

## THE MONEY ISSUE



**NED fees  
face upward  
pressure**

Page 12



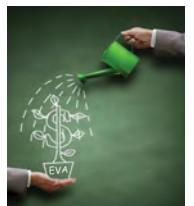
**Is "Say on Pay"  
the only way?**

Page 18



**To EVA  
or not to  
EVA?**

Page 30



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# Money issues



By **WILLIE CHENG**  
Chairman, SID

Though it's sometimes said that money makes the world go around, starting off the first *Bulletin* issue of the year discussing money may seem a little crass. However, the fact is that the remuneration of executives and directors is a sensitive and controversial matter that needs to be addressed. The year's first quarter, being the time that bonuses and annual increments are dished out, may just be the best time to do so.

Across the world, executive remuneration is under increasing scrutiny amid concerns about the perceived excessive levels of, and basis for, the remuneration of CEOs and other top executives. That said, the Hay Group's most recent survey shows that executive remuneration levels in Singapore, as a whole, have largely been flat in the last year, though, the spread is uneven – see page 6.

These concerns have led to increasingly stricter regulations on remuneration disclosures (see page 38), the alignment of remuneration with shareholder interests (see page 26 for the special case of REITs), and shareholders having a “say on pay” (see page 18). At the same time, management and boards struggle with the construction of remuneration systems that fairly determine and reward performance



## DIRECTIONS

(see page 32 on the Bell Curve, and page 30 on the use of EVA).

Non-executive director (NED) fees is another touchy area. At the recent Corporate Governance Roundup (see page 46), more than one participant made the point that NEDs are poorly paid compared to the top corporate executives in their companies. More significantly, NED fees do not quite reflect the weight of the legal duties and responsibilities and consequent liabilities that directors have to bear. At least, Freshwater's analysis shows that NED fees are on the rise (see page 12).

All these issues set the stage for the launch of the SID's Remuneration Committee Guide on 15 January 2016. Remuneration Committees have the unenviable task of balancing the myriad interests, complexities and requirements that relate to remuneration matters. Hopefully, this latest guidebook – the second in a series of corporate governance guides for boards in Singapore that has been developed with the support of the regulators and several professional firms – will help make their jobs a little easier.

In the meantime, here's wishing all a happy and prosperous new year. ■

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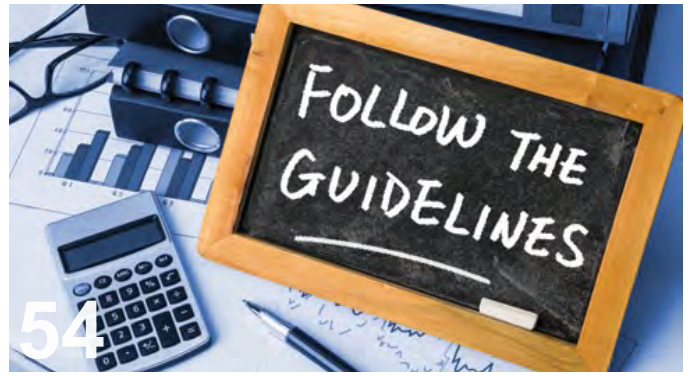
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# CONTENTS



## FEATURES

- 6 Scrutinising Singapore's top executives pay
- 12 NED fees face upward pressure
- 18 Is "Say on Pay" the only way?
- 26 The REIT way to fair remuneration
- 30 To EVA or not to EVA?
- 32 Performance management systems: Our reality may be out of date
- 38 BOD Survey 2015: Of board practices and attitudes towards the Code
- 46 CG Roundup
- 56 Companies Act amendments
- 57 Tax for directors



## COLUMNS

- |    |   |    |   |
|----|---|----|---|
| 36 | <p><b>COUNTING BEANS</b><br/>Hard work ahead for Audit Committees</p>       | 62 | <p>AGM day</p>                                  |
| 52 | <p><b>INNOVATION</b><br/>Digital disruptors</p>                             | 64 | <p>The Noble saga</p>                           |
| 54 | <p><b>BOARDROOM MATTERS</b><br/>“Comply Or Explain” or “Comply Or Else”</p> | 65 | <p>Rounding up Chairmen’s<br/>Conversations</p> |
| 58 | <p><b>EXPANDING HORIZONS</b><br/>Being a nonprofit director</p>             | 66 | <p>ASEAN Corporate<br/>Governance Awards</p>    |
| 70 | <p><b>AFTER HOURS</b><br/>Run Forrest run</p>                               | 67 | <p>A universally thrilling experience</p>       |
|    |   | 74 | <p>Welcome to the family</p>                    |

## SID NEWS

- |    |   |
|----|---|
| 60 | <p>Launch of Singapore Board of Directors<br/>Survey 2015</p> |
| 61 | <p>NonProfit Directors Programme</p>                          |

## SID CALENDAR

- |    |   |
|----|---|
| 68 | <p>SID’s Past Events<br/>(October 2015 – December 2015)</p> |
| 72 | <p>Upcoming events</p>                                      |



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I M E N

# SCRUTINISING SINGAPORE'S TOP EXECUTIVES PAY



Executive compensation continues to be one of the remuneration committee's biggest challenges. Hay Group's *Top Executive Remuneration 2015* shows salaries of top management are stabilising and increasingly subjected to public scrutiny.

By

**KEVIN GOH**

Director, Hay Group Singapore

The challenges Remuneration Committees (RCs) face today are heavily centred around compensation issues. They include top executives' pay levels, design of incentives, justification of poor pay practices, and demonstrating how the compensation plans align with financial performance and share price to support all business objectives that create shareholder value.

To meet these tasks head on, it is imperative to trend-spot and pre-empt the issues before they come home to roost. Hay's annual executive remuneration surveys can help in this area.

Data from most recent *Top Executive Remuneration Report* shall be used in this article. It is based on an analysis of the annual reports of SGX listed companies up to 30 June 2015. In all, we analysed over 1,600 top executives in 235 companies.

For the purpose of the Report, the companies are classified from a size standpoint as follows: large for those with a market capitalisation

exceeding S\$3 billion), medium for those between S\$500 million and S\$3 billion, and small for those below S\$500 million.

We shall first look at the levels of and trends in compensation and then some of the issues that have surfaced including internal equity, pay mix, long term incentives, and pay-for-performance.

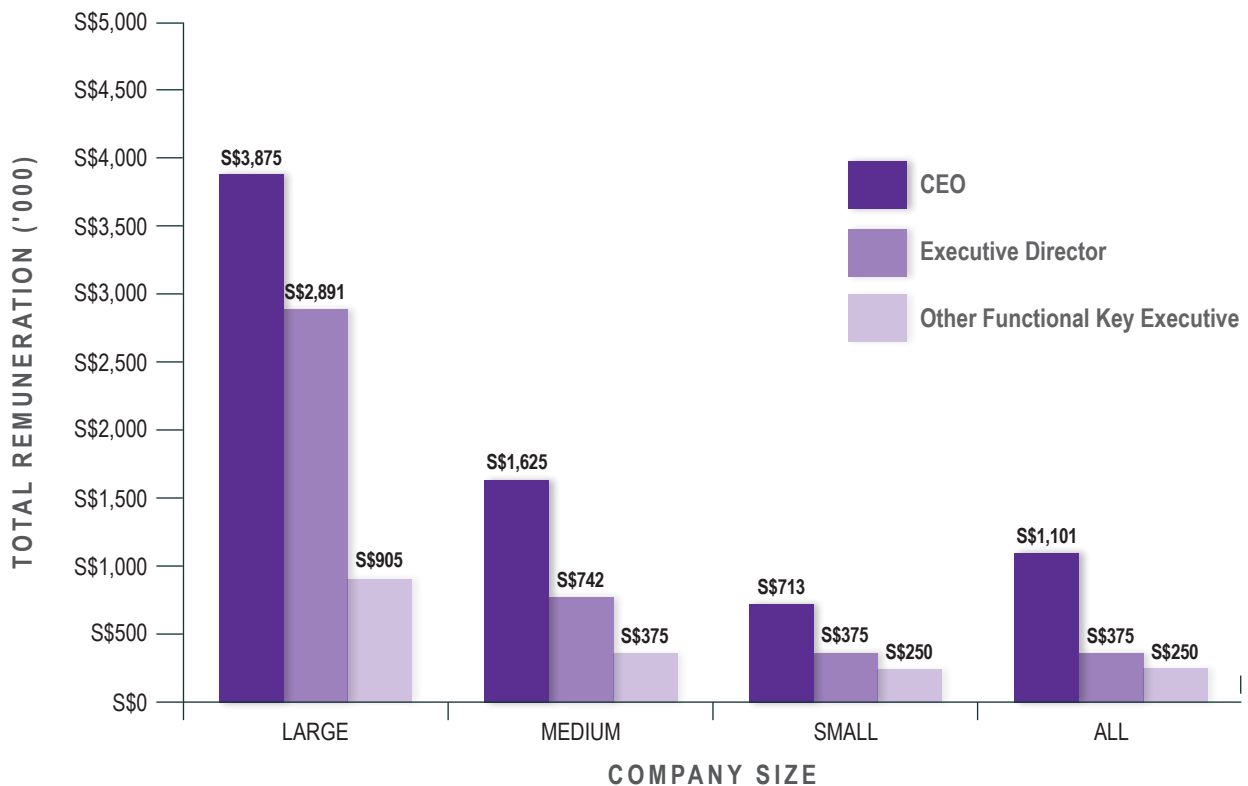
### Pay levels

The pay levels of the various top executives are shown in the chart below.

The median total remuneration for the most senior executive (the executive chairman or CEO) in a listed company was S\$1.1 million per annum. Large companies can pay their top executives up to S\$3.8 million, medium companies S\$1.63 million, and small companies, S\$713,000.

The next level of executives gets considerably lower. For example, the second most senior executive in a large company gets a median

## Median Remuneration of Top Executives





annual pay of about S\$1.88 million, or about half of the top executive.

The pay levels of the key functional executives are shown in the chart. They include deputy CEOs and COOs (who rank highest with a median total annual remuneration of S\$613,000 for large companies); CEOs of subsidiary companies (who drew a median remuneration of S\$375,000 for large companies), top finance executives, top human resource executives, and top market marketing executives (who drew on average a median total remuneration package of S\$250,000).

Meanwhile, executive directors (excluding the most senior executive) took home a median total remuneration of S\$375,000 per annum. In large-sized companies, the figure was S\$ 2.89 million, followed by S\$742,000 and S\$375,000 in medium- and small-sized companies respectively.

**Pay trends**

A comparison of the 235 companies over the last three years suggests a year-on-year increment that is almost flat (3.5 per cent) for the average

CEO. Less than half of the CEOs (46 per cent) had a pay increment in the last year, while 41 per cent saw a decrease in their pay.

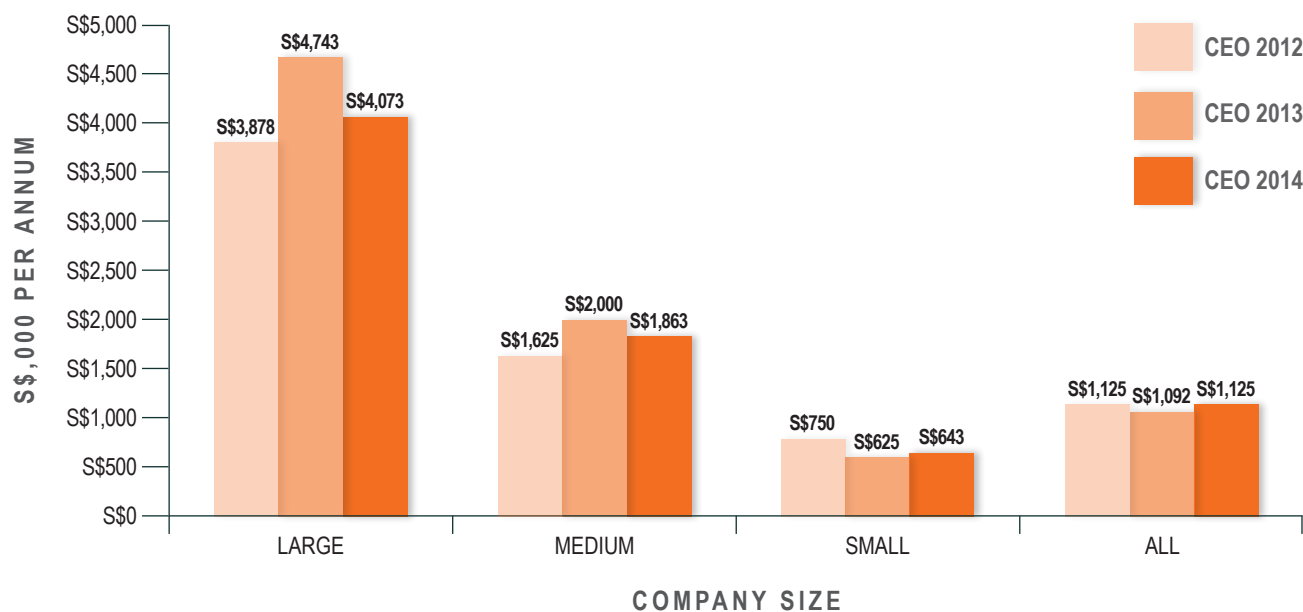
CEOs of small-size companies can take comfort that they are the only ones, on average, who saw an increment in total remuneration of three per cent. Their counterparts in the large- and medium-sized companies saw their pay take a dive by 14 and seven per cent respectively.

That said, the cash component of the CEO pay shows an upward trend, with the median base salary increasing by six per cent to S\$481,000 per annum and total cash going up by 17 per cent.

In the case of Executive Directors, the median total remuneration decreased by seven per cent. This is quite consistent across company size.

On the other hand, the functional key executives’ median total remuneration reflect a seven per cent increment, with the largest increase for medium-sized companies of nine per cent.

**Year-on-year Comparison of CEO Median Total Compensation**



### Internal equity

A key consideration for remuneration committees and top human resource executives in recommending executive compensation is internal equity. This matter is being increasingly being picked up by the media and shareholder advisory groups.

The Report shows that, in general, the executive chairman or CEO of a listed company draws a remuneration that is approximately three times more than the other executive directors, and four to five times higher than that of other key executives.

The market data also shows that about 66 per cent of the executive chairmen or CEOs' total remuneration account for less than 10 per cent of their companies' net profit, 21 per cent of the companies spent 10 per cent or more of the net profit on the remuneration of executive chairmen or CEOs, and 13 per cent of the companies have negative net profit.

### Pay mix

As the remuneration policy often suggests, as executives gain seniority in a company, the balance of the mix between the fixed components (base salary and allowances) and the variable components (variable bonus, share-based compensation) moves to a higher proportion of variable components, as opposed to fixed components.

Our pay mix analysis reveals a consistent pattern.

In companies which did not reward their key executives with long-term incentives (LTIs), 38 per cent of the total remuneration of executive chairmen or CEOs is attributed to variable bonus, whereas 24 per cent of the total remuneration of other key executives is attributed to variable components.

In companies which rewarded their key executives with LTIs, 61 per cent of the total remuneration of the executive chairmen or CEOs

is attributed to variable component, with 39 per cent in the form of bonus, and 22 per cent in the form of share-based compensation.

In comparison, 46 per cent of the total remuneration of other key executives is variable, with 29 per cent of bonus and 17 per cent of LTIs.

### LTIs

According to the Report, 57 per cent of the companies have established some form of long-term incentive schemes. Share option is the most popular scheme selected by 42 per cent of the companies, while 35 per cent of the companies have either a restricted share plan or performance share plan.

In contrast to the high prevalence rate, only 23 per cent of the companies utilised their schemes to award their executives with LTIs, with 11 per cent of the companies awarding share options and 14 per cent awarding shares.

LTIs are most popular in large companies, with 73 per cent of them awarding their key executives with LTIs. 20 per cent of the medium-sized companies awarded their key executives with the scheme. Less than 15 per cent of the small-sized companies used LTIs to reward their key executives.

### Pay-for-performance

A new guideline was introduced in the revised Code of Corporate Governance (the Code) to stress "the link between remuneration paid to the executive directors and key management personnel and performance". RCs are expected to articulate the performance conditions of both the short-term and long-term incentive schemes, explaining why they are chosen and if they are met.

The Report observes that the practices in choosing performance conditions in Singapore companies vary from company to company. However, two common themes are:

## Pay for Performance Ratio Over Two Years

2-YEAR VB/NP RATIO*	ILLUSTRATIVE DESCRIPTION	% OF COMPANIES	MEDIAN 3-YEAR TSR %
<0.6	Significantly lower bonus for higher profitability	3	-19.0
0.6 - <0.9	Lower bonus for higher profitability	19	34.3
0.9 - 1.1	Similar bonus for similar profitability	40	43.3
>1.1 - 2.0	Higher bonus for higher profitability	26	30.4
>2.0	Significantly higher bonus for higher profitability	13	-9.7

\* 2-year average ratio of the correspondent changes of total variable bonus (VB) and net profit (NP). This measures the correlation between overall company performance and total variable bonus rewarded.

- Profitability metrics are the most common measures
- Multiple measures are used, including strategic objectives, non-financial metrics (e.g. customer satisfaction, employee engagement etc).

An analysis of the total shareholders' returns (TSR) – share price appreciation plus dividend payout – of the sample companies showed that companies that have better pay-for-performance alignment tend to have higher TSRs, with 40 per cent of companies having similar CEO bonus for similar company profitability achieving a three-year TSR of 43.3 per cent.

On the other side, 13 per cent of companies had a significantly higher CEO bonus for lower company profitability, indicating a significant misalignment between the CEO bonus payout and the company profitability. These companies achieved a three-year TSR of -9.7 per cent (see table above).

There are ongoing debates on whether better pay for performance translates to better shareholders' returns. While our analysis shows that companies

with a better pay for performance alignment have higher TSR historically, it will be interesting to observe if the pattern continues in the longer term.

### Looking ahead

The revised Code requires companies to “fully disclose the remuneration of each individual director and the CEO on a named basis”, instead of “bands of S\$250,000” from FY2013 onwards. In addition, the companies should also disclose in aggregate the total remuneration paid to the top five key executives.

Compliance with this disclosure requirement has not been good so far. It would need to improve as the market is demanding such information. There is increasing scrutiny on executive compensation from shareholders, regulators and the media already in Singapore.

RCs need to understand that the corporate governance paradigm has dramatically changed after the global financial crisis, and that it is no longer simply a Western phenomenon. ■

# NED fees face upward pressure

By  
JON ROBINSON



**Non-executive director fees have been rising by as much as 13 per cent annually for top companies in the last three years.**

**N**on-executive directors (NEDs) are facing ever increasing workloads and the risks that come with their responsibilities are becoming ever more apparent.

Most NEDs choose their companies for a range of reasons with fees being a secondary consideration. However, if fees are perceived as being too low, companies will have difficulties in attracting high quality directors or, worse, have directors who are not motivated to go beyond their basic duties.

The question of “what is the right level of fees?” can be looked at from two perspectives.

The first is, essentially, subjective: are the fees sufficient for the time committed by directors and the risks that they are subject to? Different directors would expect to have different views on their own efforts and responsibilities making it difficult to find a level that satisfies everyone.

The second perspective is objective; how does a particular company’s fees compare to other similar boards? This question can be considered by looking at other companies where boards have similar structures (e.g. a non-executive chairman) and where directors have comparable responsibilities.

