well balanced Board comprising partly of longer serving directors helped. That was necessary. From the perspective of the individual, there is the element of possible staleness - the opposite of freshness - to reckon with. ■



Talent Management in Turbulent Times

Davy Lau, Managing Partner
East Asia, Egon Zehnder International

History repeats itself. It was only a few years ago that we experienced a sharp downturn from a peak market condition. The tidal waves of news headlines we see today look very similar to what we saw in the previous one: “Collapse of Investment House...”, “Consolidation of ...”, “Middle East or Asian Investors Buy Stake in the US Banks...”, “Dow plunges hundreds of points...”, “Bailout of ...”, etc. While there is no consensus today, most forecast this downturn to be deeper and longer and will probably be the worst since World War II. The earliest recovery is expected to start in early 2010, and will take 2-3 years until a longer-term stability would take shape.

In downturns, the weak tends to become weaker and the strong can speed ahead. Hence, downturns are actually infection points for businesses and we must make decisions on whether we want to be a hero or to be a casualty. Here are some of the key questions the leaders of businesses should ask: How will the downturn affect our business? Do we have a clear plan in place to weather the storm? What worked and what did not work during previous downturns? What triggers would change the course of action and what should we do to course correct? Is our organization nimble and decisive enough to take the right action (without over or under correcting)? What can we do to beat our competitors? Do we have a game plan to turn risks into opportunities?

But the leaders should also ask the following questions: What is the implication of new business plan in a downturn on people strategy? What are the (new) core competencies that the company needs for this downturn? Do we have the right people with the right competencies? Who are our best managers and what are the retention risks for them and what are their hot buttons? What competencies should we hire from external for the short and long term objectives? Asking these questions is important because in a downturn, great people decisions are especially critical and have more lasting impact on the business. They can strengthen the core value and culture and have bigger impact on employee’s satisfaction and motivation. They can also improve an organization’s external image and branding as well as help it recruit good talent at reasonable cost.

The essence of human capital strategy is to “have the right people at the right time”. This is especially true in bad times as the need for balancing short-term and long-term objectives could spell success or disaster for the businesses. In the short-term, businesses have to survive the downturn and focus on things like “strong cost control” to manage the bottom line, “turbo-charging sales activities” to increase the top line and fight competition, etc. Downturns may also be great opportunities to overtake competition if the

right things are done. Hence the competencies for success in good times and bad times have to be clearly redefined. Organizations which aspire to win should assess, in particular, the leadership talent against these competencies. Based on the study, “When Does Leadership Matter?” (Wasserman, Nohria & Anand), the “leader effect” is described as one of the key contributors of company value. It explains that in some markets, the leader effect accounts for 40% of the variance in the value and “the choice of the Chief Executive has as much impact in profitability as the decision by the company as to whether it will remain in the current industry or move to a new one”.

In today’s downturn, some of the critical competencies may be (re)defined in the following manner. Strategic Orientation: Able to refocus strategy, reshape core business units and align work cultures; Change Management: Drive for improvement through people, transforming and aligning an organization in a new and challenging direction; Team Leadership: Focus, align, and build effective groups, leads the team through difficult times; Focus on Results: Drive for improvement of business results, focus on right (re)sourcing instead of downsizing; People development: Develop and enhance competencies of the organization by acquisition of top talent and development of the team; etc.

We advocate that the management assessment should be done in a very systematic process, which starts with the definition of the competency model, followed by setting targets on each competency for the respective leadership roles. An individual assessment, complete with 360 degree reference checking, would then be conducted for each of selected leadership talent. Performance in current role is measured against quantitative and qualitative job targets, individual competencies are measured against the defined competency set, potential for growth is assessed on ability to take on a higher level job now or in the future, and finally, external benchmarking should be done by comparing with best-in-class external talent (which is possible when a third party professional services firm is involved). The assessment of potential is especially important. This should focus on the individuals’ ambition, confirming their energy and drive based on their inclination towards sense of achievement, affiliation to the team, as well as their crave for power and influence. These must also be evaluated against their life choices and values.

Our experience is that the best-in-class organizations always also conduct a collective assessment of their

teams (which can be done quite easily if the process is planned and followed systematically). This is especially important in downturns. Because of the uncertainty in the market and the rapidly changing priorities of an organization, people start to do things to protect themselves, internal conflicts tend to form without being noticed and bad habits gradually surface. As effective leaders drive and multiply their impact through teams, team-building effectiveness explains 80% of a leader’s success. Hence, in order to solve the above issues, some organizations actually take a step further to conduct Team Effectiveness Reviews. Unlike individual assessments, which focus on the strengths and weaknesses of the persons (focusing on fit for role, individual development and career/succession planning), team effectiveness reviews focus on strengths and weaknesses of the teams (ascertaining where the team is today and how to get the team to top performance). By doing so, it is possible to identify good and bad team patterns and understand the levels of team “efficiency”, “alignment”, “resilience” and “energy”. With the recommendation based on detailed analysis of the above, an organization can shape and prepare their teams to deal with the turmoil. The outcome is that the teams would have the “efficiency” to continue to function well under high pressure situations in the face of challenging internal and external environment, the “resilience” to stay together despite conflict and figure out what needs to be done while respecting each other and believing they are all on the same side, the “alignment” to focus their actions with the overall objective based on an understanding of the big picture, and the “energy” to get things done whether or not directly their formal responsibility by being self-driving and able to feel the full ownership of the team.

In summary, the current downturn posts a lot of risks for most businesses, but it also presents tremendous opportunities if we do the right things. These include making good use of bad times to prepare for recovery by getting some people “off the bus” and new, better people “on the bus”, use the crisis and turmoil to bring about the discipline needed for best-in-class Talent Management processes, in particular, to get alignment for “what good looks like”, and make sure the right leaders are in place to drive the organization and multiply their impact through effective teams who can cope with the turmoil, and start planning and working on (during the recession) what we want to achieve “after the recession”. Those who have done so would have a much higher possibility to emerge stronger than their competitors when the market recovers. ■



Managing Human Capital Issues in the Current Economic Downturn

Professor **Ron Collard**, Partner and Global Financial Services HR Services Leader
PricewaterhouseCoopers LLP (Singapore)

Overview

The economic downturn has thrown up some searching questions about the key human capital challenges facing organisations. Senior management today needs a clear idea of the key behaviour, responsibility and accountability expected in what is now a culturally and organisationally changed company.

What is clear is there is a need to focus on achieving a sustainable competitive strategy in the new environment - one that is underpinned both by immediate and forward looking perspectives on talent, organisation and compensation. These are important if organisations are to make the shift from survival mode to sustainable strategy.

Building on some of the issues raised in 'The day after tomorrow: A PricewaterhouseCoopers perspective on the global financial crisis', the important people questions that should be asked in today's business environment are:

1. Are you ready for the upturn
2. Do you have the skills to succeed in the new environment
3. How sustainable is your approach to compensation
4. How effective is your governance and organisation
5. How do you position yourself for growth

Ready For The Upturn

In the current downturn, it is inevitable for organisations to seek to simplify businesses as part of their efforts to build sustainable, low-cost delivery models that make better use of limited capital and perhaps enable businesses to compete more effectively.

At the same time, forward-looking organisations are also mindful about the need to align their workforce planning with more strategic objectives to ensure that they will be sufficiently equipped to meet any evolving customer expectations. Talents will be needed to and capitalise on the opportunities in the upturn ahead.

Given that the overriding challenge now is to deliver sustainable savings and improve operational efficiency, organisations need to know how they can manage people costs; and achieving this without redundancies. After all, people costs can form a significant part of an organisation's total costs, depending on the type of business. In the financial services industry, unlike perhaps capital intensive industries, people cost can be contribute to as high as half of total costs.

Therein lies the risk in that in simply downsizing. Organisations become so driven on survival and cost reduction that they lose focus of important considerations

such as retaining talent that are essential to the core competence of the business, and ensuring that customers will remain satisfied with the level of services under the circumstances. When restructuring takes place in an organisation and fifteen percent of the workforce is taken out - what typically happens is that the underlying organisation structure is unchanged but the remaining eighty-five percent of people are still expected to deliver the same level of service as they would at full headcount capacity, holding the same responsibilities and without any changes in processes or organisation.

When a restructuring takes place, productivity invariably dips in the aftermath of such upheaval and uncertainty. What is happening is that there is a “grieving process” as people will tend to act more defensively and become less loyal and focused because they are worried of further redundancies down the road. Job cuts may also have taken away some of the informal networks that are so crucial to getting things done efficiently and for solving day-to-day problems.

