

# Corporate Governance Roundup 2017

The annual SID Corporate Governance Roundup was held at the Orchard Parade Hotel on 20 November 2017 with more than 150 members attending.

The SID governing council members provided a synopsis of the happenings in 2017 and a glimpse of what could be expected in 2018 in key corporate governance and directorship matters. Questions from the audience were taken thereafter, raising issues such as Initial Coin Offerings and board diversity.

In the next few pages, we summarise the Council members' takes in the following 10 areas:

- Regulatory Updates
- Code of Corporate Governance
- Corporate Governance Rankings and Excellence
- Board of Directors' Survey
- Board Diversity
- Audit Committees
- Professional Development
- Cyber Security
- Sustainability
- NonProfit and Social Enterprise Directorship



# Regulatory Updates

Tan Boon Gin



- Singapore Exchange Regulation (SGX RegCo) now operational.
- Sustainability reporting required on a “comply or explain” basis from 31 December 2017.
- Equities market structure and adjustments:
  - Minimum bid size doubled for securities priced S\$1.00 to S\$1.99.
  - Widening of forced order for stocks and other securities.
  - Mid-day trading break from 12.00 pm to 1.00 pm.
- Following public consultation on dual class shares, SGX has clarified that companies with DCS structures primary-listed in developed markets can seek a secondary listing on SGX.
- Quarterly reporting has evolved over the years:
  - Current regime requires quarterly reports for companies with market cap above S\$75 million.
  - Percentage of listcos affected has risen from 37 per cent at inception to 70 per cent today.
- Other disclosures under review:
  - Use of funds and unutilised monies for secondary fundraising.
  - Exempted transactions in IPTs.
  - Loans provided not in the normal course of business.

# Code of Corporate Governance

Ramlee Buang



- CG Code was first established in 2001 after the Asian Financial Crisis. It has since been revised in 2005, and 2012. The next revision is expected in 2018.
- Sixteen-member Corporate Governance Council was set up in February 2017 under chairmanship of Mr. Chew Choon Seng. Three subcommittees:
  - Board Matters led by Mr. Willie Cheng.
  - Remuneration & Accountability led by Mr. Tham Sai Choy.
  - Stakeholders’ Rights, Disclosures & Communications led by Ms. Rachel Eng.
- Issues addressed range from the quality of disclosures to director independence and stakeholder engagement.
- Consultation paper on CG Code revision expected in mid-January 2018, and Code to be finalised and issued in the second half of 2018.
- SID will schedule two feedback sessions in February 2018 to garner comments on the consultation paper.
- Following release of the revised CG Code, SID will update reference materials and training.

# Corporate Governance Rankings and Excellence

**Philip Forrest**



- SGTI: The 2017 Singapore Governance and Transparency Index was enhanced to include Business Trusts and REITs for the first time. The upward trend in the overall index continues to be positive, but improvement still warranted especially among small- and mid-caps.
- ASEAN Corporate Governance Scorecard: The Scorecard enjoyed a gap year in 2017 as the methodology was being reviewed. Rankings will return in 2018.
- Singapore Corporate Awards: The glamorous black-tie affair had five main awards, plus a Special Recognition Award for Board Diversity which was given to SingTel.
- Sustainability Reporting Awards: The inaugural awards went to Singapore O&G, UOB and CDL.
- Other initiatives to promote CG excellence:
  - The year saw the completion of the rollout of SID's *Corporate Governance Guides series*, with the launch of the AC Guide, the Resource Guide, eGuide to the CG Code, and the electronic version of all the guidebooks.
  - In addition, the *Sustainability Guide for Boards* was launched at the SID Directors Conference.

# Board of Directors Survey

**Ng Wai King**



- The biennial *Board of Directors Survey* was released in November 2017. Highlights below are additional to points covered in pages 72 to 79.
- Emerging critical areas: Sustainability and cyber security emerged as new critical areas that boards agree that they should pay attention to. However, there is a significant gap between the importance accorded and actual time spent at the board in those areas.
- Training: More directors were attending training, with sustainability and technology being two areas that received a significant jump in the training areas required for directors. Spending on directors' training, however, remained low with majority of the respondents spending less than S\$500 per director on training.
- Internal audit function: There was a marked improvement in corporate governance practice with 91 per cent of respondents indicating that their heads of internal audit report to the audit committee or audit committee chair, compared to 81 per cent in the 2015 survey.
- In alternate years, SID produces the *Singapore Directorship Report*. Expect this in 2018.

# Board Diversity

Junie Foo



- In March 2017, BoardAgender and PAP Women's Wing jointly announced the aspirational target of having 20 per cent female directorships on SGX-listed boards by 2020.
- In April 2017, Diversity Action Committee adopted a triple "hop, skip and jump" target of 20 per cent by 2020, 25 per cent by 2025, and 30 per cent by 2030.
- 2017 was the first time that female representation on SGX listed boards exceeded 10 per cent. However, this is still low and far from the target.
- There has been a further call to action for regulations viz:
  - Disclosure of diversity policy (including gender) and measurable objectives and progress in achieving objectives.
  - Harden nine-year rule on director independence to promote board renewal.
- 2018 will see two new publications:
  - SID book, *Women on Board: Making a Real Difference*.
  - BoardAgender and HCLI report on 20 by 2020.