When looking at other companies, the most relevant point of comparison is company size. The assumption is that directors of larger companies have higher workloads because overseeing a complex organisation requires higher levels of commitment. That said, directors of smaller companies sometimes make the point that because they have less internal resources to support them, their workload can be higher.

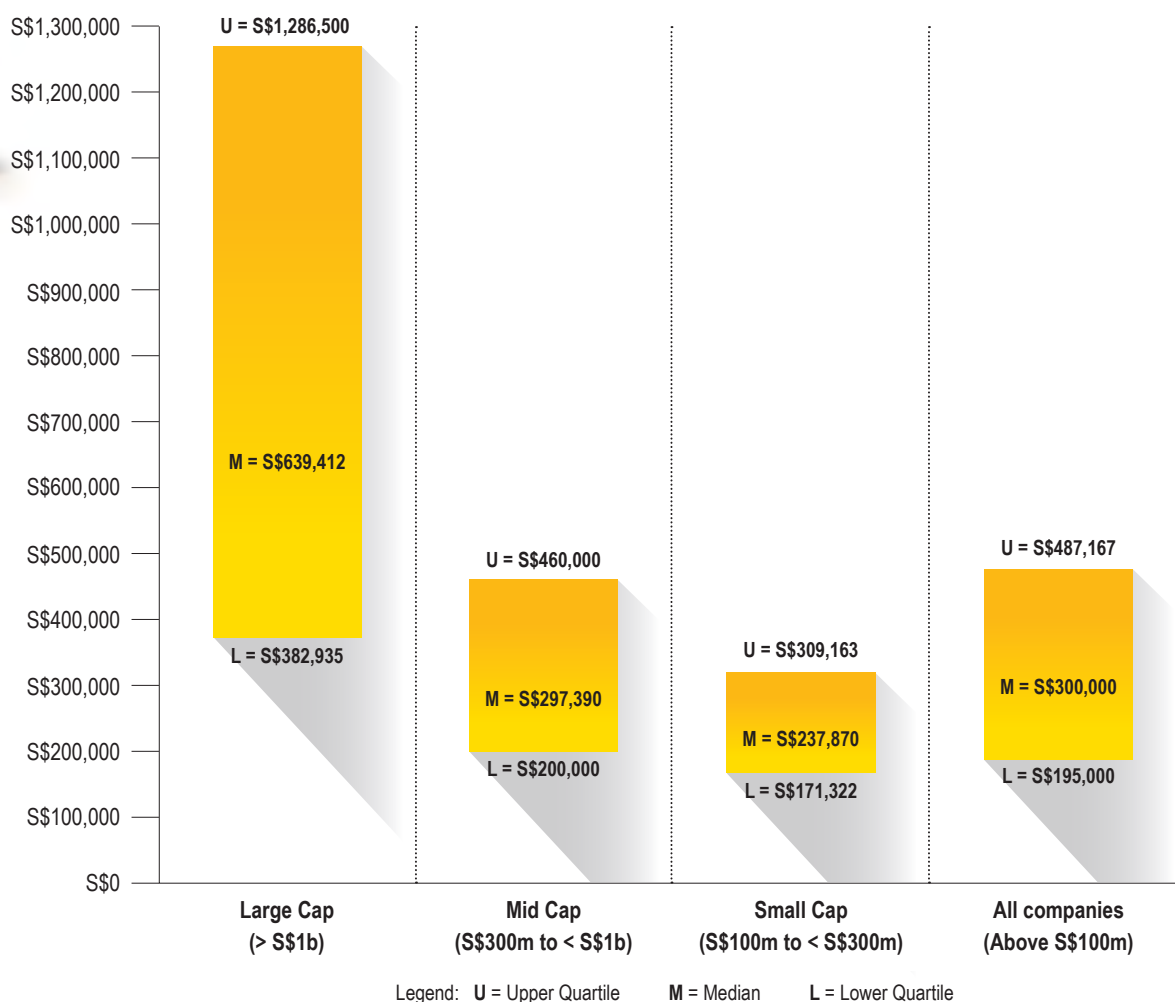
To look at the prevailing fees for NEDs, I have reviewed and analysed the disclosed NED fee information of some 300 Singapore listed companies with a market capitalisation of over S\$100 million (as at 31 December 2014). In this review, the value of any options or share grants provided to directors is included.

### Total NED Fees Paid

The first figure that investors want to look at is the total cost of governance or the total fees paid to all the NEDs (Executive directors usually do not receive any director fees, they receive executive compensation). Shareholders would want to be comfortable that they are not paying more than necessary but also be cognisant that if fees are too low then they might get corresponding low levels of care and oversight.

The total fees paid to NEDs for the top and bottom quartile as well as the median fees are shown in the chart below. Since company size is an important factor, the results are segmented for the different market capitalisation of the companies.

### Total Fees Paid to All NEDs



### Individual NED Fees

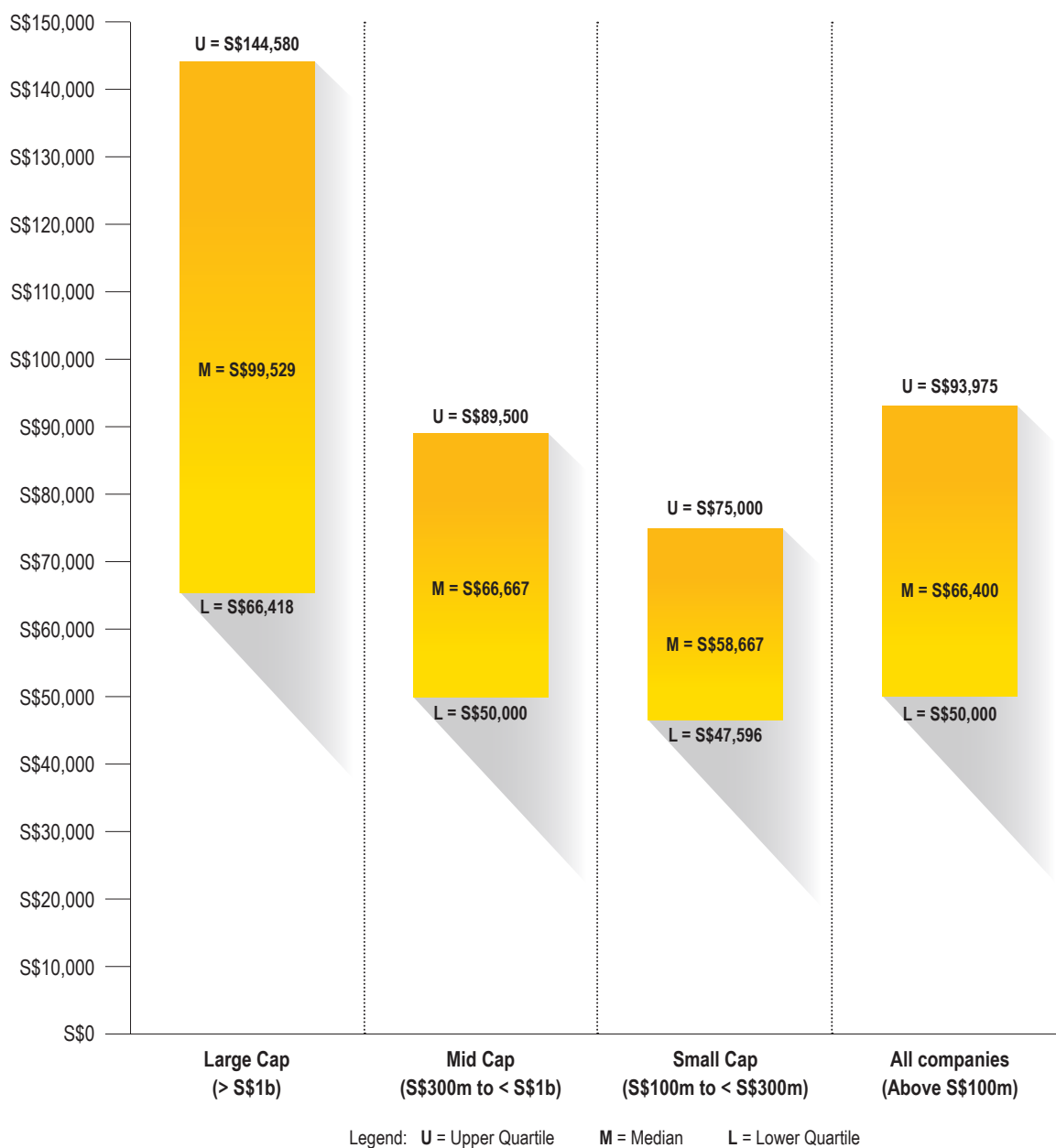
However, the total fees paid are not especially relevant when considered from an individual director’s perspective.

The chart below shows the average fee for each NED using the same segment analysis as the previous chart. These numbers indicate whether a director is being paid fees at a level which reflect individual responsibilities and the amount of work expected.

The lower quartile level in the small cap companies has increased by more than 15 per cent over the last year. The comparable increase in the large cap companies was only four per cent.

It would seem that market forces are creating a minimum annual NED fee of around S\$50,000. Companies may well struggle to find competent directors if their annual fees are below this level.

### Individual NED Fees



### Fee Increases

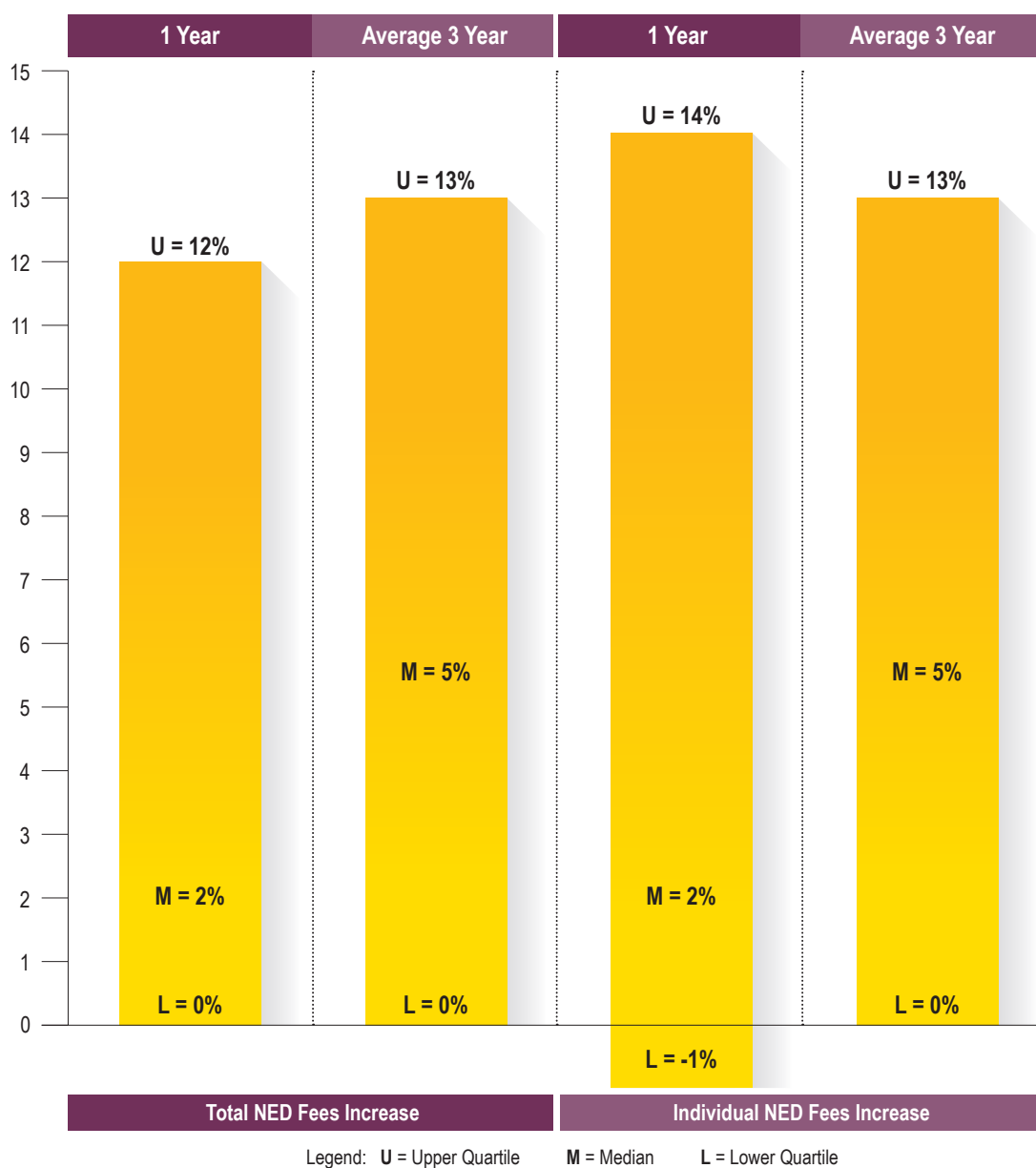
Fees have continued to increase with the chart below showing how 2014 cash fees have increased over the past one and three years.

The median rates of increase are in-line with general increases in salaries. However, the upper quartile increase has been substantially higher. This suggests that companies have

a tendency to give infrequent but large increases.

Many directors are uncomfortable with requesting fee increases. In order to overcome this resistance, they can put in place a process for a formal a fee review every three years, perhaps by an independent party. This could well lead to substantial increases from time to time rather than more gradual annual increments.

### Fee Increases



### Base and Role Fees

Many companies structure their NED fees as a basic board fee and then additional amounts for other roles as a percentage of the base fee.

The following table of base and role fees has been compiled from 65 of the larger companies that have disclosed their fee structure.

As can be seen, audit committee chair and members continue to receive the highest fees compared to their peers in the other committees. This is hardly surprising as this committee has the highest workload.

In previous years, companies almost invariably paid the same for remuneration

and nomination committees. This year though, fees for remuneration committee roles have slightly edged ahead. Whilst the work of the nomination committee may have increased, remuneration committees now have to handle increasing levels of remuneration disclosure and the work needed to ensure that executive pay outcomes can be defended to shareholders. As such, increased fees for remuneration committees, especially the committee chair, is warranted.

Many companies have appointed a lead independent director and have established a specific fee for this role. Typically, this will be in the range of 20 to 40 per cent of the base fee.

### Base and Role Fees for NEDs

	Lower Quartile	Median	Upper Quartile
1. <b>Base Fee</b>	S\$40,000	S\$55,000	S\$72,675
2. <b>Addition for Board Chair</b>	49%	100%	161%
3. <b>Addition for Audit Committee</b>			
a. Chair	50%	63%	75%
b. Member	25%	38%	42%
4. <b>Addition for Nomination Committee</b>			
a. Chair	25%	33%	40%
b. Member	13%	20%	24%
5. <b>Addition for Remuneration Committee</b>			
a. Chair	25%	38%	45%
b. Member	13%	20%	25%



## Using Equity

It is generally accepted that when NEDs own shares in their company, their interests are aligned with that of other shareholders. Indeed, the Code encourages companies to put in place arrangements to facilitate such ownership.

According to the data, only nine per cent of the companies reviewed made some form of share payment to their NEDs. The value of the shares used varies widely between different companies but, this was on average 28 per cent of the cash fees. Of these companies using equity, half provided share grants and the other half provided options.

It is recognised that there are risks in providing NEDs with options. In theory, at least, options incentivise NEDs to create short term increases in share prices and be less inclined to create longer term sustainable shareholder value. As such, options can be effective when a company is in a turnaround situation particularly when cash may be short.

However, in normal circumstances, options are unlikely to be appropriate. The use of options for NEDs is diminishing perhaps because companies now recognise the possible misalignment of interests and so use other methods.

There is a growing use of share grants to NEDs. The process is to define fees as a cash amount and then convert a portion of the fees into equity, at prevailing prices, whenever fees are paid. NEDs should also be encouraged to hold their shares for the long term. For example, they can be discouraged from selling their shares until they leave the board.

## Advance Approval of NED Fees

More and more companies are asking their shareholders for advance approval of NED fees. This allows fees to be paid regularly through the year, typically quarterly after board meetings.



The alternative is to wait for the annual general meeting to approve the prior year's fees. However, NEDs may feel that this delay is unreasonable.

## Reviewing NED Fees

In summary, when the RC and board review NED fees, they should consider the following:

- Are fee levels too low to attract new directors and ensure the current board are sufficiently remunerated to be motivated to go beyond carrying out their basic responsibilities?
- Should a formal fee review process be established, and, if so, how often should this happen?
- Do committee fees fairly reflect the workload of the different roles?
- Should a portion of the fees be paid in equity rather than cash? If so, should NEDs be provided with guidelines for their personal equity ownership?
- Is it time to ask shareholders for advance approval of directors' fees? ■

*Jon Robinson is formerly managing director of Freshwater Advisers. He is currently the Executive Remuneration Practice Leader – ASEAN at Mercer.*



# Say on Pay

# Is “Say on Pay” the only way?

Shareholders having a “Say on Pay” is gaining momentum globally, raising the standards of remuneration disclosures. If Singapore companies do not improve remuneration disclosures, then investors could prompt regulators to consider introducing Say on Pay.

By

**SHAI GANU**

Market Business Leader – Talent Consulting, Asia, Mercer

## In recent years, the social and political changes have given fresh impetus to improve corporate governance and remuneration-related disclosures.

The call for shareholders to vote on executive salaries – or simply, Say on Pay – has been gaining traction in most western jurisdictions in the aftermath of the global financial crisis of 2008. This has been driven in large part by the perception of excessive executive pay, particularly in the financial services sector.

However, the scope and implementation of Say on Pay varies across different countries.

### Scoping out Say on Pay

Say on Pay is typically exercised by voting on remuneration-related issues at the company's Annual General Meeting (AGM). Votes are cast on specific remuneration-related resolutions, or on the overall Remuneration Report or Directors' Report.

Regulatory requirements vary significantly across countries, but Say on Pay votes can apply to the following items:

- Company's remuneration philosophy and the components of executive remuneration;
- Detailed remuneration packages (not just pay bands) for named executives;
- Approval of employee equity plans and grants of equity to named executives;
- Mix between fixed salary, short-term incentives and long-term incentives – including proportion of equity-linked and multi-year remuneration;
- Target remuneration levels versus remuneration actually earned;
- Performance measures and related link to remuneration;
- Company and individual performance achievement;
- Details regarding equity awards for named executives, including vesting from prior years' awards;
- Ratios of CEO remuneration to average employee remuneration;
- Fee policy and actual fees paid to non-executive directors;
- Termination arrangements, sign-on bonuses, non-compete clauses, pension arrangements, etc.



### Advisory versus Binding Votes

A Say on Pay vote may either be Advisory Vote or Binding Vote depending upon the jurisdiction (see chart).

In an Advisory Vote, as practised in the United States, shareholders vote on remuneration-related resolutions, but the votes do not hold a company to them. Instead they allow shareholders to express their satisfaction or dissent regarding the company’s executive remuneration. In cases where companies receive a high “No” vote, it would therefore be (only) to send a strong signal to the company to make changes for the following year.

However, in a Binding Vote, as in the United

Kingdom, shareholders have a legally-binding vote on future remuneration policy, framework and targets for the forthcoming year, and the company will only be able to make payments consistent with the policy. Shareholders also approve remuneration outcomes for the year just completed.

Most Asian jurisdictions including Singapore do not require a Say on Pay to shareholders. Should such measures be introduced, they will very likely result in companies improving their remuneration-related disclosures. However, companies need to be prepared for any other potential implications. Say on Pay is relatively new and the jury is out on whether it is good or have unintended consequences.

