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SINGAPORE INSTITUTE OF DIRECTORS

DIRECTORS BULLETIN

Quarter 2, 2019

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Module 2: 27 – 29 May 2019 in Sydney, Australia
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June 2019
Module 1: 16 – 19 June 2019 in Singapore
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Investors Matter

By **PAULINE GOH**
Chair, SID Bulletin Committee

DIRECTIONS

The sustainability movement has successfully elevated the importance of other stakeholders (beyond shareholders), including the environment and community, in the corporate agenda.

Nonetheless, companies cannot ignore that it is the investors that provide the capital and for which the investors expect returns. Thus, even as the revised Code of Corporate Governance added a new pillar and principle on the engagement of stakeholders, it continues to emphasise the rights of shareholders.

In this issue, we explore the shifting investor landscape in Singapore. As depicted on the cover, there is a growing range of the types of investors and investment vehicles to meet their needs.

David Smith and Daniel Ng lead off with an overview of the investment value chain, and a discussion on the growing influence of institutional investors and their expectations of boards (page 6).

In recent years, there has been a rise in two types of investors: private equity and social investors. Doris Yee makes the case for private equity not being "barbarians at the gate" and how they are in for the long haul (page 14). Kevin Teo and Roshini Prakash describe the growing but highly fragmented landscape of social investments in Asia, and how Singapore can lead it (page 18).

Activist investors have often captured the headlines. Kate Holgate and Joanna Donne provide fascinating insights into the world of activists, with recent Singapore-listed Noble Group, Olam International and Stamford Land issues offering useful case examples (page 26). At the same time, Emily Choo explains the different types of stock market manipulation, using case studies such as the 2013 Penny Stock Saga (page 34).

Last year, the Singapore Exchange introduced dual class shares providing weighted voting rights, in a bid to attract more companies to list. Choo Oi Yee charts the (at times) rocky path that led Hong Kong and Singapore to take this route (page 40).

Tan Boon Gin of SGX RegCo writes on the tightrope that regulators have to walk between allowing market discipline to work and intervening to ensure that shareholder and stakeholder rights are protected for the long term (page 56).

Associate Professor Victor Yeo navigates the legislative framework that protects minority shareholder rights (page 44), while David Gerald looks at how boards can engage retail investors (page 50) and Harold Woo describes how investor relations have developed over the years (page 54).

All these articles have advice for boards. Other articles provide specific advice for the investment committee (Gerard Lee, page 22), the audit committee (Lo Mun Wai and Tham Sai Choy, page 60; Willie Cheng, page 58), and directors owning shares (Mr SID, page 62).

The message to boards and companies is loud and clear: Investors (still) matter. ■

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For ease of reading, the male gender is used in the Bulletin to refer to all personnel unless the context specifically requires otherwise.

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Taking Stock of Institutional Investors

By **DAVID SMITH and DANIEL NG**

Given the relative size of their shareholdings, institutional investors can be influential, active and at times demanding shareholders. Boards should have a good understanding of the different types of entities that allocate capital, their investment approaches and their expectations of the company and the board. While activist funds have grown in prominence, many asset managers just want constructive dialogue with the board and management of their investee companies as responsible participants in the market for the companies' shares.

Investors are usually categorised into retail and institutional. Retail investors are individuals who buy and sell stocks in their own capacity, while institutional investors refer to banks, insurance companies, pension funds, mutual funds and other funds that buy and sell securities in their investment portfolios.

Institutional investors are important to boards and companies because they pool money from many individuals and entities to invest on their behalf. Thus, they tend to be large – at least compared to retail investors – and can end up holding significant amounts of stock in a company.

Institutional investors are increasingly active and influential as shareholders. They generally demand transparency, return on equity, high standards of corporate governance, and even a "say on pay" (in some jurisdictions).

Capital allocation

However, the types and investment approaches of institutional investors are extremely diverse. Navigating this landscape may seem daunting at first glance, but this wider ecosystem is underpinned by the central concept of capital allocation.

To have a better understanding of the institutional investor environment, we first should look at each level of capital allocation and the related stakeholders (See box on "Understanding the Investment Value Chain").

Understanding the Investment Value Chain

Institutional investors and corporate boards are key "levers" in the investment value chain to advocate for the long-term interests of savers and enhance long-term value creation.

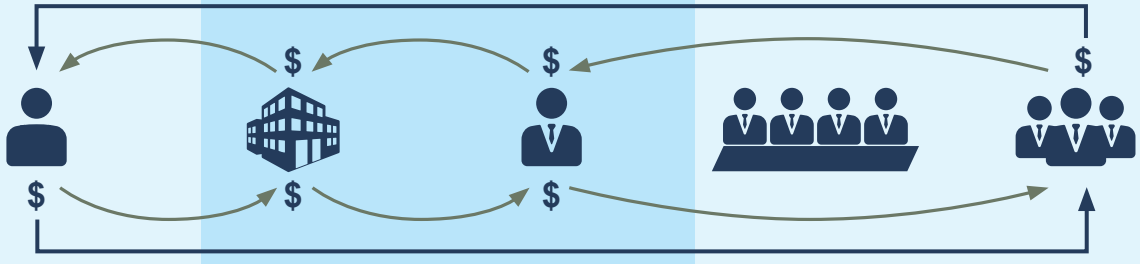
Short-term decision making runs counter to individual savers needs. Much of the capital in the chain originates with savers whose interests are long-term.

Yet today few individuals directly invest their own savings into markets. Rather, the majority of capital works its way through the hands of multiple financial market participants before individual savers realise some return from the net cash received on their effective investments in corporations, multiple links down the chain from them.

Unfortunately as capital weaves its way through this system, it is increasingly subjected to value-destroying short-term forces and the savers' long-term interests are lost.

Metrics, measures and approaches that better reflect these long-term interests across the value chain have the power to change the short-term actions of companies and investors. Given their roles in the investment value chain, institutional investors and corporate boards have not only the duty, but the power to act as champions of longterm thinking.

Changing the actions of these two groups has the potential to influence widespread change, ultimately resulting in a virtuous circle that will benefit companies, shareholders and society.



Institutional Investors

Individual Savers
directly or indirectly invest savings into financial markets
...**and** ultimately realise returns from the net cash received on their indirect or direct investments in corporations.

Asset Owners
are trusted to steward the vast majority of individual savers' capital to realise the desired returns.

Includes pension funds, insurance companies, sovereign wealth funds, endowment funds, mutual funds.

Asset Managers
are appointed by Asset Owners to invest capital in corporations

Includes internal portfolio managers of asset owners, appointed external investment management firms, and hedge or other investment funds.

Corporations

Corporate Boards
are responsible to oversee how this capital is directed by management and to fulfill a fiduciary duty to serve the best interests of the company.

Management
operate businesses for profit and to develop a sustainable competitive advantage...

...**to** in turn provide returns to investors.

Government and Regulators
create the legislated framework within which all participants interact.

Observers
through their opinions, counsel and/or actions influence the main value chain participants.

Include: media, proxy advisory forms, investment consultants, sell side analyses.

Source: *Understanding the Investment Value Chain*, 23 January 2014, FCLTGlobal)

Investments start with individuals and corporations, some of whom may place their money through asset owners. In turn, asset owners allocate capital to asset managers, who then put this money to work by investing in assets such as equities, bonds and other financial instruments.

Accountability flows the other way.

The boards of companies are accountable to shareholders (including asset managers), whilst asset managers are accountable to their clients, asset owners.

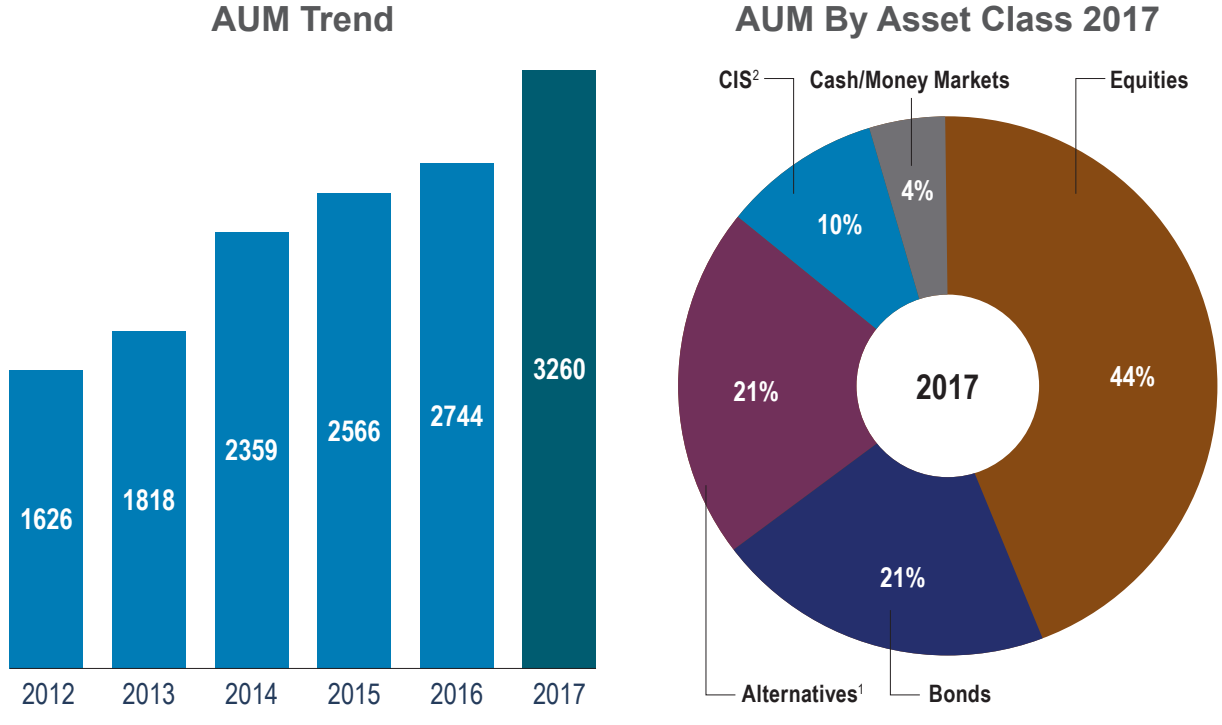
Supporting the companies, asset managers and investors in the wider ecosystem are the regulators and capacity building organisations such as search houses, investor associations, rating agencies and proxy advisers.

While the types of investments and stakeholders are diverse, this article focuses primarily on the asset owners and managers in the equity investment chain.

Singapore's asset management landscape

The Monetary Authority of Singapore (MAS) has been promoting Singapore as an Asian hub for fund management and domiciliation. The total market value of investments managed by asset owners (known as "assets under management" or AUM) has grown by an

Singapore Assets Under Management (US$ Billion)



1: Investments in alternatives include private equity, hedge funds, venture capital, real estate and other investments.
2: CIS, or collective investment schemes, are schemes constituted in or outside Singapore, and offered to retail investors in Singapore. They include mutual funds, unit trusts and real estate investment trusts.

Source: Monetary Authority of Singapore, 2017 *Singapore Asset Management Survey.*

average of 15 per cent over five years to reach S$3.3 trillion for 2017 in Singapore (see box, "Singapore Assets Under Management"). The AUM for 2017 was spread across 715 fund managers.

As shown in the pie chart on allocations to the various asset classes, equities formed nearly half (44 per cent), with alternatives forming a core holding in many investors' investment portfolios for diversification of risk and excess returns from illiquidity and credit risk premia in private markets.

Asset owners

An asset owner is any entity that awards an investment mandate. The large ones are typically pension funds and insurance companies. While it is the pension fund or insurance company that gives out the mandate, it does so on behalf of the employees who are part of that pension plan, or the participants in an insurance plan.

An investment committee of the asset owner would typically go through various factors in choosing who to allocate capital to, that is, the method through which it gives out mandates. While the process can be complex with many factors in play, it can largely be boiled down to asset allocation, strategy, philosophy and performance.

The investment committee must first decide what sort of assets it wants to invest in, or "allocate to", including for example public equity funds, private equity funds, and fixed income funds. It would consider the region it wants to invest in (e.g. Asia Pacific ex-Japan equities or China fixed income). It may consider thematic funds (e.g. a global technology fund or Asian renewable energy fund).

It will also be looking at the type of investment strategy. For example, is the asset manager value-oriented or growth-oriented? How do they manage risk in the portfolio? What has been the historical track record of the manager? What is the level of engagement with companies? Do they consider environmental, social and governance (ESG) factors in their investment process?

Asset managers are typically measured against a benchmark, and asset owners and their advisers would be looking at how the fund has performed against the benchmark over various time periods (e.g. one, three, and five years). They make these decisions in the context of the wider risk profile they would like exposure to.

While there are many factors in play, we should remember that asset owners are generally giving out mandates on behalf of the beneficial owners of capital. In the case of a corporate pension plan, these are the plan participants, i.e. current or future retirees. If it is a country's reserves, it is the citizens of that country.

It is thus crucial to remember that the ultimate owners of this capital are individuals. Within the many moving parts of this ecosystem, it is important to understand that asset owners are generally investing for someone's future.

Asset managers

There are various types of equity fund managers – value, growth, quants, macro, the list goes on. Even within these categories, we can differentiate between long only and long/short funds.

Each will have different investment styles and construct portfolios in different ways.

Some may employ activist strategies, typically more common in western markets, albeit a strategy that is also becoming increasingly common in Asia.

Some examples of notable activist funds are Paul Singer's New York-based Elliott Management as well as Oasis Management Company in Hong Kong. Equity activism, as defined by Singer himself, is "using your voice and voting rights to improve companies in ways that maximise value for all shareholders".

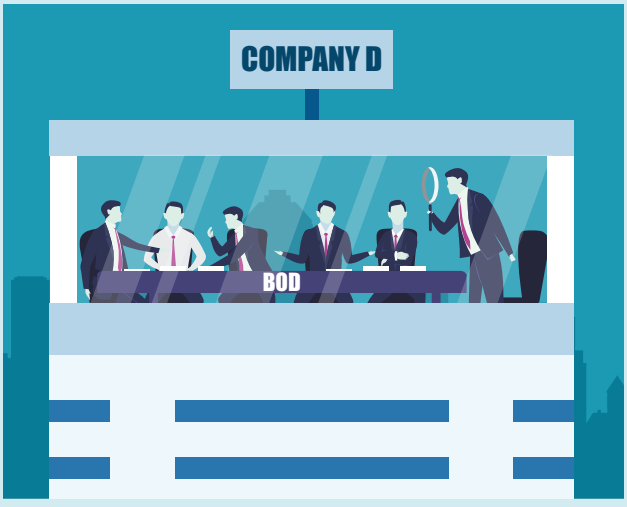
Such funds have been stepping up their activity within Asia in recent years. Many may believe they are doing something constructive by undertaking the comprehensive financial and operational analysis required to identify situations in companies that are in need of change.

For many, though, investing for the long term does not involve shareholder activism or the adoption of a confrontational approach. Responsible asset managers do not invest to drive change. We look for companies with sensible balance sheets, that have the right management, who are executing the right strategy, and who have a history of treating minority shareholders well.

Corporate engagement

For Aberdeen Standard Investments, and many other institutional investors, corporate engagement is an important part of the investment process.

Even after we invest, we continue our discussions with corporate management teams, and boards of directors. These are not hostile or confrontational discussions; instead, the aim is to better understand the company, and to have a constructive dialogue with those managing the company.



These discussions would typically touch on strategy, execution, financials, sustainability and ESG, amongst various other topics. Sustainability issues are material issues that the company should be aware of – responsible investors would want to know that the company is not borrowing from the future to finance the present. These are issues that, if not identified and discussed, could lead to increased regulatory fines, litigation costs and reputational damage.

Investors ask these questions to get a better sense of how a company is managing its stakeholders, and they should not automatically be seen as interfering or promoting belligerent shareholder activism. Instead, by bringing such issues to the table with company management, investors can make better decisions in their investment process.

Investors may reach out to meet board members, especially non-executive directors. This enables them to get a sense of the nature of board debate and dialogue. There are limits to the discussion, of course, but we have certainly found it useful to interact with the directors whom we elect on behalf of our clients.

The goal in meeting with board directors is to engage the company in a constructive dialogue on strategy and governance, two of the primary responsibilities of the board.

Investors' expectations of the board

For boards to be effective, they need to be independent, diverse and inclusive. This creates an environment where ideas can be discussed openly. An abundance of perspectives is not a problem, but a resource to the company. Boards should be collegiate, but also constructively challenging – robust debate is useful for all, and should be fostered.

In terms of board characteristics, investors would like to see boards that have strong independent representation, and with directors drawn from a diversity of backgrounds. Independence allows a director to be objective and evaluate the performance and well-being of the company without any conflict of interest or the undue influence of interested parties.

Some boards appoint a lead independent director, someone who can not only serve as a point of contact for shareholders, but can also lead meetings with the other independent directors without the presence of management. Directors are able to speak openly at these sessions, even if they are less vocal in regular board meetings. The lead independent director can then regularly provide feedback to management on critical issues such as strategic direction and succession planning.

Dynamic and responsive boards

Diversity is another characteristic of boards that appeals to investors. While keeping in mind the importance of gender diversity, boards should also aim for cognitive diversity. A diverse range of relevant skills on the board can be a huge asset. Diversity of backgrounds provides for different perspectives, and avoids groupthink. It creates an environment where boards are discussing issues with different perspectives available to them, rather than just one or two.

A useful exercise for boards to undertake is skills mapping of the board – identifying skills they would like to have on the board, how the current board matches to those skills, and formulating a plan to get to that target. For example, a company that is thinking of growing its business internationally may wish to consider appointing someone who has had experience expanding international operations.

Well-functioning boards are also important for family-owned businesses. Family businesses typically have a goal of sustainable and equitable wealth generation and transfer, and ensuring that management get the right advice and counsel is fundamental to ensuring the long-term survival and success of a business (and by extension the family wealth). Harnessing this philosophy and building a board with a good degree of independence and diversity can be a powerful combination.

Being willing to cultivate investor relationships, and to engage in constructive dialogue, are positive signs of a dynamic and responsive board. In the long run, positive engagement with shareholders can provide the perspective of a participant in the market for the company's shares, and create value for the company. ■

David Smith is Head of Corporate Governance, Asian Equities, and Daniel Ng is Investment Analyst, Asian Equities, Aberdeen Standard Investments (Asia) Limited.

The Case for Private Equity

By **DORIS YEE,** Director, Singapore Venture Capital & Private Equity Association

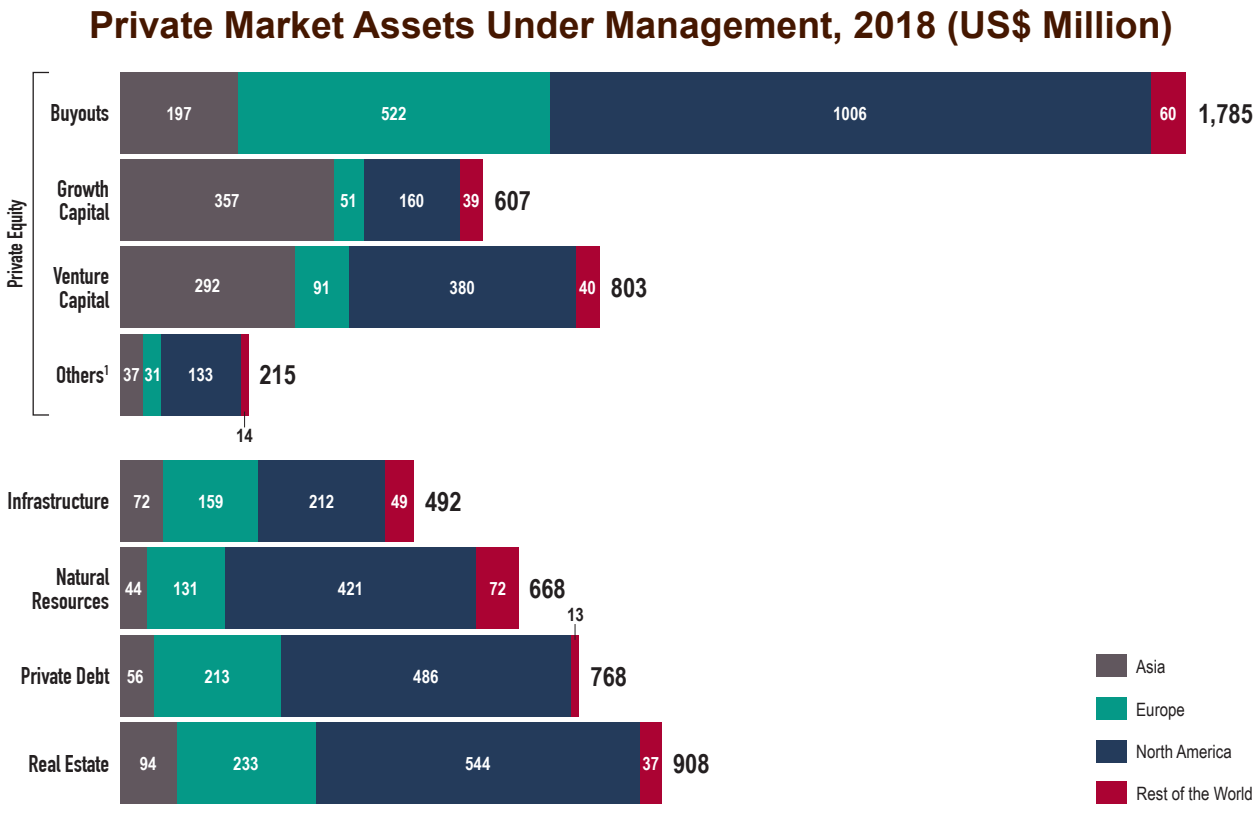
Private equity funds invest in unlisted businesses and scale them, often with the intent of outsized returns. They are becoming more prevalent, even if some people still think of them as "barbarians". There is a good case for private equity which has bankrolled many successful household names. But there are funds and there are funds, and one should weigh the considerations before playing.

