Launch of *Singapore Directorship Report* and *CG Guides 2018*

**The Road Ahead for Directorship in Singapore**

Participants at the launch of SID’s two major publications on directorship debated the recent corporate governance revisions, and highlighted the implications and changes required by boards and directors of listed companies going forward.
The launch of the 2018 edition of the *Corporate Governance Guides for Boards* by SID was attended by 340 people, including regulators, corporate directors, academics and industry experts. The event at the Marina Bay Sands Convention Centre on 3 October 2018 tied in with the launch of the third edition of the *Singapore Directorship Report*.

In his welcome address, Mr Willie Cheng, Chairman, SID, outlined the slew of initiatives SID has undertaken following the revisions to the Code of Corporate Governance (CG) and SGX Listing Rules announced in August 2018. The resources are designed to help directors understand the changing regulatory environment and support them in their directorship journey.

Guest-of-honour Professor Tan Cheng Han, Chairman of Singapore Exchange Regulation (SGX RegCo), highlighted the importance of stakeholder and shareholder engagement in building a vibrant CG ecosystem.

Prof Tan was joined by key members of regulatory authorities, namely Mr Andy Sim (Assistant Chief Executive, ACRA), Ms Phua Wee Ling (Director and Head of Markets Policy and Infrastructure Development, MAS) and Mr Tan Boon Gin (CEO, SGX RegCo) in launching the CG Guides 2018 edition.

The ceremony involved SID’s SuperSID presenting guidebooks to representatives of Deloitte, EY, KPMG, Mercer and PwC, in recognition of their roles in working with SID to revise the guides.

Mr Ng Wai King and Professor Ho Yew Kee, Chairman and Member of the Report Committee respectively, summarised the findings of the 2018 *Singapore Directorship Report*. This was followed by a panel discussion on the implications of recent CG changes on boards and directors.

Director tenure and director independence were the focus, as were gender and age diversity among board members. A major milestone was highlighted, with the proportion of independent directors crossing the 50 per cent threshold for the first time since the *Singapore Directorship Report* was launched in 2014.

The session concluded on an upbeat note. In a changing world with changing markets, companies that stay ahead of the curve with best practices will reap the benefits.
I am heartened by several observations. Some of the developments that struck me most positively are the growing acceptance of the importance of the lead independent director and the presence of independent directors as a whole.

The goal posts will shift somewhat in the coming months. Specifically, the bar will be higher once the 2018 Code of Corporate Governance and related changes to the SGX Listing Rules come into effect.

Shareholders are becoming more demanding of their investee companies and this is something to be welcomed for the long-term good of our capital markets.

The recently revised CG Code places much emphasis on stakeholder and shareholder engagement. SGX RegCo will be working with SIAS and SID to publish a best practice guide for directors and investors participating at AGMs and other shareholder meetings.

All directors and shareholders want the same thing from shareholder meetings and AGMs: constructive discussions and fruitful engagement conducted in a robust yet courteous spirit. Each and every one of us has a role to play to ensure that Singapore’s reputation remains strong.”

Prof Tan Cheng Han
Chairman, SGX RegCo

The big news in corporate governance this year is the release of the fourth edition of the Code of Corporate Governance and related changes to the Listing Rules. During that period SID worked with the regulators and other parties on the post communication and education of the changes.

One of the initiatives was coming up with a new edition to the Corporate Governance Guides for Boards in Singapore. Updating the 6 guidebooks and eGuide was no small task. The Code as you know, was totally restructured.

In the first phase of the project from 2015 to 2017, some 10 organisations and over 120 people were involved in committees, development teams and review panels. To produce the latest edition, we reached out to these same people and organisations. I am pleased to say that all the organisations and three quarters of the people from the first phase continued to be involved in this update.”

Mr Willie Cheng
Chairman, SID
The CG Guides for Boards in Singapore series was first published in 2016 as the definitive guide and reference to what directors need to know about board practices in the context of the business and regulatory environment in Singapore. The Guides have been updated to reflect the changes to the CG Code and related SGX Listing Rules announced on 6 August 2018, with all new references and case studies.