## WHERE COUNTRIES ARE ON SAY ON PAY



# Implications of Say on Pay in Singapore

## Positive Outcomes

If approached correctly, there could be a number of positive outcomes if Say on Pay is introduced in Singapore:

### 1. Companies will enhance remuneration and governance disclosures

As a consequence of Say on Pay requirements, companies are likely to improve their disclosures regarding corporate governance, and executive remuneration policies and outcomes.

To preempt possible questions and concerns from shareholders, companies may share details regarding their executive remuneration philosophy, detailed remuneration disclosures for individual executives, performance measures and linkage to remuneration, as well as mechanisms put in place to align interests of management with those of shareholders.

However, caution should be exercised in disclosing commercially sensitive information or detailed performance targets, lest they be perceived by investors as proxy-guidance from the company.

### 2. Companies may redefine their pay strategies

With Say on Pay votes and increasing governance expectations, remuneration committees must be able to justify their decisions in the face of increased shareholder scrutiny. Some investors have their own policy statements on executive remuneration or rely on those of proxy advisors to guide their decisions.

As a result, remuneration committees will be increasingly mindful that they need to ensure their pay strategies consider investor expectations. Executive pay would be

structured to reward progress toward meeting key performance targets over the long term and aligned with the experience of shareholders. The alignment could be achieved by increasing director shareholding requirements and the level of reward paid in the form of company shares, with much longer shareholding periods.

### 3. Companies and shareholders may engage more effectively

To create a consensus around executive pay strategy and build shareholder trust in remuneration committee decisions, Say on Pay is likely to encourage companies to take the lead and engage more widely and deeply with their investors.

Consulting shareholders earlier in the pay-setting process has proved to be very effective for some companies. Many investor groups welcome more dialogue with companies – not just as a sounding board, but to provide real input on the companies' pay strategies.

### 4. Companies may opt to build their own timber

It may encourage companies to promote from within and focus more on succession planning and building their pool of senior talent. This may not only prove to be more cost-effective but also result in better leadership outcomes.

However, if the Say on Pay mechanism prohibits certain recruitment incentives, as is the case with some European countries, regulators may unwittingly deny a company the choice of going to the market to search for new talent, which in some cases may be required (e.g. in situations of business turnaround).

## Negative Outcomes

On the other hand, experiences in other jurisdictions suggest the following risks of Say on Pay mechanisms:

### 1. Executives may become less mobile

One important aspect of the emerging regulation in Europe and North America relates to recruitment and loss of office payments.

As well as proposing annual Say on Pay, several jurisdictions discourage golden hellos and goodbyes. Others require companies to gain shareholder approval for recruitment policies and packages, as part of the Say on Pay vote. This means that companies can only use shareholder-approved incentives in recruitment negotiations, unless they return to shareholders to approve an agreed package following a new appointment.

These can have the effect of reducing executive mobility or result in highly mobile talent moving to markets where pay is less tightly regulated.

### 2. Investors may experience a greater oversight burden

The implicit aim of Say on Pay is to monitor the total amount of executive pay and to place greater power in the hands of shareholders to monitor pay practices. Enshrining Say on Pay votes in legislation will likely have time and cost implications for investors. It will require them to devote separate resources to detailed analyses of company pay schemes.

In addition, it raises the question of the role of the board versus shareholders, and whether the shareholders can really have an informed say on remuneration structure without understanding the broader implications on the company's strategic objectives and other details.

### 3. Shareholders may increasingly rely on proxy voting advisors

More prescriptive Say on Pay legislation will likely increase investor reliance on proxy voting advisors, which may complicate the link between shareholders and the companies in which they invest.

In some countries, concerns have been raised about the significant role proxy advisors play in pay and governance voting results, particularly in light of issues around potential conflicts of interest, data accuracy, and inconsistent policy guidelines.

### 4. Companies may opt for "vanilla" plans

To satisfy proxy advisors' voting guidelines, companies may choose executive remuneration plans that are more commonplace in the market.

So as to not stand out from the market norm or to not take a vanguard position, companies could shy away from designing bespoke executive remuneration arrangements that may be more applicable in their business context. Instead, it is possible that companies opt for more common "vanilla" type executive remuneration arrangements.

### Considerations for Singapore

The potential positive and negative outcomes of implementing Say on Pay in Singapore are summarised in the box on pages 22 and 23.

Remuneration disclosures in Singapore are made based on the “comply or explain” model. Listed companies are required to comply with the 2012 Code of Corporate Governance or explain its non-compliance.

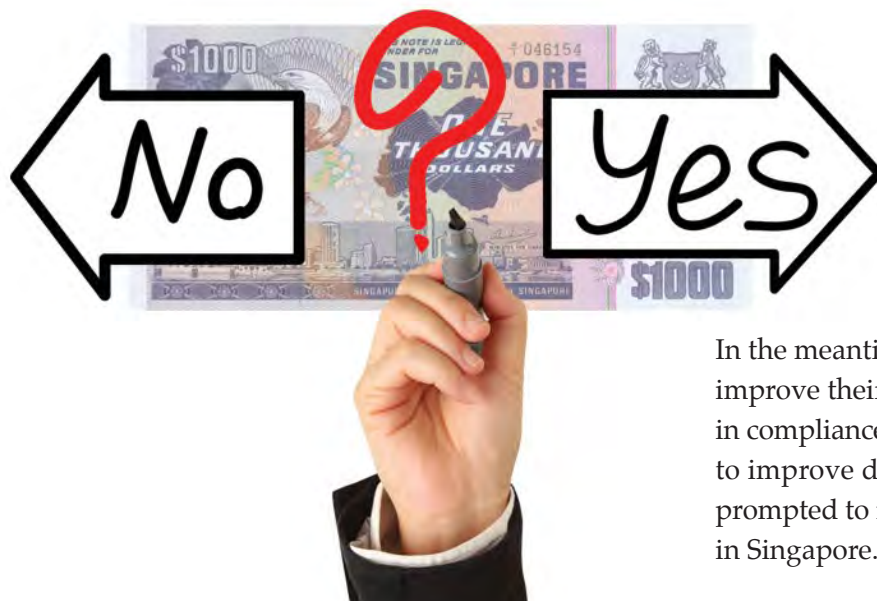
Although this model has helped to enhance the quality of executive remuneration disclosures, there still is considerable room for improvement. For instance, according to the *SID-SGX Board of Director Survey 2015*, more than half of the listed companies did not disclose the precise remuneration of each individual director and CEO as required by Guideline 9.2 of the Code of Corporate Governance. In addition, more than a quarter did not disclose the remuneration of at least the top five key management personnel in bands of S\$250,000 as required by Guideline 9.3 of the Code.

If Say on Pay is introduced, remuneration disclosure would very likely improve dramatically.

In light of the above discussion, should Say on Pay be considered in Singapore, it might make sense to adopt an Advisory Vote rather than Binding Vote. Experience in other jurisdictions suggests that Binding Votes may lead to unintended consequences, which end up being contrary to the original intent. For example, Australia originally passed the ‘two-strikes’ rule, whereby if the company’s Remuneration Report gets more than 25 per cent ‘against’ votes in two consecutive years, then the Board gets spilt. However, an unintended consequence of the legislation is that investors may be less likely to give the company a second strike, even if they are not happy with the Remuneration Report, because a Board-spilt could negatively impact the share price and the value of their investments.

Besides, given that many Singapore listed companies are family-founded or have a major shareholders, Binding Votes may not serve the desired purpose of giving shareholders more control.

Under an Advisory Voting regime, a significant amount or an increase in the proportion of “No” votes would send a strong and usually sufficient signal to the board that it needs to change the executive remuneration plans for the future.



Should Singapore implement a Say on Pay mechanism, companies will need to address the practical implications noted above, as they try to manage the increased complexity of the regulatory environment.

In the meantime, companies are well advised to improve their remuneration-related disclosures in compliance with the Code. Else, in an attempt to improve disclosures, regulators may be prompted to implement Say on Pay mechanism in Singapore. ■



# Launch of Remuneration Committee Guide

**Friday, 15 January 2016**

**9.00 am to 11.00 am**

**Marina Mandarin Ballroom,  
Marina Mandarin Hotel**

**Cost:** S\$60 for SID members  
S\$90 for Non-SID members

Speakers:

**Mr Loh Boon Chye**, CEO, SGX

**Mr Kenneth Yap**, CEO, ACRA

**Mr Shai Ganu**, Talent Business Leader – Asia Market, Mercer

**Ms Wong Su Yen**, CEO, Human Capital Leadership Institute

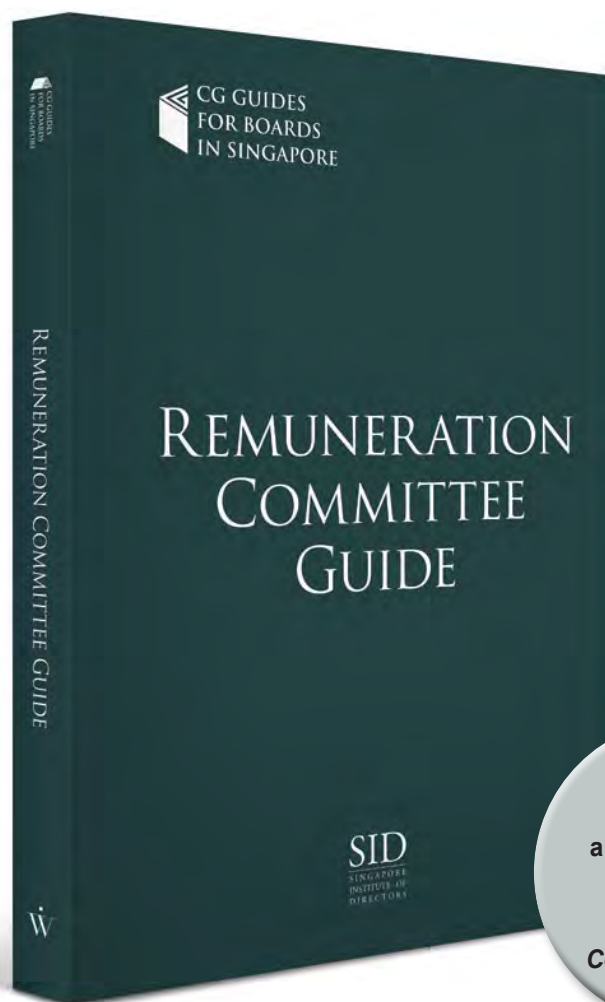
**Ms Rachel Eng**, Joint Managing Partner, WongPartnership

**Mr Simon Israel**, Chairman, Singtel

**Mr Liew Mun Leong**, Chairman, Changi Airport Group

**Professor Jean-Francois Manzoni**, INSEAD

Register for the event at [www.sid.org.sg](http://www.sid.org.sg)



All attendees  
will receive  
a complimentary  
copy of the  
*Remuneration  
Committee Guide*

A nighttime photograph of a city skyline with numerous illuminated skyscrapers. Light trails from traffic are visible in the foreground, creating a sense of motion. The overall scene is vibrant and modern.

# The REIT way to fair remuneration

Singapore REITs are now facing a changing economic and regulatory landscape. With MAS enhancements to the REIT management guidelines, REITs will need to make adjustments on remuneration and other policies.

By

**JACOB TAN**

Consultant, Executive Compensation  
and Performance, Aon Hewitt

The Singapore REIT industry has witnessed significant growth since the first S-REIT was launched on the SGX in 2002. REITs have, until recently, outperformed equities and other investment assets in overall yield for investors.

On the economic front, the REIT industry is now facing challenges. Expectations of higher interest rates have weighed on REIT prices in the past months, with S-REIT indices seeing significant downward trends this year.

On the regulatory front, the proposed enhancements by Monetary Authority of Singapore (MAS) will require adjustments in the corporate governance of REIT, particularly in the area of remuneration.

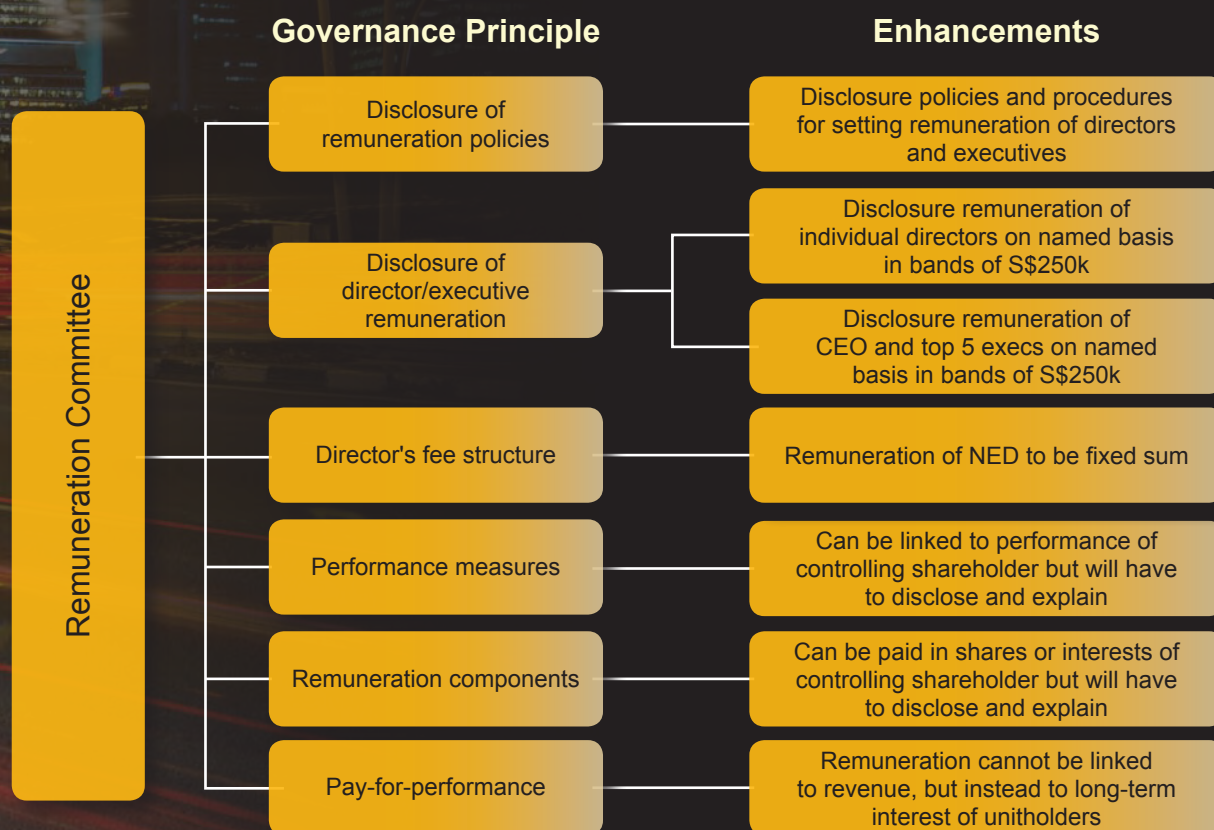
### MAS Enhancements

Following industry feedback on its October 2014 consultation paper on the governance of REITS, MAS issued a response in July 2015 on the measures it intends to implement in 2016. (ED: see "The REIT way forward to good corporate governance", *SID Bulletin Q3, 2015*).

A significant part of the enhancements was targeted at remuneration for REIT managers, which strive to accord REIT unitholders increased protection and accountability, and better align the interests of REIT Managers with that of their unitholders.

The changes to the remuneration policy guidelines are summarised in the diagram below:

## Summary of MAS Enhancements Impacting Remuneration



## Industry Compliance

How easily will REITS comply with these new requirements?

To answer the question, Aon Hewitt studied the FY2014 annual reports of 10 major Singapore-listed REITs to evaluate their current compliance levels to the new corporate governance guidelines.

The study found that a majority of these REITs were not fully complying with the new standards for disclosures of remuneration policies and key executive compensation.

A key shortfall was in the disclosure of remuneration policies for key executives. Only 20 per cent of the firms detailed the policies used to determine executive remuneration and any pay-for-performance mechanisms.

The large majority of the firms studied also did not have the appropriate disclosures of key executive remuneration amounts.

However, one REIT, Keppel REIT stood out for its compliance (see box on facing page).

For the majority of REIT managers, the findings indicate that they would need to undertake a comprehensive review of their remuneration policies against the enhancements and ensure that their FY2015 annual reports start providing the additional remuneration policy information specified.

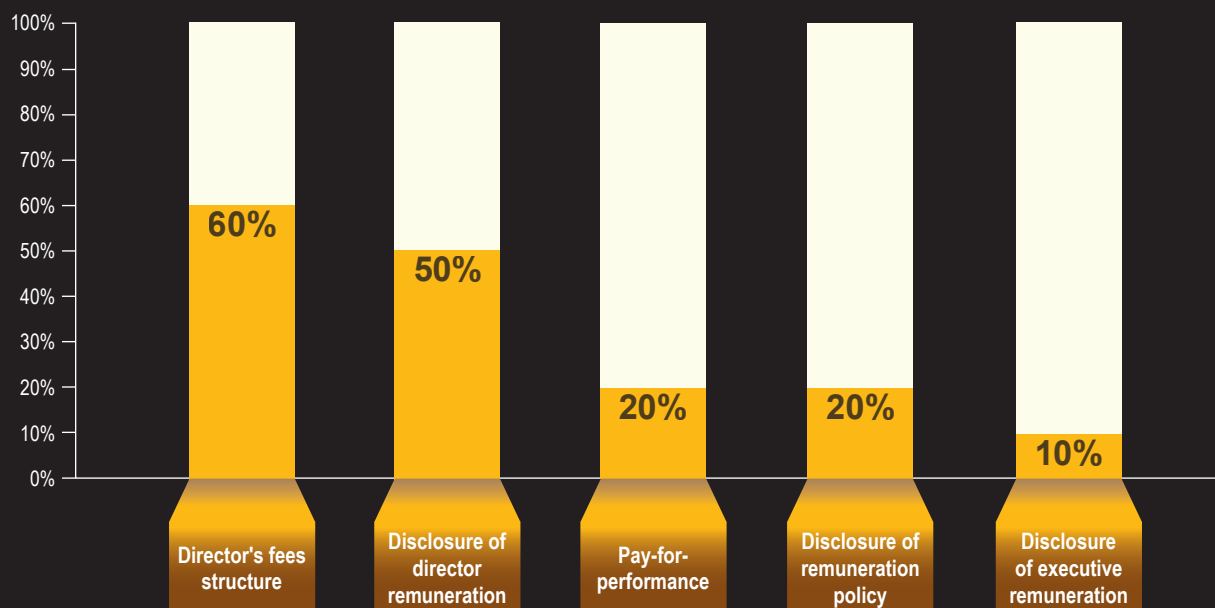
## Aligning Remuneration with Unitholder Interests

The one message that came through clearly in the MAS paper and enhancements is the critical role the board of the REIT manager plays in acting in the best interests of unitholders. This includes ensuring that the REIT's remuneration policies be structured to ensure this alignment.

There are two key areas where REIT managers can look into to achieve this.

Firstly, the choice of KPIs used to evaluate executives is critical in achieving an effective pay-for-performance policy. KPIs should be based on REIT performance, such as Total Unitholder Return, Distribution Per Unit, or Net Asset Value.

