MCI (P) 185/12/2014

SID
SINGAPORE INSTITUTE OF DIRECTORS

DIRECTORS' BULLETIN

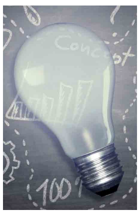
Quarter 1, 2015

DIRECTORSHIP LANDSCAPE

Amendments to the Companies Act

Page 28

On board the innovation wagon



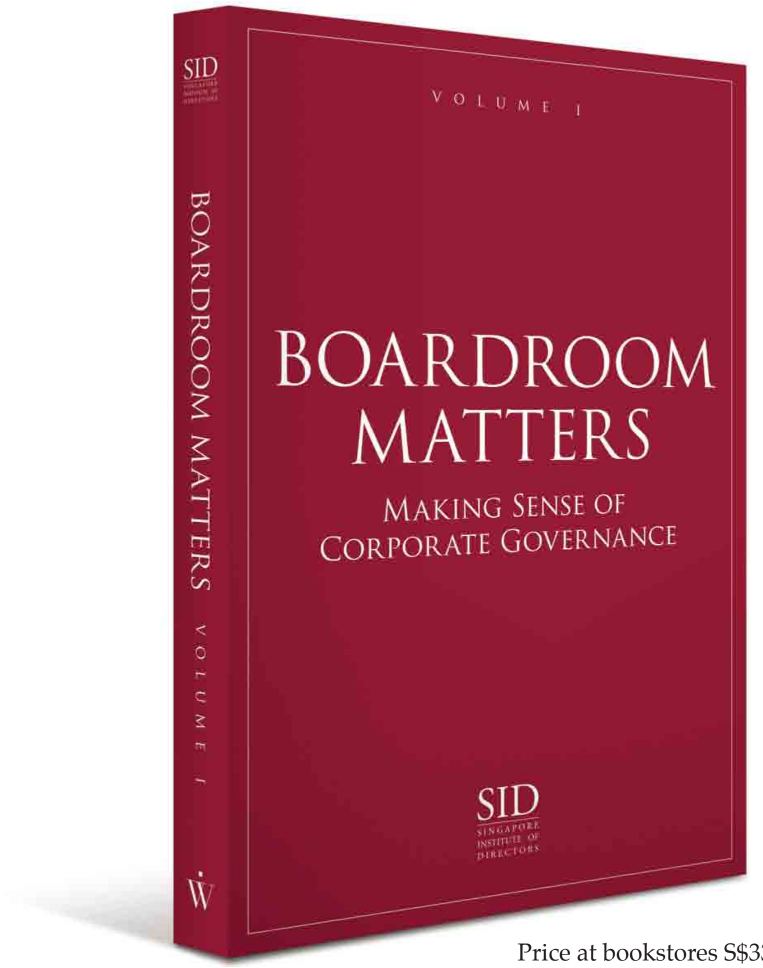
Page 24

'Soft' is not a bad word

Page 36

The *Boardroom Matters* series provide well-written articles that cover the essentials of directorship to the nuances of corporate governance. This collection contains gems that are well worth a serious read, reflection, and above all – practice.

Hsieh Fu Hua
Chairman, Stewardship and Corporate Governance Centre



The articles in its Boardroom Matters series reflect SID's thought leadership on current and important issues confronting boards such as gender diversity, the nee capitalism, and company performance versus conformance.

Susan Stautberg
Co-founder and Global CEO Co-chair, WomenCoporateDirectors

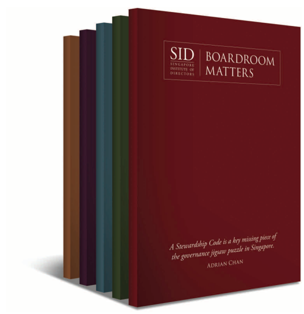
The principles set out and values articulated in these articles are equally applicable to charitable organisations as they are to public listed companies.

Low Puk Yeong
Commissioner of Charities

Price at bookstores S$33
For SID members S$20*

SID has long played a key role in championing excellence in corporate governance and directorship. This compendium of articles is timely and will help to further raise the bar for corporate stewardship. I urge all boards and directors to read it.

Kenneth Yap
CEO, Accounting and Corporate Regulatory Authority



Boardroom Matters Notebooks (in 28 variations)
S$10 for four notebooks*

*Available only by collection at SID office

For more information, please call SID office at 6422 1188.

Loaded for SG50!

By **WILLIE CHENG**
Chairman, SID

DIRECTIONS

Even though we're wrapping up the Year of the Horse, its galloping pace looks set to continue into 2015.

2015 is Singapore's Jubilee after all. And a slew of activities to celebrate the past half century – and indeed the next 50 years – of independence is on the cards.

SID, too, is loading up with more and new goodies for 2015 and the SG50. The word on the grapevine is that some 100 different titles of SG50-related books will be published. We too wanted to publish something to mark SG50 but, so as not to compete with the deluge, we launched *Boardroom Matters: Making sense of corporate governance* – a collection of 50 SID articles – at our AGM last November.

Our book came early but we have many other SG50 treats lined up for 2015.

The theme for our flagship Directors' Conference this year will be on *Boards and Innovation*. This reflects our continued insistence that corporate governance is not just about compliance with rules, but the performance of companies. Innovation is a key means by which companies can create value and elevate performance.

In line with this, Robert Chew takes a break from his "Responsible Business" column to helm a new one on "Innovation" [Ed: check out Page 24].

On research and thought leadership, we will conduct the biennial Board of Directors Survey. This review of board practices and views complements the Singapore Directorship Report on the state of directorships in Singapore. [Ed: see Page 18].

On the professional development front, we will be conducting more training sessions than ever before – over 100 have already been lined up. On top of the three new educational programmes introduced in 2014, we will be rolling out four more this year. We will be conducting more seminars, kicking off with the inaugural Audit Committee Seminar that's organised jointly with ACRA and SGX on 7 January.

We continue our weekly series of insights on corporate governance by SID committee members in *The Business Times* and *BT Invest*. We also plan to review our Statements of Good Practices and see how we can offer better guidance to boards and directors.

One of the corporate high points of every year is the Singapore Corporate Awards and this year's event will mark the 10th anniversary of recognising the best in corporate governance. It will celebrate the best of the best in six categories (including a new one on "Distinguished Contribution to Corporate Governance") and this year, the three co-organisers are planning an extravaganza befitting of the 10th year of the awards, and Singapore's 50th!

Have a successful 2015! ■

SID Publications Committee

CHAIRMAN

Yeoh Oon Jin

MEMBERS

Wilson Chew
Terence Foo
Mike Gray
Derrick Kon
Elaine Lim
Wayne Soo
Leonard Stornes
Victor Yeo
Annabelle Yip

PUBLISHER

Singapore Institute of Directors
168 Robinson Road #09-06/07
Capital Tower
Singapore 068912
Tel: +65 6422 1188
Fax: +65 6422 1199
Email: secretariat@sid.org.sg
Website: www.sid.org.sg

EDITOR

Adlena Wong

SUB EDITOR

Jeffrey Tsang

EDITORIAL COORDINATORS

Penelope Phoon
Chia Yi Hui

DESIGN

Epiphany Design

PRINTER

Entraco Printing Pte Ltd

CONTENTS

FEATURES

COLUMNS

SID NEWS

SID CALENDAR

WHAT'S UP?
WHAT'S NEXT?

SID Councillors shared their takes on these questions at the Corporate Governance Roundup on 18 November 2014. We summarise here their key points for these hot topics:

- Directorship Landscape
- Diversity
- Professional Development
- Compensation
- Audit & Financial Reporting
- Information Management
- Regulations & Codes
- Privatisation
- Corporate Crisis
- New Capitalism

DIRECTORSHIP LANDSCAPE

Adrian Chan

What's up?

- There seems to be no shortage of surveys on directorships. The inaugural *Singapore Directorship Report* by SID and ISCA provides the most comprehensive study of the state of directorship in Singapore to date.
- There have been a few surprising findings [Ed: check out State of Directorship in Singapore on page 18.].
- One of the controversial findings is that multiple directorships do not appear to be a major problem as is commonly perceived. This led to some debate in the press.
    - Facts from the study: The highest number of independent directorships held by a single director has dropped from 12 in 2008 to nine in 2013. The busier is a director, the better has been his educational qualifications, standing, and attendance at board meetings.
    - Critics of multiple directorship: Better attendance does not mean adequate preparation and participation, nor does higher educational qualification necessarily makes one a better director. (So could the obverse be true).
    - SID: We should cut busy directors some slack until there is evidence that they are not effective.

What to expect in 2015?

- Further research and findings from SID and ISCA as we mine the rich data contained in the *Singapore Directorship Report*.
- Results of the biennial SID *Board of Directors Survey*. The responses will complement and provide deeper insight to some of the Directorship Report findings.
- Errant directors (those who fail to ensure proper filings of their company accounts and returns) will be required by ACRA to attend the Directors Compliance Programme conducted by SID.
- Gender diversity and disclosures of remuneration will be issues that are subject to greater scrutiny. See next pages on "Diversity" and "Compensation".

DIVERSITY


Tan Yen Yen

What's up?

- Board diversity was hot in 2014: Four survey reports on the subject were published, two focused primarily on gender diversity. Minister Grace Fu named several large companies with all-male boards.
- Gender diversity gets most play because the situation in Singapore is inexcusable:
  - 8.3% of directorships on SGX listed boards are women (a marginal improvement of 0.3% from a year earlier).
  - 56% of listed companies here have all-male boards.
  - Singapore is behind HK, Malaysia and most of other countries in this area.
- SGX formed a Diversity Action Committee (DAC) and SID a Diversity SubCommittee (DSC) to look and act on the issue.
- Board diversity is, of course, more than gender. Singapore listed companies are not doing too well on some of these other aspects too:
  - Ethnic diversity: Nearly 60% are single ethnicity.
  - Age diversity: 52% are single generation.

What to expect in 2015?

- A multitude of actions to promote and foster gender diversity by DAC, DSC and other bodies. Plans include:
  - Nominating committee detailed guidelines on diversity.
  - Communications to boards on importance of diversity.
  - Seminars and forums on the subject.
  - High potential women board members targeted for development.
  - One-stop diversity web resource.
  - Review of regulations (expect enhanced disclosure requirements, but do not expect quotas).
- A spike in women going onto boards in late 2015 and 2016. The heat will be felt especially by all-male boards which have started getting friendly nudges from the regulator and other bodies.
- Beginning of calls on other aspects of diversity:
  - The digital director – those with technology backgrounds will be in demand.
  - Foreign directors – Singaporeans will be asked to go onto international boards and foreigners on Singapore listed boards.

PROFESSIONAL DEVELOPMENT

Lim Chin Hu

What's up?

