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SID
SINGAPORE INSTITUTE OF DIRECTORS

DIRECTORS' BULLETIN

Quarter 3, 2014

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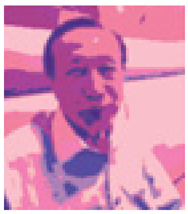

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SID Annual Corporate Governance Roundup 2014

Catch up with fellow directors and on the year's happenings at the inaugural **Corporate Governance Roundup**

The Corporate Governance Roundup event is for those who:

- Have come back from a long break and would benefit from a summary of what has happened on the corporate governance front in 2014
- Want a quick refresher on the year's happenings on corporate governance
- Would like to meet and network with fellow directors in a convivial atmosphere

Hot topics to be covered are:

- Regulatory Changes
- Companies Act
- Directorship Landscape
- Diversity
- Audit
- Compensation
- CG Excellence
- Sustainability
- Information Management
- Crisis Management
- Delistings

Date	:	Tuesday, 18 November 2014	
Venue	:	Antica Ballroom, Orchard Parade Hotel	
Program	:	09.30 am	Registration / coffee
		10.00 am	Annual Corporate Governance Roundup
		12.30 pm	Lunch
		01.45 pm	End of Annual CG Roundup event*

Further details at www.sid.org.sg

**Note: SID's Annual General Meeting for members begins at 2.00 pm*

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Capitalism at the crossroads

By **WILLIE CHENG**
Chairman, SID

DIRECTIONS

Capitalism is dead!

Many critics of modern capitalism have sounded its death knell.

Without doubt, capitalism, as we know it, is facing unprecedented challenge. Witness: the global financial crisis, the wealth gap, climate change, and corporate activism such as Occupy Wall Street. The list goes on.

In the main, the pushback against "brute" capitalism with its mantra of maximising shareholder returns has taken two forms.

The first has been calls for and implementations of greater rules and supervision to rein in the corporate beast: more environmental regulations, stronger labour protection laws, and stricter codes of corporate governance.

The second has been a voluntary drive towards a more "compassionate" form of capitalism. Evolution has been dichotomous, with explorations into impact investing, social enterprises, and new forms of collaborations between social sector organisations, businesses and governments.

Certainly, a new capitalism is emerging from all of this. It is early days yet, though.

What will the new capitalist model be? How will it address the complex problems of the present world? What does it take to get to this brave new world?

And particularly for directors: What are the implications for corporations and boards? How much focus should New Capitalism have on the board's agenda?

To address these questions, the theme for the upcoming SID Directors' Conference is *Towards the New Capitalism*. Renowned global strategist John Elkington and other speakers on the theme, as well as a Social Enterprise Marketplace of 28 social-business hybrids will hopefully fuel the debate on the nature and direction on the new capitalist model.

Aligned to this, *Directors' Bulletin* explores the subject with contributions from several international and local authors.

Stephen Young of The Caux Roundtable sets the stage for how capitalism can be "guided by the innate moral sense of humanity" (See Page 6). Maximilian Martin presents a new approach to corporate venture capital called "Corporate Impact Venturing" (Page 16) while Robert Chew sheds light on the new breed of social enterprises (Page 14).

Check out also two leading corporate leaders efforts at sustainability: Marks & Spencer (Page 11) and Apple (Page 21).

This issue aims to provide food for thought for directors to reflect on how companies can grow and contribute in a fairer and more sustainable world.

Capitalism, as we knew it, may be dying but a new capitalism is emerging.

Long live the new capitalism! ■

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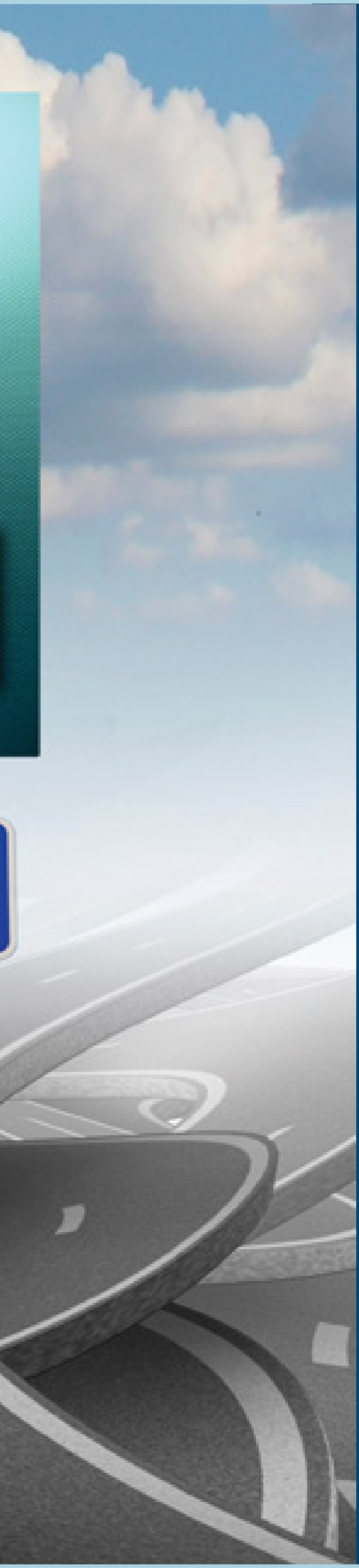


Capitalism,

that economic system in which trade, industry, and production are controlled by private owners with the goal of making profit, has served the world well, but it has also left it with consequences such as pollution, dumping, global warming, etc.

By **STEPHEN B YOUNG**
Caux Round Table

A new capitalism is emerging though, in which corporations recognise the need to be responsible to more stakeholders than just the customer and the shareholder. Besides these two groups, new capitalism puts considerations of other stakeholders front and centre in business. These include suppliers, investors, communities, government, civil groups like environmentalists; in other words, the entire planet.

This is a capitalism more and more guided by the innate moral sense of humanity. It is not new: The last 15 or so years of advocacy for corporate social responsibility, or CSR, and for more environmentally sustainable forms of economic production as necessary for global capitalism have led to this new capitalism. It has been a slow but steady evolution.

Rise of New Capitalism

What is the impetus for this "new" capitalism?

First, a change in the realities of production. The industrial era has been superceded by an economy based more on services and high technology. The mores and realities of the "old" capitalism were shaped in the 19th century by industrialisation typified by the tension between owners and workers over their respective claims to the rewards of production.

Today's capitalism is more complex with more stakeholders – customers, suppliers, investors, communities, the planet – at the table with owners and employees voicing concerns over their respective "fair shares". Production of goods and services is increasingly interdependent so operating with unconcerned, light-hearted freedom from the claims of others has become impossible. With growing complexity, there has been a parallel rise in the need for responsibility at both the personal and the institutional level.

This "post-industrial order" is also now global thanks to growing scale that has brought industrialisation to every part of the world meaning that a company's stakeholders may be geographically far removed but no less impactful.

Second, complexity in the economic system has made possible a robust civil society: the aggregate of non-governmental organisations and institutions that manifest interests and will of the "ordinary citizen". Civil society can be seen as the "third sector" as distinct from government and business and growing in momentum as a mover in modern society; witness the growing clout of NGOs – non-government organisations – and the power of social media. This new social sector has changed the rules for capitalism.

Civil society is pressing business to adopt new values of responsibility for outcomes – environmental, social and cultural. Consider the campaigns against smoking, going "green" as well as for more transparency and accountability in corporate governance. These movements have changed business models. Perhaps for now, this "third sector" is more felt in other developed countries, and many social changes are still initiated by the government but it rising even here.

Increasingly, companies have to go where stakeholders are pointing if they want to sustain their profitability and even maintain their licenses from society to be in business at all.

Realities of New Capitalism

How might companies adjust to the realities of new capitalism? The Caux Round Table hosted two dialogues and one large conference in 2013 to consider the realities of this movement towards more responsible self-regulation within free markets and on the part of private enterprise.

Some conclusions and learning points that company directors would do well to heed are:

- The European Commission now defines corporate social responsibility as they "the responsibility of enterprises for their impacts on society". To fully meet their responsibility, the Commission advises enterprises to have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders. The goals: maximising the creation of shared value for their shareholders and other stakeholders and society at large; and identifying, preventing and mitigating their possible adverse impact.

- Companies are less and less tolerated when they seek to internalise positive advantages – say, lower cost and higher profitibaility – while they externalise to society negative consequences, such as pollution or human exploitation. Property rights now come with encumbrances to take into account the needs and interests of stakeholders. It is as if the law of nuisance – *sic utere tuo ut alienam no laedas*: "so use your own so as not to injure another's" – is expanding both at the hand of state regulation and through consumer advocacy on the part of civil society.

- Checks and balances imposed by markets, governments and civil society seeking to restore balance and system sustainability. For example, excesses of mispricing and leverage arbitrage in financial services resulted in the collapse of credit markets in October 2008 followed by remedial legislation. The excessive consumption of raw materials and hydrocarbons by industry is being punished with rising prices as the inputs to capitalism – such as water – become more

Increasingly, companies have to go where stakeholders are pointing if they want to sustain their profitability and even maintain their licenses from society to be in business at all.

A new concept of a balance sheet is needed to support better, more up-to-date corporate governance, governance that can maximize returns and minimize liabilities in the coming era of a "new" capitalism.

and more scarce. Civil society is increasingly rewarding companies that act now to reduce their carbon footprint.

- With the excessive consumption of raw materials and hydrocarbons, sustainability is the keyword for producers and a necessary mindfulness. It is, in essence, a moral attitude not a business practice only.

- Systems have both income statements – the flow of input and output – and balance sheets, the balance of assets versus liabilities. As new capitalism turns toward enhanced responsibility for the common good, the view of assets and liabilities must be recast from traditional notions to include intangibles and externalities.

- As with any productive, living system, the "new" capitalism has its capacities for doing good – "assets" – as well as risk factors that compromise this potential, or "liabilities". The "new" capitalism which has emerged under conditions of globalisation seeks to minimise its liabilities and optimise the generative capacities of its assets. This is the mission of corporate social responsibility.