Organisations therefore need to rethink how they are going to work with a smaller number of people and re-engage the survivors. The first and most important step is for senior management to actively communicate their strategy for the business, especially in the new environment. This includes outlining the talents and capabilities required in the long-term so that the remaining staff is clear about what is expected of them and how they fit into the changes ahead. Executives should not lose sight of the fact that their key talent remains very marketable despite a downturn. Moreover, if low morale persists even when the business picks up, there’s little stopping your talent from leaving. The ability to re-inspire the workforce is critical in sustaining productivity and ensuring that the organisation is ready to respond swiftly and decisively when the eventual upturn arrives.

The Skills To Succeed

In the wake of the fall-out from the financial crisis, companies are looking at a potentially more regulated and risk-averse climate. There is a need to strike a sustainable balance in business, risk and value-creation, and ensure that there is a right mix of talents within the pool for innovation, risk, entrepreneurship and

relationship; and that any shortfalls are managed through training and recruitment. Identifying, valuing and nurturing such people will require a cultural shift within the organisation and clear leadership presented by the Board to ensure that HR, line managers and others at the forefront of hiring, appraisal and promotion truly understand how the talent map has changed.

In certain segments of the business, the ability to attract fresh talents and new entrants have clearly been affected by the financial crisis. In an industry like financial services, there is clearly a need to restore trust and re-engage with society - critical given the new breed of graduates (“millennials”) who are perhaps seeking meaning in their careers and are driven by interest over and above financial rewards.¹

We are seeing a new shift in thinking on what business should be doing to attract, build and retain talents - and in this new order, what is needed is a change in the ways people are led. This calls for a new breed of executive. The ability to lead will be a crucial skill for success because organisations need to re-inspire a potentially demoralised workforce, attract a younger generation of talents and guide the organisation towards what may be an unfamiliar path ahead.

A key challenge will be in restoring profitability while meeting the expectations of being a responsible corporate citizen - which is becoming important to the new “millennial” talents. At the same time a paradigm shift is required to refocus - leaders need to be innovative and entrepreneurial while being able to work in a vastly different environment of possibly increasing regulation, greater government involvement and higher risk management concerns. All these, while needing to continue to motivate and retain people, but perhaps, without the same financial incentives to attract them as before.

Sustainable Compensation

In today’s environment, talents are being managed and rewarded in a much more performance-related manner. There is the scenario where because of cutbacks on cost, employees are not receiving bonuses. Under the circumstances, managing the “survivors” and retaining the talent for the future become a challenge. If ten or

¹ ‘Managing tomorrow’s people: The future of work to 2020’, a report published by PricewaterhouseCoopers in December 2008 (www.pwc.com/managingpeople2020)

twenty percent of the people within an organisation get to receive a reasonable bonus, leaders have got to be absolutely certain that they know who these critical people are, and the truth of the matter is that most do not actually know.

Reward and risk needs to be managed. Amid the furore over excessive rewards, curbs on compensation have become a point of focus for regulators in most countries. Regulators are talking about the need to create a more sustainable compensation that balance rewards with risk through risk-adjusted remuneration and deferred compensation. Regulators are also pushing for remuneration decisions to be underpinned by better governance and sound underlying principles.

In fact, three basic principles for remuneration reform are now beginning to emerge. First, reformers are calling for a need to understand better how reward is structured and what risks are being taken as a result. The immediate dilemma for a lot of the financial institutions now is how to satisfy growing regulatory and stakeholder demands without losing sight of the need to create a compensation structure that still reflects and promotes the strategy of the organisation. Quick fixes such as blanket curbs on bonuses can assuage the critics for now, but are unlikely to be beneficial or sustainable in the long-term.

Second, reformers are focusing on a greater drive from short-term cash bonuses - which tends to drive short-term and often high risk behaviour - towards pay that is pegged to longer-term results. The fundamental challenge to paying for the long-term is how then to reward and motivate staff who have become accustomed to sizeable cash bonuses when there is no longer the funds or stakeholder approval to support this.

Striking the right balance between short and long-term performance-related pay will be critical. Staff may need to accept smaller amounts of cash today to allow for risk and uncertainty in return for a greater share of long-term risk-adjusted rewards. Organisations are also looking to introduce a more equitable balance between basic and variable compensation in the wake of the financial crisis, arguing that if base salaries are too low and staff are therefore relying on meeting incentive targets to make up for the shortfall, this could encourage excessive risk-taking. There is some evidence of consolidation of base pay, particularly in business where the variable component is traditionally high.

The third reform principle has to do with Long Term Incentive Plans (LTIPs) that are disbursed usually over two or three years as a minimum. In awarding the LTIPs, the scorecards of senior executives need to be closely aligned to the strategic objectives of the organisation to get people to focus on the total business rather than just a particular area. LTIPs such as share options will remain important despite the currently reduced value.

Ultimately the key underpinning for an effective reward structure is its integration into the enterprise risk management (ERM) framework. Tying compensation to risk-based performance objectives can provide a powerful lever for instilling risk awareness in the decision making and underlying culture and behaviour of the enterprise - what gets paid gets done which brings us to the next theme of governance and structure.

Effective Governance And Organisation

The financial crisis underscores the importance of building compensation and performance management into effective governance structures. The need for rigorous scrutiny of policies and decisions, greater independence and the ability to challenge are the cornerstones of effective risk management. Effective governance is supported by an appropriate system of reporting, appraisal and remuneration.

Internally within the organisation, the design of the reward system should be more closely aligned to the risk function, to HR and to the finance function. Greater independence needs to be introduced, particularly in the Risk function. In deciding on remunerations, the three functions need to work together with senior management and see risk and reward as a business issue, not just something which is given to HR.

Clearly, a lesson from the crisis is that a more effective Board-level understanding, oversight and accountability are needed. There is a great drive for greater transparency and simplicity that goes beyond current disclosure from an accounting point of view. There is a growing body of evidence that remuneration committees are now looking beyond just a top executive level pay to satisfy themselves that there are proper controls and governance throughout the organisation. This calls for good information and timely communication, backed by training for non-executives and other Board members who may not adequately appreciate the complexity of products and implications from a risk analysis.

In Search Of Growth

While the financial crisis downturn has triggered changes across most industries, the underlying forces shaping the future of industries have not changed. In the crisis, it is easy for organisations to lose sight of longer term trends but what should not be missed is that many countries in Asia will continue to enjoy faster growth relative to their G7 counterparts. A rebound in Asia is likely to be one of the main engines of recovery and long-term growth.

Take for instance the financial services sector where organisations in Asia generally exemplifies the classic banking model represented by high savings rates, low borrowing, a long-term view of business and an emphasis on the importance of longstanding personal relationships. Building relationships within this context and nurturing the business that flows from them require front-line service people who are patient, and who are astute with cultural insights and a close understanding of local markets. As the economic and political power shift from the West to the East in the longer-term, a completely different pattern of investment, consumption and global trade will be expected to emerge. In more developed markets for instance, the ageing populations present a new frontier for growth where the emphasises may well be on relationships and expertise around tax planning, portfolio management and overseas real estate will become key differentiators.

Looking Ahead

In fact, the current economic downturn is the ideal time for restructuring. People are expecting difficulties in the short term and as leaders focus on restructuring, they also need to manage expectations and communication.

Looking ahead, the future promises to be different. A new order of the business environment requires a different breed of talent and leadership. It requires a shift in organisational culture, a rethinking of rewards and career development plans. The following attributes are likely to mark out the most effective talent management strategies and equip organisations to overcome the challenges ahead:

- Developing an efficient and cost-effective delivery model
- Aligning workforce plans with long-term strategic objectives
- Recognising and rewarding risk, regulatory and relationship competencies as core skills
- Developing a sustainable risk-adjusted basis for compensation
- Developing an appropriate balance between short- and long-term incentives
- Balancing financial with non-financial performance measures to promote desired behaviour
- Ensuring remuneration decisions are underpinned by robust governance structures
- Ensuring that management, appraisal and rewards for risk management personnel are segregated from the business ■





Choosing the Best Team - AICD

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Choosing The Best Team

Australian businesses are the best in the world at selecting board members. So says a recent survey examining 17 countries between 2004 and 2007, including Australia, China, the UK, the US, Ireland and Russia.

Such endorsement is welcome, particularly as boards face increasing scrutiny of their membership and selection practices. The latest AGM season provided well-publicised examples of increasing activism by some institutional investors and their advisers who targeted the election of directors to pressure boards whose performance they questioned.

