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Singapore Institute of Directors

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Women On Boards

Interview With
Mrs Chin Ean Wah,
President, International
Women's Forum
(Singapore)

Singapore Institute of Directors

MISSION STATEMENT

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

THE INSTITUTE'S OBJECTIVES ARE:

- To be the national association of company directors for the local business community. The SID works closely with its network of members, professionals such as accountants and lawyers, and the authorities to identify ways to uphold and enhance standards of corporate governance.
- To act as a forum for exchange of information on issues relating to corporate governance and directorship in Singapore. The SID plays a leading role in holding discussions and providing feedback to the authorities on matters of concern.
- To organise and conduct professional training courses and seminars to meet the needs of its members and company directors generally. Such courses aim to continually raise the professional standards of directors in Singapore by helping them raise their effectiveness through acquisition of knowledge and skills.
- To regularly publish newsletters, magazines and other publications to update members on relevant issues, keeping them informed of latest developments. These publications also serve as reference materials for company directors.
- To be responsible for the discipline of members. The SID has drawn up a code of conduct for directors in Singapore setting out the standards to ensure they discharge their responsibilities dutifully and diligently.

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FROM THE EDITOR

Welcome to the first issue of the Directors' Bulletin for the year 2011. This issue looks at topics previously discussed, including remuneration and audit; but also seeks to tackle a topic that comes up every now and then, but not examined at length from an objective stance, ie women on boards.

The Bulletin's interview for this issue is appropriately with Mrs Chin Ean Wah, President, International Women's Forum (Singapore). Through email interview, she tells Yeoh Oon Jin, our Council member, that Singapore effectively lags behind many countries, even those in Asia, insofar as female representation on Singapore boards are concerned. She notes that "less than 7% of the Top 100 Listed Companies on the SGX ranked by market capitalisation … are women". She further notes that whilst there are many reasons for the underrepresentation, the most quoted reasons are "the old boys network … and the lack of suitable female candidates". She feels however that the underrepresentation is more as a consequence of a "self-perpetuating cycle" where men traditionally have led the corporate world and so identify candidates to join boards.

The interview and views provided are insightful, as are two other articles from Board Agenda titled "Women Drivers of Economic Growth" and "Board Diversity: Women on the Agenda". The latter article raises difficult issues such as whether quotas of the number of women on the board should be introduced or otherwise as well as discusses the diversity quotient and getting the diverse mix right. The article however, in a tempered fashion, notes that "board diversity should not be solely about getting more women on boards…".

Whilst insightful and certainly meriting discussion, my own thinking is that there are no easy solutions. Representation on the board is going to be driven to a very large extent by the way commerce is undertaken, and whilst women have certainly progressed tremendously and are present in every arena of the business world currently, that in itself is not a ticket to having more women represented on the board. Statistics cut both ways, and ultimately the issue, as the articles do suggest, must be resolved in favour of merit and finding the most apt board constitution for any one company.

Education and public discussion of the issues may not also be sufficient to bring about changes. However, I am not remotely recommending that there be legislation or even guidelines requiring a minimum number of female directors on board. I have been one against quotas and do not believe that quotas will present solutions. As stated, women on boards is a vexed issue which in my practical view can only be resolved over time. Whilst I remain cynical about the attempts at awareness creation, I nevertheless believe that it is the single most effective way to continue to change behaviour and eventually culture, or at least one hopes. To that extent, the efforts of the various groups must be applauded and supported as best as possible.

Other than articles focusing on women representation on boards, this issue of the Bulletin also touches on internal audit and remuneration issues. These are evergreen concerns that merit resurfacing as often as possible. The article on audit, written by the Institute's Executive Director, looks at the recent EC Green Paper on Audit Policy and suggests that perhaps the audit expectation should be narrowed.

Articles aside, one noteworthy mention in this Bulletin is the acceptance of the Institute's invite to become an Honourary Fellow of the Institute by Professor Walter Woon. Without doubt the guru on Company Law, at the very least, in Singapore, it is an honour to the Institute that Professor Woon has accepted its invite. We look forward to guidance and insights from Professor Woon as to how we can improve some of the educational activities that the Institute has embarked upon. We also look forward to Professor Woon sharing his insights with members of the Institute in good time. Welcome on board Professor Woon and thank you once again.

I take this opportunity to say thank you to all contributors to this issue of the Directors' Bulletin, and to ask members to please send us their views, articles and more for this Bulletin. Till the next issue, wishing one and all the best!

Kala Anandarajah
Editor

CHAIRMAN'S MESSAGE

Dear fellow members,

In this issue of the bulletin, I would like to highlight the issue of training for directors and the need to increase the number of well-trained and competent directors to meet the increasing demand from companies following the rapid recovery in Asia after the recent global financial crisis.

This subject of director training was also highlighted by Mr Lim Hng Kiang, Minister for Trade & Industry and Deputy Chairman of Monetary Authority of Singapore, in his opening speech at SID's Directors Conference in November 2010. Mr Lim had then said that well-trained directors would be "firm hands in steering companies through pitfalls which may appear" and were critical in reinforcing the confidence of stakeholders in the companies. Mr Lim also exhorted the private sector to nurture a pool of well-trained and ethical directors.

At the Institute we continue to focus our efforts on training and equipping directors with the necessary skills to perform their roles even more effectively in the boards on which they sit. Expectations of directors have been increasing in recent years. Directors failing to discharge their fiduciary duties might be exposed to legal and reputational risks. The corporate governance landscape is changing. There is increasing focus on what is expected of directors, particularly independent directors. While integrity and ethical behavior are important, these qualities must be accompanied by relevant competencies. To this end, it has become critical for companies to have effective Boards.

The Institute has an important role to play in the area of director training. It has a range of courses specially tailored for directors of listed companies and those aspiring to be directors. The subjects covered include the role and responsibilities of directors, risk management, audit committee, nominating committee, remuneration committee, listing manual and investor relation. For the training programs to be even more relevant and meaningful to directors, we need to engage Boards directly. An avenue for such engagement is to get companies to sign up as Corporate Members. I urge companies to join as Corporate Members so that Boards could be more involved in our activities and we in turn get to understand their needs and concerns better. Their Boards will also be kept abreast of any latest developments in corporate governance issues. Besides director training, Corporate Members are entitled to a host of other benefits as well. Please contact our Executive Director, Sovann Giang, or a member of our secretariat at telephone number 6227 2838 or e-mail sovann@sid.org.sg if you wish to know more about the Corporate Membership scheme.

I am pleased to announce that Professor Walter Woon has recently accepted our invitation to be an Honorary Fellow of the Institute. The Institute is greatly honoured to have Professor Woon join us and looks forward to having the wisdom of his expertise and experience to guide the Institute. A short write-up about Professor Woon is given on Page 5 of this bulletin.

I would also like to take this opportunity to thank Mr Magnus Bocker, CEO of Singapore Exchange for being the luncheon speaker at an event which we jointly organized with CFA Singapore on 18 February 2010. The event provided an opportunity for members to dialogue with Mr Bocker on the many initiatives the Exchange has introduced and its plans for 2011 and beyond. The Exchange has been very supportive of our many activities designed to train competent directors and produce effective boards.

On another note, I am pleased to inform members that we have started planning for our next annual Directors Conference after the successful conclusion of the last one in November 2010. We intend to hold the next conference in September this year. The theme of the conference and other details will be disseminated to members soon. We will be inviting several renowned corporate leaders from the region and beyond to be keynote speakers.

As part of our networking activities, we will be holding our next annual golf tournament in mid June at Sentosa Golf Club. Details will be sent out shortly. I hope all of you will continue to support this annual event.

Warm regards,

John KM Lim
Chairman

SID Governing Council 2010/2011

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	Mr Willie Cheng	Mr Andy Tan Chye Guan

Front Row (from left to right): Yeoh Oon Jin, Adrian Chan Pengee, John Lim Kok Min, Lim Hock San, Yvonne Goh, Reggie Thein

Back Row (from left to right): Sovann Giang (Executive Director), Willie Cheng, Boon Yoon Chiang, Ahmad Mohd Magad, Keith Tay, Daniel Ee, Andy Tan Chye Guan

Not in picture: Basil Chan, Yeo Lian Sim, Kala Anandarajah, Yeo Wee Kiong

Profile Of New Honorary Fellow

Professor Walter Woon, SC

The Singapore Institute of Directors is honoured that Professor Walter Woon, SC has kindly accepted its invitation to be an Honorary Fellow of the Institute.

From time to time, the Governing Council of the Institute invites individuals who, in the opinion of the Council, have so distinguished themselves, whether directly or indirectly, in the shaping and building up of high standards of corporate governance and best practices to be Honorary Fellows of the Institute. Professor Woon is our latest honoured addition.

Professor Woon is David Marshall Professor of Law, Law Faculty, National University of Singapore; Dean, Singapore Institute of Legal Education; President, Singapore International Law Society and President, Goethe Institute, Singapore.

Professor Woon's former positions include being Attorney-General; Solicitor-General; Member, Presidential Council for Minority Rights; Judge Advocate-General; Board Member, Monetary Authority of Singapore and a Nominated Member of Parliament. He was a director of Intraco Ltd and Natsteel Ltd, both companies listed on the Singapore Exchange. Professor Woon had also served as Singapore's Ambassador to Germany, Greece, Belgium, European Communities, Luxembourg, the Netherlands and the Holy See.

Professor Woon graduated with a Bachelor of Laws (1st Class Honours) from National University of Singapore in 1981 and a Master of Laws (1st Class Honours) from Cambridge University in 1983. He was appointed a Senior Counsel in June 2007. Professor Woon has written several books on company law, commercial law and the Singapore legal system.

With the appointment of Professor Woon as an Honorary Fellow, the Institute currently has 7 distinguished Honorary Fellows. The other distinguished Honorary Fellows are Mr S Dhanabalan, Dr Michael Fam, Dr Richard Hu, Professor Tommy Koh. Mr Lim Chee Onn and Mr J Y Pillay.

Interview With Mrs Chin Ean Wah, President, International Women's Forum (Singapore)

By Yeoh Oon Jin
Partner, PricewaterhouseCoopers LLP

Group Photo of EXCO, IWF Singapore

From Left: Mrs. Laura Hwang, Mrs. Chin Ean Wah, Mrs. Quek Bin Hwee, Mrs. Doreen Liu, Dr. Aline Wong, Mrs. Tracey Woon.

Not In Picture: Mrs. Annie Wee and Dr. Geh Min

1) What is your view of the current state of women's representation on the boards of Singapore listed companies?

Less than 7% of directors of the Top 100 Listed Companies on the SGX ranked by market capitalization (as at 31 Dec 2010) are women. Only 4 listed companies on the SGX Top 100 has 3 or more women directors.

In comparison, in Hong Kong, according to a South China Morning Post analysis, women represent 9.2% of the city's 50 largest listed companies on the Hang Seng Index. According to Governance Metrics International, the data for Taiwan is 6.3%, Malaysia 5.9%, South Korea 1.5% and Japan just 1%.

In America, women held 15% of board seats at Fortune 500 companies in 2009 according to Catalyst, a lobbying organization. Britain is not too far behind at 12%, according to a survey of Europe's 300 biggest firms by the European Professional Women's Network (EPWN). Spain, Italy, France and Germany, however, all lag behind the European average of about 10%. The exception is Scandinavia, and in particular, Norway, the world leader where quotas for women on boards originated and where women on corporate boards now comprise about 40% of the total.

So women are underrepresented on the boards of Singapore listed companies and on corporate boards around the world except in the Scandinavian countries.

2) Can you please cite one or two real life examples of Singapore Companies that have taken the lead in opening doors to women directors that other companies can take the cue from?