## Degree of Compliance with MAS Enhancements



## K-REIT: A best practice example

Within the group of companies studied by Aon, K-REIT was the only one that fully complied with the MAS enhancements on remuneration disclosures in its FY2014 annual reporting. Some of its best practices in the area of remuneration are:



### Remuneration Policy

- Total remuneration package for key executives is broken down into three components: base pay, annual performance incentive, and long-term incentive.
- Compensation structure is directly linked to corporate and individual performance, and the creation of unitholder value.
- A balanced scorecard comprising both financial and non-financial KPIs chosen to align executive and unitholder interests is used to evaluate performance.
- A significant portion of executive remuneration is placed at risk, subject to the achievement of predetermined KPIs.

### Remuneration of Individual Directors

- The remuneration for directors is listed on a named basis, broken down by fixed and variable (performance-based) components, as well as any benefits-in-kind received.

### Remuneration of CEO and Top 5 Executives

- The CEO and top five executives' remuneration on a named basis are disclosed in bands of S\$250,000, broken down by fixed and performance-based components, as well as any benefits-in-kind received.
- There is disclosure of contingent awards of REIT units as part of the remuneration package.

Measures of the REIT manager's performance (such as revenue of the REIT manager) should be expressly excluded. Such KPIs would place the REIT manager's interest in direct conflict with that of its unitholders, and may drive undesirable behaviour. For example, a focus on the REIT manager's income could incentivise the REIT manager's executives to extract more fee income from the REIT at the expense of the unitholders.

Secondly, a REIT Manager can explore introducing a long-term incentive (LTI) scheme tied to long-term unitholders' return and settle such LTI payments in

the units of the REIT. This will put a portion of the REIT manager's executive remuneration at risk and align its interests to that of unitholders.

These enhancements to the regulatory framework for REITs seek to achieve better alignment between REIT managers and their unitholders. Therefore, REIT managers should not look upon the enhanced guidelines as an additional regulatory or administrative burden. Instead, it is an opportunity to re-examine remuneration policies and pay-for-performance alignment to achieve a win-win situation for all parties. ■



# To EVA or not to EVA?

Some hail EVA (pronounced as “evah”) as the holy grail to corporate value creation and hence the metric for determining executive bonuses. Others deride EVA for excessive CEO compensation and short-termism. What’s the right answer?

By

**JOHAN GRUNDLINGH**  
CEO, Carrots Consulting

**E**conomic Value Added (EVA) was coined by Stern Stewart as a form of economic profit that measures corporate value creation. EVA is the operating profit (after allowing for depreciation) generated in excess of the cost of invested capital, or more precisely, the weighted average cost of capital (WACC) which includes equity and debt.

Under an EVA regime, the financial objective of a business is to generate a return on invested capital (ROIC) in excess of the WACC (which represents the minimum hurdle rate on a risk-adjusted basis). If the ROIC exceeds the WACC, then the excess return when applied to the invested capital represents positive economic profit and value is created. If the reverse happens, then value is destroyed.

## **EVA in Executive Compensation**

In today’s pay-for-performance climate, EVA is seen as one tool that can be used to incentivise the right management behaviours in value creation.

Some of the value created as measured by EVA is shared with the management team. The sharing of economic profit between management and shareholders should be based on the relative mix of people and capital factors in the value creation process. The higher the people content, the higher the sharing rate on economic profits should be, and vice versa.

Typically incentives based directly on economic profit are “banked” with an annual payout and the balance remaining is “at-risk” from any negative incentives in the future.

Prior to the global financial crisis (GFC), such incentive plans were based on the premise of entrepreneurial-like returns being earned. The GFC changed this paradigm.

Today, most economic incentive plans have “glass ceiling” caps applied to the incentives

declared in any particular financial year. Similarly, "glass floors" apply to the downside to manage retention risks. A reserve account is maintained to keep track of the excesses and deficits above and below the cap and floor respectively.

### Why EVA

EVA supporters see economic profit as a superior measure of value creation compared with other corporate measures such as earnings per share (EPS) and return on equity (ROE).

For instance, an increase in ROE does not bode well for value creation when higher levels of debt are employed and the returns generated are not able to offset the higher cost of equity. Value is in fact destroyed for shareholders despite rising ROE levels.

Think of the banks in the run-up to the GFC. Many achieved rising ROEs from gearing. Such elevated levels of leverage risk would have impacted the EVAs generated by such banks and would have acted as an early warning sign that something was amiss.

EPS is a favourite metric used for executive remuneration incentives in the US and here. It is based on earnings which include operating and non-operating performance (including fair values and mark-to-market unrealised gains). EPS can be influenced by a reduction in the number of shares used for EPS computation. This happens in large share buy-backs. So, company cash can be used to boost EPS levels without necessarily resulting in value creation for shareholders.

### Why not EVA

However, there are criticisms of economic profit too.

EVA can be deemed too complex if it requires numerous adjustments to be made to the operating profit and to the invested capital

to take into account economic realities as opposed to accounting conventions. Instead, a practical and consistently applied methodology is needed to focus on the key drivers of value.

Some contend that the WACC is arbitrary and is subject to gaming. There are well established and reliable corporate finance models to determine the WACC of a particular company using factors such as the minimum of the long term government bond rate, the credit margin spread to reflect the risk of default on corporate bonds, the equity risk premium, the gearing level, and the weighting of debt and equity. Having a rule book and applying the concepts consistently year in and year out would deal with the WACC concern.

Others believe that EVA promotes short-termism. They argue that management will not be motivated to invest in projects with negative economic profit as that would hurt any incentives linked to economic profit. However, the same holds true for most accounting-based measures too: new investments typically depress profits and returns in the early years and boost profits and returns in the later years.

A good economic profit framework will allow for the deferral of capital costs in the early investment years and recoup these deferred costs over the lifetime of the investment. This would effectively deal with the concern on short-termism.

### Who is EVAing?

Look no further than Temasek Holdings' annual review report to see their local operating companies which use EVA as their metric of choice for measuring and rewarding for shareholder value creation: PSA, SIA, Keppel, Sembcorp, ST Engineering, CapitaLand, Singtel and StarHub. Clearly, these companies believe that EVA is worth its salt and a key driver of total shareholder returns in the longer term. ■

# Performance management systems: Our reality may be out of date

By

**SUBEER BAKSHI**

Regional Lead,  
Rewards Consulting Practice,  
Southeast Asia,  
Towers Watson





**T**he subject of performance management systems (PMS) is seeing a renewed debate because the underlying foundation – the use of the bell curve – is found to be flawed.

### GE and the Bell Curve

The bell curve as an organising principle for performance management became de rigueur for the corporate world ever since Jack Welch made a case for it when he used it to great effect to build a performance culture at General Electric (GE).

GE had 411,000 employees in 1980, and this was reduced to 299,000 by 1985. Of the 112,000 who left the organisation, 33 per cent belonged to companies that were sold away, but a huge 66 per cent (or 75,000 employees) were removed from ongoing businesses. There were other organisational transformation initiatives which were backed with strategic acquisitions.

As GE's valuation skyrocketed (average annual gain of 19.6 per cent compared to 12.0 of the S&P 500 during Welch's tenure), other companies scrambled to emulate GE in every way. The craze for corporate universities, doing everything with  $6\sigma$  and black belts has abated but the ardour around Session C (use of bell curve in PMS) has taken longer to cool.

Very soon after Jack Welch published his book, *Straight from the Gut* in 2001, people started to question the fairness and effectiveness of using the bell curve. In its initial years, the opposition was just to the use of forced ranking aspects in performance management systems, but in the last few years, more and more people are questioning the underlying system.

To make PMS work with the bell curve, companies have tried changing the nomenclature where the average performers were called "successful". In other approaches, companies spent a fortune on consultants to build key performance indicators and complex ratios, but met with limited success.

After trying for several years, more and more companies are coming out and saying that there has to be an easier way to do this.

### Down with the Bell

Several factors have contributed to the downfall of the bell curve.

First, Nicholas Taleb, widely known as author of *The Black Swan*, occupied the bully pulpit and made a compelling case against the bell curve. He called it "the great intellectual fraud" and made a case instead for the "long tail" in a whole and powerful chapter in his book, *Fooled by Randomness*.

Then came the lawsuits. After facing class action for discrimination and settling out of court for millions of dollars, companies diluted the forced ranking aspect and started to use guidelines.

In this tumult, some business leaders made a sobering assessment that their performance management systems were not raising performance standards. At best, they were processes to justify promotions, increases, bonuses and terminations. Those companies that managed performance well did so by spending an incredible amount of time and resources to hold up the edifice of performance management.

Lastly, in an environment where human resource departments have started treating their workforce as internal customers and started using increasingly sophisticated tools to gather their views, it is getting harder to ignore the fact that employees absolutely hate performance management.

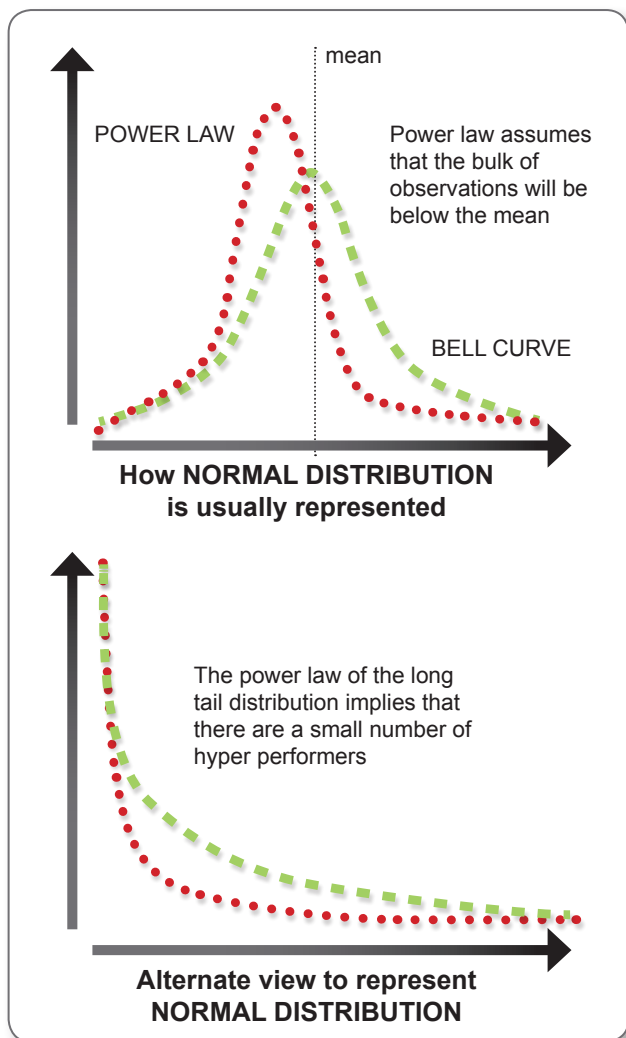
### The Crack in the Bell

The bell curve is a sort of probability distribution, where the mean of the performance will have equal number of people above and below the mean.

There are other sorts of probability distribution, like the “long tail” and the “fat tail”, which are less symmetrical than the bell curve.

A very large and persuasive body of work is now showing us that performance distribution is more likely to be skewed, where the number of people who fall below the mean of performance is larger than those who fall above it.

In other words, there are a small number of hyper performers who raise the mean of organisational performance. This is the “long tail” or “power law” distribution, which we all better known as the “80-20 (Pareto) Principle”. Even here, the Pareto Principle has a fractal nature. In a class of 100 students, 20 will be top performers and within the 20 there will be 4 who can be called hyper performers.



In very simple terms, this means that in an organisation there will be a small segment whose performance is significantly higher than the rest of the organisation, which will typically perform at a comparable level – that is, where they cannot be very clearly distinguished from one another.

The implication is that talent is scarcer than we thought, and that the difference between top performers and average performers is greater than the difference between the average performers and poor performers.

### The Problem with Ratings

The new research is troubling because it requires companies to abandon a convenient system to decide annual increases, bonus and promotions and revisit the approach to performance distribution.

The simplest workaround is to go with a guideline that reduces the number of top and bottom performers and increases the number of average performers. This will get to a long tail outcome. However, this will effectively reduce the ratings to just three levels. This approach is advisable for companies that have predictable and stable performance and can assume distribution to fit guidelines. This can also be the transition approach for companies who need time before going rating less.

As most companies do not have this luxury, there is a need to have a more flexible approach to determining performance. Also, a very obvious drawback is that it is not very motivating to be considered average. The very top tier may be considered too hard to reach, and with the penalty of poor performance reduced significantly, the net effect would be that people will not try too hard. Rating less systems can lead to a significant dilution of performance orientation, and companies should guard against this risk.

Another alternative is to try and embrace the model fully and not attempt to bucket individuals into ratings.

To help understand the issue with an example, let us assume that a company has office entry time of 0900 hours, and the company tracks the entry log of employees in five cohorts of 30 minutes starting at 0730h and ending at 1000h. Let us also assume that arriving early is somehow an indicator of job performance.

In such a scenario, the distribution of people entering the office will likely follow a bell-curve with most reporting for duty around 0900h. Depending on how you decided to divide the time cohorts, you will get the distribution you desire.

However, if the entry was tracked by minutes and seconds and not by blocks of time (which is a surrogate for a rating scale) we will inevitably see the “long tail” in full display.

This “rating less” approach should technically lead to outcomes that are more equitable and fair for the employees, as it will need to recognise actual performance per individual and not averaged out to fit a probability.

The characteristics of rating less system include:

- There is no rating and no forced distribution
- Emphasis shifts to rigorous objective setting
- Increased reliance on data and measurement techniques to evaluate performance
- Periodic reviews and feedback from supervisors occurs more frequently
- There is input from diverse sources (e.g. 360 degree feedback, including sources outside the organisation)
- There is an evaluation process to ensure that the system is working as intended (managers are given meaningful feedback and annual performance reviews), evaluation methods include employee opinion surveys, work group discussions of the process, and reviews of appraisal content.

Companies such as Adobe, Accenture, Deloitte, Gap, Medtronic, Microsoft and Unilever have announced that they are getting rid of annual performance reviews and moving towards a rating less system. Not surprisingly, even GE has recently announced an end to its ratings based approach to performance measurement.

### **Should Everyone Use a Rating Less System**

It is clear that the current performance systems take a lot of effort, and they most often are just tools to manage promotions and rewards.

The performance culture is achieved by incentivising talented people to work hard and giving potential talent a chance to be counted among performers. But the system does so at the cost of the majority of the employees who get left behind.

The current system comes in the way of forming effective teams and a collaborative culture by placing too much emphasis on individual performance. All this coupled with the new research, should compel companies to revisit their performance systems.

A rating less system on the other hand brings emphasis on long term performance and careers, reduces stress in the organisation and contributes to productivity by giving the organisation far more time to do other things. Yet, the approach is not for everyone.

Companies that do not have a strong managerial infrastructure, have short (annual) cycles, employ large numbers and that can easily measure contributions can still get by with minor tweaks to PMS. Companies with long cycles like (IT products, commodities) are better served by moving to rating less systems.

Most importantly, companies should look to see what works best for them instead of blindly following the herd. ■

# Hard work ahead for Audit Committees



By **GERARD TAN**  
Treasurer, SID

Thanks to developments that have been brewing in the past year, audit committees (ACs) will find their hands full coming into 2016 and beyond. We review some of these new programmes and requirements.

## Financial Reporting Surveillance Programme (FRSP)

A programme instated by the Accounting and Corporate Regulatory Authority (ACRA), the FRSP is a review of financial statements of companies for compliance with the Singapore Financial Reporting Standards (SFRS).

It is a programme that was first introduced in 2011 and is today enhanced to include reviews of listed companies and non-listed companies of public interest with "clean" audit opinions. As the Companies Act places responsibility on directors – not management – for the financial statements, ACRA will direct all feedback and sanctions, if any, to the board, identifying each director who authorised the financial statements. In response to this inquiry from ACRA, the directors must ensure that their responses are comprehensive and appropriate. All companies incorporated in Singapore are required to undergo this risk-based approach review.

To avoid even getting an inquiry letter, directors are advised to take greater ownership in the company's financial reporting process. It will be useful for them to review ACRA's recently published (September 2015) Financial Reporting Surveillance Programme Inaugural Report, which details its findings from the first year run of the enhanced programme.



## COUNTING BEANS

### Enhanced Auditor's Report

ACRA and the Institute of Singapore Chartered Accountants have announced that the new auditor's report in 2016 will be effective for financial statements ending on or after 15 December 2016.

Of the changes in the auditor's report, reporting of "key audit matters" (KAMs) for listed companies beyond the traditional pass or fail audit opinion, is the most significant one. KAMs are matters, in the auditor's judgment, of "most significance" in the audit. These are complex areas of the business where judgment from the management is called upon in accounting and disclosure in the financial statements. Examples include fair value of financial instruments, transfer-pricing and cross-jurisdictional taxation; diverse financial systems in group of companies; revenue recognition timing differences; intangible asset impairment assessments, and litigation cost provisions.

KAMs are likely to generate a fair amount of discussion among auditors, management and directors. Disclosures in the KAMs are also likely to result in greater shareholder and public scrutiny. Directors should take advantage of the FY2015 audit to do an "internal dry-run" of the expanded auditor's report so that they are better prepared in the following year's audit.

### Audit Quality Indicators (AQIs)

Presently, most ACs have difficulty differentiating among audit firms. ACRA has been working with audit firms, with feedback from audit committees, on a set of Audit Quality Indicators

(AQIs) that can help toward comparing audit firms and determining their quality. In October 2015, ACRA unveiled eight AQIs:

- 1) Audit Hours – Time spent by senior audit team members
- 2) Experience – Years of audit experience and industry specialisation
- 3) Training – Average training hours and industry specific training
- 4) Inspection – Results of external and internal inspections
- 5) Independence – Compliance with independence requirements
- 6) Quality Control – Headcount in quality control functions
- 7) Staff Oversight – Staff per partner/manager ratio
- 8) Attrition Rate – Degree of personnel losses

Starting from 2016, these indicators will be shared by the audit firm with individual ACs on a private and voluntary basis. They should provide a more effective manner with which audit committees can assess the audit firm and engagement team, and extract greater value from them in the end.

### Financial Reporting Standards

The accounting standard prescribed in Singapore is the Singapore Financial Reporting Standard (SFRS), which is substantially aligned with

the existing International Financial Reporting Standards (IFRS) regime. However, the two will converge in a new financial reporting framework that is more identical to IFRS for annual periods beginning on or after 1 January 2018.

The benefit of SFRS and IFRS convergence is that it allows comparability when global standards are applied, and in turn helping reduce the cost of preparing financial statements for those companies operating in multiple jurisdictions.

For the coming year, only a few narrow-scope amendments to existing standards will come into effect for FY2015, though these are not expected to significantly impact financial statements. However, there are two new major initiatives, FRS 109 (financial instruments) and FRS 115 (revenue from contracts with customers) that are expected to introduce significant changes for companies. It bodes well for AC members to start getting a hang on the implications of these initiatives.

