

# Corporate Governance Roundup 2018



The annual SID Corporate Governance Roundup was held at the Orchard Rendezvous Hotel on 20 November 2018 with 120 members attending.

Ten SID governing council members provided a synopsis of the happenings in 2018 and a glimpse of what could be expected in 2019 in key corporate governance and directorship matters. Questions from the audience focused mainly on professional development of directors, corporate governance of startups and regulatory compliance matters.

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

- Regulatory Updates
- Corporate Governance Changes
- Nominating Committee Matters
- Singapore Directorship Landscape
- Accounting and Audit
- Director Professional Development
- NonProfits
- Startups
- Globalisation and Disruption
- Cyber Security



## REGULATORY UPDATES

### Tan Boon Gin



“Views on quarterly reporting have been wide-ranging and quite evenly split. Deliberations are continuing and you can be assured a decision will be made.”

- Public consultation on quarterly reporting – proposals include:
  - To remove quarterly reporting completely for all companies.
  - To increase the market cap threshold from S\$75 million to S\$150 million.
  - To reduce the content of quarterly reports.
  - Companies to seek shareholder mandate to dispense with quarterly reporting.
- Public consultation on voluntary delisting regime – proposals include:
  - Amendments to voting thresholds for shareholder resolution.
    - To disallow voting by offeror and concert parties.
    - To reduce from 75% to majority approval.
    - To remove 10% block.
  - Enhanced exit offer requirements.
    - Exit offer must be fair and reasonable.
    - Independent financial adviser must opine [more than advise] that the exit offer is fair and reasonable.
    - Exit offer in cash must be the default alternative.

## CORPORATE GOVERNANCE CHANGES

### Tham Sai Choy



“The revision to the Code of Corporate Governance re-issued in the past year is not something that happens every day.”

- Key milestones preceding corporate governance (CG) changes:
  - Feb 2017: CG Council formed.
  - Feb-Dec 2017: Review of CG Code by 3 work groups.
  - Jan-Mar 2018: Public consultation on draft CG changes and rationale.
  - Aug 2018: Issue of revised CG Code and amendments to SGX Listing Rules.
- Main CG changes:
  - Streamlined code structure.
  - Enhanced “comply or explain” regime.
  - Supportive CG ecosystem.
  - Strengthened director independence.
  - Enhanced board composition and diversity.
  - Transparent remuneration practices.
  - Engaged stakeholders.
- Implementation timeline:
  - CG Code 2018 and SGX LR changes effective for annual reports for financial years from 1 January 2019.
  - Transition period for SGX LR related to nine-year rule and one-third proportion of IDs on the board from 1 January 2022.

## NOMINATING COMMITTEE MATTERS

### Lee Kim Shin



“Board independence and diversity are overarching principles for the NC when considering board appointments and succession plans.”

- Nominating Committees (NCs) are mandatory [Provision 4.1 and MR 210(5)(e), effective 1 January 2019].
  - NC has at least 3 directors, with majority (including NC Chair) to be IDs.
  - Lead ID is NC member.
- Independent directors must comprise:
  - At least one-third of board (Vacancies must be filled within 2-3 months) [MR 210(5)(c), effective 1 January 2022].
  - A majority of the board where chair is not independent [Provision 2.2 of the Code, effective 1 January 2019].
- Directors who serve for aggregate period of more than 9 years are not considered independent unless appointment is approved in separate resolutions by: (i) all shareholders, (ii) shareholders except for directors, CEO and their associates (Two-tier vote valid up to conclusion of third AGM of issuer following the passing of the resolution.) [MR 210(5)(d)(iii), effective 1 January 2022].
- Board diversity policy [Provision 2.4, effective 1 January 2019]:
  - Board diversity policy and progress to be disclosed in annual report.
  - NC may be charged with setting objectives and reviewing progress.

## SINGAPORE DIRECTORSHIP LANDSCAPE

### Ng Wai King



“The *Singapore Directorship Report 2018* provides a snapshot of the state of directorships and where directorships are heading.”

- *Singapore Directorship Report 2018* covers a total of 737 firms listed on SGX.
- The report highlights the impact of the 2018 CG on companies.
- Key findings:
  - Smaller board size.
  - Increasing number and proportion of IDs, NI-NEDs, Independent Chairs, and women directors.
  - Reduced number and proportion of alternate directors.
  - Reduced number of multiple directorships.
  - Scarce disclosure of detailed remuneration.
- Looking ahead, impact of 2018 CG Code on existing boards:
  - Provision 2.2: “IDs make up a majority of the board where the chairman is not independent.” 66.3% of companies do not comply and will need to restructure their boards.
  - Provision 2.1: Definition of ID. 55.3% of companies will need to take steps to enable their IDs to still be regarded as independent (with the strengthened tests of independence) or restructure their boards.

## ACCOUNTING AND AUDIT

### Soh Gim Teik



“Any change in accounting standards will affect profit and loss, balance sheet statements and taxes. Even non-accountants should seek to understand the changes.”

- Full convergence of Singapore Financial Reporting Standards (SFRS) with International Financial Reporting Standards (IFRS).
- Singapore Financial Reporting Standards (International) [SFRS(I)], effective from 1 January 2018, and mandatory for companies and business trusts listed on SGX.
- New accounting standards from 1 January 2018:
  - SFRS(I) 9: Financial instruments.
  - SFRS(I) 15: Revenue from contracts with customers.
  - SFRS(I) 1: First time adoption.
- New accounting standards from 1 January 2019:
  - SFRS(I) 16: Leases
- Companies Act, Section 202A and 202B:
  - Defective financial statements, effective from 20 April 2018.