Only 4 listed companies on the SGX Top 100 Index has 3 or more women directors:

- Keppel Land – 3 out of 12
- K-Asia REIT – 3 out of 6
- Mewah International – 4 out of 10
- Straits Trading – 3 out of 8

8 of the top 100 Companies have women directors who are CEOs:

- Chua Sock Koong, SingTel
- Lynette Leong Chin Yee, CapitaCommercial Trust
- Saw Phaik Hwa, SMRT Corp.
- Karen Kooi Lee Wah, M1 Ltd.
- Olivia Lum, Hyflux Ltd.
- Ng Hsueh Ling, K-Asia REIT
- Michelle Cheo Hui Ning, Mewah International
- Chew Gek Khim, Straits Trading

3) Do you think that there is presently a low representation of women on the boards? What do you think are the factors behind this?

Reasons for the underrepresentation are many but the two most quoted reasons for this under-representation are:

- The old-boys network
- The lack of suitable female candidates

Given that the main movers and shakers in the corporate world traditionally have been men, it stands to reason that when seeking to fill corporate directorships, other men come to mind. This creates a self-perpetuating cycle in which women are not able to join boards and therefore gain no board experience.

Some justify the low representation by saying it is representative of the talent pool. That's hard to believe. Women are well represented in the Singapore workforce and their number in the highest corporate echelons though still small, is increasing rapidly, so the claim of a lack of suitable female candidates is becoming less and less valid.

4) Are there any perceived barriers for outstanding women in Singapore to get onto the boards of major listed companies?

Fundamentally, the barrier against getting the best women onto boards is the same as that against getting the best men onto boards. It's a case of open meritocracy versus a closed club network. Most board members are recruited through an insider's referral system, based more on personal and business relationships and comfort level. Unlike the now widely accepted best practice of rigorous executive searches undertaken for CEOs, board members are rarely recruited that way.

If board representation searches were to be conducted through a more open and rigorous process, no doubt female representation among corporate boards would rise significantly.

Even when chosen, not every successful woman would relish the prospect of subjecting themselves to the added scrutiny of being pioneering female board directors. They know they need to meet a "higher bar" just not to disappoint.

5) What unique skills or contribution can women bring to the boards in Singapore? Are there any notable contributions that women directors have made which have made a difference?

Every individual brings a set of unique skills to the job. Given that women and men are vastly different in their orientations and perceptions, as a group, women can only add to the diversity of boards and the link between diversity and performance is well established.

U.S. firm Catalyst, in a 2007 study, concluded that, on average, Fortune 500 companies with higher percentages of female board directors outperformed companies that had the lowest percentages of female board directors. Stronger-than-average results prevail at companies where at least three women serve on the board.

6) What is the experience in other developed and/or developing countries in terms of women on boards of listed companies?

According to the CWDI 2010 Repot, the total percentage of women board members globally continued to increase at a glacial pace. Among the Fortune Global 200 companies, the percentage of board seats held by women from 2006-2009 increased by only 1% to 12.2% from 11.2% in 2007. This means that men still hold 87.8% of all board appointments to the 200 largest companies in the world. Among the world's largest companies, the U.S. continues to be the pacesetter in appointing women to board seats. 19.5% of all board directors of U.S. companies in the study are women. Asian companies comprise the majority of companies with no women directors.

On a country basis however, Norway tops the world in female representation on corporate boards. In 2005 the government gave listed firms two years to put women in 40% of board seats on pain of liquidation. In 2002 just 6% of board positions in Norway were occupied by women. Six years on and board representation has risen to an unprecedented 44.2%, the highest such percentage in the world. In comparison, over the same period European board representation by women rose from 2% to just 9.7%.

The Norwegian government faced stiff opposition to quotas. Extreme skepticism was shown by leading bodies who quoted the risk of tokenism, and the loss of male board representatives to make way for poorer quality women candidates, as arguments against the move. However, 6 years on, companies "found the local waters better stocked than expected". Inevitably, some male board members did step aside but to avoid losing male directors, a small number of companies merely expanded the size of their boards to introduce a greater female presence.

In the United States, the Securities and Exchange Commission (SEC) has effected a new rule requiring companies to disclose how they considered gender diversity when nominating people for their boards. This is meant to encourage

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more companies to consider women directors.

Similarly, in January 2011, the Australian Stock Exchange, ASX, introduced diversity revisions to the Corporate Governance Guidelines and issued a "please explain" request from male-dominated company boards, in order to seek a reason for their lack of female board members. Citing statistics that estimate an 11% increase in productivity if women's participation is harnessed, the ASX is mounting arguments about the merits of expanding the diversity of the talent pool.

In a bill submitted to the French parliament in Dec 2009, all companies listed on the Paris Stock Exchange would have to ensure female employees made up 50% of their board members by 2015. Spain has also introduced a 40% quota, to be reached by 2015, while Italy and the Netherlands are contemplating similar measures.

In the UK, the Prime Minister, David Cameron, has appointed Lord Davies to lead a government enquiry into the lack of women on corporate boards and he will report back in February 2011.

7) Is there a supply issue in that there are not enough skilled or qualified women to be appointed to the boards?

This is a chicken and egg problem. If you never begin, the pool of experienced women directors will never grow. The first step would be to widen the search for talent. Professionalize the approach to filling board seats. Searches should be based on skill sets and knowledge and look beyond the existing pool of experienced board directors. Look towards maintaining a transparent and accessible database of qualified and aspiring directors.

Mentoring programs, databases of qualified women, family-friendly work policies, comfort in the corporate world with the non-linear career paths many women take, and an increased number of female executives encouraging younger female workers are all part of the equation.

8) There is a strong perception that current active women board members do not appreciate being appointed for being a woman and wish to be considered on merit. Does she agree with this view and would this hamper boards from stepping out of their comfort zone to appoint women when there are men that are equally qualified and experienced?

Tokenism benefits no one. Even in the US it has been noted that although 15% of all directorships are held by women, the actual number of women who are directors is only 10%. Some women (as are some men) are chosen over and over to sit on multiple boards. They are known as "trophy directors". More than half of large public companies have no women directors or just one which might lead one to presume that single woman is a token. Studies have shown that in general it takes at least 3 women directors to make a difference.

9) What incentives, if any, can be created to encourage more women representation on boards? Would such incentives really increase the pool of female directors?

There are many factors that determine female representation on boards. Supply of talent may be one, but inertia is perhaps the greatest challenge.

The Australian experience provides a good example of how effective a little tweaking of corporate governance rules can be in overcoming that inertia. According to the Australian Census of Women in Leadership, the percentage of women on boards of S&P/ASX 200 companies was pretty much unchanged between 2002 and 2009.

In 2010, the ASX announced changes to its corporate governance principles, asking companies to report the number of women in senior management roles, set targets and report outcomes. There was a rush for the gate. Boards, reluctant to be put under the spotlight for gender imbalance shortcomings, started a recruitment drive for female directors. In nine months, female participation at board level at the top 200 companies grew from 8.4 per cent (where it had been sitting for seven years) to 10.1 per cent. It is very unlikely that the supply of female talent had suddenly increased. Rather company boards had been given a good reason to overcome their inertia!

The U.S too has no board-gender quotas but the Securities and Exchange

Commission rules that went into effect Feb. 28, 2010 require companies to disclose what diversity considerations are taken into account when nominating directors. Similarly, Germany has no gender quotas, but requires annual disclosure of failure to comply with recommended diversity targets for various types of boards.

So it seems that the simple act of including diversity as an item under corporate governance and maintaining full disclosure can be quite effective in speeding the process along.

10) What would you like to see in terms of changes to the regulatory landscape to promote appointment of more women on boards? Would you like to see, for instance, quotas introduced or some reference in the code of Corporate Governance to improve gender diversity?

Boards serve a very important function. Their primary function should determine the pre-requisites for the directors to be recruited. If the recruitment process is transparent, open and meritocratic, given that women are already so well represented in the Singapore work force, the gender imbalance should in time sort itself out. There would be no need to have a special gender quota just as there should be no need for a race quota.

The primary objective should be to promote equal opportunities not equal outcomes.

There is no question that inertia is the biggest challenge to overcome. Countries like Australia and the US have shown how the enhancement of corporate governance requirements to include diversity as a key performance indicator can be quite effective in encouraging the desired outcomes.

Companies need to add diversity in their searches by looking beyond the usual collection of candidates. That means both going beyond the "old boys' network" – the group of male executives who attended the same schools, belong to the same clubs, and hire among themselves to fill their boards – while avoiding the creation of a similar "old girls' network" – a new cadre of well-qualified women monopolizing the plum board assignments that could go to a much larger and more diverse pool of women.

There is no question that inertia is the biggest challenge to overcome. Countries like Australia and the US have shown how the enhancement of corporate governance requirements to include diversity as a key performance indicator can be quite effective in encouraging the desired outcomes.

Some suggestions for the code of Corporate Governance to improve gender diversity:

- Ensure a rigorous search for each board director based on clearly outlined and documented criteria
- Have at least 3 nominees for each board seat where each gender must be represented
- Document and make public the tenure, qualification, board attendance record and fees paid to each director
- Non executive directors should serve for consecutive terms of no more than 6 years. Each director should serve on the board of no more than 6 publicly listed companies.

11) What would you see as the role of organisations such as IWF, Board Agender, Thinking Women's Group, etc in promoting the appointment of women on boards? How successful have they been so far and what are the areas where more can be done by them?

IWF is not an activist organization but seeks to advance women's leadership across careers, cultures and continents by connecting the world's most preeminent women of significant and diverse achievement. Through the IWF Leadership Foundation, IWF helps prepare future generations of women leaders.

12) What role can SID play to promote greater board representation by women in Singapore?

- Clearly define the role of directors and their necessary qualifications.
- Maintain an open registry of qualified directors.
- Encourage the training and perhaps licensing of aspiring directors.

Sources:

- *The Business Times, Singapore*
- *South China Morning Post*
- *The Sydney Morning Herald*
- *The Economist*
- *Government Metrics International*
- *Catalyst*
- *Corporate Women Directors International 2010 Report*
- *Women Matter – McKinsey & Company*
- *Feminist Myths and Magic Medicine by Catherine Hakim – Centre for Policy Studies*
- *Breaking the Mould for Women Leaders – Fawcett Society for the Gender Equality Forum*

Women: Drivers Of Economic Growth?

By Juanita Woodward
Vice Chair, BoardAgender

From Left: Junie Foo, Chair, BoardAgender, Avivah Wittenberg-Cox, CEO of 20-first, Sovann Giang, Executive Director, SID

"The 20th century is over!" proclaimed Avivah Wittenberg-Cox in her provocative speech given recently in Singapore.

Author and 20-year consultant in the field of women and business, Avivah believes that this century will require companies to make a strategic shift; integrate the human capital potential of women into their business or miss out.

In 2006, the Economist featured the headline – Forget China, India and the internet: economic growth is driven by women. Today, the statistics show that women globally represent half of the population, half the market, and are the majority of purchase decision makers. In more and more countries, from the US to the UAE, women are now the majority of university graduates.

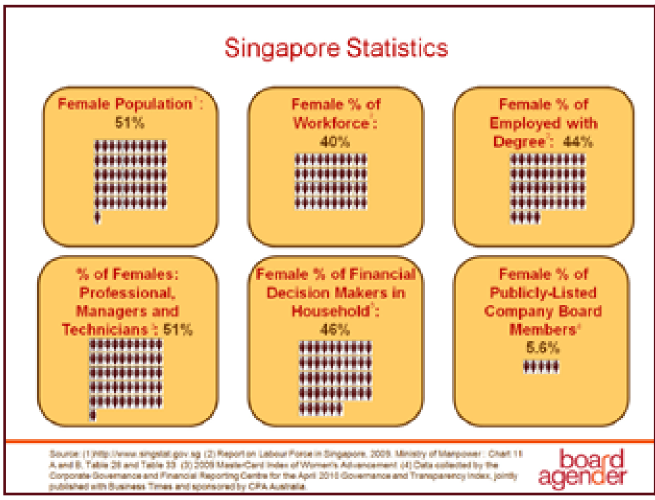
Avivah's comments were given during an event on 2 December 2010 organized by BoardAgender, sponsored by UBS and attended by SID, Financial Women's Association, and PrimeTime Business and Professional Women's Association members, and other professionals from the Singapore business community.

