

The Directors'

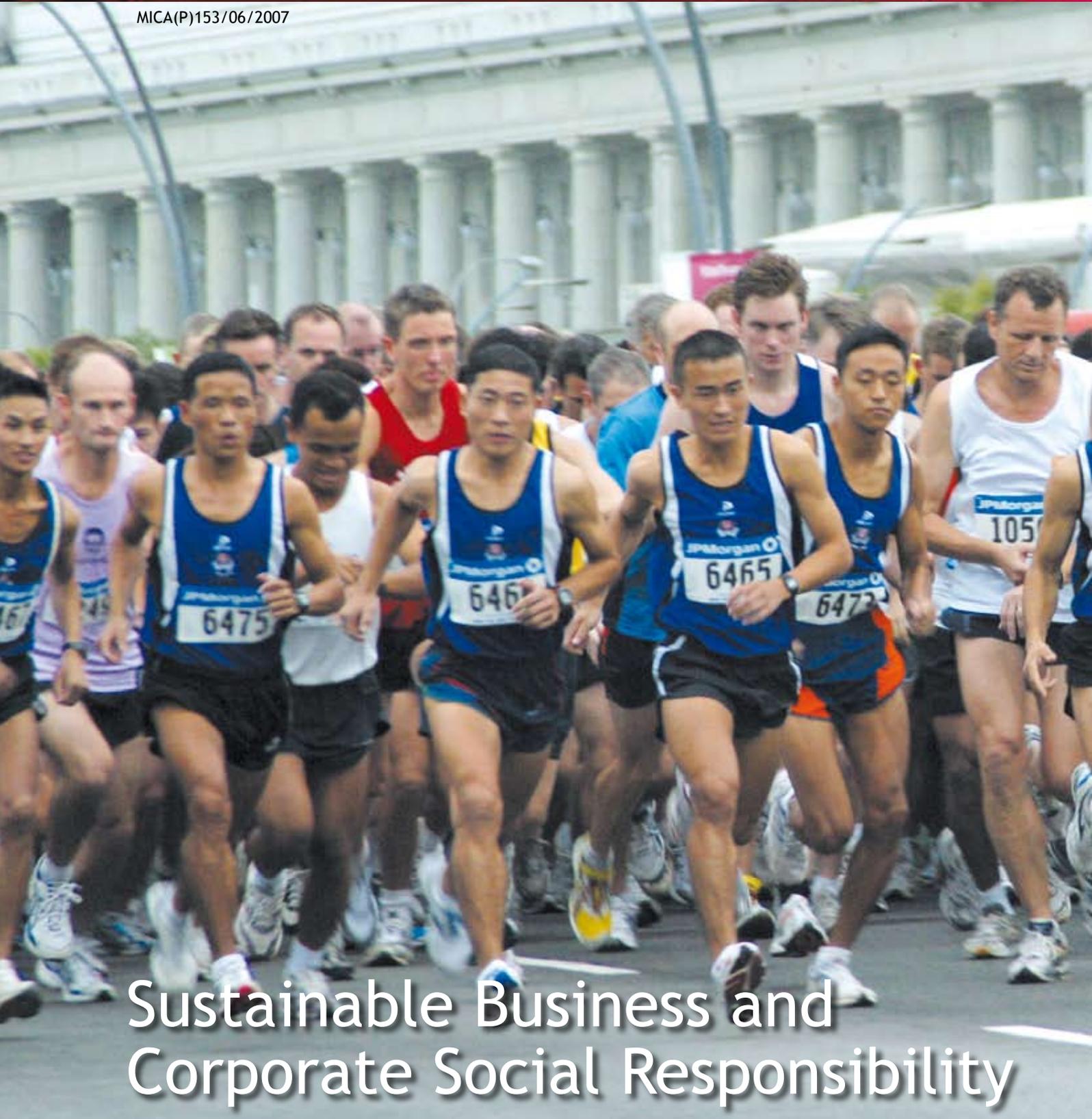
Bulletin

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Sustainable Business and Corporate Social Responsibility

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From the Editor

The focus of this edition is "Corporate Social Responsibility (CSR)". The first from Thomas Thomas, the Executive Director of Singapore Compact for CSR, considers the relationship between sustainable business and CSR. This followed by an article from Paul Zaman on how to report for CSR. The final one from SMRT highlights their experience as regards implementing community CSR programmes.

Typically, the perception in Singapore about CSR is that it relates to involving staff in activities of and raising funds for the voluntary sector. CSR is actually a lot more. Singapore Compact working with HSBC has recently issued a toolkit on implementing Corporate Social Responsibility. In this toolkit CSR is referred to as "the process of integrating social values within business decision-making, to achieve positive and sustainable outcomes for all stakeholders including business, employees, unions, environment and the community at large. A key concept is the CSR bottom line towards the 3Ps of Profit (Economic), People (Community) and Planet (Environment). The hard copy of toolkit is available from Singapore Compact for CSR at 6827 6825 and soft copies from HSBC Singapore's website or www.csrsgapore.org.

CSR is in its infancy in Singapore. Overseas, investors are looking for more disclosure by businesses of their CSR activities and investors are increasingly avoiding those entities that avoid their CSR responsibilities. It is likely that the global move towards CSR will impact Singapore business entities down the road. The time is now probably opportune to understand CSR and to take steps to implement some of the best practices.

Other topical articles include "Ten Lessons from the National Kidney Foundation (NKF) Saga", "Taking the positive route to Negative Assurance" and "Recent Developments in Workplace Safety and Health". With respect to the former, whilst the NKF may have been involved in the voluntary sector all of the issues raised in the article have relevance to the corporate sector, particularly to those with a dominant CEO.

In the next edition of the SID bulletin we intend to look at the role of the remuneration committee. ■

Mike Gray

Mike Gray
Editor

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President's Message

Dear Members,

I am delighted that this issue of our Bulletin has as its main focus the subject of Corporate Social Responsibility (CSR) and I commend our editor and his committee for this initiative.

Corporate Social Responsibility is a term that is increasingly becoming a part of corporate vocabulary around the world but with different perceptions among different organizations, not only in Singapore but also in different parts of the world, although there is considerable common ground between them. In almost all cases CSR is aligned with philanthropy.

Whatever the definition, one thing that is certain is that the pressures on businesses and corporations to play a role in social issues will continue to grow. As directors of companies it would serve us well in the discharge of our responsibilities to more fully understand what is CSR and its best practices. I hope the many articles on this subject in this issue will assist us to achieve this objective.

As I write this message I am also conscious that your Institute has now entered its 10th year of existence. During this time the expectations and responsibilities of directors and particularly non-executive and independent directors, have evolved and significantly increased. Your Institute in collaboration with many professional and educational bodies and regulatory agencies has played a very important role during this period to assist and equip all of us to better meet the many challenges facing us and to help us perform our role more effectively.

In addition to organizing many other relevant activities for directors, it has planned and conducted numerous training and development courses and seminars and most recently commenced an Executive Certificate in Directorship Programme in partnership with Singapore Management University. A diploma course will follow.

Throughout these years your Institute has depended largely on the voluntary services of a group of dedicated men and women who served on its Governing Council,





led by our Chairman Chew Heng Ching, and its many committees, assisted by a small Secretariat of 3 full time staff, including our Executive Director Gabriel Teh. This, together with your support and that of our many programme partners, has enabled your Institute to successfully fulfil its role and also achieve a small surplus, despite very modest membership fees.

However, despite these achievements your Council decided it was timely to conduct an independent strategic review of the Institute and its future directions to ensure its priorities remain relevant to its core mission of helping directors to enhance their effectiveness. To this end your Institute is working closely with The Monetary Authority of Singapore (MAS) on the scope of this review which will include a review of the resources required to successfully implement any plans and programmes arising from this study and best practices and success stories of similar Institutes overseas. This review will be conducted by a firm of consultants whose appointment is expected to be made shortly. The findings of this review are expected in the first quarter of 2008.

Your Council is confident this review will help to further enhance the role of your Institute in promoting effective and sustainable corporate governance practices in Singapore.

I would like to conclude by highlighting to you the Institute's forthcoming Annual General Meeting and luncheon on Tuesday 13 November 2007 at the Raffles Hotel. Details will be sent to you in the second half of October. Our guest-of-honour is Mr Lim Boon Heng, Minister, Prime Minister's Office.

We look forward to your continued support and attendance. ■

Kind regards,

John KM Lim
President



Sustainable Business and Corporate Social Responsibility



By Thomas Thomas
Executive Director
Singapore Compact for
Corporate Social Responsibility

Globalisation has changed the way business issues are debated and who is involved in the debates. Today, more than half of the world's largest economies are corporations rather than countries. The dynamics are so changed that society now looks to businesses to address issues that were once the province of governments.

It has created new demands and expectations of business which if not addressed, can be potential risks for a company. The question therefore is not whether there is a role for business in meeting society's expectations, but rather what that role is.

Increasingly Corporate Social Responsibility (CSR) is no longer just a jargon used in a corporate PR exercise. Senior executives and corporate strategists worldwide are now honing their skills

in aligning business competencies with CSR to build new markets, create business opportunities, engage key stakeholders and enhance their corporate governance and reputation.

Underpinning this momentum is a fundamental belief that business thrives where society thrives; good businesses are also business that do good. Companies that have the trust and respect of their stakeholders are likely to work better and be sustainable in the long run.

What is Corporate Social Responsibility?

Corporate Social Responsibility refers to carrying out business practices which lead to the sustainable development of the organization and abides by the good business practices and standards. It is essentially about doing good and doing well. It generally refers to the process of integrating social values and mission within business decision-making, to achieve positive and sustainable outcomes towards business, environment and the community at large.

CSR is generally understood to be the way a company achieves a balance or integration of economic, environmental, and social imperatives (the so called triple bottom line) while at the same time addressing shareholder and stakeholder expectations. The Triple bottom line has been succinctly described as "People, Planet and Profit" and covers all the absolutes of corporate social responsibility. "People" (Human Capital) pertains to fair and beneficial business practices towards labour and the community and region in which a corporation conducts its business. "Planet" (Natural Capital) refers to sustainable environmental practices. "Profit" is the bottom line shared by all commerce, conscientious or not.

The International Organization of Standardisation (ISO) is trying to develop ISO 26000 a social responsibility. They started the process formally in 2004 and expect it to be ready by 2009, through a multi-stakeholder approach. The stakeholder categories are government, industry, labour, NGO, consumer and SSRO. The working draft definition of the ISO 26000 working group on social responsibility is:

"Responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that is consistent with sustainable development and the welfare of society; takes into account the expecta-

tions of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organisation."

Corporate Social Responsibility is not something that operates in isolation from the issues that concern companies everyday. Increasingly it is being seen as an important and integral part of normal business operations.

Our Shared Challenges Ahead

The challenges ahead of us are enormous. The world today faces many environmental, social and sustainability issues. Climate change, depletion, mismanagement of natural resources,

people issues relating to disadvantaged families, children and the elderly in need have remained as key challenges.

In the region, there are also ongoing concerns like natural disasters and pandemics. Singapore as a city state plugged to the global environment is also not immune. Four years ago we had the SARS crisis. Now avian flu is a major concern globally as well.

What is the relevance for corporate management and board of directors today? In many instances, these are issues that not only impact the community at large but also directly affect the day-to-day business operations and decisions in the workplace.



A very important aspect of CSR is Corporate Governance. Corporate governance is the set of processes, customs, policies, laws and institutions affecting the way in which a corporation is directed, administered or controlled. Corporate governance also includes the relationships among the many players involved (the stakeholders) and the goals for which the corporation is governed. An important theme of corporate governance deals with issues of accountability and fiduciary duty, essentially advocating the implementation of guidelines and mechanisms to ensure good behaviour and protect shareholders. Another key focus is the economic efficiency view, through which the corporate governance system should aim to optimize economic results.