To the layperson, private equity might trigger sordid memories of *Barbarians at the Gate*, the 1989 bestseller documenting the tussle for RJR Nabisco culminating in the largest leveraged buyout at that time. For many, it represents the epitome of greed, with assets stripped, debts piled up and jobs lost while investors laugh their way to the bank.

To asset owners (such as pension funds, endowments, family offices, sovereign wealth funds, insurance companies), private equity falls into the realm of "alternative investments" which broadly includes:

- Hedge funds
- Commodities
- Real estate, infrastructure and other real assets
- Structured products
- Private equity

According to Preqin, a data provider for alternative investments, global private market assets under management totalled US$6.2 trillion (S$8.4 trillion) in 2018 (see chart, "Private market assets under management, 2018, US$m"). This is a small fraction compared to traditional investments (fixed income, public equities) estimated at US$98 trillion worldwide according to Chartered Alternative Investment Analyst (CAIA) Association.



[1] Includes balanced, direct secondaries, co-investment, co-investment multi-manager and turnaround.

Source: SVCA Analysis, based on data from Preqin

In for the long haul

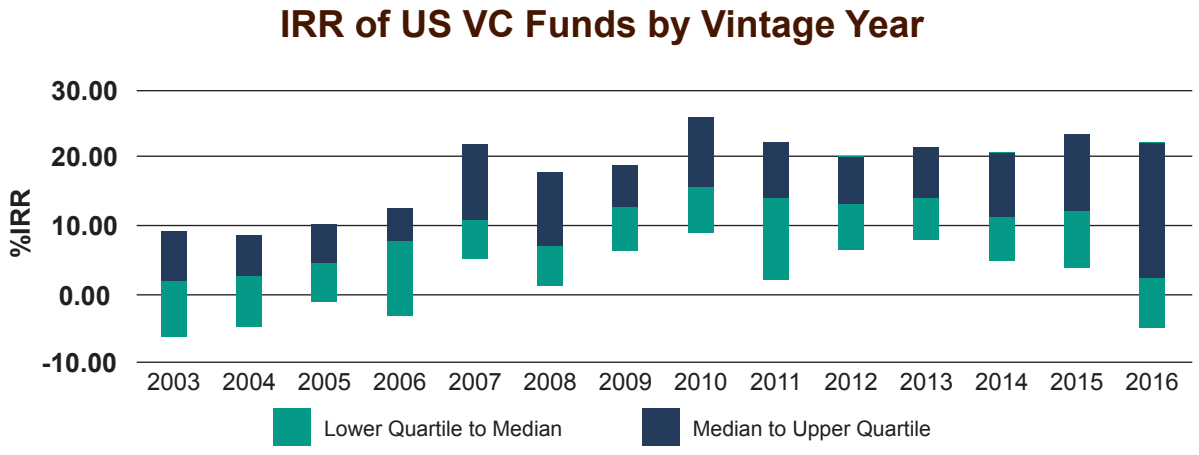
Two characteristics, amongst many, which set private equity (broadly defined here to include buyout, growth and venture capital) apart from traditional investments are: (1) extreme illiquidity and long-term nature; and (2) wide dispersion in returns among different funds/managers.

Unlike public equity where investors can choose to sell almost all their shares at will if they no longer believe the stock can deliver the expected return, private equity typically remains invested in each of the portfolio companies for periods of three to five years (growth and buyouts) and even longer periods for early stage venture capital.

In addition, funds are closed-ended which means that investors into private equity/venture capital funds cannot increase their allocation into a particular fund after the fund is raised/closed, nor redeem their funds at will prior to distribution or even renege on their initial commitments. This means any allocation to private equity must be a well-considered long-term commitment.

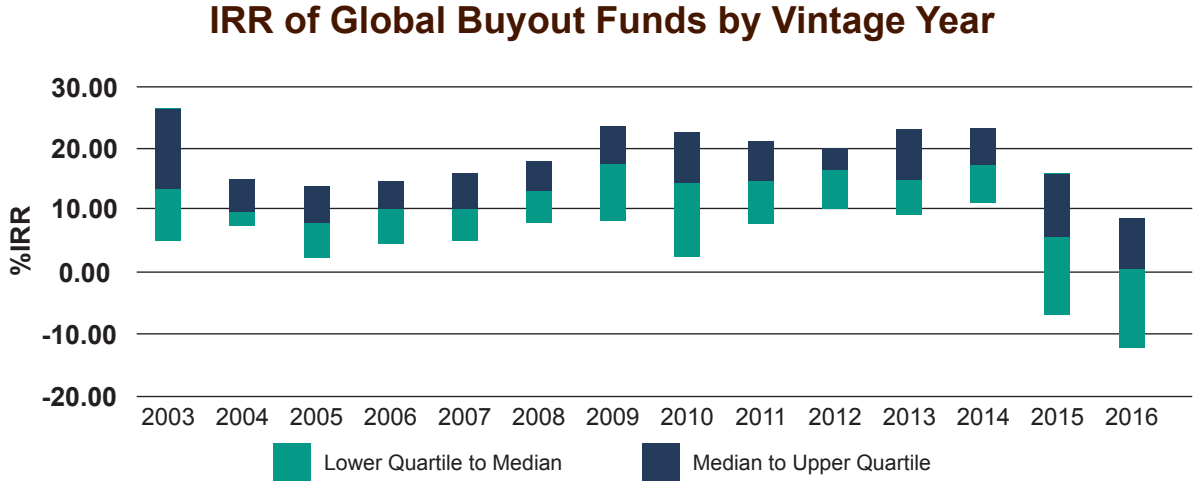
Looking at the dispersion of returns across different US venture capital and global buyout funds below (see the two charts on page 16), returns vary across different vintage years and the performance between top and bottom quartile funds is widely disparate.

There is a difference of more than 20 per cent in certain vintage years and returns can even extend into negative territory. Hence fund manager selection is paramount for asset owners.



Source: SVCA Analysis, based on data from Cambridge Associates 2018 Q2 US Venture Capital Benchmark Report, 30 June 2018

Note: 1. Vintage Year denotes fund's legal inception date as noted in fund's financial statement and is prior to fund's first close or capital call.
2. As Funds take six years to settle into their final quartile rankings, performances of more recent vintages are less meaningful.



Source: SVCA Analysis, based on data from Cambridge Associates 2018 Q2 Global Buyout & Growth Benchmark Report, 30 June 2018

To play or not

Members of SID who are on the boards of private or public companies may, from time to time, be approached by private equity fund managers interested to take a stake in the companies where these directors wield some influence.

Just as asset owners undertake due diligence and select their fund managers after careful consideration, company directors should similarly give due consideration when approached by these potential private equity investors.

Considerations for selecting a private equity investor partner should include:

1. Ability to work with the management team. As private equity fund managers invest for the long haul and take an active interest in the portfolio through board representation or even involvement in strategy/execution, "chemistry" between investors and management is vital. Often, management is also expected to co-invest to have "skin-in-the-game" to ensure interests are aligned. Incentives through stock options are also often utilised to retain and motivate key managers.

Private equity may also recruit additional talent or replace management who wish to retire.

2. Shared vision and strategy.
Buyouts may involve leverage. For publicly listed companies, this also often includes taking the company private (public-to-private). Post-investment, there may be plans to restructure, expand into new geographies/sectors or divest non-profitable business segments. Directors, managers and investors must have the same conviction and commitment to implement these strategies cohesively.

3. Ability to value-add.
The large disparity in performance across different private equity funds is often a reflection of fund managers' ability to add value to their portfolio. This could be attributed to the manager's network of domain experts, ability to recruit talent to complement the existing management, expertise to improve operational efficiencies such as automation, supply chain reorganisation and manufacturing outsourcing, experience in growing new markets through partnerships and acquisitions, or access to increased sources of financing.

4. Exit strategy.
As closed-end funds with a limited fund life (typically eight to 10 years), private equity funds must exit their investments to realise their value and distribute returns to the funds' investors. Hence, board members and management must be prepared for this eventuality either through the public listing of the portfolio company, sale of the portfolio company to another company, sale of the private equity manager's stake to another fund manager or to other shareholders.

Not everyone's cup of tea

For those still wary of the "barbarians", take comfort that private equity has been involved in many success stories.

Indeed, as it is, we all use and enjoy many products and services provided by companies backed by private equity. From the mattresses that we sleep on, to the coffee that we drink, private equity has helped build up household names such as Simmons, The Coffee Bean & Tea Leaf, Grab, Crystal Jade, Amazon, Apple and Netflix.

Closer to home, the yearly Singapore Venture Capital & Private Equity Association (SVCA) Awards have regularly recognised successes in private equity such as King's Safety Wear and UEMS (both past winners of the PE Exit of the Year Award).

King's Safety Wear, a Singapore listed producer of safety shoes was privatised by key managers with funding from Navis Capital in 2008 for S$97.1 million. Three years later, after significant improvements in the supply chain, material sourcing, manufacturing operations and geographical expansion, the company was sold to Honeywell for S$430 million resulting in sizeable returns for stakeholders including the private equity fund and management who were incentivised to perform.

In 2015, Dymon Asia Private Equity (DAPE) purchased a 51 per cent stake in UEMS from a unit of United Engineers. With operations in Singapore, Malaysia and Taiwan, the facilities management company with a track record of more than 20 years renewed its focus into the lucrative healthcare sector, invested heavily in a proprietary inhouse IT system to better track and monetise performance and increased its revenue from healthcare customers to 60 per cent of total revenue. UEMS was acquired by UEM Edgenta two years later resulting in outsized returns for both DAPE and key managers of UEMS.

Hence, a win-win situation is indeed possible. ■

Singapore's Role in Social Investing in Asia

By **KEVIN TEO and ROSHINI PRAKASH**

Structuring capital for both financial performance and social value creation is critical for Asia to maintain its growth momentum as well as achieve its goals for sustainable development. Singapore can lead the way for social investment in Asia.

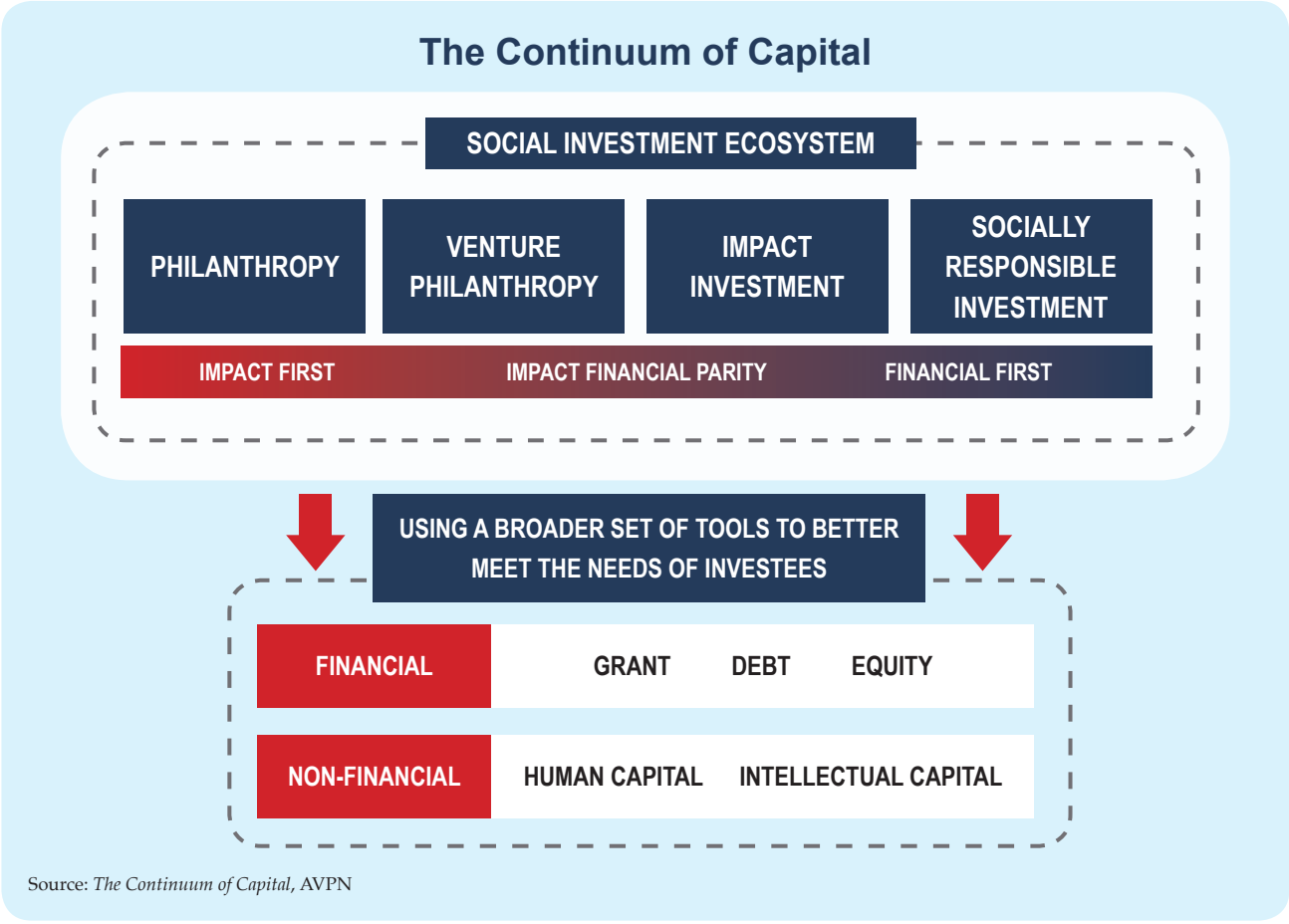
In the last 50 years, many countries in Asia, including Singapore, have transitioned successfully to middle-income and advanced economy status. With market-oriented reforms, globalisation and technology, there has emerged a rising middle class, buoyed by higher levels of education and improvements in life expectancy. Yet, not everyone has benefited equally.

Analysis by the UN Economic and Social Commission for Asia and the Pacific shows that inequalities in Asia are widening in terms of income, opportunities and access to services. The region is home to half, or two billion, out of the world's four billion poorest people.

According to the Asian Development Bank, US$1.7 trillion (S$2.3 trillion) in infrastructure investments will be required annually until 2030 for developing Asia to maintain its growth momentum, tackle poverty, and respond to climate change. Government development budgets, even when combined with foreign aid and private philanthropic funds, will not be able to meet this need. Social investment through private capital and innovative financing mechanisms will be critical to close the gap.

What is social investment?

Social investment refers to the various ways of structuring capital for both financial performance and social value creation, ranging from the impact-only approaches such as traditional philanthropy to venture philanthropy, impact investment and socially responsible investing through environmental-social-governance (ESG) screens and integration. See chart on "Continuum of Capital".



Source: *The Continuum of Capital*, AVPN

Financial, human and intellectual capital resources flow from social investors (foundations, impact funds, family offices, banks/wealth management, and private equity (PE)/venture capital (VC) funds) to their investee organisations – nonprofits, social enterprises and ESG-compliant businesses, collectively referred to as Social Purpose Organisations (SPOs).

They are invested with the expectation of measurable results across the entire spectrum of social investing.

Social investment landscape in Asia

The social investment landscape in Asia is highly fragmented. This is not only because of varying economic contexts and limited uptake of various investment approaches, but also the varying maturity of social economies in the region in terms of government development priorities, legislative environments, and the ecosystem for social impact.

According to the Global Impact Investing Network (GIIN), in the decade between 2007 and 2017, private investors deployed only around US$904 million towards impact investments in Southeast Asia. Impact investments are defined here as investments providing a financial return alongside impact on specific environmental and social outcomes. In contrast, development finance institutions deployed US$11.3 billion during the same period.

Investing in ESG assets has also been slow to pick up. A 2018 report by Oliver Wyman and AVPN showed that less than 1 per cent of total managed assets in Asia (ex-Japan) was deployed to ESG investing in 2016, in contrast to Europe and Australia/New Zealand (both over 50 per cent).

But the social consciousness of Asian investors has been steadily increasing. According to Standard Chartered Private Bank's *Asia Sustainable*

Investing Review 2018, 64 per cent of high net worth investors in Singapore who are involved in sustainable investing are motivated by helping create a better future and doing good while earning a profit.

Research by AVPN shows that funders here and across Asia support a range of SPOs across business models and growth stages. Impact-financial expectations, ticket sizes, as well as the funding horizons also vary (see charts on "Behaviour of Impact Investors in Asia").

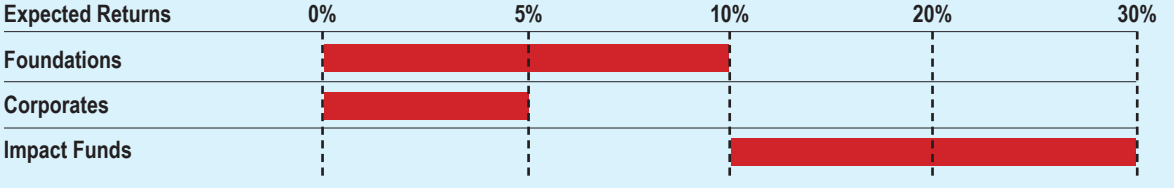
While some funders seek market-rate returns, others seek below-market returns if they choose to subsidise impact creation or a longer journey to scale. Long-term engagement also allows SPOs to choose the right funders and avoid mission drift.

Singapore's role

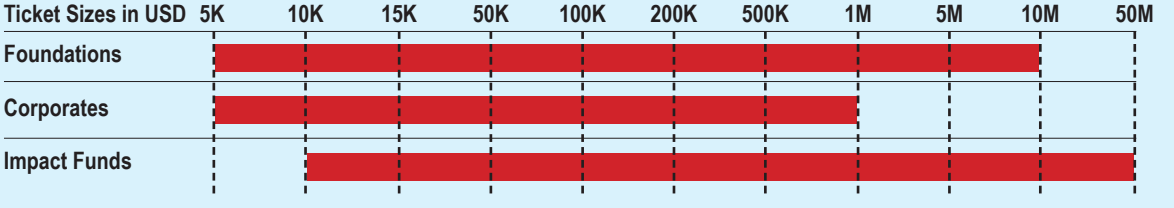
As a thriving global financial hub with a liberal investment landscape, Singapore is well-poised to lead social investment in the region. Many development finance institutions and

Behaviour of Impact Investors in Asia

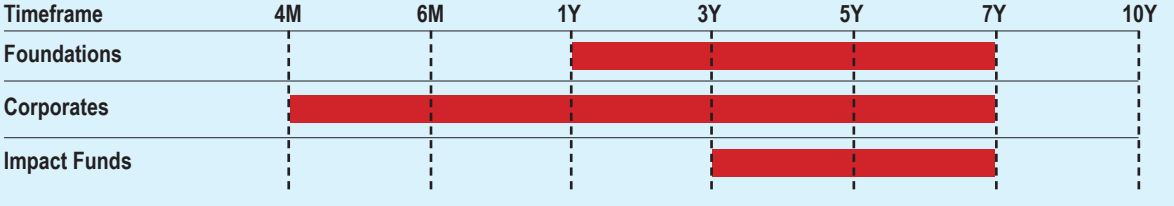
Financial Return Expectations by Funder Clusters in Asia



Ticket Sizes by Funder Clusters in Asia



Actual Funding Horizon



Source: *The Continuum of Capital in Asia*, AVPN

international nonprofit organisations run their regional operations from Singapore.