Comprising six printed Guidebooks and an eGuide platform, the series is produced by SID with resources from Deloitte, EY, KPMG, Mercer and PwC, and support from ACRA, MAS and SGX. The series comprises the following:

- Board Guide
- Audit Committee Guide
- Board Risk Committee Guide
- Nominating Committee Guide
- Remuneration Committee Guide
- Resource Guide
- eGuide to the Code of Corporate Governance

Intended for use by Singapore listed companies, the Guides are also useful to private companies and nonprofit organisations. The rules and requirements of the Companies Act, the SGX-ST Listing Manual and the Code of Corporate Governance are set out in the Guides.

For a limited period (until 31 March 2019), SID will accept exchanges of the original (2016/2017) box set of CG Guides for Boards in Singapore for the 2018 edition, at no charge.

The Corporate Governance Guides for Boards in Singapore is available from SID at S$220 (before GST). Individual books are also available for purchase separately.
What makes for good governance?

This 3rd edition of the *Singapore Directorship Report*, following the recent release of the revised CG Code and SGX Listing Rules in August this year, is truly “the mother of all reports”. Through the report, we are able to frame a picture of the current state of board practices in Singapore that enables us to tease out the likely impact of the revised Code and Listing Rules when they take effect.”

**Mr Ng Wai King**
Chairman, Singapore Directorship Report 2018 Committee

The value of the board is the most important aspect that people should be focusing on in the report and this should correlate to some form of indicator such as board diversity.”

**Ms Loh Wei Lyn**
Chief Corporate Officer, Asia Capital Reinsurance Group

The report could also delve into board committee composition and board decision-making, including the setting of board agenda and how strategies are deliberated, so as to provide a dynamic perspective of how members add value to board decision-making, apart from the more static board structure information.”

**Dr El’fred Boo**
Associate Professor, Nanyang Technological University

The pertinent question is whether all these results are a sufficient proxy to measure good corporate governance and board effectiveness. For example, board meeting attendance figures do not really speak to the contribution of directors towards enhancing company performance. The entire ecosystem must be reviewed.”

**Ms Stefanie Yuen Thio**
Managing Director, TSMP Law Corporation

Panel Discussion

L-R: Adrian Chan (Deputy Chairman, SID Advocacy & Research Committee) (Moderator); Ho Yew Kee (Member, Singapore Directorship Report Committee); June Sim (Senior Vice President and Head of Listing Compliance, SGX RegCo); Annabelle Yip (Partner, WongPartnership); Philip Yuen (Chief Executive Officer, Deloitte Southeast Asia & Singapore); Daryl Neo (Founding Director, Handshakes).
**Director tenure**

"Regulators have long memories and we keep track of directors who jump ship when the companies whose boards they serve on are in financial difficulties. Directors should discharge their duties responsibly and should not step down just when their expertise and advice are most needed."

Ms June Sim

"The 9-year rule has been extensively discussed and for a good reason. Board renewal will ensure that the board is refreshed. Independent directors who have reached their term limits can still continue to serve their companies in a non-independent capacity. Perhaps we might see increased board sizes in the next survey if IDs continue to serve as non-independent directors."

Ms June Sim

"The 9-year rule exerts considerable impact on board renewal and tenure. While the results are encouraging thus far, there is still much room for improvement."

Prof Ho Yew Kee

**Board diversity**

"It is important that when opportunities arise for companies to engage new directors, they should review and recalibrate their requirements to allow for greater gender diversity."

Prof Ho Yew Kee

"There is a need to convince major shareholders to embrace board diversity if we want to effect change."

Mr Adrian Chan

"With the hard coding of the 9-year rule, age will be a crucial factor to consider in board renewal. Diversity of age is pertinent in the new business models of today. Board effectiveness also hinges on the ability of the board chairman to handle the different personalities of the board directors that is likely to create different dynamics within the board."