The tipping point for this "new capitalism" will come in September 2015 when the General Assembly of the United Nations will adopt global sustainable development goals for all nations. These goals will have no legal power to bind free enterprises to their aspirations, but they will impact the expectations of stakeholders about business responsibility. Thereafter, markets and governments will respond to demand more CSR from all companies in alignment with the new Sustainable Development Goals.

Businesses must then adjust their accounting practices for this new capitalism. In particular, the formula for setting forth assets and liabilities must change to reflect new sources of value in reputation and human capital and new liabilities for falling short in meeting CSR expectations. The current accounting practice was devised for owners in the industrial age.

A new concept of a balance sheet is needed to support better, more up-to-date corporate governance, governance that can maximise returns and minimise liabilities in the coming era of a "new" capitalism. ■

Stephen B Young is the Global Executive Director of Caux Round Table, an international network of principled business leaders working to promote a moral capitalism.

Sustainability: Marks & Spencer

By **NILUFER ATIK**

When it comes to the competitive world of business, few sectors are contested more fiercely than British retail. And in today's age of eco-accountability, the big players do not just want to prove their economic mettle – they want to demonstrate their commitment to the environment too. Few have achieved this as comprehensively as Marks & Spencer.

Having hit a peak in profits during 1998, the company saw its figures slide towards the end of the 1990s when margins were squeezed and the cost of using UK suppliers rose. Business picked up in 2004 following a recovery plan, but it was not until 2007 that significant changes began to happen – partly due to the launch of a unique project called Plan A.

The brainchild of then chief executive Sir Stuart Rose, who had been inspired by Al Gore's eco-film An Inconvenient Truth, its aim was to transform the company into the world's most sustainable, eco-friendly major retailer. Extensive customer research had also revealed that green issues were important to M&S shoppers. A list of 100 targets or "commitments" was drawn up, to be met by 2012, built around five pillars: climate change, waste, natural resource, fair partnership and health and wellbeing.

Over the next three years the company drove home its philosophy, working with customers and suppliers to reduce waste, trade ethically, use as many sustainable raw materials as possible and combat climate change. Road miles on deliveries were cut down, packaging was reduced by 26%, landfill waste was cut by 28%, and fridge emissions by 60%. The number of food carrier bags was also slashed by almost two billion.

Changes were implemented rapidly – from cutting down on the amount of energy used in stores to setting up a clothes-donating drive called "Shwopping", encouraging customers to donate an item of clothing to Oxfam for every new item they bought. This latter initiative yielded more than £8m for the charity in just three years.

Clothes hangers and bin bags were recycled, while employees were given additional training in energy efficiency, with information posters featuring a fictional character called Captain Energy placed around stores. Plan A is now so deeply embedded in the company's culture that it is part of the day job for the group's 81,000 employees.

M&S put aside £200m for the five-year project, not knowing what the financial impact would be long-term. And in the first year, it reaped no monetary rewards. But by 2009 the project had broken even; the company recouped all the money it had invested and, furthermore, went on to make a net benefit in year three of £50m. This rose to £70m in 2011 and £105m in 2012. As M&S spokesman Daniel Himsworth said:

"We quickly found that these money-saving initiatives more than offset the investment."

Under Rose's successor Marc Bolland, Plan A was expanded in 2010, with a further 80 objectives added to the list. Figures from the latest financial year show the net benefit has risen again to £135m. As a result of the scheme, M&S now claims to be the UK's first carbon-neutral major retailer. Its greenhouse gas emissions are down by 22% since 2007, due to cutting electricity use, reducing gas leaks from refrigeration units and improved fuel efficiency. This, despite increasing its sales space by 18% during the same period. M&S also sends no waste to landfill and one-third of its products carry a Plan A attribute, with all fish and nearly all paper, packing and wood being responsibly sourced.

Some numbers:

- 11 million items of clothing have been collected via the "Shwopping" scheme to be recycled or re-sold.
- Since 2007, M&S Fairtrade food sales have risen by 88%.
- 147 million clothes hangers were re-used and recycled in 2013.
- 100% of the energy M&S buys is purchased from a "green" tariff, with 15% of it coming from small-scale generators. The company is now 28% more energy efficient per square foot.
- The Queen's Award for Enterprise (Sustainable Development) and the Prime Minister's Big Society Award are just two of more than 100 sustainability awards that Plan A has received since its inception (see https://plana.marksandspencer.com).

Doing It

Adam Elman, head of delivery for Plan A, and Mike Barry, head of sustainable business at Marks & Spencer, offer eight tips on making a business more sustainable and financially efficient...

1. Ownership and management: Budgets should be owned by the people who run the business, and need to be supported with central programme management.
2. Seek advice from the finance team: Engage them – they are the experts after all!
3. The Green Lens: Looking at the business through an "eco filter" means people spot new opportunities and are able to challenge "sacred cows".
4. Innovate wherever possible: Creativity is key and must be proactively supported.
5. Promote sustainability across the business: The business case (for sustainability) needs to be addressed across the entire organisation.
6. Value chain: There are potentially much bigger benefits outside the organisation in the wider value chain.
7. Sustainability is not just about the financial benefits: Not all benefits can or should be monetised. Think employee motivation, supply chain resilience and brand halo.
8. New revenue: Sustainability is not just about making a business more efficient, although it is a great start. It is also about creating new revenue streams from more viable products and services.

This article was first published by Director Publications Ltd.

Social Enterprises: The next big thing

By **ROBERT CHEW**
SID Council Member

RESPONSIBLE BUSINESS

Business does not only have to be about profit.

It is a radical idea, but fast gaining popularity especially among the millennial generation who have a deep desire to make the world a better place. More and more social enterprises are being set up. People are less and less enamored with corporations whose focus on maximising profits put us all at risk in the recent global financial crisis.

In Singapore, a supporting ecosystem for social enterprises is pretty much in place, with government grants, preferential rates from banks, incubators and mentoring programmes.

Amidst this buzz, however, many are still unclear about what this new breed of enterprises really is.

The Pacific Community Ventures has a useful working definition of what best describes a social enterprise in terms of three attributes:

- What: A social enterprise purposefully delivers a product or service with social or environmental benefits to its customers;
- How: Operation of a social enterprise has a positive social or environmental impact – for example by hiring or sourcing from a disadvantaged community;
- Why: A social enterprise earns profits for the primary purpose of supporting itself or others delivering social or environmental impact, rather than maximising profits for its shareholders.

Social enterprises may take the form of a co-operative, private or public company, limited partnership or a charitable organisation.

Singapore's first co-operative, the Singapore Government Servants' Co-operative Thrift and Loan Society, was established in 1925, and over 40 thrift and loan societies were formed over the next 15 years to cater to the needs of civil servants, teachers, custom officers and even those working in the private sector.

Perhaps, one of the best known is NTUC Income which was set up in 1970 to make insurance affordable and accessible to workers. At the end of 2013, there were at least 200 organisations which identified themselves as social enterprises.

Today, the most common social enterprise activity in Singapore is service provision. According to the June 2014 report from the Asia Centre for Social Entrepreneurship & Philanthropy, two out of five social enterprises fell into this category. Within this category are co-operatives by NTUC that seek to stabilise costs of medical products and services as well as for food items.

Non-cooperative social enterprises in this category include tailors, massage services and training. The rest are in a variety of sectors such as:

- Business Support (15%). One such enterprise is Adrenalin, an event management agency employing disadvantaged youths, the physically challenged and the hearing impaired.

- Food and Beverage (10%). For example, Eighteen Chefs runs four cafes and provides a non-judgemental environment to train and rebuild lives of ex-offenders.
- Education (10%). For one, PlayMoolah provides financial education to school children through workshops and events.
- Trade and Others, for example Inkfusion which organises art workshops and therapy sessions for autistic children.

An interesting recent development is the emergence of social enterprises that deliver innovative products enabled by new technologies, such as Ecosoftt which offers solutions aimed at addressing issues related to water scarcity and sanitation; and T.Ware which develops T.Jacket, a wearable touch technology vest that could improve the quality of life for people with conditions such as Sensory Processing Disorder and dementia.

Today, the range of products and services of social enterprises are as wide as for-profit commercial enterprises. They cover a range of industries – from Food and Beverage, to High Technology – are at different stages of maturity and size; and deliver social impact stretching from employing a few beneficiaries to society-wide benefits.

Like for-profit commercial enterprises, social enterprises must strive to be self-sustaining. Unlike other social organisations, social enterprises should reduce, if not remove, the need to rely on donations. Like for-profit commercial startups and enterprises seeking funding support, social enterprises should pitch themselves as the next big thing run by the best team, passionate about making a positive difference in the world.

Done right, social enterprises can be confident of accessing larger pools of private capital. According to a 2010 estimate by the Social Investment Forum, there was already a growing socially responsible investment pool of US$3.7 trillion to draw from.

Now is indeed the perfect time for a new capitalism to emerge; a natural evolution as we see a spike in the growth among companies with a triple bottom line – people, planet and profit. ■

New Capitalism New Corporate Venturing

By **MAXIMILIAN MARTIN**
Impact Economy SA

R&D and corporate venture capital helped corporations to move from early insights to investments and resulting in products that power core business. But the pathways of sourcing business innovation now need updating in the light of emerging opportunities and challenges.

The bottom of the pyramid – the three billion people who live on less than US$2.50 per day – presents one of the great challenges of the modern age. And great potential.

Consumers at this level need affordable solutions for pretty much everything, including clothing. As part of its efforts to build out its status as a global brand, leading Japanese retailer Fast Retailing – perhaps better known for its main brand UNIQLO – set up a social business in Bangladesh in 2010. Teaming up with Grameen Healthcare Trust it launched Grameen UNIQLO to establish a community-level business ecosystem.

UNIQLO would leverage its capabilities in efficient mass production and the sale of high-quality clothing via a completely localized business. Approved factories began manufacturing clothing using locally procured materials, and this clothing was then supplied on a consignment basis to a dedicated community sales force. "Grameen Ladies" would earn commissions on products priced as low as US$1, operating from their homes or selling from door-to-door.