The Singapore CSR Landscape

CSR in essence is not new and has been an evolving term without a standard definition. It is generally understood to be how companies function as a responsible corporate citizen towards its stakeholders and operating environment.

It is not simply about philanthropy, public relations or charity money giving. It is an integration of management process in achieving real benefits for both business and its stakeholders. CSR is crucial for the achievement of sustainable business and also fair economic development in the long run.

While the CSR concept may be relatively new to Singapore, its spirit and practices have been present in the social, environmental and economic fabric here. Some of these are reflected in the self-help groups, grassroots associations and charity groups strongly supported by the business community.

The strong tripartism that exists in Singapore has provided a good foundation for the development of various CSR initiatives. In Singapore, tripartite partners are key stakeholders in shaping new workplace policies and outcomes



for implementation. In particular, CSR is relevant to employers, the labour movement as well as the government as all parties play important roles with ongoing efforts. In Singapore, CSR has been strongly promoted through the NTUC cooperatives.

There is a good chance you may be doing something already. Every business and organization has an impact on society through what it produces, how it employs and develops its people, and how it relates to its environment and community at large.

UN Global Compact and Singapore Compact

In the global CSR environment, the United Nations (UN) Global Compact plays an important role as a voluntary

international initiative to unite business and social partnership. It seeks to realize the vision for a more sustainable and inclusive global economy. With about 3,800 companies in over 90 countries, the UN Global Compact is the largest corporate citizenship movement in the world.

Singapore has also adopted the UN Global Compact 10 universal principles as a clear and structured framework, in bringing forward the CSR movement as a country. Given the same objectives, the "Singapore Compact for CSR" was founded in January 2005 as a national CSR society and country network partner of the UN Global Compact global movement.

The national CSR committee in Singapore has deliberately taken a multi-

stakeholder and tripartite approach in embracing the CSR movement, for a more coordinated, consensus-building and effective implementation process.

Key programmes include information and advisory services, networking and partnership programmes, among other ongoing efforts. A youth chapter was launched early 2006 with active interest. The inaugural CSR national conference for the first time had attracted over 500 participants and leaders from both the social and business sector.

It is encouraging that over 150 stakeholders including business, unions, cooperatives and NGOs have joined the Singapore Compact, in supporting the CSR movement here. There is now a growing pool of CSR interest groups and practitioners in the workplace. It is also notable several companies have since established clearer structure and committees relating to CSR.

Future Singapore Compact work plan will include a proposed national CSR survey and award to raise awareness and sharing of positive experiences among corporate leaders. The challenge ahead is to garner stronger support from more like-minded members, partners and business leaders to further the CSR dialogue and collaboration.

Conclusion – CSR as Inevitable Reality

The founding of the Singapore Compact for Corporate Social Responsibility as a national society has helped Singapore to embrace CSR being a coordinated national initiative, and to view the issues holistically while addressing gaps at the national level.

Singapore Compact shares the priority to shape the very structure of relations between business, community and government in the new economy, drawing opportunities to promote cooperation, and sustainable growth through stakeholder engagement and partnership. This is the practical and moral challenge of our time.

The 21st century challenge for business is to be both profitable and responsible. Social causes will have new champions. Companies will inadvertently face increased expectation and scrutiny in the area of social reporting and accountability.

Towards this end, senior executives and board of directors are in position of power to reshape corporate strategies and influence positive outcomes. In the final analysis, CSR may not be an op-

tion for most companies; it could well be the inevitable reality.

ISO 26000 will:

- be for organisations of all types in both public and private sectors, in developed and developing countries;
- add value to SR existing work by:
- developing an international consensus on what SR means and the SR issues that organizations need to address,
- providing guidelines on translating principles into effective actions, and
- distilling the best practice that has already evolved and disseminating it worldwide for the good of the international community.

The UN Global Compact:

- international initiative that would bring companies together with UN agencies, labour and civil society to support universal environmental and social principles.
- a voluntary and non-regulatory initiative
- a framework to promote sustainable development and good corporate citizenship
- helps realize the vision of a more sustainable and inclusive global economy.
- catalyses actions in support of UN goals ■

THE TEN PRINCIPLES

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights

Principle 2: Make sure that they are not complicit in human rights abuses

Labour Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

Principle 4: The elimination of all forms of forced and compulsory labour

Principle 5: The effective abolition of child labour

Principle 6: The elimination of discrimination in respect of employment and occupation

Environment

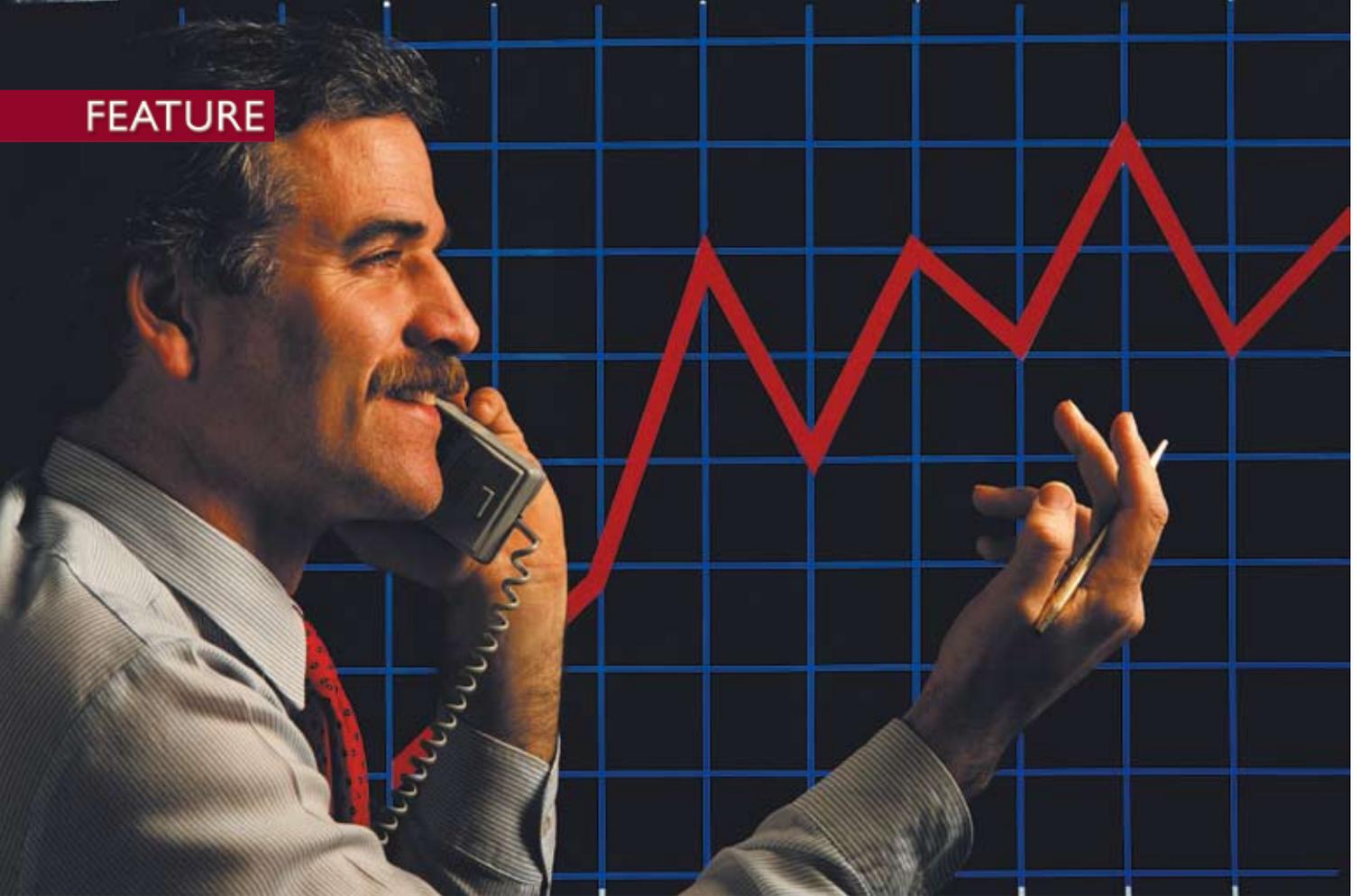
Principle 7: Businesses should support a precautionary approach to environmental challenges

Principle 8: Undertake initiatives to promote greater environmental responsibility

Principle 9: Encourage the development and diffusion of environmentally friendly technologies

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery



The Relationship Between Triple Bottom Line Reporting and Corporate Governance



By Paul Zaman of Qualvin Advisory, an organisation that provides advisory services to the Board, CEO and CFO of unlisted companies in S.E. Asia

Corporate Governance is often misunderstood. A strict and simple interpretation is creating long-term shareholder value. Often the focus is upon the risks and potential legal consequences of not having good corporate governance. Also Directors are reluctant to include additional information requested by investors due to the threat of exposure to legal risks often identified by the legal advisors.

Investors simply need information to make informed investment decisions. They seek information on the corporate goals, strategy and execution operational and financial track record. Investors always have alternative choices. If governance is poor they will invest elsewhere.

Long term investors, also increasingly value those corporates that undertake what is termed "triple bottom line reporting", because the corporate's sustainability and social report coupled with the annual report demonstrate that good corporate governance and planning is in place. Corporate sustainability, corporate social responsibility, the global reporting initiative and triple bottom line reporting are names for broadly the same issues – they all pertain to a company's reporting about its financials, stakeholder interests and the broader environmental impact of the business.

The triple bottom line is not a club sandwich, but very serious stuff. It involves the reporting of the strategy and

operational performance of a company within the three primary dimensions of the financial, stakeholder and environmental performance. These reports are indication that robust planning is taking place in the company.

A company selects the most important and key issues to be in their triple bottom line plan and report. This is usually included in the reports submitted for the annual general meeting. The financial statement falls within the company's standard annual report, and the stakeholder and environment statements often within a company sustainability report. All have historic reporting on operational parameters. Many have triple bottom line planning goals and strategy statements on how to improve performance.

The stakeholders include the owners, plus banks, employees, suppliers, customers and other key people closely involved. Social issues include quantifying equal opportunities and labour

usage in undeveloped countries, both directly and via suppliers. The environmental dimensions cover areas like usage of reusable energy, carbon dioxide emissions, resource recycling and pollution control.

Remember that value creation comes from planning not reporting.

Corporate Social Responsibility – Entrepreneurial Businesses, Start Young!

How does an entrepreneurial company embrace and execute corporate social responsibility? There are two major global initiatives on CSR reporting, also known as triple bottom line reporting. The Global Reporting Initiative (GRI) sponsored by both the United Nations and the Institute of Social and Ethical Accountability a not for profit institution set up in 1995.