It is also becoming a hub for impact funds such as Insitor Impact Asia Fund, Bamboo Capital and Blue Orchard which help investors channel resources to social businesses in the region. For example, from its base in Singapore, Insitor invests venture capital funds into early stage businesses looking to solve social issues and uplift low-income communities in Cambodia, India, Myanmar and Pakistan.

The Monetary Authority of Singapore (MAS) has put several structures in place to encourage deeper ESG integration within financial institutions as well as to grow the suite of ESG products to support different investment strategies. In 2015, the Association of Banks in Singapore introduced guidelines for responsible financing which require banks to assess their clients' ESG risks as part of credit evaluation, and the Singapore Exchange (SGX) has a "comply or explain" regime for sustainability reporting for listed companies. Increasingly, ESG is also being factored into insurance modelling, product development and underwriting processes.

Since March 2017, the Investment Management Association of Singapore has been working with the World Wildlife Fund (WWF) to build industry capacity in ESG and sustainable investing. In June 2018, with MAS' support, WWF launched the Asia Sustainable Finance Initiative in Singapore, bringing together industry, government, the nonprofit sector and academia to coordinate best practices in sustainable finance across the region.

Green bonds

Singapore is one of the market leaders in global green bond issuances in Asia, setting standards and providing incentives to spur its growth. The development of this green asset market serves as a good example of how Singapore has been able to mobilise social investment in the region.

Just a month after MAS introduced a Green Bond Grant Scheme in Singapore in March 2017, City Developments Limited issued the first green bond, followed by a US$500 million green bond by DBS Bank in July. These pioneering actions gave others in the region confidence of institutional demand for this asset class, and motivated them to list their own green bonds on SGX.

For example, the Indian Renewable Energy Development Agency's INR 19.5 billion (S$370 million) green masala bond, Manulife Financial Corp's US$500 million green bond and Star Energy Geothermal's US$580 million amortising green project bond – the first corporate green bond from Indonesia.

While these are promising developments, the supply of private green finance will have to grow tenfold if it is to meet even 50 per cent of the green financing needs for ASEAN alone. In order to mobilise these resources, in June 2018, MAS signed a Memorandum of Understanding with the International Finance Corporation to jointly enhance financial institutions' capacity around green finance and to promote the use of internationally recognised green bond standards and frameworks.

What's next?

The fundamentals are already in place in Singapore – the strong market imperative, the enabling regulatory infrastructure, the ecosystem of financial institutions, enablers and intermediaries. But this is not enough. For these efforts to be truly transformational and to effect sustainable change in Asia, all actors will need to work together more effectively. By breaking down the silos and openly engaging and collaborating with each other, we will be able to maximise the social impact of our investments and make a tangible contribution towards overcoming the systemic challenges that plague the region. ■

Kevin Teo is Chief Operating Officer, AVPN and Roshini Prakash is Knowledge Senior Manager, AVPN.

Investment Committees: What you may not know

By **GERARD LEE,** Chief Executive Officer, Lion Global Investors

Board committees such as Audit, Remuneration and Nomination have been around for a long time, and their duties and practices are generally well defined. An Investment Committee (IC) is a more recent development. Members of ICs would be well guided to understand idiosyncrasies in investments which are not well appreciated and even counter-intuitive, such as not meeting too often, leaving a portfolio alone during bear markets, focusing on costs rather than returns, and not "weather forecasting".

Typically, an Investment Committee (IC) is set up to help an organisation get a better return from its reserves than what it can get from fixed deposits. With this in mind, the IC would go about finding external fund managers to meet this objective at an acceptable risk, which is usually taken to mean not losing money.

This is a reasonable expectation. But it gets complicated when overlaid with the time horizon – is it fine to lose money in a financial year so long as over a longer-time frame the reserves are making money? Unfortunately, not everyone is prepared to see red ink in any financial year even though such losses may simply be marked-to-market and not realised.

What should you invest in?

For those who are not prepared to lose money in any given year, there are very few avenues to increase the rate of return other than staying in fixed deposit. Even a short-term bond held to maturity is subject to market volatility, and its marked-to-market price before maturity may be lower than the cost price.

Other alternatives, such as a capital guarantee on an underlying investment with more upside than fixed deposits, are not attractive once the cost of guarantee is priced in.

Practically, there is no running away from having to invest in asset classes with volatility

and hence marked-to-market losses. Such asset classes are equities, longer term government bonds and non-government bonds (for this article, the discussion will be restricted to investments in the public markets, i.e. excluding private equities, real estate and infrastructure).

Model portfolio

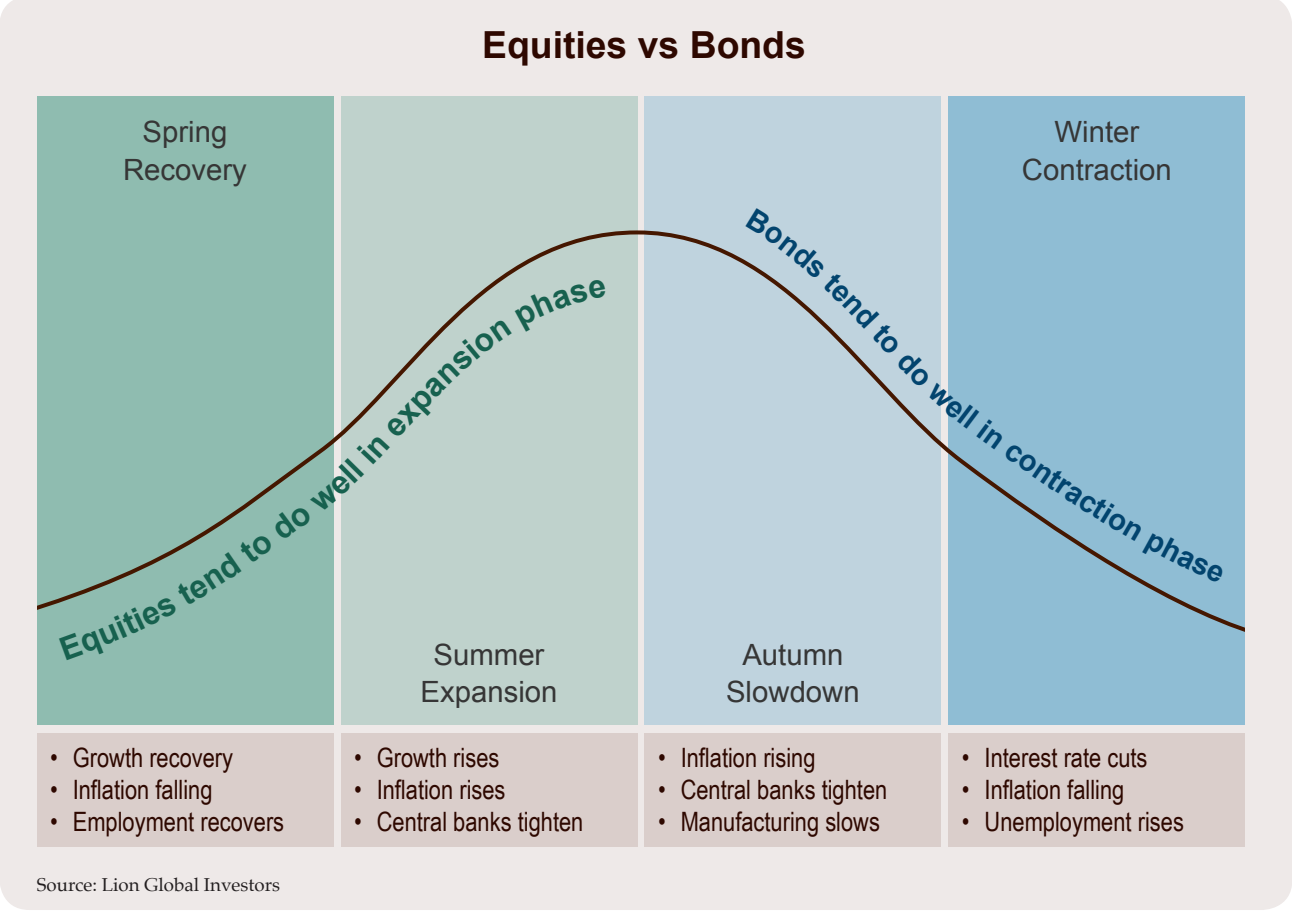
Having accepted the need to bear marked-to-market losses, it is the job of the IC to compose a portfolio which, over time, will give a rate of return better than a fixed deposit. This will involve having to look at returns on a rolling time-frame basis, such as the three-year moving average or five-year moving average.

To achieve this, a balanced portfolio consisting of some equities and bonds is required. Investors with a longer time frame should have a higher percentage in equities versus bonds.

The objective of the IC must be to construct a portfolio that is "all weather". What this means is not a portfolio that will not lose money on a year-on-year basis, but one that minimises losses in bear markets and has sufficient investments in equities to partake in the upside when a bull market comes around.

Having exposure to equities in a bear market is critical in ensuring that the portfolio is positioned to partake in the upside when the market turns around. Many investors make the mistake of getting out of equities in bear markets because they only see dark clouds and shadows. However, a bull does not pre-announce its arrival and often most returns are made at turning points when things look most gloomy.

The diagram, "Equities vs Bonds", depicts how equities and bonds perform over an economic cycle.



Source: Lion Global Investors

Singapore dollar

Most ICs are hand-held by consultants, and it is not unusual for them to be provided with model portfolios based on best practices in other countries. However, for Singapore-based clients, an added consideration should be the effect on the Singapore dollar (SGD), which historically has appreciated against most currencies, including the US dollar (USD).

Most of the model portfolios recommended by consultants and external fund managers do not take sufficient consideration of this point and the resulting "neutral" portfolio has a currency exposure that departs hugely from the Singapore dollar trade weighted index (TWI). The TWI measures the effective value of an exchange rate against a basket of currencies, depicting the overall performance of a currency. As a result, changes in the USD, or other key currencies, may nullify the returns made from underlying equities and bonds.

Consider that in the late 1980s, the USD/SGD rate was 2.12 versus the current rate of 1.36, a 55 per cent appreciation on the part of the SGD. Therefore, it is important for the IC to look at the currency exposure of the recommended portfolio versus the SGD TWI.

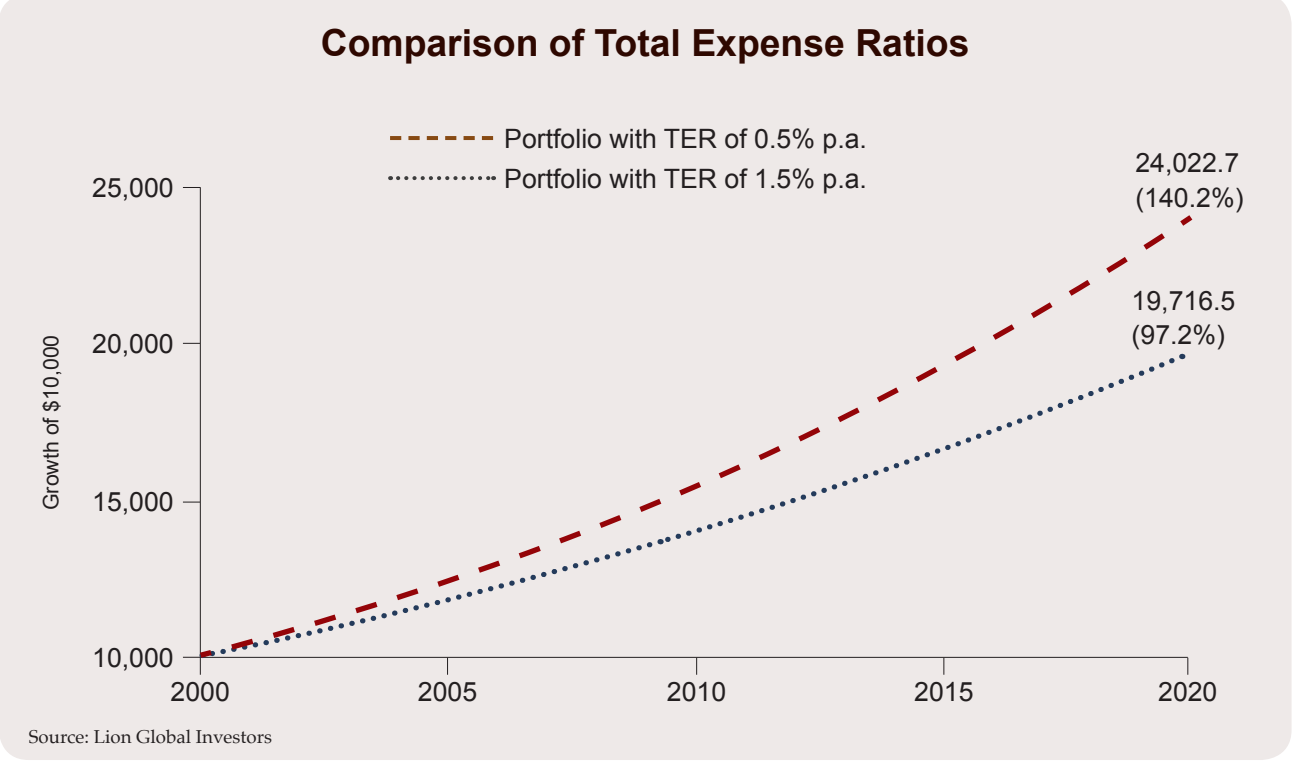
Active vs passive investing

With the advent of exchange traded funds, much has been written about passive investing versus active investing, mainly because active managers are unable to outperform their benchmarks consistently.

However, not all passive funds are low cost and vice versa. The real issue is actually about keeping investment cost low which is a key determinant of longer-term returns.

Research firm Morningstar has shown through predictive tests that expense ratios (cost) are a good predictor of future fund returns. Using historical data, the researchers found that using low expense ratio to choose funds helped in every asset class and in every quintile from 2010 to 2015.

The diagram, "Comparison of Total Expense Ratios", illustrates the power of low-cost investing



over time. It assumes a 50/50 balanced portfolio and gross returns of 5 per cent per annum (equity returns 8 per cent and bond returns 2 per cent). A 0.5 per cent per annum total expense ratio (TER) is compared against a TER of 1.5 per cent per annum. After 20 years, the difference in returns is huge, about 40 per cent (140 per cent less 97 per cent).

Most investors focus too much on finding external fund managers who have stellar returns. This is an exercise of looking at the rear-view mirror. Fund managers take turns to outperform and rarely does the same fund manager outperform consistently.

Since outperformance is not easy to predict *a priori*, it would be much better for investors to focus on low cost, which is something that one can choose upfront. Therefore, ICs should resist the temptation of overly focusing on historical returns when a key determinant of performance is keeping cost low.

Entry point

One of the most important decisions for an investor is the point of entry. Should one commit money during a bear market or bull market? It is very human to avoid putting in money when there is gloom and doom but, ironically, this is the best time to go in.

The reverse is also true. To mitigate against this human condition, ICs should consider putting in their funds in two or three tranches over various parts of a market cycle. This approach is called dollar cost averaging which is usually practised by individuals but seldom by institutions.

Weather forecasting

ICs, like other board committees, meet regularly, usually quarterly. The drill is to review performance and plan for the future based on what has transpired and what is expected. There is often a fair bit of "weather forecasting" that goes on in such meetings. In most endeavours, this is a commendable discipline, in fact, mandatory.

For investing, however, it is probably one of the main detractors of performance. Market direction is dictated by the extreme emotions of greed and fear, which drives people to sell at bottoms and buy at peaks. One of the key advantages of long-term investors is their time horizon (three to five years or longer).

Investors should therefore stick by their conviction and leave their portfolios alone. Weather forecasting is notoriously difficult and it is best for ICs not to meet often and when they meet, it is more productive to focus on whether the external fund managers are sticking by their convictions or getting whipsawed.

Fiduciary responsibility

Board members take their fiduciary responsibility seriously. As a result, it is quite normal for IC members to avoid risk. But, in finance, volatility is taken to mean risk (the statistical measure, standard deviation, is used as a proxy for risk) and ICs are prone to avoid investments which have higher volatility. This results in portfolios which are too conservatively invested, negating the opportunity to make a sufficient return.

This exposes a key risk of investment which is often neglected – the risk of not making enough for your stakeholders. This is a blind spot for most people – risk is a bell curve and the right side of the curve is often forgotten. Therefore, directors should remember that their fiduciary responsibility covers both the risk of loss and the risk of not making enough.

Hopefully, the above suggestions can help IC members achieve both objectives. ■

Rising Shareholder Activism Shifts Spotlight to Boards

By **KATE HOLGATE and JOANNA DONNE**

Shareholder activism is on the rise and Asia is emerging as a growing focus. Asian family-owned and founder-led businesses as well as the region's many diversified conglomerates, in particular, should expect increased scrutiny. There are red flags and lessons to be learnt from past cases on how to prepare for and best respond to activist campaigns.

Shareholder activists, both homegrown and international, are increasingly finding attractive targets among Asian corporates as they scrutinise listed companies around the world for opportunities to boost shareholder returns and build their own profile as insightful and muscular investors.

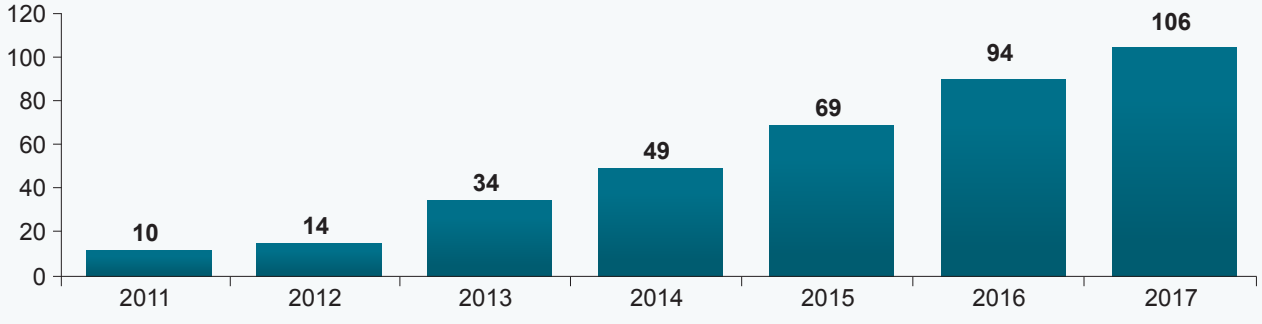
Board directors will find themselves centre stage in the event of an activist approach. A failure to spot the warning signs, or to ensure an appropriate – and prompt – board response to activist concerns, can destroy individual reputations as well as company value.

This article analyses recent activist campaigns to identify the red flags that can indicate vulnerability to activist attack. It also sets out key questions board directors should keep under regular review to make sure the companies they oversee minimise the risk of an activist investor attack and respond effectively in the event a campaign is launched.

Gaining momentum

According to JP Morgan, in its report on *Shareholder Activism in Asia: Confrontation Gaining Momentum* (May 2018), 106 of 662 new global activism campaigns were launched in Asia in 2017 (see chart below, "Shareholder Activism Campaigns in Asia"). This represents almost one-third (31 per cent) of non-US activism activity, up from 12 per cent in 2011.

Shareholder Activism Campaigns in Asia



Source: SharkRepellent and Activist insight as of 1 March 2018., Represents the following campaign types; board control and representation, enhance corporate governance, maximise shareholder value, remove director(s), remove officer(s) and vote/activism against a merger.

Board directors in the US quickly learnt from the wave of hostile mergers and acquisitions (M&As) of the 1980s and 1990s that the best defence is the defence that is never fought. Hostile predators are most effectively kept at bay by ensuring that the value of the business is fully reflected in the company's share price.

The same applies in relation to activism. Board directors need to routinely look at the businesses they oversee through the eyes of an activist investor. They need to know the business well enough to spot potential vulnerabilities. They need to ask executive management tough questions about the forward strategy and implications of emerging threats and opportunities, rather than focus on past performance.