Grameen UNIQLO moreover made a commitment to reinvest all profits into additional social business initiatives. To increase economies of scale, urban markets were targeted as well, especially the capital Dhaka. A product showroom, new products such as polo and collared shirts using polyester and other synthetic fibres, and higher prices in the US$2–US$4 range, began to set the social business on a track toward greater scale.

As the business grew, the messaging associated with the social business started to emphasise supplying people with affordable quality clothing and creating job opportunities. Grameen UNIQLO currently operates seven stores in Dhaka, and is now engaging in corporate social responsibility initiatives as well.

Grameen UNIQLO demonstrates the possibilities of social business, an amalgam of business and corporate responsibility. It is not purely altruism, but also sustainable growth and corporate profits. Consider the numbers: the US$5 trillion Base of the Pyramid market; the US$546 billion LOHAS, or Lifestyles of Health and Sustainability, market and multi-trillion dollar green growth and a rising circular economy. For UNIQLO, aiming to raise turnover to US$60 billion by 2020, the bulk of future growth will be in emerging markets, and for high-end products possibly in the LOHAS – or "virtuous consumer" – segment.

Corporate Impact Venturing

Since the 1960s, corporate venture capital has been the route companies have taken to make strategic investments in products borne out of

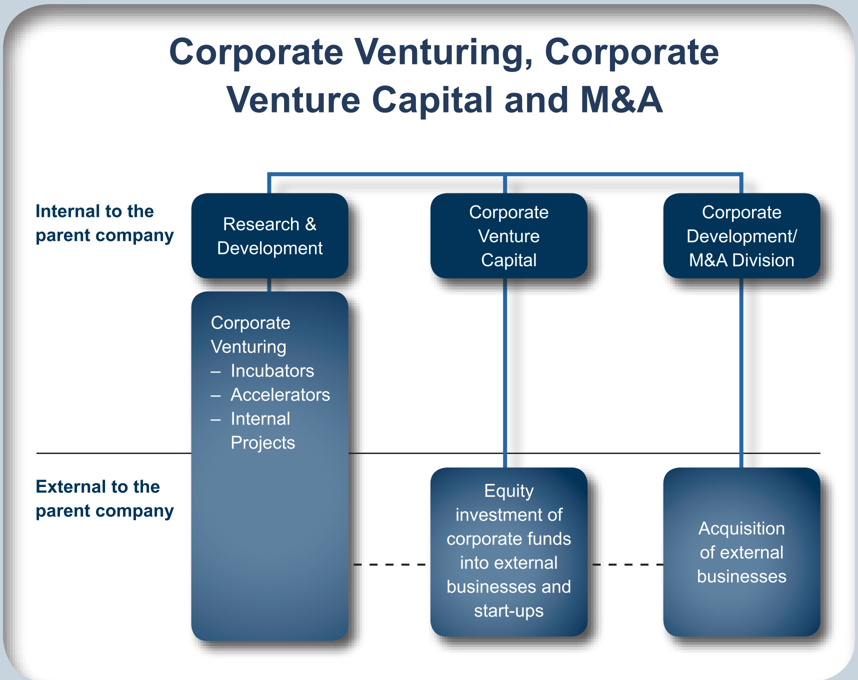
THE MEGA-DRIVERS OF SUSTAINABLE VALUE CREATION

	RATIONALE	POTENTIAL
Massive Pent Up Demand at the BoP	The BoP refers to the **4 billion people** with annual incomes below US$3,000 in local purchasing power	This segment will take off as BoP consumers and producers, which already **represent a US$5 trillion economy,** join the market
Emerging LOHAS Segment at the Top	LOHAS consumers are willing to spend more on products designed to be environmentally conscious, sustainable, socially responsible, and better both for people and the planet.	LOHAS consumption is already **a US$300 billion+ market** in the US, and is growing fast globally
Diving Green Growth	The green economy results improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities.	Investments in renewable energies are forecast to grow significantly, more than doubling **from US$115 billion in 2008 to US$325 billion in 2018**.
Recognition of the Welfare Sate	The welfare state needs to be reconfigured as expenditures by some governments are structurally higher than their revenues, with a large proportion of expenditure on healthcare, education and welfare.	Fundamental shift in the way we approach the provision of public goods can lead to opportunities for the private sector (i.e. **20% of the global population will be over 65 in 2020**)

What is Corporate Venturing?

Corporate Venturing can refer to:

1. An internal business development activity within the parent company that identifies, incubates and accelerates ideas, technology and innovation for key business lines; or
2. An ecosystem-building activity that directly or indirectly affects core business, but does not involve an equity stake.



Corporate Venture Capital is a discrete investment activity in an independent company or a portfolio of companies with the goal of driving both financial and strategic returns for the parent company.

Where the investment is for a significant mature business, this tends to fall under the domain of the **Corporate Development / M&A** division of the company.

Source: Investing in Breakthrough: Corporate Venture Capital, Volans (2014)

deep industry expertise. This has hit new highs. In the United States in 2013, venture capitalists invested US$29.4 billion in 3,995 deals, an increase of 7% from 2012.

But new market segments such as poor or virtuous consumers and the blurring boundaries between corporate responsibility and opportunity are now leading to an adjustment of the corporate venturing model: rather than a primary focus on technological innovation, these new segments require a combination of technical and business model innovation. And the new metric for measuring success includes a combination of profitability and social and environmental impact.

What has emerged is a new approach called Corporate Impact Venturing, or CIV. The mechanics are similar, but the success metric is typically a combination of financial return and a "strategic" contribution to the parent's business innovation goals, which can be hard to quantify. To this, CIV adds the metric of social impact, marrying the logic of investments and impact.

For manufacturing concerns the benefits are obvious: looking for joint impact and profit opportunities, manufacturers can cut energy and water consumption, reduce worker turnover and labour unrest, and enter new market segments such as the Base of the Pyramid.

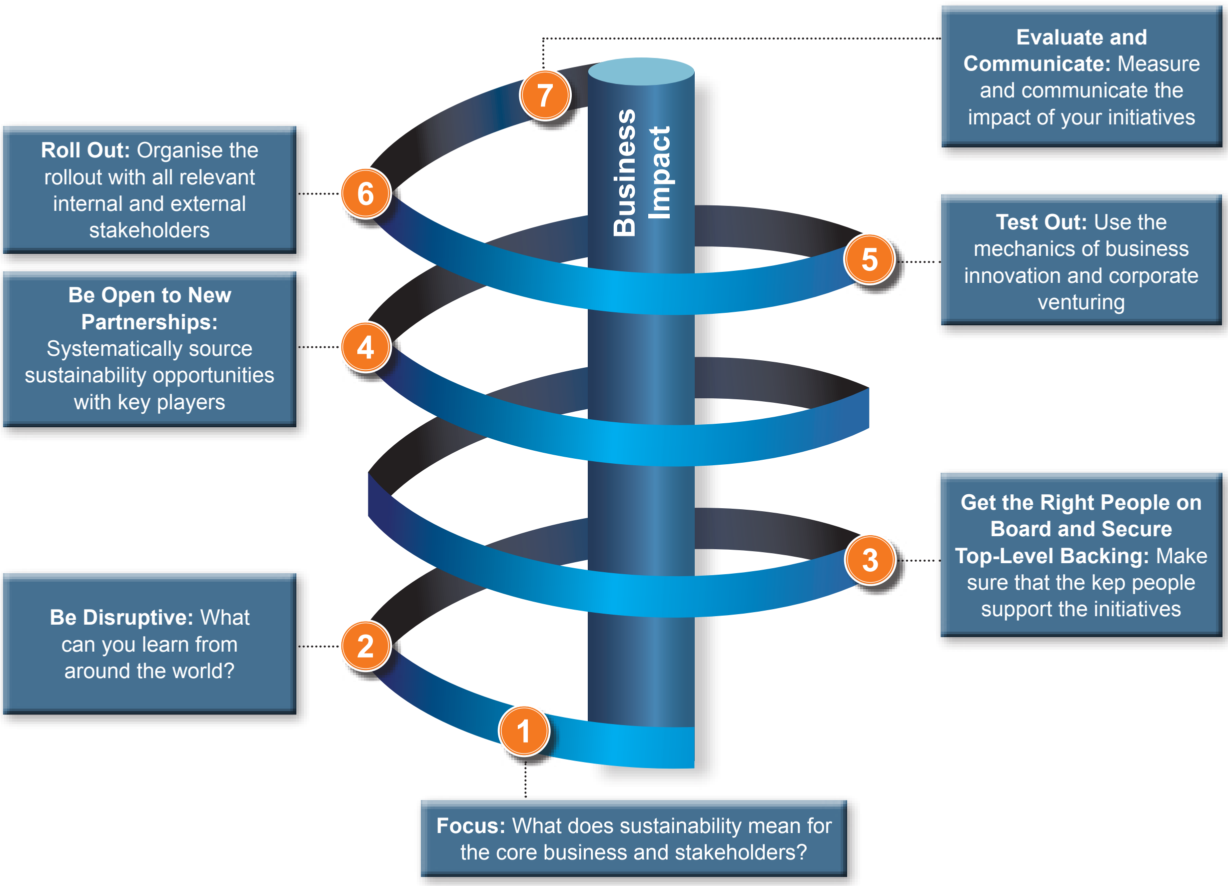
But CIV is also relevant to companies in fast moving consumer goods that source along a supply chain. This is important because NGOs and regulators nevertheless increasingly hold firms accountable for poor labour practices and environmental damage.

Even knowledge-focused firms are now engaging in CIV. Take the case of Pearson which aims to be the leading learning company worldwide. In 2012, Pearson launched the Pearson Affordable Learning Fund that focuses on providing K-12 education in order to scale its exposure to the Base of the Pyramid. The Fund pursues both financial and impact goals: it aims to contribute to "Education for All" via for-profit investments. The Fund can now help Pearson, which achieved US$1 billion revenue in developing markets for the first time in 2011, access the next key innovations in education at the Base of the Pyramid.