### Help is At Hand

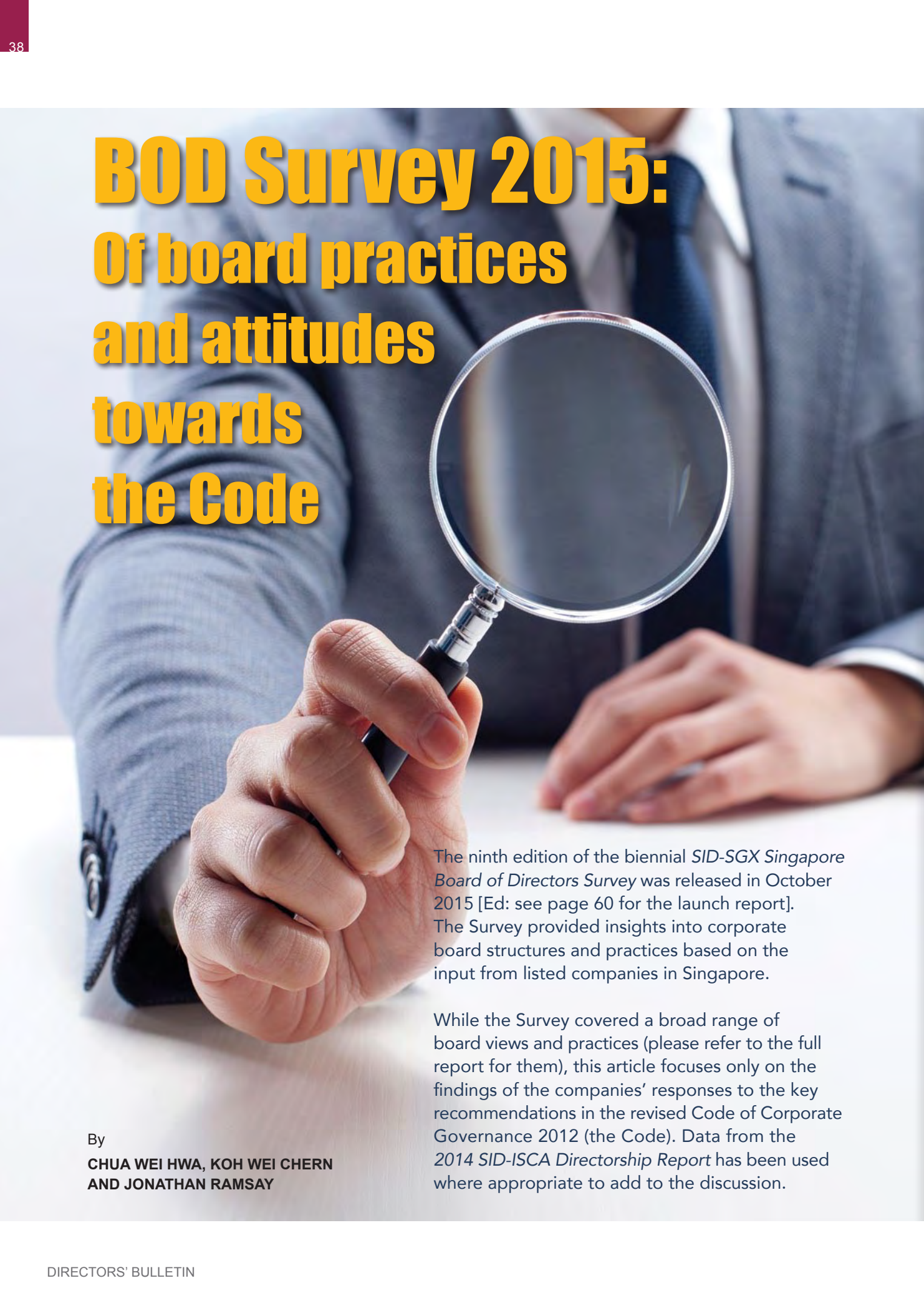
While these developments should benefit ACs and companies in the longer term, for the immediate future, AC members will need to spend time coming to terms with the technicalities and implications of the new requirements and tools.

To facilitate this understanding, ACRA, PwC and SGX have prepared a *2016 Mini-Guide for Audit Committees: Hot topics that ACs and directors need to know*. This guide provides greater detail of the above changes.

A more comprehensive *Audit Committee Guide* is being prepared as part of the *Corporate Guides for Boards in Singapore* series, and slated for release in early 2017.

Several of the above changes highlighted above will also be presented and discussed at the upcoming ACRA-SGX-SID Audit Committee Seminar on 12 January 2016. I hope to see you there. ■





# **BOD Survey 2015: Of board practices and attitudes towards the Code**

The ninth edition of the biennial *SID-SGX Singapore Board of Directors Survey* was released in October 2015 [Ed: see page 60 for the launch report]. The Survey provided insights into corporate board structures and practices based on the input from listed companies in Singapore.

While the Survey covered a broad range of board views and practices (please refer to the full report for them), this article focuses only on the findings of the companies' responses to the key recommendations in the revised Code of Corporate Governance 2012 (the Code). Data from the 2014 *SID-ISCA Directorship Report* has been used where appropriate to add to the discussion.

By

**CHUA WEI HWA, KOH WEI CHERN  
AND JONATHAN RAMSAY**

## Board Focus

### Performance Vs Conformance: Business And Strategy Take Precedence

**Principle 1: The Board is collectively responsible for the long-term success of the company.**

**Principle 11: The Board is responsible for the governance of risk.**

Boards take the view that business performance and strategy should take most of their time, followed by compliance and risk management.

In addition, the majority of companies agreed that their boards were more than adequately involved with risk management issues.

### Sustainability: Slowly But Surely Engaged

**Guideline 1.1(f): The Board's role is to consider sustainability issues... as part of its strategic formulation.**

As shown in the below chart, corporate social responsibility (CSR) is ranked on average as only the 10<sup>th</sup> most important area of the business.

Nevertheless, in the detailed responses to sustainability:

- 57 per cent of companies agreed they had good sustainability reporting.
- 74 per cent thought they gave adequate time and money to the community.
- 93 per cent agreed that they were environmentally conscious and friendly.
- 70 per cent felt they had an active and comprehensive corporate social responsibility programme.

**Which of the following areas does the board consider to be most important, and therefore should take up the majority of the board's time moving forward?**

Average Ranking (5 = Most Important, 0 = Least Important)



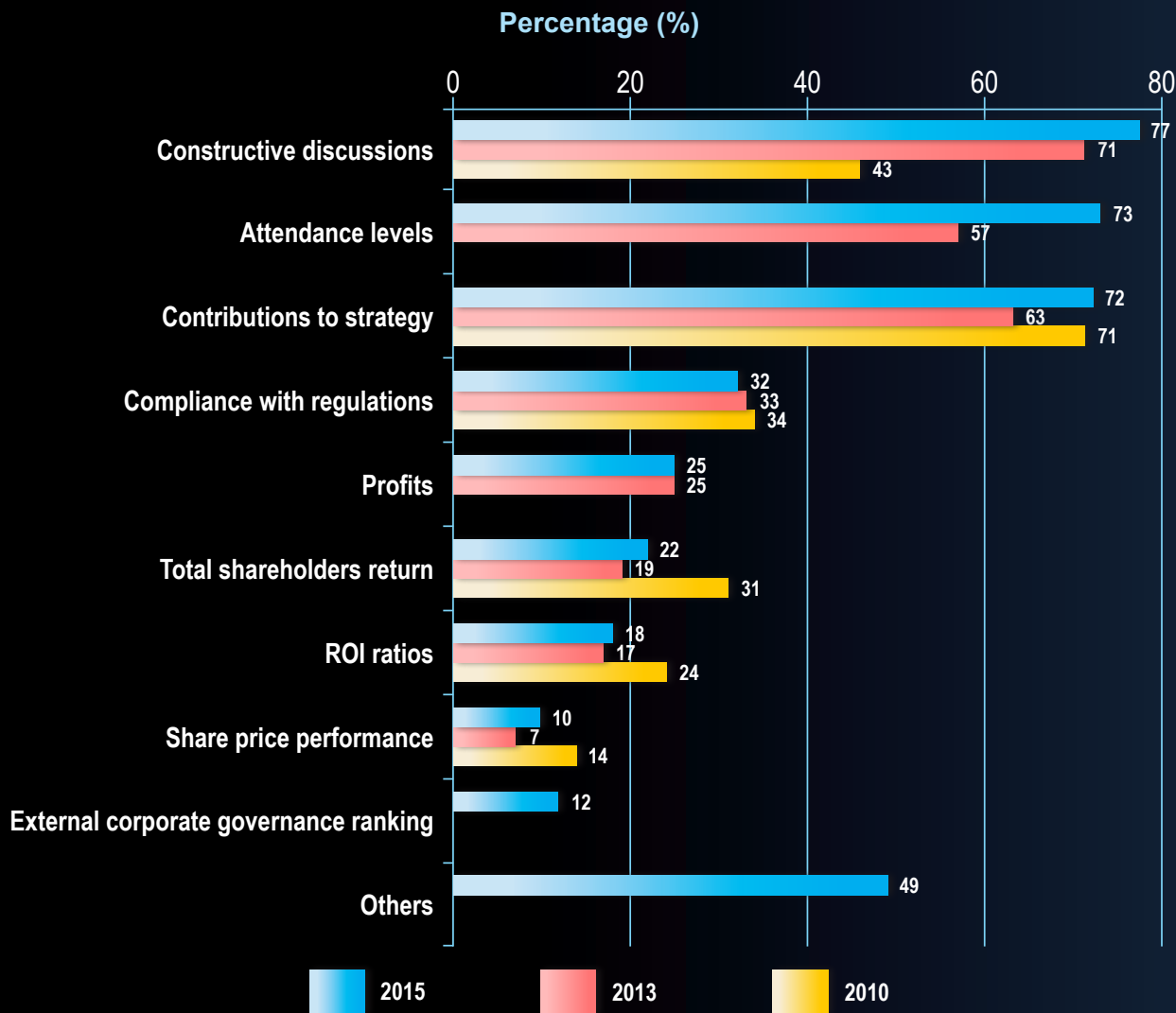
# Board Practices

## Board Assessment: Measures Have Changed

Guideline 5.2: [The] Board’s performance may be evaluated... Such performance criteria, which allow for comparison with industry peers, should be approved by the Board and address how the Board has enhanced long-term shareholder value.

The previous (2005) Code of Corporate Governance specifically suggested (1) share price performance over a five-year period vis-à-vis the Singapore Straits Times Index; (2) benchmark index of its industry peers; (3) return on assets; (4) return on equity; (5) return on investment; and (6i) economic

Which of the following performance criteria does your company employ in assessing the effectiveness of the board as a whole?





value added over a longer-term period as criteria for evaluating board effectiveness.

In contrast, the 2012 Code is very general about board assessment. This may explain the overall decline in reported use of total shareholder returns, return on investment ratios and share price performance for evaluating boards.

### **Gender Diversity: Still Poor But More Are Interested In Increasing The Numbers**

**Guideline 2.6: The Board and its committee should comprise of directors who... provide an appropriate balance and diversity of skills, experience, gender and knowledge of the company.**

There was no mention of gender diversity in the 2005 Code and mentioned in passing in the 2012 Code.

According to the *Directorship Report*, women directors held only six per cent of independent directorships. Moreover, less than half (47 per cent) of companies in the 2015 Survey reported having female representation on their boards. A greater proportion of large companies had female board representation.

However, as compared to only five per cent in 2013, 14 per cent of companies in the 2015 Survey indicated having enacted policies to encourage board gender diversity. A further 19 per cent had future plans to do so.

### **Internal Audit: Not All Reporting To AC Yet**

**Guideline 13.1: The Internal Auditor's primary line of reporting should be to the Audit Committee (AC) Chairman... The AC approves the hiring, removal, evaluation and compensation of the head of the internal audit function.**

81 per cent of companies in the Survey had the head of their internal audit reporting to the AC Chairman and/or audit committee.

However, only 54 per cent of companies had their AC Chairman and/or audit committee decide on their head of internal audit's remuneration.

### **Communication With Shareholders: Electronic Means Have Significantly Increased**

**Guideline 15.2: Companies should disclose information on a timely basis through SGXNET and other information channels, including a well-maintained and updated corporate website.**

The 2005 Code merely recommends the "use of modern technology such as Internet websites".

With the implementation of the 2012 Code, the 2015 Survey found 86 per cent of companies contacting or communicating with their investors and other stakeholders via SGXNET, 63 per cent via the investor relations section of their companies' website, and 50 per cent via email.

## Directorship

### Director Tenure: Not Widely Practised

**Guideline 2.4: The independence of any director who has served on the Board beyond nine years... should be subject to particularly rigorous review.**

The 2014 *Directorship Report* showed that more than half (54 per cent) of the 717 listed companies studied have at least one independent director who has served more than nine years, and more than 10 per cent have at least three such independent directors.

Perhaps, not surprisingly, the 2015 Survey showed that 84 per cent of the companies did not impose any restriction on tenure length for the consideration of independence. For the few that did, the limit specified was nine years. For those that did not, the majority indicated no intention of doing so in the future.

However, this was an improvement from the 2010 Survey where 93 per cent of the companies did not impose such a restriction.

### Multiple Directorship: The Magic Number Is Six

**Guideline 4.4: The Board should determine the maximum number of listed company board representations which any director may hold, and disclose this in the company's Annual Report.**

Only 28 per cent of companies in the 2015 Survey limit the number of concurrent directorships that their non-executive directors can hold. Among them, the most commonly imposed is a six-directorship limit.

However, according to the *Directorship Report*, only 18 per cent of all directors hold multiple board seats. Of those who did, a large majority did not hold more than three seats. 28 per cent of independent directors hold multiple seats, and majority held only two seats.

### Director Training: Decline In Training

**Guideline 1.6: [All] directors should receive regular training. The company should be responsible for arranging and funding the training of directors. The Board should also disclose in the company's Annual Report the induction, orientation and training provided to new and existing directors.**

45 per cent of companies in the 2015 Survey did not believe their directors required any training, other than orientation and induction. This is a sharp increase from 15 per cent and nine per cent in 2010 and 2013 respectively. In line with this trend, 34 per cent of companies in the 2015 Survey reported that none of their directors received training in the preceding 12 months.

As shown in the chart, there was a large decline in the percentage of companies who had a large majority (81 – 100 per cent) of their directors trained.

Almost all types of training provided for directors declined in popularity in 2015. The only exception was accounting, audit and finance, which doubled in popularity from 2013.

Coincidentally, 97 per cent of companies in the 2015 Survey sought professional advice from external advisors; an increase from 68 per cent in 2013.

In the last 12 months, how many directors have attended training (other than orientation and induction) which are provided or arranged by the company in relation to their duties on the board?



## Remuneration Disclosures

### Director Remuneration: Improving But Still The Minority

**Guideline 9.2:** The company should fully disclose the remuneration of each individual director and the CEO on a named basis.

There was an increase in the percentage of companies that reported disclosing director's remuneration from the 2013 to 2015 Survey.

A greater proportion of large companies than small companies in the 2015 Survey reported making such disclosure.

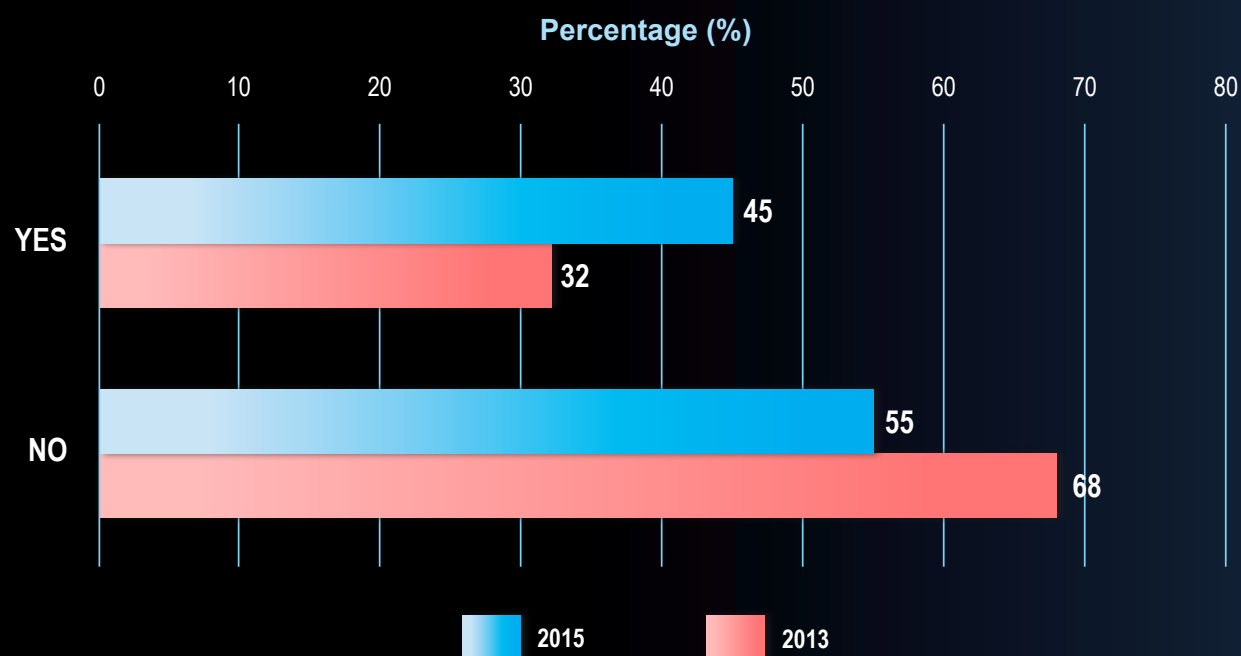
The main reasons for non-disclosure relate to confidentiality and competition (internal and external).

### Top 5 Remuneration: Improved For The Small Companies

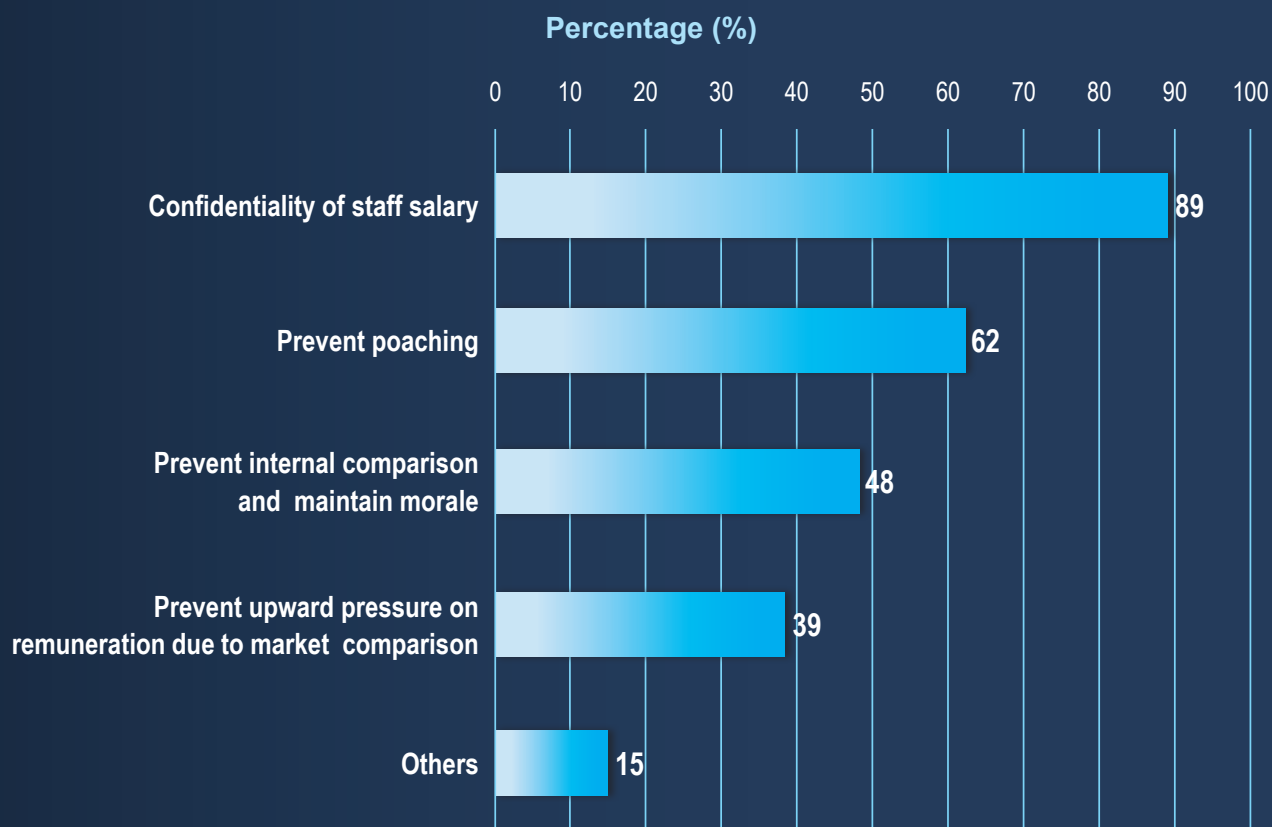
**Guideline 9.3:** The company should name and disclose the remuneration of at least the top 5 key management personnel... in bands of S\$250,000... In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel.