Directors are the shareholders' link to a company. Shareholders are very interested in who sits on their boards. They want to know about the skills and experience of their directors, their effectiveness in the boardroom, their capacity for independent thinking and the extent of director alignment with their views. The constant

challenge is to build trust through effective communication between companies and their stakeholders.

The election of directors is a key opportunity for shareholders to shape the company they own. It is one of the powers reserved for shareholders that keeps boards accountable and mindful that they might be removed by shareholder vote if shareholders are not happy with their company's performance. However, most often the debate is focused on the appointment of individual directors when the major task before the board is in choosing the best team. But how well do many shareholders understand the team dynamics in the boardroom? How well do boards inform their shareholders in advance of the election process to support the directors that are nominated?

The evolution of nomination committees in listed companies has been an important development in establishing a formal process for succession planning and renewal of the board and management. The nomination committee focuses on an appropriate mix of skills and

a balance between members who are independent and those with experience. It is challenging to get the depth of experience, skills and personal qualities required for board appointments.

Well-managed boards are mindful of the need for refreshment and renewal of board skill sets, while balancing the need to retain adequate knowledge of their company. The board does not mirror the skills of management, nor second-guess its recommendations. The selection processes reflect a planned and considered approach to identifying the skills and qualities needed for effective board leadership as a team, in combination with management.

What Do Boards Look For?

There is a long and complex list for boards to consider when appointing directors:

- Enhancing experience and skills in the boardroom. Where are the gaps? What skills will guide plans for the business?
- What is the business environment and global context?
- Risk management and regulatory expectations.
- Relevant business and industry experience.
- Independence from perceived conflicts.
- Diversity and refreshment.
- Temperament and character: intellectual ability, judgment, integrity.
- Teamwork and compatibility: interpersonal skills, interest in the business, commitment.
- Who is available and how to rank priorities in choosing an appropriate candidate.

An effective board needs a well-balanced combination of capable board members who are well suited to the circumstances and needs of the company. This should always be the rationale for boards proposing new directors for election by shareholders. Boards look for people who will add to their collective skills set and will be able to contribute in the board environment. To get this right, the selection process must be careful and rigorous.

Teamwork and compatibility are at the heart of an effective board. It should be understood that boards are not composed of shareholder representatives from different constituencies. Directors may not represent special interests or advocate the preferences of external parties. Boards are not parliamentary in style where partisan views are advocated and decisions made by a majority.

Well-managed boards make decisions by consensus and voting is rare. This collegial model is central to a board's effectiveness and company reputations suffer when board deliberations are debated in public.

Company needs are dynamic and board composition must reflect changing needs. The board's task is broader than in the past. The pressures on companies are more complex due to globalisation. The market for directors of large listed companies is competitive and favours proven performers with a sound track record in directorships. This reflects increasing risk and regulatory exposure for company directors.

Skills For Board Selection

People with executive and director experience are well regarded by boards faced with increasing obligations for risk management. It is essential to have directors with knowledge of the industry in which the company operates. Strategic skills are also important in driving the business direction and adding to shareholder wealth. Commercial savvy and financial literacy are essential qualities for all directors of listed companies.

Boards often seek specialist skills, such as legal and accounting skills, in response to regulation and technology advancements. It is also important to consider the diversity of skills in the boardroom. For example, a board might seek a new member, with appropriate experience, who shares a youthful perspective with the major customers of the business. Another might seek language skills and local knowledge to assist in guiding a business expansion into China. Experience in human resources is a valued skill on today's board, reflecting the complexity of a multi-generational workforce and the recognition that human capital is a critical and increasingly scarce asset.

The size of the board is another consideration. Large boards can be unworkable, with too many directors wanting to speak and influence the outcomes. Different companies have different needs and current practice for listed companies in Australia tends toward a maximum of around 10 to 12 board members.

Independent Thought And Behaviour

Directors are required to act on behalf of all shareholders and to exercise discretion and independent judgment in the best interests of the company. This legal obligation on directors to act in the best interest of the company is often overlooked when the focus is on shareholders.

Directors' independence is safeguarded because they can't be removed except by the shareholders at a general meeting. Attempts to define independence have been controversial. If taken to extreme, the "independence from association" approach, which is used in the ASX Corporate Governance Council Principles, could result in the board comprising people with no experience in the industry in which the company operates.

Questions about independence are generally concerned with independence of mind and a willingness to act and make a difference in the boardroom. Such questions are not addressed by governance rules about prior business associations. However, company reporting of a regular and rigorous board evaluation process with clear outcomes can be effective in addressing investor concerns about director independence, tenure and whether directors are able to commit the time required. A board would not generally endorse a director for re-election if there were concerns about performance or suitability. Conversely, few directors would seek re-election without the support of the board and may choose to resign sooner if the support of board colleagues is lost. An Australian study identified board evaluation as a significant positive trend in corporate governance, noting that the outcomes were applied to succession planning and identifying the skills needed on a board.

When done in advance of re-election, a robust performance appraisal offers firm ground for a chairman's endorsement that the directors continue to make a valuable contribution. Board policies can be used to support this practice. For example, BHP Billiton's policy requires directors, including the chairman, who have served for nine years or more, to stand for annual election. That board's statement in support of re-election attests that extended tenure has not compromised effectiveness, nor impaired independence of character or judgment.

Keeping Shareholders Informed And Engaged

It is reasonable to expect companies to provide detailed information on proposed candidates for election. This could demonstrate the candidates' experience and background, and how their involvement will complement the skills of existing directors. A statement in the annual report covering the directors' business experience and expertise would also assist shareholders in understanding

the skills of board members. Prior consultations between nomination committee chairmen and institutional investors and shareholder associations could identify where more information is required to support the election process for directors.

At the AGM, some chairmen are encouraging directors standing for election to speak to their nominations. For some, this development is introducing political overtones to the election process, while for others it is a communications tool that assists the investor community to assess their directors first hand. Webcasts of AGMs are making approaches such as speeches more relevant and accessible to a wider audience of institutional and retail shareholders. Developments in technology facilitate shareholder engagement and offer improved opportunities for companies to communicate directly and effectively with their investors.

How Can Boards Improve Their Selection Process?

- Design the process to respect the rights of shareholders to nominate, elect and remove directors.
- Help shareholders to understand their rights and the process followed by a board in nominating directors for election. Let shareholders know what skills and experience they bring to the team and how the team will benefit.
- Publish the methodologies of nomination committees for selecting and appointing directors on company websites for the benefit of shareholders.
- Always look to broaden the pool of potential candidates. AICD maintains a Directors' Register and so do many state governments. The AICD Register states the candidates' directorship qualifications. Large companies use executive search firms as one way to ensure the selection process is professional and to expand the field.
- Let your shareholders know how your board has been evaluated. Conduct an evaluation of each director standing for re-election and act on the results. Boards should not endorse directors for re-election if their performance is unsatisfactory. ■

Termination Of Director In A Time Of Retrenchments

How & Implications

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Overview

The world that we are in is one of great economic uncertainty currently; this despite the fact that there are a number of green shoots in a multiple of business arenas. We have at least moved from a state of a world worst than the 1929 great depression to early signs of recovery. The end of 2008 into the first half of 2009 saw a large numbers of business operations nose-diving, with many pulling the brakes on unbridled expenditures. With this came retrenchments across large multinationals operating in various jurisdictions as well as within small and medium sized companies operating just in Singapore. What we usually read about are retrenchment exercises which affect the rank and file and employees as well as middle management. Rarely does one hear about retrenchment of directors. Yet, this is not an oxymoron and directors can be asked to leave their positions as well, or have their appointments shortened.

This article briefly explores how directors can be terminated, and what, if any at all, compensation they would be entitled to. The article also very briefly touches on the benefits that a terminated director will be entitled to.

Removing Directors

Directors Not Like Other Employees

Directors occupy a unique position in the corporate structure. Whilst the executive directors are employed by the company and ought to have proper employment contracts, this is not the case with the non-executive and independent directors. Whilst all directors, whether

executive, non-executive or independent, have to be elected at an annual general meeting, the latter two categories of directors are treated differently from the former category when it comes to employment issues and termination. The simple reason for this is that the executive director is after all an employee of the company whilst the other directors are appointed to their position. It follows, therefore, that if and when a retrenchment exercise is planned, the position of directors must be carefully considered.

