

Launch of the “mother of all” corporate governance guides

Conformance versus performance, among other issues, was hotly debated at the launch of the Board Guide.



About 300 directors were present at Marina Mandarin Hotel on 11 November 2016 to witness the launch of the Board Guide, or what has been hailed as the “mother of all” corporate governance guides.

In his welcome address, SID Chairman Willie Cheng explained that the Board Guide was the fourth book in a series of corporate governance produced by SID with the support of ACRA, MAS and SGX. He thanked the many organisations and individuals involved in the development of the Board Guide. PwC Singapore provided the main resources for the Board Guide and a review panel of ten leading practitioners and professionals oversaw the content development.

The Guest of Honour for the event was Senior Minister of State for Law and Finance, Ms Indranee Rajah. She spoke of the developments in corporate governance around the world and the need for Singapore to continue raising the bar. She recognised that the “mantle of directorship is by no means an easy task” and “the extent of responsibilities and liabilities imposed on directors is understandably daunting, especially given the increasing complexity of the business landscape”. In this regard, she found the Board Guide to be a laudable effort and a useful resource for directors.

Mr JY Pillay, Chairman of the Securities Industry Council, delivered the keynote address. He said that trust is what fuels and sustains the world we live in, and corporate governance is what engenders that trust. He noted that boards have the means at their disposal to manage and mitigate the risks of bad behaviour and other actions that can erode trust and the success of their corporations.

After the launch of the Board Guide, Mr Ng Siew Quan, Partner of PwC Singapore and Lead of the Board Guide Working Committee walked participants through the contents in the Board



Guide, and the strong alignment of the sections with the conformance and performance roles of the board.

A group of panellists drawn from members of the Review Panel and moderated by Mr Yeoh Oon Jin, Executive Chairman of PwC Singapore, deliberated on the burning question of “Rules versus Results: How can effective Boards balance them in these challenging times?”

In his closing address, Mr Ng Yao Loong, Executive Director of MAS, shared his thoughts on how the “comply or explain” regime can work better in Singapore. MAS felt that it may be timely to review the Code of Corporate Governance. Any review would need to consider the perspectives of different stakeholders while aspiring to a Code that is balanced, progressive and workable in practice.

Launch of the Board Guide



L to R: Mr Ng Yao Loong (Executive Director, MAS), Mr Kenneth Yap (CEO, ACRA), Mr Tan Boon Gin (Chief Regulatory Officer, SGX), Senior Minister of State Indraneel Rajah, Mr Willie Cheng (Chairman, SID), Mr Yeoh Oon Jin (Executive Chairman, PwC Singapore).

“When it comes to corporate governance, more often than not however, boards tend to concentrate efforts on matters surrounding compliance and regulation. This is typically par for the course, given the amount of damage that can result from corporate malfeasance. But conformance to rules, regulations and guidelines is only part of the equation. As fiduciaries, directors are expected to focus on boosting company performance. They must be mindful that besides keeping the company out of trouble, their role also involves value creation.”

Ms Indraneel Rajah

Senior Minister of State for Law and Finance



“Some may ask why we are so obsessed with governance when our forefathers were able to manage without all those onerous structures.... As time moved on and the economy expanded in size and complexity, the capital market evolved as well, which led to a paraphernalia of laws, regulations, and codes being formulated. The market has become more diverse and amorphous, and what underpins it is trust. It is to facilitate trust being fostered that all those safeguards have been designed, which may occasionally appear irksome to practitioners.”

Mr JY Pillay

Chairman, Securities Industry Council



“The concept of “comply or explain” recognises the need for proportionality and innovation; it allows companies to seek alternatives in achieving good governance instead of requiring unthinking compliance... Meaningful explanations of both compliance and deviations, and constructive dialogues are vital in building trust and confidence between companies and their shareholders.”

Mr Ng Yao Loong

Executive Director, MAS

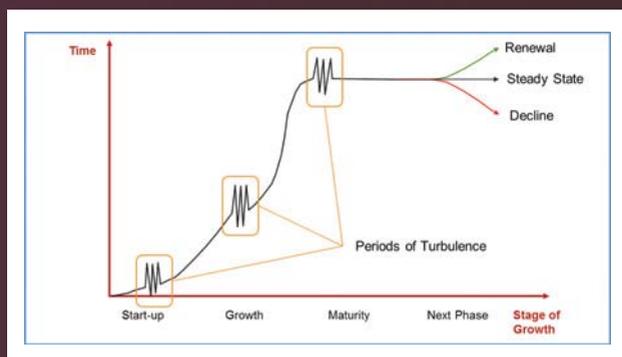


Board Guide: The definitive guide for board effectiveness

Summarised here are key points on the presentation of the Board Guide by Mr Ng Siew Quan, Lead of the Working Committee for the Board Guide.



- Corporate governance requirements change as the business evolves. Therefore it is important for directors to understand which stage of growth a company is at. Managing the transition between stages is critical.