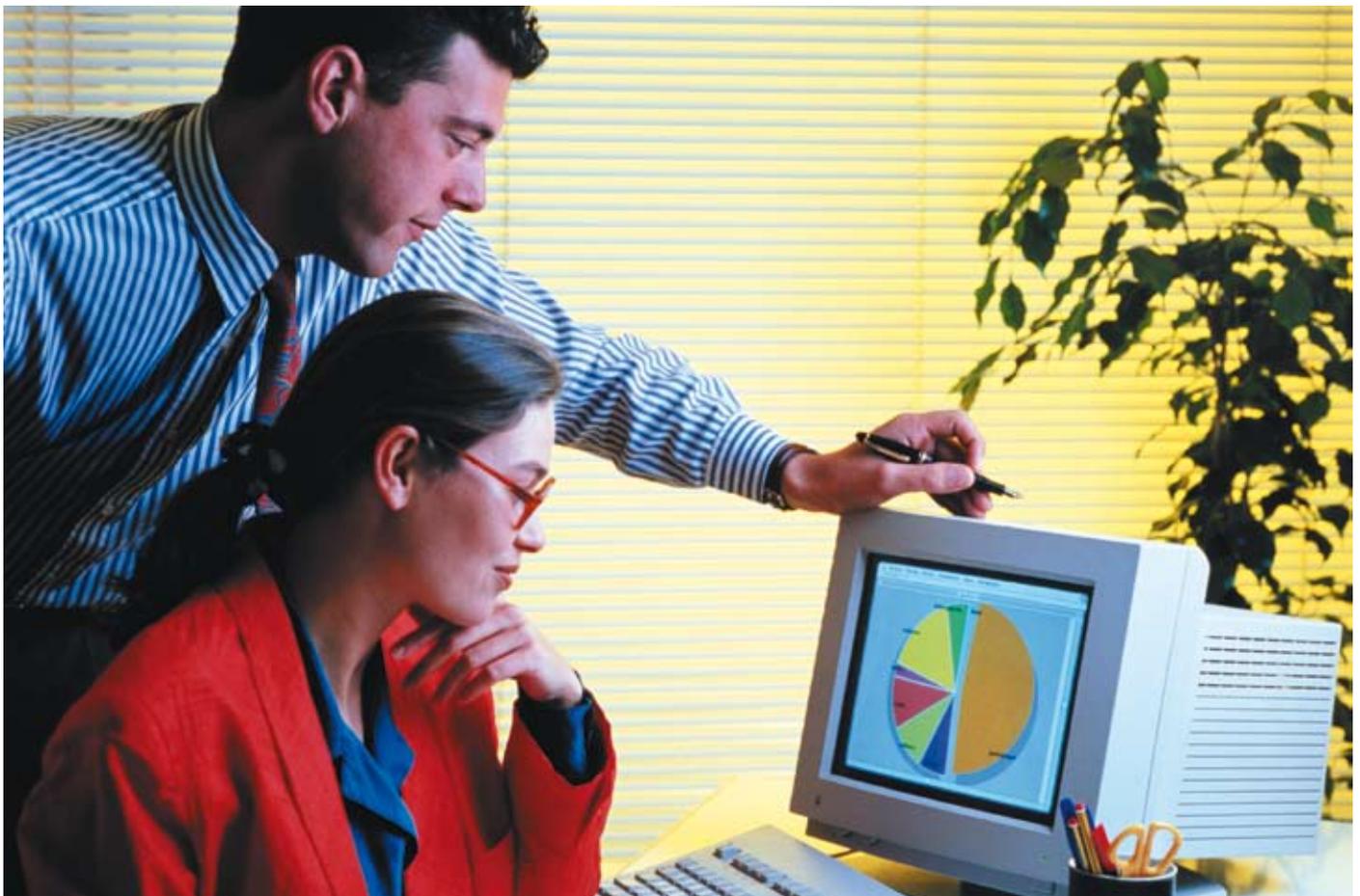
AccountAbility focuses upon assurance, which means the process of reporting

and the audit role. The GRI focuses on a process of identifying and reporting upon key relevant CSR issues. The GRI has a scheme for small businesses called High Five. This is actually a fantastic way for any size business to start CSR reporting. GRI has over 600 users and AccountAbility over 300 users. Each is growing fast and is just the tip of the iceberg.

Many large multinational companies are doing CSR including Sony, Canon, Microsoft, McDonalds, Telstra, Heineken, Hewlet Packard, Lend Lease, Phillips, TNT, and Westpac. There are many more companies that use these guidelines, yet do not formally submit reports back.

The Benefits of Corporate Governance and Social Responsibility Reporting

Proper corporate governance provides for two systemic outcomes that benefit the shareholders in terms of lower



risk and better investment returns. The internal perspective means improved operational performance. The external perspective gives a lower cost of capital. That is, lower interest rates and better terms for raising debt, as well as often a high quality group of sophisticated equity investors. Pension funds are increasingly active in voting on governance issues and rewarding a company with good governance by remaining a long-term investor.

The Key Point is...

With corporate governance we must also ask the question: Whom are we being transparent for? Ticking a compliance list of key processes to say that the annual report has disclosure against a prescribed list of items largely misses the point. The key point is to ensure that the shareholders are getting the level of ongoing disclosure that they need to support their ongoing investment decisions in the company. Some investors are transient, while others are major global unit trusts and pension funds with a wealth of investment experience and corporate governance experience. Surely then, the sensible pragmatic measure of corporate governance and transparency is to watch what institutional investors are doing with their money.

There have been many studies of institutional investors and fund managers focusing on the correlation between a company's equity market value and good corporate governance. The findings indicate that companies with good corporate governance are rewarded with an approximate 20 percent increase in value compared to those with inferior governance. In the emerging equity markets, this premium for good governance can be much higher. However, opaqueness does not necessarily mean that corporate mis-governance is occurring.

Another benefit of the CSR Report is making corporate social initiatives more meaningful. Corporate social initiatives differ from corporate philan-

thropy in that they are aligned with the company's vision and the CSR strategic issues. This means that a company's social sponsorship affects the key community stakeholders that the company is involved with and these stakeholders recognize the power of your intention and commitment. The CSR Report is a critical window on management's claim of being socially responsible. It means that corporate sponsorship makes sense to all that witness it and that this sponsorship becomes justifiable and sensible to all owners and beneficiaries.

How to Undertake Triple Bottom Line Planning and Reporting for a Business

In my view, the Global Reporting Initiative (GRI) has a focus on the financial, management and operational key performance indicators that make it easy for a business person to get great results. AccountAbility has a focus on auditing the process and dialogue with the stakeholders to verify the voracity of the data. I like to stay focused upon creating shareholder value, which means the GRI five-step process is a great starting point. GRI also, although a CSR tool is aligned to triple bottom line planning and reporting.

STEP 1: Get Board and Senior Management and owner sponsorship.

STEP 2: Using the business vision, objectives, strategies, activities and plan identify the stakeholders and map out the company relevant key interest areas.

STEP 3: Identify from the GRI the relevant type and nature of indicators to report upon that match with the key interest areas. Collect and collate historic data on these areas and candidate indicators. Identify the historic relevant management activities in these areas and determine what enhancements and new activities could be undertaken.

STEP 4: Verify data quality with internal and external stakeholders. Engage in dialogue with key external NGOs

whom are respected surrogate representatives of the external stakeholders. Set targets, management activities and accountabilities for the forward-looking years of the CSR. Write, finalise and distribute the first report.

STEP 5: Collect feedback from the report in areas of improvement in triple bottom line reporting performance. Plan the next steps of the triple bottom line strategy and execution. Get recognition from management, staff, suppliers, and customers for the triple bottom line awareness and commitment.

Developing a corporate sustainability report, like most business wide projects, requires the support and commitment of top management. Within a small business, this support and commitment is required from the entrepreneur owner and founder. Much of the necessary information to develop the report will already be in the company. It just will simply lie in different areas, awaiting collation.

An initial step is setting the context and significance of CSR reporting for the company. There must be real benefits in reporting, such as enhanced reputation, increased profit, improved access to capital, improved access to information, new market opportunities, improved relationships and increased staff motivation. Reviewing CSR reports by industry peer companies will help. This will help identify the major environmental sustainability and integrity issues and the social welfare and human rights issues affecting your industry sector. These can then be listed, profiled and ranked for importance.

Like an annual report and financial statement, there are a few guiding principles on what to report. These include materiality, comprehensiveness, inclusiveness and transparency. The quality and reliability of reporting is based upon reproducibility and accuracy. The CSR report is intended for senior management to make informed



decisions about how to improve the business performance, and so strategy and execution plans. The CSR reporting must be timely and relevant for management action. Lastly, the process for data gathering should be auditable to demonstrate that the underlying information and report is fair and true.

One of the initial dilemmas is identifying whom your company's key stakeholders are. Candidates include: employees, family, community leaders, owners and equity investors, banks, financial analysts, suppliers, customers, end users, NGOs, labour associations, licensing bodies and environmental inspectors. Once established, you then map the key CSR issue areas to each stakeholder and rank the level of stakeholder's interest.

The next stage is dialogue with a representative set of stakeholders to verify their level of interest and understand their expectations for your business. This could be by a town hall meeting, one to one meeting or even an email questionnaire. With this feedback, you can gauge if you are satisfying the key stakeholders' interests.

The CSR report areas can now be formulated along three themes. The economic theme impacts typically affect customers, suppliers, employees

and owners. The Environmental theme typically impacts materials, energy, water, pollution, compliance, transportation, and your products and services. The social theme relates to labour practices and conditions, human rights, community at large, and product responsibility.

The next step is to choose core performance indicators. Industry peers CSR reports will guide you in the selection. It is key to select the core indicators relevant to your business and your CSR areas of interest. Formal sources of information are the financial accounts, utility bills, human resource records and supply chain contracts. The focus is on setting objectives, strategies and action for improvement. Like all planning, iteration and consultation is required.

To capture the economic benefits of the CSR initiative, some results need to be published and disseminated. For small businesses, this could be via notice boards, web pages, newsletters, meetings, press releases, presentations, or industry conferences. The communication method can be matched to the stakeholder groups identified to ensure that you get your company's message out there. Naturally, senior management needs to do a final review before distribution of the CSR report.

Conclusion

The correct perspective for corporate governance is the focus upon increasing long-term shareholder value. The often held view, of a legalistic perspective upon the risks of fulfilling Director's duties and obligations is misleading.

Investors need information to make ongoing informed investment decisions. This is the requirement that drives the ongoing disclosure policy for a company. It is a key role of the Board and the investor relations officer, it is a key duty and not a burden and risky activity.

Investors want to understand the corporate goals, strategy and execution track record, to make informed investment decision. This is detailed financial and operational data which a financially astute investor relations officer can help support the Board and CEO deliver. If a company fails to provide financial and operational information then there are plenty of other higher quality and lower risk investment opportunities.

Increasingly, investors favour companies that undertake triple bottom line reporting as these companies have higher quality corporate governance. For listed companies this is often rewarded with much higher valuations. ■

Living Out Our Vision for Corporate Social Responsibility at SMRT

At SMRT, we believe our success has to be channelled toward the greater good of the community and this has been the guiding principle in our corporate social responsibility commitments since our establishment in 1987.

Every undertaking is anchored on the vision "Moving People, Enhancing Lives" and commitment to make good our promises, be it providing safe, affordable travel, a meaningful career or contributing to the communities we serve. It is very much a part of the organisation's culture.

Taking a holistic approach to Corporate Social Responsibility (CSR), SMRT's focus and the ensuing initiatives are geared toward making a positive impact on the economic, social and environmental well-being of society. To engage and enhance the lives of those around us, we established a sustained programme of corporate philanthropy, volunteerism and community outreach targeted at voluntary welfare organisations (VWOs), national events, education, sports, arts and the environment. This programme is extensive and all-inclusive.

Each year, SMRT contributes to worthy causes and staff are invited to be part of the corporate philanthropy efforts through personal contributions toward fundraising activities that are either supported or organised by SMRT. These included the Red Cross Tidal Waves Asia Fund, Swiss Dream Circus for Geylang East Home for the Aged and most recently, the SMRT's Silver Tribute Fund. In Financial Year 2006, SMRT made community contributions totalling \$3.18 million in cash and sponsorship which included provision of media space and corporate gifts.

Staff Volunteerism

Opportunities are also created for staff to volunteer their time and skills to community projects be it through the adoption of charities, supporting initiatives by charitable

organisations or supporting staff initiated community projects that are aligned with the organisation's efforts. Taking our CSR efforts outside of the organisation sees us leveraging our extensive network of trains, buses and taxis to reach out and rally the support of some two million and more Singaporeans to support worthy causes we champion.