Mr Philip Yuen

**Remuneration disclosure**

"There is a chasm between the remuneration disclosure rates between Large-Caps and the rest, i.e. Mid-Caps and Small-Caps; and it is important to find out the underlying reason."

Prof Ho Yew Kee

"It is more important to explain the correlation between remuneration and performance than it is to disclose remuneration to the exact dollar."

Mr John Lim

"More meaningful than mere disclosure of aggregate remuneration amounts is more comprehensive disclosure of the remuneration framework and strategies applied by companies in tailoring remuneration packages for key executives."

Ms Annabelle Yip
The Singapore Directorship Report 2018

Highlights of the Study

• Population of the study
  o 737 listed entities (758 in 2016; 717 in 2014)
  o 4,681 board seats (4,982 in 2016; 4,839 in 2014)
  o 3,603 directors (3,780 in 2016; 3,670 in 2014)

Key Findings and Trends (2016 to 2018)

• Smaller board size. Board sizes have generally reduced over the years. The most common board size is 6.

• More Lead IDs. There is an increase in compliance for the appointment of a Lead ID from 54.4% in 2014 to 75.4% in 2018 (2012 Code Guideline 3.3).

• Greater compliance for ID proportion for non-independent Chair. The compliance rate among companies that are required to ensure that IDs make up at least half of the board where the Chairman is not independent is 72.1%, an improvement of 11.3% since 2016 (2012 Code Guideline 2.2).

• Scarce disclosure of detailed remuneration. The disclosure of remuneration of individual directors on a named basis remains low at 33.2%, a further decline from the 34.2% reported in 2016 (2012 Code Guideline 9.2).

• Increasing number and proportion of women directors. 10.7% of the board seats are occupied by women. The percentage has improved from 2016 by 1.3% and the rate of increment seems to be very slow.

• Low number of multiple directorships. More than 82% of all directors held only 1 directorship.

• Relatively good meeting attendance of busy directors. As is the case for previous studies, there is no evidence to suggest that busy directors were irregular in their attendance at meetings.

Abbreviation:
  ED – Executive Director  •  NED – Non-Executive Director  •  NI-NED – Non-Independent, Non-Executive Director  •  ID – Independent Director

The 2018 Singapore Directorship Report is available from SID at $90 for members and $150 for non-members.
The number of IDs has been increasing, from 47.6% to 50.7% of all board seats from 2014 to 2018.

The big jump of 42.1% in Lead IDs (a total of 432 Lead ID seats compared to just 304 first reported in 2014) shows greater compliance with the 2012 Code Guideline 2.2 (from 54.4% in 2014 to 75.4% in 2018).

Executive Chairs continue to be the most common arrangement, but the proportion has been decreasing (from 57.0% in 2014 to 50.8% in 2018). Meanwhile, the proportion of Independent Chairs has increased 4.7 percentage points since 2014.

The 2018 Code requires an increase in the proportion of IDs when the Chair is not independent from at least 50% to a majority (Provision 2.2). This will affect 342 or 66.3% of companies which will need to restructure their boards to comply. This could result in a surge of IDs and Independent Chairs being appointed.

The 2018 Code has a new Provision 2.3 for NEDs to make up a majority of the board. 171 or 23.2% of the firms are affected and will need to increase the number of NEDs or reduce the number of EDs on their boards.

 Boards are increasingly cognisant of the need to ensure quality in the board composition such as focusing on board directors possessing the relevant skillsets. One must remember that a few good men or women are good enough to make an effective board.”

Prof Ho Yew Kee

“The average size of boards may be due to cultural differences. For example, Thai companies generally have larger boards.”

Mr Daryl Neo
Director Tenure and the 9-Year Rule

The median board tenure of IDs for all firms is 5 years, and 6 years for firms listed for more than 9 years.