74 per cent of companies in the 2015 Survey made such a disclosure. In contrast to the director remuneration results, a greater proportion of small companies (vs. large companies) indicated disclosing remuneration details of their top five management personnel.

### Does your company disclose the detailed remuneration of each individual director and the CEO on a named basis?



## What are the reasons that the company does not fully disclose the detailed remuneration of each individual director and the CEO on a named basis?



The same top three reasons were given for non-disclosure. However, “prevention of internal comparison and morale maintenance” featured more prominently for the non-disclosure of top management remuneration details. Since internal comparison is likely less of a concern in small companies, this is a plausible explanation for the Survey’s finding that a greater proportion of small companies disclose details of their top management remuneration.

The same top three reasons were given for non-disclosure as for director disclosure on

a named basis. However, “prevention of internal comparison and morale maintenance” featured more prominently for non-disclosure of top management remuneration details. Internal comparison is likely less of a concern in small companies. This could be a plausible explanation for the Survey’s finding that a greater proportion of small companies disclose details of their top management remuneration. ■

*Chua Wei Hwa and Koh Wei Chern are both Senior Lecturers, and Jonathan Ramsay is a Lecturer at SIM University.*

The background features a stylized, semi-transparent illustration of a horse in profile, facing right. Overlaid on the horse's body is a silhouette of a person in a business suit, also facing right. The overall color palette is a gradient of dark reds and browns. The text 'CG Roundup' is prominently displayed in the center-left, with 'CG' in white and 'Roundup' in yellow. A thin white horizontal line is positioned below the 'Roundup' text.

# CG Roundup

SGX Chief Regulatory Officer and SID governing council members weighed in on the hot topics of 2015 at the annual SID Corporate Governance Roundup held on 18 November 2015.

# REGULATION



**Tan Boon Gin,**  
Chief Regulatory Officer, SGX

## SGX

- SGX independent listing committees (Advisory, Disciplinary, Appeals) established on 7 October 2015.
- SGX now has direct enforcement powers against issuers, and directors and executive officers (e.g. object to or require prior approval for appointment).
- Listing disciplinary and appeals committees have all the powers of the Exchange of enforcement and more (e.g. public reprimand and requiring resignation of director and executive officers).
- SGX Guidance Note on undertakings from directors and executive officers is only formalisation of contractual relationship. No new or additional duties are imposed. Deadline for compliance is now 30 April 2016.
- SGX is reviewing over 550 listed company reports for compliance with “Comply or Explain” requirement under the Code of Corporate Governance. Results will be made available in Q1 2016.



**Andy Tan**

## REITS

- MAS issued consultation paper in October 2014. After industry feedback, it issued response in July 2015.
- It will be a statutory duty of Boards of REIT manager to prioritise unitholders’ interests.
- Half of REIT manager board must be independent directors (IDs).
- The AC must have minimum of three IDs and satisfy itself that the REIT manager periodically reviews the Property Management Agreement.
- For RC changes, see page 26.
- One manager can manage more than one REIT.
- Single-tier leverage of 45 per cent without credit rating and development limit increased to 25 per cent.
- Implementation: Amendments to Collective Investment Scheme Code in January 2016, REIT boards to meet independence and composition by end 2016.

# BOARDS AND DIRECTORSHIP



**Ramlee Buang**

## Board of Directors Survey 2015

- Majority of boards still source NEDs through personal contacts, but increased use of search firms and SID.
- Increasing use of professional advisers, in particular for legal and financial advice.
- Board effectiveness being assessed through “constructive discussions, attendance levels and contributions to strategy”, more so than financial indicators.
- Strategy development and execution are top areas that board considers as important.
- Increased use of benchmarking in determining director compensation.



**Adrian Chan**

## Codes, Guides and Scorecards

- Corporate governance guides for boards in Singapore: NC Guide is out, remaining guidebooks will be released in 2016 through to early 2017.
- ASEAN Corporate Governance Scorecard: inaugural ASEAN Top 50 released (see page 66).
- Singapore Stewardship Code and Singapore Governance & Transparency Index targeted to be launched in 2016.
- Singapore Corporate Awards 10<sup>th</sup> anniversary had a new “Distinguished Contribution to Corporate Governance” award.



**Poh Mui Hoon**

## Professional Development

- SID updated professional curriculum to add new track for nonprofit directors, and several new courses.
- Two new programmes for nonprofit directors launched in 2015 (see page 61).
- New courses in 2016:
  - ❖ Governance and Value Creation for Growth Companies
  - ❖ Four Masterclasses for Directors (board-management interactions, boardroom dynamics, fair process leadership, board evaluation).
  - ❖ Governance, Risk Management and Compliance certification programmes (see page 62).





Junie Foo

## The Nominating Committee

- New NC Guide was launched in August 2015.
- Gender diversity still an issue. Women held only 9.1 per cent of board seats.. SID working with SGX and BoardAgender on this matter.
- More than 200 listed companies signed up for the Board Diversity Pledge.
- Most boards have at least one third IDs, but only 43 per cent have IDs in majority.
- More than 70 per cent do not have limits on multiple directorship; for those that do, the limit is six.
- 54 per cent of boards have one or more IDs over nine years.



Kevin Kwok

## The Audit Committee

- Financial reporting surveillance programme (FRSP) started in 2014, results of first review in 2015, there are lessons to be learnt for ACs.
- New audit report (with section on key audit matters) will be mandatory for 2016 financial statements.
- ACRA's Audit Quality Indicators implemented in 2016 should help ACs in assessing auditors.
- These plus sustainability reporting, cyber security and risks are expanding role of ACs.



Wong Su Yen

## The Remuneration Committee

- NED remuneration has increased somewhat. The larger the market cap of the firm, the higher the average fees paid out.
- Disclosure of remuneration has improved, but we may be at a standstill.
- There are lessons to be learnt from Lian Beng not just on whether profit computation is to be net of minority interests or not, but also on broader board governance and the regular review of variable compensation schemes and service agreements.

# BUSINESS



**Wilson Chew**

## Innovation and Value Creation

- Singapore has a whole-of-government approach towards innovation and value creation.
- Value is continually being sought by companies and investors. M&A deals globally surpassed US\$2.8 trillion, a record. 20 companies delisted compared to 10 new listings on SGX in 2015.
- Boards should place equal focus on performance as they do conformance.
- Many things contribute to company performance. Key among them is the firm's ability to actualise innovation.
- Boards should provide innovation leadership by working with management on building a strong business model. Innovation success can improve the company's business model. It may even cause a quantum leap.
- SID is championing new thinking on how boards should create, drive and deliver value. The 2015 SID Directors' Conference theme was "Boards & Innovation". In 2016, it will be "Digital Disruption".



**Elaine Lim**

## Crisis Management

- There are lessons that can be learnt from the companies besieged by short sellers: Olam, China Minzhong and Noble.
- It helps to have a "godfather": Olam had Temasek, China Minzhong had Indofood.
- Key objectives in a crisis:
  - ❖ Reduce uncertainty and minimise liabilities
  - ❖ Protect image and credibility
  - ❖ Preserve relationships with stakeholders
- If the company does not take control, others will. Stakeholders will then listen to rumours and act on perception rather than facts.
- Responding too late could put company on defensive and result in loss of control.

## OVERHEARD AT THE ROUNDUP



“It is generally harder for small cap companies to move up the innovation and value creation ladder. It would be good for SID to assist, and where possible, work with government agencies to render them the much needed support to do so.”

**Dr Ahmad Magad,**  
Group Managing Director, II-VI Singapore

“Renewal of board members, including the chairman, is key to ensuring that the company stays abreast of market trends, and embraces innovation and changes.”

**Mr Phua Sian Chin**  
CFO, TEHO International Inc Ltd and  
Independent Director, Oxley Holdings



“Our research on board structures in 10 Asia-Pacific countries suggests that listed company directors in Singapore have the highest average tenure. It is important to ask ourselves why Singapore stands out and whether board renewal should perhaps be emphasised more in Singapore.”

**A/Prof Marleen Dieleman**  
Associate Professor, NUS Business School and  
Independent Director, Mercator Lines (Singapore)

“If board renewal is the objective, it would be more effective to limit directorship tenure to nine years similar to REITs than to require justification on independence as currently provided in the Code.”

**Mr Low Chee Wah**  
CEO, Frasers Centrepoint Asset Management (Commercial) Ltd



# Digital disruptors



By **ROBERT CHEW**  
Council member, SID

**In June 2015, at Cisco's annual customer conference, then-CEO of Cisco Systems, Mr John Chambers said this to the 25,000 attendees: "40 per cent of the businesses in this room, unfortunately, will not exist in a meaningful way in 10 years."**

He was not the first to give prominence to this phenomenon; and will not be the last either.

Of the Fortune 500 companies that made the list in 1955, only 61 of them remained on it in 2014. Over 85 per cent of the companies from 1955 have either gone bankrupt or merged. Those that still exist have been relegated off the chart. Apart from existing meaningfully, businesses have to contend with survival.

The life expectancy of businesses these days is increasingly truncated. In a 2011 Forbes article, leadership guru and ex-World Bank honcho, Steven Denning pointed out that 50 years ago, the life expectancy of a Fortune 500 company was 75 years, but by 2011, it was less than 15 years and continues to shrink.

Mr Chambers attributed this rate of diminishing corporate life span to the rise of digital technology. He said, "Digital world will change our life, our health, our education, our business models at the pace of a technology company change."

"Either we disrupt, or we get disrupted."

It is a matter of time that all businesses will go the digital route. And the digitally savvy will recognise that the quicker they do it, the stronger



**INNOVATION**

they will emerge when the playing field is more levelled. According to the 2014 *Accenture Technology Vision Report*: "Procter & Gamble, Tesco, Disney, GE – these are just a few of the global 2,000 that are now in a race to become digital. Those that get there first will be able to disrupt their existing markets and penetrate new ones."

But with any newfangled invention, the digital disruption can be equal part a remedy and an ill.

There is no denying the opportunity that digital technology provides to reframe business and industry models in powerfully refractory ways, creating tremendous positive value for consumers, companies and the community.

Consider the conventional industry value chain, which broadly comprises three parts: suppliers, distributors, and consumers. In the pre-digital, pre-internet era, controlling the supplier and distribution relationships often enabled companies to achieve strong competitive positions. Digitalisation and the internet have however turned this relationship dynamic on its head. Transacting and distributing digital goods could be accomplished at zero or near-zero cost.

This changed competition. Now, distributors no longer compete based on having exclusive relationships with key suppliers. Instead, suppliers could be aggregated at scale, and distributors can focus on building and maintaining strong relationships with consumers. Many of the new success stories are about companies that provide a platform, a marketplace, a sharing economy that delivers out-sized performance on a global scale.

Take these three companies as fine examples:

- Google integrates superior search capabilities with user profile data to sell highly effective advertising at significantly lower costs than traditional channels and media.
- Airbnb helps match property managers and owners with travellers on a global scale.
- Netflix changed from a DVD-by-mail service to content streaming driven by user data analytics to deliver personalised content.

On the flip side, anything digital opens itself to a high probability of being cyber-attacked.

These days, cyber threats to national and economic security are increasing in frequency, scale, sophistication and severity in impact. The types of cyber threat actors, methods of attack, the systems that are targeted, and their victims are also expanding and evolving.

Recent major cyber-attacks were startling and serve as a portent for companies to tread cautiously when adopting new technologies:

In 2015, the United States Office of Personnel Management (OPM) discovered that a number of its systems were compromised. These systems included those that contain information related to the background investigations of current, former, and prospective US federal government employees, as well as other individuals for whom a federal background investigation was conducted. OPM announced the compromise resulted in 21.5 million personal records being stolen.

After the 2012-13 distributed denial of service (DDOS) attacks on the US financial sector, JP Morgan announced plans for annual cyber security expenditures of US\$250 million. After the company suffered a hacking intrusion

in 2014, JP Morgan's CEO said he would probably double JP Morgan's annual computer security budget within the next five years.

The 2014 data breach at Home Depot exposed information from 56 million credit and debit cards, and 53 million customer email addresses. Home Depot estimated the cost of the breach to be US\$62 million.

Despite ever improving network defences, the diverse possibilities available through remote hacking intrusion, operations to insert compromised hardware or software, actions by malicious insiders, and mistakes by system users would mean that nearly all Information and Communications Technology networks and systems are at risk indefinitely. In short, cyber threats cannot be eliminated; they need to be acknowledged and managed.

While it is imperative that as we enter the era of digital disruption to progress fruitfully, our eyes need to be wide open and we need to proceed with prudence. Because when digital becomes truly disruptive, it can get out of control and recovery may be too little too late. ■



# “Comply Or Explain” or “Comply Or Else”



By **JOYCE KOH**  
Executive director, SID

In addition to the installation of a new leadership at the Singapore Exchange (SGX), industry insiders are also sensing the emergence of a new approach to the regulatory regime.

For one thing, the regulator appears to be knuckling down on the Code of Corporate Governance. In October 2015, Tan Boon Gin, SGX's new chief regulatory officer, remarked that he was surprised at the number of times (the Code) was referred to as optional or best practice. He added that he plans to deal with the failure to properly "comply or explain" by using the new enforcement powers given to the Exchange, which include levying fines and denying a listed company access to the securities market.

At the same time, SGX announced it had engaged KPMG to examine the annual reports of over 550 mainboard-listed companies to determine how they are abiding by the Code's "comply or explain" requirements. It will then work, "one-on-one", with companies that fall short to improve how they comply with the Code.

Taken together, these moves have led some observers to conclude that SGX is moving from a "comply or explain" regime to a "comply or face the music" approach. This, they argue, is against what they believe to be the voluntary nature of the Code.

## Voluntary or Non-voluntary?

The first issue to address is whether the Code is, indeed, voluntary or optional.

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BOARDROOM  
MATTERS



Many companies take the "comply or explain" requirement at face value: the company can either choose to comply with the Code's guidelines if it wishes and, if it does not, it just has to explain why it is not complying.

What this approach misses, however, is that the "comply or explain" aspect of the Code is being given effect through the SGX Listing Manual, which is mandatory, not optional.

Specifically, Listing Rule 710 requires a company to "describe its corporate governance practices with specific reference to the principles of the Code in its annual report (and) it must disclose any deviation from any guideline of the Code together with an appropriate explanation for such deviation in the annual report".

Read closely, this provision has two requirements.

The first is that the guidelines of the Code are preferred, almost required, even if they are

not explicitly compulsory. Judging from Mr Tan's remarks, his view is that the guidelines are good, rather than best, practices. This implies that the majority of companies should be able to comply. In other words, SGX wants companies to adopt these good practices – unless they really cannot.

And when they really cannot, the second requirement is that the non-compliance must be justifiable – or, as the rulebook puts it, "the deviation" from the Code must be "appropriately" explained.

### Non-compliance

From the regulator's perspective, it probably feels that far too many companies are failing on both counts.

Certainly, there are a few Code guidelines for which the level of non-compliance is high and, at the same time, the explanations for deviations have been less than adequate.

One of these is the nine-year rule. Guideline 2.4 requires that the independence of a director who has served more than nine years should be subjected to a "particularly rigorous review".

Yet, according to the *SID-ISCA Singapore Directorship Report 2014*, more than half of the listed boards had at least one director who had served over nine years on the board and was still declared independent. A typical explanation goes something like this: "Rigorous reviews have been carried out by the board to assess the independent status of Director A and Director B, who have served on the board beyond the nine-year mark. All of them are considered independent in accordance with Guideline 2.4 of the CG Code 2012."

This merely repeats the Code requirement. It does not adequately explain how the "particularly rigorous review" was conducted nor does it provide any justification as to why the directors are considered independent.

Perhaps the most common non-compliance relates to remuneration disclosures. While the *SID-SGX Board of Directors Survey 2015* showed that attitudes are improving, still, some 55 per cent of companies are not disclosing detailed remuneration of each individual director and CEO on a named basis as required by Guideline 9.2.

Here, a common boilerplate for non-disclosure of remuneration is: "The remuneration of each individual director and key management personnel is not disclosed in dollar terms because remuneration is a commercially sensitive matter and there could be potential poaching of employees by competitors."

While SGX has yet to rule on the general acceptability of the "fear of poaching" explanation, the fact is that this is clearly not a credible reason in some circumstances such as when the executive directors are major shareholders and their relatives are also employees of the firm.

Besides these examples, disclosures relating to risk governance, board diversity and sustainability are often singled out as lacking in comprehensiveness.

In summary, it is fair to say that SGX is not, in fact, veering towards a "comply or else" regime. Which is not to say that this is a green light for companies to continue to treat the Code casually. Responsible corporate governance requires otherwise; all the more to appreciate SGX's timely attempt to return to the original underlying philosophy of the Code, which is perhaps better restated as: "Comply – or explain satisfactorily why you have not done so". ■

*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.*

# COMPANIES ACT AMENDMENTS

The Companies (Amendment) Act 2014 changes are being introduced in two phases: the first set was implemented on 1 July 2015, and the second set is expected to take effect in January 2016. The key amendments are highlighted here (changes between current and previous legislation have been indicated in *italics*).

By

**FERNANDEZ NAVPRAKASH**

Lecturer, Nanyang Business School, NTU

## Directors and officers

- An executive director can be compensated *without* shareholder approval under certain conditions.
- An officer or agent may not improperly use *his position* and information acquired by virtue of his position.
- A director would be automatically disqualified if he is convicted or has a civil penalty imposed upon him under the Securities and Futures Act.
- A shadow director is *clarified* to be one who controls all or the majority of the board.
- Board authorisation for the disclosure of information by nominee directors can be *general* or specific.
- Directors of public companies or their subsidiaries *are no longer* subject to age limit.
- Chief Executive Officers are *now required*, like directors, to disclose their interest in conflict of interest situations involving transactions and property and the holding of any office. Companies *can* indemnify its officers in respect of liability incurred by them to third parties.
- The Registrar *can make an order* against a director or secretary of a company who is in default of the Act debarring them from acting as director or secretary of any other company for the period of the debarment.
- Prohibitions relating to the provision of financial assistance to directors and director-related companies have been *extended* to include quasi-loans and credit transactions. *Shareholder approval may be obtained* to allow for such transactions with director-related companies.
- Directors/CEO/secretaries may report an *alternate address* instead of residential address in register.