- The new Code of Corporate Governance emphasises the importance of director's continuing training. Companies are required to disclose in the company's Annual Report on the induction, orientation and training provided to new and existing directors (Guideline 1.6).
- SID issued a Continuing Professional Development (CPD) policy to ensure that SID members have the necessary knowledge and skills to discharge their duties and responsibilities. The requirement is 60 CPD hours over three years, effective 1 January 2014. Twenty of the 60 hours needs to be structured training and verifiable.
- To complement the CPD, SID has developed a comprehensive training and professional development framework. The new curriculum caters to the needs of the different types of directors (private listed and international company directors) for the different parts of their directorship journey (from aspiring and new directors to experienced directors and chairmen of boards and committees).
- Three new programmes were launched in 2014:
    - o So, You Want To Be A Director
    - o Chairmen's Conversation series
    - o SID-INSEAD International Directors Programme

What to expect in 2015?

- Increasing willingness by companies to provide & pay for directors training. Expect more director development sessions just before or after board meetings.
- A slew of directorship courses available from SID. More than 100 professional development sessions are planned for 2015, enough to meet most needs.
- Four more new courses will be introduced in 2015:
    - o SID-ACRA's Directors Compliance Programme
    - o Board & Director Fundamentals
    - o SID-ISCA Directors Financial Reporting Essentials
    - o Corporate Governance Updates for Listcos
- In addition, hot topics such as cyber security, director remuneration, gender diversity, FRS updates, strategic communications, tax risks in emerging markets, sustainability, etc, will will be held regularly.

COMPENSATION

Wilson Chew

What's up?

- Non-executive directors' (NEDs') fees have increased by about 4% per annum on average. Median NED fee hovers around $55,000 for small caps, $64,000 for mid caps, and $95,000 for large caps.
- Executive directors' compensation is more variable depending upon the industry as well as size of company. Roles, responsibilities and results continue to drive compensation. Median compensation of the most senior executive director ranges from less than $1 million for small caps to $4.5 million for large caps.
- Most companies (69%) fail to fully disclose the remuneration of directors on a named basis as required by the Code (Guideline 9.2). This is the most significant non-compliance of the Code. Reasons cited were confidentiality and poaching.

What to expect in 2015?

- Little change in NEDs' fees.
- For executive directors' pay: greater emphasis and weightage on long term incentives.
- Short term incentives will mainly be cash bonus but clawbacks will be rare.
- "Say on pay" with non-binding vote may find some initial support locally but movement will take some time to take hold.
- Institutional investors increasingly voting based on recommendations of proxy advisors, so expect to see decreasing investor support for inadequate remuneration disclosure.

AUDIT & FINANCIAL REPORTING

What's up?

- MAS, ACRA and the SGX issued the second edition of the Audit Committee Guidebook. (First edition was in 2008).
- COSO has recently revised its Internal Control-Integrated Framework. Risk Assessment now forms one of the five core components of internal control.
- Audit reforms being pushed out in the European Union, including the rotation of auditors and opening of the audit market beyond the Big 4.
- ACRA, in collaboration with ISCA has introduced an enhanced Financial Reporting Surveillance Programme. The reviews of selected financial statements will focus on the implementation of new standards, adequacy of disclosures, and assessment of "impairment of assets".
- The Centro case in Australia emphasises the expectation that all directors (not just those on the audit committee) should have certain minimum financial knowledge and skills and to apply these diligently.
- However, the financial reporting environment continues to be challenging – even to accountants:
    - Slew of new and revised Financial Reporting Standards
    - Increasing reliance on estimates, judgements and valuations
    - Constantly changing disclosure requirements (governance practices, sustainability reporting, IR, etc.)

Kevin Kwok

What to expect in 2015?

- A letter from ACRA to you (as a company director), under the enhanced Financial Reporting Surveillance Programme, making various enquiries regarding your company's published financial statements (companies selected for review are those with qualified opinions and a sample of those which have not been so qualified).
- The debate in Europe over the value of audit and audit reforms will eventually come here.
- A (revised) policy from MAS on the mandatory rotation of auditors for the local banks.
- A new training programme on Finance for Non-Financial directors will be rolled out by SID jointly with ISCA, and supported by ACRA.

INFORMATION MANAGEMENT

Yeoh Oon Jin

What's up?

- Global security incidents have risen 48% from 2013 to 2014. Two examples of cyber crimes:
    - o Retailing giant Target had a data breach impacting 110 million customers, CEO resigned, board of directors was sued
    - o Russian hackers stole 1.2 billion passwords worldwide
- Singapore not spared:
    - o 1,560 Singpass accounts (used for online government transactions) were hacked into.
    - o Theft of bank statements of 647 wealthy clients of Standard Chartered Bank.
    - o Defacement of Istana website.
    - o Hacking into Prime Minister's Office website.
    - o 15% of economic crimes committed relate to cyber crime.
- Data privacy rules being strengthened worldwide. Rules in Asia Pacific are less stringent than those in European Union.
- In Singapore, there has been a flurry of seminars and compliance action by companies as the Personal Data Protection Act (PDPA) kicks in: Do-Not-Call registry (effective 2 January 2014), and rules on collection, use and disclosure of personal data (effective on 2 July 2014).

What to expect in 2015?

- Increasing possibility that your company's IT systems will be hacked into. Focus not just on prevention, but also on detection and recovery.
- Increase in number of cyber security reviews by corporates, and with support from external cyber experts. There will be more choices of external help as consulting firms gear up and focus on this new business demand.
- PDPA provisions settle in Singapore. Watch out for impact of international data protection laws e.g. EU is considering extending its data privacy reach extra-territorially.

REGULATIONS AND CODES

Kala Anandarajah

What's up?

- A major set of amendments to Companies Act since the last massive changes in 2003 was passed by Parliament in October 2014.
- SGX issued consultation paper on reinforcing listings and enforcement framework:
  - New Chapter 14 of Listing Manual.
  - Written undertakings required by each director and executive officer on compliance with listing rules on continuing basis.
  - Establishment of three new committees (Listing Advisory, Disciplinary, and Appeals Committees).
- SGX issued consultation paper on Minimum Trading Price (MTP) and changes to Watch List. See next page on "Privatisation".
- In the aftermath of Blumont saga, SGX required notification "without delay" of discussions of transactions that is likely to result in a takeover, scheme of arrangement, delisting or reverse takeover (Practice Note 7.2, effective March 2014). Notifications have allowed SGX to conduct earlier surveillance of market and investigations into price movements.
- MAS issued consultation paper on enhancements to regulatory regime for REITS. REIT managers' association (REITAS) was independently formed.
- SID and CGIO of NUS Business School presented the ASEAN Corporate Governance scorecard identifying the top 50 listed companies based on OECD principles of corporate governance.
- In a study of corporate governance requirements across 25 markets, ACCA and KPMG found that Singapore tops the Asian countries, and is number three worldwide behind the US and UK.

What to expect in 2015?

- Clarifications on the application of the newly-passed Companies Act amendments from ACRA and other government bodies.
- New Chapter 14 of SGX Listing Manual likely to take effect in Q1. There is increased powers to SGX for stronger enforcement on wider list of activities, with due process for disciplinary proceedings and appeals.
- New MAS rules to further strengthen corporate governance of REITS and protect unitholders' interests.
- For first time, the ASEAN Corporate Governance Scorecard will reveal the rankings of the top 50 companies in Singapore.
- Revision to the OECD Principles of Corporate Governance (first issued in 2004).

PRIVATISATION

Soh Gim Teik

What's up?

- Delistings overshadowed new IPOs in 2014. A number of significant companies recently delisted. They include Cerebos, Synear, APB, Parkway Holdings, Capital Malls Asia, Want Want, Manwah, Sincere, Tangs, and Labroy Engineering.
- Reasons vary with each situation. They can be involuntary (regulatory e.g. unable to exit from watch list) or voluntary (e.g. reduce costs and improve operational flexibility). Often voluntary exits reflect a mispricing situation or differences of valuation between the buyer and the market. Buyers believe that restructuring after delisting will enhance value of a company and/or that its assets were undervalued in the first place.
- The common issue in delistings concern the "fair price" for minority shareholders, and the role and diligence of independent directors and its independent financial advisors in assessing the sale price.

What to expect in 2015?

- Corporate actions by some 220 companies whose share prices are trading below 20 cents and are at risk of being involuntarily delisted when the Minimum Trading Price (MTP) rules are implemented in 2015 and effected from March 2016.
- More actions by SGX to improve Singapore's position as an alternative or even first choice for new listings, and to improve trading liquidity and participation by retail and other investors.

CORPORATE CRISES

What's up?

- Some recent major corporate crises :
  - Crash of penny stocks - Blumont, LionGold and Asiasons – which wiped out $8.7 billion in market value in just two days after a huge run up in their share prices.
  - Olam which was attacked by short seller Muddy Waters.
  - China MinZhong which faced accusations from another short seller, Glaucus Research, of widespread fraudulent accounting policies.
  - Pteris Global which saw a boardroom tussle by a substantial shareholder to oust the independent directors.
- Companies that have done well in crises management:
  - Had a cohesive Board and management standing together in responding to the crisis, jointly committed to stakeholder communication.
  - Spoke with one voice with one response to the crisis situation.
  - Provided a speedy response and recovery that sought to minimise uncertainties and liabilities, while protecting the image and credibility as well as relationships with stakeholders.
  - Had key spokespersons who were available, accessible and approachable. They were prepared to explain and explain to provide clarity.

Elaine Lim

What to expect in 2015?

- Be ready for any crisis. It may be the loss of key men, loss of major customer or contract, going into the red, CBT by a trusted manager, shareholder dissent or activism, boardroom tussle, hostile takeover, or a CAD raid. Have a crisis communication plan in place.
- Be prepared to be engaged 24/7 when there is a crisis. Boards dealing with crises can end up with dozens of Board meetings and urgent meetings with stakeholders – all called at short notice. Such responsibilities and accountabilities during crises cannot be delegated.

NEW CAPITALISM

Robert Chew

What's up?

- Calls for a new and more compassionate form of capitalism from different quarters: social activists, political and religious leaders, regulators, corporate thought leaders, and business leaders.
- The new capitalism is fundamentally about multiple stakeholders of a corporation (not just shareholders) and importance of social and community values (not just economic value).
- Manifestation of the new capitalism has been dichotomous with extended corporate social responsibility and sustainability programmes, growth of social enterprises, the advent of impact investing, and new forms of collaborations between social sector organisations, governments and businesses.
- In keeping with this, the SID Directors Conference 2014 was organised with the theme, "Towards the new capitalism" and the introduction of the Social Enterprise Marketplace.

What to expect in 2015?