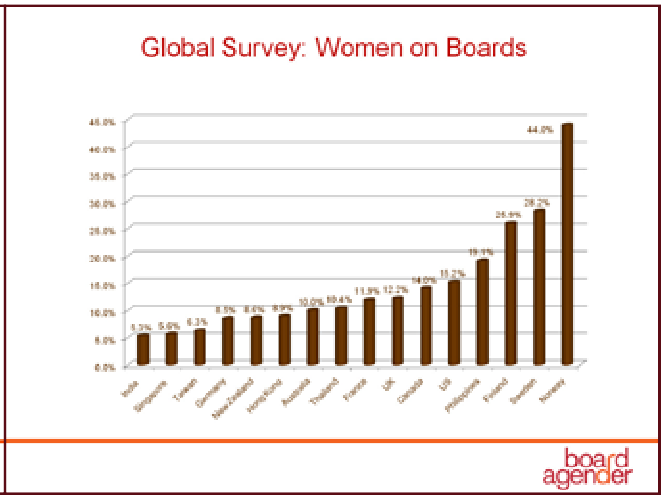
Leadership Diversity Shows Positive Results

Research on Leadership from McKinsey, Bain, Catalyst and many other organizations show that when there are more women in senior roles, companies have a better financial result, better corporate governance and in many cases better reflect the companies' main purchaser – women. In a study by Catalyst, the group of US companies with the highest representation of women on their senior management teams had a 35-percent higher Return on Equity and a 34-percent higher Total Return to Shareholder when compared to companies with the lowest women's representation.

Reap The Full Potential Of Female Talent

Companies always want the best talent, but companies continue to have difficulty attracting, retaining and developing women. Even companies who start with a 50-50 gender balance ratio at entry level positions find that women steadily leave the firm over time,





taking the company's investment of training and experience to more female-friendly work situations.

Avivah questioned the reality of the 'glass ceiling' concept, as it implies that women have the opportunity to have an upward trajectory path in the company with a potential to 'break through'. This is not reality. She sees the current situation more as gender asbestos - it is time to fix the company and reap the benefits of adapting it to its latent pool of female talent. The goal should be to create a business environment where fewer women drop out, and tap the full potential of a gender balanced business.

Marketing To Women Equals Profit

Avivah also emphasized that if companies want to be profitable they need to understand their market better. Women are now making the majority of purchase decisions, many in non-traditional areas such as technology and cars, and companies need to adapt products and services to meet the needs of women.

Avivah's spontaneous market research on adapting products for women made the point: Asking how many women carried handbags, the audience answered with a 100% response. Avivah then asked the audience of how many women drove cars? A high majority of the women responded 'yes'.

Then she followed with the insightful question: How many women drive cars where the car manufacturer has created a place to put your handbag? Big grins and laughter exploded across the room as Avivah pointed to a glaring missed opportunity by car manufacturers to attract female consumers.

Singapore's Potential

BoardAgender brought the event closer to home when statistics for Singapore were unveiled. Singapore mirrors the global demographic trends:

- 51% of Singapore's population is female
- 40% of the workforce is female
- 44% of the 'employed with degree holders' are female
- 51% of women are professionals, managers or technicians
- 46% of the financial decision makers in the household are female

However, only 5.6 % of Board members of publicly listed companies in Singapore are women, or in numbers, there are 225 female directors of the total 4,516 Board members.

Singapore has a strong country profile with a female population that is well educated, represents a significant share of the workforce, and has professional work experience. The statistics demonstrate that Singapore has an untapped pipeline of women who potentially qualify to serve on more of the SGX boards, as well as private and non-profit boards.

Data from the Corporate Governance and Financial Reporting Centre in Singapore provided more insight into the representation of women on SGX-listed company boards in Singapore.

The majority, 61.9% of SGX-listed companies have no female directors. 31.7% have one female director, 4.5 % have two female directors, and less than one per cent has three or more female directors. Of the existing female directors serving on boards, nearly half were executive directors, 29.4% were independent directors, and 22.4% were non-executive directors.

The high number of executive directors suggests that when women are related to the company, or are employed by the company, they are more likely to be on the Board. The untapped pipeline of qualified women is also an opportunity to increase the number of female independent directors.

A higher percentage of women are represented as Chair of the Audit, Nominations and Remuneration committee, 6.7%, 8.6% and 20.8% respectively, and a member of these committees, 26.7, 20.8% and 20.8%. More than half of the female directors sit on Boards in Manufacturing, Commerce and Services industries, while 3% or less sit on Boards of Hotel/ Restaurant, Multi-Industry and the Finance companies.

Singapore Vs Rest Of The World

So how does the number of women on boards in Singapore compare to other countries? Country data is calculated differently across countries, some only look at the top 100, 200 or 500 companies, while the Singapore data is a compilation of all publicly-listed companies. However, it is interesting to see a representation of the percentage of women on boards across the globe: 5.3% in India, 5.6% in Singapore, 8.9% in Hong Kong, 12.2% in the UK, 15.2% in the US, 19.1% in the Philippines, 25.9% in Finland and 44% in Norway.

Norway is the clear leader in the number of women it has on boards. In Avivah's talk, she pointed out that gender balance business initiatives in Europe were largely lead by public policy, while the US is more private sector and compliance driven.

Norway's Success

In Norway, it was Mr Ansgar Gabrielsen, former Norwegian Trade Minister - a man – who was the government official that drove the initiative for more women in the Boardroom.

After many unsuccessful years of policy guidelines to encourage more women onto boards, Mr Gabrielson was the main advocate that pushed for the law in Norway that became effective in 2008; a law that says that at least 40% of the board needs to represent each gender.

Mr Gabrielson's view was that it was all about the business case. Gabrielsen is not a feminist, he said, "I am a conservative. I am practical, rational and I want Norway to flourish."

Mr Gabrielsen believed that diversity equals better performance. He said: "Too many boards have seven, nine, eleven people who are made in the same factory, very often with the same education, very often in the same year. They go sailing, boar hunting and salmon fishing together. They dine in the same restaurant. They are very alike. I believe in the opposite. It is important that people think their own, different thoughts, and get to say what is needed, not what is wanted."

Gender Balance Initiatives In Action

Juanita Woodward, Vice Chair of BoardAgender acknowledged that a quota system for gender balanced boards is not appropriate for all countries. She cited other examples of public and private initiatives for gender balance boards.

The headline in The Australian on 25 November: Corporate cultural shift brings women on board. The article reported that corporate Australia has delivered a fivefold increase in the number of women appointed to S&P/ASX 200 company boards. Rather than a quota system, this increase is a response to the recent change to Australia's corporate governance guidelines, which will be effective January 2011, simply requiring companies to report on their gender diversity program and the number of women across the organization at all levels.

On 16 November, the Financial Times carried the headline: U.K. Company Chiefs Aim to Get More Women on Boards. The initiative is aimed at raising the proportion of women on boards to 30 percent in the next five years. The founding members of The 30% Club, as the initiative styles itself, are the chairmen of Centrica Plc, Lloyds Banking Group Plc, HSBC Holdings Plc, J Sainsbury Plc, Aviva Plc and the U.K. units of KPMG International and Deloitte & Touche LLP.

Through these examples, it is evident that there is growing global consensus in many countries that the system of meritocracy is not translating into the appropriate number of women in senior roles and in the boardroom; governments and companies in many countries are taking various actions to stimulate progress.

More Action Needed

In 2009, Avivah's company, 20-first, (www.20-first.com) launched an annual survey called Womenomics 101 that highlights the core metric on the balance of men and women on the Executive committee. She commented, "While there has been focus on the number of women on boards, they are oversight bodies, whereas the top executive management team is responsible for running the company and meeting strategic objectives". The survey shows that only a handful of the top global companies have achieved that balance.

Avivah noted that many companies make it difficult to locate gender balance details about their Executive Committees. Companies use various techniques such as removing all photos, reducing first names to an initial, or adding large numbers of something called the 'Leadership Team' which in some companies number up to 60 people.

Only a handful of companies in the world have achieved the critical mass of at least 30% women on the executive team, the threshold where research has proved that women's presence and perspectives start to pay real dividends to the company. As a manager once told Avivah, "One woman is a token, two is a conspiracy, and three becomes part of the team".

How NOT To Achieve A Gender Balanced Business

So how can companies start to make lasting changes? Avivah started with a list of 'What NOT to do' to achieve and profit from a gender balanced business.

- Stop!... Trying to fix the women… there is nothing wrong with the women.

  After a consensus of nodding from the audience, Avivah recommended that companies ask the question:

  What is wrong with a company if it cannot recruit, retain and develop female talent?

- Do not coach and train women to become like men in business.

  Through peals of laughter from the audience, Avivah was able to elaborate that men don't like 'hybrid women' and they also don't serve as good role models to younger women.

- Don't ask Women to solve the gender issue.

Too many companies put women's issues under the diversity and inclusion umbrella, erroneously asking just the women to solve the issues without any strategic connection with the company.

Gerald Chan, CEO & Country Head of UBS Singapore, Laura Hwang, President, Singapore Council of Women's Organisations (SCWO) Junie Foo, Chair, BoardAgender, Avivah Wittenberg-Cox, CEO of 20-first and Juanita Woodward, Vice Chair, BoardAgender

Top Management Buy-In Is Key

So how should companies reframe the gender balance discussion and link it to more strategic issues? Start with top management is Avivah's firm advice; if there is not buy-in at the top, then it will not be successful. One way in which companies can be successful is to take time to evolve through these four steps:

- **Audit** – Where are you really at with gender balance now?
- **Awareness** – Opening eyes to what better gender balance could mean for your company
- **Alignment** – Ensuring the buy-in that will bring about real results and change
- **Sustain** – Building gender diversity into corporate DNA

Avivah has seen many companies go through the audit step, and then look to fast forward to the last step and build company KPIs, only to discover later that the program was not successful when skipping the awareness and alignment steps.

Gerald Chan, CEO and Country Head of UBS Singapore participated in the Q&A section of this event and commented on the importance of the awareness and alignment phases. He strongly believes that the gender balanced business discussion should not be a peripheral issue delegated to the HR or diversity department. He views this discussion as a mainstream topic for top management, and on a personal note commented that the changes taking place in companies today will be the environment for his 15-year old daughter when she enters the workforce.

Gerald commented, "We are all creatures of habit, and are not always consciously aware. But we can make a conscious effort." He related a number of personal business experiences such as being the only Asian man on a global committee that has created a greater self awareness on team diversity dynamics. Mindful of gender and cultural biases in the interview process, UBS has analysed many of their own management selection processes, and made changes to the Managing Director committee selection process to level the playing field.

Alicia Yi, Managing Director at Korn Ferry International, moderator of the Q&A panel noted that her firm has done a great deal of research in the area of leadership. Managing diversity is seen as a key leadership competency in the 21st century. She noted that as more firms grow globally, there is a need to manage not just gender diversity, but cultural differences, and different industry points of view at all levels – board, executive committee and middle management levels.

In The Right Direction

Based on collective research, Avivah presented a strong business case showing that women can bring positive change to a company. With a focus on the leadership skills and talents of women, along with insight into marketing to women, companies can achieve positive profitable results. Many companies and countries are trying to tackle the gender imbalance issue, however many unknowingly are not adopting the right strategy. Through her many years of consultancy, Avivah has created a strategic framework for companies to use.