The following factors must at least be reviewed:

- (a) First, the benefits of reducing the number of directors must be studied and the pros and cons ascertained. Less may not always mean better and the impact of a reduced number of directors on the business must be carefully ascertained.
- (b) Second, the existence or otherwise of employment contracts with each of the different types of directors must be ascertained.
- (c) Third, having identified the executive directors with employment contracts, determine if these are indeed the people to let go. There are occasionally good reasons for wanting to let even a CEO go, for example.
- (d) Fourth, study the contracts very carefully to ascertain whether it is a fixed term contract and the implications that could flow from removing the director, thus resulting in early termination of the contract. It is also necessary to study other terms of the contract, including the notice periods for termination, the continuing rights that may exist, and entitlements to any options or other long term incentive plans that the director may be entitled to.
- (e) Fifth, review the articles of association of the company to ascertain whether there are restrictions or otherwise for terminating a director. In this regard, there are differences as to how directors of public companies and of private companies are to be treated
- (f) Sixth, recall that non-executive and independent directors are typically not paid very much, and their removal may not result in much cost savings for the company. On the contrary, having their

continued presence could have considerable benefits for the company as it goes through the difficult economic times.

- (g) Seventh, bear in mind that a simple letter of termination may not be sufficient to remove the director, and that a proper general meeting must be called to remove them. In this regard, differences between public company and private company directors must be noted.
- (h) Eighth, review carefully what and whether any compensation can be paid to the director being terminated, and what sort of approvals must be obtained.
- (i) Finally, manage confidentiality and non-compete provisions carefully.

As a preliminary point, do note that the removal of non-executive and independent directors is a function of shareholders, unless this power has been abdicated, by contract or otherwise, to the board of directors or some other person. Such abdication, however, is not possible as regards public and public listed companies.

Removal Of Public Company Directors

Removal of a public company director is governed by section 152 of the Singapore Companies Act. Section 152 of the Companies Act enables the shareholders by way of an ordinary resolution to remove a director, arguably even though such removal is against the articles of association or any agreement between the director and the company. The reason for enabling this is to prevent the position of directors in a public company from becoming entrenched. In *Scottish & Colonial v APG* [2007], the Court noted that the rationale of the provision was to serve a principal purpose of preventing entrenchment, and another purpose of affording procedural fairness to directors who are under challenge.

Interestingly, this also means that the position of executive and non-executive directors alike in a public company (including a listed company) cannot be terminated without a resolution to that effect being carried at a shareholder meeting. The rationale for this flip side can be explained on the basis that shareholders, as ultimate owners of the company in a public sphere, must be empowered to have ultimate control over who manages their company.

Procedurally, in brief, a special notice proposing an ordinary resolution to remove the director must be given to the company. A special notice is a notice of intention to move a resolution, which must be given to the company not less than 28 days before the meeting at which it is moved. However, if the company convened a general meeting after the notice of intention was given, the resolution to remove the director may still be passed at that meeting, even though the meeting took place less than 28 days after the notice of intention was given, as long as such notice was given at least 14 days before the meeting. In other words, the requisitioner cannot expect the company to convene a general meeting in less than 28 days. However, if the company so chooses, it can call for a general meeting in less than 28 days but nevertheless complying with the provision of the articles to call for a general meeting with 14 days' notice. This is permissible also because the resolution to be passed is an ordinary resolution.

The company must, as soon as practicable after receiving the notice of intention to move the resolution, send a copy of the notice to the director concerned. The director is given the right to be heard at the meeting, and may make representations.

Removal Of Private Company Directors

There is no statutory provision dealing with the removal of directors of private companies. The office of such directors can only be vacated if the articles of association provide accordingly, and his exact form of removal can be expressly stipulated. Depending thus on how the articles are drafted, it is possible that a director, so long as he does not become disqualified and is not due to retire by rotation, can only be removed by an extraordinary resolution of the company; or that a director, who is also a shareholder, may be given weighted voting rights where a resolution for his removal has been tabled.

Where there is no contractual power to remove a director and the articles are also silent on this, then the articles must first be altered to give such a power before he can be removed. There is case law which shows that the court will not necessarily compel a company to employ a director against its will, notwithstanding it may have contracted to do so, but may leave him to his remedy in damages for breach of contract.

There is suggestion that where the directors of a private company are named in the memorandum of the company, then such directors cannot be removed by an amendment of the articles of association. Their positions become entrenched as such, because the memorandum can only be altered as provided for in the Companies Act.

Implications Post Termination

For an article of this length, only two key issues are worth mentioning. The first concerns the scope of remuneration that an exiting director will be entitled to, and the second concerns the directors duties of confidentiality and managing restraint provisions.

Entitlement To Remuneration

The general rule of law is that directors are not entitled to any remuneration for serving a company in that capacity. However, if the director enters into a contract with the company that expressly provides for remuneration, or if the articles of a company expressly allows for remuneration, then the director will be entitled to the stated remuneration and would be able to sue for that amount as and when it accrues and becomes due. This is typically for executive directors. In the absence of contract or a provision in the articles, a director will only be entitled to paid compensation if a resolution to that effect is passed at a general meeting of shareholders.

Apart from just the remuneration, section 168(1) of the Companies Act provides that a director who has been removed from office either through dismissal or retirement is prima facie not entitled to compensation for the loss of his office, unless the requisite approval for the same has been obtained from the company's shareholders. The Singapore Court of Appeal in *Grinstead v Britannia Brands (Holdings) Pte Ltd* [1996] considered the scope of section 168 of the Companies Act and concluded that the section was wide enough to cover compensation not only for the loss of directorship, but also for the loss of an executive position that may accompany the loss of directorship.

Although section 168 requires shareholder approval prior to granting compensation for the loss of office, *Fasi v Specialty Laboratories Asia Pte Ltd (No 2)* [1999] held that if the director has been promised compensation not

for loss of office but for other reasons such as in exchange for a non-compete provision, then such compensation will not be prohibited by section 168.

Further, section 152(7) permits a director to claim 'compensation or damages payable to him in respect of the termination of his appointment or of any appointment terminating with that as director'. In other words, the director may bring an action for breach of his Directorship contract in the form of damages. However, where a Director holds a fixed term service contract with a company, his removal resulting in breach of contract does not give the right to be reinstated against the company's will. In other words, the Director does not have a remedy in specific performance for his Directorship contract.

Maintaining Confidentiality & Managing Non-Compete

The sensitive role that a director assumes in running the affairs of the company requires him to not act in conflict with the company even when preparing to leave the company, whether of his own accord or as a consequence of a termination. One must remember that a director is and remains, until his tie with the company is severed, a director of that company. In Singapore, the courts have held directors to be in breach of their fiduciary duty when they acted to promote the interests of a new company, which was established to compete with their current company, by diverting business to this new company. The key is whether a maturing or ripening business opportunity has arisen and it is this that the director is exploiting.

The incidence of directors being taken to task has increased over the years. Most recently, in *ABB Holdings Pte Ltd and Others v Sher Hock Guan Charles* [2009] an individual, after ceasing to act as director of ABB,

joined another firm in a foreign country that effectively competed with his former company. The foreign company was set-up to develop a product that was similar to that being sold by the former company. The Singapore High Court held that although the defendant had not committed a breach by developing a product similar to and in competition with that of the former company, he had breached his fiduciary duty by not disclosing the new company's intention to develop and market a competing product and by contacting an ex-employee of the former company to serve as a consultant for the new company.

The essence of the issue lies in the duty of undivided loyalty and ensuring no conflict. Where a conflict does arise, because the director's services has been terminated and he is looking for alternative position, then it is incumbent on the director, unpleasant as the situation may be, to disclose the conflict. Such disclosure will shield the director from potential liability.

Conflicts aside, some directors may be subjected to non-compete and other forms of restraint of trade provisions. This is more common for executive directors. Whether such non-compete or other restraint of trade clauses can be upheld or otherwise will very much depend on the reasonableness of such clauses.

Conclusion

This short article has touched only briefly on some of the considerations one must look into when directors are being removed. There is no one size fits all even in termination; but nevertheless certain key considerations will always apply. ■

(The writer thanks Ajinkya Tulpule, Senior Legal Executive, Rajah & Tann LLP for his assistance in this article.)

Issues of the day for Boards and audit committees

Ernst & Young's Mak Keat Meng and Glenn Daly highlight some of the issues that are topping the agendas of Boards and audit committees.

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The faltering economic conditions in global capital markets and tightening of credit flow witnessed in 2008 have left many companies facing profit erosion or losses by the close of the year. Not surprisingly, increased scrutiny by investors and stakeholders has heightened the pressure and spotlight on Boards and audit committees (ACs).