# Audit Committees

Soh Gim Teik



- ACs faced a number of new regulatory developments during the year.
- IFRS Convergence: SFRS (I) kicks in on 1 January 2018 with two new accounting standards (IFRS 15 on revenue from customers, and IFRS 9 on financial instruments). Implementation has been a problem for some companies. Watch out for IFRS 16 Leases, effect 1 January 2019.
- Enhanced audit report (EAR). First time effective in 2017. What's new are Key Audit Matters (KAMs) and Other Information (OI). Only 42 per cent of ACs provided commentaries.
- Audit Quality Indicators (AQIs): Eight indicators and six targets to help ACs evaluate auditors.
- Financial Reporting Surveillance Programme (FRSP): 2017 change to "Restatements First" policy. In particular, watch out for reviews on impairment, valuation, and cash flow classification in 2018.
- AC Chapter set up in January 2017 to strengthen capacity and improve effectiveness of ACs:
  - Six AC pit stops organised in 2017. More forthcoming in 2018.
  - Collection of articles curated and available on SID website.

# Professional Development

Poh Mui Hoon



- SID curriculum map look at developing directors in two dimensions:
  - Horizontally: from fundamentals, to essentials, advanced and current topics.
  - Vertically: from nonprofits, to startups, commercial, listed and international.
- Several new PD sessions successfully rolled out in 2017:
  - SYS: So, You Want To Be A Social Enterprise Director.
  - GFB: Governance for Family Businesses.
  - BFS3: Sustainability for Directors.
  - MCD series: Four new masterclasses on innovation, strategy, family firms, and cognitive bias in boardroom decision-making.
  - AC Pit Stops.
- 2018 new courses and sessions planned:
  - MCD series: masterclasses on leading from the chair, and anticipating the future.
  - SDF: Startup Director Fundamentals.
  - Other courses such as LCD (Listed Company Directors) course being updated.
- Pilot on online training and webinars.

# Cyber Security

Robert Chew



- Cyber-attacks on prominent organisations continue unabated across the world, including Singapore (AXA, NUS, and NTU). This has also dominated much of the public discourse and thrust the issue of cyber security into the spotlight.
- Singapore has a national cyber security strategy that entails strengthening global partnerships and allocating more funds to plug security gaps in critical information infrastructure.
- A draft Cybersecurity Bill was launched in July 2017 for public consultation.
- Cyber security is the board's – and everybody's – business.
- SID initiatives in this area include:
  - Business Future Series on Cyber Security for Directors to educate board members of their fiduciary duties and to set the tone at the top by ensuring that cyber security becomes a key board agenda.
  - Conference and Bulletin issue focused on cyber security in 2016.

# Sustainability

Lee Suan Hiang



- Sustainability has been gaining currency internationally, especially when brute capitalism is seen to be the cause of many global problems.
- UN has rolled out a slew of sustainability initiatives, the most significant being the Sustainable Development Goals launched in September 2015.
- SGX is requiring companies to produce a sustainability report on a "comply or explain" basis.
- SID initiatives:
  - SID Sustainability Subcommittee to identify and plan initiatives.
  - SID Directors Conference 2017 theme was sustainability. Event was attended by over 1,000 participants.
  - *Sustainability Guide for Boards* produced in collaboration with KPMG and SGX.
  - Inaugural Singapore Sustainability Reporting Awards organised in collaboration with EY and SGX.
  - SID Directors Bulletin 2017 Q3 issue theme on sustainability.
  - Professional development courses: Sustainability for Directors, and Business Value of Sustainability.

# NonProfit and Social Enterprise Directorship

Wilson Chew



- The Code of Governance for Charities in Singapore was revised in 2017, to take effect in 2018. Revisions include:
  - 10-year rule on board tenures.
  - Definitions of charity size for checklists and disclosures. Waiver for those with annual receipts or expenditures below S\$50,000.
  - Increased disclosures on meeting attendance, remuneration of board and staff.
  - Introduction of risk management measures.
- The state of social enterprises (SEs) in Singapore:
  - In 2017, Singapore Centre for Social Enterprise, raiSE saw a 32 per cent surge in SEs registered.
  - Top three beneficiary groups are disadvantaged youths/children, persons with disabilities and low-income families/persons.
- In 2018, organisations such as Ashoka, raiSE, and DBS Foundation are increasing resources to support early-stage social entrepreneurs.
- SID professional development sessions on social enterprises (SYS) and nonprofit (SYN and NPD) have seen good take-up, and will continue into 2018. ■