- 37.0% of IDs have been in their appointments for more than 9 years (long-serving ID).
- Of the 523 firms which have been listed for 9 years or more, 289 or 55.3% have at least 1 long-serving ID. Of these, 9 firms have 4 long-serving IDs, and 1 firm each having 5, 6 and 7 long-serving IDs.
- These firms with long-serving IDs will need to prepare for mandatory compliance with the amendment to the Listing Rule (Mainboard 210(5)(d)(iii)/Catalist 406(3)(d)(iii)) which replaces the “comply or explain” Guideline 2.4 of the 2012 Code from January 2022.
- This impact will be more severe for smaller firms as 72.5% of Mid-Caps and 57.6% of Small-Caps have at least 1 long-serving ID.

On long-serving directors who have been ‘holding the hands’ of companies since their IPO days, perhaps it’s time for them to let go. The transition period of 3 years is sufficient for companies to comply. Companies could consider retiring their long-serving independent directors progressively, say 1 per year, and they should be in good time to meet the deadline of 2022.”

Ms June Sim

We need to take a good look at the current stock of directors. In light of the ageing population and as the business environment evolves, if there is no succession planning on the companies’ part, they will be in danger of being phased out as their boards age. We have to encourage companies to monitor their stock of directors to ensure sufficient diversity for implementation of sustainable strategies.”

Prof Ho Yew Kee
Gender Diversity

Gender Breakdown of Board Seats

<table>
<thead>
<tr>
<th>Year</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>91.7%</td>
<td>8.3%</td>
</tr>
<tr>
<td>2016</td>
<td>90.6%</td>
<td>9.4%</td>
</tr>
<tr>
<td>2018</td>
<td>89.3%</td>
<td>10.7%</td>
</tr>
</tbody>
</table>

Findings

- 10.7% of the board seats are occupied by women. The percentage has improved only slightly from 2016 by 1.3%.
- There are 38 (5.8%) women Board Chairs.
- Out of the 3,603 individual directors, 431 (11.9%) are women. An increasing proportion of new directors are women.
- More than 50% of boards continue not to have any female representation. For boards with women directors, 34.9% have 1 woman director and only 14.4% have 2 or more women directors.
- The gender bias is very different with respect to the types of directors. Women hold 9.4% of ID seats, 12.4% of NI-NED seats and 11.9% of ED seats. The gender bias in respect of board seats was the lowest for Large-Caps (12.9%) as compared to Mid-Caps (11.0%) and Small-Caps (10.0%).
- The gender bias is different for different firm types. REITs have the highest percentage of board seats occupied by women (16.1%), followed by Companies (11.7%) and Business Trusts (8.1%).

“Of the 24 directors aged 30 years old and below, 25% are women. This percentage is much higher than the current figures of 10.7% of board seats occupied by women and 11.9% of women directors. This may imply that there is improved gender diversity among the younger millennials and we could see more women directors as more young directors come on board.”

Mr Daryl Neo

“Organisations and companies have the responsibility to populate the pool of potential leaders and directors to ensure a fair proportion of them are women. In the case of Deloitte, our Indonesian, Malaysian and Thai practices have achieved excellent gender diversity, but Singapore could still improve in this aspect.”

Mr Philip Yuen
Multiple Directorships

Percentage of Directors Holding Single/Multiple Board Seats

<table>
<thead>
<tr>
<th>Year</th>
<th>1 board seat</th>
<th>2 board seats</th>
<th>&gt;2 board seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>82.2%</td>
<td>10.7%</td>
<td>7.1%</td>
</tr>
<tr>
<td>2016</td>
<td>81.7%</td>
<td>10.7%</td>
<td>7.6%</td>
</tr>
<tr>
<td>2018</td>
<td>82.2%</td>
<td>10.4%</td>
<td>7.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>1 board seat</th>
<th>2 board seats</th>
<th>&gt;2 board seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>56.7%</td>
<td>18.5%</td>
<td>24.8%</td>
</tr>
<tr>
<td>2016</td>
<td>53.3%</td>
<td>21.9%</td>
<td>24.8%</td>
</tr>
<tr>
<td>2018</td>
<td>61.6%</td>
<td>18.5%</td>
<td>19.9%</td>
</tr>
</tbody>
</table>