## Corporate finance

- *Share capital* can be used to cover expenses such as brokerage fees and commissions directly incurred in the issue of shares.
- Private companies who are not subsidiaries of public companies are *allowed* to provide financial assistance for acquisition of shares in itself or its holding company. Similarly, for public companies if no material prejudice conditions are being satisfied.
- Listed companies can now *also undertake* a selective off-market share buy-back.
- Public companies may now issue shares with *multiple voting rights* subject to conditions.

## Audit and reporting

- A new category of "*small companies or groups*" has been *added*. Such companies and groups are exempted from audit (in place of exempt private companies) although member(s) holding not less than five per cent shareholdings or at least five per cent of the shareholders can demand an audit.
- *Directors* are obliged to ensure compliance in respect of summary financial statements.
- Directors' report accompanying the financial statements is *no longer required*.
- *Singapore Financial Reporting Standards* will determine the alignment of the financial year-end for a parent and its subsidiary.

## Others

- The scope of statutory derivative action is *extended* to include arbitration and to Singapore incorporated companies listed here or overseas.
- A company's memorandum and articles of association are *now combined* into one document – the company's constitution.
- Members who are relevant intermediaries (as defined in the Act) are permitted to appoint *more than two proxies*. ■





# Tax for directors

What directors need to know to file tax returns for 2016

By

**KOH SWEE TIAN**

Director, KST Consulting Pte Ltd

## When is the tax return due?

Your tax return for the Year of Assessment 2016 (YA 2016), which is for income earned in the calendar year 2015 (CY 2015, from 1 January to 31 December 2015), must be submitted to IRAS by 15 April 2016 (or 18 April 2016 if you e-File).

You do not need to include director's fee in your employment income if all the companies in which you are a director e-file directly with IRAS under the auto-inclusion scheme. (This auto-inclusion scheme is compulsory for employers with 11 or more employees or who have been requested by IRAS to do so.) You can check the amounts that are auto-included by logging on to [www.iras.gov.sg](http://www.iras.gov.sg).

## What director's fees are taxable and reportable in the Singapore tax return?

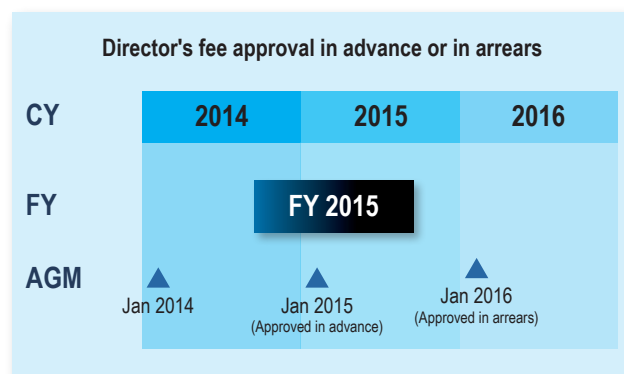
Director's fee from a Singapore resident company is taxable.

Director's fee from a non-resident company is not assessable to Singapore tax so long as you did not perform your duties in Singapore. It is however subject to tax in the foreign jurisdiction.

## In which year of assessment will a director's fee be assessed for tax?

Your director's fee is assessable when you are entitled to it (i.e. approved at an AGM or EGM) and when you have rendered the service.

The year of assessment therefore depends on whether your director's fee is approved in advance or approved in arrears.



Using the above illustrative dates:

- **Approved in advance:** If your director's fee for FY 2015 is approved at the AGM in January 2015, then it is approved in advance. Your director's fee for FY2015 is assessable in YA 2016.
- **Approved in arrears:** If your director's fee for FY 2015 (1 October 2014 to 30 September 2015) is approved at the AGM in January 2016, then it is approved in arrears. Your director's fee is then assessable in YA 2017.

## What can I deduct against my director's fee?

You can claim unreimbursed expenses incurred in performing your duties as a director (e.g. client entertainment, travel, telecommunications, etc.).

You can also claim your SID annual subscription (as a deductible expense against director's income) and attendance at SID courses (under "course fee reliefs", up to a total maximum of S\$5,500 regardless of the number of courses enrolled). ■

# Being a nonprofit director



By **ANI DINASAN**  
Senior manager, SID



**EXPANDING HORIZONS**

## So what is the difference between being a director of a nonprofit organisation and a commercial one?

Ask anyone who sits on both types of boards and they will tell you: “Plenty.”

### The Nonprofit Difference

To start, usually nonprofit directors are not remunerated.

That said, the fact that nonprofit directors are not paid does not mean that their responsibilities and liabilities are any less than those of directors in a money-making business. Commercial directors have fiduciary and legal duties under the Companies Act. And because many nonprofit organisations are increasingly constituted as companies limited by guarantee (CLGs) under the Companies Act, likewise they – and their directors – are obliged to adhere to the same regulation. To add to that, nonprofits that are registered charities and/or institutions of a public character (IPCs) have to abide by the Charities Act.

Second, the voluntary nature of the nonprofit director can impact on the board-management relationship. Beyond their strict governance role, nonprofit board members often get involved in the operations, helping out as volunteers. This can give rise to confusion and conflict when board members mix up their governance and volunteer role in the operations of the organisation.

Third, nonprofits are usually resource-constrained and rely heavily on volunteers and donations. Board members of nonprofits are usually pulled in to help with mobilising volunteers and raising funds. In fact, more often than not, board members are selected because of their connections and/or capability to raise funds. In contrast, for commercial companies, fundraising is done through the capital markets and by the management.

The fourth critical difference is the way in which success of a nonprofit organisation vis-à-vis a commercial one is measured. For the latter, success is pegged to the financial bottomline, which is quantifiable and fairly easy to compare across companies. On the other hand, a nonprofit organisation is often measured in relation to the social impact the organisation is making, something less tangible. And often, this varies across nonprofit organisations, making fair comparisons difficult.

Other differences between the commercial and nonprofit organisations include the types of board committees, governance codes, accounting requirements, stakeholder relationships and accountability and so on.

### Nonprofit Courses

SID acknowledges these difference in the roles of directors and how they operate in the two environments, and hence started to introduce two sets of courses tailored for nonprofit directors.



The first is a variant of the “So, You Want To Be A Director” (SYD) course for aspiring and new directors. The “So, You Want To Be A NonProfit Director” (SYN) course highlights the nonprofit regulatory framework, the duties and responsibilities of a nonprofit director, and the diligence needed for joining a nonprofit board. The first of these courses was held in September 2015.

The second is a more extensive NonProfit Directors Programme (NPD) course developed in collaboration with the Social Service Institute of the National Council of Social Services, the Charity Council and the Centre for NonProfit Leadership.

The seven-module course addresses the specific considerations relevant to nonprofit boards – from the board-management interactions to fundraising and outreach.

The course design is based on an experiential approach supported with case studies and sharing by more than 20 nonprofit leaders and

practitioners. Each module is conducted at a different nonprofit location to provide context to the case studies and exposure to participants. The first module of the inaugural NPD course was held in October 2015 with subsequent modules scheduled monthly (Ed: see page 61).

### **Passion and Preparation**

Working for a nonprofit organisation, whether as a staff or a board member, is not for the faint of hearts. However, as with any altruistic endeavour, it can be a wonderful, enriching experience, especially for those willing to give their personal time and resources for a cause they believe in. I can say that in a nonprofit organisation (which SID is), you will have the opportunity to work with some of the most passionate and dedicated individuals who share and work towards a common goal.

However, because the culture, work and approaches are different, it is recommended that directors do their own research, recognise the distinction so they are more prepared to delve deep into the nonprofit world. ■

## Launch of Singapore Board of Directors Survey 2015



Panellists (L-R): Ramlee Buang, SID; Graham Poston, Heidrick & Struggles; June Sim, SGX; Fang Eu-Lin, PwC and Adrian Chan, SID

The launch of the ninth edition of the Singapore Board of Directors Survey 2015 was held at the Marina Mandarin on 21 October 2015.

The survey of listed boards was undertaken by SID and SGX in collaboration with PwC and SIM University (UniSIM).

Mr Adrian Chan, SID vice-chairman and chairman of the Survey Committee, and Ms Chua Wei Hwa, senior lecturer of UniSIM presented the results of the survey. A panel moderated by Mr Ramlee Buang, council member of SID then discussed and debated the findings on matters such as gender diversity, director search, multiple directorships, and remuneration.

Gender diversity remained a hot topic with only nine per cent of seats held by women. Panellists argued over whether, and how, it is a supply or demand issue. Ms June Sim, vice president of SGX disagreed that it is a supply problem, citing the recent event by SGX where 100 women corporate leaders were identified for potential board seats. Ms Fang Eu-Lin, partner of PwC felt that if awareness is raised but it does not result in progress, some level of regulation could be considered as an alternative.

The Survey revealed a significant increase in the use of executive search firms and SID to identify potential non-executive directors. In response to a comment by Mr Lee Chong Kwee, Chairman of Jurong Port, who compared board search practices between Hong Kong and Singapore, Mr Graham Poston, Regional Managing Partner, CEO and Board Practice of Heidrick & Struggles, said there was nothing wrong in using personal connections to identify director candidates as long as the selection process is rigorous.



Mr Willie Cheng, SID Chairman said that SID is enhancing its board appointment services to bring in more companies to look for new directors among its members. In addition to the Board Match service, it will be introducing a Board Post service for companies to reach out directly to SID members and a Director Profile service for companies to obtain information on specific candidates. ■

*The Board of Directors Survey is available from the SID Secretariat at S\$90 for SID members and S\$150 for non-SID members.*

## NonProfit Directors Programme



Module 1 speakers at the concluding panel: (from left) Low Puk Yeong (Commissioner of Charities), Gerald Ee (Chairman, Charity Council), Kathy Lai (CEO, National Arts Council), Sim Gim Guan (CEO, National Council of Social Services), and Willie Cheng (Chairman, SID)

The inaugural NonProfit Directors Programme (NPD) kicked off on 8 October 2015 with the first module on “The NonProfit Environment” at the Social Service Institute.

The first module covered the nonprofit landscape, regulatory environment, organisation and policy framework for two sectors (social service and arts), and the role of the nonprofit director.

The second module was held on “Board and Management Relationship” at the National

Volunteer & Philanthropy Centre (NVPC).

The session examined the role of board members as governors and as volunteers and the need for effective communication, trust and collaboration between the board and management. A key highlight was a sharing by the vice-chairman and CEO of NVPC on board and management relationships over the years.

The NPD course is fully subscribed with 30 participants from a range of sectors, from social services to education. ■



Module 2 speakers at the concluding panel: (from left) Melissa Kwee (CEO, NVPC), Eugene Seow (Executive Director, TOUCH Community Services) and Ow Chee Chung (CEO, Kwong Wai Shiu Hospital)

## AGM day

On the morning of 18 November 2015 and before the AGM in the afternoon, SID held its annual Corporate Governance Roundup at the Orchard Parade Hotel.

After the panel of 10 speakers, comprising mostly SID governing council members, presented their topics in rapid fire fashion, the spotlight was turned to the audience who raised questions and commented on a range of matters from multiple directorships to compliance with the latest SGX undertaking required of directors. (Ed: see CG Roundup on Page 46).

Following the panel, two initiatives were launched.

The first was the publication of the second volume of *Boardroom Matters: Of conformance and performance in corporate governance*. This is a collection of 50 articles from the weekly eponymous column featured in *The Business Times*.



SID chairman, vice chairman and ED with the publisher, Tan Chin Kar, CEO of Write Editions

The second was the announcement of a collaboration between SID and Straits Interactive on the conduct of the GRC Professional Programme.

The three-day workshop will deal with the important fundamentals of Governance,



Kevin Shepherdson, CEO of Straits Interactive and Joyce Koh, ED of SID exchanging the collaboration agreements



Philip Forrest, SID Council member explaining the GRC programme

Risk Management and Compliance (hence GRC). The course is targeted at GRC professionals (those in internal audit, compliance, IT, legal, risk, and C-suites who contributed to principled performance through GRC). Participants may sit for an online test to achieve the internationally-recognised GRC Professional Certification. The course will be delivered with Straits Interactive, a Singapore-based company that specialises in PDPA, governance and compliance.

The course is licensed by OCEG (formerly known as the Open Compliance and Ethics Group), a global, nonprofit think tank with 50,000 members and a world leader in training and the setting of standards for corporate governance. ■



SID's 17<sup>th</sup> AGM took place in the afternoon of 18 November 2015 with the help of electronic polling devices sponsored by Boardroom Limited.

The following members were elected to the SID governing council:

- Mr Ramlee Buang
- Ms Junie Foo
- Mrs Elaine Lim (re-elected)
- Mr Irving Low
- Mr Gerard Tan

SID Chairman expressed his appreciation to the four members who retired from the governing council:

- Mr Adrian Chan
- Mr Lim Chin Hu
- Mr Richard Teng
- Mr Yeoh Oon Jin



Left to right: Mr Ramlee Buang, Ms Junie Foo, Mrs Elaine Lim, Mr Irving Low, Mr Gerard Tan

## The Noble saga

How will you respond if your company is under such a siege that your share prices plunge?

This was one among many issues raised at a case-study seminar titled “Noble Group: The Saga and Its Lessons” held by SID on 14 October 2015.

More than 120 participants received first-hand account of the Noble saga, issues surrounding the analyst reports and shortselling, and lessons learnt from Noble Group’s CEO, Mr Yusuf Alireza and Independent Director David Yeow.

A panel comprising Professor Basskaran Nair of the Lee Kuan Yew School of Public Policy, Mr Tham Sai Choy, chairman of KPMG, and Ms Stefanie Yuen Thio, managing partner of TSMP Law Corporation and chaired by Mr Adrian Chan, vice-chairman of SID, was also present to share their observations and perspectives on issues relating to short selling, accounting, regulation, and impact of social media. ■

**“Social media is here to stay. The challenge is how such social media activities can be regulated to avoid market manipulation”.**

~ Tham Sai Choy



**“Some regulations requiring research firms to disclose their economic interests in companies they cover are needed, so that the public is aware when they have conflicts of interests.”**

~ Stefanie Yuen Thio



**“This is one of the worst things I’ve gone through in my career, if not the worst. Up until (the investor day), every morning I would wake up and the first thing (I would do was) to look at my BlackBerry to find out what (Iceberg) had done while I was sleeping. It was quite stressful.”**

~ Yusuf Alireza





## Rounding up Chairmen's Conversations



The last quarter of 2015 saw a roundup of the remaining Chairmen's Conversations for the year.

On 3 November 2015, KPMG and SID hosted an Audit Committee Chairmen's Conversation on "The role of AC in overseeing reputational risks and responding in times of crisis". Mr Irving Low of KPMG and Mr Soh Gim Teik of SID facilitated the group discussion.

The forum recognised that as businesses evolved, the remit of audit committees is going beyond its traditional focus on the financial statements to significant non-financial risks (for example, the impact of the haze for palm oil companies) that may ultimately impact the financial statements. Even though the company may technically comply with the relevant requirements, reputational risks arise from not adequately managing other risks,



for example, the Starbucks low tax payments was negatively perceived by the public.

With the increasing challenges of non-financial and other risks, more and more companies are setting up Board Risk Committees to dedicate more time and focus on forward looking risks.

On 1 December 2015, Towers Watson and SID facilitated a Remuneration Committee Chairmen's Conversation on the topic, "Right-sizing and Right-structuring Executive Pay". Mr Kevin Ong of Towers Watson kicked off the discussion by sharing the latest trends and developments on executive compensation in Singapore.

The discussions revolved around the increasing public scrutiny on executive remuneration in Singapore and how there is room for improvement on transparency of disclosure in line with the corporate governance code. Members discussed the positive impact of "Say on Pay" regulations in the United Kingdom. There was also extensive discussion on whether incentive plans based on Economic Value Added (EVA) were over-reliant on a single metric and whether the complex target setting undermines their effectiveness. ■

## ASEAN Corporate Governance Awards

The inaugural ASEAN Corporate Governance Conference and Awards was held in Manila on 14 November 2015.

Leaders of the region's leading publicly-listed companies (PLCs), capital markets regulators and governance experts converged in Manila for the event, which was organised by the ASEAN Capital Markets Forum (ACMF) and hosted by the Philippines Securities and Exchange Commission (SEC).

The conference, themed "Governance Transformation in ASEAN: Reform Priorities" took place in the morning at the Asian Development Bank while the awards were conferred in the evening at the Manila Polo Club.

The Singapore delegation to the event included representatives from the Monetary Authority of Singapore, SID and Centre for Governance, Institutions and Organisations (the Singapore ranking body for the Scorecard), and the winning companies from Singapore.

For the first time, a list of the top 50 companies in alphabetical sequence across the six participating ASEAN countries (Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam) was revealed. The Scorecard assessed corporate governance items such as the rights of shareholders, equitable treatment, role of stakeholders, disclosure and transparency, and board responsibilities.

Formally closing the event was the announcement of the top five ASEAN companies that have garnered the highest scores in the Scorecard. In alphabetical order, the companies were Bursa Malaysia, DBS Group Holdings, PTT Global Chemical (Thailand), Samart Corporation (Thailand), and Singtel. ■

### Conference: ACMF Regulators Panel



Panellists (L to R): Kelly Bird (ADB), Paul Yuen (MAS, Singapore), Sarjito (OJK, Indonesia), Rapee Sucharitakul (SEC, Thailand)

### Gala: The top 50 companies in ASEAN include...



Capitaland (represented by Arthur Gindap, second from left)



SATS (represented by Christianto Wong, second from left)



SGX (represented by Tan Boon Gin, second from left)

### And the top 5 companies in ASEAN include...



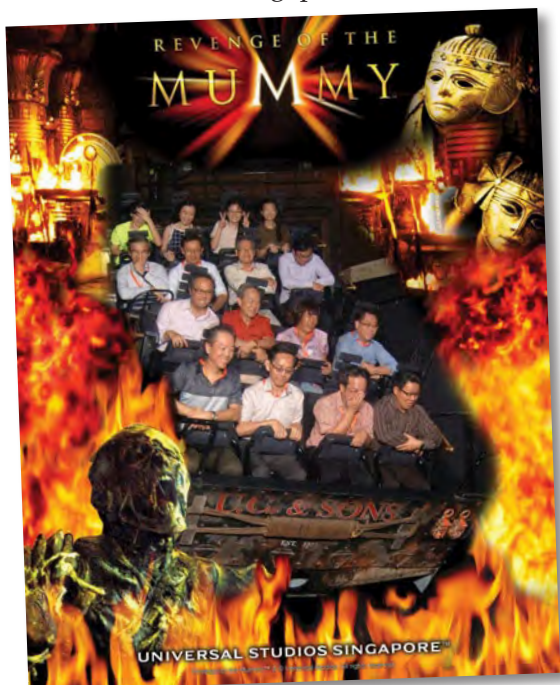
DBS (represented by Chng Sok Hui, second from left) and Singtel (represented by Simon Israel, fourth from left)

## A universally thrilling experience



SID members ready for their Universal Studios Singapore tour

Some 40 SID members who signed up for the members' networking event on 9 December 2015 were treated to an exclusive peek at what it takes to make the movies come alive at Universal Studios Singapore.