Steps to CIV

1. **Focus.** Explore new approaches in areas aligned with the core business. The issue and the industry need to be researched to understand the full context of the opportunity.
2. **Be disruptive.** The key to success is to test and scale new business models, often with new partners. While naturally looking for financial viability, new net double-digit internal rate of return (IRR) models could be the exception, not the norm.

BUILDING A CORPORATE IMPACT VENTURING CAPABILITY



3. **Get the right people and top-level backing.** Being disruptive is necessary, but not sufficient for success. Three other factors are key: getting the right people on-board with an entrepreneurial mind-set, patient capital, and risk tolerance.
4. **Be open to new partnerships.** Successful models that are genuinely new are typically developed when different skill sets come together, for example, via corporate partnerships with NGOs or social businesses. For example, in Singapore, the BoP Hub – a non-profit venture that aims to provide a global platform to forge strategic partnerships between the private sector, social enterprises, and subject matter experts – provides a docking station to access new business ideas and relevant players.
5. **Test and roll out.** All relevant external stakeholders at this early stage should be brought in to develop a realistic implementation plan with cost controls.
6. **Evaluate and communicate.** The impact of new initiatives or programmes has to be measured so that the efficiency and effectiveness of the activities can be maximized, and the ability to communicate progress with key stakeholders optimised.

The sustainability imperative is transforming the world of business. To build and defend a franchise where sustainable products are part of the unique selling proposition, all companies ultimately need access to new business ideas that have strategic value.

Corporations need to develop strategies to prosper in the coming years. As the global middle class expands from 1.7 billion people today to 3.6 billion in 2030, many more consumers will be reaching for sustainable products.

Since 2008, 86% of consumers report that they believe companies should focus as much on social impact as they do on their core business responsibilities. Between 2008 and 2012, consumers saying that it is acceptable for companies to support good causes and make money at the same time increased by a third. Nearly three-quarters of consumers will recommend a brand that supports a good cause over one that does not, up almost 40% since 2008.

About three-quarters also said they would switch products if another with similar quality supported a good cause. Most fascinatingly, many consumers are interested in businesses engaging in corporate impact product strategies: instead of simply donating to a charity to create impact, almost 50% want businesses to create new products that solve societal problems.

Pricing also plays a major influencing factor here. While many people express interest in buying sustainably, Deloitte found that only about 20% actually end up purchasing a sustainable product. Many consumers are willing to consume more sustainably but not at a higher price.

Marrying the logic of investments and impact, Corporate Impact Venturing is a powerful pathway to systematically engage in corporate opportunity without neglecting corporate responsibility. Competitiveness and sustainability can go hand in hand. Given the growing demand of the poor, an aging population in most OECD countries, a growing youth population in many emerging countries, greater total resource productivity, and a bifurcating consumer market driven only partially by price, the opportunity has never been greater to do good and well. ■

The writer is Founder & Global Managing Director of Impact Economy SA, a global impact investment and strategy firm.

Apple pioneers $ustainability

"We strive to create products that are the best they can be in every way. Our passion for innovation is also reflected in how we think about environmental responsibility."

Another tired trite corporate line about going green? Apple, maker of computers, iPhones, iPads, and the world's largest distributor of music through its iTunes Store, has put serious cash and human effort into a three-pronged approach to sustainability that includes using renewable energy sources and driving energy efficiency in products; pioneering the use of greener materials in products and processes; and conserving resources.

On power consumption, Apple is known for its promise to source 100% of its electricity from renewable energy sources. In its 2014 Environmental Responsibility Report, Apple is now running on 73% renewable energy from solar, wind, hydro and geothermal sources. If its retail outlets are excluded from the equation, the number rises to 94%.

At its four mega data centres located in Oregon, North Carolina, Nevada and California, it has reached its goal of using 100% renewable energy.

It's North Carolina data center is powered by two 20 MW solar farms with a third being added that will occupy a 100-acre plot. Meanwhile, solar energy also powers its Nevada data centre while wind powers the data centre in California. In Oregon, Apple is building a micro-hydro system to generate power from water flowing through local irrigation canals.

Is all this necessary, or just grand gesturing?

Market Analyst Jonathan Fishman says the green efforts make business sense. It is estimated that data centres consumed 1.3% of the total global electricity in 2010. And demand is growing rapidly. Apple's four data centres consumed 324 million KWh in 2013; a 135% increase from 2011.

"The numbers show that Apple is getting ready to save hundreds of millions of dollars in the coming years," he says estimating that the company's cash investment in renewable energy sources will repay itself in "10 to 13 years".

"In 25 years, the current data growth and consumption forecasts suggest that Apple might see a 8.6 billion KWh electricity consumption related to its data centers, up from just 300 million in 2013, that electricity bill could amount to $860 million per year."

So whenever you download a song, update an app, or ask Siri a question, rest easy that the energy Apple uses to support your digital lifestyle is provided by nature.

INTEGRATED REPORTING 101

By **LIM AI LEEN AND MIAO BIN**
Institute of Singapore Chartered Accountants

As defined in the International Integrated Reporting Framework, an integrated report "is a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term".

From this definition, we can see that Integrated Reporting, abbreviated and stylised as <IR>, goes beyond the traditional number-filled, historical-oriented financial reporting by encouraging companies to disclose non-financial, forward-looking information about the essential aspects of their business, including strategy, corporate governance, risk and opportunity, and outlook for future performance. These information, together with financial statements, provides investors with a complete view of the value creation process inside the company, and therefore is important for their investment decisions.

While the catchword "integrated reporting" is relatively new, investors, regulators, and company management have long been aware of the inadequacy of financial statements alone to communicate fundamental firm value. The value of a company is jointly determined by a wide range of factors. Some of these factors, such as cash, property, plant and equipment, are tangible assets and easy to measure, and therefore can be properly reflected in balance sheets. On the other hand, many intangible factors, such as human capital and intellectual property, are difficult to value and usually left unaccounted for in the financial statements. Recognising this problem, most companies provide supplemental information about their organisational structure, governance, and business environment in annual reports to help investors better understand the risk and return potential of their investments. Such disclosures, however, are often made on an ad hoc basis and lack the necessary quality for users to make better-informed decisions. For example, some companies adopt a simplistic "check-box" approach to reporting, and not surprisingly, the annual reports produced are unorganised, hard to read, and of limited use to an average investor.

<IR> aims to change that. By logically connecting information about individual elements of the business, it enables a company to communicate in a clear, articulate way how it is utilising its

resources and relationships to create value over time, helping investors to manage risks and allocate resources most efficiently. It is important to note that <IR> is not about more reporting. On the contrary, conciseness has always been one of the guiding principles for preparing integrated reports, and is repeatedly emphasised in the recent <IR> Framework. Therefore, adopting <IR> will not incur significant information gathering costs for companies. Instead, what it does is to draw on different existing reporting strands and strategically integrate these information to tell a more cohesive story about the company's value creation process.

The global authority on <IR> is the International Integrated Reporting Council (IIRC), a worldwide coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. It was co-founded by the Prince's Accounting for Sustainability Project, A4S, and the Global Reporting Initiative (GRI) in 2010, with an aim to create a globally accepted integrated reporting framework. In 2011 the IIRC started a pilot programme to support the development of the <IR> framework.

In December 2013, after extensive consultation and testing, the IIRC published the International <IR> Framework, the purpose of which is "to establish the guiding principles and content elements that govern the overall content of an integrated report, and to explain the fundamental concepts that underpin them."

<IR> and Sustainability Reporting

Integrated reporting and sustainability reporting share many commonalities, most notably that they both promote the disclosure of non-financial information that matters for companies' long-term prospects. Perhaps for that reason, investors and preparers of financial reports are sometimes confused about the difference, given that many companies already have high quality sustainability reporting in place.

<IR> and sustainability reporting are fundamentally different concepts. Sustainability reporting's focus is on the disclosure of information regarding a company's performance in the environmental, social, and governance dimensions, while the emphasis of <IR> is the strategic integration of these information with other key performance indicators to provide a coherent representation of the process through which the company creates value for its investors. In this sense, sustainability reporting could be considered as an intrinsic element of integrated

reporting. This view is shared by both the IIRC and GRI, which signed a MOU in February 2013 to make it their official stance. It is stated in the MOU that "Sustainability reporting delivers components that are integral to <IR> and is a key pillar on which <IR> is based."

Simply put, if we consider an integrated report as the main dish served to investors, then sustainability report is one of its key ingredients. Just as a chef's capability is constrained by the quality of ingredients, <IR> will not reach its fullest potential without the incorporation of high quality sustainability reporting.

<IR> in Singapore

To date, SGX has yet to come up with any formal statement on the adoption of <IR> for listed companies. SGX may adopt a wait-and-see approach and gather the market's receptivity towards <IR>. Currently, DBS Bank and Singapore Accountancy Commission have joined the IIRC Pilot Programme and there is growing interest among others.

As the national accountancy body, the Institute of Singapore Chartered Accountants (ISCA) has been playing an important role in shaping and influencing the evolution of corporate reporting landscape in Singapore. In this regard, ISCA views <IR> as a timely innovation, or even a potential game changer, in the future of corporate reporting. In promoting <IR> adoption, the Institute saw that it was imperative to bring all key stakeholders in Singapore together. Thus, a Steering Committee was set up to spearhead this project. This is to collectively move forward the efforts on <IR> in a concerted and coordinated manner.

> **"Simply put, if we consider an integrated report as the main dish served to investors, then sustainability report is one of its key ingredients. Just as a chef's capability is constrained by the quality of ingredients, <IR> will not reach its fullest potential without the incorporation of high quality sustainability reporting."**

In this endeavour, Singapore is keen to be a hub for <IR>, and as an influential and authoritative thought leader to shape the continuing development of the <IR> Framework at the global level. These developments signal the growing importance of <IR> to key stakeholders in Singapore.

As a communication medium, <IR> does not only help external investors to make better investments, but also enhances the transmission of information within the company, and therefore improves the quality of decision-making internally. It can be particularly valuable to independent directors by highlighting the information that is most important for them to consider, thus making board meetings more productive.

