

**TRANSCRIPT OF SPEECH BY DPM LAWRENCE WONG AT SINGAPORE
INSTITUTE OF DIRECTORS 25TH ANNIVERSARY COMMEMORATIVE
EVENT, AT SGX CENTRE, 28 JUL 2023**

Chair of the SID Governing Council Ms Wong Su-Yen

CEOs of SID and SGX Group Mr Terence Quek and Mr Loh Boon Chye,

Distinguished Guests,

Ladies and Gentlemen,

1. I am very happy to join you this morning to celebrate SID's 25th Anniversary.

2. It is fitting that SID has chosen to mark its silver anniversary by opening the market here at SGX. It reflects the shared mission of both organisations to promote good corporate governance in Singapore. It is also an acknowledgement that the vibrancy and dynamism of our financial markets and our broader economy are closely linked to the important work that directors and boards do.

3. This work is not always a high-profile one, and may not even be well-understood or fully appreciated. Unfortunately, you typically only read about the work of directors and boards when companies go into trouble.

4. For example, we have had recent high-profile cases, like Hyflux and Hin Leong Trading, where charges were filed against the board for governance lapses, as all of you know. These are the kinds of stories about directors and boards that people tend to read about and remember. The good things that you do in life often are taken for granted. But when mistakes happen, which do happen from time to time, they get splashed on the headlines, everyone focuses on them, and they take an undue share of the limelight. That is just our karma, and we have to embrace that.

5. But we should not take the good things for granted. Even though we read less about the positive roles that directors and boards play in building successful and well-run companies, it does not mean that these are less crucial. Because behind every successful and well-established company is an effective board.

- a. Boards that work closely with management to set sound business strategies for long term growth and success.
- b. Boards that steward the company's resources to benefit not just shareholders, but all stakeholders.
- c. And boards that ensure the company makes ethical and responsible decisions.

6. Good corporate governance and leadership is a key differentiating factor for companies. And rightly so. Good governance is the bedrock upon which people and companies can thrive. Without good governance, organisations fail, investments get wiped out and livelihoods are lost. And this will affect not just the individual companies, but the broader market sentiment and investor confidence as well.

7. We saw this during the 1997 Asian Financial crisis, when investor confidence evaporated as the contagion spread across the region. Countries with the lowest standards of corporate governance then also experienced the largest market declines and currency adjustments. That is why, in 1998, as you heard just now, the private sector, market regulators like SGX, and the Government came together to support the establishment of the Singapore Institute of Directors.

8. We were united then in our commitment to promote high standards of corporate governance and ethical conduct. Today, that commitment remains unwavering. And I am glad to see that SID has delivered on its mission these past 25 years. Since its inception, SID has put in place comprehensive training to enable directors execute

their fiduciary obligations. It has also helped share best practices, and provided useful feedback on business regulations.

9. Because of your work, today we have far more capable and professional boards. More than that, we have managed to enhance investor trust and confidence in the Singapore economy. All this has helped us to weather subsequent crises. We have many distinguished members of the SID here today – council members from the past and present, and all four Chairs of the SID. So let me congratulate the Institute on your 25th Anniversary and thank all of you – Chairs, council members, all members of the SID, for your many contributions to our economy and to Singapore! Thank you very much.

10. Looking ahead, the role of company directors and boards will be even more critical for Singapore. As all of you know, our operating environment will go through substantial change and transformation.

- a. We are entering a new era of heightened geopolitical contestation that will be with us for some time to come.

- b. That means we are also seeing a rising trend of economic nationalism and protectionism, as countries seek to control the commanding heights of the global economy.
- c. At the same time, in the longer-term, we face cross-border challenges like climate change which are difficult to resolve. These cross-border challenges, which are problems without passports, need global solutions. Yet in a more fragmented world, this will be harder to come by.
- d. Within Singapore, we have a rapidly ageing population which will continue to constrain our already tight labour market.

11. We cannot shy away from these challenges, or wish them away. Instead, we must raise our game as a country, build new capabilities, strengthen our value proposition and our competitiveness as a reliable and trusted hub for business. At the same time, we want to help our local businesses restructure and transform, raise their productivity and venture into new markets and products.

12. The Government will play a key role in this effort. We have already put in place many measures to help our companies restructure, automate, grow their capacity for innovation, and tap

into overseas markets. We will continue to review, refresh, and update our schemes. But the Government does not have any competencies to run businesses, to be clear. We are in no position to tell companies what they should or should not do. We can facilitate and support the restructuring and transformation process, but ultimately the decisions have to be made by board directors and management.