Results are showing positive moves by companies looking to harness the power of women. We all hope that, as Avivah said, the 20th century is now behind us.

This event was organized by BoardAgender, an outreach arm of the Singapore Council of Women's Organisations (SCWO) Women's Register initiative. Junie Foo, Chair of BoardAgender, announced at this meeting that this talk was part of the group's pre-launch activities. BoardAgender will officially launch in March 2011 in conjunction with the 100th anniversary of International Women's Day along with a BoardAgender 100 Champions campaign - 50 men and 50 women – to recognise and applaud successful gender balanced business initiatives in Singapore and the leaders who direct them. For more information on BoardAgender, go to www.boardagender.org .

Board Diversity:
Women On The Agenda

By Juanita Woodward
Vice Chair, BoardAgender

Fiona Shand,
Corporate Attorney,
Shand & Associates

Following the global financial crisis, urgent calls to improve corporate governance are emerging. In Australia, gender diversity on boards is taking a front row seat.

In a normally male dominated arena, over 50 business women and three business men recently attended a talk to learn about and discuss corporate governance. The talk was given by Fiona Shand, an Australian corporate attorney and instructor of the international director course at the Australian Institute of Corporate Directors (AICD).

Organized by BoardAgender and hosted by UBS, the attendees were a mix of members from the Singapore Institute of Directors, the Financial Women's Association, and other professionals from the Singapore business community.

Ms Shand's presentation gave informative and inspirational insights into the roles and responsibilities of directors in Singapore, and an important update on new corporate governance guidelines in Australia - In just one year the number of women on ASX 200 boards has jumped, from 8.3% in 2009 to 10.2% in October 2010. Comparatively, the percentage of women on SGX-listed company boards stands at 5.6%; lower than most developed nations.

Singapore Is Uniquely Positioned

Such evidence of progress in female participation on listed boards in Australia was well received by those attending, as was Ms Shand's opinion that Singapore is uniquely positioned to take an international lead to tap more women for listed board positions. She believes that Singapore's high number of well-educated, successful and experienced women provides a vast natural resource for increasing independent board directors for SGX-listed companies.

Look Before You Leap

As a corporate governance advocate in Australia, Ms Shand has extensive experience in advising potential board candidates on the essential steps to consider when accepting a board role:

- Understanding the role and legal responsibilities of a company director
- Understanding yourself, the company and the other directors
- Knowing your rights

She emphasized that a position on a non-profit board should not be given less thorough consideration, as non-

... In just one year the number of women on ASX 200 boards has jumped, from 8.3% in 2009 to 10.2% in October 2010. Comparatively, the percentage of women on SGX-listed company boards stands at 5.6%; lower than most developed nations.

profit boards are often accompanied by fewer resources or infrastructure to ensure strong corporate governance. So, while it may be flattering, and tempting just to say "yes" to a board invitation, Ms Shand strongly endorsed a proper review of all board offers.

In particular, she reminded attendees that whether considering a publicly-listed, private or non-profit board position, an individual needs to remember that they are offering his or her skills, experience, expertise and reputation by accepting a director's role.

Putting Shareholders First

Having provided counsel to many board directors, and as a consultant for companies in Australia, Ms Shand understands the need for board members to always speak up and actively question the company's strategy, its activities and financial position. This advice is especially encouraged, she said, when a director's experience produces the natural warning signs such as that nagging, "knot in the gut" or "a small voice in your head".

Further illustrating this point, she quoted from Warren Buffet's, Chairman Berkshire Hathaway, 2002 Chairman's address where he identified good directors as those who possessed three key qualities - being business savvy, interested and shareholder-oriented. Mr. Buffet considers these qualities as essential, and defined independent directors as those who spoke and thought independently.

Mr. Buffet noted that in his over 40 years of sitting on 19 public company boards and interacting with around 250 directors, he admitted that he found most directors were missing one of these qualities. He confessed that his own behavior frequently fell short as well. Mr Buffet said, "Too often I was silent when management made proposals that I judged to be counter to the interests of shareholders. In those cases, collegiality trumped independence."

Getting The Diverse Mix Right

In reference to the 2007 report, 'Improving the Implementation of Corporate Governance Practices in Singapore' authored by Associate Professor Mak Yuen Teen for the Monetary Authority of Singapore and Singapore Exchange, Ms Shand acknowledged that directorships can be a time-consuming responsibility, especially if there is a crisis or if the company is experiencing change. She also commented on her support of the "healthy and necessary" discussions in Singapore on directors holding multiple board positions.

These discussions in Singapore may result in fresh board appointees on SGX Boards. Many, she hoped, will be selected from Singapore's pool of talented women in Singapore. However she stressed that board diversity should not be solely about getting more women on boards. The discussion should always focus on securing a diverse mix of board members who will achieve the best commercial outcome for the company and its shareholders.

Ms Shand also noted that recent changes to the UK code and changes introduced by the ASX, effective 2011, endorse greater gender diversity on listed boards. In Australia, companies must actively report on gender diversity in the boardroom and at senior management levels under the 'if not why not' reporting principle, similar to Singapore's 'comply or explain' reporting regime. Adrian Chan (Vice Chairman, SID) commented in the SID Directors Bulletin (Issue 4 2010) on the changes to the corporate governance landscape in Singapore, "Women directors in Singapore have still some way to catch up with their counterparts in the West and improving our gender mix may be an issue that deserves looking into".

Diversity Makes Good Business Sense

Comprehensive global research proves that diversity of experience and views creates better decision-making, which equally applies in a company's boardroom. Global research from McKinsey, Bain & Company and Catalyst demonstrate that when there are more women in senior management and the boardroom, those companies produce better financial results for shareholders than their less diverse comparators. This is aside from the obvious benefit of a company reflecting its own customer base. Half or more of purchasing decisions in most countries are currently made by women, so it just makes good business sense to include more women in top corporate management roles.

Quotas: Good Or Bad?

Ms Shand admitted to having been actively opposed to gender-based board quotas for many years as she had held the false belief that board members were selected naturally on 'merit'. However, having seen so many Australian board appointments where properly qualified, experienced and well-credentialed women were not even considered, her conclusion was that those appointments were based on the 'safety of similarity' and thus (male) gender. It is the absence of board recruitment through 'merit through a fair, impartial and transparent appointment process', that has lead Ms Shand to change her mind on quotas.

As Ms Shand meets many women who have been denied consideration for board positions solely on their gender, she now believes it is time to change the rules of engagement or the glacial pace of gender balance will not be addressed to ensure the delivery of the economic benefits derived from a diverse mix of directors in the boardroom.

In her view, meritocracy of boardroom selection is only achieved when there is a fair, impartial and transparent process of director selection. The process for selection cannot be based on unconscious bias or "who you know". The process needs to be free of the 'isms' -favoritism, nepotism and sexism. In many countries, gender-based board quotas are now being viewed as a temporary means to express and achieve equality, not as an exception to it.

The recent corporate governance guideline changes in Australia requiring gender diversity reporting effective 2011 have already produced results. In 2009, 5% of new ASX 200 Board appointees were women, compared to March –September 2010 where 25% of new ASX 200 Board appointees were women. Given these results, Ms Shand supported the view that even soft regulation, i.e. just the threat of quotas, has had an impact.

Ms Shand calculated that it would only take 433 more women to reach the 40% mark on the ASX 200 Boards. Australia has a population of 22 million people, where 51% of the population is female. "Surely", Ms Shand opined, "considering those numbers, it wouldn't be so hard to locate just over 400 well-credentialed women to fill those Board roles?"

From Left: Ee Lin Chan, President, FWA, Junie Foo, Chair, BoardAgender, Fiona Shand, Corporate Attorney, Shand & Associates, Juanita Woodward, Vice Chair, BoardAgender and Jacqueline Chua, UBS

New Initiatives In Australia

In addition to the changes to the Australian governance principles, two other initiatives have been launched during 2010 aimed at addressing the limited pipeline of senior women in management and the gender imbalance at Board level. AICD has launched a mentoring program that brings together senior listed-company chairmen and emerging company directors. The Business Council of Australia (BCA) launched its "C-Suite" Project, where BCA member CEOs mentor high-achieving women employed by other BCA member companies.

In launching the mentoring programme, AICD stated that it supported the adoption of a more transparent and open approach to board selection processes that aims to select the best possible directors from a diverse range of candidates. AICD has stated that diversity is a competitive advantage bringing real value, adding to the collective skills and experience of the board and allowing board refreshment with changing company needs.

For more than 10 years, Ruth Medd, the CEO of Women on Boards (WOB) in Australia has been the leading advocate for improving gender diversity on Australian boards. Impressively, WOB now has a database of over 9,000 board aspirant and board ready women.

On closing, Ms Shand remarked that Madeline Albright, former US Secretary of State, once said, "There is a special place in hell for women who do not assist other women." Ms Shand added her own take, "I think that there is a special place in heaven for those men who support greater gender diversity in the workplace, and help capable and qualified women move up the corporate ranks and into the boardroom. There will also be a place in shareholders' hearts for these people as it means greater shareholder returns."

Ms Shand ended her presentation by sharing her firm belief that, "When men and women truly engage together and understand the commercial benefits of diversity there will no longer be a need for this discussion."

This event was organized by BoardAgender – an arm of Women's Register, an initiative of the Singapore Council of Women's Organisations. BoardAgender's aim is to facilitate discussions and activities on the topic of gender diversity in the workplace, to promote economic and commercial advantage for companies in Singapore. For more information, visit www.boardagender.org.

Women On Boards

By Jon Robinson
Managing Director,
Freshwater Advisors Pte Ltd

There is a broadly held view, particularly amongst western academics and policymakers, that greater diversity of board members is likely to lead to better performing boards and companies. The Singapore Code of Corporate Governance does recommend that boards should have a range of competencies but the Code is silent on other aspects of diversity.

There are many dimensions to diversity but gender is usually the most discussed and the easiest to measure. We have used our directors' database to review the extent to which women are represented on the boards of Singapore listed companies. As at 31 December 2010 this covered 422 companies with 2,497 individuals holding a total of 3,152 board seats

Table A shows the prevalence of women in the boardroom.

Overall, one in every fifteen (6.7%) of board seats are held by women. There is a higher proportion of women directors in smaller companies and holding executive positions.

TABLE A

Female as % of all directors	All	ST Index Companies	FTSE ST Mid Cap Companies
Executive Director	9.2%	1.7%	7.2%
Non-Executive Director	6.1%	6.1%	5.0%
Independent Director	5.2%	7.1%	7.1%
Overall	6.7%	5.8%	6.7%

Looking from a different perspective, we have counted the companies that have at least one woman director. (Table B)

From this viewpoint, two out of five companies have some female representation on the board with, overall, nearly half having women directors in executive roles. However, in larger companies, women directors are more likely to be non-executive or independent.

We have also looked at the figures by

TABLE B			
In each company	All	ST Index Companies	FTSE ST Mid Cap Companies
Prevalence of Female director	40%	47%	40%
Distribution of Profile			
• Executive Director	45%	20%	35%
• Non-Executive Director	6%	28%	66%
• Independent Director	28%	16%	56%

industry and, generally, there are no particularly striking results. Property companies have slightly higher prevalence of women directors with finance having the lowest.

One, albeit imperfect, way of measuring engagement is to look at committee roles. Close to 5% of the directors sitting on committees are female; Audit (4.9%), Nominating (4.9%) and Remuneration (4.5%).

Looking from another perspective, out of those women who are appointed directors, 42% will have some committee role and it is not surprising that these would tend to be independent directors. (Table C)

Over the last couple of years, one prevailing theme of corporate governance discussions has been the issue of directors serving on multiple boards. We thought it would be helpful to compare this between men and women.