In addition, at a more advanced level of implementation, <IR> is more than just a new corporate reporting format. It can also become a powerful management tool. The successful company of tomorrow will have an integrated strategy to achieve sustainable value-creation for its stakeholders. The integrated thinking process underlying <IR> will help senior management and directors of the company to better understand the strategic links between its business segments, and identify the key elements on their strategy map for more efficient resource deployment. In this sense <IR> shares the same fundamental principle with the balanced scorecard: what you measure is what you get, because what you measure is what you are likely to pay attention to. ■

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Special Feature

- Lunch in the Social Enterprise Marketplace
- The Social Enterprise Pitch

Elevating financial reporting

By **YEOH OON JIN**
SID Council Member

COUNTING BEANS

A recent survey revealed that half of companies thought the preparation of financial statements was the responsibility of their auditors rather than themselves. There might be many conclusions that could be drawn from this statistic but one is clear: Responsibility for the preparation of financial reports has been clouded over the years.

Directors, under the Companies Act, continue to have the legal responsibility for the company's financial statements and ensuring that the financial statements tell the true story of the financial well-being of the company. Quality financial information contributes significantly to a strong and vibrant capital market in Singapore and the national agenda of making Singapore a leading accounting hub.

In line with this, the Accounting and Corporate Regulatory Authority (ACRA) introduced the Financial Reporting Surveillance Programme (FRSP) in 2011 to heighten directors' awareness about their responsibilities and to ensure that their companies have good accounting systems and practices.

The Programme focused on reviewing companies with modified audit opinions. Reprimand letters are then sent out to directors when the companies have been found to miss the mark in compliance with Singapore's financial reporting standards.

At the same time, the Institute of Singapore Chartered Accountants (ISCA) would review the financial statements of Singapore companies and provide feedback to the auditors of these companies on shortfalls in compliance. Auditors who were found to have provided clean opinion on financial statements with significant shortfall were counselled or recommended for practice monitoring reviews as part and parcel of self-regulation within ISCA.

In January this year, these processes were tightened with the signing of a memorandum of understanding between ACRA and ISCA. This will see a public-private sector collaboration to strengthen the quality of financial reporting by companies.

Going forward, the feedback and sanction from both the reviews by ISCA and ACRA will go

directly to the directors of the companies as part of the inititatives under the FRSP.

What are the timing, scope and focus of the review?

ACRA will review selected financial statements under the FRSP for corporate financial years after 1 April 2014. A risk-based approach will be use to select the companies to be reviewed; both listed and unlisted companies. Every Singapore-listed company will be reviewed at least once every few years.

The key focus of the review includes:

- Application of new standards – specifically SFRS 113 "Fair value" – to ensure that the level of disclosures are sufficient for stakeholders to understand the type and significance of adjustments made, in order to arrive at the fair value of the financial and non-financial assets and liabilities.
- Appropriateness and adequacy of disclosures in various areas; such as going concerns where material uncertainty exists, significant judgement and estimation, financial risk and capital management, related parties, etc.
- Assessment of "impairment of assets" needs to be assessed critically and comprehensively. Assumptions should also be consistent with market forces and disclosed.

For details, search for "ACRA News – Practice Direction No. 2 of 2014" in the ACRA website www.acra.gov.sg.

All stakeholders, including the directors, have a role to play in strengthening the financial reporting value chain. As the person entrusted with the legal responsibility for the company's financial statements, directors play a vital role, together with management, to assess and improve the current financial reporting process and culture so that the financial statements portray an accurate picture of the company's financial health. ■

Should the Corporate Governance of REITs be streamlined?

By **ANDY TAN**
SID Council Member

SID | BOARDROOM MATTERS
SINGAPORE INSTITUTE OF DIRECTORS

Real estate investment trusts, or REITs, are hot properties.

According to the Asia Pacific Real Estate Association, REITs have outperformed the equity and bond markets as an asset class.

From 2011 to 2013, Asian REITs returned 8.2 per cent per annum (measured on the TR/GPR/APREA Composite REIT Index) against a lower equity return of 3.8 per cent (MSCI Asia Equities Index) and even lower bond returns of 2.4 per cent (JPM Government Bond Index). Over a longer 10-year period, Asian REITs also registered higher annual returns of 8.8 per cent compared to 7.6 per cent for equities and 6.3 per cent for bonds.

In Singapore, S-REITs chalked up a total of 13.7 per cent (FTSE ST REIT Index) against the 7.2 per cent for equities (Straits Times Index) for the same three-year period.

REIT 101

Notwithstanding the outperformance, there are rumblings on the governance of REITs. To understand why, a short explanation of the unique structure of REITs is in order.

Unlike most listed companies, S-REITs are structured as trusts. The assets of a REIT are held by an independent trustee as the legal owner on behalf of unit holders. The trustee is responsible for appointing and overseeing an external REIT manager to manage the assets.

The REIT manager is a separate company, typically compensated with a base fee according to the value of the properties, a performance fee based on gross revenue and/or net property income, and an acquisition/divestment fee based on the value of the assets.

The REIT manager is usually majority-owned or wholly-owned by the sponsor – the property developer or owner of the properties that sold its assets to the REIT in the very first place. This relationship between the REIT manager and the sponsor cuts two ways.

Critics argue that REIT managers have more of an incentive to grow the REIT to increase assets under management and hence the overall level of management fees rather than manage the REIT to maximise unit holder value. They cite governance concerns such as the frequent related party transactions, non-mandatory annual general meetings, lack of transparency on the REIT manager's compensation, and the difficulty of removing a non-performing manager.

The counter argument has been that the sponsor owns a significant proportion of the units and hence its interest is aligned with that of the other unit holders. Indeed, many REITs depend upon their sponsors to continually inject properties to grow the REIT (even if the acquisition/divestment price of the properties may be questioned).

Proponents argue that there are also other safeguards. For example, one third of the directors of the REIT are required to be independent (or half when the chairman is not independent). As a matter of common practice among the REITs, independent financial advisory opinions are generally sought and communicated, and financial transactions and decisions are made based on a yield accretive approach.

Looking Back

So, is the outperformance of REITs the result of - or in spite of - the current governance structure? Is the intertwining of sponsors and REIT managers healthy? Or has it just been the REIT industry having tax breaks and being on the right side of the real estate cycle of the last few years?

REITs are relatively young in Singapore. The first S-REIT, CapitaMall Trust, was launched in 2002. A look at the more mature U.S. REIT market might provide an idea of how it could evolve here.

In 1960, the US Congress passed legislation giving REITs tax treatment similar to mutual funds. The early US REITs had a similar structure of external managers – and similar issues - as to what we have today in Singapore.

In 1986, legislation was introduced for US REITs to be internally managed and some of the issues of conflict of interest went away. Internally managed REITs have their own officers and employees managing the portfolio of assets.

Kimco Realty, the first internally managed US REIT launched in 1991, became the forerunner for the dominant structure in the US REIT market.

In the years since, the US REIT market has grown, consolidated, evolved and matured.

Studies of US REITs have found that the percentage of externally managed REITs fell over the years. Today, while a US REIT can choose whether to be internally or externally managed, almost all have chosen the internal option.

Moving Forward

Singapore's REIT market will no doubt evolve. With increasing institutional investor interest, coupled with S-REITs looking internationally for growth, the market will mature, consolidate, and eventually adapt to global capital standards.

Yet, I wonder whether we can fast track the process that took the US 26 years? Is it possible for a REIT to adopt a company structure under the Companies Act but continue to enjoy tax-exempt status as long as it complies with the present technical requirements for tax pass-through? In a company structure, the REIT will be governed by its own board and the incentive structure of the internal manager will be better aligned with the interest of unit holders.

Clearly, this streamlining would need to be a multi-agency effort. This effort will be worth it if we can achieve better corporate governance while minimising structural, operational and financial inefficiencies for S-REITs. I believe then that we would be creating more value. ■

Boardroom Matters is a weekly column by SID for The Business Times and its online financial portal, BT Invest, where this article was first and recently published.

Lifelong learning

By **DAVID CONNER**
SID Council Member

EXPANDING HORIZONS

What could be more perfect timing? I retired from my full time executive position in April 2012 and coursera.org began offering MOOCs in May that year. Now I could easily pursue some of my life-long learning objectives.

Massive open on-line courses, or MOOCs, are gaining traction in the fast moving world of on-line education. Coursera.org is the leading platform, with more than 500 courses from over 100 universities and boasting more than five million users. One can take university level courses from the world's top universities, and choose from an amazing variety of subjects: from music to math, history to astronomy, philosophy to physiology and more. Moreover, the professors who teach these courses are among the best in the world.

Just register at www.coursera.org to obtain a user name and password. Then pick a course from the plethora of choices and sign up. The courses are free, with a few exceptions. Other providers are edx.org or udacity.com.

Many of the courses, like history and literature, are somewhat passive – students can view the lectures on-line, read the materials and learn at their own pace – while others are time-bound with problem sets and/or exams to complete.

Personal Journey

The courses I signed up for were offered on fixed schedules, involved video lectures, reading materials and problem sets and/or exams. They were all slightly different but, in the end, students who successfully completed the required problems/ exams received a certificate of completion.

The first course I took was *Introduction to Mathematical Thinking* from Stanford University. It was scheduled for seven weeks and is designed to help students transition from high school math to university level math.

I was among 65,000 students – it is, after all, a massive open on-line course – and the going was tough. While it was billed as requiring three to four

hours a week, I found myself spending twice that amount of time, largely because I had to refresh my recollection of number theory (i.e. integers, rational numbers, irrational numbers, etc.).

When the weekly problem sets required concentration; the language and logic was rigorous. If stuck, I found the on-line discussions among fellow students very helpful – I was definitely not alone in hitting roadblocks! The final exam involved constructing ten proofs and I finished it over two days, after 12 hours of effort. Since proofs are subjective, and given the large number of students, we graded each other and ourselves. I was harder on myself than my peers were on me. About 3,000 students went through all the lectures and some 1,500 completed the exam. I was quite pleased when I received a certificate of completion, with distinction.