## DIRECTOR PROFESSIONAL DEVELOPMENT

### Wilson Chew



“SID’s professional development curriculum and offerings continues to be enhanced to help directors stay up to date and relevant.”

- Objective is to encourage continuous learning, to stay relevant and sharpen directors' competitive edge.
- Four competency groups: Governance, Technical/Functional, Industry, and Behavioural.
- New PD initiatives in 2018:
  - LED: Listed Entity Director Programme.
  - SDF: Startup Director Fundamentals.
  - FBF: Family Business Director Fundamentals.
  - MCD series: New masterclasses on Role of the Chair, and Anticipating Risk.
  - CTP: Current topic modules on Economic Sanctions, Ethics and Corruption, Digital Innovation, Managing Millennials, and Data and Artificial Intelligence.
  - Webinar: Crisis Management.
- New PD initiatives for 2019:
  - S-GOOD: Enhanced NonProfit curriculum.
  - BFS: Business Future Series on Data Analytics.
  - CTP: Current topics on Blockchain for Directors, Board Diversity, Data Privacy, Board Leadership for Cyber Resilience.
  - E-learning programmes
    - Excuse Me, Are You A Director?
    - Decoding the Code.

## NONPROFITS

### Theresa Goh



“We are setting up a committee to promote nonprofit organisation (NPO) activities and events, and target to have 10% of NPOs sign up as SID members.”

- NPOs in Singapore may be with or without charity status. Different types of NPOs (e.g. societies, CLGs, co-operatives, trusts, etc) are regulated by different authorities (e.g. Registrar of Societies, ACRA, MCCY, MinLaw, etc). In addition, charities are regulated by Commissioner of Charities. SID training for NPO directors started in 2015 with:
  - So, You Want to be a NonProfit Director (SYN).
  - NonProfit Director Programme (NPD) in collaboration with SSI, CNPL and Charities Unit.
- Membership for NPOs introduced in 2017.
- New initiatives for NPOs in 2019:
  - Enhance nonprofit curriculum (with S-GOOD and more).
  - Increase participation and membership to PD courses from charities and non-charities.
  - Organise cross-learning events.
  - Collaborate with regulators and other stakeholders to conduct research on board governance indicators and benchmarks.

## STARTUPS

### Lee Suan Hiang



“Today, knowledge workers are the superstars of the world. They can make something out of nothing. Startups in this knowledge economy can achieve billion dollar valuation in a short space of time.”

- Startups are important conduits for entrepreneurship and innovation.
- Over 54,000 startups in Singapore.
- “From acorns to unicorns”: Razer, Sea, Grab etc. Their successes have inspired new generation of startups.
- Singapore has a comprehensive, effective and well-connected startup ecosystem. It is high in the Global Start-up Ecosystem Ranking but there are still some gaps.
- Contrary to views of some startups, good governance is important for all companies – big and small. Corporate governance is good for business, good for value creation and good for society. Investors care about good governance too.
- SID resources to foster innovation and promote good corporate governance among startups:
  - Inaugural course on Startup Director Fundamentals.
  - *Directors Bulletin* – recent issues focused on future economy, startups and globalisation.

## GLOBALISATION AND DISRUPTION

### Robert Chew



“Globalisation affects every one of us, right down to the very clothes that we wear. It’s SID’s key theme in 2018.”

- Globalisation, under threat from populism and protectionism, is still a key driver of economic growth.
- Six Ds of disruption: digitised, disruptive, deceptive, dematerialised, demonetised, democratised.
- A new form of globalisation that is more sustainable, inclusive and equitable, will emerge.
- It will be characterised by conflicting drivers:
  - Cooperation versus competition.
  - Borderless digital flow versus physical sovereign borders.
  - Openness versus privacy.
- SID in 2018:
  - Flagship conference on “Rebooting Globalisation and Governance in an Era of Disruption”.
  - *Directors Bulletin* column on “Globalisation” and Q3 themed on “Revisiting Globalisation and its Impacts”.

## CYBER SECURITY

### Poh Mui Hoon



“Cyber security is not just a tech issue for the tech team. It is a governance issue and definitely in the board’s realm.”

- Cyber attacks are on the rise globally and locally.
- Singapore’s Cyber Security Act came into force on 31 August 2018. The Act:
  - Strengthens protection of Critical Information Infrastructure (CII) against cyber attacks.
  - Authorises Cyber Security Agency (CSA) to prevent and respond to cyber security threats affecting Singapore.
  - Establishes a framework for sharing cyber security information - which is critical to prevent cyber attacks more effectively.
  - Establishes a light-touch licensing framework for cyber security service providers – balancing security needs and the development of a vibrant cyber security ecosystem.
- It is the Board’s responsibility to:
  - Ensure company has cyber risk management policies and procedures in place.
  - Review annual budgets for privacy and security.
  - Assign roles and responsibilities clearly.
  - Get regular briefings on cyber issues.
  - Make cyber risks a discussion whenever there are significant changes to operations.
- SID BFS 2 (Cyber Security for Directors) to continue. ■