Charged with oversight responsibilities over most, if not all, aspects of the business, Boards and ACs find themselves confronted with new challenges, or old fundamentals that have assumed unprecedented significance. Pertinent issues ranging from financing to financial communications to risk management and controls, are expected to continue to be extensively discussed and debated in the boardroom.

Treasury And Investments

With exposures to financial instruments hogging headlines, liquidity and valuation issues remain vital concerns for most companies. This calls for Boards and ACs to sharpen their focus on the company's working capital, and look into revising or upgrading their treasury governance processes where necessary.

Swift action by treasury departments in managing and forecasting cash flow is critical to financial performance. The lines of communication between Board, ACs and the treasury

department should be kept open. Boards and ACs need to consider carefully the safety of the company's funds in its banks and investments, and ensure they are informed of treasury-related risks, which should rightfully be incorporated into the enterprise-wide risk program. It is also timely to review the company's investment portfolio and policy to clearly define the types and volumes of treasury risk a company can undertake.

In addition, Boards and ACs should advise management to exercise prudence and patience in seeking new acquisitions or opportunities, and re-assess significant expenses in 2009.

Risk Management

Protecting the company from excessive risk continues to be a top priority. Getting risk management right often requires re-visiting the fundamentals.

The Board is ultimately responsible for ensuring that management has established adequate risk management policies and systems to safeguard shareholders' investment and company assets. A basic, yet critical, governance consideration is whether the AC is adept at reviewing the adequacy of the risk management process in the company, or if a separate risk committee with the right composition and experience, or even an external advisor is necessary.



In addition, it is important that the company's risk management framework recognizes a broader risk universe that includes strategic, operational and compliance exposures beyond financial risks, and that this mindset is embedded in the company's risk culture. Encourage management to "think below the radar" and ensure that the risk profile is continually updated and presented at board meetings.

Efforts in risk management can sometimes be dispersed and unrelated to the wider organization strategy. Boards and ACs can influence management to consider integrating risk and performance management to bridge this gap. Consider incorporating key risk indicators in the same manner as key performance indicators are used in the company's balanced scorecard, to ensure that success is not achieved at the expense of risk exposures.

Most companies are also actively identifying their counterparty risks - an omnipresent risk in every contract, which is a real concern today, given the extent of the financial crisis. Counterparty risk should not deter business activities though. Rather, Boards and ACs can help to manage exposures by examining the controls in place, reviewing them on a regular basis and ensuring appropriate levels of disclosures in financial statements.

Unethical Behaviors

The increased pressure to achieve financial goals and potentially reduced investments in internal controls as part of enterprise-wide cost reduction, may inadvertently lead to a rise in risk of unethical behaviors and fraud. Boards and ACs should drive internal auditors to concentrate on areas that are predisposed to performance pressures, consider carefully the possibility of fraudulent financial reporting, and ensure there is a robust whistle-blowing program in place to enable inappropriate behaviors to be flagged out for swift attention.

Financial Reporting And Communications

Regardless of market conditions, ACs play a very important role in overseeing the accuracy, integrity and clarity of their company's financial reporting. The current economic volatility has necessitated some changes in the way ACs perform their role.

For example, many ACs are expanding their scope of oversight to include broader financial communications such as analyst calls and earnings press releases. They are also more sensitive to the language and tone in financial announcements, such as ensuring disclosures in the financial statements do not appear overly "aggressive" or "conservative" during these times, while continuing to give a true and fair view of the company's financial performance.

The market disruptions in 2008 have resulted in the impairment of goodwill and intangible assets, hitting the balance sheets of many companies. Obtaining fair values have also become more challenging. As such, Boards and ACs are spending more time to examine and evaluate the assumptions, estimates and judgments used in valuations in order to ensure that these are in line with the evolving market conditions.

Uncertainty In Going Concern

Lastly, in the preparation of financial statements by management, one of the fundamental assumptions is that the company will continue as a going concern in the next financial year. The current financial upheaval challenges this assumption, and raises substantial doubts over the accessibility and availability of funds for companies on an ongoing basis. As such, Boards and ACs need to be aware of the impact of the downturn on their companies' operating prospects and sources of funding moving ahead. It will be worthwhile for them to engage in thoughtful analyses and dialogue with management and the auditors regarding going concern assessments, so that sources of uncertainties can be addressed in a timely manner. ■



Singapore Board Of Directors Survey 2008/09

By Kala Anandarajah, Partner
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 Rajah & Tann LLP

1. Introduction

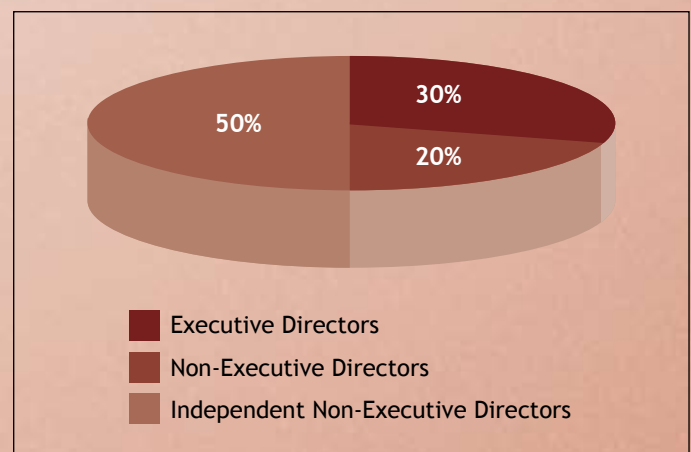
- 1.1 The results of the sixth Singapore Board of Directors Survey ('Survey') 2008 / 09 were announced on 17 June 2009. The 2008 / 09 Survey, which was conducted by the Singapore Institute of Directors ('SID') in conjunction with the Singapore Exchange ('SGX'), Aon Consulting (Global Research Centre) ('Aon'), Egon Zehnder International ('Egon Zehnder') and PricewaterhouseCoopers ('PWC'), is part of a series of surveys which began in 2000. The previous Survey was held in 2005.
- 1.2 The 2008 / 09 Survey results are based on responses from 130 listed companies, comprising of 19% of all Mainboard and Catalist (formerly SGX Sesdaq) companies from various industry sectors such as the manufacturing, commerce, services, transport / storage / communications, properties, construction, finance, hotel / restaurant, and multi-industry sectors. The topics surveyed covered such subjects as the Board Structure, Board Composition, Remuneration of Directors, Accountability and Audit and the Boards' Communication with Shareholders.
- 1.3 Significantly, the 2008 / 09 Survey results highlight the changes which have taken place or have been put in place by the companies since the introduction of the revised Code of Corporate Governance in July 2005 ('Code'). Compliance with the revised Code, which came into force on 1 January 2007, is not mandatory but listed companies are required under the SGX Listing Rules to disclose their corporate governance practices and give explanations for deviations from the Code in their annual reports.
- 1.4 This Article provides a summary of the results of the 2008 / 09 Survey and comments on various changes which have been implemented or which have taken place in the listed companies since the previous 2005 Survey, including changes which evidence the degree of compliance undertaken by the companies with the Code.

2. Summary Of Results

2.1 Board Structure

- 2.1.1 The structure of the Boards of the companies and the average proportion of Executive Directors, Non-Executive Directors and Independent Non-Executive Directors which constitute the Boards have remained largely the same since 2005.
- 2.1.2 The average Board size of all the companies which responded is 7.1 Directors. The typical Board consists of 30% Executive Directors, 20% Non-Executive Directors and 50% Independent Non-Executive Directors (please see Fig 1 below).

Fig 1: Board Structure



2.2 Board Composition

Board Independence

- 2.2.1 The Code recommends that there should be a 'strong and independent element on the Board, with independent

Directors making up at least one-third of the Board.’ According to the Code, examples of relationships which would deem a Director not to be independent include:

- (a) A Director being employed by the company or any of its related companies for the current or any of the past three financial years;
- (b) A Director who has an immediate family member who is, or has been in any of the past three financial years employed by the company or any of its related companies as a senior executive officer whose remuneration is determined by the Remuneration Committee;
- (c) A Director, or an immediate family member, accepting any compensation from the company of any of its subsidiaries other than compensation for Board service for the current or immediate past financial year; or
- (d) A Director, or an immediate family member, being a substantial shareholder of or a partner in (with 5% or more stake), or an executive officer of, or a Director of any for-profit business organisation to which the company or any of its subsidiaries made, or from which the company or any of its subsidiaries received, significant payments (ie payments above S\$200,000) in the current or immediate past financial year.

2.2.2 Based on the above criteria, 98% of the companies who responded in the 2008 / 09 Survey have at least one-third of the Board consisting of independent Directors. In other words, 98% of the companies are in compliance with the recommendation of the Code. The percentage of companies which have at least one-third of the Board consisting of independent Directors has, therefore, increased from 96% in 2005.