I then moved on to *Introduction to Astronomy* offered at Duke University. I was planning to go sailing (Ed: Read about David's yacht race across the Atlantic in Quarter 1, 2014!) and wanted to learn more about the night sky.

Little did I know what I was in for! The first of 9 weeks covered the celestial sphere (the night sky) and the second week was virtually a full course in physics – from Newton's mechanics through gases and into nuclear particles. Week six covered Einstein's Theory of Relativity! Again, I had to relearn scientific notation and to calculate using very large and very small numbers

Once more, I spent about double the suggested time, struggling with the weekly problem sets, as did many of my 60,000 classmates who proved exceedingly helpful through the on-line discussion forums. And then we were all stuck, the professor who had been watching came in with helpful hints.

There was no final exam but you could almost hear the collective sigh over the Internet when the last problem set was finished. Again, through dogged determination, I received a certificate of completion, once more with distinction.

The third and latest course I took was *Introduction to Human Physiology*, a 12-week course by Duke. It covered the main organ systems of the human body and was absolutely fascinating; going right down to the molecular and electrical mechanics of how our bodies work. To pass we had to complete six multiple-choice exams, which were limited to 30 minutes for each. Again, I was pleased to receive a certificate of completion after investing roughly twice the time suggested by the professor.

For those keen to engage in lifelong learning, this is an amazing way to get going; there are a wide range of courses to meet almost any interest and level, and while they are free, the quality of the courses, from my experience, is high.

Note though that students who complete these courses receive no credit towards a degree from the institution running the course. Also, the certificates explicitly say that there is no way they can confirm the student receiving the certificate actually was the one who completed the course. Nonetheless, Coursera does offer a "signature track" for some courses for US$50 to US$100. This is a means of being more certain that the person who registered for the course is actually the same one who took it, completed it and received a certificate.

I found pure pleasure from pursuing subjects that have long interested me, and completing university level courses again has renewed my confidence that I'm not that rusty after all. ■

After 37 years in Asia – 18 in Singapore – David Conner returns to the US to enjoy life closer to his children and grandchildren in St Louis, Missouri. Thank you, David, for your invaluable contribution to Singapore, Asian banking, and SID. We wish you all the best; and keep on learning!

Wealth of experience: **John Lim**

John Lim, the immediate past Chairman of the Singapore Institute of Directors, has a wealth of experience in leading and directing companies that few can match. At 73, he sits on three listed boards and is working on a new listing as well. He also sits on the boards of four private companies.

EXPERIENCE SPEAKS

He has also been heavily involved in regulatory committees and has been particularly passionate about corporate governance. So much so, he was the Singapore representative for the ASEAN Corporate Governance Scorecard.

Directors' Bulletin caught up with him just before the World Cup matches to discover his playbook, game strategies and goals.

This is what he said…

"The first, and perhaps most important, thing to remember is that being a corporate director is a continuous learning process. I have sat on boards for more than 35 years, 20 of which were on boards of listed companies. Even after all those years, I'm still learning. The responsibilities of a board director are quite generic; but the expectations and the way these duties are fulfilled vary from company to company and from board to board. In terms of expectations and roles, sitting on the board of a multi-national corporation is quite different from sitting on the board of a family-controlled company.

When I first sat on boards in the mid-seventies, many directors, including myself, did not have a clear idea of our role or the meaning of independence. Most understood that in order to fulfil their responsibilities they had to support the majority shareholder. But things have changed. They have to set the tone for the company, and ensure that things are done right: Things like setting the strategy, ensuring there are sufficient resources to implement the strategy, monitoring and supervising management, setting risk perimeters, managing conflicts of interest, etc.

Board Right

Board selection is therefore crucial: You want the best people to be there. A lot of business decisions involve judgement, so experience with knowledge are essential.

Companies spend a lot of time and money recruiting senior management; using search firms, drawing up job descriptions and specifications, and identifying the type of people needed, as well as countless rounds of interviews. Things are changing but they do not spend as much effort in getting director. When it comes to the board, some chairmen just bring in "good guys" based on friends' recommendations. How can this be?

If you want to expand the company regionally then you need to get people who have the experience of expanding business in the region so they can give guidance. You have different challenges. You need the people with the experience in these various areas to help you meet these different challenges.

You want a board to be strong collectively; therefore assemble a team with the different skills, knowledge and experience to meet the company's needs.

You need directors with the experience to provide direction, oversight and help formulate strategy. And you need good management to execute. They both exercise different skills. And so it is not always the case that a good CEO would make a good director.

Sometimes good executives have great difficulties adjusting to a non-executive role. They want to do everything. But a non-executive role is different. Of course people who have good execution have a great advantage but it is not a seamless transition.

Listen. If you cannot be influenced you become stubborn. Yes, it is important to think independently but does not mean you do not take advice or the views of others. The key is, having taken all these inputs; you need to make the best decision.

An independent director is not one who always disagrees and takes an opposing view from others. You must have the ability to collaborate, make your contribution and come out with a consensus.

A good chairman is critical. When you have a robust board where people really discuss and challenge ideas, the chairman has to manage the discussion so that it has active discussion and ideas are challenged but does not disintegrated into a no-holds-barred argument.

Working well with management is another crucial skill. Directors have to be supportive of management. If they come up with a plan, be prepared to challenge it, to test if it has been carefully thought through.

If the management is wrong, say so, but give management some room and some flexibility. Some directors want to dictate every move based on their experience. It may be very valuable but you also want to look at new ways of doing things. One of the key challenges of a director is how to balance these opposing threads.

Entrepreneurs

Some would avoid being appointed to boards of entrepreneurs and family-owned businesses because of transparency and empowerment. But in a smaller business you get involved in many more aspects of work.

People who have spent most of their career working in major corporations do not give enough credit to successful entrepreneurs.

They generalise that entrepreneurs take a lot of risk without much due diligence. They do! But they do it in their own way. They consider all the risk factors very carefully – sometimes even more carefully. After all they own the biggest share of the company and have the most at risk.

They say these firms do not have the processes to manage effectively. Just because they lack the structured processes of larger companies does not mean that they lack system.

They say these people (the entrepreneurs) must change: Be more transparent since they now only own a part of the company and not the whole. Look at it another way. When these successful entrepreneurs list their companies and still behave like they own the entire company, they think with a dedication and passion that is unmatched. They really try to maximise the profitability of the company, as if it was wholly theirs.

"If the management is wrong, say so, but give management some room and some flexibility. Some directors want to dictate every move based on their experience. It may be very valuable but you also want to look at new ways of doing things. One of the key challenges of a director is how to balance these opposing threads."

The entrepreneur wants to do the right thing. He wants to transform and your job as a director, as an advisor, is to facilitate this process, by moving through the stages. Rome was not built in a day. You cannot expect the entrepreneur to suddenly change his style.

Too often business executives, who are very used to a more corporatized style, do not give entrepreneurs sufficient credit. They are always looking for "What is wrong with the company" and "I am here to change the company". They forget that they are here to build on what foundation has been laid. The company did not arrive at where it is today by doing things completely wrong.

The mistake is to look for things to change. Instead, take a leaf from what has been done. Look at the strength of the entrepreneur who made the company. Then look for improvements that complement the strengths of the entrepreneur.

That way, the company will have the benefit of professional management plus entrepreneurial skills." ■

Holiday of holidays

By **YVONNE GOH**
SID Vice-Chairman

AFTER HOURS

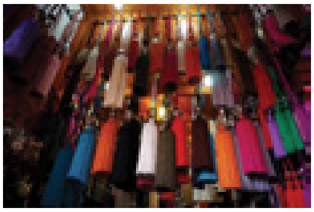
From medinas to mosques, from the Sahara to souks, from fire-eaters to fortune-tellers, from Berbers to Bedouins - this is the fascination of Morocco, the exotic gateway to Africa.

For a long time, I was attracted to Morocco as a bucket-list holiday destination, fuelled partly by an unfulfilled promise to return following a very brief visit to one of its major cities, Marrakech, as a young student, decades ago.

So, last year, with a few like-minded friends, we embarked on a 2-week holiday, which took us from Casablanca to Fez, into desert and oasis land, through the Middle and High Atlas mountains and ending in Marrakech.

Casablanca is, of course, best remembered for the classic 1942 film of the same name which starred Humphrey Bogart and Ingrid Bergman. The highlight for us was a visit to Rick's Café which was featured in the film.

I found the imperial cities of Fez - a UNESCO World Heritage site - and Marrakech to be



most charming, in particular, the medinas. These magical, medieval cities are walled with thousands of narrow and maze-like streets. They are free of car traffic and teeming with life.

The labyrinthine streets and alleyways are littered with shops selling jewellery, leather goods, carpets, kilims, handicrafts, meat, sweets and everything else. The women in our group demonstrated their haggling skills but in the end, we realised that we were no match for the world-class smooth-talking Moroccan salesmen.

Another fascinating experience was a "roller coaster" adventure in 4x4 jeeps through the Sahara desert. We spent a December night in a private encampment near the village of Merzouga and the legendary sand dunes of Erg Chebbi.

Although our tent was luxurious by any standard, the temperature was a freezing 1 degree Celcius.

We went to bed not daring to strip to get into our night clothes, and armed with only a hot water bottle.

Etched forever in my memory is the camel ride at sunrise over the sand dunes in the majesty of the Saharan sky, a must-have experience for visitors. The most immaculate of service was experienced in Dar Ahlam, a very intimate Relais & Chateaux traditional 19th century kasbah hotel deep in the Skoura Oasis, near the Berber city of Ouarzazate. Indeed, there were moments more beautiful than dreams - the décor of each of the suites, meals eaten in the garden in the company of olive trees and date palms.

A harrowing ride through hairpin roads zigzagging the High Atlas Mountains took us to the Kasbah du Toubkal. We arrived at the Kasbah on foot and breathless after a 20-minute hike up hand-hewn stone steps through a forest of walnut and olive trees, escorted by local muleteers. Mules laden with our Rimowa and Samsonite suitcases trailed close behind.