- More activities and actions on the sustainability front with a host of corporates and organisations promoting different facets of it. Part of it will be from the $1.5 billion committed by the government for programmes under the Sustainable Singapore Blueprint 2015.
- A mini-roundtable by the Caux Roundtable in Singapore, as part of a global series to reflect on the UN initiative on adopting new global sustainable development goals.
- Mandatory sustainability reporting for listed companies after a year-long exercise (started in late 2014) by SGX to study which guidelines to adopt.
- Integrated reporting will be adopted by a few more companies (DBS was the first) as the ISCA-led Integrated Reporting Steering Committee champions this latest wave in company reporting in the new capitalism.
- Mushrooming of social enterprises as the support system of funders, incubators and other capacity builders for social entrepreneurs and social enterprises is built to support their development.

STATE OF DIRECTORSHIP IN SINGAPORE

By **ADRIAN CHAN**
Vice-chairman, SID

- Only 5.9% of independent directorships are held by women.
- Busy directors may be more diligent.
- Many directors with more than nine years on the board are being declared as independent.

These are just three surprising – or maybe not-so-surprising – findings of the inaugural Singapore Directorship Report launched by SID and the Institute of Singapore Chartered Accountants (ISCA).

The landmark report, released in November 2014, was the most comprehensive and definitive study on the state of board directorships in Singapore to date. A first-of-its-kind, the report provides in-depth analysis of 3,670 directors on the boards of 717 companies, business trusts and REITs listed on SGX. Supported by the SGX with data from local analytics firm, Handshakes, the study was conducted by Nanyang Business School, NUS Business School and Deloitte.

It examined the board structure and composition, director tenure, remuneration, meeting attendance, gender diversity and multiple directorships, providing answers to frequently asked questions regarding directorships. It also documented elements of compliance by listed companies with key aspects of the Singapore Code of Corporate Governance 2012 (the Code).

While confirming some widely-held beliefs, the report had a few surprise findings.

Multiple directorships

One of these surprises and a key finding is that multiple directorships do not have as negative an impact on a director's professionalism as was widely believed.

More than 82% of all directors only sit on one board, and only a mere 3.1% of independent directors, or IDs, sit on more than four boards. This shows significant breadth in the pool of independent directors. The highest number of

Meeting Attendance of Directors

% of Board Meetings Attended	No. of Board Seats Held by Director				
	Overall	1	2 to 4	5 to 7	8 to 10
<25%	1.2%	1.5%	0.2%	0.0%	0.0%
25% to 50%	5.1%	5.9%	1.2%	0.0%	0.0%
51% to 75%	8.1%	8.3%	7.2%	5.1%	0.0%
>75%	83.3%	81.4%	91.3%	94.9%	100.0%
No Information	2.3%	2.9%	0.1%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

seats held by an independent director has come down from 12 seats a few years ago to nine seats, with only two directors having this number of multiple directorships.

One surprise was that directors with multiple directorships had a better attendance record at board meetings; over 90% of them attend more than three-quarters of all board meetings, compared to 80% of single-seat directors. This suggests that directors with multiple directorships take the effort to dedicate sufficient time and attention to their directorships.

On top of this, directors with multiple directorships have higher educational qualifications than single seat directors; 75% of directors with multiple directorships hold at least a graduate degree, compared with 66% for single-seat directors.

Looking at industry sectors, the finance industry has the highest proportion of directors with multiple directorships.

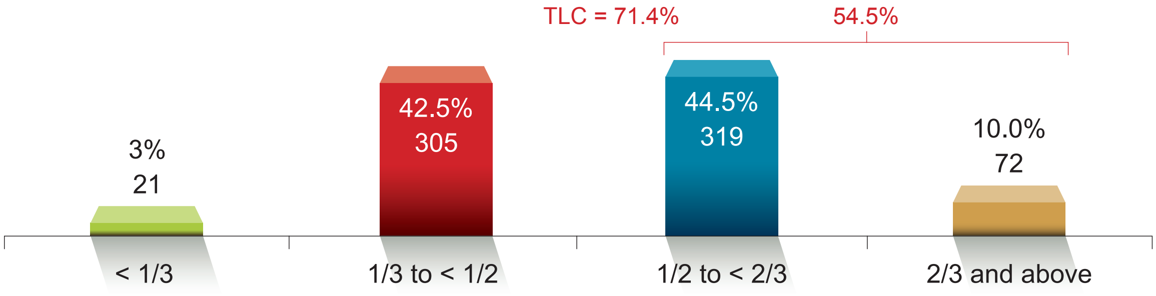
Independence

A second key finding was the strong element of independence on listed boards.

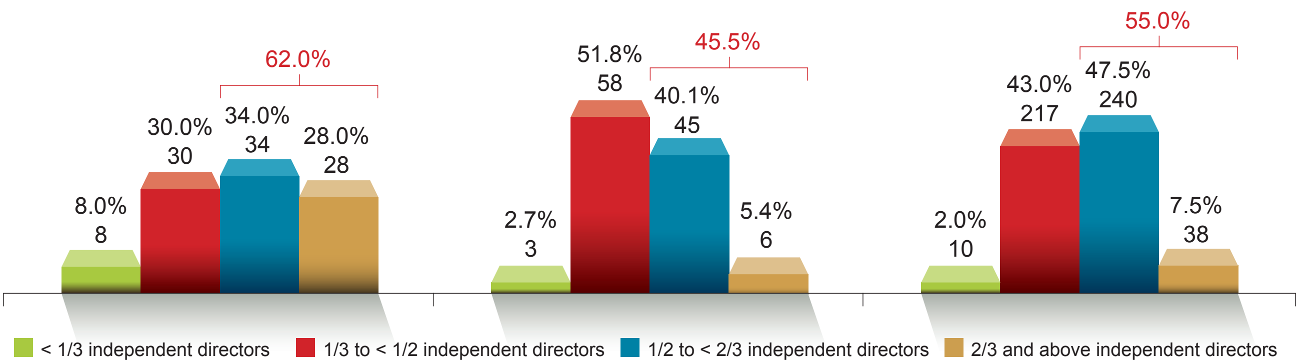
About 97% of all boards comply with the recommendation to have independent directors make up a third of their composition, with more than half (54.5%) with independent directors making up the majority of their boards, thus exceeding the minimum level of independence required by the Code quite handily.

Independent directors generally showed diligence, with 85.5% attending more than three-quarters of all board meetings held.

Board Structure and Composition



Proportion of Independent Directors in Companies



Proportion of Independent Directors - by Firm Size

Code Compliance

The report also identified categories of companies with greater compliance with the Code.

Singapore-incorporated companies, for example, score much better than their foreign-incorporated counterparts in these areas:

- Independent chairmen (21% vs 2.9%);
- Independent director seats (48.6% vs 39.7%);
- Higher level of separation of the board chairman and the CEO (70.8% vs 59.2%).

Large-cap companies scored better than their mid- and small-cap counterparts in:

- Separation of the chairman and the CEO (82% vs 72.4% and 65.9%);
- Proportion of independent directors (62% of large cap boards have ID taking up half their seats; compared with 45.5% for mid cap and 55% for small cap);
- Education level of independent directors (42% of IDs in large cap companies have post- graduate education compared to 38% overall).

The results also show that independent directors of large cap companies are paid more than their counterparts, with remuneration positively correlated to the size of the company.

Perhaps not surprisingly, Temasek-linked companies, or TLCs, scored better than non-TLCs. TLCs had a higher proportion of independent directors (IDs make up at least half of the boards of 82.1% of TLCs, compared to 52.1% of non-TLCs). However, directors on the boards of TLCs tend to hold more directorships (38.7% having multiple directorships) than non-TLC boards (18%).

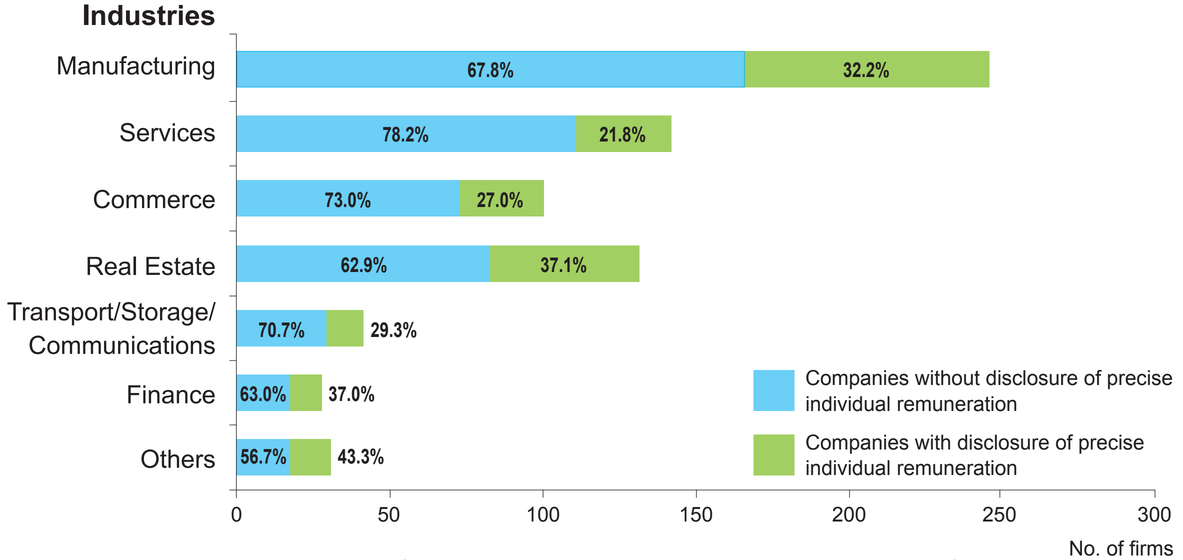
Gaps & Challenges

A fourth key finding are three glaring corporate governance gaps:

- lack of independent chairmen on boards,
- disclosure of precise remuneration for directors, and
- gender diversity.

Although the Code recommends that board chairmen be independent, only 18.4% have complied. Nearly a third of boards have chairmen who are CEOs and 57% have executive chairmen.

Director's Remuneration



Proportion of Firms Making Precise Disclosure of Individual Director's Annual Remuneration (By Industry)

NUGGETS

BOARD SEATS

- About a third of all boards seats are occupied by executive directors, 18% by non-executive directors and about 48% by independent directors.
- The greatest number of board seats held by a man is ten while the highest number held by a women is five.
- Two companies have three alternate directors.
- A greater proportion of Chairmen-CEOs are found among small cap companies.

FEMALE DIRECTORS

- Mewah International takes the crown as the listed company with the most number of women on its board – four.
- The company with the most number of independent directors who are women is HL Global Enterprises Limited – with three.
- Women sit as board chairs on 25 companies.

INDEPENDENT DIRECTORS

- The highest number of multiple directorships held by a man is nine and the highest number by a woman is four.
- Capitaland Ltd has the highest percentage (91%) of independent directors on its board.