Multiple Directorships

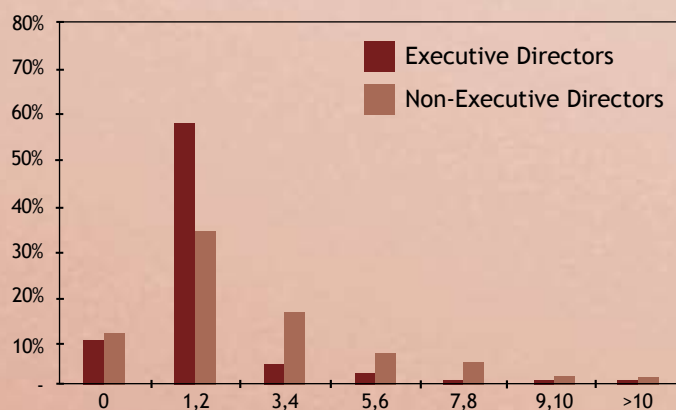
2.2.3 The Code does not provide for the number of Directorships held by Executive or Non-Executive Directors. Additionally, most companies who responded to the 2008 / 09 Survey do not set limits on the number of additional Boards on which their Directors may serve. Of the 130 companies which responded, only ten companies set such restrictions for Executive Directors and five companies for Non-Executive Directors.

2.2.4 The 2008 / 09 Survey results, however, indicate there has been a drop in the number of multiple Directorships held by Executive Directors since 2005. In relation to additional Directorships held, 77% of Executive Directors hold one to two additional Directorships as compared to 80% in 2005 and 13% hold none (as compared to 10% in 2005). The remaining 10% for 2008 / 09 and 2005 hold at least three Directorships. According to the 2008 / 09 Survey, ‘[t]he increasing legal and regulatory requirements have led many capable Directors to conclude that the responsibilities of serving as a Director have increased and may outweigh its benefits.’

2.2.5 The position is the same in relation to Non-Executive Directors. In the 2008 / 09 Survey, 45% of Non-Executive Directors hold one to two additional Directorships as compared to 53% in 2005. 15% of Non-Executive Directors hold no additional Director positions in 2008 / 09 whereas the percentage was lower at 5% in 2005.

2.2.6 Fig 2 below shows the number of additional directorships held by Executive Directors and Non-Executive Directors in 2008.

Fig 2: Number Of Additional Directorships Held By Executive Directors And Non-Executive Directors 2008



Director Qualifications, Experience, Training and Skill

2.2.7 The results of the 2008 / 09 Survey show that 86% of the Directors in the companies hold a university degree.

2.2.8 In relation to the experience, the Study shows a drop in the number of years served by Executive Directors on the Boards of the companies participating in the 2008 / 09 Survey from 2005. Whereas in 2005 the proportion

of Executive Directors who have served on the Board for at least three years and for more than nine years were 72% and 43% respectively, in 2008 / 09, the proportion of Executive Directors who have served on the Board for at least three years and for more than nine years is 64% and 30% respectively. In contrast, the proportion of Executive Directors who served less than one year has grown from 6% in 2005 to 12% in 2008 / 09.

2.2.9 The 2008 / 09 Survey notes a similar trend in relation to non-independent Non-Executive Directors. For example, the proportion of non-independent Non-Executive Directors who have served on the Board for more than six years has decreased from 39% in 2005 to 31% in 2008 / 09.

2.2.10 The Code recommends that every Director should receive appropriate training when he is first appointed to the Board. 41% of the companies participating in the 2008 / 09 Survey provide Directorship training to Non-Executive Directors, a marked increase from the 25% in 2005. Fig 3 below shows the perceived importance of the type of training required for Directors by the companies who participated in the 2008 / 09 Survey.

Fig 3: Type Of Training Needed By Directors 2008 / 09 Results



Board Appointments And Appraisal

2.2.11 The Code recommends that there should be a formal and transparent process for the appointment of new Directors to the Board. In this respect, companies should establish a Nominating Committee ('NC') to make recommendations to the Board on all Board appointments. 94% of the companies which participated in the 2008 / 09 Survey have a NC.

2.2.12 85% of the companies surveyed formally assess the suitability of Directors prior to their appointment, an increase from 83% in 2005. In 47% of the companies, the assessment is carried out by the NC, an increase from 39% in 2005.

2.2.13 The Code provides that there should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board. There has, however, been a drop in the

proportion of companies conducting Board appraisals to 72% from 78% in 2005 and 84% in 2004. Further, from the 2008 / 09 Survey, only 52% of the participating companies evaluate the performance of individual Directors, a significant decrease from 73% in 2005.

Code Of Ethics

2.2.14 70% of the companies which responded in the 2008 / 09 Survey have a code of ethics for their employees, a slight increase from 66% in 2005.

2.3 Board Remuneration

2.3.1 The table (Fig 5) on the next page shows the remuneration brackets for Directors in the companies which responded in the 2008 / 09 Survey in comparison with the results of the 2005 Survey. As shown in the table below, a greater proportion of Chief Executive Officer ('CEO') remuneration fall in the S\$1 million to less than S\$5 million and more than S\$5 million brackets in 2008 / 09 as compared to 2005. With regard to the top four Executive Directors / Senior Executives, significantly, the 2008 / 09 results show that 9% of the top four Executive Directors and Senior Executives receive more than S\$5 million in remuneration where previously there was none. For Non-Executive Directors, there appears also to be a general shift upward in relation to basic fees compensated with more companies compensating Non-Executive Directors with basic fees in the ranges S\$25,000 to less than S\$50,000, S\$75,000 to less than S\$100,000 and S\$100,000 or above.

2.3.2 According to the 2008 / 09 Survey, variable components used to remunerate Executive Directors carry more weight than previously, with CEOs receiving 62% basic salary and 38% variable component in 2008 / 09 as compared to 71% and 29% respectively in 2005. The variable compensation tools used by the companies and their weight in the compensation of the Executive Directors are illustrated in Fig 4 below.

Fig 4: Variable Compensation Tools Used To Remunerate Executive Directors ²

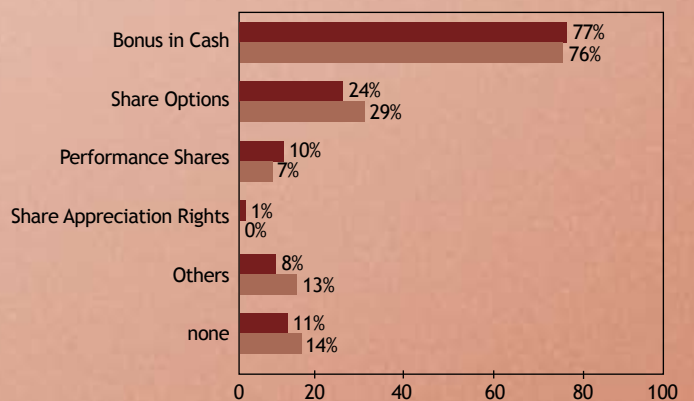


Fig 5: Remuneration Received By Directors 2005 and 2008 Compared (\$\$ Per Annum)

	<250,000	250,000- <500,000	500,000- <1million	1million- <5million	>5million	Not Disclosed
CEOs 2008	18%	25%	22%	24%	2%	11%
CEOs 2005	18%	30%	24%	16%	1%	11%
Top 4 Executive Directors / Senior Executives 2008	43%	30%	17%	1%	9%	0
Top 4 Executive Directors / Senior Executives 2005	50%	33%	13%	4%	0	0

Basic Fees Only

	<15,000	15,000- <25,000	25,000- <50,000	50,000- <75,000	75,000- <100,000	>100,000
Non-Executive Directors 2008	5%	16%	56%	12%	5%	7%
Non-Executive Directors 2005	7%	31%	47%	12%	1%	4%

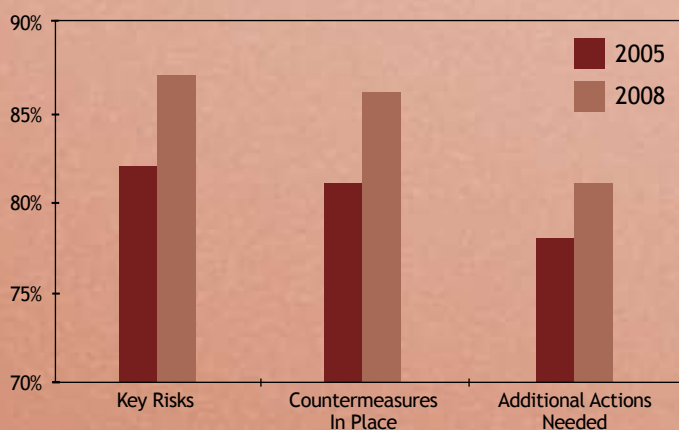
² Diagram directly reproduced from Survey.