The Kasbah offers an awesome spectacle – a 360 degree view of the entire Imlil valley and all of its villages against a backdrop of the snow-capped Jbel Toubkal, the highest mountain in North Africa, at 4,167 metres. I could almost reach out and touch the Toubkal – it certainly gave me that next-to-heaven feeling.

As typical food-loving Singaporeans, we thoroughly enjoyed the delicious local cuisine of couscous, pastilla, kebabs and tagines (slow-cooked savoury stews of meat, poultry or fish in a dome-shaped tagine pot).

No holiday is complete without shopping. The women were happy with their acquisition of supposedly-antique jewellery and the magical Argan oil and cream. The die-hard shoppers were pleased with their horde of collectors' carpets and kilims (never mind the prices paid.)

The men were quite relieved we were finally leaving Morocco after the souks (open air marketplaces) in Marrakech, although with much lighter wallets!

It was a truly unforgettable holiday for all. One check off that bucket list. ■

Chairmen's conversations

SID's *Chairmen's Conversation* series has expanded with the first Conversation for chairmen of board committees. This first event, co-organised with PwC, was on the Board Risk Committee.

Recognising Risks, Building Trust

Risk, and risk management, been growing in importance in the agenda of company C-suite and boards. There is a growing number of dedicated Board Risk Committees among Singapore listed-companies; and those who have not just done this are seeing Audit Committees taking on a more defined role in risk management.

The conversation of Risk Committees' chairmen kicked off with PwC sharing findings from its *17th Global CEO Survey: Fit for the Future*. Discussions then centered on technological advancement, the transformative economy, and the new customer landscape.

It was generally agreed that risk management had made positive advances over the last five years, but there was still a lag between strategy and system implementation. A great deal of time has been spent on risk identification, setting risk parameters, appetite and tolerance. However, getting these fully understood and embedded throughout the organisation is still a challenge.

Two other major points that emerged from the discussion were:

- It is important for Boards to embrace the notion of developing trust in the organisation rather than just managing risk.
- The pace of technology is unrelenting and the presence of a Digital Director has been a solution in some circumstances.

Crisis Management

Life happens. Landslides, tsunamis, earthquakes are part and parcel of living on this terrestrial globe. And then there are the man-sourced issues like fires, air crashes, service breakdowns, equipment failure and acts of terrorism.

Life happens. And it feels like it happens with increasing frequency.

Board chairmen came together to discuss *The role of the board in crisis management* under the Chairmen's Conversation series organised by SID. The Crisis Management session was co-organised with Bain & Company, with sharing of their experiences in crisis management by JY Pillay, Chairman of Tiger Airways and Michael Lim, Chairman of LTA.

Even before a crisis occurs, companies and their boards need to major to prevention, continually updating their "crisis playbook".

Story continues on Pg 38

Promoting boardroom diversity

SID has formed a Diversity Subcommittee under the auspices of the Advocacy & Research Committee to study diversity in the boardroom and determine actions that SID and its partners can take to promote this.

This is in response to the report *Gender Diversity on Boards: A Business Imperative* released by the Ministry of Social and Family Development. The results of the report highlight the need for more progress in the area of board diversity says Speaker of Parliament and MP of Jurong GRC Halimah Yacob.

SID leads the way with a female executive director and several women on its council. From left: Elaine Lim, Yvonne Goh, Penelope Phoon, Wong Su Yen, Kala Anandarajah, Tan Yen Yen.

"The proportion of women on boards in Singapore continues to be strikingly low at 7.3%," Mdm Halimah said. "In the meantime, other countries are pulling ahead of us – for example, Australia is at 13.8 %, Hong Kong at 10.3% and China at 8.5%."

The report noted that progress has been positive while slow, improving from just 6.6% in 2008.

An outcome of the report is the formation of a national Diversity Action Committee chaired by Magnus Böcker, CEO of SGX and among its members is SID Chairman Willie Cheng.

SID Council Member Kala Anandarajah, who chairs the SID Diversity Subcommittee, noted that several courses of action by SID are in progress:

- Waiver of entrance fees for BoardAgender members and other aspiring female directors in 2014 and 2015
- Greater outreach to encourage attendance of women at its "board-ready" training
- Encouraging companies in its Board Appointment Service to consider female candidates
- Inclusion of diversity-related indicators in its ongoing research programme.

(Ed Note: For more information, refer to *Investor Guide to Understanding Board Diversity* available from SGX.)

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When a crisis does arise, response is key. The board could provide tactical response – such as who leads the response and who should be the face to the media and public – as well as strategic guidance.

Work is not done, even when the crisis has passed. The board can have a strategic hand in conducting an objective post-mortem and leveraging the crisis for positive change.

SID-INSEAD IDP kicks off!

The first SID-INSEAD International Directors Programme kicked off with 23 participants from 15 nations.

The participants, directors and senior corporate executives hailing from Asia, Europe, the Middle East and South America, took the first of three 3-day modules. This was on "Creating and safeguarding value" and it included topics such as board effectiveness, evaluation of strategy, effective decision making, and fair processes in the boardroom.

The course was led by INSEAD professors, Ludo Van Der Heyden and Jean Francois Manzoni with guest faculty that included Sunny Verghese, CEO of Olam; Lucien Wong, Chairman of Allen & Gledhill; and Chinta Bhagat, managing partner of McKinsey Singapore. It was held at INSEAD's Singapore campus.

The next 3-day module on "Implementing Effective Board Processes" in October will also be conducted in Singapore while the third module, on "Managing Critical Events" in December will take place at INSEAD's Fontainebleau Campus in France.

The International Directors Programme is a programme by INSEAD, a top European business school, and brought to Singapore with SID. Since 2011, the programme has been conducted in Europe for over 250 directors from more than 30 countries.

Participants who successfully complete the programme can receive the INSEAD Certificate in Corporate Governance – a recognised global credential in the field of governance excellence.

The 2015 conduct of the International Directors Programme is scheduled for:
Module 1: 14 to 17 June 2015 (Singapore)
Module 2: 21 to 23 September 2015 (Fontainebleau, France)
Module 3: 15 to 17 December 2015 (Singapore) ■

Those interested in the International Directors Programme can email Graham Owens at graham@sid.org.sg for more information.

Singapore Corporate Awards

Upping the game

Business Times, creator of the Singapore Corporate Awards, upped the game this year. After eight years, Singapore's leading business daily teamed up with SID and the Institute of Singapore Chartered Accountants (ISCA) to further develop the Awards and the quality of corporate governance among Singapore companies.

This year, too, the three co-organisers introduced the Singapore Corporate Awards Seminar, a one-day event to help companies up their game. Senior Minister of State for Finance and Transport, Mrs Josephine Teo, who was guest-of-honour, put it in perspective, saying that companies should approach corporate governance in the spirit of "doing the right thing even when no one is watching".

Companies need to focus on their business, even as they adopt higher standards of governance, said keynote speaker Sir Howard Davies, the Chairman of the UK's Financial Services Authority. "One big risk that companies face at the moment is boards that are too occupied with the regulatory duties that they don't have enough time for other planning, especially entrepreneur leadership and strategy," he said.

In this light, the seminar, *Driving Excellence in Corporate Governance*, had judges and past winners of the awards give insights on best practices. ISCA and the Accounting And Corporate Regulatory Authority also presented on the newly enhanced financial reporting surveillance programme.

"Corporate governance is not just the purview of regulators alone," said Chairman SGX Chew Choon Seng. "It includes other market participants including bankers, lawyers, accountants, academics, the media, and not least, the shareholders themselves exercising their legal authority." ■

Corporate Oscars

The night was as glitzy as the Academy Awards and the stars who came up to receive their accolades no less glamorous.

After all, the Singapore Corporate Awards 2014 was organised by a renewed team from SID, Business Times and the Institute of Singapore Chartered Accountants with President Tony Tan Keng Yam as guest-of-honour.

The event, supported by ACRA and SGX gave out awards for the:

- Best Annual Report
- Best Investor Relations
- Best Chief Financial Officer
- Best Chief Executive Office
- Best Managed Board

Judging for the Best CEO and Best Managed Board was done by SID with Aon Hewitt and Egon Zehnder. ■

Best Managed Boards*

• $1b and more	
DBS Group Holdings	Gold
SembCorp Industries	Gold
Keppel Corp	Silver
SATS	Bronze
• $300m to $1b	
CSE Global	Gold
Tuan Sing Holdings	Silver
Nam Cheong	Bronze
• Under $300m	
Baker Technology	Gold
ASL Marine Holdings	Silver
UE E&C	Bronze

** by Market Capitalisation in S$*

Best CEO*

• $1b and more	
Tang Kin Fei	SembCorp Industries
• $300m to $1b	
Patrick Chew	Midas Holdings
• Under $300m	
Glenndle Sim Soon Ngee	Mencast Holdings

** by Market Capitalisation in S$*

Tee off!

Thirty-three flights rallied to the 18 holes of Sentosa's world-class Serapong Course on Friday, 27 June 2014. It was the SID Annual Golf tournament. As they waited for the shot gun start, the sky was cloudy and brooding, and thundery showers was expected.

However, the siren that marked the start of the shot gun tee off was, to the pleasant surprise of all, never heard again that afternoon. In fact, the weather was the best ever in an SID golf event: cloudy, shady and cool.