TENURES

- The median board tenure of independent directors for all listed companies is six years.
- The median tenure of independent directors in older companies (listed for more than nine years) is eight years and the majority of these companies have at least one independent director who has been on its board for more than nine years.
- The longest serving independent director in Singapore has served since 1971.
- One company has six independent directors who have been on its board for more than nine years.

BOARD SIZE

- The most common board size is six directors, with the largest board at 20 directors (Thai Beverage Public Company Limited) and the smallest board at three (Great Group Holdings Ltd).
- Generally, larger firms have more directors on their boards than smaller firms.

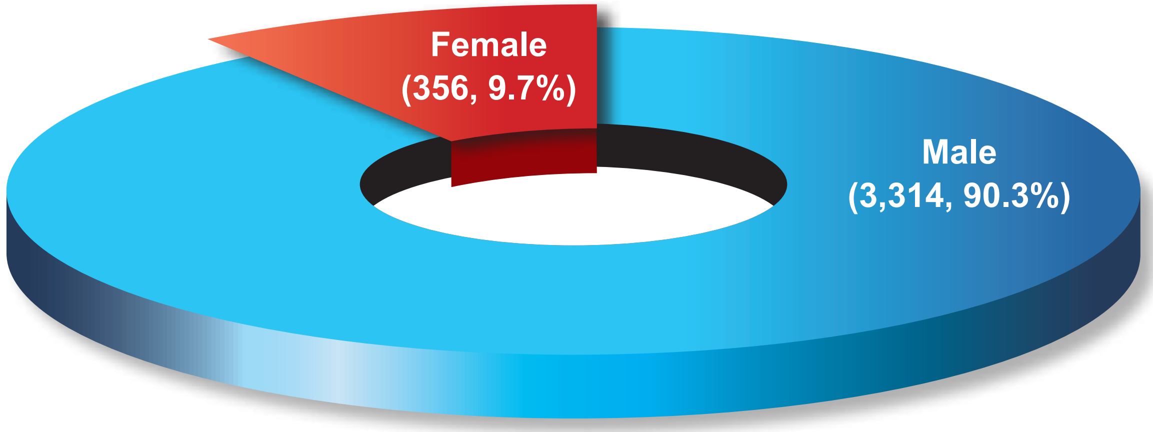
DIRECTOR FEES

- The amount of director fees and remuneration appears to be positively correlated to the size of the firm.
- Independent directors and non-executive directors in the financial sector appear to receive higher remuneration than in other sectors.

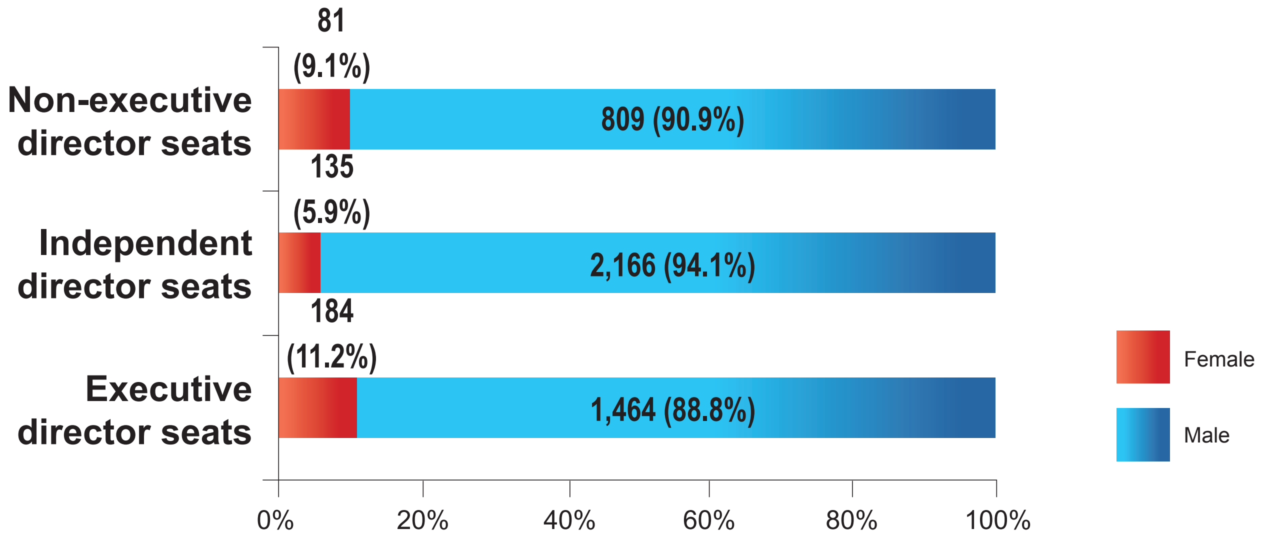
Panellists at the launch of the Singapore Directorship Report 2014 at Carlton Hotel on 4 November 2014.
L to R: Associate Professor Victor Yeo (NTU), Professor Ho Yew Kee (NUS), R. Dhinakaran (ISCA), David Chew (Deloitte), Richard Teng (SGX), Adrian Chan (SID).

Less than a third (31%) disclose the precise remuneration of their directors on a named basis, when the Code now demands it. Real estate and finance companies tend to score better in this area. There needs to be a better understanding of the reasons for this reluctance of boards to comply with the remuneration disclosure requirement.

Gender Diversity



Gender breakdown of all directors



Gender breakdown by type of director seats

In terms of gender diversity, men occupy more than 90% of all board seats while more than half of all boards do not have any women at all. Women hold 11% of executive director seats. Of note, only 5.9% of independent director seats are held by women, which is a figure that is strikingly low and needs to be addressed. REITs tend to have boards with more women.

With its rich vein of data, the Singapore Directorship Report is a welcome addition that will contribute to the corporate governance debate. It can be used to help formulate governance recommendations backed by concrete facts and statistics, and facilitate efforts to enhance the levels and standards of corporate governance in Singapore.

On board the innovation wagon

By **ROBERT CHEW**
SID Council Member

INNOVATION

Innovation is crucial to progress and growth, whether for nations, businesses, brands, or individuals. From this issue, Directors' Bulletin innovates with a new column focused on this subject.

Innovation is all around us, drives us, and fuels growth in our companies, nations and civilisation. Innovation is so ubiquitous we take much of it for granted: From air travel, browsing on the internet, cancer treatment, digital media, e-Government, to the wellness lifestyle brand Zumba.

Looking ahead, innovation is going to be key in solving global challenges such as climate change and sustainable development.

Innovation has been a crucial factor in determining economic growth and national progress. Economists estimate that 60% to 80% of economic growth comes through innovation and new knowledge. They have found that innovative countries grow faster than less innovative ones.

As it is for national competitiveness, innovation is also key to business performance and growth. In a recent survey by McKinsey, more than 80% of global executives listed innovation as extremely important to growth. At the same time, 94% of them were dissatisfied with their companies' performance in innovation.

Perhaps this is not unexpected. Boards have concentrated mostly on monitoring, oversight and risk management, rather than in value creation. A focus on value creation would lead to an examination of the company's strategy, growth and business model. And many will find that innovation will be a critical part of that strategy.

What Is Innovation?

As a first step in innovation, we need to define what is and what is not "innovation". A simple definition for our purpose might be: innovations are implementations of new ideas to create business value. Therefore, innovation might be manifested in products, services, manufacturing processes, technologies, business model, management approaches. The focus is on making a new idea viable and reaping a positive return on its investments.

Innovation is sometimes used interchangeably with "improvement" and "change". While these concepts overlap they are not identical. Some innovations give rise to incremental changes, such as building on and redesigning existing processes, while others are radical or disruptive, providing entirely new models, transforming business and industry.

Radical innovations can disrupt patterns of production, distribution and consumption while generating further ideas and innovations. An example of radical disruptive innovation is that of iTunes in music and AirAsia in air travel. They disrupted existing businesses by cutting out the middle men, by breaking conventional rules and practices and cutting into the incumbents' margins. Uber and Airbnb go a step further in the areas of transport and travel accommodation, cutting out the middle through the "sharing economy".

Innovation is also different from "creativity" and "invention", mainly in the focus. Creativity is about unleashing the potential of the mind to conceive new ideas. It is subjective and difficult to measure. Innovation, on the other hand, is quantifiable. Organisations often pursue creativity when what they are searching for is innovation. Theodore Leavitt, an American economist, puts it best: "What is often lacking is not creativity in the idea-creating sense but innovation in the action-producing sense, i.e. putting ideas to work."

Many also mistakenly associate innovation with "technology". They envisage R&D labs where engineers and scientists are developing the next big new technology. Drug discoveries by pharmaceutical companies, faster processing capabilities of microchips by tech companies, and improving the energy efficiency of cars by automakers, are examples of technology enabled innovations.

However, innovation is not just about emerging new technologies. As Prime Minister Lee Hsien Loong said at the launch of the Productivity Month 2014: "Innovation does not have to be rocket science, but companies must be willing to re-look at how things are done".

Indeed, people innovate. Not technologies, not systems, not organisations. Innovation originates in inspired, fascinated, imaginative, committed people; individuals who understand and believe that sustained effort is required to go beyond, to change the status quo.

Harvard Business School Professor Clayton Christensen, author of The Innovator's DNA, asserts that innovators possess five discovery skills: associating, questioning, observing, networking and experimenting. Such individuals ask a lot of questions and are not afraid to experiment with their products and business models. It would be rare for an innovator to see an object and not question how it could be improved upon. Prof Christensen believes that companies that have the highest innovation premiums display similar habits as individual innovators. These companies also work hard to attract such people and develop the types of environments that will keep them around to help the company innovate.

It is time for boards to get on board the innovation game. It is the one fundamental thing which can create value for a company – which is a key role of the board. ■

Towards a paperless board

By **LIM CHIN HU**
SID Council Member

SID SINGAPORE INSTITUTE OF DIRECTORS | BOARDROOM MATTERS

With increasing business complexity and regulatory scrutiny, the amount of board work and the number of board meetings have also increased.

A great deal of board work now takes place between meetings. The US National Association of Corporate Directors' (NACD's) Public Company Governance Survey 2013-2014 found that directors spend almost as much time (71.3 hours per month) reviewing reports and other materials as they do (81 hours per month) attending board and committee meetings on average a month.

Along with the increased work, the volume of board papers has increased. The Thomson Reuters 2013 Board Governance survey showed that the average board book is 179 pages thick. Taken together, it would appear that board members spend an average of just 16 seconds reviewing each page of the board pack. Is that effective in making an informed decision? Indeed, NACD cautioned that: "Thrown into the weeds and forced to prioritise materials, directors are more likely to become overwhelmed and miss critical risks."

Bringing Technology Into The Boardroom

As with the companies they govern, technology can be used to help boards and directors manage the clutter of information.