2.4 Accountability And Audit

2.4.1 All the companies which responded in the 2008 / 09 Survey have Audit Committees, as recommended by the Code. Alarming, however, the proportion of companies with a formal enterprise-wide risk management system ('ERM') in place for identifying, assessing, managing and monitoring risk has fallen from 54% in 2005 to 41% in 2008. ERMs are important in ensuring the quality of the risk report of the companies.

2.4.2 Overall, there has been an increase in the percentage of companies reporting risk management-related information to the Board at least annually (see Fig 6 below) from 2005.

Fig 6: Percentage Of Companies That Present Risk Management-Related Information To The Board At Least Annually



2.4.3 A Guideline of the Code provides that the Audit Committee should review arrangements by which staff of the company may, 'in confidence, raise concerns about

possible improprieties in matters of financial reporting or other matters'. Since 2005, therefore there has been an incremental increase in the number of companies with implemented whistle-blowing policies, from 20% in 2005 to 70% in 2008 / 09.

2.5 Communication With Shareholders

2.5.1 The 2008 / 09 Survey shows that communication with shareholders has improved since 2005. Of the companies which responded to the Survey, 16% of the companies communicate with their investors and other stakeholders at least once a month even where there is no announcement or press release, compared to 11% in 2005. 39% of the companies communicate with their investors at least once every quarter after the release of the quarterly reports compared to 35% in 2005.

3. Conclusion

3.1 In general, there have been improvements in relation to the measures adopted in compliance with the Code by the companies which participated in the 2008 / 09 Survey in relation to, for example, ensuring Board independence and Directors' training. There have also been marked improvements with respect to the decrease in the number of multiple Directorships held by Executive Directors.

3.2 However, more needs to be done with regard to risk assessment and reporting. It is recommended that companies implement a formal ERM and ERM reporting process to ensure that risks are properly identified, assessed and reported to the Boards regularly and to ensure the quality of the reports. ■



Corporate Governance Developments From Around The World - A US Focus

The Securities Exchange Commission Proposes Measures to Improve Corporate Governance and Enhance Investor Confidence

Overview

The Securities and Exchange Commission on 1 July 2009 voted on three measures that are intended to better inform and empower investors to improve corporate governance and help restore investor confidence. The Commission proposed requiring public companies receiving money from the Troubled Asset Relief Program (TARP) to provide a shareholder vote on executive pay in their proxy solicitations. The Commission also voted to propose better disclosure of executive compensation at public companies in their proxy statements, and approved a New York Stock Exchange (“NYSE”) rule change to prohibit brokers from voting proxies in corporate elections without instructions from their customers.

Shareholder Approval of Executive Compensation of TARP Recipients

The Emergency Economic Stabilization Act of 2008 requires shareholder approval of executive compensation during the period in which any obligation arising from financial assistance provided under TARP remains outstanding. The SEC is seeking public comment on proposed changes to Commission rules that would:

1. Require public companies that are TARP recipients to provide a separate shareholder vote in proxy solicitations during the period in which any obligation arising from financial assistance provided under the TARP remains outstanding.
2. Clarify that the separate shareholder vote would only be required on a proxy solicited for an annual meeting (or special meeting in lieu of the annual meeting) of security holders for which proxies will be solicited for the election of directors.
3. Provide that registrants would be required to disclose in the proxy statement that they are providing a separate shareholder vote on executive compensation and to briefly explain the general effect of the vote, such as whether the vote is non-binding.
4. Clarify that the new rules do not require smaller reporting companies to include a compensation discussion and analysis section in their proxy statements.



Proxy Disclosure & Solicitation Enhancements

The Commission proposed a set of rule revisions intended to improve the disclosure provided to shareholders of public companies regarding compensation and corporate governance matters when voting decisions are made. These new disclosures are designed to enhance the information included in proxy and information statements, and would include information about:

1. The relationship of a company's overall compensation policies to risk.
2. The qualifications of directors, executive officers and nominees.
3. Company leadership structure.
4. Potential conflicts of interests of compensation consultants.

In addition, the proposals are aimed to improve the reporting of annual stock and option awards to company executives and directors as well as to require quicker reporting of election results. The Commission also proposed amendments to the proxy rules intended to clarify how they operate.

NYSE Rule Concerning Discretionary Proxy Voting by Broker-Dealers

The Commission voted to approve an NYSE proposal that would eliminate broker discretionary voting for all elections of directors, whether contested or not. Currently, NYSE Rule 452 and corresponding Listed Company Manual Section 401.08 permit brokers to

vote on behalf of their beneficial owner customers in uncontested elections of directors if the customers have not returned voting instructions.

The Commission published the NYSE proposed rule change for public comment on March 6, 2009, and received 153 comment letters from issuers, transfer agents, institutional investors, proxy advisory firms and others.

The NYSE's proposal is designed to enhance corporate governance and accountability by helping assure that investors with an economic interest in the company vote on the election of directors. It also would address concerns that broker discretionary voting for directors has impacted election results.

Specifically, the NYSE proposal would add "election of directors" to the list of enumerated items for which a member generally may not give a proxy to vote without instructions from the beneficial owner. The proposal contains a specific exception for companies registered under the Investment Company Act of 1940. In addition, the NYSE proposes to codify two previously published interpretations that do not permit broker discretionary voting for material amendments to investment advisory contracts with an investment company.

Final Words

Public comments on the first two items must be received by the Commission within 60 days after their publication in the Federal Register. The NYSE's proposal will apply to shareholder meetings held on or after 1 January 2010. The Commission's approval order will be published in the Federal Register and posted on the SEC Web site as soon as possible. ■

SID-SMU Executive Certificate in Directorship

Executive Skills for Board Members in Challenging Times



We are in the midst of a global recession of an unprecedented scale. In such times of challenge, it is critical that boards of directors responsible for the running of the company can effectively plan and execute sound strategic decisions. All directors should fully understand their roles and possess the requisite knowledge and skills for effective leadership. The SID-SMU Executive Certificate in Directorship programme is an accredited programme that will assist and equip directors, aspiring directors and top management to perform their roles, keep abreast with the latest developments in corporate governance, and chart their company's course through such murky times.

Since the inaugural of this 3 module certificate-level programme in 2007, more than a hundred directors have attended various modules of the programme. Through its structured approach, it is designed to help you better understand your roles and responsibilities as a director as well as to equip you with the relevant strategic thinking, planning as well as financial skills required by a director.

To date, there has been four successful runs of Module 1 "The Role of Directors: Duties, Responsibilities & Legal Obligations" and a fifth run has been scheduled for this coming November. Module 2 "Assessing Strategic Performance: The Board Level View" and Module 3

"Finance for Directors" are also equally popular modules. We have received numerous testimonials and positive feedback from past participants.

Testimonials of past participants from the various modules

"I have been a director for 20+ years and this program has informed of areas I have not come across or experienced as a practicing director."

- Director, Draka Cableteq Asia Pacific

"This program has helped me to be a more effective director. I will introduce this program to my colleagues and encourage them to sign up"

- Independent Director, Lion Asiapac

"I possess a better knowledge of the responsibilities and duties of directors after this programme. Good mixture of participants adds a useful dimension during lessons"

- Executive Director, Soilbuild

"This programme provided benchmark guidelines for reference. A reality check!"

- Director, Cornell Wagner



issues, including the nuts-and-bolts ones which even experienced directors need to be alerted to, including how to manage effective interaction between the board and top management.

In Module 1, you will be reminded of the constant need to keep abreast of changes in the business and statutory environments. Besides an overview of the different roles of directors, the relevant laws and regulations as well as common law principles, you will also learn about your duties as a director as well as the consequences of breach of that duty.

According to the latest Singapore Board of Directors' Survey 2008/2009 that was conducted by the SID and its partners and which findings were released in June 2009, it was found that more companies are paying greater attention to training in areas such as strategic management.

Module 2 is designed to equip participants with a practical conceptual framework on strategic thinking and planning so as to enable them, for example, to be able to address the following types of common questions facing Boards such as: how can the external environment affect our industry and company; how can we achieve growth in the long term in changing conditions; how should we assess top management's performance in choosing and executing strategy? In addition, learn about the strategic drivers that create value for the businesses.