13. While we may not have expertise in business, the Government certainly has views on governance and areas that the directors should pay attention to. From my perspective, let me share some areas where boards in Singapore can think harder about:

- a. First, is to think about how we can harness fully the potential of technology and manage its risks. We all know that new digital technologies and AI offer tremendous potential to drive productivity and innovation, and to take companies to the next level. When we speak to the leaders of large MNCs overseas, I am always struck by how seized they are by the game-changing nature of new technologies, how they are investing in these technologies, especially to identify possible use cases, and to develop practical applications for competitive advantage. I think in Singapore, the use of such technological tools, be it data analytics or AI today, remains

fairly modest. From a relative perspective, we are starting from a lower base and there is plenty of scope for us to do more. At the same time, we know that greater reliance on technology also introduces new risks, like service outages and cyber-attacks which need to be managed. So technology is a big key, and I think boards and directors ought to focus more on this, provide guidance to the management teams on how technology can be better harnessed, but also how the risks can be better managed.

- b. Second, we should think also about how companies can make the shift to net zero and carbon neutrality. We already have a plan to do so at the national level by 2050. Likewise, companies need to have their own plans. They need to be aware of their own carbon footprint, not just their own direct emissions, but also indirect emissions from their energy consumption, as well as from their suppliers and customers. Track these emissions, and then think about how you can get to net zero by 2050. It ought to not just be a national green plan, but every company ought to also have its green transition plans. And companies also need to take sustainability reporting seriously, because if companies fail to do all these, then they may risk finding down the road that financing will be increasingly difficult to come by. Because

the banks are taking this seriously, and they may start to say, financing for a company that has a larger carbon footprint, or without a clear plan to get to net zero – well, you have a higher credit risk, and that is why I will not be able to extend financing so readily to you. This is yet another area where boards can pay attention to, and help steer your management teams in the right direction.

- c. Third, we think that companies ought to continue to invest in workers, advance their well-being, and consider how you can be good corporate citizens serving a larger purpose. Obviously the bottom line and profitability is important. But sometimes, when you are overly focused on just that single metric, companies see employees as a cost to be minimised. When you over-do this, you invest little in workers, they end up being very demoralised, and you will operate with high staff turnover. And then you end up in a vicious cycle in which high turnover causes poor operational execution and low productivity. I think there is another approach to think about this, which is to see employees as a drivers of profitability and growth. So invest heavily in the workers, create more meaning, purpose, and dignity in their jobs. Find opportunities for employees to get involved in causes beyond the company itself, to give back and use their skills to

contribute to the community. Then companies can create a virtuous cycle of low turnover, highly engaged staff, and hopefully higher productivity as well. It is a different mindset. It is not just a mindset of ruthlessly cutting down costs, minimising investments in employees, but taking a broader perspective of how a company can truly be a good corporate citizen.

14. Now, managing and navigating these changes obviously will not be easy, and I can understand why, particularly given the many pressures that companies face. So to deal with this effectively, all companies ought to think deliberately and carefully about their board compositions, and how they can get the right mix of skills, experiences, and perspectives. We need directors who can ask the right questions, with the relevant capabilities to challenge existing business models, and ultimately hold the company's management accountable for results.

15. This is one of the reasons why SGX mandated that listed companies disclose their board diversity policy last year – to ensure all companies relook, review and update their board composition. The aim is to bring a wider range of life experiences, capabilities and strengths to the boardroom. This, we believe, will ultimately facilitate problem-solving and improve decision-making.

16. But to do this, we will also need to build a ready pool of directors with the relevant skills and experiences to help our companies navigate today's increasingly complex environment.

17. So I am happy that SID will be launching a new Accreditation Framework for Directors, which will give all directors greater clarity on competencies they should develop, especially in areas like digitalisation and sustainability, which I spoke about just now. With this framework, directors will be able to better navigate the wide range of courses that are available to build their competencies. The framework will also provide a common standard for companies to assess directorship appointments I hope directors and companies will make full use of this framework to strengthen the bench of directors in your boards.

18. Ultimately, to help our businesses transform for the future, we will need to work together, collaborate, and strengthen our partnerships. We must draw on our collective strengths, and harness the capabilities of our companies, industry associations, and the Government.

- a. In this spirit, I am glad that the SID is launching the Governance for Good Alliance, to raise the profile of

Singapore's ecosystem of good governance and to recognise those who have contributed invaluable resources to SID's cause.

- b. I hope that more stakeholders will join the Alliance and rally behind SID's mission to uplift corporate governance, and good business decision making, in Singapore.

19. To conclude, while the road ahead may be filled with uncertainty and challenge, there are also many opportunities available. In fact, we should embrace the challenges, because in the challenges lie opportunities. After all, the Singapore story is about how we have time and again turned our challenges and vulnerabilities into opportunities and success. So if we can nurture the right mix of leadership at our company boards, we can ensure that our firms are well positioned for future growth. Let us, therefore, work together to raise corporate governance standards in Singapore, and keep Singapore a reliable, trusted, and vibrant hub for business, for many more years to come.

20. Once again, my heartiest congratulations to SID for 25 years of leadership in corporate governance. We have a new logo today, the SID council and teams have been working very hard all these years and are continuing to work hard to ensure good corporate

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governance in Singapore and to keep SID's mission alive and well. We thank you all for your support , and I wish you continued success in the years ahead. Thank you very much.