It is fair to say that most companies have automated their operations to every extent possible. Even medical practitioners rely on electronic medical records today. Somehow though, it seems that the boards of these same companies have remained the last bastion of old-fashioned communications.

Most directors will claim that they are using technology. Almost all would be using email and many board papers do get sent across via email and file hosting services such as Dropbox, Google Drive and SkyDrive. This, however, can be a security risk.

The same Thomson-Reuters survey found that four out of five organisations rely on private non-secure email addresses for board communications. Some companies are sending across Zip and PDF files without any encryption or password protection.

Why would companies take this kind of risk given that it is so easy for anyone to get their hands on information if it is not encrypted?

Using Technology The Right Way

The right approach is for boards to license and utilise one of the readily available board portal solutions. A board portal is a collaborative software that allows directors to securely access board documents and collaborate with other board members electronically. Most board portal solutions allow access via a number of platforms including personal computers, tablets and even smartphones.

For board members, access to board papers on tablets and personal computers is a step change. It allows them to receive board packs earlier and with greater control over where and when. In turn, this can lead to better meeting preparation, decision making and strategic discussions.

With board portals, the production, distribution and consumption of board materials have been made much more efficient and secure. Where the company secretary's team previously spent days, if not weeks, on the physical production and distribution of materials, these cycles can be reduced to hours. Amendments can be made and published almost instantaneously.

For board members, access to board papers on tablets and personal computers is a step change. It allows them to receive board packs earlier and with greater control over where and when. In turn, this can lead to better meeting preparation, decision making and strategic discussions.

As for the company, it can look to save on printing and distribution costs. But the real benefit lies in the improved security a portal offers over a manual process, and the better decisions made by the board.

There are several board portal solutions available today: BoardVantage, BoardEffect, BoardLink, Diligent Boardbooks, Leading Board Portals, Directors Desk, and BigTinCan, just to name a few.

The boards that I am on use BoardVantage and BigTinCan. They serve their purpose: board papers are published and accessed securely from iPads and Android tablets. There are a number of other features. For example, different board committees can set up their own sub-folders within the portal for committee members to access current and past board papers.

There are also tools on these portals which allow the company secretary to communicate with the board via secure email communication channels. The portal can also serve as a repository of documents. One of the companies whose board I serve on uses this feature to keep track of analyst reports, committee charters, articles of incorporation, bye-laws, financial information, etc.

Essential Boardroom Tool

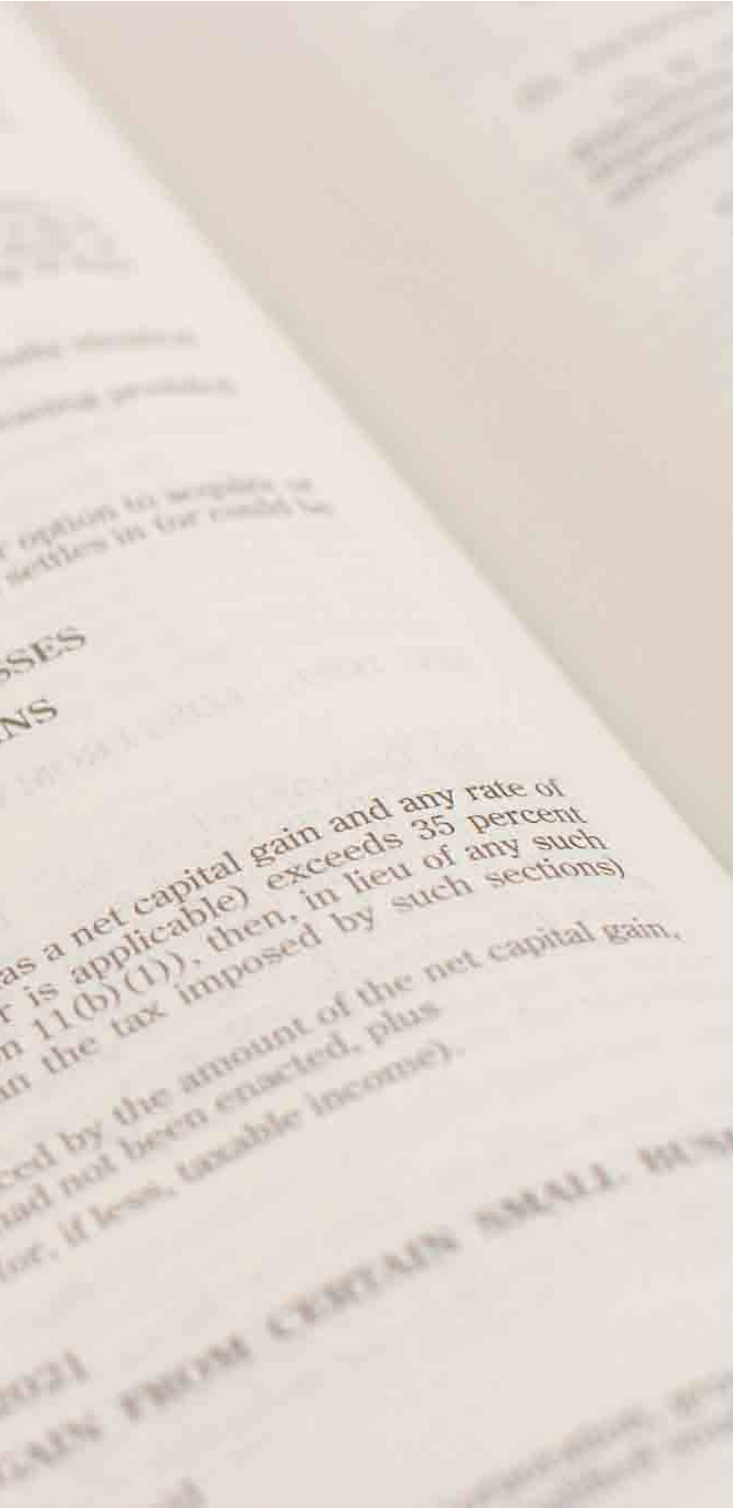
Companies today operate in a very complex environment where things happen at a clipping pace. Furthermore, many of today's boards do not operate out of just one time zone or within the same country.

Board portals have therefore progressed from a luxury item to an almost essential tool for both administrators and directors as they enable the board, as the highest decision-making body of a company, to be kept abreast of the latest and most relevant information for it to make the best possible decisions. ■

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.

Amendments to the Companies Act

By **ANDREW ABRAHAM**
Accounting and Corporate Regulatory Authority



The Companies (Amendment) Act 2014 ("Amendment Act")was passed by Parliament in October 2014, introducing more than 200 changes to the Companies Act ("CA"). SID and the Accounting and Corporate Regulatory Authority ("ACRA") held a joint seminar on 14 November 2014 to better understand the implications.

We examine here some of the amendments that have implications for directors in the areas of accounting and financial assistance, company administration, disclosures, shares and voting rights, and debarment and termination of employment.

Accounting & Financial Assistance Matters

New “small company” criteria for audit exemption

Currently, a company is exempted from auditing its accounts annually if it is an exempt private company (up to 20 members and no corporate shareholders) and has an annual revenue of $5 million or less.

The new bill introduces new “small company” criteria for audit exemption. To qualify, a company must be a private company that meets at least two of the following three criteria for each of the previous two financial years:

- Total annual revenue of not more than $10 million,
- Total assets of not more than $10 million,
- Number of employees not more than 50.

For a company that is part of a group, the company must qualify as a small company and the entire group must qualify as a "small group". A group qualifies as a “small group” if it

Panelists take questions on the amendments. L to R: Bong Yap Kim (ACRA), Adrian Chan (SID), Toh Wee San (ACRA), Andrew Abraham (ACRA).

meets at least 2 of the 3 quantitative criteria on a consolidated basis for the immediate past two consecutive financial years.

This amendment would reduce compliance costs for at least 25,000 small companies that currently do not qualify for audit exemption. Existing safeguards will be retained; such as requiring all companies to keep proper accounting records, and empowering shareholders with at least 5% voting rights to require a company to prepare audited accounts.

Dormant company financial reporting
The Amendment Act generally exempts dormant non-listed companies with less than $500,000 in total assets from having to prepare financial statements for a financial year, in addition to the current exemption from audit requirement. This will reduce regulatory costs for dormant companies.

Other dormant companies, which do not fulfil the above criteria, will still enjoy audit exemption. There will be no change for listed companies and their subsidiaries; i.e. they will still be exempted from audit but they must prepare accounts.

Removal of prohibition against financial assistance by private companies
Currently, no company, private or public, is allowed to give financial assistance directly or indirectly to any person for the purpose of acquiring shares in the company or holding company.

The Amendment Act removes the prohibition for private companies. Shares in private companies are usually closely held, and shareholders have greater control over the company's decision whether or not to give financial assistance. This amendment will reduce costs for private companies. If necessary, creditors of such companies who wish to seek redress can rely on laws pertaining to breach of directors' duties and fraudulent and wrongful trading.

The prohibition will continue to apply to public companies and their subsidiaries. The prohibitions are intended to ensure that the company's capital is preserved intact and used to pursue the company's objects. The prohibitions also prevent market manipulation.

To avoid impeding potentially beneficial or innocuous transactions, there will be some new exceptions introduced, to the financial assistance regime.

Company Administration

New alternate address regime

Currently, a director needs to report his or her personal particulars, including residential address, to ACRA and this information is made available to the public. To protect individuals' privacy, the Amendment Act allows a director to report an alternate address, but this must be an address where the director can be physically located. The director must still provide his or her residential address to ACRA, but this will be kept confidential if the director opts to publish his alternate address on the public records.

ACRA's electronic register of members

To streamline the administrative process for companies, and allow the public greater access to records, the following electronic registers will be updated and maintained with ACRA:

1. Electronic register of members (ROM) for private companies. Companies must register share ownerships and changes to such information with ACRA, and the effective membership / cessation date will be based on real time registration. The ROM will be publicly available, with no charge for access by a company to its own records.

Andrew Abraham elaborating on the reforms at the "SID-ACRA Recent Changes to the Companies Act" held at Suntec on 14 November 2014.

2. Electronic registers of directors, secretaries, auditors and CEOs for all companies.
   A company is required to update ACRA within 14 days of change of director, secretary, auditor or CEO. The phrase "Manager" has been replaced by "CEO", but the legal definition remains substantially similar. It is a change in nomenclature and not substance. Similarly, the register of managers will be replaced by the register of CEOs. Hence the details of any current managers on ACRA's records will be automatically transferred to the register of CEOs, until the company notifies ACRA of any change.

Merging of memorandum and articles into "constitution"
The Amendment Act introduces "Model Constitutions". A company may choose to adopt either the whole model (in force at the time of registration or from time to time) for the type of company to which it belongs, or part of the model.