In 2004, volunteerism efforts were formalised with the establishment of the SMRT Corporate Volunteer Programme (CVP). The programme focuses on institutions dedicated to the care of children, senior citizens and the sick or injured. It provides a channel for staff to volunteer their time and skills on a regular basis. Our three adopted charities for 2007 are Ang Mo Kio Family Service Centres, Geylang East Home for the Aged and Singapore Red Cross Society's Blood Donor Recruitment Programme. Other charities we have adopted include Beyond Social Services.

To drive our activities with these VWOs, CVP committees are estab-



Food donation drive for needy families of Ang Mo Kio Family Service Centre. Over 100 needy families benefited from this donation drive by SMRT staff

Children from Ang Mo Kio Family Service Centre accompanied by SMRT staff having a field day at the zoo



SMRT staff responding to the call for blood donation



Good as new. SMRT staff cleaned and painted flats of Geylang East Home for the Aged befriendedes



Residents of Geylang East Home for the Aged departing for a barbecue party at Raffles Marina

Beneficiaries expressing themselves through art at the SMRT Art for Charity event in aid of the SMRT Silver Tribute Fund



SMRT President and CEO, Saw Phaik Hwa, led a donation march on 17 December 2006 to raise funds for the SMRT Silver Tribute Fund. Joining her that afternoon were some 400 senior management and staff



lished for each of the adopted charities. Each committee is chaired by the head of a business unit and employees from across the organisation are invited to be either a committee member or a non-committee member, and to support the activities on a regular or ad-hoc basis. The committees meet regularly to plan activities or programmes that are in-line with the objectives and goals of the adopted charities. A budget is also set aside annually to support the activities. To ensure the programme's sustainability, our commitment and contribution to the three adopted VWOs are reviewed annually by management together with our President and CEO.

In appreciation of our staff's contribution to CVP, their participation is recognised in the staff appraisal system and an annual appreciation dinner is organised for all active volunteers.

Community Outreach Activities

SMRT's CSR programme also extends beyond the organisation and involves community outreach activities that aim to educate, entertain and inform the community at large. This is carried out in different ways through various initiatives and always leveraging our extensive network of trains, buses, taxis, and commercial spaces, which have proven effective.

One such activity is our annual month-long SMRT Courtesy and Safety promotion where we educate commuters on safe and courteous behaviour when taking public transport. The anchor event of this month-long promotion is the SMRT Challenge which recorded a 120% increase in participation from 500 in 2005 to 1,100 participation in 2006.

Storytelling sessions on board our trains is another mainstay of our outreach programmes. This programme, jointly organised with the National

Library Board, started in 2002 with just 50 children but in 2006, we welcomed over 500 children onboard our trains for the storytelling sessions.

Fund Raising

In addition to CSR projects we initiate, SMRT also lends support to activities that raise funds or awareness for worthy causes. For instance, the President's Tunnel Challenge in 2002 where we raised over \$900,000 for President's Challenge through the sale of tickets for a walk through the completed train tunnel between Expo Station and Changi Airport Station.

Another was the train ride for the disabled. This was in support of the National Council of Social Services Disability Awareness Public Education Campaign. Under the "Friends of the Disabled" Journey programme, SMRT organised a train ride for 200 disabled persons to promote awareness of the unique needs of the disabled.

To mark a milestone in our CSR efforts, and in conjunction with our 20th Anniversary celebrations this year, SMRT launched the SMRT Silver Tribute Fund in December 2006. All proceeds go toward eight beneficiaries to fund activities and programmes that help needy elderly and their caregivers lead more meaningful and dignified lives.

We held a series of six fundraising events spanning a period of eight months from December 2006 to July 2007. These included a donation march by some 400 staff and senior management led by our President and CEO on 17 December 2006, the setting of the first-ever MRT train, bus and MPV taxi crush load record in the Singapore Book of Records, an Art for Charity event, a charity movie screening of Spiderman 3 and a charity concert by the Singapore Symphony Orchestra. Throughout the fund raising period, the SMRT board of directors, senior manage-



ment and over 4,900 staff, contributed in different ways and together raised more than \$900,000.

SMRT's Experience on CSR Programmes

In recent years, CSR programmes have taken on greater importance in corporate agendas with some organisations establishing dedicated teams to drive CSR.

At SMRT, putting in place a CSR programme has added meaning to everything that we do. At the individual level, staff experience a sense of achievement or fulfilment knowing that they have made a positive difference, whether it is in the business decisions they take or volunteering of their time and skills. At the corporate level, we are more focused and better able to harness the synergies



Cheque presentation to the eight beneficiaries of the SMRT Silver Tribute Fund

of staff coming together as one in support of economic, environmental, and social causes SMRT champions. Our efforts in this direction were recognised at the Singapore Green Summit 2007 which honours industry players with the best social practices in Singapore. SMRT was named one of the five finalists in the social reporting category.

Whilst there is still more we can do, what is evident is that the sustainability of our CSR programme can be attributed to:

Management Commitment and Support

The Management Committee, comprising the President and CEO of SMRT and Heads of Departments, sets the direction and framework for the CSR programme. They lead by exam-

ple, either chairing or participating in the programmes, and encourage participation amongst staff.

Alignment of CSR to the Company's Vision

Our CSR programme is anchored on our vision "Moving People, Enhancing Lives" and the objectives of the programme are aligned with our corporate goals, and environmental and social considerations.

Staff Engagement

We have in place various channels through which we reach out to potential volunteers and communicate with active volunteers. These include the intranet, staff newsletters, email, and volunteer activities such as a volunteer appreciation dinner. The channels of engagement

help foster a common purpose, pride as well as camaraderie amongst staff members, thus motivating them to continue their efforts in helping the less fortunate and less privileged in the community.

Staff volunteers are also invited to represent the company at events organised by SMRT's adopted charities, for instance, to share their volunteering experiences.

Dedicated CSR Drivers

At SMRT, the Corporate Marketing and Communications Department is tasked with driving CSR initiatives and making decisions within the framework of the CSR programme including the disbursement of funds dedicated to CSR initiatives. ■

This article was contributed by SMRT.



By Joy Tan, Partner,
Wong Partnership

The National Kidney Foundation (“NKF”) saga and its various spin-offs have dominated the domestic news since the previous board of the NKF filed its ill-fated High Court defamation action against the Singapore Press Holdings in 2005.

Ten Lessons from the National Kidney Foundation Saga

The troubling revelations in that suit regarding the conduct of affairs at the NKF brought to light serious corporate governance concerns at the NKF, and launched not only an action by the new board against certain former executive directors for breaches of their fiduciary duties, but also criminal prosecutions under the Singapore Companies’ Act.

In the civil action, the new board commenced action against TT Durai as former CEO, as well as three former board members: former chairman Richard Yong, former treasurer Loo Say San, and former board member Matilda Chua. The three were said to have permitted Mr Durai to subvert the proper checks and balances and to benefit at the

expense of the company. They were also said to have sanctioned or participated in conflicts of interest via an undisclosed connection with two firms, Protonweb Solutions and Forte Systems, which held contracts with the NKF for call centre services and software development, in respect of which excessive payments were said to have been made. The defendants in turn commenced third party actions against other board members, who were said to have been informed of and participated in the conduct complained of and who would have been equally liable for any breaches of duty that occurred.

The NKF saga provides several valuable lessons for boards and directors, and highlights, from a practical

standpoint, the importance of good governance and internal structures. The NKF independent auditors commented in their special report that the deficiencies in the NKF operations (if not their finances) stemmed from a lack of meaningful governance. Here are the top ten lessons which boards would do well to heed.

Ensure that there is a strong independent chairman who will act as an effective check on management

The NKF case provides a clear and practical illustration of the consequences of not having a strong and independent chairman of the board. Mr Yong was said to have allowed the CEO to dictate to him, travelling

when asked, and signing off as chairman on letters that Mr Durai had prepared for him (even though he did not understand some of the words). Further, Mr Yong and his wife had engaged in an undeclared business relationship with Mr Durai and his wife via a Malaysian company. Conversely, it was said that the former NKF chairman had resigned because he and the CEO could not see eye-to-eye, and Mr Durai had wanted a compliant chairman, which he found in Mr Yong.

Ensure that there is an effective board that understands the organisation and meets often

Formal meetings of the NKF board were held only once a year. The Executive Committee (of which all directors were members) met more frequently. However, it was said that information such as minutes was not provided to them before meetings, and they were not allowed to take the minutes away with them after. The executive committee was said to have evolved into a forum at which the members were informed about decisions already made or executed by the CEO. Rather than being decision-making bodies, it was said that neither the board, nor its executive committee, exercised any meaningful oversight over operations or undertook any meaningful review of management performance.

Where there are matters that give rise to questions, the directors should ensure that they are fully investigated and that they are satisfied with the answers given

Robust questioning and investigation by the directors is essential to the board's oversight role and a good governance system. Those who knew about the relationship between the CEO, Forte Systems, and Global Net Relations never properly looked into the matter although there were clear warning signs as to the existence of a conflict of interest.

Directors should ensure that they act with reasonable diligence to inform themselves

In the criminal case, Yong and Loo were charged with failing to exercise reasonable diligence in that they had approved payment of sums in respect of the Forte software contract in excess of what was truly owed, without making proper inquiries with the head of IT as the person with the appropriate oversight in the matter. It was said that the directors had a limited understanding of both the Forte project and the NKF's rights under the agreement.

Ensure that any conflicts of interest are properly disclosed, and any contracts and disputes should be handled at arm's length and in the best interests of the company

As noted above, the NKF had contracts for call centre services and software development with Protonweb Solutions and Forte Systems, companies owned by a personal acquaintance and business partner of Mr Durai. Although Ms Chua disclosed her interest as a senior executive of Protonweb, it was not disclosed that both Mr Durai and Ms Chua were co-directors Global Net Relations, a company which was in partnership with both Protonweb and Forte to market and sell the very software services contracted to the NKF.

Furthermore, it was said that when the NKF entered into the contract with Protonweb, no competing bids were sought; and for Forte, while a tender process took place, its product was not considered suitable or the best by the NKF IT manager. Mr Durai was said to have been instrumental in ensuring the contract was awarded to Forte, and to have forced through interim payments to Forte even though it had failed to meet its deadlines and the product was below specification.

Payments to directors and officers should be proper and based on appropriate incentives

In the case of the NKF, a remuneration sub-committee was established, but there were no guidelines on remuneration structure, and the CEO was said to have retained full discretion to determine all key and staff remuneration. The CEO's pay package was said to have been such a closely guarded secret that executive committee members had not been fully aware of it until the suit against SPH. In addition, Ms Chua was given a salary increase even though she was leaving the company, and this increase was backdated.