And if the board is contacted by an activist, the response needs to be timely and appropriate. A delayed response, or one that fails to acknowledge justified shareholder concerns, will add to perceptions that the board may be complacent or failing adequately to oversee the executive team.

If this is the case, the chairman and/or independent directors can expect to find themselves in the crosshairs of any subsequent campaign.

Red flags

Chairmen and independent directors across Asia are asking themselves:

1. What are the red flags I should look out for?
2. What can I do to reduce the risk my company becomes the target of an activist campaign?

Activist demands are usually focused on key board matters such as board representation and diversity, return of capital, and opposition

to announced M&A transactions. Increasingly, transactions within a conglomerate structure, perceived to be perpetuating nepotistic practices, are also coming under scrutiny.

For example, in response to pressure by Elliott Management to diversify the composition of its board, the board of the South Korean conglomerate Samsung Electronics nominated both a foreign director and a female director in February in 2018.

Seeing red in Singapore

Singapore experienced 14 per cent of Asia's public activist attacks in 2017, third in the region after Japan and Hong Kong.

Singapore's two highest profile cases of recent years, Olam International, the world's largest food commodities trader, and the commodity trader Noble Group, formerly a US$12 billion (S$16.2 billion) company, were both characterised by a highly aggressive approach centred on concerns over accounting practices (see box, "Activist Targets in Singapore").

Activist Targets in Singapore

Olam

In November 2012, the US-based short-selling firm, Muddy Waters, published a report accusing Olam International of accounting "malfeasance" and "significant misconduct" over its handling of a number of acquisitions.

The report followed comments Muddy Waters founder, Carson Block, had made about Olam at a public forum, resulting in a decline in the company's share price.

Olam strongly denied the claims, publishing a 45-page rebuttal and commencing legal proceedings, which were subsequently dropped. It later unveiled a new strategy to generate free cash flow more quickly, reduce its gearing and capital expenditure and to make its business less complex.

With a continuing subdued share price, Temasek Holdings underwrote a S$712 million convertible bond, and later took a controlling stake in the company.

Noble

In February 2015, Iceberg Research, a then anonymous research group, published a report alleging that Noble Group, the Singapore listed commodities trader, "exploits the accounting treatment of its associates to avoid large impairments and fabricate profit".

For the next three years, Iceberg, as well as short-seller Muddy Waters, continued to publish reports on Noble's accounting, governance and disclosure practices. Although Noble denied the claims, the market responded to the allegations – Noble's shares and bonds plunged, and it lost its investment grade rating. Towards the end of 2018, Noble was facing insolvency and announced a restructuring plan which included a significant debt restructuring, appointment of new board directors as well as a refreshed corporate identity, "New Noble".

In November 2018, Singapore's authorities announced a joint investigation into Noble relating to "suspected false and misleading statements and breaches of disclosure requirements" and subsequently denied Noble from re-listing its restructured company on the Singapore Exchange. New Noble completed its restructuring on 20 December 2018 and the company remains unlisted.

Stamford Land

At Stamford Land's AGM in July 2018, a minority shareholder, Mano Sabnani, challenged senior management over executive pay and the company's comparatively low dividend pay-outs. The executive chairman of Stamford Land interrupted Sabnani and called him a "disruption" to the meeting.

Sabnani posted about his experience on Facebook and *The Business Times* published his letter outlining his grievances. The company and five of its directors later sued him for defamation, claiming Sabnani's statements were intended to "disparage" the company's directors and injure their professional reputations.

Though Sabnani filed a defence, he eventually apologised and agreed to retract his comments in October that year. Following this and other similar cases, regulators in Singapore have encouraged companies to adopt a more collaborative approach to shareholder engagement and to try and avoid resorting to litigation to address minority shareholder grievances.

These cases highlight that activist accusations need not to be proven, and speculation alone that a company has committed accounting fraud or some other misdeed is enough to drive the share price down significantly and result in irreversible damage.

Successful campaigns have contributed to the growing practice of shareholder activism in the region. Asia continues to draw foreign activists like the aggressive short-sellers based in the US, Elliott Management and Third Point, and these often dominate the headlines.

Increasingly, however, domestic activists are behind much of the rise of shareholder activism. With the support of global institutional investors, domestic activists are more confident in bringing their grievances to the board and have been moving away from private negotiations to making public their concerns when more discreet tactics have proved ineffective.

The focus is not just on Asia's largest companies. Smaller companies which are undervalued and "flush with cash" are especially vulnerable. Bloomberg data shows Singapore-listed companies worth US$500 million were valued at a median 0.6 times the value of their assets, compared with 1.2 times in the US.

In 2016, this fuelled Quarz Capital Management to demand Metro Holdings return excess cash to investors. In the same year, Dektos Investment Corp pushed Geo Energy Resources to change its debt structure, arguing the coal miner's shares were undervalued as much as 60 per cent.

The most important step directors can take to ensure that the board and the businesses they are responsible for running are well prepared for an activist approach is to adopt an activist mindset. Directors need to look at the business through activist eyes. They should also encourage greater engagement with shareholders so that concerns and constructive ideas are seen to be given appropriate consideration.

The wrong mindset and repeated failure to take the following steps can result in high profile and costly interventions by activist investors who are able to hit a chord and build support among fellow shareholders.

Shareholder engagement

Investor engagement should be a priority. The time to get to know your investors is not in the middle of an activist campaign. Good shareholder relations are vital, and the board chairman has a critical role to play in ensuring investors know that their concerns will be heard at an appropriately senior level.

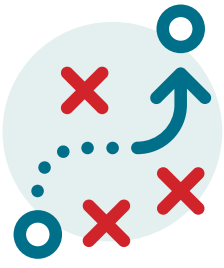
As well as regular shareholder meetings with executive management, chairmen should consider periodic meetings with investors accompanied by the company secretary, to ensure an open line of communication to catch emerging concerns including in relation to executive management. By listening with an open mind, you can build constructive relationships and reduce the risk that shareholders decide more aggressive action is required.

Boards need to have discussed, and agreed, how they would respond to an activist investor. A deep dive into the modus operandi of a range of activist hedge funds to better understand likely strategies and style is a vital first step. This deep dive should include an analysis of previous sector

Responding to an Activist Attack

1. Determine response strategy quickly

The board should always take an attack seriously and immediately determine a strategy for engagement.



When an investor raises a serious concern, the board – or a nominated subcommittee – should immediately meet to agree the approach to responding and maintain a consensus on strategic issues. The initial communication sets the tone for how other investors will think the issue is being managed.

The board will need to quickly decide who will be the main spokesperson and demonstrate discipline with media engagement to reduce inconsistencies or holes in the company's response.

2. Be objective

Listen with an open mind to shareholder concerns. It is no longer enough to react with defensive crisis communications. Ignoring or glossing over investor concerns can encourage the activist to go to other shareholders to gain support and to consider more high-profile methods of attack.

Engaging with the activist quickly, respectfully and constructively helps avoid major disruption. This requires an open mind and giving investors appropriate opportunities to voice their concerns.

3. Engage with other stakeholders

Management and boards must be seen to take criticism of corporate governance and strategy seriously and expect that other investors are likely to share similar concerns.

Communications aligned with a company's previously announced strategies are key to ensuring messaging aimed at stakeholders conveys a sense of business as usual. If independent directors have been communicating with investors on a regular basis, companies should consider deploying them to check in with other investors and identify ways to secure their support before they are won over to the activist's side.

4. Use every channel

Activists have developed sophisticated social media campaigns to reach their target audience and gain support. Using links embedded within digital communications, the activist will drive traffic to dedicated campaign websites and use graphics and videos to maximise engagement.

In response, companies must look beyond traditional investor engagement roadshows, AGMs and media coverage to convey messages to their target audiences. Investors increasingly receive company news through digital and social channels and these must form part of the company's response strategy.

and company targets; investment theses used; where criticisms have generally focused; and the degree of adversarial behaviour. This preparatory work should then be used to inform draft lines of response so that positioning statements are in place that require minimal fine-tuning in the event of an attack.

Sending the right message

The board will also want to check that the right team is ready to be activated in the event of a public attack. Your team will likely need to include communications professionals, lawyers, investment bankers and possibly a proxy firm. The best way to test readiness is to conduct simulations.

Boards need to regularly review the business portfolio and examine it through the lens of an investor. Is the company doing a good enough job of communicating the strategy and is it well received by investors? Remuneration committees need to be clear in articulating compensation policy and addressing head on any concerns. Boards also need to be self-aware and ask themselves if the composition of directors is still right given the speed at which the external environment changes.

Does the board have the right skillsets to address the current and future challenges and opportunities? Experience suggests that directors with reappointment ratings of 80 per cent or less are more vulnerable to attack.

The board dynamic is also important. Is there a risk that the board could be perceived to have become too entrenched with management and that it no longer provides appropriate challenge to the executive leadership? Would it benefit from fresh insights and perspectives? It is far better for boards to challenge themselves in private than have an activist investor do so for them in public. Getting ahead of potential challenges substantially lowers the risk of an activist attack.

Damage control

In the event of an attack, companies that are able to take immediate action and deploy clear and proactive communications stand a better chance of minimising reputational damage.

There are four key rules of thumb, set out in the box, "Responding to an Activist Attack".

Building trust

Increased investor scrutiny and the rise of activism have important implications for Singapore companies, and boards need to be paying close attention. When faced with aggressive and confrontational shareholders, it can be tempting to retreat and adopt a defensive attitude. This is a mistake and can result in irreparable damage to the company and also to individual reputations.

Disgruntled investors are seeking a response and if their concerns are not heard, they will resort to more dramatic methods and often enlist the help of other investors to apply pressure. Arguments between boards and investors can be distracting and frustrating, but if boards have built trust with investors, they can also be an opportunity to improve the company for the benefit of all its stakeholders. Which is exactly what activists claim they want to do. ■

Kate Holgate is a Brunswick Partner and Head of Hong Kong & Singapore and Joanna Donne is a Brunswick Partner, based in Singapore.

Watching Out for Stock Manipulation

By **EMILY CHOO,** CEO, Gem Comm

Stock market manipulation is prohibited in most countries, including the United States, European Union and Australia, where legislation against market abuse exists to deter certain market transactions. In Singapore, there are civil and criminal penalties for manipulating the stock market, highlighting the tough stance that regulators take against such contraventions.

Market manipulation is the deliberate attempt to interfere with the free and fair operation of the market by creating false or misleading appearances with respect to the price of or market for a stock, commodity, currency or product.

Stock market manipulation is the act of artificially inflating or deflating the price of a stock or otherwise influencing the behaviour of the stock market for personal gain. Manipulation is illegal in most cases, but it can be difficult for regulators and other authorities to detect.

Section 198(1) of the Securities and Futures Act provides that a person shall not carry out two or more transactions in securities of a corporation which will have the effect of affecting or maintaining the price of the securities, with intent to induce other persons to subscribe for, purchase or sell securities of the corporation or of a related corporation.

Types of manipulation

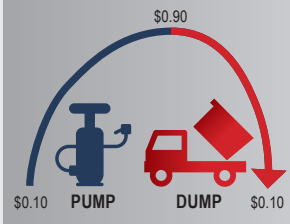
There are many ways of manipulating the stock market, limited only by the creativity of the perpetrators.

The box, "Types of Market Manipulations" describes the basics of four major types of stock market manipulation. Other types of manipulations go by labels such as "pools", "lure and squeeze", "quote stuffing" and "cornering the market".

Types of Market Manipulations

WASH TRADING

The manipulator(s) buy and sell the same stock at about the same price, usually in large quantities, through different brokers. The increase in activity is to attract additional investors and increase the price.



PUMP AND DUMP

This involves artificially inflating the price of owned stocks in order to sell the cheaply purchased stocks at a higher price. This is a common technique for penny stocks which are generally illiquid.

The share price of a stock is flat and there may be hardly any trading in it for days, weeks or months, but suddenly there are tens of thousands of shares trading hands, perhaps for multiple days in a row, accompanied by "hot tips" on the stock. This is a red flag of a "pump and dump" scheme.

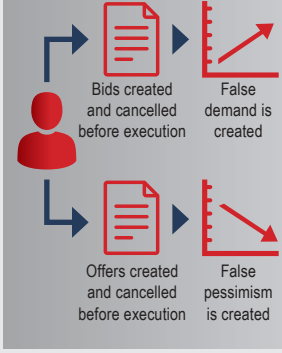
BEAR RAIDING

A bear raid occurs when a group of brokers and traders collectively seek to drive down the value of the stock. The goal of a bear raid is to push the stock lower as fast as possible in order to create fear in the market. This fear creates panic selling which can be used to make quick gains in short positions.

In a bear raid, there will be enormous amounts of unsubstantiated negative news flooding on texts, stock blogs etc. Large short-sell orders continually flooding the market.

MARKET CORNERING

This involves purchasing enough stock in a company in order to be able to manipulate and control prices. Lightly traded stocks are more vulnerable to this dangerous scheme.



SPOOFING AND LAYERING

Spoofers bid or offer with the intent to cancel before the orders are filled. The incessant buying and selling are intended to attract other traders (particularly high-frequency traders) to induce a particular market reaction. Spoofing is profitable to the spoofer who can time buying and selling based on the manipulation.

Layering is a variant of spoofing where the trader enters multiple visible orders on one side of the market at multiple price tiers, which cause the midpoint of the spread to move away from those multiple orders, and the same trader executes a trade on the opposite side of the market.

Most stock manipulations are accompanied by rumours and fake news. Many stock market manipulators attempt to spread false news about a company or even of other aspects of the economy to swing the market in their favour. In 2013, US$130 billion (S$177 billion) in stock value was wiped out in a matter of minutes following a tweet about an "explosion" that hurt the administration of US President Barack Obama, resulting in market jitters.

Penny stocks – small-cap companies with a low price (much less than a dollar) – are more prone to manipulation because they are more affordable (easier to corner), less traded, and not as closely watched by analysts and other market participants as the mid- and large-cap companies.

Case examples

Market manipulation has been around for about as long as markets have existed. Today's increasingly complex electronic markets have provided new tools and opportunities to do so.

Some of the more notorious examples around the world are:

- **2010 flash crash.** A UK-based trader, Navinder Singh Sarao was partly responsible for the collapse and rebound of stock indices such as the Dow Jones Industrial Average, S&P and Nasdaq Composite. The crash lasted 36 minutes. The Dow Jones had its second biggest intraday point drop up to that point, plunging almost 1,000 points (9 per cent). Sarao utilised a specialised trading software to order large quantities of buy and sell orders, and pre-programmed his systems to correct and cancel his bids before they were executed. In this classic case of spoofing the tape, Sarao profited US$40 million from his exploits. Spoofing, layering and front running are now banned.

- **Silver futures conspiracy.** A series of anti-trust class action suits were brought by investors collectively against JP Morgan Chase and HSBC in 2010. The suit claims that the two banks manipulated the market by coordinating large trades to lower the prices of silver. As a result, substantial illegal profits were made by them, harming investors and restraining competition in the process.

- **Montgomery Street Research (MSR) wash trading lawsuit.** The owner of MSR, Paul Pollack, allegedly simultaneously bought and sold a security to give a false appearance of liquidity and to generate market activity. More than 100 "wash trades" were done through five brokers-dealers because MSR was soliciting investors for its client, and the intent was to mislead the potential investors about the genuine supply and demand for the rarely traded security. MSR profited more than US$2.5 million.

- **Shanghai-HK stock manipulation.** In this cross border case in 2016, Tang Hanbo and Wang Tao were charged with making 41.9 million yuan (S$8.4 million) by manipulating the shares of Zhejiang China Commodities City Group Co Ltd via trading accounts in Hong Kong and Shanghai. They had engaged in practices such as spoofing, manipulating opening and closing prices, and self-trading. The regulator, China Securities Regulatory Commission, imposed combined penalties of 1.2 billion yuan.

Homegrown cases

Singapore is not spared its stock manipulation cases. A recent one is the ongoing case of Kimly Limited, a coffee shop operator. Following investigations by the Commercial Affairs Department and Monetary Authority of Singapore, two senior executives, Executive Chairman Lim Hee Liat and Executive Director

Chia Cher Khiang were arrested in December 2018 for offences under Section 199 of the Securities and Futures Act.

Section 199 prohibits a person from knowingly or recklessly making or disseminating false or misleading information and statements that are likely to induce subscription of, or the sale or purchase of securities or which are likely to affect the market price of securities.

Perhaps, the biggest securities fraud may be the infamous 2013 penny stock saga, involving three companies: Asiasons Capital (now known as Attilan Group), Blumont Group, and LionGold Corp. (See box, "The 2013 Penny Stock Saga in Singapore " on the next page).

In 2013, the drastic drop in three penny stocks sent shockwaves throughout the market, leading to numerous investigations and lawsuits. The three companies had huge run-ups in September, becoming billion-dollar businesses briefly before crashing on 4 October.

The crash within an hour of trading (a frenzied 40 minutes, to be exact) culminated in an approximate S$8 billion loss in shareholder value, sending the market into frantic disarray. This was the biggest securities fraud case in Singapore's history and the effects have been far-reaching, highlighting how the broader market may be destabilised by such irresponsible actions.

Warning signs and defences

Companies and individuals generally stand to lose out in a market manipulation. In fact, the broader market and economy may also suffer in the event of a severe market crash that spreads beyond a few indices and counters.

As a guideline, individual investors should avoid low volume stocks as these are prime targets for manipulation. Investing for the long term by understanding the company well is the best form of protection.

At the same time, extreme price volatility and stock activity should put investors and boards on notice, as out-of-norm behaviours warrant a second look.

It may also be worth companies taking notice of potential perpetrators. These include short-sellers, traders using algorithmic trading strategies, and significant shareholders in the company. The tragic irony is that some manipulators are shareholders who are also executives in the company, and who may have painstakingly built up the company and even brought it to floatation and its foremost position.

Good governance can be key to minimising or preventing stock market manipulation. An effective board comprising quality and accountable directors can guard against insiders engaging in market manipulation, and be alert to external manipulation.

Regulators can also step up policing and enforceability action, to send a signal and tone to the wider marketplace that such misconduct and malpractices are not permitted.

Whistleblowing policies can be set in place, to encourage self-regulation in a market that is increasingly becoming more sophisticated in terms of the crimes committed and the difficulties in detection.

In essence, stock manipulation, in whatever form, is illegal, irresponsible and unethical.

The vigilance against the irreparable harm caused by such actions should be entrenched at all levels, from the regulators to the board and management, to ensure that fair market practices are always observed and adhered to, without exception. ■

The 2013 Penny Stock Saga in Singapore

The three SGX-listed companies

- Asiasons Capital (now known as Attilan Group): a fund management company. (Market cap: S$2.8 billion at peak vs. S$2.2 million at low point)
- Blumont Group: a sterilisation services provider. (Market cap: S$6.3 billion at peak vs. S$4.5 million at low point)
- LionGold Corp: a gold mining company. (Market cap: S$1.6 billion at peak vs. S$2.8 million at low point)

The three alleged manipulators

- John Soh Chee Wen, a Malaysian businessman said to be the mastermind.
- Quah Su Ling, Director and CEO of IPCO.
- Goh Hin Calm, Senior Finance and Administration Manager of IPCO.

How was it done?