Disclosures

Extension of disclosure requirements to CEOs
Currently, directors of a company are required to disclose:

- Conflicts of interest in, transactions or proposed transactions with a company, or, holding of any office or property, and
- Shareholdings in a company and its related corporations.

The Amendment Act extends these disclosure requirements to CEOs of all companies. However, CEOs of non-listed companies need not disclose securities of related corporations, nor participatory interests of a non-listed company or its related corporations. This change would align the CA disclosure requirements with that required of CEOs under the Securities and Futures Act.

The disclosure is important because the CEO is at the apex of the company's management and can influence its decision-making. Such disclosure will improve transparency and promote better corporate governance.

Relaxation of conditions for nominee directors to disclose information to nominating shareholders
Currently, a nominee director is only allowed to disclose to the shareholder who has nominated him, information that he has acquired in his capacity as director or employee of the company – only if the board has specifically authorised such disclosure. The director must declare at the board meeting, the name and office or position held by the shareholder. In addition, the disclosure must not be likely to prejudice the company.

The Amendment Act does away with the need to specify such details in the mandate. Instead, the director is allowed to disclose information, if the disclosure is authorised by the board in respect of all or any class of information or only such information specified in the authorisation. The requirement that the information must not be likely to prejudice the company remains.

This will facilitate more efficient management of groups with listed subsidiaries. Improper use of information or insider trading will be dealt with under the Securities and Futures Act.

Shares And Voting Rights

Removal of one-share-one-vote restriction for public companies
The Amendment Act removes the existing one-share-one-vote restriction for public companies. There will be safeguards to protect the rights of existing shareholders and ensure that investors are well informed. For example, shareholders' approval must be obtained for the issuance of different classes of shares with different voting rights. Information on the different voting rights must be provided when the notice of the meeting and proposed resolution is issued. The rights of shares must be specified in the company's constitution, and, must be clearly demarcated. Non-voting shares

will carry equal voting rights on: (a) winding up, and (b) varying the rights of non-voting shares.

This amendment will liberalise the regime for about 800 non-listed public companies, which will have greater flexibility in raising capital, and allow investors a wider range of investment opportunities. However, the Singapore Exchange ("SGX") and the Monetary Authority of Singapore ("MAS") are still reviewing whether if listed companies should be permitted to issue shares with different voting rights.

New multiple-proxies regime to enfranchise indirect investors
Currently, unless the articles provide otherwise, a member can appoint up to two proxies, and a proxy can only vote by poll. The Amendment Act introduces a new multiple-proxies regime. Specified intermediaries such as banks and capital market services licence holders that provide nominee or custodial services, will be allowed to appoint more than two proxies to attend shareholders' meetings.

Indirect investors (including CPF members who have invested in the shares of companies through CPF Agent Banks or the CPF Board) can also be appointed as proxies to participate in and vote at shareholders' meetings. Such participation is important for a healthy, well-functioning capital market.

Debarment And Termination Of Employment

New debarment regime
To prevent irresponsible directors and company secretaries from holding similar positions in other companies, and to promote greater compliance with filing requirements, the Registrar will be empowered to debar any director or company secretary of a company that has failed to lodge any documents that must be lodged with ACRA, at least three months after the prescribed deadlines. If a person were debarred, he cannot take on any new appointment as a director or company secretary. However, he may continue with his existing appointments.

The Registrar will exercise his powers judiciously. Before a debarment order is made against a person, ACRA will send him a notice, at least two weeks beforehand. He will be required to explain why he should not be debarred. The debarment order may be lifted by the Registrar when the default has been rectified, or on such other prescribed grounds.

Shareholders' approval not required for compensation to executive director for termination of employment
Certain types of payments to a director for loss of office are currently exempted from shareholders' approval under the CA. The Amendment Act introduces a new exception, where:

- The termination of employment is based on an existing agreement between the company and the director;
- The amount that is paid out is not more than the director's total emoluments for the one year immediately preceding that director's termination of employment; and
- The particulars of payment are disclosed to shareholders before payment is made.

Payment to an executive director as an employee should be for the board to decide, as the board appoints employees. Compensation for loss of office as a director should be for shareholders to decide, because shareholders appoint the directors. Such a distinction is critical especially where a person is both director and employee.

Further details of the Amendment Act are available at: https://www.acra.gov.sg/Legislation/Companies_Act_Reform/ ■

The writer is the Assistant Director of the Law Reform Department and Institute of Corporate Law at ACRA.

Consolidation standards

By **YEOH OON JIN**
SID Council Member

COUNTING BEANS

One of the key new accounting standards effective in 2014 is FRS 110 on consolidation. The move to consolidate investees can have a significant impact on many financial indicators of the investor-company. Some loan covenants might also be breached as a result of the consolidation and regularising them could be time-consuming and expensive. Even the Remuneration Committee might need to relook at executive compensation plans that contain financial ratio targets.

So investor-companies and their directors need to understand clearly when consolidation of its investees is required by the new standard. This is especially important as we did not see many new consolidation based on SGX' quarterly announcements by listed companies. There was some activity though: Some large companies did end up consolidating significant investees which they did not do in 2013, including investees in which they held less than 50% equity.

So what is required by the new standard. Essentially this boils down to "power" and "control". An entity must consolidate an investee if it is deemed to have control of the investee. The one exemption to this principle is when the entity is an "investment entity".

In the new standard FRS 110, the investor is deemed to have control when it has both "power" and "variable returns".

On returns, Returns can be in the form of dividends, interests, fees, loans or capital, and an investor's returns must vary but may be positive, negative or both.

A frequently asked question is: must the investor be entitled to more than half of the investee's profit for it to consolidate the investee? For example, when a shareholder owns 51% of the issued share capital of an investee.

The answer is no. An investor does not need to have more than half of the returns generated by the investee to have control. Control may be obtained when the investor has the power to make decisions and is subject to varying returns (and not necessarily a majority return).

In fact, a shareholder with less than a majority equity stake would consolidate its investee if it has power. This is the case for the sponsor of a Real Estate Investment Trust or REIT. The sponsor consolidates the REIT it manages even when it holds less than 50% of the issued units. The sponsor can have wide-ranging decision-making power over the REIT through acting as the REIT manager.

The revised standard requires the sponsor to consider these powers in combination with the returns it is exposed to, in considering if there is control. So, it is clear that the sponsor does not need to own more than 50% of the units to trigger consolidation of the REIT. The greater the holdings and returns, the more likely it is deemed to have control.

The converse can also be true: a majority shareholder may not always need to consolidate its investee.

What is "power"? Power is the current ability to direct business activities that significantly influence returns. This could include the right to approve business plans, operating and capital budgets, and appointment of key managers.

Establishing the body that directs the activities of the investee is also a consideration the investor can exert through this body. In most cases, this "body" would be the investee's board of directors or its equivalent.

The shareholder with the right to appoint the majority of the directors on the board would have "power". Having said this, restriction of power on the majority shareholder can be placed too. For example, requiring equal representation on the board or having a requirement to have the agreement of the minority shareholders before a decision can be passed. This means that the majority shareholder does not have the power to effect its decision without the agreement of the minority shareholder.

What about requiring majority directors of a board to be independent from the majority shareholders through regulation or otherwise? Does this independence requirement mean that the majority shareholder loses power over its investee? Recently, the MAS issued a consultation paper, *Enhancements to the Regulatory Regime Governing REITs and REITs Managers*. One of the proposed changes is to require a majority of the directors on the board of a REIT Manager to be independent of the sponsor.

From an accounting perspective, whether the majority shareholder has the right to appoint directors, whether they are related to the sponsor or not, is not so relevant in considering power and control. The consideration of the relationship and independence is more of a governance issue. Their existence is to ensure that there are enough safeguards to manage instances of conflict of interests so that the interests of the minority shareholders – or in the situation of the REIT, the public unit-holders – are adequately protected. This should not be confused with control.

The new consolidation model is new and will continue to evolve. Directors should certainly ask the right questions to determine power and control – and this extends beyond ownership of the shares. ■

‘Soft’ is not a bad word

By **POH MUI HOON**
SID Council Member

EXPANDING HORIZONS

These days, being an effective leader of a company is more than merely having the hard skills. It is as important that a leader is able to mobilise and motivate every contributor – from the executives to the board of directors— and this, often times, requires the “harder” soft skills.

Today, most director training still focuses on functional or hard content such as corporate governance, finance, audit, risk, compensation and remuneration, cyber-security and so on. However, to be an effective director, I would say soft skills play a crucial role, if not more. Boards should pay attention to whether these skills are present when selecting directors.

Having been both a director on boards as well as a chief executive officer, I observed what sets a good director apart from the rest is the possession of these three key qualities:

1. A Strong Ability To Influence

To be able to influence stakeholders at the board table, a director needs to be able to listen effectively.

Though many directors come from distinguished backgrounds (former senior management of companies, partners of consulting companies or legal firms and so on), those who are good listeners are few and far between. More often than not, it is the ego that is getting in the way of one's ability to listen well and consider viewpoints different from one's own. In turn, fellow directors find that their views get dismissed while management are being bulldozed through in spite of best intentions.

A director who is a good listener would naturally be able to constructively challenge the management or fellow directors without coming across overly aggressive or assertive. It is always refreshing for management to hear from a director who has come prepared with insights and questions that can help to shape a strategy while putting them across in a sincere and collaborative manner. Remember, the key is to attack the issues, not the person.

2. An Acute Sense Of Strategic Awareness And Long-Term Vision

In other words, see the big picture. Having strategic awareness means a leader knows where the business should go and can go and steers it in that direction.

This requires a focus on what is material to the business and not to "sweat the small things". It is easy for a director to be tempted to batten down a path just because it is an area that he knows well. However, it is important to realise that directorship is about the business, and not about showing off personal competence.

A director with a sharp sense of strategic awareness understands when to back an idea and when not to be afraid of taking calculated risks in order to take the business to the next level.

3. An Insatiable Thirst For New Knowledge And Melding It With What Already Works

As the 'bird's eye' of an organisation, directors need to keep abreast of trends, especially those that can impact their companies in one way or another.

Effective leaders are also those that are always curious. To quote Albert Einstein: "The important thing is not to stop questioning. Curiosity has its own reason for existing." And when the curiosity has been satiated, what a director does with the new knowledge is also critical. An astute one will be able to marry trends and new knowledge with what is already existing, what works, well.

Such directors are what I term "dot-connectors", and these types, in my mind, are the forward thinkers, innovators, and leaders. To be a good dot-connector, one needs to remaining open and curious all the time.

Now that we have identified the soft skills needed to turn a good leader into a great one, the inevitable question to ask is how do we acquire and hone those skills?

As with most things in life, it starts with awareness. In this case, it's self-awareness. It is akin to doing an audit or status check on what our individual shortfalls and weaknesses are and then tailor-make a development journey to plug those gaps. I personally find that 360-degree assessments do help as they tend to ask the provoking questions: "How do different stakeholders perceive me?" "Am I an effective leader?"