Findings

- 82.2% of all directors held only 1 directorship. These percentages on multiple directorships have largely remained constant over the 4 years (2014-2018).
- REITS and Business Trusts continue to have a higher number of “busy directors”, with the proportion of directors with 2 or more directorships being 38.4% and 42.4% respectively.
- Most IDs (70.3%) hold only 1 directorship. Only 5.7% hold 4 or more directorships. The highest number of directorships held by an ID is 8, down from 10 in 2016.
- Only 11.0% of all EDs hold multiple directorships. 15.0% of directors who are CEOs hold more than 1 directorship.
- 91.3% of all Board Chairs hold only 1 chair position, and only 1.9% hold more than 2. There are 4 individuals who hold 4 chair positions each.
- As in the prior studies, there is no indication that holding multiple directorships has any adverse impact on the attendance rate of directors at meetings.

"While there is no hard and fast rule on the number of board seats a director can hold, there has been a positive development in recent years. Since the KPMG report commissioned by SGX in 2015, we seem to be moving away from the 5-plus-1 model, where multiple directorships of 6 was a concern. Rather than prescribe a cap on the number of directorships for Independent Directors, market discipline can achieve better outcomes.”

Ms June Sim

"It appears from the report that there is no need to regulate multiple directorships. More than 80% of directors held only 1 board seat, the maximum number of multiple directorships held by any director dropped to 8, and multiple directorships did not affect board meeting attendance.”

Ms Annabelle Yip
Remuneration Disclosure

Precise Disclosure of Individual Director Remuneration by Sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Disclosed (%)</th>
<th>Not Disclosed (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>33.2%</td>
<td>66.8%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>57.5%</td>
<td>42.5%</td>
</tr>
<tr>
<td>Information Technology</td>
<td>34.8%</td>
<td>65.2%</td>
</tr>
<tr>
<td>Financials</td>
<td>54.8%</td>
<td>45.2%</td>
</tr>
<tr>
<td>Utilities</td>
<td>16.7%</td>
<td>83.3%</td>
</tr>
<tr>
<td>Telecommunication Services</td>
<td>33.3%</td>
<td>66.7%</td>
</tr>
</tbody>
</table>

Findings

- Compliance with the 2012 Code Guideline 9.2 on disclosure of remuneration of individual directors on a named basis remains low at 33.2%. This is a decline from the 34.2% reported in 2016. Small-Caps have the lowest percentage (22.3%) of disclosure while Large-Caps have the highest (77.4%).

- The highest percentage of disclosure is from the Financials and the Real Estate sectors at 54.8% and 57.5% respectively. The rest of the sectors have a lower than 50.0% disclosure rate.

- The quantum of remuneration for IDs is dependent on the size of the firm. 39.2% of Large-Caps disclosed remuneration for IDs of more than S$100,000. For Mid-Caps and Small-Caps, the percentage is only 8.9% and 1.2%, respectively.

- Precise disclosure of the remuneration of Director-CEOs continues to be even lower at 23.2%. This is also lower than the 27.1% reported in 2016. 10.3% of Director-CEOs are paid more than $1 million, similar to 2016 (10.7%).

“…” My personal take is that remuneration disclosure of individual directors in bands may be more reasonable and achievable for companies, in particular, the Small-Caps. While Large-Caps could continue to disclose remuneration of individual directors on a named basis arising from the need to adhere to global requirements, will the world be a better place if we impose the same requirement on Small-Caps?”

Prof Ho Yew Kee

“…” I can offer two reasons for the low remuneration disclosure rate. First, CEOs with lower than market pay may be motivated more by shame not to disclose their pay. On the other hand, CEOs with higher than market pay may be motivated by the fear of being challenged by shareholders at AGMs if they disclose.”

Mr Adrian Chan