Our database has 2,313 male directors compared to 184 female directors. Of these, 362 male directors (16%) sit in at least one company board as compared to 16 female directors (9%). For those who sit on more than two boards, the statistics are:

Number of Company Boards	Male	Female
9	1	0
8	1	0
7	3	0
6	7	0
5	24	1
4	27	1
3	83	7

The political world provides an interesting comparison. Currently, 21 out of the 93 Members of Parliament are female but we have only recently seen our first woman cabinet minister.

Our day to day work is reviewing remuneration practice and so far we have not found any material differences between female and male remuneration. Of course, non-executive and independent directors' are fees are set by shareholders and it would be strange to see different rates applied to different directors – although we are seeing more companies paying additional fees for specific duties.

In conclusion, it does seem that women are under-represented on boards and nominating committees might be encouraged to consider this aspect when appointing new directors. Of course, gender should not be the sole consideration in appointing a director, just as much as it should not be the sole reason for rejecting one.

TABLE C			
Among Female Directors	All	ST Index Companies	FTSE ST Mid Cap Companies
Prevalence of Committee Role	42%	78%	60%
Distribution of Profile			
Executive Director	10%	20%	70%
Non-Executive Director	0%	21%	79%
Independent Director	7%	20%	73%
Distribution of Committee Role			
Audit Committee	36%	34%	30%
Nominating Committee	41%	32%	27%
Remuneration Committee	39%	32%	29%

Transfer Pricing And Opportunities For VCT

Matthew Andrew, Partner,
Falgun Thakkar, Manager, And
Anna Tighe, Senior Tax Consultant,
PricewaterhouseCoopers LLP

In order to satisfy their statutory and fiduciary obligations, directors must be aware of key risks facing their companies and how these risks are managed. Effective directors also look beyond their governance obligations to seek out opportunities for creating value for shareholders.

Directors will be well aware of their statutory obligation under The Companies Act to "act at all times honestly and use reasonable diligence in the discharge of the duties of his office". First, in order to exercise reasonable diligence directors must ensure that they have a reasonable level of knowledge to handle the affairs of the company. This includes being aware of the key risks facing their companies and how these are managed.

Transfer pricing and value chain transformation, if designed and executed correctly, can facilitate good governance and create shareholder valuebut weak policies and execution only serve to compound existing risk. As Asia continues to grow and its tax rules continue to develop, the importance for directors to understand their companies' transfer pricing positions similarly increases.

The Changing Transfer Pricing Environment In Asia

The increasing importance of Asia for multinational companies in recent years and the resulting economic growth in Singapore and throughout the region is well documented.

This growth has been matched by increasing activity from tax authorities, with a particular focus on transfer pricing. In recent years, we have seen new transfer pricing rules or guidance issued not only in Singapore but also in China, Japan, Hong Kong, Malaysia and Korea. Within the Asia Pacific region, we are seeing extensive and aggressive audits from increasingly sophisticated tax authorities. In short, comprehensive transfer pricing policies that are benchmarked and documented are no longer a nice-to-have, but an important consideration for every multinational company.

In the area of tax, and in particular transfer pricing, the risk is too often overlooked by directors despite the fact that such risk can have a tangible impact for shareholders. Dividends are paid from post-tax cash flow and tax provisions can affect debt covenants and earnings per share. Increasingly, transfer pricing controversy is significantly affecting value. We have yet to see transfer pricing-related litigation in Singapore but are beginning to see adjustments made by the IRAS.

Important Questions To Ask

In order to manage their companies' transfer pricing exposure, directors should know or ask the following of their finance teams:

- Have we met our transfer pricing documentation requirements throughout the region?

  This is the first and most basic question to pose to your finance team. Directors acting in a regional capacity should at a minimum be aware that the statutory requirements and common practice varies from country to country, and should ensure that their companies comply with each. Failure to do so can result in penalties and adjustments to the company's taxable income.

- How aggressive is our transfer pricing position?

  In developing transfer pricing policies for their international intra-group transactions, multinational companies must balance achieving a low effective tax rate through a tax efficient business model against the cost of defending their strategies from challenge by local authorities. The balance will vary depending on the profile and risk appetite of each company's shareholders. However, it is important for directors to understand the decisions taken by their finance teams and ensure that these are in line with their company's overall risk profile.

- Is our stated transfer pricing policy supported by our actual business practice?

  An important factor that tax authorities and ultimately courts will consider is whether the company's operations are, in fact, aligned with their stated transfer pricing policy.

- Is the risk of transfer pricing controversy included in my company's tax provision?

  While difficult to quantify, uncertain transfer pricing positions should nevertheless be included in companies' tax provisions. For companies with particularly aggressive transfer pricing policies, the estimated cost of defending such policies in potentially lengthy audit processes should be provisioned as well. To date, the risk of a transfer pricing litigation in Singapore has been low. However, decisions taken by companies today could be subject to scrutiny and challenge in years to come.

  For companies who are members of US groups, this is now a statutory requirement. The recently introduced Fin 48 rules require uncertain tax positions to be included in companies' provisions.

Beyond Compliance – Creating Value For Shareholders

Beyond meeting their governance obligations imposed by statute, competent directors continuously seek to create value for their shareholders where possible. Increasingly, multinational companies are evaluating and transforming their value chains within Asia to determine whether they are most effective, both from an operational efficiency perspective and also from a tax perspective. Common reasons for doing so include a desire to reduce supply chain complexity in order to drive growth within the Asian region and also to standardise regional policies around marketing and procurement. Based on our clients' experience, the streamlined and centralised value chains result in improved operational performance, cost reductions and tax efficiencies.

Frequently, the operational benefits realised by companies from transforming their value chains in Asia are compelling. In addition, the increased visibility of regional tax risk gained from centralised management and control can assist directors with their governance role. However, such transformation, if not designed and implemented well, can unnecessarily increase tax risk for the company as a whole. It is important, therefore, to take a holistic approach to any proposed business restructuring to prevent business savings being offset by increased tax costs and risks.

When undertaking a value chain transformation, companies should also evaluate the likely corporate tax, transfer pricing, indirect tax and customs duty implications. Key transfer pricing risks arising from restructuring are the potential for tax authorities to impose an "exit tax" on any valuable assets or transferred from one country to another, and the risk of "permanent establishments" which can cause the profits of an entity to be taxed in two countries.

Under a best practice model, a company undergoing a transformation process would have a multi-discipline project management team responsible for addressing not only these issues but also managing the broader business impact. Responsible directors would ensure that this was the case.

Transfer pricing and value chain transformation, if executed correctly, can facilitate governance and create value for shareholders. As directors, it is important to ensure that the design and execution of company policies does not cause more harm than good.

Making Internal Audit More Consistent

While The Review Of Effectiveness Can Be Risk-Based, The Review Of Adequacy Should Not Be

By Sovann Giang
Executive Director,
Singapore Institute of Directors

GUIDELINE 13.3 of the Code of Corporate Governance states: 'The (audit committee) should ensure that the internal audit function is adequately resourced and has appropriate standing within the company.

For the avoidance of doubt, the internal audit function can either be in-house, outsourced to a reputable accounting/auditing firm, or performed by a major shareholder, holding company, parent company or controlling enterprise with an internal audit staff.'

Guideline 13.4 states: 'The (audit committee) should, at least annually, ensure the adequacy of the internal audit function.'

And Guideline 11.4(c) includes as one of the duties of the audit committee (AC) the review of the effectiveness of the company's internal audit function.

Actual Performance

How actually do our listed companies satisfy these guidelines?

Most listed companies disclose in their annual report that:

- AC reviews and approves the internal audit plan.
- AC meets with the internal auditor to discuss the results of its examinations.
- AC discusses with the management the significant internal audit observations, together with the management's responses and actions to correct any deficiencies.
- AC meets annually with the internal auditor without the presence of management.

Larger listed companies with an in-house internal audit department would usually include the following additional disclosures:

- The company has an internal audit charter.
- The AC reviews and approves the annual internal audit plans and manpower to ensure that the internal auditor has the necessary resources to adequately perform its functions.
- Some state that their internal auditor has a rolling three-year plan to comprehensively cover the company's policies and procedures.
- Internal audit department recruits and employs suitably qualified staff with the requisite skills and experience.

Internal audit department adopts the standard of professional practice of internal audit set by the IIA.

Some even disclose the qualification of their head of internal audit.

- Internal audit staff is given relevant training and development opportunities to update their technical knowledge and auditing skills.
- Some companies disclose that they have both in-house and outsourced internal audit functions.
- Internal audit personnel adhere to a set of code of ethics adopted by the Institute of Internal Auditors (IIA).
- Internal audit department adopts the standard of professional practice of internal audit set by the IIA.

All companies conclude that they have adequate and effective internal audit functions. But is this really the case or have they merely ticked the right boxes? In this regard, it is interesting to note that the IIA's Standards Exposure Draft issued on Feb 15, 2010 has a new Standard 2070 that states: 'When an external service provider serves as the internal audit activity, the provider must make the organisation aware that it has the responsibility for maintaining an effective internal audit activity.'

This new standard is probably meant to address the inadequacies resulting from the current pervasive practice of piecemeal internal audit engagements. The buck is passed back to the company's directors.

Resources Factor

One often-drawn conclusion is that the adequacy and effectiveness of the internal audit function depends on the financial resources of the company and the size and quality of their in-house or outsourced internal auditors. Some recent cases, however, would suggest that even some of our biggest companies or organisations have not been spared the embarrassment of fraud cases although they may have better internal audit resources than most.

Effective internal controls require the conscientious collective effort of all key players; the right tone from the top; competent finance professionals to design, implement, enforce and monitor the operations of an appropriate system of internal controls; an integrated strategic financial management framework encompassing business planning, budgeting, forecast, analysis, reporting and a deviation approval mechanism; the integrity and honesty of everyone in the organisation; and effective policing by the internal and external auditors. But specifically, how can the internal audit function adequately and effectively contribute to the process?

Guideline 13.2 states: 'The internal auditor should meet or exceed the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.'

But that is a long 19-page technical document. How does the AC verify that the internal auditors have met or exceeded the standards? From reviewing annual reports of listed companies, some of the key standards that have not been consistently applied are:

- Standard 1000: 'The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.'
- Standard 2010: 'The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.' And Standard 2010.A1: 'The internal audit activity's plan of engagement must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.'
- Standard 2060: 'The chief audit

Effective internal controls require the conscientious collective effort of all key players; the right tone from the top; competent finance professionals to design, implement, enforce and monitor the operations of an appropriate system of internal controls; an integrated strategic financial management framework encompassing business planning, budgeting, forecast, analysis, reporting and a deviation approval mechanism; the integrity and honesty of everyone in the organisation; and effective policing by the internal and external auditors.

Therefore, in order to ensure consistency in the quality of the internal audit function, whether it is in-house or outsourced, we should consider stating more explicitly in the Code of Corporate Governance some of the specific duties of the internal audit function.

executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.'

Therefore, in order to ensure consistency in the quality of the internal audit function, whether it is in-house or outsourced, we should consider stating more explicitly in the Code of Corporate Governance some of the specific duties of the internal audit function. Here are some examples.

- The chief internal auditor (either in-house or outsourced) shall prepare an appropriate Internal Audit Charter which shall be approved and periodically reviewed by the board.
- The chief internal auditor should conduct an annual risk assessment of the company's processes and internal controls in the preparation of the annual internal audit plan.
- The chief internal auditor should report annually to the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks and governance issues and other matters requested by the board.

Other Reviews

There are other areas of the Code which should also be reviewed to ensure consistency. For example, Guideline 12.1 says that the AC should ensure that a review of the effectiveness of the company's internal financial controls, operational and compliance controls, and risk management policies and systems established by the management (collectively, 'internal controls') is conducted at least annually. This is a broad statement which may be difficult to comply with in practice as the review of internal controls is usually done on a rotational basis over different business units or sectors within the group, and over, say, a period of three years pursuant to the internal audit plan. This means that, subject to risk assessment, only a specific part of the group's internal controls is reviewed and focused on each year, such that the review is only complete when the three-year cycle concludes.