Once the gaps are identified, there are a number of options available to develop and fill them. Attending soft skills workshop is helpful to most while others might find getting a good coach and mentor is the way to go.

Either way, having and honing soft skills is a life-long journey of personal development and the challenge is always to figure how do we become a better leader and a better person. ■

AGM

Electronic voting devices sponsored by Boardroom Limited were used for the first time at SID's 16th Annual General Meeting held on 18 November 2014. Elected to the governing council were:

- Dr Wilson Chew
- Mr Daniel Ee (Re-elected)
- Mr Philip Forrest
- Mr Kevin Kwok (Re-elected)
- Ms Poh Mui Hoon
- Mr Soh Gim Teik (Re-elected)
- Ms Wong Su Yen

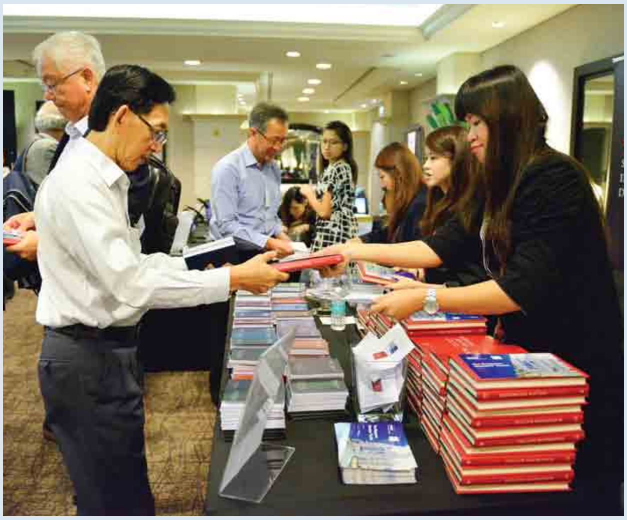
Meanwhile, four council members retired: Ms Kala Anandarajah, Mr David Conner, Mrs Yvonne Goh and Mr Chaly Mah. SID chairman thanked them for their contributions.

Clockwise from top left:
Mr Kevin Kwok,
Dr Wilson Chew,
Mr Soh Gim Teik,
Mr Philip Forrest,
Ms Poh Mui Hoon.

Rounding up the year

18 November was a busy day for SID. Besides the AGM, SID started the day with the inaugural Corporate Governance Roundup at Orchard Parade Hotel. Ten SID council members shared their views on the key happenings of 2014 and things to watch for in 2015. [Ed: go to What's Up? What's Next? on Page 6]

SID also launched the Singapore Directors' Toolkit, an interactive guide on directors' roles and responsibilities jointly developed with KPMG. Irving Low, partner at KPMG, brought members through the one-stop electronic tool.



Finally, a new SID publication was launched. *Boardroom Matters: Making sense of corporate governance* is a compilation of 50 articles from SID's weekly column in *The Business Times* and *BT Invest*. ■

Pay Determination and Disclosures and the Remuneration Committee

The Remuneration Committee took centre stage at the November 2014 event in the Chairmen's Conversation series. The discussion was led by Shai Ganu of Mercer which partnered SID for the session. Lending her wisdom was Ms Wong Su-Yen, Chairperson at Marsh & McLennen Companies in Singapore.

Discussions centred around long-term incentives, remuneration disclosure and governance. There was lively debate on measuring performance and the mix of constituent elements of remuneration packages. Issues around better alignment of pay for performance and the balance between motivating top executives and ensuring longer term business stability also received an airing.

The majority of companies in Singapore did not comply with the current remuneration disclosure guidelines listed in the Code of Corporate Governance 2012, and participants were all concerned with increasing pressures and expectations from regulators, investors and other stakeholders. The external scrutiny from stakeholders on the disclosure of executive pay has not abated and the chairmen present considered the approach that their own organisations are taking and how they are trying to determine the "optimal" level of disclosure that would meet such expectations, whilst not providing business competitors with too much information.

There were many thought-provoking points of view and a final consensus was that the best remuneration committees must ensure that a trusting relationship is developed between the board, management and stakeholders. ■

Directors Compliance Programme

The Directors Compliance Programme, a course commissioned by ACRA, was launched in November 2014.

It was designed for directors whose companies have not fully complied with the statutory and annual return filing requirements. The course covers directors' duties and responsibilities, Companies Act requirements, financial statements and regulatory compliance.

More than 160 directors attended the inaugural run. Weekly runs of the programme have been scheduled for the first six months of 2015. ■

Cyber Risks and the Audit Committee

Cyber risks and security is becoming increasingly important for audit committees. SID partnered with EY to present ideas and discussions on the role the Audit Committee and its chairperson has to play.

Despite better technology, increased spending and heightened profile on board discussions, new risks continue to surface and new intrusions are occurring at an unprecedented rate, with greater consequences.

The discussions considered how developing a specific and formal strategy, including the right use of checklists and regular health checks, can be useful to the audit committee's work in managing technology risk and cyber security. Certainly, these issues have made the work of the audit committee more difficult.

Smaller companies might face different challenges, but they too need to recognise and identify their risks, especially in protecting valuable intellectual property, and have a plan linked to crisis management and business continuity polices.

The session was led by EY Singapore partners Neo Sing Hwee and Steve Lam. ■

Compiled and written by Chia Yi Hui

Past events (16 Oct 2014 to 30 Nov 2014)

DATE	TYPE	EVENT DETAILS
16 Oct 2014	Others	Audit Committee Chairmen's Conversation
17 Oct 2014	PD	LCD Module 1: Understanding the Regulatory Environment in Singapore
21 Oct 2014	PD	LCD Module 6: Investor & Media Relations
24 Oct 2014	Others	SID-APREA: REIT Roundtable – MAS Consultation
29 Oct 2014	PD	LCD Module 5: Remuneration Committee Essentials
29 – 31 Oct 2014	PD	SID-SMU Module 2: Assessing Strategic Performance – The Board Level View
4 Nov 2014	Others	Launch of Singapore Directorship Report
14 Nov 2014	Others	SID-ACRA: Recent Changes to the Companies Act
18 Nov 2014	Major Events	Annual Corporate Governance Roundup
18 Nov 2014	Major Events	Annual General Meeting
20 – 21 Nov 2014	PD	LCD Essentials Programme in Mandarin
25 Nov 2014	Others	Remuneration Committee Chairmen's Conversation
27 Nov 2014	PD	SID-ACRA: Directors Compliance Programme
28 Nov 2014	PD	So, You Want To Be a Director

Diving into a boardroom

By **WILSON CHEW**
SID Council Member

AFTER HOURS

Wilson Chew, a Dive-Master, finds a striking parallel between diving in the blue and working on boards.

I will always remember my first dive. I was sitting on a beach in Cebu, the Philippines, when someone came up and asked if I'd like to do an exploratory dive. The marine world has intrigued me since youth. I could not pass up this opportunity.

Two dive masters accompanied me as I descended to the seabed. The beauty of the underwater landscape took my breath away. From the vivid colours of the marine life to the silence that surrounded me, I fell in love immediately.

Once I got back, my priority was to get a scuba diving certification. Who would have thought then that two years later, I would become a qualified dive master?

Since then, I have dived in some of the most beautiful places on earth, from the islands of Malaysia and Thailand to the vast Andaman Sea, Hawaii and The Great Barrier Reef.

While the splendour of the marine world is a big draw, another unusual attraction for me is the discipline required for a safe dive. It is discipline I find and practice when I sit on company boards.

Prepare, Prepare, Prepare

Before any board meeting, preparation is key. So too in diving. As a high-risk sport, preparation is critical. There must be no leaks in the equipment and all devices such as the buoyancy compensator must function flawlessly. Above all one needs a trusted dive buddy. Buddies check each other's equipment, ensure that all is working well and they look after one another during the dive. The same goes for a board meeting. You never go for a meeting alone. You listen to your fellow directors and provide views to improve all that is being discussed.

At board meetings we are looking for clear strategies for growth while mitigating risks. For example, in a potential acquisition, the board must look beyond the positives and think about the risks.

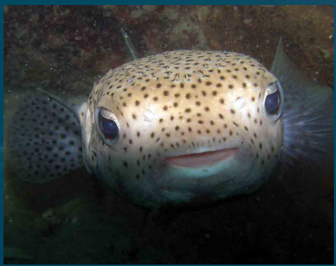
So too in scuba diving. Even in the water, before going under, we do a final safety check to ensure operational readiness. Safety is of paramount importance in a dive and no shortcuts can be taken here.

Conscious Of The Environment

Safety aside, the dive is about enjoying the sights with minimal risk and physical effort. For this, it is important to understand the terrain and the direction of the current. It is difficult – almost impossible – even to fight against a one knot current. But if the diver knows how to work with the currents, he or she can use it to their advantage. "Flying" on the back of a current across a rich coral reef is an amazing feeling.

This is similar to a board meeting. It increases with pressure as it progresses. Furthermore,







everyone should make the effort to understand the business environment so as to catch the right tide to scale up the business.

With most board meetings, a set of directions is laid out to ensure the growth of the organisation. When growth becomes evident, the board sees the fruition and stakeholders see the benefits. It is at this point that the directors find satisfaction in the workings of the board. And this is a moment that many companies yearn for.

In scuba diving, once we descend to the seabed and make the necessary safety and terrain checks, it is time to just enjoy the beauty of the environment.

One of the dive sites I will always have fond memories of is Richelieu Rock in the Andaman Sea. I saw a rare sight of a school of Lionfish swimming in formation, while a giant Octopus hunted in another corner. Then a school of Manta Rays glided above me and looked as if they were performing an acrobatic act! At that moment, it felt like the world came to a standstill and a feeling of serenity enveloped me.

There was another diving expedition around the east coast of Malaysia that left a memorable impression. Just before going into the sea, a pod of dolphins breached close to our boat. They were inviting us to join them! Quickly descending into the sea with my fellow divers, we watched these playful creatures swim around us for the next few minutes.

It made me realise that every dive follows the same protocol but each experience is different. The same goes for a board meeting. It follows similar processes but the business environment continues to change. Still, in the end the rewards I receive from both activities are definitely worth it. And that is why you will always find me equally excited for both my board meetings and my dive trips!