There should be a system of adequate internal controls

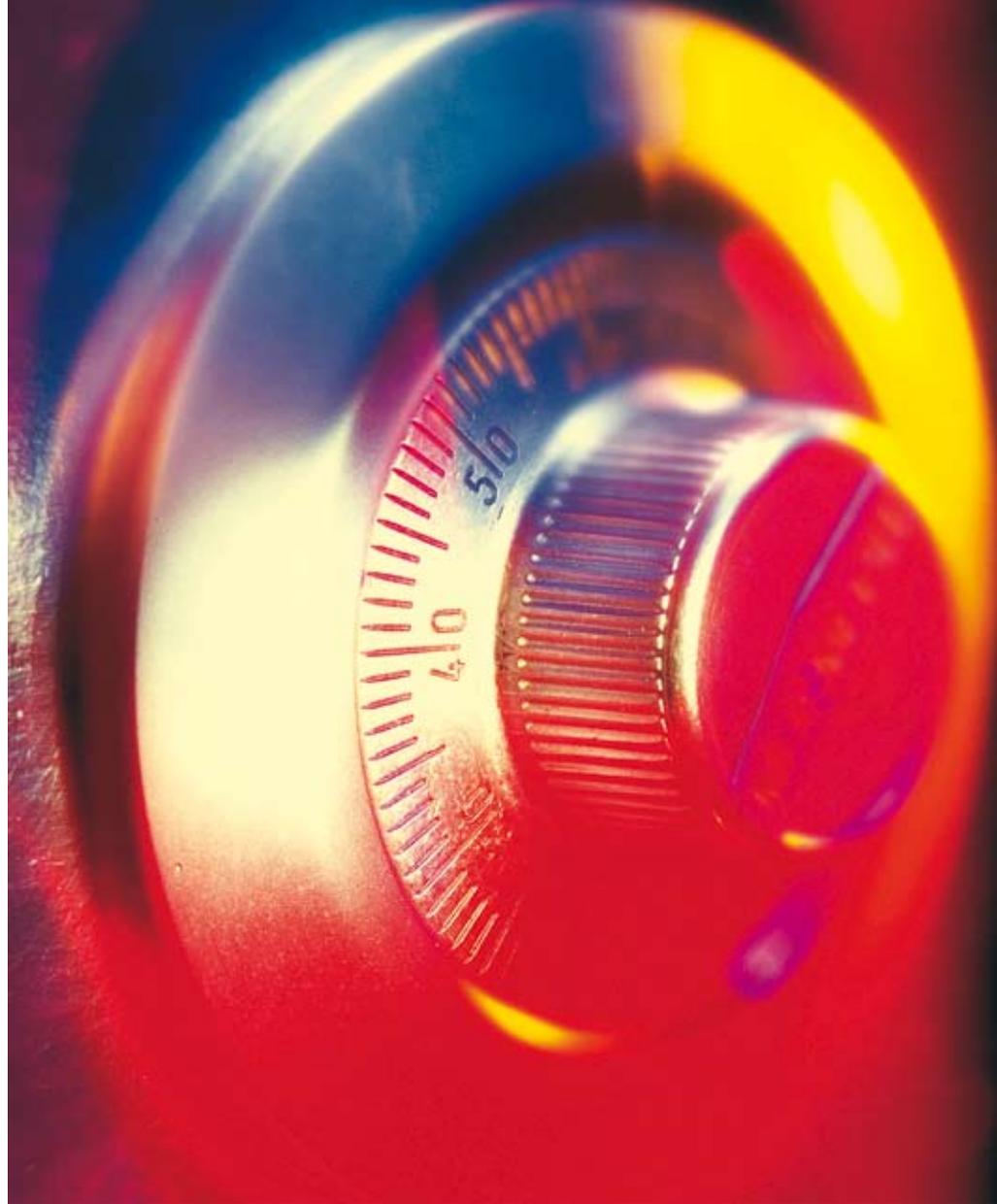
Many of the well-known corporate fraud cases have involved lapses in or failures to adhere to internal audit controls (e.g. in the cases of Asia Pacific Breweries and Gaelic Inns). In the instance of the NKF, it was said that they had a three-member internal audit team which reported to the CEO directly, and an audit committee that at one time did not meet for



three years because the CEO would not support its recommendations. This system together with the work of the external auditors might have guarded against financial lapses, but it did not guard against the operational lapses which permitted the conflicts of interest and breaches of duty to continue.

The audit committee should be knowledgeable, independent, and empowered to act effectively

As noted above, the NKF's audit committee failed to meet sufficiently often to be effective. Even more of an issue was that the chairman of the audit committee, Yeo Ek Khuan, was not a board member, which weakened the relevance and authority of the committee. It was said, for example, that the audit committee had raised the lack of a remuneration policy in 1999, and again in 2002, but its recommendation was ignored. Furthermore, the committee was said to not report to the board or executive committee, but to the CEO. The independence of the audit committee was also called into question by the fact that although Mr Yong had a business relationship with TT Durai and his wife, he still



sat on the audit and remuneration committees.

A proper whistleblowing system should be in place to ensure that wrongdoing is caught early

A whistleblowing system is becoming an important part of good corporate governance. In the case of the NKF, the operational lapses might have been brought to light in a more timely fashion if those who had concerns had a confidential channel to voice them.

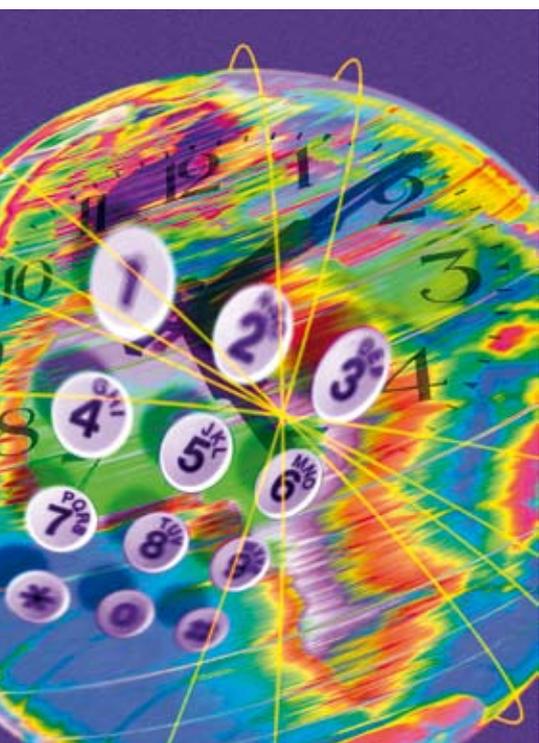
Never Allow Past Success to Blind One to Risks, Including the Risk of Having Too Much Power Concentrated in One Person

If the NKF saga can be summarised into one key lesson, it is the danger of becoming overly complacent. The KPMG report states, "The phenom-

enal success of the NKF in scaling new heights in fund raising over a long period was possibly a key factor in diluting the effectiveness of management controls, board oversight, and regulatory overview." The NKF is likely victim of its own perceived success, with much reliance and trust placed in the CEO as the architect of that success. Unfortunately, without a system of good governance that is properly implemented and maintained, even the most outwardly successful of organisations can ultimately fall from grace. ■

For more information on this topic or on any other issues relating to disputes involving directors and corporate governance, please contact partners:

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Taking the Positive Route to Negative Assurance



By Sandra Seah
Partner, Alban Tay
Mahtani & de Silva

The source of the “Negative Assurance” rule is Listing Rule 705(4)

“705(4) In the case of an announcement of interim financial statements (quarterly or half-yearly, as applicable), an issuer’s directors must provide a confirmation that, to the best of their knowledge, nothing has come to the attention of the board of directors which may render the interim financial results to be false or misleading. In order to make this confirmation, Directors would not be expected to commission an audit of these financial statements. The confirmation may be signed by 2 directors on behalf of the board of directors.”

The “Negative Assurance” Rule Compliance

It has been close to a year after the “Negative Assurance” rule was first introduced to the corporate governance landscape in Singapore, requiring the directors of listed companies to confirm that, to the best of their knowledge, nothing has come to their attention which may render the interim financial results to be false or misleading. This article examines the role of directors, and the safeguards which directors should have in place before giving such “Negative Assurance”.

The “Negative Assurance” rule does not apply for announcement of full year results. The rule is intended to strengthen accountability for interim financial results and supplements the existing requirements under section 201 of the Companies Act whereby directors are required to state that the audited accounts give a “true and fair view” of the results of the business of the company and the state of affairs of the company and, that there are reasonable grounds to believe that the company will be a going-concern.

Announcements from 1 September 2006 relating to quarter/half-year financial statements must include the Directors’ “negative assurance” statement. The Listing Manual does not specify any particular format or requisite element of the “negative assurance” statement.

In general, the “negative assurance” statements included in listed companies’ financial statements are usually rigorously plagiarized from the wording of the Listing Rule 705(4) itself for instance:

“Pursuant To Rule 705(4) Of The Listing Manual, the Board of Directors do hereby confirm that to the best of their knowledge, nothing has come to their attention which may render the unaudited interim results of the Group, for the half year ending xxxx, to be false or misleading.”

There are no outright penalties imposed on directors if they do sign off on interim statements that are later proved to be false or misleading. This

contrasts with the case under the Companies Act where failure by any director to provide a “true and fair” view of audited accounts is an offence punishable with a fine of up to \$10,000 or to imprisonment of up to 2 years.

Standard of Care in giving Negative Assurance

What then should a director do in order to assure himself that the “Negative Assurance” can be properly given?

Firstly, a “Negative Assurance” is a statement of what the director does not know as opposed to a statement as to what the director knows (positive assurance). In this case, the director states that nothing has come to his attention in the interim financial results which may render such results to be false or misleading.

In the author’s view, it is not meaningful to split hairs on whether there is a lower or different standard of care just because a negative, rather than a positive, assurance is given. Embedded within the figures in a financial report lies the crucial information about where the company has been and where it is headed. This has to be truthfully presented to the investing public. Taking the cue from the penal provisions in sections 199 – 200 of the Securities and Futures Act which prohibit the making of false or misleading representations to induce the public to subscribe for shares or to deal in securities, the director must dispel any hint that he does not care whether the statement or information is true or false, or that he knows or ought reasonably to have known that the statement or information is false or misleading in a material particular, or that he has acted recklessly in giving the statement.

Practical Tips

The “Negative Assurance” expresses the subjective belief of the director that nothing in the interim financial results renders the results to be false or misleading. If a director is able to estab-



lish that he exercised due care, he will likely have a good defence for signing off on an interim statement that is later found to be false or misleading.

Section 157C of the Companies Act provides a useful starting point on the aids which a director may rely on before giving a “Negative Assurance”. Section 157C provides that a director may, when exercising powers or performing duties as a director, rely on reports, statements, financial data and other information prepared or supplied, and on professional or expert advice given, by:

- a reliable and competent employee
- a professional adviser or an expert
- any other director or any committee of directors upon which the director did not serve

However, this reliance on employees, professionals or other directors or committees is only warranted if the director:

- acts in good faith
- makes proper inquiry where the need for inquiry is indicated by the circumstances
- has no knowledge that such reliance is unwarranted

The author suggests that directors adopt a simple **P.A.C.T.** with themselves before signing off on the “Negative Assurance”:

- P** – Professional Experts
- A** – Audit Committee
- C** – Chief Financial Officer
- T** – Training

P – Professional Experts

Although Listing Rule 705(4) provides that directors will not be expected to commission an audit of the interim financial statements in giving the “Negative Assurance” confirmation, directors may nevertheless wish to engage auditors to perform either an interim or a limited review on the financial results to enable them to make their confirmation.



This is likely to be most reassuring form of due diligence undertaken by a director, as obviously a professional will be better equipped to recognise creative accounting and cooked books, and advise the director accordingly.

A – Audit Committee

The company’s Audit Committee will usually comprise of non-executive and/or independent directors who have accounting or related financial management experience. Apart from reviewing the formal audit results, the Audit Committee is also responsible for ensuring the integrity of the financial statements of the company and any formal announcements relating to the company’s financial performance. The Audit Committee will also be in the best position to advise on the adequacy of the company’s internal financial controls, operational and compliance controls, and risk management policies and systems.

It will therefore be prudent for a director, if he does not already sit on the Audit Committee, to confer with the Audit Committee and source out any irregularities or potential issues prior to giving the “Negative Assurance”.

C – Chief Financial Officer

Working closely with the company’s CFO will be the next in the line of defence. The CFO has the overall responsibility for the company’s financial situation, and has (or should have) his ear to the ground as to the company’s financial situation. The director should regularly discuss and review all management accounts with the CFO, and have a sound

grasp of the company’s financial performance, position and prospects.

Such preparatory work paves the groundwork for the director to review any interim financial statements with adequate background information and knowledge to know if anything is amiss and to raise any relevant queries to the management before giving the “Negative Assurance”.

T – Training

While the director may not be an expert in financial accounting, he should be familiar with the company’s accounting policies and financial controls in place within the company. The director should also be equipped with some basic investigation skills to identify warning signs and red flags on the most obvious kinds of accounting anomalies such as phantom clients and improper revenue recognition.