A carload of members whizzing through the tombs of the Mummy

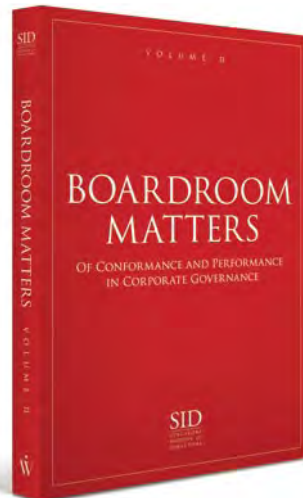
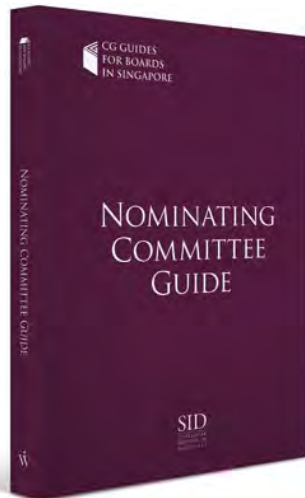
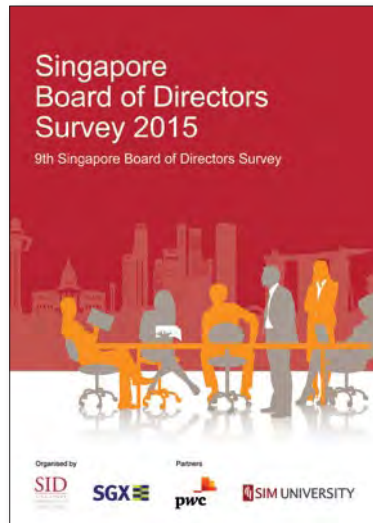


SID members and guide giving the Transformers 3D ride the thumbs up

Hosted by Mr Ng Tiong Gee, Senior Vice President for Technology at Resorts World Sentosa, the group went behind-the-scenes, touring the control room and maintenance bay of two of the theme park's most popular rides: *Transformers – The Ultimate 3D Battle* and *Revenge of the Mummy*. The members learnt about the rigour that goes into maintaining the massive tracks and cars to make the rides safe, as well as the technology used to create the 3D/4D effects park-goers experience on the rides. After the tour concluded, the members hopped on the rides and later adjourned to KT's Grill for cocktails and networking. ■

## SID's Past Events (October 2015 – December 2015)

DATE	TYPE	EVENT DETAILS
2 Oct 2015	PD	SID-DPI: Strategic Innovation
6 Oct 2015	PD	LCD Module 6: Investor and Media Relations Essentials
7 Oct 2015	PD	EBL Module 1: Effective Board
7 Oct 2015	PD	EBL Module 2: The Board and Fund Raising
8 Oct 2015	PD	EBL Module 3: Enterprise Risk Management
8 Oct 2015	PD	EBL Module 4: Financial Literacy and Governance
8 Oct 2015	PD	NPD Module 1: The NonProfit Environment
13 Oct 2015	PD	Directors Compliance Programme
14 Oct 2015	PD	SID-Noble Group: The Saga and Its Lessons
14 Oct 2015	PD	Board and Director Fundamentals
20 Oct 2015	PD	LCD Module 1: Understanding the Regulatory Environment in Singapore
21 Oct 2015	PD	Launch of Singapore Board of Directors Survey 2015
22 Oct 2015	PD	LCD Module 4: Nominating Committee Essentials
27 Oct 2015	PD	LCD Module 5: Remuneration Committee Essentials
29 Oct 2015	PD	Directors Compliance Programme
3 Nov 2015	PD	SID-KPMG: Audit Committee Chairmen's Conversation
5 – 6 Nov 2015	PD	LCD Programme in Mandarin
12 Nov 2015	PD	NPD Module 2: Board and Management Relationship
18 Nov 2015	PD	Corporate Governance Roundup
18 Nov 2015	Event	Annual General Meeting
24 Nov 2015	PD	Directors Compliance Programme
25 Nov 2015	PD	SID-ISCA Directors Financial Reporting Essentials
1 Dec 2015	PD	SID-Towers Watson: Remuneration Committee Chairmen's Conversation
2 Dec 2015	PD	So, You Want to be a Director?
2 Dec 2015	PD	Directors Compliance Programme
9 Dec 2015	Social	SID Members' Networking Event: Technology Behind a Million Moments
10 Dec 2015	PD	NPD Module 3: Board Dynamics and Evaluation
15 – 17 Dec 2015	PD	SID-INSEAD IDP Module 3: Director Effectiveness and Development



## Contact Us

If you are interested in these publications,  
please check out SID's website [www.sid.org.sg](http://www.sid.org.sg)  
or contact SID Executive Team at +65 6422 1188

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# Run Forrest run



**PHILIP FORREST**  
Council member, SID



**AFTER HOURS**

**It was on 20 September 1993, 4.30am when I found myself wide awake nursing a jetlag. I saw then on TV, Juan Antonio Samaranch announcing that Sydney would host the 2000 Summer Olympic Games. As an Aussie, I found the news very exciting.**

It was then I realise it was too early to go to my meetings, and I was too excited to sleep. In the Olympic spirit, I decided to go for a gentle run.

And so, well into middle age, began my commitment to running. Twenty-two years later, I can put my

hand on my heart (literally) and say that every year I go farther – though not necessarily faster as speed is not important, so I tell myself.

I enjoy the trails of MacRitchie Reservoir, and when I travel I get pleasure from Lumpini Park in Bangkok, Hoan Kiem Lake in Hanoi, and the streets and parks of Brisbane and Sydney. But of them all, I love our Botanic Gardens the most. I try to jog around them five times each week and when doing so I would think how lucky we are to have this fabulous national icon, Singapore's first UNESCO World Heritage Site, at our disposal.



As I jog through the gardens I see people doing tai chi, fan dancing, sword, line, and even lion dancing. I see photographers taking shots of brides and grooms, company directors, parents with their kids, owners with their dogs (lots of beautiful dogs) and now and then, some Singapore cabinet ministers. And I marvel that I get so many more smiles and hellos than I did twenty years ago. Singaporeans, it seems to me, are becoming steadily more relaxed, more aware of their success and their right to be proud, and more comfortable in their skin. I sense that confidence as I tread my jogging route.

To jog as the sun comes up, in this safest of cities, is just about as good as it gets. It de-stresses, builds energy, helps to sleep well, and it helps to compensate for my culinary excesses. And it's a great time to let my mind wander and think about the big questions... *What was here before the Big Bang? What are the drivers of human civilisation? Who was more significant – the Beatles or the Rolling Stones?*

And it's so easy to do! You don't need lots of equipment (just quality running shoes), you can do it anywhere, anytime, and you can do it alone even if your friends don't turn up. If you have a running app and some good music on your smartphone, you're set to go.

But how far? Well, it's all in the mind. If you tell yourself the night before that you're going to get up in the morning and run five kilometres, you'll do it easily although you might flag a bit on the last km. But if you tell yourself that you're going to run 10km, again you'll do it easily... although you might flag a bit on the last km. And if you tell yourself you're too old to run at all, then you will be. But if you don't tell yourself you're too old, you never will be.

I suggest you measure and record your distances, and push yourself a bit farther each month. You'll be amazed at how good it makes you feel. Just Do It!

Oh, and the answer is... the Stones. ■



# Upcoming events

## Core Professional Development Programmes

PROGRAMME	DATE	TIME	VENUE
LCD Module 1: Listed Company Directors Essentials	14 Jan 2016	0900 – 1730	Marina Mandarin Singapore
NPD Module 4: Strategic Decision Making	14 Jan 2016	1700 – 2030	HCA Hospice Care
Board and Director Fundamentals	20 Jan 2016	0900 – 1700	Marina Mandarin Singapore
Directors Financial Reporting Essentials	21 Jan 2016	0900 – 1700	Capital Tower
Directors Compliance Programme	2 Feb 2016	1300 – 1730	Capital Tower
Directors Compliance Programme	18 Feb 2016	1300 – 1730	Capital Tower
Directors Compliance Programme	2 Mar 2016	1300 – 1730	Capital Tower
So, You Want to be A Director	3 Mar 2016	1030 – 1230	Capital Tower
LCD Module 1: Listed Company Directors Essentials	9 Mar 2016	0900 – 1730	Marina Mandarin Singapore
NPD Module 5: Financial Management and Accountability	10 Mar 2016	1700 – 2030	Capital Tower
INSEAD Directors Forum	11 Mar 2016	0900 – 1700	INSEAD Singapore Campus
Directors Compliance Programme	17 Mar 2016	1300 – 1730	Capital Tower
So, You Want to be Nonprofit Director	17 Mar 2016	1730 – 2030	Capital Tower
Directors Financial Reporting Essentials	22 Mar 2016	0900 – 1700	Capital Tower
LCD Module 2: Audit Committee Essentials	29 Mar 2016	0900 – 1230	Marina Mandarin Singapore
LCD Module 3: Risk Management Committee Essentials	30 Mar 2016	0900 – 1230	Marina Mandarin Singapore
SID-SMU Directorship Programme Module 1: The Role of Directors	4 – 6 April 2016	0900 – 1700	SMU Campus
LCD Module 4: Nominating Committee Essentials	5 Apr 2016	0900 – 1230	Marina Mandarin Singapore
Directors Compliance Programme	6 Apr 2016	1300 – 1730	Capital Tower
LCD Module 5: Remuneration Committee Essentials	7 Apr 2016	0900 – 1230	Marina Mandarin Singapore
LCD Module 6: Investor and Media Relations Essentials	12 Apr 2016	0900 – 1230	Marina Mandarin Singapore
GVG Module 1: Effective Board for Growth Companies	14 Apr 2016	0900 – 1230	Marina Mandarin Singapore
NPD Module 6: Fundraising and Outreach	14 Apr 2016	1700 – 2030	Children Cancer Foundation
GVG Module 2: Fund Raising for Growth Companies	20 Apr 2016	0900 – 1230	Marina Mandarin Singapore
Directors Compliance Programme	23 Apr 2016	1300 – 1730	Capital Tower
GVG Module 3: The Paradox of Risk for Growth Companies	27 Apr 2016	0900 – 1230	Marina Mandarin Singapore
Directors Compliance Programme	4 May 2016	1300 – 1730	Capital Tower
LCD Module 1: Listed Company Directors Essentials	5 May 2016	0900 – 1730	Marina Mandarin Singapore
Masterclass for Directors Module 1: Board-Management Interactions	6 May 2016	0900 – 1700	Marina Mandarin Singapore
SID-SMU Directorship Programme Module 3: Finance for Directors	9 – 11 May 2016	0900 – 1700	SMU Campus
NPD Module 7: Social Trends	12 May 2016	1700 – 2030	Crossings Cafe
Directors Compliance Programme	17 May 2016	1300 – 1730	Capital Tower



### Core Professional Development Programmes

PROGRAMME	DATE	TIME	VENUE
Directors Financial Reporting Essentials	18 May 2016	0900 – 1700	Capital Tower
GVG Module 5: Family Business Governance and Succession	19 May 2016	0900 – 1230	Marina Mandarin Singapore
GVG Module 4: Improving Financial Savviness for Directors	20 May 2016	0900 – 1230	Marina Mandarin Singapore
Board and Director Fundamentals	24 May 2016	0900 – 1700	Marina Mandarin Singapore
LCD Programme in Mandarin, Singapore	26 May 2016	0900 – 1730	Marina Mandarin Singapore
SID-SMU Directorship Programme Module 5: Strategic CSR and Investor Relations	26 – 27 May 2016	0900 – 1700	SMU Campus
IDP Module 1: Board Effectiveness and Dynamics	19 – 22 Jun 2016	0900 – 1700	INSEAD Campus
Masterclass for Directors Module 3: Fair Process Leadership in the Boardroom	23 Jun 2016	0900 – 1700	Marina Mandarin Singapore
SID-SMU Directorship Programme Module 2: Assessing Strategic Performance	27 – 29 Jun 2016	0900 – 1700	SMU Campus

### Other Professional Development Programmes

PROGRAMME	DATE	TIME	VENUE
Executive and Directors Remuneration	28 Jan 2016	0900 – 1100	Marina Mandarin Singapore
COSO Framework for Directors	24 Feb 2016	0900 – 1100	TBA
Mediation – The Better Alternative in Dispute Resolution	8 Mar 2016	0900 – 1100	Marina Mandarin Singapore
Boardroom Dynamics – Dealing with Damn Difficult Directors	10 Mar 2016	0900 – 1100	Marina Mandarin Singapore
Risk Management – Megatrends of Emerging Risks	23 Mar 2016	0900 – 1100	Marina Mandarin Singapore
Board Risk Chairmen's Conversation	8 Apr 2016	1100 – 1300	TBA
Intellectual Property – Leveraging IP for Growth	28 Apr 2016	0900 – 1100	Marina Mandarin Singapore
Board Chairmen's Conversation	10 May 2016	1100 – 1300	TBA
China – What's the New Normal?	31 May 2016	0900 – 1100	Marina Mandarin Singapore
Risk Management – Black Swans	24 Jun 2016	0900 – 1100	Marina Mandarin Singapore

### Major Events

EVENT	DATE	TIME	VENUE
SID-ACRA-SGX Audit Committee Seminar	12 Jan 2016	0900 – 1115	RELC International Hotel
Launch of Remuneration Committee Guide	15 Jan 2016	0900 – 1100	Marina Mandarin Singapore
ASEAN Corporate Governance Scorecard	4 Mar 2016	0900 – 1100	Marina Mandarin Singapore
Launch of Board Risk Committee Guide	31 Mar 2016	0900 – 1100	Marina Mandarin Singapore

### Socials

EVENT	DATE	TIME	VENUE
SID Golf Tournament	8 May 2016	1100 – 2030	Tanah Merah Country Club

Course dates are subject to change. Please refer to [www.sid.org.sg](http://www.sid.org.sg) for the latest updates.

# Welcome to the family

## September 2015

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Cheah Leng Seng  
 Cheah Yew Ho, Christopher  
 Chee Kuan Tat  
 Chen Hau Tat  
 Ching Mia Kuang  
 Chong Yee Siew, Sebastian  
 Choudhury Shoeib Reza  
 Corley Michael Robert  
 Date Amod Purshottam  
 Fangiono Ciliandra  
 Greb Thorsten  
 Grier Nigel Robert Davies  
 Kwan Chong Wah  
 Lee Suk Fern  
 Lee Teck Meng, Stanley  
 Lee Chor Teck, Steven  
 Lim Yong Tai, Vodka  
 Ling Tien Yew  
 Ling Kok Keong  
 Loh Soh Hoon, Irene  
 Low Jacqueline  
 Ma Yuen King, Cecilia  
 Masters Geoffrey  
 Nagaratnam Ramesh Bharani  
 Ngien Hoon Ping  
 Ong Chin Chuan  
 Ong Eng Hock  
 Ooi Boon Hoe  
 Perera Withanange Thusitha Vipuli  
 Shoaib Salman  
 Tan Tee Hiang, Ian  
 Tan Che Koon, Clive  
 Tay Lee Chye, Lester  
 Teah Jane  
 Teo Tzai Win, Melvin  
 Teo Kim Yong  
 Tew Bee Leng

## October 2015

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Burton Christopher Andrew  
 Chan Hon Chew  
 Chan Wai Leong, Melvin  
 Chay Wai Chuen  
 Chiang Wei Meng, James

Chiew Sin Cheok  
 Chow Yew Hon  
 Chua Hsien Yang  
 Chua Yong Hai  
 Gan Siew Lian, Avril  
 Good John  
 Ho Yeng Tat  
 Huang Qiang  
 Kaza Manikayal Rao  
 Kon Sen Choeng  
 Lee Gek Hoon, June  
 Lee Chiang Huat  
 Li Guosheng  
 Lim Siok Leng  
 Lim Eng Hong  
 Lim Je Yen, Cheryl  
 Liu Shih Chien  
 Loh Chin Hua  
 Lu Geok Lan  
 Manchanda Ravi  
 Newbigging Alex  
 Ng Hsueh Ling  
 Ong Shen Chieh  
 Ong Suat Lian  
 Phoon Chiong Tuck  
 Roche Tom  
 Saroni Mohamad Saiful  
 Talwar Anamika  
 Tan Wee Teck  
 Tan Chin Hwee  
 Tang Kok Kai, Christopher  
 Teo Eng Hwee  
 Teo Wai Leng, Lena  
 Thadikaran Geofran Thomas  
 Wan Mei Kit  
 Yeo Hsiu-Maerachelle Genevieve

## November 2015

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Chan Ee Lin  
 Cheah Kim Fee  
 Cheong Kum Foong  
 Chew Kia Ngee  
 Chong Kam Tuck  
 Choo Anne  
 Chua Hedy

Deepa Bharadwaj  
 Gn Hiang Meng  
 Hurd Christopher John  
 Kiu Kuen Thian  
 Kok Heng Loong  
 Lau Kam Yuen  
 Law Song Keng  
 Lee Chong Lin  
 Lee Khin Tien  
 Lee Kin Hong  
 Lee Fang Wen  
 Leong Roger  
 Leong Sook Han  
 Leong Hon Mun, Peter  
 Liaw Wee Tong  
 Lim Ai Leen  
 Lim Andrew  
 Lim Caroline  
 Lim Pauline  
 Lim Seok Bin Zann  
 Loh Uantchern  
 Loy York Ying  
 Ly Stephen  
 Mason David  
 Neo Sing Hwee  
 Ng Soo Kiat, Max  
 Ong Yu Huat  
 Pang Eng Fong  
 Pang Thieng Hwi, Thomas  
 Pink Warren  
 Rachmat John Daniel  
 Sean Kuan Thye  
 Seow Bee Lian, Cheryl  
 Shah Hitesh  
 Tan Teck Jin, Melvin  
 Tan Chern Ling, Heather  
 Tan Kim Song  
 Tan Peter  
 Tan Yinglan  
 Tang Boon Kang  
 Toh Wee Keong, Alex  
 Verge Wayne Michael  
 Wu Janice  
 Wu Sean

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 2016 training schedule provides opportunities for the different types of directors (private, listed, nonprofit and international) in their directorship journey (from aspiring and new directors to board chairmen).

Focus	16	Seminars & Conferences		
	15	Current Topics (Talks, Roundtables, Forums)		
	14	Chairmen's Conversations		
Updates	13	Annual Corporate Governance Roundup		
	12	CG Updates For Listed Companies		
Advanced	11	Masterclass for Directors <sup>NEW!</sup>		
	10	INSEAD-SID International Directors Programme		
	9	SID-SMU Directorship Programme		
Essentials	8	Listed Company Directors Programme		7 NonProfit Directors Programme <sup>NEW!</sup>
	6	Governance & Value Creation for Growth Companies <sup>NEW!</sup>		
	5	Directors Financial Reporting Essentials		
Fundamentals	4	Board And Director Fundamentals		
	3	Directors Compliance Programme		
	1	So, You Want To Be A Director	2	So, You Want To Be A NonProfit Director <sup>NEW!</sup>
		Listed Company (International)	Listed Company	Private Company

For 2016 scheduled dates and details of each course, check out the *SID Professional Development Guide 2016*.



Our Core Programme Professional Development Partners:



For the latest information on our programmes and membership:

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Website: [www.sid.org.sg](http://www.sid.org.sg)

Tel: +65 6422 1188

Singapore Institute of Directors  
168 Robinson Road, #09-06/07 Capital Tower  
Singapore 068912



## Secure Board Portal for the Paperless Boardroom

- Permission-driven access
- Online-offline syncing
- Annotation sharing
- eSignatures
- Secure email
- Voting

[boardvantage.com](http://boardvantage.com)

1 Raffles Place, #20-61, Tower 2  
Singapore 048616 | 6808 5672  
[sales@boardvantage.com](mailto:sales@boardvantage.com)