- Stepping up as a board member can therefore be a daunting task. Typical questions include:
 - How do I make sense of all my responsibilities?
 - Why are there so many compliance requirements?
 - How do these reports being surfaced for my review help me discharge my duties?
 - What resources do I have at my disposal to guide me in decision-making?
- The Board Guide is a one-stop resource for company directors seeking to learn about leading practices and improving board effectiveness in the context of Singapore's business and regulatory environments.
- What's in this 700-page book:
 - 8 Sections replete with FAQs.
 - 64 Appendices containing templates, forms and processes.
 - 38 case studies offering practical guidance for directors.
 - Myriad of topics including value creation models, innovation governance, tax morality, sustainability agenda, the "comply or explain" regime, conflict of interests, boardroom dynamics, and crisis management.
- Effective corporate governance is about finding the right balance between performance and conformance.
- In addition, companies are not only expected to go beyond looking after shareholders' interests, but also to allocate sufficient resource to engage other stakeholders (e.g. the community, suppliers, subcontractors, etc.) and respond to their concerns.
- As a start, directors would do well to look out for the following:
 - Balanced composition of directors' skill sets and expertise.
 - Clear-cut understanding of duties and accountability.
 - Efficient group governance and oversight of subsidiaries' performance.
 - Efficient organisation of interaction with shareholders and investors.
 - Reliable procedures to prevent and settle conflicts of interest.
 - Disclosure of complete and high-quality financial and non-financial information.

Panel Discussion: Balancing Rules and Results



Ms Indraneel Rajah
Senior Minister of State for Law and Finance

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L to R: Mr Yeoh Oon Jin (Executive Chairman, PwC Singapore; and Chairman, Board Guide Review Panel), Mr Piyush Gupta (CEO, DBS Group), Professor Walter Woon (SC, David Marshall Professor, NUS Faculty of Law), Mr Robert Gordon (CEO, Board Accord).

Is it conformance or performance?

“I would liken the Board’s role in performance and conformance to soccer – where both defence and offence strategies are needed to win the game. The balancing act of performance and conformance starts from the top and engages every talent at the organisation. Integrate and imbue it through strategic planning, right board culture and a performance management system such as a balanced scorecard.”

Mr Piyush Gupta

Is there too much conformance?

“Corporate governance failures and scandals have created much negative publicity. But has the pendulum swung too much to the left towards conformance?”

Mr Yeoh Oon Jin

“How do we raise the performance of boards when meetings are centred more on compliance because some members feel it is needed? The tail is wagging the dog but it is an issue not easily resolved.”

Ms Adina Cooper

Chief Investment Officer, IREIT Global

“The cornerstone to institutionalising compliant behaviour is in continuous educational initiatives, building leadership, raising awareness and the moral compass across the organisation.”

Mr Robert Gordon

“One should not succumb to paranoia. As a director, do your due diligence, act based on good justifiable grounds and document your deliberations to show you did think about the consequences of your decisions.”

Professor Walter Woon

What makes for good governance?

“More rules and regulations do not equal better governance. In fact, companies can be paralysed by it. Too many rules can inhibit the conscientious but do not obstruct the unscrupulous. More rules is thus not always the answer. A longer term solution is a corporate governance ecosystem which encourages intuitive compliance through clear principles.”

Professor Walter Woon

“Australia scored well in the 2016 CG Watch because it has a strong corporate governance ecosystem. We see a high level of participation, training and engagement of directors and other players, and the positive energy augurs well for the system. Many company directors in Australia feel the compliance structure is too onerous. It’s a challenge, in every jurisdiction, to balance regulatory compliance and self-regulation to optimise good corporate governance.”

Mr Robert Gordon

Are Excos good or bad?

“In many listed companies, the Exco seems to hold an enormous amount of power. How do we ensure that the Exco is used appropriately – that they are neither rubber stampers nor an in-group that knew more than other board members.”

Mr Bill Liu

Chairman, Stream Global

“The Exco plays an important role in not only sharing the burden of the Board, they are an intermediate platform for CEOs to surface matters of significant importance, without having to wait for the board meetings. At DBS, the Exco plays a critical role, acting as an extra check and balance, especially for strategic issues which involve investments of large sums of funds.”

Mr Piyush Gupta

Are companies accountable to shareholders or stakeholders?

“The board is responsible to shareholders. The requirements for company to report based on the environmental, social and corporate governance factors seem to suggest that the Board is responsible to a much wider group, not just shareholders.”

Mr Michael Hwang

Director, YTL Starhill Global REIT Management Ltd

“In the process of evolution, the function of companies became primarily to make money, but leadership is about making decisions that consider the broader community. The stewardship role of the board requires that it protects the company’s reputation, and ensures that the company practises good corporate citizenship.”

Professor Walter Woon

“Conventional wisdom is that shareholders own the company. But in this day and age, there are multiple constituencies including customers, employees and suppliers. The board therefore needs to go beyond ROE and yield, to value creation for all stakeholders.”

Mr Piyush Gupta ■