In summary, irrespective of the size of the listed company and whether the internal audit function is in-house or outsourced, the required standards of the internal audit function should be the same and consistently applied. While the review of the effectiveness of internal controls is an important function of the internal audit, it is more critical for internal audit to conduct a comprehensive (as opposed to the so-called 'risk-based') review, and monitor the changes of the company's business and financial processes and control environments to ensure that management has installed appropriate and adequate systems of internal controls.

And while the review of effectiveness can be risk-based, the review of adequacy should not be. This is because the review by the external auditors is already risk-based, and if the review of adequacy by the internal auditors is also risk-based, many of the company's systems and processes may fall under the radar by being 'risk-screened' out and thus not be documented or reviewed at all. The danger is that these may later become the source of problems as we have seen in many cases.

Managing The Remuneration System

As Economies Recover, Firms Need To Balance Talent's Rising Expectations With Lessons Learned From The Global Financial Crisis

By Na Boon Chong,
Managing Director, Human Capital,
SEA, Aon Hewitt

With the Singapore economy growing at double-digit rates and business activities buzzing, talent attraction and retention has again become a priority issue for companies. Business cycles, however, continue to be highly volatile. Keeping compensation variable (that is, pay at risk), and thus as a flexible business cost, continues to be the right strategy, but it needs to be done not only with talent's rising expectations in mind but also the lessons learned from the recent global financial crisis.

The regulatory changes in response to the global financial crisis are reshaping compensation practices. The G-20 endorsed the Financial Stability Forum's Principles for Sound Compensation Practices (FSF Principles) issued on April 2 last year. Many countries in the Asia-Pacific have taken steps to implement these principles into their legislative framework. Although most people are well-aware that these regulations apply directly to 'significant financial institutions', few are aware that the regulations also apply to 'large, systemically important firms'. On top of that, we think that the principles will over time permeate into mid- and small-market segments as well via converging corporate governance standards and best-practice proliferation.

It is thus important for boards' remuneration committees, management and the HR practitioners to take heed of the 'things to come', which we summarise as six themes in this article.

The Board Of Directors Should Be Responsible For The Compensation Systems' Design And Functioning

Without continuing attention from the board, the functioning of any well-designed compensation system may change in ways that are inconsistent with the original intent of the systems.

Case in point: A mid-size company hired

Without continuing attention from the board, the functioning of any well-designed compensation system may change in ways that are inconsistent with the original intent of the systems.

a new CEO to turn around the business. Compensation was benchmarked with similar market-capitalised companies at the 50th percentile level. Two years later, the CEO had done well by streamlining the business, divesting non-core assets and achieving expected profitability. The second round of benchmarking showed that the CEO's compensation was above the similar market-capitalised companies. Further analysis showed that because the company was in a turnaround situation, it did not benefit from the general market's rising tide over the last two years. The original peer group did and went on to much larger market capitalisation, leaving another group to move up to the comparable size level with this company. The newer group's average CEO compensation level was much lower than this CEO. With that understanding, the remuneration committee did not reduce the CEO's compensation. Another two years passed. The company was poised to grow. A significant portion of the CEO's compensation was then put into long-term incentives to support growth targets.

The case underscores the point that while industry comparison may be relevant in setting compensation, it should not override the need for independent decisions that are based on the company's financial situation and strategic objectives.

Guidance: The remuneration committee should conduct reviews of the compensation systems annually or once every 2-3 years. The review should extend to persons at all levels who receive material performance-based incentives, as lower-level employees with material incentives can take actions that are individually insignificant but collectively detrimental.

Employees Engaged In Financial And Risk Control Should Be Managed In A Way That Is Independent Of The Business That They Oversee

The board should ensure that senior risk management executives are involved in the compensation process, and compensation for employees in risk management (or equivalent) functions should be determined independently of the business areas.

Case in point: A company included the Chief Risk Officer (CRO) in reviewing its new incentive plan, together with HR and Finance. The CRO was asked specifically to look at whether it would encourage excessive risk taking and if the performance measures and timing take into account all significant risks. This perspective complemented the HR's talent and Finance's funding viewpoints.

Guidance: Risk and compliance functions should have performance measures based on the achievement of their specific objectives. For senior executives in these roles, an appropriate compensation arrangement is likely to feature a higher proportion of fixed salary to performance-based incentive than would be the case for employees with profit centre responsibility.

As There Is A Cost To Taking Risk, Incentive Compensation Should Be Adjusted For The Risk Taken

Measuring performance only in terms of revenue or market share may provide an incentive for employees to disregard the quality of the business. Measuring performance by profits or earnings may be appropriate in many cases but calculations should adjust for risks, including future risks not adequately captured by accounting profits. Boards should recognise that profits are most usefully measured relative to a referenced return on the amount of capital supporting the business. The amount of capital should reflect the risks associated with the business.

Case in point: While there are sophisticated ways to allocate capital through an economic capital model in order to recognise the risks associated with any business, a small company in Singapore simply used profit after tax and capital charges as a funding mechanism for its incentive pool.

Guidance: The results of risk-adjustment are not foolproof, and remuneration committees should apply judgment and common sense in the final decision about incentive pay. Poor performance in non-financial measures such as risk management or behaviours contrary to the company's values can pose significant risks and should override achievement of financial performance.

The remuneration committee should conduct reviews of the compensation systems annually or once every 2-3 years.

Incentives As A Part Of Total Compensation Should Not Be So Large That Employees Are Encouraged To Take Excessive Risk Beyond The Company's Risk Appetite

Employees should be compensated with sufficient fixed pay so that they have an appropriate level of income security.

Case in point: A consumer durable goods company moderated its sales incentive plan by increasing the base salaries in order to hire better quality staff, and then invested in them via intensive on-the-job training.

Guidance: While industry benchmarking would provide information on what is generally the proportion between base and incentive compensation, it may not always be the right answer. The company needs to look at its own business model and its strategic imperatives. Some good questions to ask are: How do we sell successfully in this business? Are the results achieved by the sole effort of the recipient of the incentive? Are there other contributing or mitigating factors?

Incentives Should Have A Payout Schedule That Is Aligned To The Time Horizon Of Risks

The incentive should be deferred with a minimum vesting period if the incentive is a significant proportion of total compensation. The proportion and the vesting period of the deferred element should be appropriate to the nature of the business and its risks.

The deferred incentive can be given in company shares on the assumption that the future impact of today's action will be reflected in future share price movements. The deferral can also be given in cash with a deduction feature to account for poor performance in the future.

> Employees should be compensated with sufficient fixed pay so that they have an appropriate level of income security.

Case in point: An owner-managed company paid the CEO a profit-sharing annual incentive. There was no share-based compensation because the CEO's deemed interest was already substantial. The nature of the business, however, led to periodic large transactions and profit-taking in these transactions, resulting in large incentive payments in certain years. To deal with the 'spikes' in incentive payments, the company implemented a deferred incentive plan that accrued payments until they were vested upon actual profit realisation.

Guidance: The recipients are likely to discount the value of the incentive if a portion is deferred to the future. Thus it works better if the incentive amount is substantial. On the other hand, when there is a potential risk that the results funding the incentive may actually turn out to be not as expected, it makes sense to defer. Most business results or cycles do not fit nicely into a single financial year.

Incentives Should Have Both An Annual And A Long-Term Component

The long-term incentive must, to the extent possible, offer payout profiles that reflect the payout profiles to ordinary shareholders. A common plan, such as share options, tends to represent a one-sided incentive that can generate very high payments to executives in a bull market. On the other hand, when share prices fall and the option value becomes zero, shareholders may suffer losses whereas the executive granted options may have no further downside risk.

Case in point: A company replaced its share option plan with a performance share plan that awards shares to the executives upon pre-defined performance conditions. The decision was made based on three advantages of the performance share plan over the share option plan: better alignment with shareholders' interest; the explicit performance conditions; and less dilutive in delivering the same value to the executives.

Guidance: If an incentive plan pays out based on the achievement of future earnings-per-share (EPS), for example, management could very well devise strategies to boost EPS during the life of the plan, to the detriment of the longer-term health of the company. For example, increasing leverage can boost EPS. Boards should take account of these potential incentive plan issues.

Conclusion

As seen from the six themes, compensation management involves a number of serious considerations and, if done right, it could play a key role in supporting the business. Put the money where the mouth is, so to speak. Apart from its strategic value, compensation is also the largest cost component in most businesses. It certainly warrants the highest level of attention - at the board level.

Narrow The Audit Expectation Gap

Expand The Statutory Responsibilities Of The External Auditor To Include A Review Of The Company's Internal Control System

By Sovann Giang
Executive Director,
Singapore Institute of Directors

THE European Commission recently issued for public consultation a Green Paper on Audit Policy: Lessons from the Crisis. Two of the questions posed are: Do you believe that there is a need to better set out the societal role of the (external) audit with regard to the veracity of financial statements? Do you believe that the general level of '(external) audit quality' could be further enhanced?

These questions follow observations in the Green Paper that 'the fact that numerous banks revealed huge losses from 2007 to 2009 on the positions they had held both on and off balance sheet raised not only the question of how (external) auditors could give clean audit reports to their clients for those periods but also about the suitability and adequacy of the current legislative framework', and that 'for other stakeholders, it may be difficult to understand that an institution's financial statements may suggest 'reasonableness' and 'material soundness' even if the same institution was, in fact, distressed financially'.

The Maastricht Accounting, Auditing and Information Management Research Center, in its report titled The Value of Audit - for a research project commissioned by the Standards Working Group of the Global Public Policy Committee to survey financial analysts, chief financial officers and audit committee members on the value of the external audit of financial statements - revealed that two of the key expectations of audit committee members from an external audit are the evaluation of the reliability of the internal control system and insights on the company's risk management system.

Indeed, these expectations point to a demand and a need for the external audit model to be reconsidered. In this article, I will focus on the subject of internal control. There appears to be a gap between what is expected of an external audit and what the audit profession is prepared to deliver. While users of audited financial statements expect the external auditor to provide more insights on the company's internal control, the international standards on auditing do not require the auditor to evaluate or even review the reliability of the internal control system, except to take into consideration any applicable internal controls in order to design the appropriate audit procedures.

We can expect arguments from some corners that this expectation gap can be overcome by separately appointing an accounting firm as an internal auditor or by having an adequate in-house internal audit function.

Four recent cases in Singapore may help put matters into perspective. In the first case, two senior management staff of a statutory board were reported to have colluded with friends to cheat the statutory board of more than $11 million by creating fictitious suppliers and invoices. In the second case, a senior executive of a top-tier listed company has been sacked after admitting that he received illegal payments and misappropriated shopping vouchers. In the third case, a small-cap listed company reported unauthorised cheques in one of its subsidiaries resulting in a provision of more than 18 per cent of its third-quarter profit. In the fourth case, a staff member of a not-for-profit organisation has been charged with criminal breach of trust for misappropriation of money.

These cases show that internal control deficiencies occur not just in small firms but also in sizeable entities whose financial statements are audited by top-tier audit firms and even in companies with plenty of resources to man a separate internal audit function. To leave the policing of internal controls to the internal auditor is leaving too much to chance as, under the present statutory framework and corporate governance code, there is no clear definition of the necessary qualifications, the role, the scope and the responsibility of the internal audit function. It is also not mandatory or compulsory to appoint internal auditors, whether in-house or outsourced.

Over the past few decades, large audit firms have merged to become even larger firms, and auditing itself has moved to a risk-based approach so that in most cases, there is no requirement for the auditor to comprehensively document or review the company's system of internal control. And to a large extent, due to the proliferation of accounting standards, the auditor has shifted his attention to IFRS compliance.