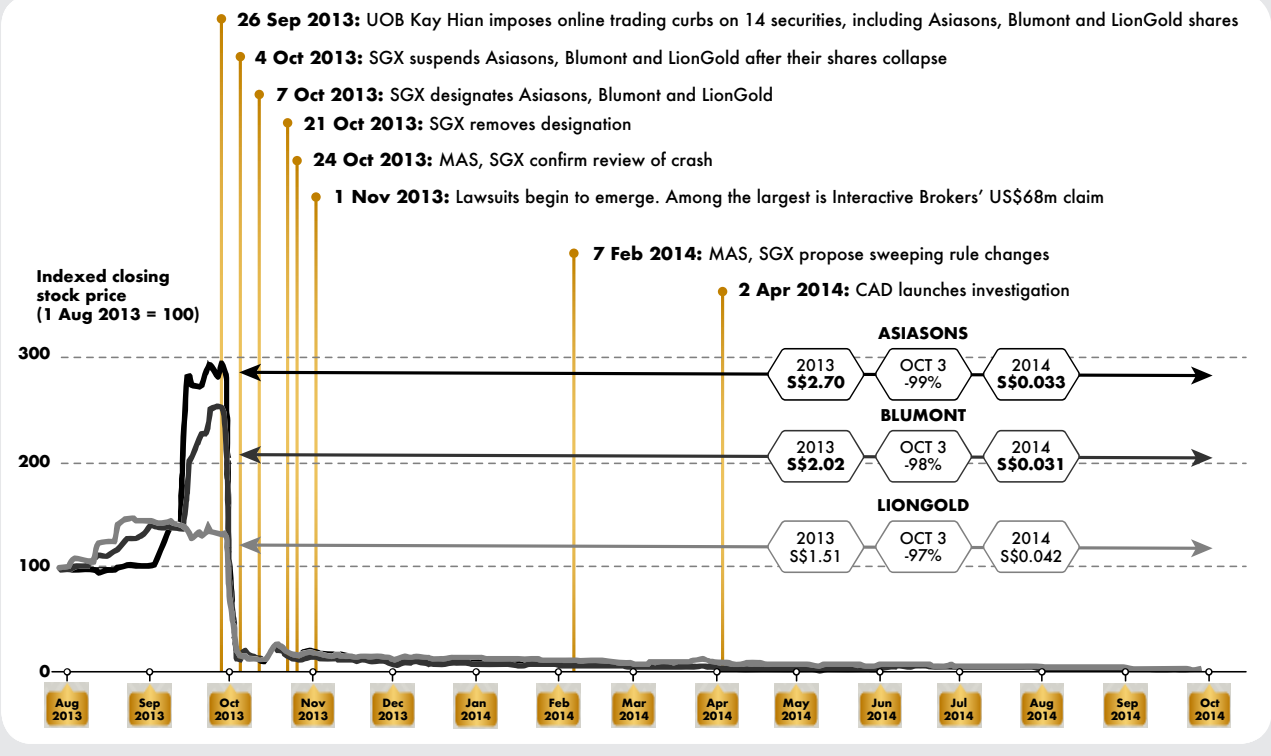
Using the technique of "wash trading", the three persons allegedly proxied almost 200 accounts that were owned by 59 individuals and corporations, and manipulated share trading in the three companies "to create an illusion of liquidity and demand for these shares by making thousands of manipulative trades… and to control the supply of these shares available to the market to influence the price of these counters".

Over the span of nine months, these counters rose more than 800 per cent before finally crashing in October 2013, sparking a rout of penny stocks on the SGX.

How did it go wrong?

Quah was an investor in Asiasons in 2008, and subsequently became a shareholder of Blumont and LionGold, where she placed the shares as collateral for a loan facility in Goldman Sachs.

Following a missed margin call issued by Goldman Sachs, Quah was required to repay the entire loan (S$61



million) in cash. On 2 October 2013, the bank proceeded to issue a notice of default and started to force sell Quah's holdings in Asiasons, Blumont and LionGold.

According to court documents filed by Quah's lawyers, Goldman Sachs had also issued similar margin calls to James Hong and Ng Su Ling (Blumont's executive director and independent director then respectively) about the same time, and proceeded to force sell their shares in the three companies, thus sparking the start of the penny stock crash.

What happened in court?

Soh has been in Singapore Changi prison for the past two years, waiting for his trial to begin. He has been charged with alleged involvement in the Singapore penny stocks crash of 2013, and will get his day in court later in 2019.

He faces 189 charges under the Securities and Futures Act for allegedly being the mastermind behind the Singapore penny stocks crash. Quah faces 178 charges. Goh faces 6 charges (Note: Information is updated as of 15 March 2019).

The market aftermath

Market activity has seen a distinct drop following the 2013 penny saga, with 2014-2016 average market turnover value being 25 per cent lower than the 2010-2012 average market turnover.

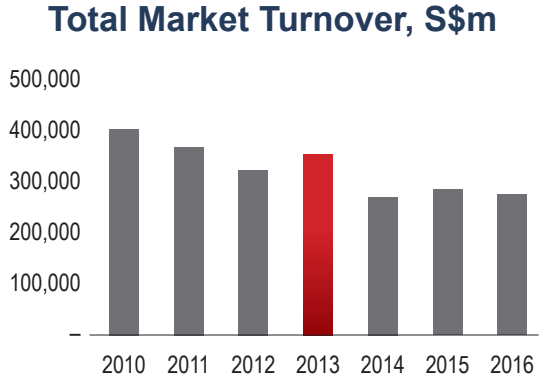
The median value per trade between 2014 and 2016 was S$0.63, compared to S$0.39 in 2013, suggesting the market's still cautious attitude towards penny shares as well as the slew of measures that has been introduced post-saga.

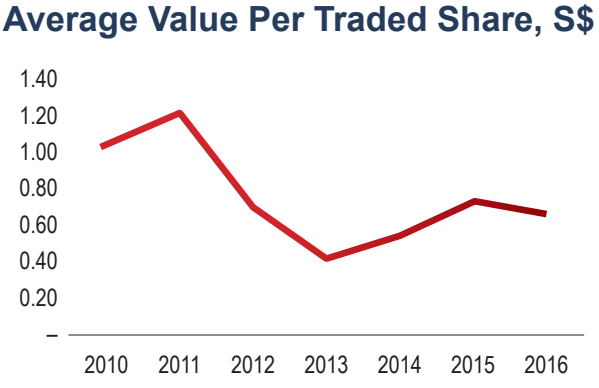
A number of SGX regulations were tweaked, including the 20 per cent band, and the T+2 settlement, following the crash.

T+2 Settlement Singapore

The Singapore Exchange (SGX) launched a new securities settlement and depository framework and system on 10 December 2018, which will reduce settlement cycles from three to two days (T+2) and enable simultaneous settlement of money and securities. The T+2 settlement cycle brings the Singapore bourse in line with global markets including Australia, the European Union, Hong Kong and United States.

The shortened settlement cycle is expected to reduce credit, market and liquidity risks and enhance efficiency of transactions.

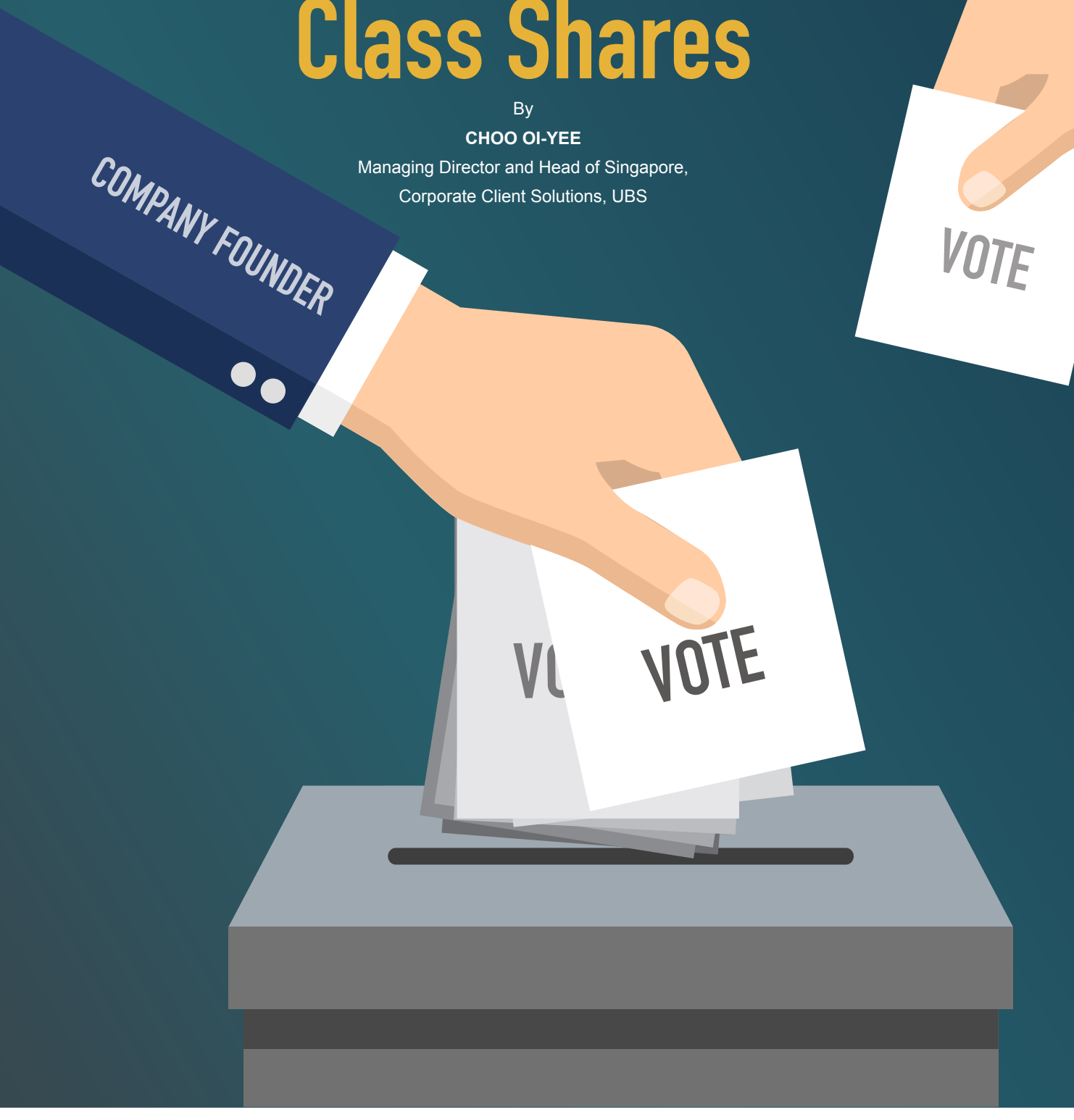


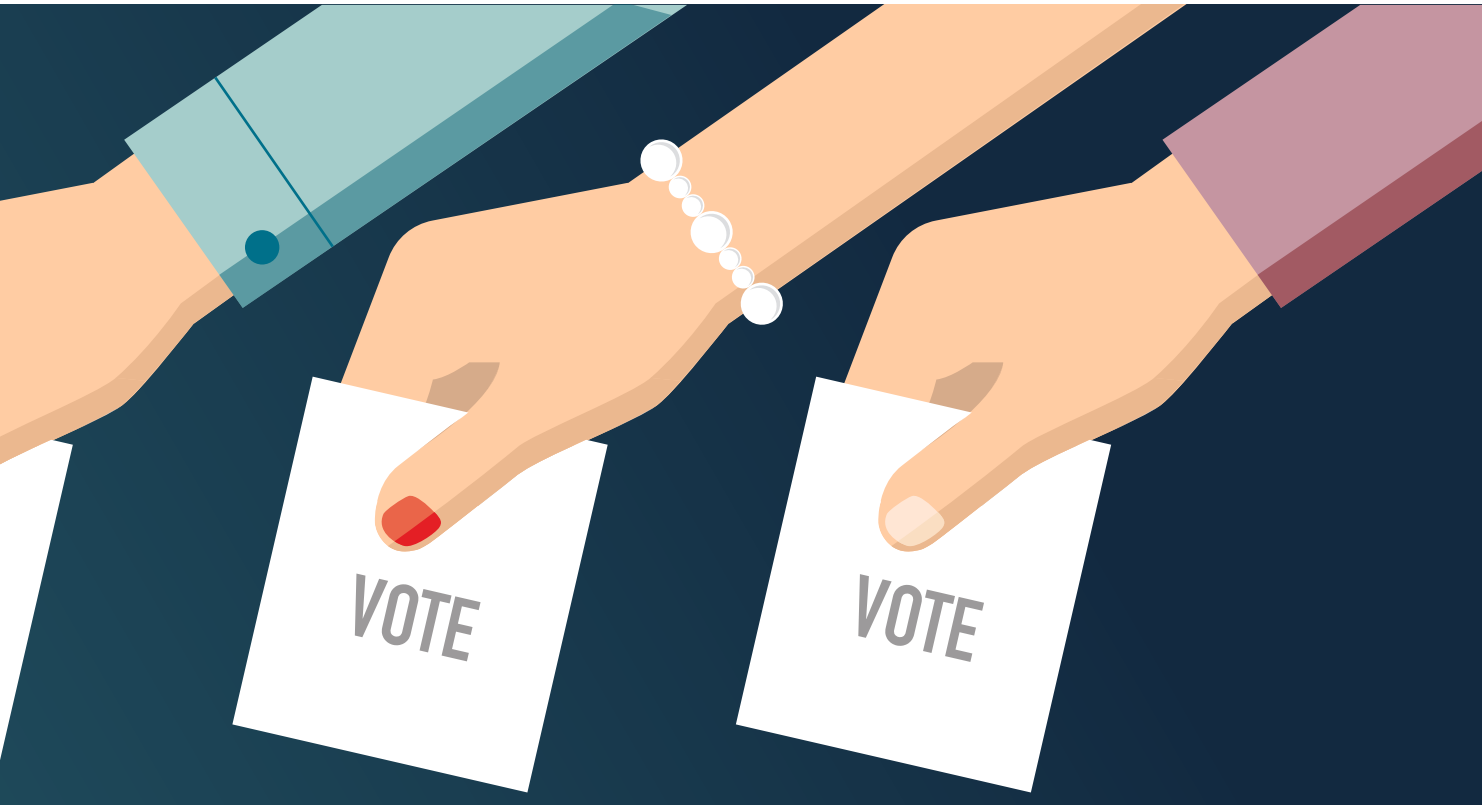


Source: SGX

Duelling Over Dual Class Shares

By
CHOO OI-YEE
Managing Director and Head of Singapore,
Corporate Client Solutions, UBS





Dual class shares are a relatively novel concept in Asia. On the one hand, proponents say weighted voting rights enable high growth and technology companies to focus on building their business model. On the other hand, opponents warn that minority shareholders end up shortchanged. With Singapore and Hong Kong recently implementing rules for dual class shares, only time will tell if capital markets here have the appetite for these new investment structures.

The last year was a big one for Hong Kong and Singapore capital markets. Legislation to allow companies to have shares with multiple voting rights, or weighted voting rights, were passed in both exchanges. Hong Kong was first off the block in April 2018 (see box, "Dual Class Shares in Hong Kong"), and Singapore followed closely in June 2018.

Dual class shares, however, can be divisive.

Where it is permitted, companies (usually founder or family-led) use a segregated share class structure that provides them with more voting power and often results in majority control of the company. Some of the more famous companies with dual class share structures are household names – Berkshire Hathaway, Facebook and Google, among them.

The US has the largest number and market capitalisation of companies with dual class shares. While there is no specific restriction as to the type of companies, family-owned (e.g. Ford, The New York Times) or technology companies (e.g. Google, Facebook, LinkedIn) are the most

Dual Class Shares in Hong Kong

The Hong Kong Exchange (HKEX) requires companies applying to list with weighted voting rights to have a minimum market capitalisation of HK$10 billion (S$1.72 billion), or at least HK$1 billion of revenues. HKEX has also narrowed the type of companies allowed, which are defined as innovative, application of technologies, innovations or new business models, with research and development contributing significantly to expected value.

The financial industry has had mixed reactions. The Council of Institutional Investors, Hong Kong Investment Funds Association and Asian Corporate Governance Association came out against HKEX's plans; while the Asia Securities Industry & Financial Markets Association (Asifma) and The Chamber of Hong Kong Listed Companies both back the idea of dual class shares with some caveats. Asifma is of the view that that there should be restrictions, including who can hold such stocks, sunset clauses and limits on the ratio of voting rights.

HKEX had lost a number of high profile listings to the US as it did not allow for dual class shares. Alibaba, China's e-commerce giant listed on the New York Stock Exchange in 2014 and as at 17 December 2018 had a market capitalisation of over US$360 billion (S$488 billion).

Post-implementation of the weighted voting rights rules in Hong Kong, Xiaomi Corp, a Beijing-based smartphone company, was the first to list on the HKEX under the dual class share rules. According to its IPO prospectus, the two founders hold 31.4 per cent and 13.3 per cent of Class A shares respectively. Based on the one-share for 10-votes mechanism which is the maximum allowed by HKEX, the two founders' ownership of Class A and Class B shares would entitle them to hold up to nearly 86 per cent of the company's voting rights after the company goes public.

The company's rationale was that the weighted voting rights structure would "allow the company to benefit from the 'continuing vision and leadership' of the dual-class share beneficiaries, who would control the company for its 'long-term prospects and strategy'".

Xiaomi managed to attract large investors such as Hillhouse Capital and Capital Group but still ended pricing at the bottom of the range of HK$17 to HK$22 per share in July.

There was only one other company that has followed suit. Meituan Dianping, the Chinese online food delivery-to-ticketing services platform backed by internet giant Tencent Holdings, also launched an IPO with a dual class share structure in September.

Both Xiaomi and Meituan Dianping have since traded more than 20 per cent below their IPO price. This was against the backdrop of a broader sell-off of technology stocks globally, including other technology companies such as Zhong An Insurance and Ping An Healthcare which have declined more than 50 per cent from their IPO price earlier in the year. Both these companies were listed after the dual class share rules were implemented.

common. Europe and Canada also have rules in place to allow dual class shares. Some familiar names include British Petroleum, Royal Dutch Shell and Bombardier.

Opponents of dual class shares argue that all shares should carry equal voting rights, and the weighting is unfair to minority shareholders.

Proponents for dual class shares argue that this allows founders of high growth and technology companies to focus on building their business model and not be subject to the shorter term and quarterly earnings pressures that typically arise in listed companies. These companies are reliant on both strong founder leadership and sufficient capital to support their business plans.

Singapore rides the wave

Over the years, Singapore has attracted companies that have enquired after dual class share structures. The most publicised name was Manchester United that was very keen to list in Singapore in 2012 given the strong fan base and potential investor support in Asia. Given the rules were not in place at that time, eventually Manchester United turned to the US.

Since then, Singapore's investment in growing and deepening its technology hub has also started to bear fruit. Companies such as SEA Ltd and Grab Taxi have reached unicorn status. Regulators in Singapore have had to ensure a more flexible and balanced approach to enhance its capital markets infrastructure to support growth and technology companies which have a strong founder vision driven strategy.

Singapore Exchange (SGX) has taken a cautious approach to implementation, with the first few cases to be reviewed by the Listing Advisory Committee (the independent committee comprised of market professionals who provide advice on SGX listing policies, in particular new, or novel issues or structures).

SGX will consider a range of criteria before it decides on the suitability of a company to list with a dual class share structure. Chief among these is the business model, namely, if the long-term business plan contemplates ramping up growth at a rapid pace. Another consideration is the track record of the company or business. There is no additional size requirement outside of the mainboard listing criteria.

This robust process will hopefully assuage concerns from investors who fear that this will be potentially misused by founders, leaving minority shareholders with limited avenues to effect change or have a say in appointing independent directors. Also, additional safeguards such as sunset clauses and board composition are likely areas that SGX will focus on at the time of the listing application.

Testing the waters

Dual class shares are still a relatively new concept in Asia. It will take some time and a few listings to educate investors on the potential advantages and risks of dual class share structures. From the few recent case studies, dual class share companies have been able to successfully attract sophisticated investors because of their strong growth story.