It was a fun-filled event for the 130 golfers. Guest-of-honor Mr Lee Yi Shyan, Senior Minister of State, Ministry of Trade and Industry and Ministry of National Development gave away the prizes to the top golfers. ■

Winners Circle

Individuals

Gary Choo
Dr Beng Teck Liang
Olivier Dennis

Best Team (Keppel Challenge Trophy)

Dr Beng Teck Liang
Michael Chye
Soh Kok Leong
Darryl Wee

Past events (May 2014 – Jul 2014)

DATE	TYPE	EVENT DETAILS
6 May 2014	PD	LCD Module 1: Understanding the Regulatory Environment in Singapore
7 May 2014	PD	Board Risk Committee Chairmen's Conversation: Recognising Risk, Building Trust
15 May 2014	PD	EBL Module 2: Board & Fund Raising
19 May 2014	Conference	SCA Seminar 2014: Driving Excellence in Corporate Governance
22 May 2014	PD	EBL Module 3: Enterprise Risk Management
23 May 2014	Social	Members' Night: Health & Wellness at Work
26 – 28 May 2014	PD	SID-SMU Module 3: Finance for Directors
28 May 2014	PD	So, You Want to be a Director?
30 May 2014	PD	EBL Module 4: Financial Literacy & Governance
13 Jun 2014	PD	Board Chairmen's Conversation: Crisis Management
22 – 25 Jun 2014	PD	INSEAD International Directors Programme Module 1: Board Effectiveness and Dynamics
24 Jun 2014	PD	Anti-Money Laundering Director's Briefing: Is Your Board At Risk?
27 Jun 2014	Social	Annual Golf Tournament 2014
9 Jul 2014	PD	LCD Module 1: Understanding the Regulatory Environment in Singapore
10 Jul 2014	PD	LCD Module 2: Audit Committee Essentials
10 Jul 2014	PD	LCD Module 3: Risk Management Essentials
10 – 11 Jul 2014	PD	SID-SMU Module 4: Risk and Crisis Management
11 Jul 2014	PD	LCD Module 4: Nominating Committee & Remuneration Committee Essentials
11 Jul 2014	PD	LCD Module 5: Investor & Media Relations
15 Jul 2014	Awards	Singapore Corporate Awards 2014
24 Jul 2014	PD	SID-IIAS: 20 Questions Every Audit Committee Should Ask

Upcoming Events

Core Professional Development Programmes

PROGRAMME	DATE	TIME	VENUE
SID-SMU Executive Certificate in Directorship Module 5: Strategic Corporate Social Responsibility & Investor Relations	11 – 12 Aug 2014	0900 – 1700	SMU Campus
Board & Director Fundamentals	9 Sep 2014	0900 – 1730	Capital Tower
SID-SMU Executive Certificate in Directorship Module 6: Effective Succession Planning & Compensation Decisions	8 – 9 Sep 2014	0900 – 1700	SMU Campus
LCD Module 2: Audit Committee Essentials	17 Sep 2014	0900 – 1230	Marina Mandarin Singapore
LCD Module 3: Risk Management Essentials	18 Sep 2014	0900 – 1230	Marina Mandarin Singapore
SID-SMU Executive Certificate in Directorship Module 1: The Role of Directors: Duties Responsibilities and Legal Obligations	23 – 25 Sep 2014	0900 – 1700	SMU Campus
So, You Want to be a Director?	25 Sep 2014	0900 – 1100	Capital Tower
INSEAD International Directors Programme Module 2: Board Decision Making and Oversight	29 Sep – 1 Oct 2014	0900 – 1700	INSEAD Campus Singapore
EBL Module 1: Effective Board	8 Oct 2014	0900 – 1230	Marina Mandarin Singapore
EBL Module 2: The Board and Fund Raising	8 Oct 2014	1400 – 1730	Marina Mandarin Singapore
EBL Module 3: Enterprise Risk Management	9 Oct 2014	0900 – 1230	Marina Mandarin Singapore
EBL Module 4: Financial Literacy & Governance	9 Oct 2014	1400 – 1730	Marina Mandarin Singapore
Board & Director Fundamentals	14 Oct 2014	0900 – 1730	Marina Mandarin Singapore
LCD Module 1: Understanding the Regulatory Environment in Singapore	17 Oct 2014	0900 – 1730	Marina Mandarin Singapore
LCD Module 6: Investor & Media Relations	21 Oct 2014	0900 – 1230	Marina Mandarin Singapore
LCD Module 4: Nominating Committee Essentials	22 Oct 2014	0900 – 1230	Marina Mandarin Singapore
LCD Module 5: Remuneration Committee Essentials	29 Oct 2014	0900 – 1230	Marina Mandarin Singapore
SID-SMU Executive Certificate in Directorship Module 2: Assessing Strategic Performance: The Board Level View	29 – 31 Oct 2014	0900 – 1700	SMU Campus
SID-SMU Executive Certificate in Directorship Module 3: Finance for Directors	17 – 19 Nov 2014	0900 – 1700	SMU Campus
LCD Essentials Programme in Mandarin	20 – 21 Nov 2014	0900 – 1700	To be advised
So, You Want to be a Director?	2 Dec 2014	0900 – 1100	Capital Tower
INSEAD International Directors Programme Module 3: Director Effectiveness and Development	15 – 18 Dec 2014	0900 – 1700	INSEAD Campus, Fontainebleau, France

Other Professional Development Programmes

PROGRAMME	DATE	TIME	VENUE
Nominating Committee Chairmen's Conversation	6 Aug 2014	1100 – 1400	Tower Club
Audit Committee Chairmen's Conversation	23 Sep 2014	0900 – 1100	Marina Mandarin Singapore
SID-Towers Watson: Setting Long Term Incentives	29 Oct 2014	0900 – 1100	Marina Mandarin Singapore
Launch of Directorship Study	4 Nov 2014	0900 - 1100	Marina Mandarin Singapore
Remuneration Committee Chairmen's Conversation	5 Nov 2014	1100 – 1300	Marina Mandarin Singapore

Major Events

EVENT	DATE	TIME	VENUE
SID Annual Directors' Conference 2014	3 Sep 2014	0900 – 1730	Marina Bay Sands Singapore
Annual Corporate Governance Roundup	18 Nov 2014	1000 – 1345	Orchard Parade Hotel
SID Annual General Meeting	18 Nov 2014	1400 – 1530	Orchard Parade Hotel

Socials

EVENT	DATE	TIME	VENUE
Members' Night	21 Aug 2014	1800 – 1900	Capital Tower
Members' Night	21 Nov 2014	1800 – 1900	Capital Tower

Course schedule is subject to changes. Please refer to SID website at www.sid.org.sg for the latest updates.

Welcome to the Family

May 2014

Banaletti Fabian
Chong Kok Keong
Chuan Hwee Hiow
Giam Choon Khong, Hubert
Hamanaka Noriaki
Inoue H
Kirby Leo
Koh Chiap Khiong
Koh Cher Siang James
Koike Yoshikazu
Lee Hing Hook
Leong Wai Leong Christopher
Mahony Johnathan
Martin Robert
Merette Edouard
Otsuka Keisuke
Phang Thim Fatt
Ramanathan Subramanian Arun Kumar
Saw Ken Wye
Tang Kin Fei
Tay Kim Yam
Toh Kai Tho
Yeo Bee Yan
Yeoh Choon Hock

June 2014

Abdul Majeed Haja Sheikh Alawdin
Andersen Vidar
Ang Chuan Hui
Ang Ee Peng, Raymond
Ang Jovina
Chan Hiok Khiang
Chan Matthew
Chandrawati Susan
Chew Grace
Chong Kai Yew Paul
Chua Siong Kiat
Condon Bill (William)
Daley Louise
Doetsch Paul Bernard
Ho Zhuanglin
Hsieh Fu Hua
Koh Kah Sek
Lee Chong Kwee
Liew Oi Yen
Lim Swee Kwang
Lim Teck Leng
Loon Karen
Low Sai Choy
Lui Larry
Luy Chester
Lye MengYiau
Madeira Sonya
Marr Janelle
Ng Ju Thye Adrian
Ong Chee Beng, Derek
Piperdi Zarina
Png Cheong Boon
Samudro Juliana Julianti
Sandrasegara Dilhan Pillay
Sim Elsie
Soon Chee Siong
Sullivan Jennifer
Tan Hai Kim
Tan Siok Hwee
Tay Hwa Chiang Desmond
Teo Piang Nien Gary
Tham Wai Kong
Tham Woon Yew Peter
Tong Kooi Lian
Wong Kian Cheng
Wong Valerie @ Chak Guan Yi Valerie
Yamagata Jo
Yao Yueqi Chloe
Yap Gay Sin
Yap Su Ming

July 2014

Allen Matthew Joel
Allsop Simon
Ang Yew Lai
Carnwath William
Chong Kymberlie Yuh Ching
Darwin Ngalimin
Foo Sey Liang
Ghatak Kaushik
Harvey Gregory Lloyd
Holgate Katherine Ann
Hong Keah Huat
Huang Wooi Teik
Kwek Benedict
Kwok Keng Han
Lee Jran De
Lim Joo Boon
Lim Wi Aun
Liou Lip Sin
Loh Siew Lee
Low Teng Cheow
Neo Mark Roland
New Chin Chin, Karen
Ng Hui Lin, Alexis
Ng Lena
Ng Tiang Hwa, David
Pang Hee Hon
Piguing Mapa Maria Cristina
Ramsden John
Rees Andie
Selvanayagam Ramesh
Seow Yong Teng
Singh Pradeep Kumar
Tai Ivy
Tan Chin Nam
Tea Yeok Kian, Terence
Theng Siew Lian Lisa
Yeo Jenny Leigh
Zheng Zuhua

SID Governing Council 2014

CHAIRMAN
Willie Cheng

FIRST VICE-CHAIRMAN
Adrian Chan Pengee

SECOND VICE-CHAIRMAN
Yvonne Goh

TREASURER
Soh Gim Teik

IMMEDIATE PAST-CHAIRMAN
John Lim Kok Min

COUNCIL MEMBERS
Kala Anandarajah
Robert Chew
Wilson Chew
David Conner
Daniel Ee
Kevin Kwok
Lim Chin Hu
Elaine Lim
Chaly Mah
Andy Tan Chye Guan
Tan Yen Yen
Richard Teng
Wong Su-Yen
Yeoh Oon Jin


Showcasing
Best
Practices
The how-to in the next Directors' Bulletin
SID DIRECTORS' BULLETIN
Boards balance increasingly demanding issues: diversity, remuneration, risk management, shareholder rights
SID DIRECTORS' BULLETIN
ASEAN scorecard unveiled
SID DIRECTORS' BULLETIN
NEW CAPITALISM
SHARED VALUES
TRIPLE BOTTOM LINE
RESPONSIBLE SELF-GOVERNANCE