A standard audit report now contains the following paragraph in the section on Auditors' Responsibility: 'An audit Involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.'

To use an analogy: When you visit your doctor for an annual check-up, this is akin to the doctor using a risk-based approach to diagnose your health by looking for symptoms associated with likely illnesses linked to (for example) your lifestyle, your family history, your age group, and your weight, and focusing his examination and testing on these risk-assessed potential illnesses. Following this risk-based examination, you may then be declared fit and healthy. The usual comprehensive blood tests, scanning, X-ray, etc, are no longer required. Would you be satisfied with the results of such a risk-based examination?

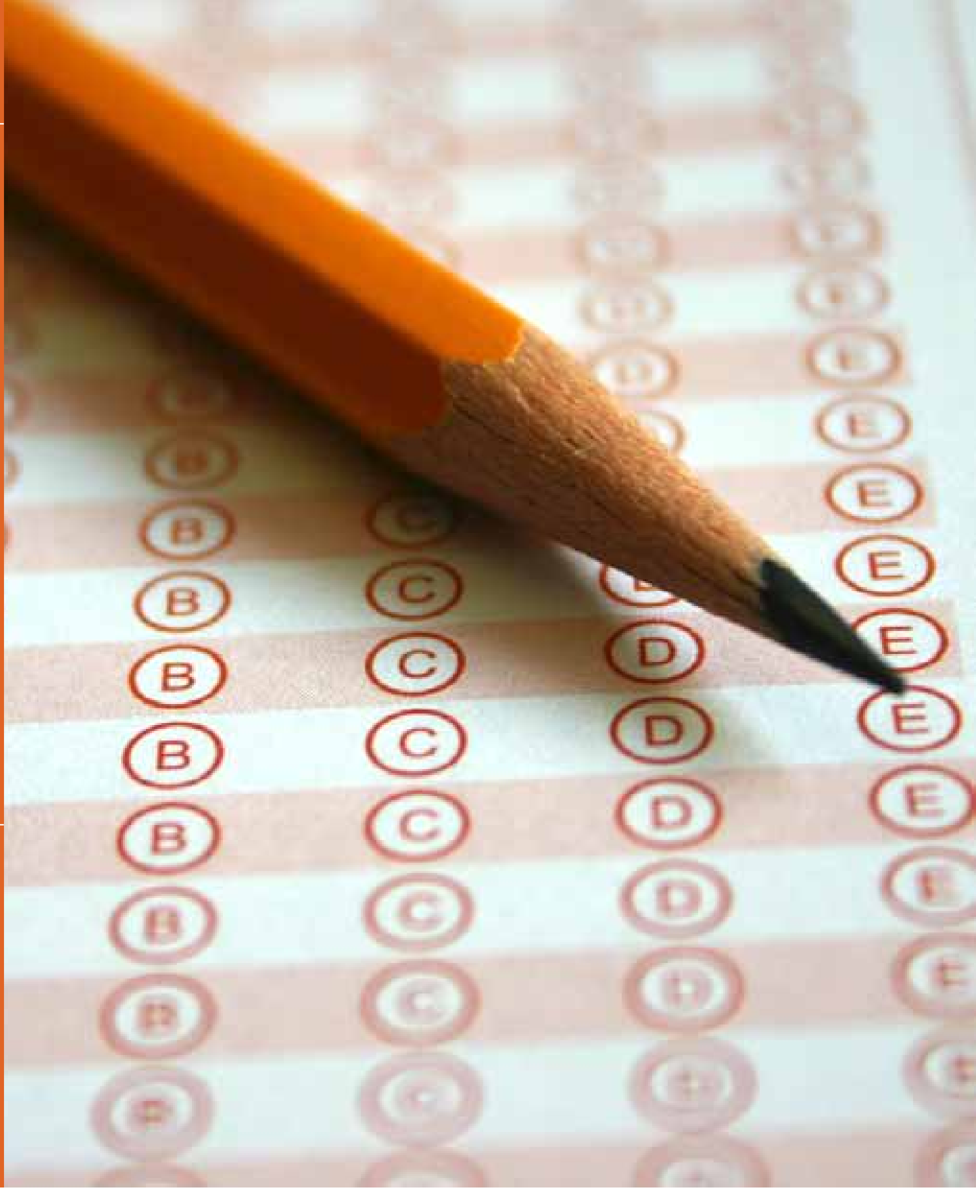
Due to a lack of comprehensive understanding of the company's system of internal control, today's auditors are unable to provide their client with broad insights on internal control shortcomings. As The Value of Audit report revealed, some of the respondents indicated that the management letters have become thinner each year.

In order to enhance the value of an audit and to narrow the expectation gap, I would suggest that we expand the statutory responsibilities of the external auditor to require the performance of specific procedures in respect of the company's system of internal control. For example, to obtain from the management the company's documentation of its key processes and the related system of internal control (whether or not the auditor is going to rely on it), review (without testing) and make appropriate recommendations to the audit committee without expressing an opinion.

The following paragraph could be added to the standard audit report in the section on Auditors' Responsibility and before the Opinion paragraphs: 'As required under the Singapore Companies Act and Singapore Standards of Auditing, we have requested from the Company's management the Company's documentation of its key processes and the related system of internal control. We have reviewed the documentation provided and issued a Management Letter to the company's Audit Committee dated (Year/Month/Day). However, we have not performed an audit or any testing for reliability and therefore do not express an opinion on the adequacy and/or effectiveness of the Company's system of internal control.'

In this way, the external auditor is not required to commit to an opinion and therefore not exposed to any material added litigation risk while users of the audited financial statements receive an added assurance that the company's system of internal control has been subjected to a third-party review and any uncovered deficiencies have been reported to the company's audit committee which is responsible for overseeing management.

Today's investors and regulators are demanding more from the board, and the board must look to various professionals for support. At the same time, it is in the best interest of the audit profession to narrow the expectation gap and stay relevant in today's complex business environment and be a more active participant in the governance process.



Using Evaluation To Build Strong Boards

By Na Boon Chong,
Managing Director,
Human Capital, SEA And
Grace Wu,
Principal Researcher,
Aon Hewitt

Every effective team working together should conduct a periodic review to take stock on how it is progressing: does it still have the right skillsets to tackle the challenges ahead; does it have the right information to work with; is it deploying the right process in addressing the right issues, making decisions, following through, and inculcating the right culture; and has it achieved the desired result.

It is no different for the board of directors. Perhaps boards need a periodic review even more so than other teams. Although boards have charters, defined accountabilities and authorities, they do not work like management in executing these on a daily basis.

The use of a board self-evaluation process to improve board effectiveness seems to have an obvious advantage. The code of corporate governance in many jurisdictions, including Singapore, has included this into its recommendations for public companies.

The SID Board of Directors Survey 2008/2009 shows that 72 per cent of the respondent companies adopted collective board evaluation, 47 per cent adopted committee evaluation, and 52 per cent adopted director evaluation. Many reported doing these evaluations 'in house' by the chairman, a lead independent director, the nominating committee or each director using a structured questionnaire or open-ended format (such as interview or group discussion). Only 6 per cent reported using an external adviser to assist in the process.

Regardless of whether it is done in-house or externally facilitated, what is important is getting good data with sufficient depth and coverage, making astute interpretations, and acting on the findings. Based on our experience having conducted board evaluations for many leading companies since the early 2000s, we suggest some guidelines in this article.

Evaluation At Board Level

Each director's view counts in a board evaluation exercise. Directors' views can be gathered via a structured questionnaire

The use of a board self-evaluation process to improve board effectiveness seems to have an obvious advantage.

covering the relevant areas of the board's charter and accountabilities, plus other areas that are key to board effectiveness, such as having the requisite skillsets, chairmanship, a culture of constructive dissent, quality of information, interaction with management, etc.

While pure quantitative data have the advantage of being specific, scalable, and comparable across questions, year-on-year, or with external benchmarks, they lack the richness of qualitative data.

The use of a structured questionnaire is best supplemented with dialogue with the information provider, during which his/her view can be probed and expounded on. With a skilled interviewer, the quality of the information gathered can be significantly greater than simply filling in a questionnaire.

Some supplementary practices at this level include seeking feedback from members of executive management who interact with the board regularly; the external advisers who work with the board as well as other boards, thereby having a good basis to offer a comparison; financial analysts covering the company; shareholders at large, etc. Pulling these various sources of feedback together would provide a more holistic view of the board's performance.

Evaluation At Committee Level

Similar to the board-level evaluation, each committee member should evaluate his/her committee's effectiveness. Committee evaluation is receiving greater attention as more and more of the important board work is done at the committee level. The areas to evaluate are generally the fulfilment of the committee charter and accountabilities, relevance of the members' skillsets, effectiveness of the decision-making process and conformance to best practices, etc.

Non-committee members should also be given the opportunity to provide observations and suggestions to the committee. This is because, even though an issue may be delegated to a board committee, the committee's role is to make a recommendation to the board, with the board owning the eventual decision.

Evaluation At Director Level

It is hard to assess individual directors who, unlike management, do not have executive accountability and performance measures. Furthermore, board effectiveness is about applying the collective wisdom of the directors, and assessing individuals runs the risk of destroying the collegiality of the board.

In view of these challenges, for director evaluation to be useful, the board needs to have a certain level of maturity as well as receptivity towards feedback.

As directors are often equals, with the chairman being first among equals, peer evaluation tends to work better than a top-down evaluation. The origin of peer evaluation is rooted in professional services partnership firms where a managing partner is selected among other partners who are highly-accomplished in their own right.

A board, just as any team, is only as good as the individuals within it; therefore, a proper board evaluation process makes the evaluation of individual directors necessary. As the board meets frequently behind closed doors, peer evaluation is probably the best source of feedback. Under some circumstances when a board is less open to peer evaluation, we have introduced self-evaluation as a first step in getting the directors used to the idea of a review and reflection.

Post-Evaluation Activities

With the right evaluators providing the quantitative and qualitative data, what should one then do with the findings? These must be communicated to the right parties in an appropriate manner, leading to greater insight into the underlying issues and generating an improvement action plan.

We would generally suggest the following steps for a collective board evaluation:

- Prepare a summary report and analysis of the findings highlighting the degree of board effectiveness in each area examined, noting areas of effectiveness as well as areas of concern
- Discuss with the nominating committee what was learnt in the board evaluation process and share any additional insights
- Submit the report to each director and place the board's discussion of the findings as a high-priority agenda item that is allocated sufficient time

While pure quantitative data have the advantage of being specific, scalable, and comparable across questions, year-on-year, or with external benchmarks, they lack the richness of qualitative data.

As directors are often equals, with the chairman being first among equals, peer evaluation tends to work better than a top-down evaluation.

- Discuss the findings candidly and openly with each director so that he/she can freely contribute his/her views
- Agree on and approve an action plan to address areas of improvement
- Assign responsibilities and monitor any improvement achieved
- Incorporate achievement objectives into the next round of board evaluation to make it a dynamic continuous improvement process that is more than an annual form-filling exercise

A similar process would apply to the evaluation involving the board committee members.

Where the results of the evaluation concern individual director performance, the generally accepted approach is for the board chairman and/or the nominating committee chairman, with or without an external facilitator, to discuss the findings individually with each director.

We have seen other practices, such as having directors discuss their own results around the board table, a process that can lead to a much greater extent of mutual understanding. The success of such an approach depends very much on the introspection, confidence and honesty of the individuals participating in the process and the degree of trust and collegiality in the board culture.

In circumstances where the objective of the board evaluation is to assess the quality of board-management relationships (as in an executive management's evaluation of the board), results of the evaluation should be shared with the executive management team.

While the potential contribution of a board evaluation seems obvious, the implementation process requires careful consideration.