Upcoming Events

Core Professional Development Programmes

PROGRAMME	DATE	TIME	VENUE
SID-ACRA Directors Compliance Programme	8 Jan 2015	0900 – 1330	Capital Tower
LCD Module 1: Understanding the Regulatory Environment in Singapore	15 Jan 2015	0900 – 1730	Marina Mandarin Singapore
SID-ACRA Directors Compliance Programme	17 Jan 2015	0900 – 1330	Capital Tower
SID-ACRA Directors Compliance Programme	22 Jan 2015	0900 – 1330	Capital Tower
SID-ISCA Directors Financial Reporting Essentials	27 Jan 2015	0900 – 1730	Capital Tower
SID-ACRA Directors Compliance Programme	29 Jan 2015	1300 – 1730	Capital Tower
SID-ACRA Directors Compliance Programme	5 Feb 2015	0900 – 1330	Capital Tower
SID-ACRA Directors Compliance Programme	9 Feb 2015	1300 – 1730	Capital Tower
SID-ACRA Directors Compliance Programme	26 Feb 2015	0900 -1330	Capital Tower
SID-ISCA Directors Financial Reporting Essentials	27 Feb 2015	0900 – 1730	Capital Tower
So, You Want to be a Director	3 Mar 2015	1000 – 1230	Capital Tower
Board & Director Fundamentals	4 Mar 2015	0900 - 1730	Capital Tower
SID-ACRA Directors Compliance Programme	5 Mar 2015	0900 – 1330	Capital Tower
LCD Module 1: Understanding the Regulatory Environment in Singapore	11 Mar 2015	0900 – 1730	Marina Mandarin Singapore
SID-ACRA Directors Compliance Programme	14 Mar 2015	0900 – 1330	Capital Tower
SID-ISCA Directors Financial Reporting Essentials	17 Mar 2015	0900 – 1730	To be advised
SID-ACRA Directors Compliance Programme	19 Mar 2015	0900 – 1330	Capital Tower
LCD Module 2: Audit Committee Essentials	25 Mar 2015	0900 – 1230	Marina Mandarin Singapore
LCD Module 3: Risk Management Essentials	26 Mar 2015	0900 – 1230	Marina Mandarin Singapore
SID-ACRA Directors Compliance Programme	31 Mar 2015	1300 – 1730	Capital Tower
LCD Module 4: Nominating Committee Essentials	2 Apr 2015	0900 – 1230	Capital Tower
SID-SMU Executive Certificate in Directorship Module 1: The Role of Directors	6 – 8 Apr 2015	0900 – 1700	SMU Campus
SID-ACRA Directors Compliance Programme	7 Apr 2015	0900 – 1330	Capital Tower
LCD Module 5: Remuneration Committee Essentials	8 Apr 2015	0900 – 1230	Marina Mandarin Singapore
SID-ACRA Directors Compliance Programme	14 Apr 2015	0900 – 1330	Capital Tower
LCD Module 6: Investor & Media Relations	15 Apr 2015	0900 – 1230	Marina Mandarin Singapore
SID-ISCA Directors Financial Reporting Essentials	20 Apr 2015	0900 – 1730	Capital Tower
SID-ACRA Directors Compliance Programme	21 Apr 2015	0900 – 1330	Capital Tower
EBL Module 1: Effective Board	23 Apr 2015	0900 – 1230	Marina Mandarin Singapore
SID-ACRA Directors Compliance Programme	25 Apr 2015	0900 – 1330	Capital Tower
SID-ACRA Directors Compliance Programme	30 Apr 2015	1300 – 1730	Capital Tower
Board & Director Fundamentals	5 May 2015	0900 – 1730	Capital Tower
LCD Module 1: Understanding the Regulatory Environment in Singapore	6 May 2015	0900 – 1730	Marina Mandarin Singapore
SID-ACRA Directors Compliance Programme	7 May 2015	0900 – 1330	Capital Tower
SID-SMU Executive Certificate in Directorship Module 3: Finance for Directors	11 – 13 May 2015	0900 – 1700	SMU Campus

EBL Module 2: Board & Fund Raising	14 May 2015	0900 – 1230	Marina Mandarin Singapore
SID-ACRA Directors Compliance Programme	15 May 2015	1300 – 1730	Capital Tower
EBL Module 3: Enterprise Risk Management	19 May 2015	0900 – 1230	Marina Mandarin Singapore
SID-ACRA Directors Compliance Programme	21 May 2015	0900 – 1330	Capital Tower
EBL Module 4: Financial Literacy & Governance	26 May 2015	0900 – 1230	Marina Mandarin Singapore
SID-ISCA Directors Financial Reporting Essentials	27 May 2015	0900 – 1730	Capital Tower
SID-ACRA Directors Compliance Programme	28 May 2015	1300 – 1730	Capital Tower
So, You Want to be a Director	3 Jun 2015	1000 – 1230	Capital Tower
SID-SMU Executive Certificate in Directorship Module 4: Risk and Crisis Management	10 – 11 Jun 2015	0900 – 1700	SMU Campus
INSEAD International Directors Programme Module 1: Board Effectiveness and Dynamics	14 – 17 Jun 2015	0900 – 1730	INSEAD Campus
SID-ISCA Directors Financial Reporting Essentials	24 Jun 2015	0900 – 1730	Capital Tower

Other Professional Development Programmes

PROGRAMME	DATE	TIME	VENUE
SID-ACRA-SGX Audit Committee Seminar – Preparing for 2015	7 Jan 2015	0900 – 1100	SGX Centre 1
SID-KPMG: Cyber Security	20 Jan 2015	0900 – 1100	Marina Mandarin Singapore
SID-Hays Group: Directors' Remuneration	28 Jan 2015	0900 – 1100	Marina Mandarin Singapore
SID-Moore Stephens: Financial Reporting Standards	3 Feb 2015	0900 – 1100	Marina Mandarin Singapore
SID-IP Academy: Intellectual Property for Directors	10 Mar 2015	0900 – 1100	Marina Mandarin Singapore
ASEAN Corporate Governance Scorecard	18 Mar 2015	0900 – 1100	Marina Mandarin Singapore
Board Chairmen's Conversation	24 Mar 2015	1100 – 1300	To be advised
Tax Evasion and Consequences	9 Apr 2015	0900 – 1100	Marina Mandarin Singapore
Board Risk Committee Chairmen's Conversation	17 Apr 2015	1100 – 1300	To be advised
Audit Committee Chairmen's Conversation	18 May 2015	1100 – 1300	To be advised
SID-PWC: Emerging Markets Risk	29 May 2015	0900 – 1100	Marina Mandarin Singapore
SID-Caux Roundtable: Sustainability	4 Jun 2015	0900 - 1300	Marina Mandarin Singapore
SID-SingTel: Cyber Security	25 Jun 2015	0900 – 1200	SingTel ComCentre
SID-Watatawa: Strategic Communication	26 Jun 2015	0900 – 1100	Marina Mandarin Singapore

Socials

EVENT	DATE	TIME	VENUE
Fellows' Night: An Evening with Noel Tichy	1 Apr 2015	1700 - 2000	One Raffles Link
Members' Networking	27 Jun 2015	1100 - 1300	Changi Prison
Golf Tournament	28 Jun 2015	1100 – 2100	Sentosa Golf Club

Course dates are subject to change. Please refer to www.sid.org.sg for the latest updates.

Welcome to the Family

November 2014

Ang Guan Hwa, Michael
Ang Chun Giap
Bachheimer Christian
Cheong Wei Yue
Chuang Tiong Choon
Goon Eu Jin, Terence
Hoon Richard
Jong Khee Beng, Ainsley
Kathpalia Surinder DevRaj
Koh Freddie
Krupa Joanne
Kwek Leng Beng
Jee Cheng Philip
Mathew George
O'Brien Kathy
Ong Chin Lee, Peter
Purdy Stuart Edward
Quek Khai Whatt, Jimmy
Seah Andrew
Shlaen Alexander
Siu Man Kit, Dominic
Symons David
Tan Guong Ching
Tan Teck Kwei
Tanner Hugh Philip
Teo Kwan Hai
Teo Yvonne
Thai Kum Foon
Ventura Neil Jason
Wee Ai Quey
Wong Yuen Weng, Ernest

December 2014

Choy Wai Ying Eric
Cronkshaw Jeffrey
Koh Ban Aik
Laudi Mark Rudolf Martin
Mccann Veronica
Neo Say Wei
O'Neill Lauren
Ooi Chee Kar
Tham Khuan Heng
Weill David de Jongh
Welkers Stijn

SID Governing Council 2015

CHAIRMAN
Willie Cheng

FIRST VICE-CHAIRMAN
Adrian Chan Pengee

SECOND VICE-CHAIRMAN
Yeoh Oon Jin

TREASURER
Soh Gim Teik

IMMEDIATE PAST-CHAIRMAN
John Lim Kok Min

COUNCIL MEMBERS

Ramlee Buang
Robert Chew
Wilson Chew
Daniel Ee
Junie Foo
Philip Forrest
Kevin Kwok
Lim Chin Hu
Elaine Lim
Irving Low
Poh Mui Hoon
Andy Tan Chye Guan
Tan Yen Yen
Richard Teng
Wong Su-Yen

SID
SINGAPORE INSTITUTE OF DIRECTORS

Professional Development for Directors 2015

As the national association of company directors, the Singapore Institute of Directors (SID), seeks to continually raise professional standards and the effectiveness of boards and directors.

SID's professional development curriculum is specially designed to meet the spectrum of the developmental needs of directors and senior corporate leaders working with boards. The SID 2015 training schedule provides opportunities for the different types of directors (private, listed and international) in their directorship journey (from aspiring and new directors to board chairmen).

	Listed Company (International)	Listed Company	Private Company
Focus	12 Hot Topics (Talks, roundtable, forums, seminars)	12 Hot Topics (Talks, roundtable, forums, seminars)	12 Hot Topics (Talks, roundtable, forums, seminars)
Focus	11 Chairmen's Conversations	11 Chairmen's Conversations	11 Chairmen's Conversations
Updates	10 Annual Corporate Governance Roundup	10 Annual Corporate Governance Roundup	10 Annual Corporate Governance Roundup
Updates		9 Corporate Governance Updates For Listed Companies	
Advanced	8 INSEAD-SID International Directors Programme	8 INSEAD-SID International Directors Programme	
Advanced		7 SID-SMU Directorship Programme	7 SID-SMU Directorship Programme
Essentials	6 Listed Company Directors Programme	6 Listed Company Directors Programme	
Essentials		5 Effective Board Leadership	5 Effective Board Leadership
Essentials		4 Directors Financial Reporting Essentials	4 Directors Financial Reporting Essentials
Fundamentals		3 Board And Director Fundamentals	3 Board And Director Fundamentals
Fundamentals		2 Directors Compliance Programme	2 Directors Compliance Programme
Fundamentals		1 So, You Want To Be A Director	1 So, You Want To Be A Director

For 2015 scheduled dates and details of each course, check out the *SID Professional Development Guide 2015*.

Our Core Programme Professional Development Partners:

For the latest information on our programmes and membership:

Email: admin@sid.org.sg
Website: www.sid.org.sg
Tel: +65 6422 1188
Singapore Institute of Directors
168 Robinson Road, #09-06/07 Capital Tower
Singapore 068912