A director should therefore strive to receive relevant technical training in the areas of accounting and identification of fraudulent financial reporting. This is borne out by Guideline 1.6 of the Code of Corporate Governance 2005, which encourages every director to receive training from time to time on discharging his duties. Having a trained eye will assist the director in making proper inquiry where the need for inquiry is indicated by the circumstances, as required by Section 157C(2) of the Companies Act.

Conclusion

The “Negative Assurance” rule should be viewed in a positive light. The existing legal framework already obliges a director to exercise reasonable diligence in discharge of work and to be accountable for the success of the company. The “Negative Assurance” rule only requires the director to be explicit in taking on financial accountability. This can be properly discharged if the director demonstrates that he has acted in good faith and has made due inquiry whenever warranted by the circumstances. ■

Recent Developments in Workplace Safety and Health



By Kala Anandarajah*,
Partner and Hazel Guling
Galimba, Foreign Lawyer,
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Kala Anandarajah is a member of the Workplace Safety and Health Advisory Committee as well as Chairperson of the Engagement and Publicity Sub-Committee (under the WSHAC). The views stated in this article are her own.

Overview

A series of high-profile accidents in 2004, including the Nicoll Highway collapse which killed four workers and a tanker blaze at Keppel Shipyard which killed seven, prompted the Singapore Government to formulate stricter rules for workplace safety and health through the Workplace Safety and Health Act ('WSHA'). These stricter rules have found their reach to the board as a whole and directors individually as well.

This article takes a quick look at the recent developments in workplace safety and health since the inception

of the WSHA, and provides an insight into the scope of the director's potential liabilities under the new Act.

One Violation Under the WSHA

Leelloys Marine Engineering ('Leelloys') and its assistant manager, Low Lye Wah ('Mr Low'), became the first company and the first person respectively to be convicted and sentenced under the WSHA. The District Court on 4 April 2007 fined Leelloys S\$100,000 for failing to ensure the safety of its employees, resulting in the death of Malaysian worker James Balang ('Mr Balang'). Mr Low was sentenced on 25 April 2007 to three months' jail.

The accident happened on 5 March 2006 when Mr Low was supervising four workers, including Mr Balang, in a repair and maintenance work on M.V 'Dynasty' ship at Eastern Special Purpose Anchorage. Mr Low, a trained lifting supervisor and a qualified rigger, was put in charge of all mechanical works on the said ship. At the material time, Mr Low was passing four bags of tools from the deck of the ship using a rope. He instructed the four workers to board a ferry boat to receive the loads. The first three loads were lowered to a reasonable height of about 1 metre from the boat deck before the boat was steered alongside the ship for the workers to receive the loads. While

the third load was being untied by one worker, Mr Low decided to use the other end of the rope to lower the fourth load. The fourth load came loose from the rope's knot and the 15-kilogram bag plummeted 10 metres before hitting Mr Balang. Mr Balang was rushed to the hospital, where he died an hour later from intracranial hemorrhage and cerebral lacerations.

The Court held that under the WSHA, Mr Low had the responsibility and the necessary training to ensure that the works on the ship, including lifting / lowering operations, were carried out smoothly and safely. Mr Low, being a trained and experienced rigger, ought to have fully appreciated the extent of the risk of lowering the fourth load while the third load was still being untied. The Court ruled that Mr Low's culpability lies in his knowledge of the risk involved and proceeding with the act despite the danger of injury and death.

In this instance, the directors were not implicated. Whilst there are no discussion at all in publicly available materials, one can postulate that a possible reason for this is that the board had delegated the task of supervision to a well qualified and experienced supervisor.

There have since been other deaths and alleged violations of the WSHA. However, no prosecutions have been made public as yet. In each of these



additional violations, there remains the possibility that the directors could be implicated as well, apart from appropriate site supervisors.

Who are Caught by the WSHA?

The old regime which was regulated under the Factories Act (which has since been repealed) assigned legal liability only to the occupier of the factory. The new regime regulated by the WSHA assigns imposes duties and responsibilities on several different parties, including the employer, occupier, principals, owners, etc.

Whilst each category of persons upon whom liability is imposed has varying duties, broadly they are required to ensure a risk free environment, where work facilities and arrangements are maintained in a safe manner for workers, and having proper control measures in place for dealing with safety and health procedures and emergencies that could potentially arise. Indeed a Singapore Court of Appeal case has said that the whole object of the law imposing a duty on employers to provide a safe system of work was precisely to protect an employee from his or her own inadvertence of carelessness. Put another way, the WSHA has the following objectives:

- reduce occupational risks at source by requiring all stakeholders to minimise or eliminate risks which they create
- instil greater ownership of safety outcomes
- prevent workplace accidents through higher penalties for poor safety and health management

In achieving these objectives the focus is on the concept of taking 'reasonably practicable' measures.

Persons Responsible Required to Take Reasonably Practicable Measures

The WSHA mandates employers to 'take, so far as is reasonably practi-



cable, such measures to ensure that the workplace and any machinery, equipment or article found in the workplace are safe and without risks to health to [their] employees'. This entails taking active steps to implement proactive and sound management systems to prevent accidents and deaths at workplaces.

Whether measures put in place by an employer are 'reasonably practicable' would largely depend on the circumstances of each case. 'Reasonably practicable' is determined by asking what a reasonable employer in the same position and circumstances would do to prevent an accident or minimise risk at the workplace. Thus, the work and safety procedures that the employer needs to develop must be workplace-specific (ie suited to the company's particular situations). Depending on the specific needs and organisational set-up of a company, the employer may appoint various personnel with the right skills and experience to manage safety, and provide them with adequate resources and trainings to carry out their duties effectively. The risks associated with the workers' job must be identified. Additionally, the employer must ensure that the safety and health management system of the company is communicated to all workers promptly and efficiently for proper understanding of the risks of their job.



How does this Impact on Directors?

The WSHA expressly provides that where a company has committed an offence under the Act, an officer of that company can be held guilty of the offence. An officer includes directors and managers of the company.

Hence, strictly in the Leelloyds' case discussed above the directors and managers of the company could have been held accountable since the company was found guilty as well.

The only way a director or manager can escape liability is to show that:

the offence was committed without his consent or connivance and that he has exercised all such diligence to prevent the commission of the offence as he ought to have exercised having regard to the nature of his functions.

The effect of this defence as set out is that the director must show that he has exercised his duty of delegation (which is also available under the Companies Act) in a reasonable manner to such persons with the requisite capabilities, and that he

has ensured that proper safety and health control systems have been put in place. It would also be necessary for the director to ensure that there is regular reporting back to the board as a whole as to the status of control systems and whether they are effective.

Note that it is not necessary for the director to be actively involved in the design or the implementation of the control systems. It is only crucial that he has considered the matter carefully, appointed suitable persons to implement the relevant systems, and obtains regular reports as to the effectiveness of the system. A director who has done this would have satisfied the reasonably practicable measures test discussed above.

Whilst this may appear as an onerous function to many a director, a director is after all an agent of the company and must ensure that the company meets with all legal requirements. The director cannot take a hands-off approach by maintaining that this is a task for management and that they should not be involved.

Concluding Words

This short article has provided only a broad overview of how the WSHA could potentially impact on directors. This approach to managing health and safety is not new and is already prevalent in major countries across the world, including Australia, Hong Kong and the UK. Where lives are at stake, one cannot quibble that the legislation is too onerous. Instead, the people who direct how companies are run must take the lead and ensure that proper systems are put in place to ensure a safe and healthy work environment.

Given that the WSHA has deviated from a compartmentalised approach taken by the Factories Act to a more pragmatic performance-based approach in addressing workplace safety and health, directors are bet-

ter able to meet their responsibilities. Effectively, the shift is aimed at effecting cultural change within the workplace from merely following the 'letter of the law' to taking responsibility and ownership of workplace standards and outcomes. The underpinning principle under the WSHA is to prevent or mitigate risks at source, and not merely to respond to existing risks. The cultural change must also be met and in fact led by the board as a whole.

For information, the WSHA currently covers the high-risk industries previously covered by the Factories Act, ie factories, shipyards and construction worksites. Eventually, the WSHA will be expanded to include workers in workplaces in all sectors. The expansion of coverage will be carried out in phases. ■





Becoming a Company Director

By Colin Coulson-Thomas FCA

A seat on the main board of a company requires more than being a good manager. Drawing upon the findings of his new book 'Developing Directors', Colin Coulson-Thomas looks at the requirements for becoming a director.

Apart from forming one's own company, or joining the board of a family company, there is no standard or automatic path to a directorship. The route can depend upon the company, retirements and vacancies, and the requirements of a particular board.

Whether or not a head of a finance function should serve on a board depends upon the individual and the corporate context. The general consensus among chairmen is that an individual without directorial qualities should not be put upon a board just to 'fill a particular slot'. A board can always obtain specialist advice as and when required.

A Different Dimension

Direction should be seen as a separate but complementary activity to management, rather than as a route to elevated status and higher earnings. Directors need to look beyond functional

considerations and work for the best interests of the company and its stakeholders. Their perspective should be strategic rather than departmental.

Directors must reconcile the concerns of various stakeholder groups, and respect views of colleagues who may have a different perspective. Non-financial considerations need to be taken into account.

Direction is about providing leadership, formulating strategy, establishing policies and values, monitoring performance and being accountable at the level of the company as a whole. It involves activities such as visioning, delegating to management and ensuring appropriate capabilities and controls are in place.

Boards have to strike a balance between short term pressures and longer term considerations, and between stakeholder interests and a company's own requirements. Entrepreneurial drive has to be balanced with prudence and steps to monitor progress and manage risks. A director must be sufficiently alert to specifics to be accountable, while not so engrossed in detail as to lose an overview perspective.



Good managers do not always become effective directors, while individuals with limited management experience can sometimes make a significant contribution to a board as a result of their personal qualities. Many specialist professionals lack a balanced and holistic perspective, and have a 'departmental' view of corporate reality.

The role of the board and the duties and responsibilities of a company director are at the heart of the distinction between direction and management. The duties are so onerous that opportunities should be examined with care. Many experienced directors of public companies have turned down a board position because of the risks involved.

Qualities Sought in Directors

Strategic awareness and personal qualities usually dominate the criteria for boardroom appointments. Formulating a distinctive and compelling vision and a realistic strategy requires business acumen and the abilities to look ahead, see a company as a whole and understand the context within which it operates.

Personal qualities sought include integrity, determination, independence, objectivity, balance, commitment, individuality, sensitivity, strategic and ethical awareness, and a sense of accountability and responsibility. Loyalty, team spirit and 'fitting in' are valued more highly by some chairmen than originality and creativity.

In addition to internal monitoring and reporting past performance a board should be externally focused and looking ahead. Directors need energy and drive to move an organisation forward, certain legal and financial knowledge, and an awareness of boardroom issues and practice and relevant governance requirements.



Skills such as planning, delegating and appraising are especially relevant. Communication skills are important both within the boardroom and when building mutually beneficial relationships with stakeholders. The best candidate for financial director may be the person who is best able to explain financial forecasts and results.

The Directorial Career

Professional success, managerial progression and the demonstration of directorial potential can lead to a first appointment to a board. Governance experience can be broadened by serving on professional committees, joining the board of a hospital, school or subsidiary, or becoming a non-executive director of another company.

Some people accumulate a portfolio of independent directorships. Accountants with appropriate financial or audit experience can be well placed to chair an audit committee. Buy-out and new business directorship opportunities can also arise.

Many chief executives have a background in accountancy or finance. A financial director could also aspire to become a board chairman. A director who is open to new ideas, stays current and continues to learn from boardroom experience can make an effective contribution long after managerial colleagues have voluntarily retired or been made redundant.

The Effective Board

A group of outstanding individuals does not necessarily constitute an effective board. Board performance depends upon the interaction of particular people and personalities in the boardroom context. Membership changes can alter the chemistry.