In Module 3, participants will learn of the financial indicators and strategies that a director should be aware of, as well as how to assess and monitor the financial health of the business using accepted financial ratios, and also how various criteria can be used to evaluate investment options and how various actions may impact shareholder value.

The programme will draw from various information sources including academic studies, case histories, international best practices and the "live" experience of practicing directors from the SID as faculty members.

To leverage on the experience and knowledge of the course facilitators and fellow participants, the SID-SMU programme is designed as an interactive experience with exclusive insights, exciting debates and "live" case studies. Participants will certainly enjoy the discussions and opportunity for networking and knowledge sharing. ■

"I have a better understanding of the responsibilities of a director which enables me to make responsible and knowledgeable discussions on behalf of the company. I have obtained up-to-date information on Corporate Governance & Corporate Law with this programme."

- Vice Chairman Asia, Commerzbank

"This programme equips us with professional know-how of Directors' fiduciary duties. The course materials are good, useful and handy reference(s) that we will keep."

- Managing Director, Progressive Components (Asia)

Whether you are an aspiring, newly appointed or experienced practicing director, this unique director training programme is one that is especially tailored for you! You will be equipped with useful materials, practical skills and everyday tips to effectively handle your various duties. It will also prepare you to strategize in the face of challenges as well as how to manage the many expectations of you and your board. The programme is not simply pitched at a basic level, but is also intended to address various common and topical

Programme Structure And Dates

Each certificate module is 3 days and is 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**. Upon obtaining the executive certificate, participants will then be eligible to apply for the diploma modules. Upon successful completion of each diploma module, participants will be presented with a certificate of completion. Participants will be awarded an **Executive Diploma in Directorship**, upon completion of all 3 diploma modules.

Module 1

The Role of Directors: Duties, Responsibilities & Legal Obligations

By Stephen Bull and Adrian Chan Pengee

12 -13 November 2009 & 19 - 20 November 2009

26 November 2009 (Assessment)

Module 2

Assessing Strategic Performance: The Board Level View

By Neil R. Jones (DBA, Harvard University)

30 - 31 July 2009 & 6 - 7 August 2009

13 August 2009 (Assessment)

Module 3

Finance for Directors

By Ang Ser Keng (MBA, London Business School) & Hwang Soo Chiat (PhD, Macquarie University)

15 - 16 October 2009 & 22 - 23 October 2009

29 October 2009 (Assessment)

The dates for the modules in 2010 will be announced in due course.

For more information and registration, please contact Ms Karen Yeo (Tel: 6828 0287 or email: karenyeo@smu.edu.sg) / Esther Tan (Tel: 68280286 or email: esthertan@smu.edu.sg) at the Office of Executive Education, Singapore Management University (SMU). You may also contact the SID Secretariat at Tel: 6227 2838 for enquiries.

SID-Egon Zehnder Breakfast Talk

A complimentary breakfast talk to the Institute's members on "What drives board effectiveness? - Findings from 200 reviews around the world" was held on 16 June 2009 at the Marina Mandarin Hotel.

The guest speaker was Mr Ashley Summerfield, a Global Partner of Egon Zehnder International. He is based in the UK and is the Global Co-leader of their Board Consulting Practice. He shared with members the key drivers of board effectiveness, learnings from Egon Zehnder board reviews and is board review important to boards?

The Institute thanks Egon Zehnder for sponsoring the talk and all members and guest for their presence. ■



SID-Resources Global Professionals Luncheon Roundtable Discussion

The Institute and Resources Global Professionals co-organised a seminar and Luncheon Roundtable session on “Driving Compliance from board level”. It was a by-invitation only session and was held on 24 June 2009 to discuss several current compliance topics.

The guest speaker was Mr David Jackman, Director at Resources Compliance. He shared with the members “How do Risk & Compliance tie together?”, “Focusing on compliance in business everyday”, “Maintaining a strong compliance programme” and “Budgeting for Compliance”.

SID thanks Resources Global Professionals for sponsoring the Luncheon Roundtable and all members and guests for their presence. ■





Members' Night

An evening talk on "Cancer - how to reduce my chances of getting it?" was held for members in the evening of 26 June 2009 at Restaurant Madame Butterfly, The Forbidden City at Clark Quay.

The speaker was Dr Khoo Kei Siong, deputy medical director and senior consultant, medical oncology, Parkway Cancer Centre. He shared with members some information on the risks, treatment options and the importance of early detection.

It was attended by about 30 members and guests and the event was sponsored by Parkway Cancer Centre.

SID thanks Parkway Cancer Centre for kindly sponsoring the talk and all members for their presence. ■





SGX-SID-Aon Consulting RC & NC Workshops Series

The RC & NC Workshops series, co-organised by the Institute, Singapore Exchange Ltd (“SGX”) and Aon Consulting, continued to be well received by members and non-members. The first 2 workshops were very well attended.

The second NC workshop “CEO Performance, Development and Succession Management” was held on 1 July 2009. It was attended by 82 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 Donovan Oliveiro of Aon Consulting. Mr Quek Shi, Independent Director of Thomson Medical Centre Limited, Messrs John Lim,

President of SID and Adrian Chan, Council Member of SID joined the presenters as panelist for this session.

“Executive and Board Compensation Design Issues” was the second RC workshop and it was held on 3 July 2009. The presenters were Mrs Yvonne Goh, Messrs Na Boon Chong and Parangam Ray of Aon Consulting. Messrs John Lim, President of SID and Reggie Thein, Council Member of SID joined the presenters as panelist for this session. It was attended by 70 members and non-members.

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



SID-Ernst & Young Financial Workshop Series

The ninth workshop “Issues of the day for Boards in 2009” was held on 22 July 2009. It was attended by 32 members and non-members. The presenters were Messrs Anthony Fernandez, Mak Keat Meng and Tan Seng Choon of Ernst & Young. Ms Kala Anandarajah, SID Council Member, joined the presenters as a panelist for this session.

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



SGX Listed Companies Development Programme

Understanding the Regulatory Environment in Singapore:

What Every Director Ought to Know

The 16th run of the SGX Listed Companies Development Programme on “Understanding the Regulatory Environment in Singapore: What Every Director Ought to Know” was held on 28 July 2009. This seminar has been restructured, based on feedback received from earlier runs. It was attended by 70 members and non-members.

The training programme, designed by SGX and SID, covered topics on directors’ duties and responsibilities, corporate governance and SGX’s regulations and the law.

The presenters were Ms Kala Anandarajah, a partner at Rajah & Tann LLP and Mrs Yvonne Goh, managing director of KCS Corporate Services Pte Ltd.

A panel discussion involving all presenters and representatives from SID and SGX was held at the end of the presentation. SID was represented by Mr Adrian Chan, Council Member, while SGX was represented by Ms Siew Wun Mui, Vice President, Issuer Regulations, Risk Management and Regulations.

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



WELCOME ON BOARD

June 2009		July 2009	
Lim	Kim Huat Bryan	Boe	Ragnar
Koh	Kian Long	Teo	Peck Bee
Kong	Han Junn Stevan	Yau	Wai Hoo Alan
Tan	Kiah Teck Michael	Kareti	Venkataramana
Low	Beng Yew	Teo	Kwee Yee Claudia
Ho	Kwok Sum Patrick	Tan	Lian Huat
Song	Su-Mun	Tia	Hui Yee
Chia	Meng Wee Ken	Lee	Fut Hua
Gay	Siew Hui Pauline	Mitchell	Anthony
Tay	Yew Soon Terrance	Tan	Ying Hsien
Benoist	Stephane	Lin	Jia
Verma	Pradeep	Fong	Weng Kai
Teo	Hong Wee Michael	Tan	Heok Ping Joshua
Teo	Hong Yeow Chris	Ho	Toon Bah
Teo	Hong Hee	Lim	Beng Hoe
Travers	Larry	Loo	Cheng Guan
Willoughby	Jamie	Seow	Seng Wei
Razzouk	Assaad	Yap	Chee Keong
Wong	Chak Weng	Cheng	Lim Kong
		Poh	Eng Seng
		Yip	Mun Foong
		Liew	Jat Yuen Richard

Call for Articles, Thoughts, Snippets, etc

The Institute would like to hear from you. Send us articles, thoughts or even short snippets of issues that you are keen on, that you want to share about, or that keeps you awake at night. It only needs to relate to directors and/or corporate governance. For articles, keep it to 1200 to 1500 words at most. Send your materials by email to the Institute at secretariat@sid.org.sg.

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