Balancing the various stakeholders and their objectives will be crucial to the success of future listings and the growth of dual class share companies here in this region. ■

Rights and Plights of Minority Shareholders

By
VICTOR YEO CHUAN SENG
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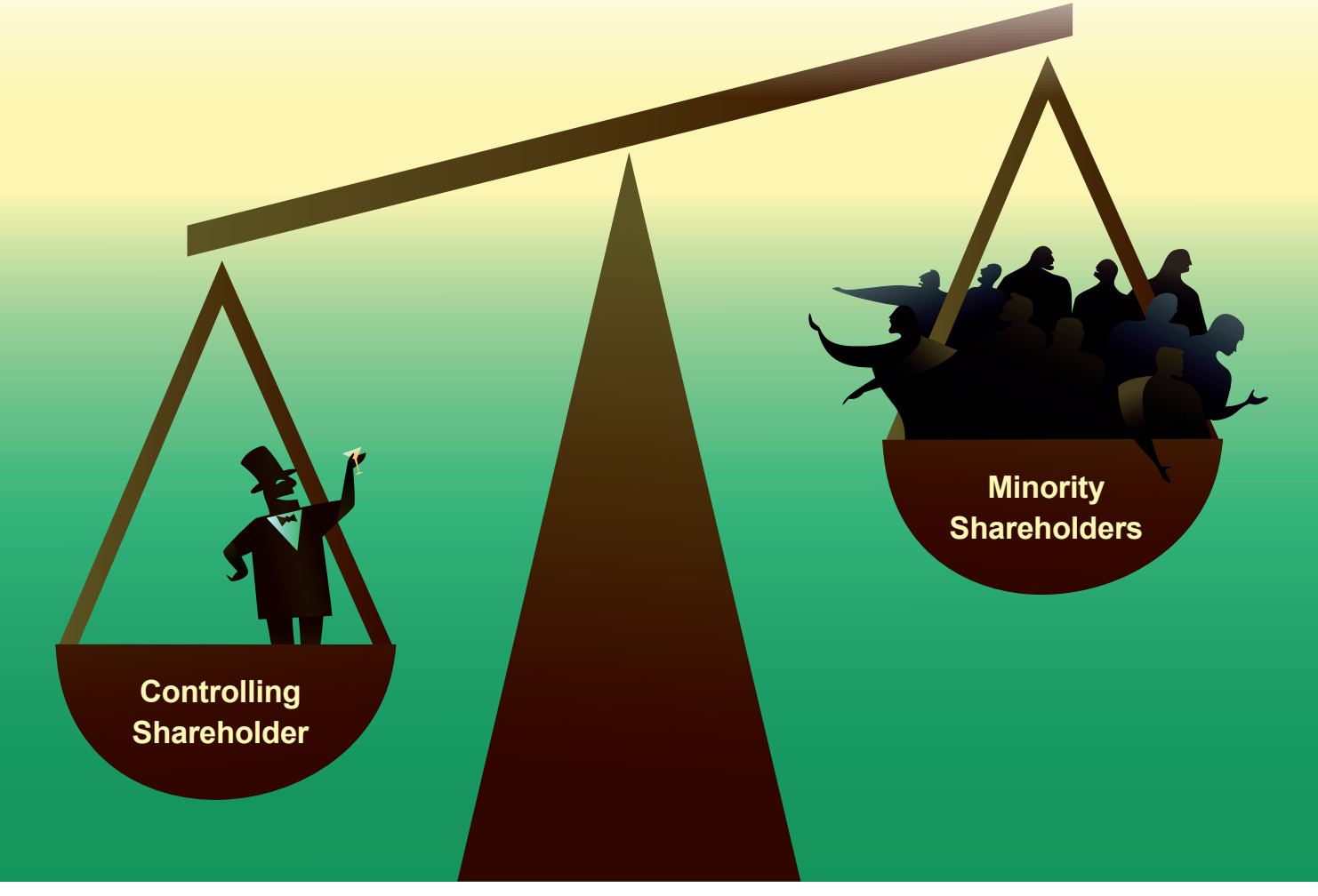
A key role of independent directors is to ensure that the interests of all the company's shareholders are taken into account as they act in the best interests of the company. Directors should be aware of the provisions in the Companies Act that entrench shareholder rights, and how minority shareholders who are disadvantaged can avail themselves of those rights.



We often hear of "minority shareholder rights" as if minority shareholders have special rights accorded to them.

In truth, all shareholders holding the same class of shares generally have the same legal rights provided for under the law and the company's constitution. These include the right to attend and to vote at company meetings, the right to receive information through annual reports, access to specified company registers and the right to compel compliance with the company's constitution or provisions of the Companies Act.

However, the fact is that the extent to which minority shareholders benefit from these rights differ somewhat from that of controlling shareholders. This is because controlling shareholders (who often hold a majority of the voting rights in the company) are in the position to control the composition of the board and consequently have some influence in the board decisions. They may also use their voting power to benefit themselves at the expense of minority shareholders.

Recognising this, the Companies Act does contain provisions that minority shareholders can utilise to protect their interests. The key rights of minority and other shareholders are summarised in the table, "Members' Rights Provided Under the Companies Act" and covered in this article.

Access to information

A key concern that minority shareholders have relates to the imbalance between the amount of information that controlling shareholders may be provided with concerning the affairs of the company. Having board representation gives controlling shareholders much greater access to corporate information than what may be available to minority shareholders.

In the case of listed companies, the law attempts to correct this somewhat through the continuous

Members' Rights Provided Under the Companies Act

Right	Support Required	CA Provision
Right to have the Constitution observed	Any member	Section 25
Right to have the provisions of the Companies Act complied with	Any member	Section 409A
Right to have proposed resolution circulated for consideration at general meeting	5% of total voting rights in the company	Section 183
Right to requisition meeting	10% of the number of paid-up voting shares in the company	Section 176
Right to convene meeting	10% of the total number of issued shares	Section 177
Right to require disclosure of directors' emoluments	10% of the total number of members or 5% of the total number of issued shares	Section 164A
Right to commence statutory derivative action	Any member	Section 216A
Right to seek remedy for oppression	Any member	Section 216
Right to apply to wind-up on just and equitable grounds	Any member	Section 254

disclosure requirements under Section 203 of the Securities and Futures Act and Chapter 7 of the Listing Manual. However, these provisions do not apply to confidential information that is generated for internal management purposes, to which the board, and consequently, a majority shareholder may have access to through board representation.

Insider trading laws are present to ensure that those in possession of confidential price-sensitive information do not trade in the relevant company's securities. But they do not prevent insiders from using the information for their own strategic advantage where no trading in the company's securities occur.

Shareholder meetings

In addition to corporate announcements made through SGXnet, the other access to information available to minority shareholders is through the annual report and interactions during annual general meetings of the company.

Generally, it is the board that decides the agenda for company meetings and the resolutions that are put forward for voting. However, shareholders who have not less than 5 per cent of the voting rights can requisition for a resolution to be put forward at any meeting, supported by a statement, with expenses borne by the said shareholders. Queries can be made to the board and management at such meetings.

Shareholders can also requisition for a meeting if they hold not less than 10 per cent of the number of paid-up voting shares in the company. Alternatively, they can convene a meeting on their own if they hold not less than 10 per cent of the issued shares in the company. These mechanisms have been used in the past to hold meetings to vote on the removal or replacement of board members.

Unfortunately, it is extremely challenging for minority shareholders to make use of these mechanisms due to the need to garner sufficient support from other shareholders to proceed. Costs associated with convening extraordinary general meetings for listed companies are another reason why such meetings are seldom initiated by shareholders.

It is therefore important that boards proactively take the effort to provide updates and information about developments in the company in a timely manner. Periodic announcements can allay concerns about the company's performance. Sufficient time for questions and answers at general meetings should also be arranged and board members must be prepared to respond to relevant shareholders' queries in a transparent manner.

Independent directors take on an even more significant role in ensuring such practices particularly where executive directors are themselves either majority shareholders or connected to the majority shareholders in some way.

Disclosure of directors' compensation

An issue of contention that often crops up at meetings relates to the disclosure of the exact compensation paid to executive directors. While no emoluments may be paid to directors without shareholder approval under Section 169 of the Companies Act, this provision relates only to those paid in respect of a director's office as such. It does not apply to the executive component of what executive directors are compensated.

However, Section 164A of the Companies Act gives shareholders the right to ask the company to prepare and present an audited statement of all emoluments and benefits paid or received by each director – not only what the director receives in respect of his directorial position. The request must be through a notice given by at least 10 per

cent of the shareholders of the company or by shareholders who hold at least 5 per cent of the total issued shares in the company.

Clearly, there will not be a need for shareholders to resort to this if the company complies with the director remuneration disclosures under the Code of Corporate Governance.

Board accountability

Majority shareholders have the legal right to ultimately control the composition of the board. As such, it may appear that majority shareholders are, to some extent, able to influence board decisions. This may be compounded in situations where key members of the board (including the Chair) are themselves majority shareholders or associated with them.

Minority shareholders need assurance that the executive directors are not managing the company in a manner so as to primarily benefit themselves or the majority shareholder.

A shareholder who can show that he is being oppressed or unfairly taken advantage of by the directors of a company or its other shareholders can seek recourse from the courts. Remedies that may be asked for include an order for shares to be bought out at a fair price (which is the most common order sought and granted), or orders to regulate the conduct of the affairs of the company in the future or to direct or prohibit specified acts or conduct.

Another option is to apply to the court for the company to be wound up on just and equitable grounds. Such a winding-up application may be granted where there has been a lack of probity or transparency in the conduct of the company's business by its majority shareholders or directors.

A court may also order winding-up on just and equitable grounds if the company were set up as a "quasi-partnership" and there has been a breakdown of the mutual trust and confidence upon which the entity was established.
A winding-up order may also be sought where the directors have acted in the affairs of the company in their own interests or in a manner that appears unjust to other members.

Recently, the law has been amended to give the court the discretion to order the majority shareholder to buy over the shares of the applicant instead of winding-up the company under the circumstances summarised above.

The role independent directors play

Pursuing legal recourse will however take up much time, energy and initial expenditure. There are added challenges in the case of listed companies.

Whether a court "buy-out" order would be granted against majority shareholders of a listed company under Section 216 has yet to be tested and a court is unlikely to grant a winding-up order against a viable listed company. The fact that there is an available market for the sale of the shares by the minority shareholder also serves to reduce the use of these remedies in the context of listed companies.

This is why independent directors of listed companies need to pay particular attention to guard against potential abuse of power by controlling shareholders and their nominees. The need to act in the interests of all shareholders and not favour the majority at the expense of the minority should be a key consideration of the board. Mediation, communication and shareholder engagement are approaches favoured to ensure board accountability and to address shareholder concerns. ■

Towards Shareholder Stewardship

By **ADRIAN CHAN**

SID SINGAPORE INSTITUTE OF DIRECTORS | BOARDROOM MATTERS

Who should be responsible for the corporate governance of a company?

Invariably, the answers that are given to this question include the board of the company, its management, and maybe even the regulators. Rarely are the shareholders mentioned.

This is largely because, whilst they enjoy voting and economic rights as part-owners of the company, they owe no legal duty to act in the best interest of the company. In fact, they can (and often do) act mainly in their own personal interests, sometimes at the expense of the interest of other stakeholders.

That position is changing.

The shareholder stewardship movement

Across the world, investors – institutional investors, especially, because they are seen to have the means and clout – are being asked to take up the mantle of responsibility to uphold good governance in the companies they invest in, and to provide stewardship to these boards, the better to secure the latter's long-term performance.

The United Kingdom was the first to take a step in this direction in 2010 when its Financial Reporting Council released the UK Stewardship Code.

Since then, various jurisdictions in Europe, Africa and North America have gone down the same path. In Asia, Japan followed suit in 2014, Malaysia later that year, then Hong Kong and Taiwan in 2016. Australia most recently adopted its own stewardship code in 2018.

SID was one of the first to call for a stewardship code to provide guidance to institutional investors in Singapore on the matter. This eventually led to the Singapore Stewardship Principles (SSP) for Responsible Investors being officially launched on 2 November 2016.

Stewardship principles

The SSP is a set of principles intended to encourage investors to voluntarily pursue the spirit of stewardship and good governance vis-à-vis investee companies. In particular, they empower investors to be active and responsible shareholders by articulating the ways in which their stewardship activities can relate to boards and management of investee companies.

The SSP comprise seven broad principles that exhort responsible investors to:

1. Establish and articulate their policies on their stewardship responsibilities.
2. Communicate regularly and effectively with their investee companies.
3. Actively monitor their investee companies.
4. Make known their approach to managing conflicts of interest.
5. Establish clear policies on voting and exercise their voting rights in a responsible fashion.

6. Document and provide relevant updates on their stewardship activities.
7. Be willing to engage responsibly with one another where appropriate.

Institutional investors as stewards

Very broadly, the SSP apply to institutional investors who are asset owners or asset managers. The former group provides capital to investee companies; whilst the latter do not own the assets, yet are, in effect, stewards who are entrusted with the assets under management by their clients. Both groups are instrumental in fostering effective stewardship between investors and investee companies.

Investors may choose to outsource some of their stewardship activities to external service providers such as proxy advisers and investment consultants, but they remain responsible for ensuring that these activities are carried out in a manner consistent with their own approach as embodied by the SSP.

Voluntary principles

The SSP do not constitute an enforceable code, nor rigid rules to be enforced, nor are they prescriptive measures. Instead, they represent a broad set of principles that investors may voluntarily adopt in diverse contexts. Indeed, each investor's level, and extent, of commitment to the SSP is a personal and voluntary matter.

And unlike the prescriptive approach adopted for the UK and HK stewardship codes, or even the Singapore Code of Corporate Governance that applies to listed companies, the SSP are not intended to have any binding force nor are they to be followed on a "comply or explain" basis.

Stakeholders of the SSP

Whilst both the Code of Corporate Governance, and the Code of Governance for Charities and IPCs are products of government-led initiatives, the genesis of the SSP lies in the combined

efforts of a working group of over 10 industry associations and stakeholders including SID, led by the Stewardship Asia Centre, and supported by regulators such as SGX and MAS.

Indeed, the SSP are a good example of a grassroots initiative that demonstrates how the various stakeholders in Singapore can collaborate to effect worthwhile change.

A timely introduction

There is a trend towards more fragmented ownership of listed companies today, with many shareholders holding a small proportion of shares. Coupled with increasingly shorter shareholding tenures, the value of being an asset owner is arguably being eroded and replaced by a prevalent short-term view of investment and portfolio management.

These imbalances in the corporate eco-system are partly addressed by the SSP. The SSP represent a timely recognition that shareholders, especially institutional investors, have an important stewardship responsibility to uphold good governance in the companies that they invest in. ■

Adrian Chan is the Vice-Chairman of the Singapore Institute of Directors.

Boardroom Matters is a regular column by SID in The Business Times *and its online financial portal* BTInvest, *where a version of this article was first published.*

In the Boardroom, Not the Courtroom

By **DAVID GERALD,** Director, Founder, President and CEO, Securities Investors Association (Singapore)

Shareholders should challenge management at company meetings, confront controlling parties on contentious issues, and ensure minority rights are not oppressed. Shareholder rights must, however, be balanced by responsible shareholder activism which helps to raise corporate governance standards.

Shareholders have rights. This is clearly ensconced in the law and regulations.

But it is often challenging for individual retail shareholders to exercise their rights. It is for this reason that many smaller shareholders have banded together to have a bigger voice. Indeed, it was towards this end that the Securities Investors Association (Singapore) (SIAS) was established.

Early years

SIAS was formed in mid-1999 to help 172,000 retail shareholders speak with one voice in their bid to recover their investments in Malaysian stocks traded on Singapore's over-the-counter market that was known as CLOB International.

As some might recall, the Malaysian government in September 1998 took unilateral action to stop trading on CLOB as part of its capital controls in response to the Asian Financial Crisis. This caused prices on CLOB to crash to a fraction of their value, leaving investors here in the lurch.

When SIAS was formed to represent the large and fragmented shareholding body to negotiate with the Malaysian authorities, it became obvious that belligerence, antagonism and confrontation would not succeed. Early on, SIAS adopted a careful, more diplomatic approach that involved private talks behind closed doors to try and reach a solution that was mutually acceptable to all parties.

After several months, the issue was satisfactorily resolved, and local investors managed to recoup some of their money.

Responsible shareholder activism

From this, SIAS has honed its approach to responsible shareholder activism. This includes a collaborative approach, mediation and investor education. A collaborative approach is working hand-in-hand with regulators, company management, financial experts and other stakeholders to formulate outcomes mutually agreeable to all parties. The collaborative approach has been found to yield results, even if it might take a longer time.

SIAS has successfully resolved a number of contentious issues by employing a unique brand of shareholder activism which is encapsulated in the slogan, “In the boardroom, not the courtroom”.

When it is needed, SIAS organises townhall meetings between stakeholders and company management, at which SIAS acts as mediator. To ensure these meetings are as useful as possible, SIAS may also ensure the presence, *pro bono*, of independent legal, financial, liquidation and accounting experts.

An important component of good activism is investor education, which must encompass not

just financial literacy and investment know-how, but also the rights and obligations of individual shareholders.

To help investors, SIAS has started an initiative supported by the Singapore Exchange (SGX) that involves analysing annual reports and raising questions on companies' corporate governance, business strategy and financial statements. For shareholders, who at times do not have sufficient time to read through annual reports thoroughly, especially during the peak annual general meeting (AGM) season, these questions provide an insight into the issues and state of the respective companies.

When it comes to addressing the problem of tyranny of the majority, SIAS firmly believes that there is very little to be achieved by confrontation and antagonism. Such tactics might win praise from observers who support such actions and give the impression that small shareholders are speaking with a meaningful voice, but it is our experience that belligerence invariably does not lead to any concrete and beneficial outcomes.

Post-CLOB

Since the CLOB crisis, SIAS has scored numerous successes on behalf of small shareholders by its adoption of this brand of activism.

For example, when NatSteel in 2003 attempted to controversially make a special dividend payment conditional on shareholders approving a scrip dividend resolution, SIAS tried to engage the management behind closed doors to sever a link that was clearly prejudicial to minority interests. However, after this tack failed, a special meeting was convened to vote on the matter, which subsequently defeated the motion proposed by the company.

In 2004, SIAS worked closely with the major shareholder of China Aviation Oil (CAO), the Chinese government, to revive the company after it was threatened with bankruptcy following huge losses incurred by its chief executive officer through unauthorised derivatives trading.

In 2006, SIAS helped shareholders of Japanese retailer Isetan obtain a special dividend that had been withheld because of tax differences between Japan and Singapore.

In 2007, SIAS assisted the independent directors of Yellow Pages when they were the target of a motion to remove them.

In 2015, SIAS managed to persuade Singapore Airlines to raise its takeover and delisting price for Tiger Airways by almost 10 per cent.

In 2016 when health and lifestyle retailer Osim International revised its delisting offer upwards after some shareholders had already accepted the lower price, SIAS successfully fought for all shareholders to be treated equally and receive the higher price.

More recently, in water treatment firm Hyflux's case, SIAS organised four townhall meetings for the various stakeholders. Creditors were persuaded to stay their hand and grant the company time to try and find a buyer for its Tuaspring plant.

These successes have been made possible only because SIAS's approach is, first and foremost, to work together with the relevant parties in the boardroom and not against them publicly.

The "in the boardroom, not the courtroom" ethos is unique in the world. It has shaped SIAS for the last 20 years and will continue to define SIAS in the decades to come. Working hand-in-hand with regulators, company management, financial experts and stakeholders to formulate outcomes mutually agreeable to all parties. SIAS's approach might not be as entertaining as others – but it certainly yields results. ■

New Guide on Best Practices for Shareholders Meetings

SID, Singapore Exchange and Securities Investors Association (Singapore) have launched a Guide on Best Practices for Shareholders Meetings.

The primary purpose of the Guide is to encourage a positive climate for robust and open discussions between the board and shareholders during shareholder meetings of listed companies.

Shareholders, management and board directors have a symbiotic relationship.

Companies should view shareholders meetings as valuable avenues to understand investor expectations and develop effective stakeholder communication.

Likewise, shareholders should exercise their responsibilities by familiarising themselves with relevant reading materials and respect fellow shareholders by keeping their queries relevant and concise.

Above all, this exchange should be conducted with decorum in an atmosphere marked by common courtesy and respect.

This Guide complements the suite of investor education material and resources for directors and management available today. SID has various resources to help companies and directors in stakeholder engagement, including its *Corporate Governance Guides for Boards in Singapore* and its Listed Entity Director professional development programe, specifically Module 4 on Stakeholder Engagement.

The Guide collates industry best practices and practical guidance on how boards may effectively put in place company policies and strategies to engage their shareholders. Companies can decide on the measures they should adopt according to their own profile and needs. It is in the interest of companies to develop effective relations with its shareholders.

Both companies and shareholders should endeavour to raise the quality of interactions at shareholder meetings and contribute towards an engaged marketplace anchored in open communication and mutual trust. ■

Guide Summary

It is best practice for Shareholders:

- To prepare for shareholder meetings by reading relevant materials like annual reports and recent company announcements, analysing the information and formulating key questions before the meeting.
- To address the Chairman respectfully and ask questions or make comment only on relevant issues pertaining to the business of the company and to the resolution being considered in order that the meeting can proceed in an orderly and expeditious manner.
- To respect other shareholders by keeping comments and questions brief so that other shareholders have the opportunity to speak.
- To conduct themselves with courtesy and moderation.