New directors tend to be selected to complement the qualities of existing board members and improve a board's operating dynamics. The preferred candidate might be the individual who best balances the team, rather than the person who is technically the most proficient.

One does not need to be 'good at everything' to be selected as a director. Standing out at something can be more important than being quite good at most things. The deficiencies of individual directors can often be compensated for by the contributions of other members of the boardroom team, allowing people to play to their strengths.

Development Activities

Good direction is often about thinking rather than doing. Aspiring directors should really understand the difference between being a professional, a manager, an owner or shareholder and a director. Each of these roles can involve a particular perspective and certain responsibilities. People need to be alert to potential conflicts of interest.



To be effective in the boardroom, a director must command the respect of colleagues. Being an effective team player helps. Development activities should focus upon honing and demonstrating strategic awareness and perception, thinking, decision making, communication and interpersonal skills.

Directorial ambitions should be made explicit in performance reviews and development plans. Preparation for a particular boardroom requires an understanding of the business environment, the specific company's situation including how its directors are selected, appraised, remunerated and developed, how its board operates and the contribution a new director is expected to make.

Next Steps

Multi-functional and business development experience, running a department as a profit centre and demonstrating contribution to the bottom line can all improve directorial prospects. Joining an inter-organisational team can broaden a viewpoint, while serving on a multinational task force or undertaking an overseas assignment can foster an international perspective.

Specific directorial requirements will depend upon the corporate context and a board's ambitions. The nature, structure, composition and operation of a board should reflect the challenges faced by a company and the opportunities available to it. Those seeking to join a particular board should aim to fill gaps in the experience, knowledge and skills of existing members.

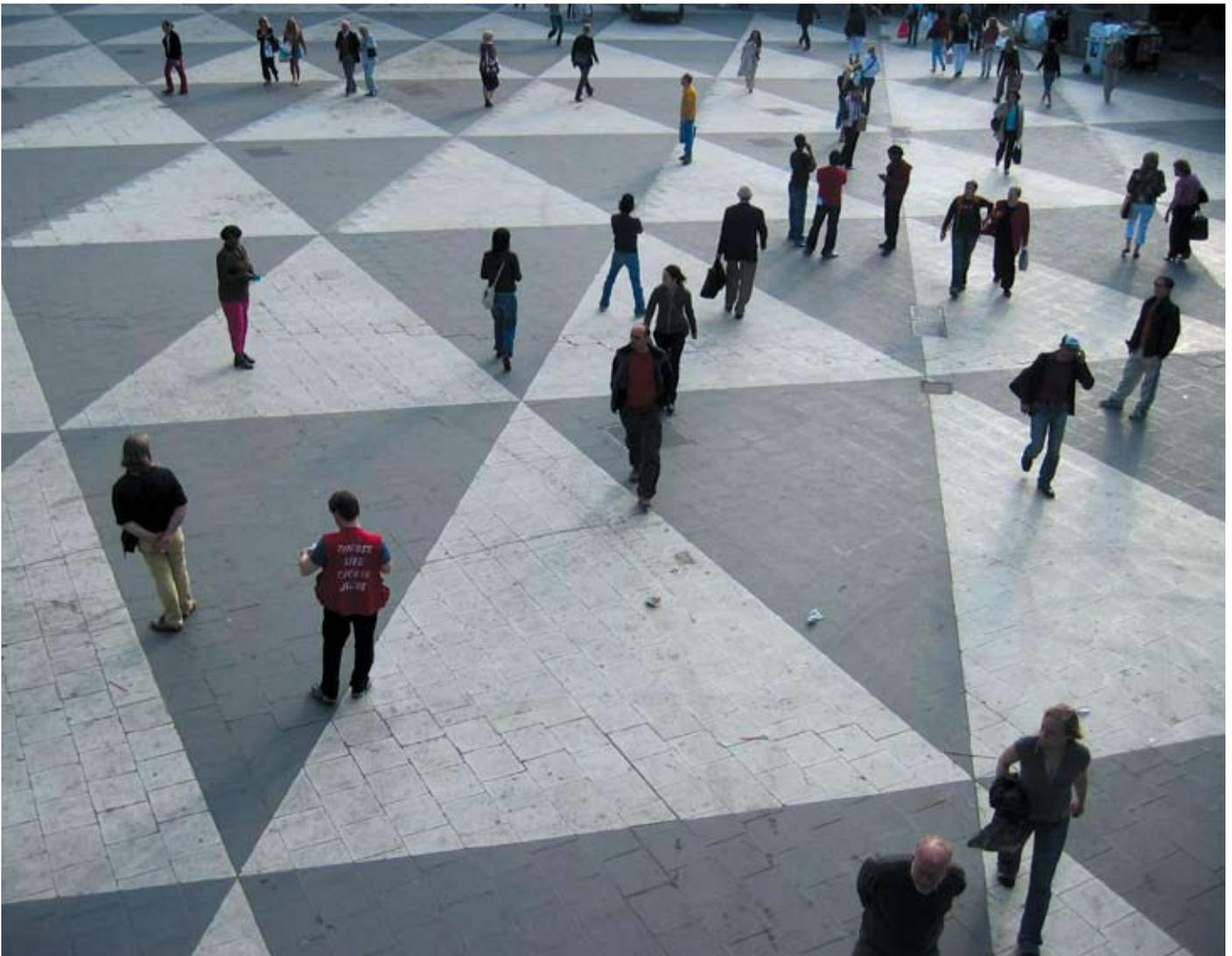
Further Information

*'Developing Directors, a guidebook for building an effective boardroom team', by Colin Coulson-Thomas is published by Policy Publications, costs £34.95 plus p&p and can be ordered from: <http://www.policypublications.com/developingdirectors.htm> ■

Author

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Filing of Financial Statements in XBRL



Financial statements for annual returns filed on or after 1 November 2007 by companies incorporated in Singapore, which are either unlimited or limited by shares, in respect of accounting periods ended on or after 30 April 2007 have to be filed in Extensible Business Reporting Language (XBRL) format. Details are set out in Practice Direction 2 of 2007 issued by Accounting and Corporate Regulatory Authority of Singapore (“ACRA”) in May 2007,

The following companies are excluded from requirements:

- a. Banks, insurance companies and finance companies whose activities are regulated by the Monetary Authority of Singapore; and
- b. Companies that are allowed by law to prepare accounts in

accordance with accounting standards other than the Singapore Financial Reporting Standards or the International Financial Reporting Standards

Companies in the excluded category, companies limited by guarantee, and foreign companies and their local branches will continue to file their financial statements with ACRA in PDF. Solvent Exempt Private Companies will continue to be exempted from filing their annual statements with ACRA.

Directors should note their responsibilities, as set out below, in respect of XBRL filings as set out in the ACRA Practice Direction.

Pre-requisite for preparers

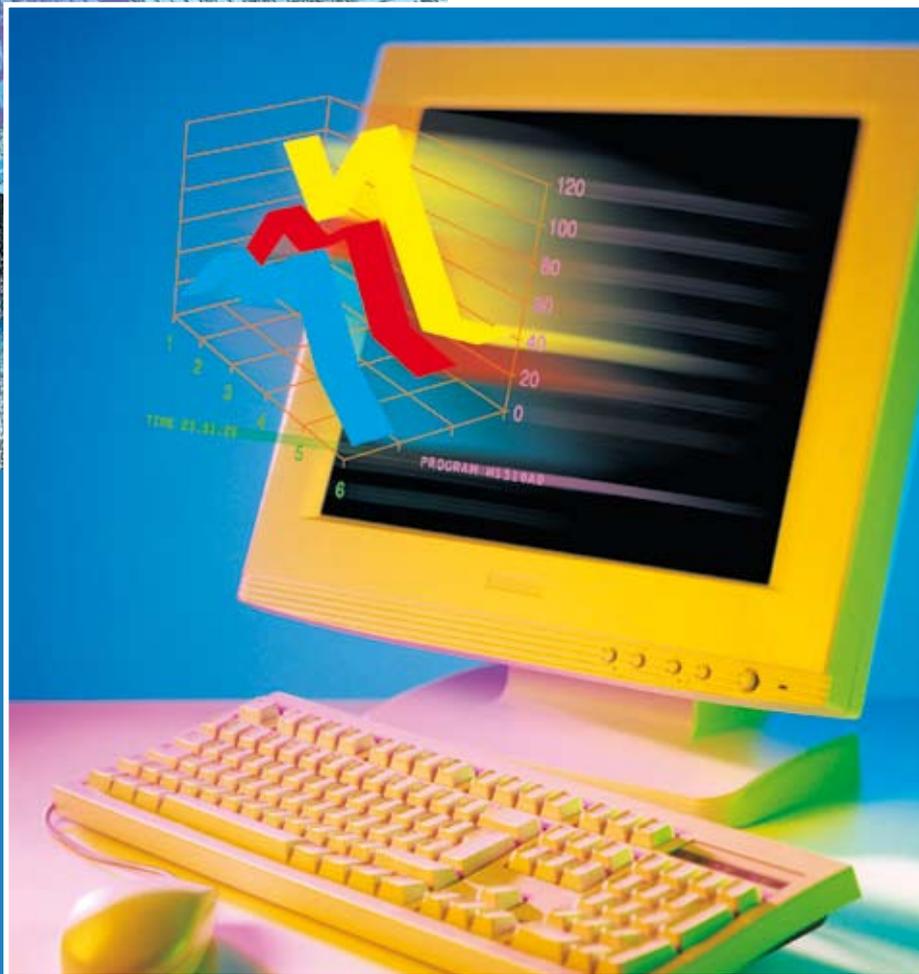
6.4 Directors should ensure that the preparers of the financial statements possess the requisite accounting knowledge to prepare the financial statements to be submitted to ACRA through the FS Manager.

Correctness and accuracy of information

6.5 Ensuring the correctness and accuracy of the financial statements in XBRL format filed with ACRA will continue to be the responsibility of the directors of the companies.

6.6 Directors are therefore advised to check the information to be filed before authorizing their company filers to submit the information to ACRA when filing the Annual Returns.

Further details on the “Filing of Financial Statements with ACRA in XBRL” can be obtained from ACRA’s Practice Direction 2 of 2007. ■



SGX Listed Companies Development Programme Understanding the Regulatory Environment in Singapore

The 6th and 7th runs of the SGX Listed Companies Development Programme on "Understanding the Regulatory Environment in Singapore" were held on 18 May 2007 and 12 July 2007 respectively. Response from listed companies to the programme was very good and we had 78 participants for the 6th run and 90 participants for the 7th run.

The training programme, designed by SGX and SID, covered topics on directors' duties and responsibilities; governance, risk management and compliance; and corporate governance and SGX's regulations.

The presenters for the 6th run were Ms Kala Anandarajah, partner of Rajah & Tann, Mr Richard Wilkins, director of PricewaterhouseCoopers

and Mrs Yvonne Goh, managing director of KCS Corporate Services Pte Ltd. For the 7th run we again had Ms Kala Anandarajah and Mrs Yvonne Goh together with Mr Ng Siew Quan, partner of PricewaterhouseCoopers.

At the end of each of the programme, we had a panel session involving all 3 presenters and representatives from SID and SGX. For the session held on 18 May, SID was represented by Mr Reggie Thein while SGX was represented by Ms Lorraine Chay. For the session held on 12 July, SID was represented by Mr John Lim while Mr Ashley Seow represented SGX.

SID thank all the presenters and panellists for their kind contribution and thank SGX for partnering SID to conduct the training programme. ■



SID-WongPartnership Law Workshops

SID and WongPartnership recently conducted 2 law workshops for directors to update them on their legal obligations and responsibilities.

The first of the two law workshops, "Managing Your Risks as a Director" was held on 23 May 2007. The presenters, Ms Annabelle Yip, Elaine Chan and Jenny Tsin, were all partners of WongPartnership. The discussion panel was chaired by Mr Dilhan Pillay Sandrasegara, managing partner of the firm.