Just as in most management practices, there is no one best way to carry out the evaluation. This is perhaps even more true at the board level because of the unique group culture formed out of the relationships among board directors.

A good starting point is to have a firm commitment from the whole board to put in place an evaluation process.

Searching for the appropriate means becomes the next step in the right direction. Is it worth doing? No, if it is just to tick a box and say that we have done so. Yes, if it is to obtain genuine feedback to make continuous improvement.

As the cliche goes: 'Feedback is the breakfast of a champion.'

SID Corporate Membership

To date, several companies have signed up as Corporate Members since the launch of SID Corporate Membership in August 2010.

SID would like to welcome the following Corporate Members:

- ComfortDelgro Corporation Limited
- EDB Investments Pte Ltd
- Fraser and Neave, Limited
- Keppel Corporation Ltd
- Lee Kim Tah Holdings Limited
- Noble Group Limited
- NTUC Fairprice Co-corporative Ltd
- Oversea-Chinese Banking Corporation Limited
- Singapore Technologies Engineering Ltd
- SMRT Corporation Ltd
- Straits Asia Resources Limited
- Vincom Joint Stock Company

12th Annual General Meeting

The 12th Annual General Meeting (AGM) was held on 25 November 2010 at the Maxwell Chambers. It was attended by about 20 members. At the AGM, both Mrs Fang Ai Lian and Mr Will Hoon retired from the Governing Council. Mr Yeoh Oon Jin, Ms Kala Anandarajah, Dr Ahmad Mohd Magad and Willie Cheng were re-elected to the Governing Council. Mr Boon Yong Chiang was re-appointed to the Council. Mr Andy Tan Chye Guan was elected as a council member.

Immediately after the AGM, members were treated to light refreshments.

SID thanks all members for attending the AGM.


EXIT

GEM Director Certification Programme Module 4:
Practical Guide For Improved Financial Governance

The fourth of the 5-module GEM programme was held on 7th January 2011 at Marina Mandarin Hotel. GEM Module 4 was jointly organised by SID and RSM Chio Lim.

Distinguished guest speakers, which included Mr. Lim Ho Seng, Chairman, Baker Technology Limited and Ms. Jeann Low, Group Chief Financial Officer, Singapore Telecommunications Limited, shared their wisdom and experience on how good financial management has contributed to good governance in their companies.

Mr Lim Ho Seng, Chairman, Baker Technology Ltd


Ms Jeann Low, Group Chief Financial Officer, SingTel


Questions from the Audience

GEM Director Certification Programme Module 5:
Practical Guide For Investor & Media Relations

The fifth of the 5-module GEM programme was held on 14th January 2011 at Marina Mandarin Hotel. GEM Module 5 was jointly organised by SID and August Consulting.

In addition to Mr Ho See Kim, Senior Consultant/Partner of August Consulting, who shared his expertise as a consultant to many listed companies, two other distinguished guest speakers - Mr. Kenny Yap, Executive Chairman and Managing Director, Qian Hu Corporation Limited and Mr Christopher Lee, Director and CEO, ShareInvestor.com Holdings Pte Ltd - also shared their wisdom and experience on developing and maintaining sound investor and media relations, including online platforms.

Continued on page 39

Panel Discussion

11th International Conference on Governance & Sustainability at Mumbai

SID was a supporting institute of the 11th International Conference on Governance & Sustainability organised by Asian Centre for Corporate Governance & Sustainability at Mumbai, India on 11 February 2011. The theme was "Rethinking Governance & Sustainability – Under Real World Conditions".

Mr John Lim, Chairman of SID, was a keynote speaker. He also chaired one of the panel sessions.

Continued from page 38 (GEM Director Certification Programme Module 5

Questions from the Audience

From left: Kenny Yap, Christopher Lee, Ho See Kim & Sovann Giang

A Luncheon Event With Mr Magnus Bocker, Chief Executive Officer, Singapore Exchange

SGX: What's Going On For 2011, How Can We Help Directors And Listed Companies?

SID, together with CFA Singapore, organised a luncheon talk by Mr Magnus Bocker, Chief Executive Officer of Singapore Exchange (SGX) on 18 February 2011 at Marina Mandarin Singapore.

Mr Bocker spoke about the several plans that SGX has lined up for this year.

According to Mr Bocker, International Listings will be one of his priorities. Due to the market volatility in the uncertain global environment, he feels that timing is crucial when international companies express interest to list in Singapore. SGX is looking at further shortening the initial public offering process for new listings.

Another proposed change that could be implemented this year includes tighter guidelines on corporate governance, such as beefing up the roles of independent directors. Mr Bocker also said that SGX was looking into offering a list of services to help companies post-listing, such as more online tools and investor education.

SID thanks Mr Bocker, CFA Singapore, the media and all members and guests for their presence.




Members' Networking Night

An evening talk on "12 Horoscope Forecast & Business Outlook for 2011" was held on 18 February 2011 at Union Square at The Amara.

The speaker, Grand Master Tan Khoon Yong, provided professional feng shui services. He shared with members on the Business Outlook for 2011 and went through the forecast of each of the 12 horoscopes.

Members were treated to refreshments and finger food after the presentation.

SID thanks NTUC Club for kindly sponsoring the talk and all members for their presence.

Upcoming Talks/ Courses

Upcoming Events

MARCH 2011

Tuesday, 8 March 2011	LCD Director Certification Programme Module 1 Listed Company Director Essentials: Understanding The Regulatory Environment In Singapore: What Every Director Ought To Know
Wednesday, 23 March 2011	LCD Director Certification Programme Module 2 Audit Committee Essentials
Tuesday, 29 March 2011	LCD Director Certification Programme Module 3 Risk Management Essentials

APRIL 2011

Thursday, 7 April 2011	LCD Director Certification Programme Module 4 Nominating Committee Essentials
Tuesday, 12 April 2011	GEM Director Certification Programme Module 3 Practical Guide For Enterprise Risk Management
Thursday, 14 April 2011	LCD Director Certification Programme Module 5 Remuneration Committee Essentials

MAY 2011

Wednesday, 4 May 2011	GEM Director Certification Programme Module 2 Practical Guide For Equity Fund Raising
Tuesday, 31 May 2011	GEM Director Certification Programme Module 4 Practical Guide For Improved Financial Governance

JUNE 2011

Wednesday, 8 June 2011	LCD Director Certification Programme Module 1 Listed Company Director Essentials: Understanding The Regulatory Environment In Singapore: What Every Director Ought To Know
Wednesday, 29 June 2011	GEM Director Certification Programme Module 5 Practical Guide For Investor And Media Relations

SID-SMU Executive Certificate in Directorship

Modules	Programme Dates	Assessment Dates
Module 1: The Role Of Directors: Duties, Responsibilities And Legal Obligations	Wednesday, 25 May 2011 Thursday, 26 May 2011 Friday, 27 May 2011	Friday, 3 June 2011
Module 3: Finance For Directors	Monday, 20 June 2011 Tuesday, 21 June 2011 Wednesday, 22 June 2011	Wednesday, 29 June 2011

Welcome Aboard

December 2010

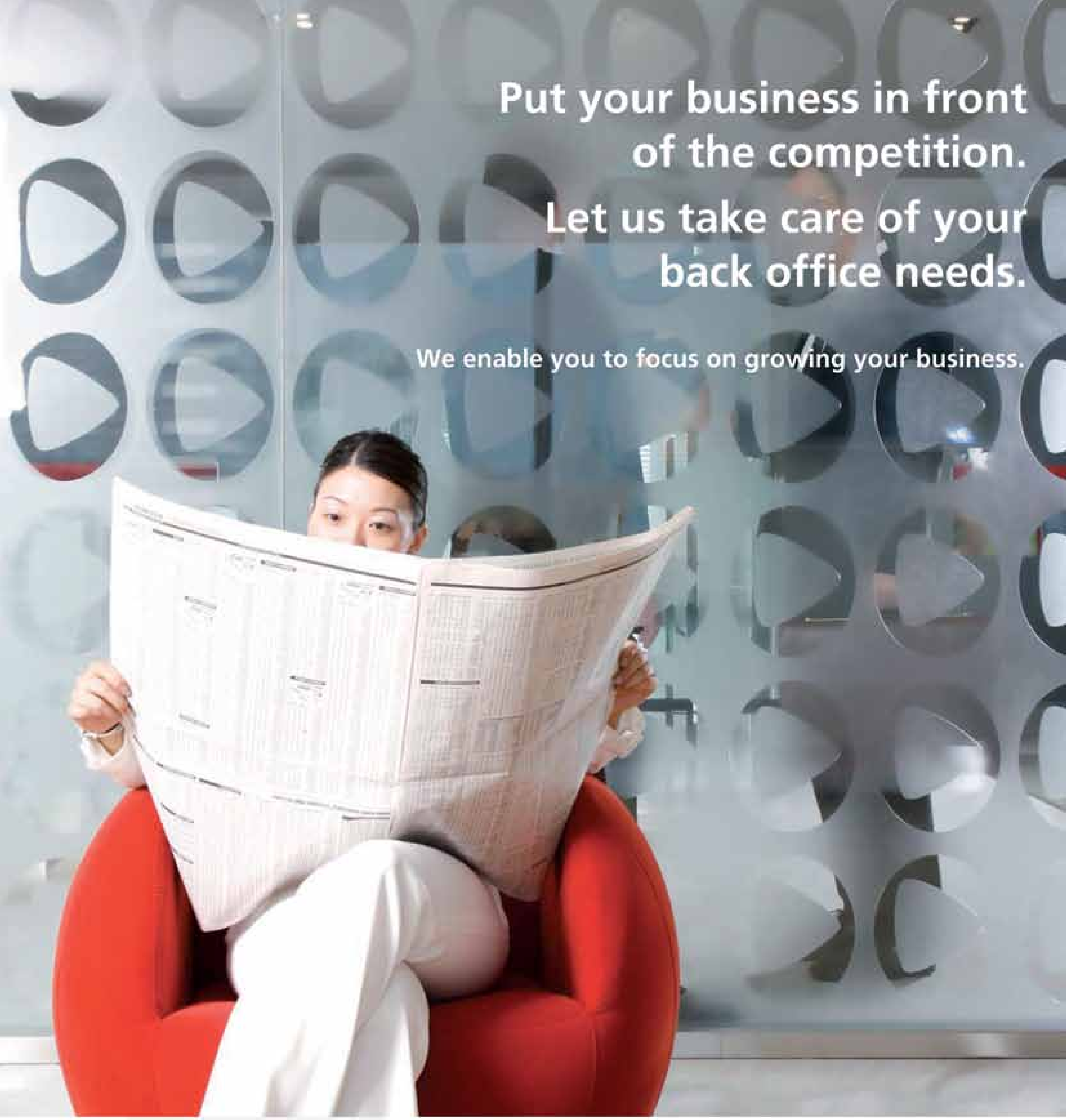
Choo	Chek Siew	Panickar	Chellapa
Corrales	Maria Mercedes	Tan	Pheng Hock
Lim	Poon Kheng Eugene		

January 2011

Beevers	John	Lee	Joseph	Ong	Kok Chiong
Chew	Poh Yim	Lee	Khai Fatt Kyle	Sin	Chiau Soon
Chan	Stephen	Lim	Alan	Tan	Hwee Bin
Chua	Yong Heng	Lim	Cheng Cheng	Tan	Min Jih
Gafoore	Mohamed Ismail	Meembat	Shankar	Toh	Hai Joo
Gan	Nga Kok Jacob	Moey	Chin Woon Michael	Sridhar	Rangarajan
Khoo	Teng Lau	Ngim	Henny	Yee	Dai Nee Doris

Call for articles, thoughts, snippets, etc.

The institute would like to hear from you. Send us aricles, 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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