It is best practice for the Chairman:

- To be fully knowledgeable of the rules of conduct for meetings so that he can conduct an orderly and expeditious meeting.
- To be fully familiar with the agenda and the business at hand so that he is in a better position to respond to queries and control the meeting.
- To commence the meeting with a short audio-visual presentation of business and financial highlights for the past year and prospects for the future.
- To provide adequate opportunities for all shareholders who wish to speak to do so. This might require limiting the speaking time for a person so that the meeting does not become unreasonably long.
- To explain, before a resolution is put to a vote, the effect and purpose of the resolution.

It is best practice for the Company:

- To provide sufficient notice of the matters to be tabled at the meetings.
- To engage in an active policy of communication with all shareholders and to look upon the shareholders meeting as an excellent opportunity to interact with shareholders.
- To take into consideration the convenience of shareholders when arranging the time and venue for the meeting.
- To maintain minutes of meeting which include, in summary, substantive comments and queries by shareholders and the responses given. This would reflect proper respect for shareholders and be in line with good corporate governance which includes greater shareholder participation at meetings and better transparency and accountability.
- To publish minutes of general meetings of shareholders on its corporate website as soon as practicable.
- To report to shareholders on actions taken to solicit and understand the views of shareholders, and to actively engage and promote regular, effective and fair communication with shareholders.
- To have its board of directors, management, external auditors and relevant professionals attend the meeting, and to be available to answer questions and address shareholder concerns.

The Strategic Value of Investor Relations

By **HAROLD WOO**
President, Investor Relations Professionals Association (Singapore)

Over the years, the concept of investor relations (IR) has shifted from a marketing-oriented, public relations exercise with a company's shareholders to a deeper and more sustained strategic engagement. This latter approach takes the long-term view to developing more meaningful interaction between company and shareholder, ensuring greater transparency and accountability in corporate governance.

The modern profession of IR is said to have originated in 1953 by the US-based General Electric which created a public relations function to take charge of communications with its shareholders.

The practitioners, lacking in financial knowledge, were generally focused on getting the company's name into the mass media. They played the role mainly of publicists rather than IR officers (IROs) who understood the strategic and managerial responsibilities expected of them.

Back then, publicly listed companies did not conduct research to do shareholder analysis. Feedback from shareholders was not collected and information flow was largely one-way, from the company to the public using the mass media.

Changing investment landscape

As financial markets institutionalised and the focus shifted from private retail shareholders to professional investors, IR practices also shifted from the hands of communication specialists to accountants and financial professionals. In most cases, the IR function came under the purview of the chief financial officer and IR activities centred on providing financial disclosure to investors.

This re-orientation, from "marketing the company" using mass media to a more interactive process, evolved to one-on-one meetings between financial analysts and institutional investors. This enabled a two-way communication flow and provided a feedback loop to the corporations.

In March 2003, the National Investor Relations Institute in the US changed its definition of IR to describe a more comprehensive relationship. IR came to be seen as "a strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company's securities achieving fair valuation".

In contrast, the previous version adopted in 1996 labelled IR as "a marketing activity" with the purpose of "providing an accurate portrayal of a company" to have "a positive effect on a company's value".

Driving business growth

In recent years, with the wave of corporate scandals and changes in securities regulations, the concept of IR is experiencing further changes. Increasingly more investors are probing deeper and going further, asking the companies they have invested in how their businesses will drive future growth.

In essence, there are five factors that investors desire to know from the company's communications with them: (1) the company's product or service offering; (2) its financial track record; (3) its competitive advantage; (4) the company strategy; and (5) credibility of the company's plan to execute its strategy.

Increasingly, companies are finding that it is easier to articulate their offering and financial track record than to explain their company strategy and implementation. A good company is one that is able to present a coherent message about a multi-year strategy.

With the disruptions of traditional business models, many companies are finding it harder to extrapolate future trends from their past performance. As a result of the changing economic landscape, many companies have changed strategy and it is not easy to articulate the strategy correctly the first time round. The fall in the number of analysts covering the stock coupled with increased volatility, opacity and strategic shifts further aggravate the situation.

Transparency and communication

Hence it is extremely important that companies adopt an attitude of openness with a high degree of transparency and timely communication in good times but in more difficult times as well. This is where an effective IR policy shows its true worth.

Both communication and finance skillsets are highly valued constituents of a successful IR function. The desired outcome is an improved understanding of the company among investors and analysts. Sometimes companies do not understand that how the business sees itself and how investors perceive it are two separate issues.

Financial markets basically look at what returns the stock can generate for them. As investors, they are paying for the future of the company, so the clearer and more understandable the company strategy, the better.

It is equally important to realise that some investment decisions are based on short-term earnings expectations as opposed to long-term value. However, as a company, it is best to engage its investors on its long-term strategy and foster a long-term collaborative relationship with its investors.

Feedback from investors should be actively sought and shareholder research conducted. This feedback should be analysed at the highest level of the organisational hierarchy and used in the decision-making and strategic planning processes.

The CEO and board of directors should involve their IRO in the corporate decision-making and ensure that information from shareholders and about shareholders are presented to the C-Suite.

The strategic value of IR to the publicly listed companies is to promote effective engagement with investors so as to increase the number of long-term shareholders that are aligned with its strategic aims. Shareholder engagement should be incorporated as part of the company's long-term strategy to create value. ■

Walking the Tightrope in Regulatory Interventions

By **TAN BOON GIN,** CEO, Singapore Exchange Regulation

Regulators have to deal with the range of investors and plethora of views in their rules and interventions. They have to tread a fine line between falling back on market discipline and imposing tougher measures on companies who are making use of "other people's money".

Martin Wolf, the long-time *Financial Times* commentator, wrote in December 2018 about the "crisis of democratic capitalism". In his commentary, he describes shareholders as being the "least committed" of stakeholders because they can divest their stakes in a company more easily than, say, employees or suppliers.

At the same time, we are seeing a new generation of active shareholders, ranging from institutional to individual retail investors, who are vocal with their concerns and proactive in exercising their voting rights. Along with this are broad market views that share capital is becoming less patient.

However, as James Shipton, Chairman of the Australian Securities and Investments Commission, reminds us, the market and companies are making use of "other people's money". These are savings put in by "real people" who risk financial catastrophe when things go wrong, wrote Mr Shipton in an article for *Company Director* in March 2018.

Is market discipline alone sufficient?

With diverse views on shareholders' needs and priorities, coupled with the fact that shareholders include "real people" investing their life savings, how does a regulator operate?

As a regulator, we must bear in mind two things.

The first is that not everything can be left to market discipline. This must sometimes be complemented by regulatory intervention.

For example, in the area of audits, a company's statutory auditor is typically appointed by the shareholders in a general meeting. Indeed, Singapore's Companies Act expressly reserves the power to change auditors to the shareholders by way of special notice. However, there may be instances where, shareholders' wishes notwithstanding, there is a need for regulators to intervene in the interest of the market as whole.

In the UK Competition and Markets Authority's update of its audit services study in December 2018, there was a suggestion that all FTSE350

companies' audits should be carried out jointly by two audit firms, at least one of which should be from outside the big four.

Tapping on this idea, Singapore Exchange Regulation (SGX RegCo) will be proposing a new power to require the appointment of a second auditor, on top of the existing statutory auditor, but only in exceptional circumstances. This will complement SGX RegCo's current power to require the appointment of a special auditor, who will typically only look into a specific area, whereas the second auditor will sign off on the year-end audit.

SGX RegCo will also be proposing that all listed companies will have to appoint either a Singapore-based auditor or, in the case of companies with significant overseas operations with a foreign auditor, to have a Singapore-based auditor jointly sign off on the year-end audit conducted by the foreign auditor. This will increase regulatory traction, access to working papers and accountability.

Focusing on the long term

The second thing that we must bear in mind is that the creation of long-term shareholder value can be susceptible to the short-term pressures of the market. Again, regulatory intervention may be necessary to encourage the market to focus on the long term.

Dual class shares enable companies to raise funds while retaining the ability to execute a long-term strategy. However, we should not overlook the risk of the controlling shareholder(s) overriding the rights of the "real people"who are non-controlling holders without due consideration of their views.

This is why SGX RegCo is applying safeguards, such as event-based sunset clauses, and mandating enhanced voting where all classes of shares are treated equally for governance matters such as the appointment and removal of independent directors and the winding-up or delisting of the company.

Mandating sustainability reporting is another initiative to prod both companies and investors to focus on more than just the next quarter or the next 12 months.

We will be conducting a review of the sustainability reports that our companies started producing for the first time in 2018. Instead of just checking whether the reports comply with the requirements in our listing rules, we will endeavour to show how real investors use these reports because they believe that companies with good sustainability practices perform well financially in the long term.

The time horizon debate also continues unabated over quarterly reporting (QR). SGX RegCo's own public consultation on possible changes to QR has closed. A significant proportion of respondents favoured removing QR and we have to take their views into account as we continue our deliberations.

Developed markets such as the UK are already moving away from QR on the basis that QR encourages corporate short termism. We must be sensitive to these developments as the world's biggest investors increasingly focus on sustainable long-term growth and profitability.

Balancing needs

Needless to say, we are walking the proverbial tightrope.

Veer too far one way, and one risks creating a "trust deficit". Veer too far the other and one risks encouraging overly short-term thinking.

Ultimately, a balance must be struck, and this requires a pragmatic, rather than a dogmatic, regulatory approach. ■

Bring Back Conservatism

By **WILLIE CHENG**
Immediate Past Chairman, SID

COUNTING BEANS

Fair value measurement and other accounting standards seek to reflect the real world and ensure equity across generations of investors. However, in the process, they have eroded the age-old principle of conservatism and resulted in volatile and, in some cases, unrealistic financial statements.

When studying accountancy in the 1970s, I was taught that "conservatism" was an immutable principle of accounting. This resonated with what my parents had taught me as a child about financial prudence, and saving for a rainy day.

In accounting, conservatism means that when there is uncertainty, expenses and liabilities should be recognised as soon as possible; and revenues and assets only when they are assured of being received.

Conservatism, also known as "prudence", has led to accounting practices such as the "lower of cost or market" rule for valuing inventory, and making provisions for all liabilities, expenses and losses – certain or uncertain in nature.

Today, the principle is still found in accounting literature. In the US-based Generally Accepted Accounting Principles (GAAP), it is one of 10 key accounting principles and guidelines, alongside "going concern", "full disclosure", "matching" and "materiality".

However, the slew of changes to accounting standards over the last two decades have diluted conservatism so much that it has effectively been thrown out of the window.

Indeed, the two major international standard-setting organisations, the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB), have stated that "neutrality of accounting" is preferred to "prudence". The IASB dropped prudence from its Conceptual Framework in 2010.

Fair value

The first major assault on conservatism was the push for "mark-to-market" valuations and fair value accounting in the early 2000s. These concepts are now entrenched in several accounting standards.

In brief, fair value is defined as the "price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market".

Fair value is a noble ideal that is meant to reflect market reality and ensure parity across generations of shareholders. For example, it is argued that stating an asset at historical cost when its market value has risen is unfair to an existing shareholder who has to sell his shares.

However, fair value creates its own problems.

First is the unnecessary volatility in the reporting of profit and loss. Take a bond that is held to maturity. Under historical cost accounting, the income recognised would simply be the stable recurring amount from the coupon payment. But when the bond is marked-to-market, the fluctuations of the bond value in the intervening accounting periods must be reflected in the holder's income statement.

The second and greater concern is the variable way in which fair value can be determined. The accounting profession now spends an inordinate amount of time creating, debating, amending and continually refining the accounting standards on fair value determination. FRS 113 (Fair Value Measurement) provides several generic approaches, while other standards cover specific areas such as biological assets (FRS 41), investment properties (FRS 40) and financial instruments (FRS 109).

FRS 113 provides a three-level framework based upon whether the "inputs" to the measurement process are:

1. observable (e.g. unadjusted market price of a listed stock)
2. indirectly observable (e.g. property value based on transactions of comparable properties), and
3. unobservable and thus based on assumptions by management.

Level 3 and even Level 2 valuations are, by their very nature, fraught with uncertainty and judgement. The use of assumptions and estimates provides a great deal of latitude and flexibility for companies to decide on the end numbers. A management team which is incorrectly incentivised to deliver short-term results can stretch its assumptions to produce a set of unrealistic financial reports.

Warren Buffet famously warned that "mark-to-market" accounting could easily become "mark-to-model" in illiquid markets, and even "mark-to-myth".

In recent years, several companies, notably Olam and Noble, have been publicly challenged by research firms and activists about the fair values in their respective balance sheets. Their defence was that they complied with the prevailing accounting standards and their financial statements were passed by the auditors. However, the market reactions and subsequent firms' actions lent some credence to the challenges.

Debt provisions

The latest onslaught on conservatism has come in the form of FRS 109. Effective since 1 January 2018, the standard fundamentally changes the way in which provisions are booked for financial assets such as receivables and loan books of banks.

Under the previous incurred loss approach, allowances for doubtful debts were of two types: general and specific. FRS 109 replaced this with a three-stage expected credit loss (ECL) impairment approach.

The main difference in outcomes between the two approaches is that ECL is procyclical while incurred loss can be countercyclical. In the traditional approach, the flexibility in making general provisions allowed for keeping more money aside for a rainy day during good times, and which could then be released in bad times. ECL limits the provisions that can be made in good times and increases the provisions needed in bad times when the horizon is darker, thus accentuating the impact on the profit and loss between good and bad times.

Conserve conservatism

Historically, financial statements were easy to understand. The number of rapidly changing accounting standards, especially the implementation of fair value accounting, have made financial statements today highly judgmental, and difficult to understand for investors, directors and even accountants themselves.

The accounting profession owes it to investors and those charged with governance to bring comprehension back to financial reporting, starting with conservatism as a driving principle. ■

Accounting for REITs

By **LO MUN WAI and THAM SAI CHOY**

If Singapore is aligning accounting standards to be fully consistent with International Financial Reporting Standards (IFRS), why then are Real Estate Investment Trusts (REITs) still using Statement of *Recommended Accounting Practice 7 (RAP 7): Reporting Framework for Unit Trusts* instead of IFRS? To answer this question, we have to understand the unique nature of REITs.

REITs in Singapore, being investment funds, are regulated by the Monetary Authority of Singapore under the Code of Collective Investment Schemes. The Code mandates that property funds adopt RAP 7 in preparing their financial statements.

RAP 7, it should be said, is a proudly-made-in-Singapore standard, one part of many different initiatives that together have created a viable capital market for REITs in Singapore.

A burgeoning market

Over the last two decades, the Singapore REIT market has grown to attract a global following of investors and, increasingly, a global relevance for foreign property assets too. There are over 35 REITs listed on the Singapore Exchange, with a total market capitalisation of over S$90 billion. A list of the listed REITs with over S$1 billion in market cap is shown in the table, "Singapore REITs".

Singapore REITs

Name	Market cap (S$m)	Type
CapitaLand Mall Trust	8,925.71	REIT
Ascendas Real Estate Investment Trust	8,740.63	REIT
CapitaLand Commercial Trust	7,198.43	REIT
Suntec Real Estate Investment Trust	5,146.63	REIT
Mapletree Commercial Trust	5,143.65	REIT
Mapletree Logistics Trust	4,994.11	REIT
Keppel REIT	4,187.18	REIT
Mapletree Industrial Trust	4,008.23	REIT
Mapletree North Asia Commercial Trust	3,967.36	REIT
Fortune Real Estate Investment Trust	3,205.14	REIT
SPH REIT	2,636.05	REIT
Ascott Residence Trust	2,454.99	REIT
Frasers Logistics & Industrial Trust	2,206.68	REIT
Frasers Centrepoint Trust	2,138.57	REIT
Keppel DC REIT	1,987.35	REIT
CDL Hospitality Trust	1,937.38	Stapled Securities
Parkway Life Real Estate Investment Trust	1,712.16	REIT
ESR-REIT	1,711.89	REIT
Cromwell European Real Estate Investment Trust	1,691.12	REIT
Starhill Global Real Estate Investment Trust	1,505.03	REIT
Manulife US Real Estate Investment Trust	1,442.46	REIT
OUE Commercial Real Estate Investment Trust	1,430.79	REIT
CapitaLand Retail China Trust	1,411.99	REIT
Frasers Hospitality Trust	1,367.11	Stapled Securities
Frasers Commercial Trust	1,326.03	REIT
OUE Hospitality Trust	1,308.29	Stapled Securities
Far East Hospitality Trust	1,218.76	Stapled Securities

Source: S&P Capital IQ, as of 27 February 2019

With the growing strength of this REIT market, RAP 7 has become accepted amongst investors to be a reliable standard for financial reporting by REITs.

Indeed, RAP 7 has become the de facto standard for Singapore-listed REITs. This is despite the fact that these financial statements prepared under RAP 7 are not aligned with IFRS.

Purpose-built investment vehicles

REITs are different from other corporate entities listed on the Singapore Exchange. Indeed, they were created to be different. The REIT structure is purpose-made for investment assets with steady cash flows, which can be entirely distributed out to investors.

This structure has a simplicity that distinguishes REITs from more complex businesses that have different types of significant expenses and reinvestment requirements, all of which investors need information on.

RAP 7 serves to highlight exactly the kind of information that investors need of these purpose-made REITs, for example, the presentation of a distribution statement, distribution per unit and a portfolio statement. In this way, RAP7 can in fact perform the report function better than IFRS.

On the other hand, IFRS is a general financial reporting framework, and stipulates reporting requirements that help investors understand all kinds of vastly different organisations.

IFRS-compliant financial statements prepared by REITs would report more information, including information that an investor conversant with Singapore REITs may not require.

So, while investors would have more information under IFRS, retrieving the more relevant information for REIT investors would be more difficult.

Global capital markets

Still, whether RAP 7 or IFRS, accounting standards serve the needs of investors. In a global capital market, investors do not all have the same needs.

While existing REIT investors are prepared to invest with information from financial statements prepared under RAP 7, there may well be other investors who would be more inclined to invest in Singapore REITs if IFRS-compliant financial statements were available. Competition in the market applies to accounting standards as much as they do for investment funds.

Indeed, several Singapore-listed REITs, particularly those with foreign assets and sponsors, have chosen not to prepare their financial statements under RAP 7 and currently report under IFRS or Singapore Financial Reporting Standards (International) – the Singapore equivalent of IFRS.

Notwithstanding the above, such REITs have chosen to incorporate useful elements of RAP 7 in their financial statements. By doing so, in addition to tapping into the Singapore capital market, these REITs place their financial statements to be comparable to those of REITs in other countries that adopt IFRS. This is important to investors who choose investments across a global portfolio of REITs.

So, going forward, will RAP 7 or IFRS prevail? In an open market like Singapore's, reporting standards will continue to evolve to meet the needs of investors. Over time they learn from each other and converge to look more similar. What matters is that the financial reporting standards support the growth of a vibrant and relevant capital market in Singapore. ■

Lo Mun Wai is Partner and Head of Real Estate (Audit) in KPMG, and Tham Sai Choy is Chairman of SID.

Dear Mr Sid

Directors Getting Shares

I am a newly appointed independent director in a small listed engineering firm. It is my first appointment and I am very excited.

The company is doing rather well. Earnings are impressive. We have avoided the worst of the offshore drilling slowdown, and we are successfully expanding into several countries in the region.

In fact, we are doing so well that several of my fellow directors think our shares are a great buy. They cannot understand why the market is not reflecting our success, but they are confident that shareholders will eventually be rewarded handsomely, especially if our plans for expansion play out well, as many of us think they will.

So, at my first board meeting last week, I was strongly encouraged to buy in as soon as the black-out period ends. And that's fine – I definitely intend to invest in the company, albeit in a fairly small way.

The theme continued as we moved to an agenda item on director remuneration.