The second workshop was held on 25 July 2007. The topic was "Handling Corporate Meltdown". The presenters were Ms Jenny Tsin, Ms Vivien Yui and Ms Joy Tan while the panel session was chaired by Mr Wong Meng Meng SC, Founder-Consultant of WongPartnership.

SID thanks WongPartnership for conducting the workshops and for the use of its premises to host the workshops. ■



The 2007 Asian Roundtable on Corporate Governance

The 2007 Asian Roundtable on Corporate Governance was held at The Regent, Singapore on 27 and 28 June 2007. The theme for the roundtable was "Ten years since the Asian Financial Crisis – where are we heading with corporate governance?"

The 2007 Roundtable was organised by OECD and World Bank in partnership with the Government of Japan and was co-hosted by Singapore Exchange and the Singapore Institute of Directors. The guest-of-honour for the opening ceremony was Mr Tharman Shanmugaratnam, Minister for Education and Second Minister for Finance.

Participants from OECD member countries included Australia, Japan, Korea, UK and USA while participants from non-OECD member countries included Bangladesh, China, Hong Kong (China), India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, Chinese Taipei, Thailand and Vietnam. International organisations represented included the Global Corporate Governance Forum and the International Finance Corporation.

The Asian roundtable is an annual event and is hosted by a different Asian country each year. ■





Talk on “What the Board and CEO Need to Know about IT Governance”



An evening talk on “What the Board and CEO Need to Know About IT Governance” was given by Mr John Thorpe on 23 July 2007 at Grand Plaza Park Hotel, Singapore. It was attended by about 35 members and guests.

John Thorpe is an international consultant on IT and author of several books, including the best seller “The Information Paradox – Realising the Business Benefits of Information Technology”. He was in Singapore to attend an IT Governance conference. The talk was arranged and sponsored by Fujitsu Asia Pte Ltd.

SID thanks Fujitsu Asia for kindly sponsoring the talk for members of SID, and all members and guests for their presence. ■



SID-SMU Executive Certificate in Directorship

The SID is very pleased to have concluded the successful launch of the SID-SMU Executive Certificate in Directorship which was held from in July 2007. This marks a significant development in the area of training and education of directors and the collaboration with the Singapore Management University ("SMU") bodes well for the continuing professionalisation of directorships in Singapore.

The inaugural first module, "The Role of Directors: Duties, Responsibilities and Obligations", was conducted by Mr Adrian Chan, a partner of Lee & Lee and a practising director, and Associate Professor Pearl Koh, Lee Kong Chian School of Business, Singapore Management University.

This module seeks to ensure that participants are keenly aware of and fully understand the numerous obligations that are imposed on directors and officers by various statutory enactments and regulations, and how they may manage their

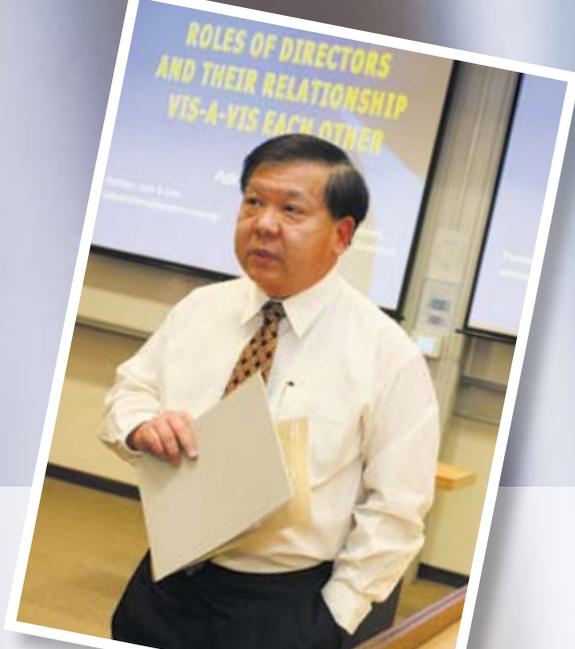
affairs to minimise possible liabilities.

A total of 18 participants attended the 3-day program which was spread over a two week period. The participants also took part in a written assessment exercise at the end of the program. Feedback from the participants has been universally useful and positive, and the course has proven to present a good blend of practical insights and sound theory. Comments received include:

"It has been very informative and enlightening and has helped me contribute more constructively to Board discussions" Lim Beo Peng, Executive Director, HupSteel Ltd.

"Good balance of theory and case studies" Lim Cheng Chuan John, VP Information Technology & Operations, Abacus International Pte Ltd.

"A highly recommended course for all executive officers and directors to



attend" Jessie Lee, Managing Director, Progressive Components (Asia) Pte Ltd.

This new certificate-level program replaces the Company Directors Course which SID has been conducting since 1999. The second module will be "Strategic Business Directions" and will deal with how directors and management need to guide, influence, formulate and approve medium-to-long term strategies in organisations and how strategic management plays an increasingly important role today. The third module will deal with "Finance for Directors" and is structured to highlight various financial indicators and the thinking needed for finance to play a strategic role in business.

Participants who successfully complete all three modules in the certificate-level program will be able to progress to the diploma-level program which SID and SMU will be launching in 2008. If you are interested in finding out more about this Executive Certificate program, please contact our Secretariat at admin@sid.org.sg ■



Talk on “Anti-Ageing – Staying Fit, Active and Young”

A talk on “Anti-Ageing – Staying Fit, Active and Young Throughout Your Golden Years” was held for members in the evening of 22 August 2007 at Holiday Inn Park view. It was attended

by about 40 members and guests. The event was sponsored by Bayer Schering Pharma and Thomson Medical Centre Ltd.

field of anti-ageing medicine. He is a founding member of the International Society for the Study of the Aging Male, London; a member of the American Anti-Aging Academy of Medicine; and the President of the Healthy Aging Association, Singapore.

The speaker was Dr WC Cheng, founder of Thomson Medical Centre. Dr Cheng, besides being an O&G consultant, is an experienced consultant in the

SID thanks Bayer Schering Pharma and Thomson Medical Centre Ltd for kindly sponsoring the talk for members of SID, and all members and guests for their presence. ■





Workshop on “Reporting it Straight - Keeping Out of Trouble”

A repeat workshop on “Reporting it Straight – Keeping Out of Trouble” was held on 23 August 2007 at Marina Mandarin Singapore. The workshop was co-organised by Singapore Exchange, KPMG and SID and was attended by almost 50 participants.

requirement for directors to ensure that statutory financial statements are properly prepared and show a true and fair view of the financial position of a company and that directors run the risk of running foul of the law when inaccurate financial statements are issued.

The workshop was conducted by Mr Tham Sai Choy, Partner and Head of Audit at KPMG. He spoke about the

SID thank SGX and KPMG for co-organising the workshop with SID. ■



CG Updates from Abroad

Revised Principles of Good Corporate Governance Practice and Best Practice Recommendations in Australia

The Australian Corporate Governance Council, having released a consultation paper on the review of the Principles of Good Corporate Governance and Best Practice Recommendations (the 'Principles') earlier this year, has announced that the revised Principles and Recommendations will be released to the public on 2nd August 2007. The deadline for comments on the exposure draft was 9th February of this year, and more than 100 submissions were received. The start date for the revised Principles is now slated to be 1st January 2008.

Submissions responding to the exposure draft are available on:
http://www.asx.com.au/supervision/governance/Submissions_on_review_of_principle.htm

For further information please visit:
http://www.asx.com.au/supervision/governance/principles_good_corporate_governance.htm

Fund Manager Engagement on the Rise

The Investment Management Association of the UK has released its annual Survey of Fund Managers' Engagement with Companies. The survey of 33 investment management firms shows that capabilities and resources in engagement are increasing, with the majority of firms having dedicated engagement professionals, and engagement resources increasing by just over 5% over the last year (and by just over 10% per year in the previous two years). The survey also showed that the majority of firms retain outside expertise to aid engagement practises (including 29 firms using outside research agencies to provide information on SRI).

For more background on the survey, and key results, please visit:
<http://www.investmentuk.org/press/2007/20070704.asp>

To read the report, please visit:
<http://www.investmentuk.org/press/2007/20070704-01.pdf>

Pepperdine University's Graziadio School of Business and Management Survey

A survey undertaken for the Graziadio School of Business and Management found that seventy-six percent of

investors interviewed would move investments if they learned that a company in which they had invested was engaged in unethical but legal behaviour. The survey, including 482 interviews conducted May 31 – June 4 2007 – revealed that investors were apparently willing to do these even at the expense of ROI, and that only 55% of respondents felt that boards behave ethically.

For more background on the study, please visit
<http://bschool.pepperdine.edu/newsevents/releases/2007/070626boardinvest.html>

Board Evaluation

Whilst NYSE requires annual Board Evaluations to be undertaken as part of its listing standards, the NASDAQ makes no such provision. However, thecorporatecounsel.net found that many NASDAQ companies undertake board evaluations as good practice. The survey found that in the majority of cases (42.37%), the Chair of governance/nominating committee managed the process, whilst only a small number (6.78%) utilised an outside consultant.

For survey results, please visit:
http://www.thecorporatecounsel.net/survey/May07_total.htm

One Share-One Vote in Europe

After nine months of research, a final report on proportionality between ownership and control was submitted to the European Commission by Institutional Shareholder Services (ISS) and its partners Shearman & Sterling and the ECGI following their commission in September 2006. Whilst many shareholder rights advocates had long railed against disproportionate equity and control rights, the EU study found that whilst some 44% of listed corporations in Europe feature some form of "control enhancing mechanism" (CEM) such as unequal voting rights, there was no evidence that instruments such as multiple voting rights destroyed value.

For more background on the study, please visit:
<http://www.ecgi.org/osov/announcements.php>

To read the report, please visit:
http://ec.europa.eu/internal_market/company/docs/shareholders/study/final_report_en.pdf

WELCOME ONBOARD

MAY 2007

Carl Reinhold
Chandran Nantha Kumar
Chen Teck Leng Timothy
Chiang Kok Kin Joe
Dhingra Jag Mohan
Eaw Kok Hin
Gan Kathleen
Goh Tiam Lock
Heng Hang Siong Danny

Kong Yoon Kee
Lee Kan Yuk
Lee Kuo Chuen David
Leong Kum Hoe Joe
Leow Tet Sin
Lim Beo Peng
Ng Ngai
Ng Soo Pei Camellia

Ong K W Philip
Prasetya Jaka
Santiago Jovenal R
Soh Eng Teong Edwin
Than Kai Lee
Van Zwieten Robert
Wong Joo Wan
Wong Kong Khiong Adam

JUNE 2007

Alvarez-Dionisi Luis Emilio
Chan Ah Chit Stella
Lau Kim Boo
Lee Bee Wah

Lim Yeow Boo
Lim Yit Keong
Nargolwala Kikhushru Shaivax
Ong Boon Yeow Daniel

Rahman Rosni A
Saw Sin Chee
Tay Kah Poh

JULY 2007

Joshi Manish
Koh How Thim

Lee Jessie
Lim Kwee Song

Qi Xin Zhi
Teo Thiam Chye Eric

AUGUST 2007

Blijleven Reinier
Chew Ban Chuan Victor
Chia Sin Cheng
Emms Anthony Leonard
Enrico Nora
Koh Gim Hoe
Ler Swee Huat Jimmy
Lim Hui Min John

Loh Kah Soon
Neo Hock Chong
Neo May Ling
Neo Ser Choo Steven
Ng Chee Seng
Ng Lam Kee
Pegg John Graham

Tan Gim Chua Thomas
Tan Paul
Tan Ross
Taylor John Charles
Unger Knut
Wong Kwok Ping Albert
Yong Wei Hsien Timothy

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back office needs.

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