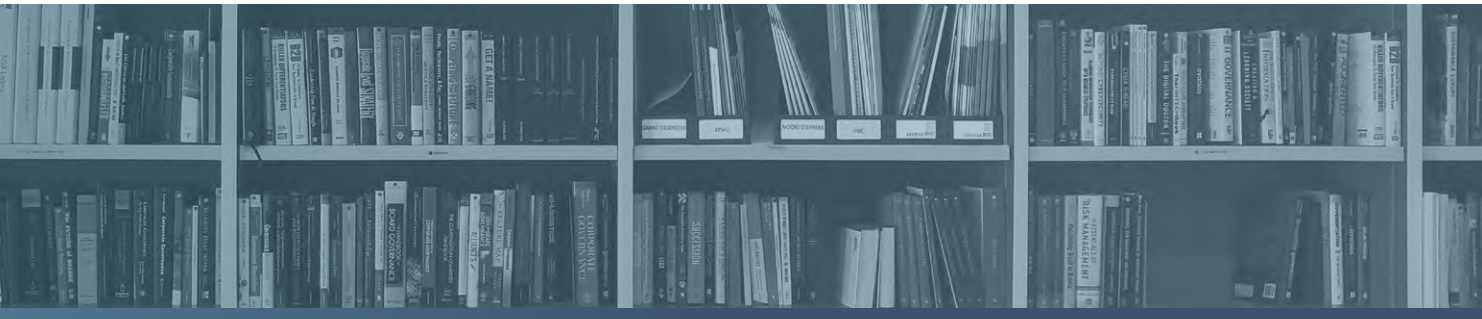
The chairman proposed that, since the shares are so cheap, it would make sense for directors to be remunerated in shares rather than in cash, at least to some extent.

The CEO suggested that this should include stock options, just like how he and senior management are rewarded. The general view was that the board would be showing its confidence in the company, and the interests of directors would be clearly aligned with shareholders and management, while snapping up a great opportunity for wealth creation.

Now, I like wealth creation as much as anyone, especially when it is mine. But something about this proposal makes me feel uneasy. We are still in black-out, and this matter will carry over to the next meeting. As the newest director, I would appreciate an opinion on what would be a good position to take.

Yours sincerely

Uncomfortable On Compensation



Dear Uncomfortable On Compensation

You are right to be uneasy.

Whilst there is nothing wrong about directors wanting to make personal investments in shares – whether in the company for which they are on the board or in other companies – your recent board discussion suggests there is an inadequate appreciation of the duties and liabilities of directors, and the nature of director remuneration.

Directors owning shares

The first question is: should a non-executive director (NED) own shares in the company in which he or she is a board director?

The answer is: yes, but to a point.

Many companies and boards consider it desirable that NEDs hold shares so that their interests are – and are seen to be – aligned with those of other shareholders. It is expected that when directors hold shares, they hold them for the long term, and not for short-term considerations.

In addition, the level of ownership should be such that it does not compromise the directors' independence and objectivity. In other words, the value of the shares relative to their personal fortune should be such that they would not be overly concerned about the company's share price and performance.

Paying fees in equity

Given the desirability of NEDs holding shares, some boards pay a proportion of director fees in equity. The proportion of fees paid out in this manner tend to be between 20 to 33 per cent of the total director fee, the remaining being in cash.

Where fees are paid out in shares, the company should purchase the shares as part of an independent arms-length share buyback programme (as it would do for equity for management compensation) to avoid the risk of the payment falling foul of insider trading regulations.

Remuneration philosophy

Beyond being paid partially in shares, it is not considered appropriate for directors to be compensated with performance shares or share options as suggested by your CEO.

In this regard, it is important to distinguish between the different philosophies of director remuneration versus management compensation.

Management is paid to run the company. Executive compensation is an important part of driving the behaviours of executives towards sustainable value creation and attracting and retaining the right talent.

Given these multiple objectives, there tend to be several components of executive compensation: fixed remuneration, short-term incentives (STIs), long-term incentives (LTIs) and benefits. STIs and LTIs are generally linked to company performance (including share price performance).

LTIs often have features such as time vesting and equity plans, the latter including share grants, share options, performance shares and restricted shares. Share options give participants the right to buy shares at a fixed price over a period, thus benefitting from any upside in the share price during the period.

While a part of executive compensation is often linked to company performance, director fees should not be. NEDs are typically paid a fee according to their role and scope of responsibilities, taking into account the expected time and effort required to perform those duties.

In that regard, a director is a professional, much like the lawyer and accountant who are compensated by their clients on the basis of their expertise, diligence and time spent, as opposed to the outcome of the contracts they work on. The use of share options, performance shares, or any other form of variable compensation tied to performance is not in keeping with this remuneration philosophy for directors as professionals.

Timing of share transactions

The timing of any share transaction by a director is important.

As you mentioned, all listed companies typically define a "black-out period" and/or "trading windows" to limit the time frame in which it is permitted to deal with the companies' securities.

A black-out period occurs when trading in shares is not permitted. The SGX requires a "black-out period" to be at least two weeks before the announcement of the company's quarterly results, and one month before the announcement of the full year's financial statements.

A less common approach is the implementation of trading windows, or fixed windows of time, within which key insiders may deal in company's shares, typically 30 to 60 days following the announcement of the company's financial results.

However, just restricting trading to periods that comply with these windows, especially black-out periods, is not adequate. Insider trading is broadly defined to include share dealings and disclosures of insider information by persons in possession of insider information, and is a criminal offence under the Securities and Futures Act. Penalties include fines, imprisonment and civil penalties, including civil liabilities to other claimants who have suffered losses.

Insider information is information which is generally not available to the investing public. By virtue of their position and boardroom discussions, directors are privy to a wide range

of such information and understanding of the company, all of which have a potential impact on share prices. Just trading within the permitted time frames does not absolve a director of his or her fiduciary duty to act honestly and to ensure the proper use of insider information.

In addition, the sale of the company's shares by a director is generally not regarded to be a positive reflection of the director's confidence in the company in which he or she is supposed to be helping to grow and increase in value.

For these reasons, the best practice is for directors not to deal with their shares during their tenure as directors. Rather, they should purchase shares before they come on board and sell them only after they step down from the board (provided, of course, that they are not in possession of insider information at the time of sale or purchase). The exceptions would be any share grants received as part of director fees or scrip dividends.

Hopefully, you can share these views with your fellow directors before any of you get into trouble with investors or the law. It would also help to point the board to the MAS' Practice Guidance 7 (Level and Mix of Remuneration) and SID's Statement of Good Practice No. 10 (Fees Payable to Non-Executive Directors) where some of the above points are covered.

Yours sincerely

Sid

Mr Sid

Who is Mr Sid?

Mr Sid is a meek mild-mannered geek who resides in the deep recesses of the reference archives of the Singapore Institute of Directors.

Burrowed among his favourite *Corporate Governance Guides for Boards in Singapore*, he relishes answering members' questions on corporate governance and directorship matters. But when the questions are too difficult, he transforms into Super SID, and flies out to his super network of boardroom kakis to find the answers.

Mr Sid's References (for this question)

Board Guide

Section 5.5 Duty to Act Honestly

Section 5.17: Director Liabilities

Annex 5H: Insider Information and Insider Trading

Remuneration Committee Guide

Section 3.2: NED Fee Philosophy

Section 3.4: Use of Equity

Section 4.2: Executive Remuneration Philosophy

Section 5: Equity-Based Remuneration

SGX Handling of Confidential Information and Dealings in Securities: Principles of Best Practices

Part C: Restrictions Against Dealings in Securities

SID Statement of Good Practice

SGP 10/2013 Fees Payable to Non-Executive Directors

Practice Guidance

PG 7: Level and Mix of Remuneration

Boardroom Matters

Vol 1, Chapter 41: "Should Non-Executive Directors Own Shares" by Annabelle Yip

Going Online

By **PRETHEEP CLEETUS**
Professional Development, SID

Technological disruption has transformed the way we work, live and play. Online learning is one way SID has taken to harness technology for professional development and outreach to the director community.

To keep up with the rapidly changing business and technological environment, SID's professional development (PD) offerings have also been evolving.

The PD curriculum has been continually updated, with courses revamped (such as the Listed Entity Director programme replacing the Listed Company Director programme) and new courses and modules added (nonprofit courses, Business Future Series, Masterclasses for Directors, CEO Conversation, etc). These cater to more contemporary content such as the corporate governance revisions, cybersecurity, disruptive technologies, and boardroom dynamics.

Beyond the content, SID has also gone beyond the classroom mode of delivery to introduce online learning. All such online courses are indicated with the icon: SID in our materials.

DCP Online

The first online course developed by SID was an online version of its Directors Compliance Programme (DCP) for ACRA.

The DCP programme was first developed as a 4-hour classroom course in collaboration with ACRA. The course is focused on the compliance requirements with the basic statutory provisions of the Companies Act. ACRA requires errant directors to undergo the course.

EXPANDING HORIZONS

Since the launch of DCP in November 2014, more than 9,900 directors have undergone the classroom course. Two years later, SID worked with ACRA to develop an online version of the course made available on the ACRA Academy eLearning Portal. This was launched in June 2017. To date, 2,134 directors have taken the online course.

Today, directors required to undertake the DCP course have the choice of doing so either online or offline as it suits their circumstances.

EXD and DCC

Encouraged by the effectiveness of DCP Online, SID worked on the development of two more online courses on its own learning platform in late 2017 and 2018.

The "Excuse Me, Are You A Director?" (EXD) online course was created to orientate aspiring and new directors to what is involved in being a director (see box description of EXD). It is based on materials extracted from its classroom "So You Want To Be A Director" and "Board and Director Fundamentals" course.

The "Decoding the Code" (DCC) online course was created to help directors and those involved with compliance of listed companies with an appreciation of the background to and content of the 2018 Code of Corporate Governance (see box description of DCC). The online course content draws on materials from the *Corporate Governance Guides for Boards in Singapore*, and the "CG Briefings: Understanding the Revised Code and Listing Rule Changes" course conducted since August 2018. These two reference resources and

EXD – Excuse Me, Are You A Director?

Purpose

To provide aspiring and new directors with an understanding of what it takes to be a director.

Content

- What is and makes a director
- How you can become a director
- What the role of a director is
- What a director needs to know
- Why would you even want to be a director
- How you can be an effective director

DCC – Decoding The Code

Purpose

To provide those involved in the compliance requirements of listed companies with an understanding of the context and content of the Code of Corporate Governance.

Content

- Overview of corporate governance & the "comply or explain" regime
- History & structure of the Singapore CG Code
- Content of the CG Code (pillars, principles and provisions)
- Related requirements in the listing rules and Code provisions
- Further resources available to apply the Code.

DCC were developed with the support of ACRA, MAS and SGX.

Both courses are short and meant to be introductory rather than deep in content. EXD should take about 30 minutes, while DCC is expected to take between 45-60 minutes to complete.

The courses run off SID's own eLearning platform provided by Wizlearn. To access the two online programmes which are accessible for free, users need only to click on the hyperlink on SID's and our partners' website which will take them directly to the Learning Management System where they need to sign on with their name and email address to access the eLearning video.

Webinars

SID's online platform supports the conduct of webinars. The first webinar, "Readiness, Response and Recovery: The role of the board in a crisis" kicked off in September 2018. Since then, other webinars have been planned for current topics in the coming months. These include:

- Being a Board Director in the Age of Twitter
- Artificial Intelligence
- Company Resilience
- Crisis Communication & Social Media
- Family Boards & Succession
- Building Resilience through Transformative Business Models
- Block Chain
- Millennial Workforce

One of the important benefits of e-learning is the ability to accommodate the timings, pace and learning styles of participants. At the same time, the online courses have proven to be valuable in extending the outreach of SID courses beyond our traditional membership base. The programmes have sparked interests in other courseware and membership of SID.

We will continue to extend and enhance our online learning platform to help directors fulfil their learning needs in their directorship journeys. ■

The AC Seminar 2019

The Audit Committee in the New Normal

The fifth ACRA-SGX-SID Audit Committee Seminar reflected on the "new normal" for ACs, in light of the accounting and audit changes in the past years. Looking ahead, further regulatory changes are in store, including revisions to the Accountants Act, and new partnerships to build the ecosystem and improve the quality of audit reporting.

The seminar, themed "The AC in the New Normal" – drew a robust response. Jointly organised by ACRA, SGX and SID, the event attracted more than 400 directors and professionals. The half-day seminar was held at the Marina Mandarin Singapore on 16 January 2019.

In his opening address, Mr Ong Khiaw Hong, CEO, ACRA, highlighted three areas in which ACs should take note of in the coming year: (1) providing high quality disclosures and deeper insights into companies' financials, (2) preparing for changes in accounting processes and controls from SFRS(I) 16 – Leases, and (3) remediating any financial reporting gaps and communicating their effects to the public in a timely manner.

Ms Bong Yap Kim, Divisional Director of Financial Reporting Division, ACRA, highlighted new regulations to allow directors to voluntarily revise defective financial statements.

Through case studies, she provided tips on how ACs can deal with modified audit reports and new business arrangements.

Ms June Sim, Senior Vice President and Head, Listing Compliance of SGX Regco, used engaging cartoons to illustrate the key revisions to the listing rules and Code of Corporate Governance announced in August 2018. Through several case studies, she also illustrated regulatory issues and concerns regarding violations of the VALMIN Code by valuers, dilutive convertible shares, circumvention of shareholders' approval, requirement for IFA opinion in IPT, and the relationship between a director and a vendor.

Mr Soh Gim Teik, Chairman, SID AC Chapter, described how the new normal for ACs has come about. He described the AC Chapter and the education sessions (AC Pitstops and other professional education sessions) that SID provides to ACs.

A panel discussion moderated by Mr Ramlee Buang, Council Member, SID, on "Avoiding the pitfalls and embracing the new normal", comprised four panellists: Mr Shariq Barmaky (Regional Managing Partner, Audit and Assurance, Deloitte Southeast Asia); Mr Kevin Kwok (Chair, Accounting Standards Council and AC Chair, SGX); Mr Lim How Teck (AC Chair, Raffles Education and PNG Sustainable Development Programme); and Ms Ooi Chee Kar (AC Chair, AusGroup and Tokio Marine Insurance Singapore). They shared insights into the roles that ACs should take and the appropriate AC composition, before taking questions from the floor.

In his closing address, Mr Tan Boon Gin, CEO, SGX RegCo, said that the entire ecosystem should take collective action to address the trust deficit in companies. To that end, SGX is working closely with ACs and auditors to enhance the quality of financial reporting. It is also working with bodies such as Institute of Singapore Chartered Accountants, Singapore Accountancy Commission, and Institute of Valuers and Appraisers of Singapore. In concluding the measures, he said, "it's going to be a busy 2019".

The key takeaways from the seminar are summarised in the following pages.

ACRA 2019 Updates

Voluntary revision of defective financial statements

- New regulations effective April 2018 to operationalise S202A and S202B of Companies Act.
- Objective is to allow diligent directors to revise the company's financial statements on their own.
- For the revised financial statements:
  - o Can be in respect of any financial year.
  - o Revisions are confined to non-compliance with the Companies Act.
  - o No need to deal with subsequent events or changes in Accounting Standards.
  - o No need to call for AGM or EGM to table the revised financial statements but they must be circulated to members and filed with ACRA 30 days after revision.
- Considerations on whether to voluntarily revise a financial statement:
  - o Nature and materiality of errors (both quantitatively and qualitatively).
  - o Level of public interest in the past financial statement.
  - o Likelihood of users relying on the defective financial statement available in the public domain (i.e. SGXNet and ACRA's register).

Tips for dealing with modified audit reports

- Section 201 of Companies Act: directors must table financial statements that are true and fair, and comply with the accounting standards.
- Target is for clean audit opinion. In FY2017, 8% of listed companies have modified opinions.
- ACs should help to resolve issues with management and auditors.
- Where there are differences in views, ACs should assess critically and evaluate if assumptions are supportable and consistent.
- AC should ensure timely rectification in financial statements, as early as possible.
- ACs should enquire prior to changing of auditors.

Tips for dealing with new business arrangements

- When dealing with change in use of property, plant and equipment (SFRS 40 Investment Property):
  - o Ask CFO for alternative accounting arrangement.
  - o Be reasonably comfortable with the reasons provided for multiple transfers in a short period of time.
  - o Bear in mind that it is harder to evidence change in use when under construction.
  - o Ensure that the finance team is well-equipped and resourced.
  - o Assess critically whether the evidence on change in use is sufficient.

- When reflecting the underlying intent in a sale and leaseback agreement (SFRS 17 Leases):
  - o Recognise that accounting may not follow legal form.
  - o Scrutinise more carefully when sale proceeds are deferred and contingent upon some factors.
  - o Assess the arrangement holistically.

"Singapore's regulatory framework for corporate governance is premised on a disclosure-based approach. But a disclosure-based approach works well only if it is backed by a sufficiently robust enforcement regime to curb potential abuses and wrongful acts, while allowing room for growth and appropriate risk-taking.

That said, regulations alone, no matter how robust, are not sufficient. Besides regulators, other stakeholders including directors and audit committees, auditors and investors, have to play their part in ensuring the sound functioning of the capital markets. Audit committees in particular, have a pivotal oversight role in the financial reporting and audit function."

Ong Khiaw Hong
CEO, ACRA

"ACs should ask pertinent questions to the auditors and the management, such as, why an issue was not identified earlier and to analyse the root cause for the issues. And always ask for the alternative accounting treatment."

Bong Yap Kim
Divisional Director, Financial Reporting Division, ACRA

SGX RegCo 2019 Updates

Director appointments

- A director will not be considered independent if he has been a director for an aggregate period of more than nine years (whether before or after listing) and his continued appointment as an independent director has not been sought and approved in separate resolutions [MR 210(5)(d)(iii)/CR 406(3)(d)(iii)*].
- All directors are to submit themselves for re-nomination and re-appointment at least once every three years [MR 720(5)/CR 720(4)].
- The relationship between chairman and CEO must be disclosed if they are immediate family members; and all directors, including their designations and roles, must be identified in the annual report [MR 1207(10A)(10B)/CR 1204(10A)(10B)]

Director training

- A first-time listed director must undergo prescribed training, the Listed Entity Director Programme [MR 210(5)(a)/CR 406(3)(a)].

Board composition

- Independent directors must comprise at least one-third of the board [MR 210(5)(c)/CR 406(3)(c)*].
- Independent directors must make up majority of the board where the chairman is not independent [Code Provision 2.2].
- Non-executive directors must make up a majority of the board [Code Provision 2.3].

Board diversity

- Board should comprise directors who as a group have the appropriate balance and mix of skills, knowledge, experience and other aspects of diversity such as gender and age. The board diversity policy and progress made towards implementing the policy including objectives are disclosed in the annual report [Code Provision 2.4].

AC, IA and internal controls

- Board to comment on the adequacy and effectiveness of the company's internal controls (including financial, operational, compliance and IT controls) and risk management systems. AC to provide statement on its concurrence with the board statement. Where there are material weaknesses, they must be disclosed with steps taken to address them. [MR 1207(10)/CR 1204(10)].
- AC to review assurance from the CEO and CFO on the financial records and financial statements [Code Provision 10.1(c)].
- Board to obtain and disclose assurance from the CEO and key management personnel responsible on the adequacy and effectiveness of risk management and internal control systems [Code Provision 9.2(b)]
- AC to comment on whether the internal audit (IA) function is independent, effective and adequately resourced [MR 1207(10C)/CR 1204(10C)].

*This listing rule is effective from 1 January 2022, all other listing rules are effective from 1 January 2019.

Audits and auditors' work globally have come under much scrutiny due to an emerging trust deficit. Singapore too has seen some of this.

That is why starting from this audit cycle, for selected companies, SGX will play a much more active role, ex ante, in determining the scope of the statutory audit. The purpose is to highlight to ACs and auditors, issues we are concerned about and what the audit and Key Audit Matters of the Annual Report are expected to thoroughly cover.

Where areas require further investigation, the special auditor or independent reviewer must take a professional stance on matters of concern and not hide behind the terms of engagement or language so vague the resulting report is nonactionable. The exchange will also have oversight of the appointments and the terms of reference of these professionals."

Tan Boon Gin
CEO, Singapore Exchange Regulation

Issuers are expected to comply with the Listing Rules and the revisions made to it, in particular, to the recent changes of the Listing Rules in relation to corporate governance. The Exchange is also aware that in recent times, errant issuers are becoming more creative with their corporate fundraising submissions. The Exchange will not tolerate attempts by issuers and professionals to circumvent the Listing Rules."

June Sim
Senior Vice-President, Head of Listing Compliance,
Singapore Exchange Regulation

Pit Stops and Tools for the New Normal

New normal in the evolving business landscape

- New complex technologies such as blockchain and internet-of-things.
- Evolving business models such as valuation of business models like startups.
- New requirements from regulators such as Governance Code, AML, BEPS.
- New rules from professional bodies such as Accounting Standards, Taxation.

AC Chapter – functions and responsibilities

- Develop thought leadership and advocacy with stakeholders.
- Co-ordinate with other SID committees such as the Professional Development Committee on AC matters.
- Organise AC-related activities.

AC Pit Stops

- A learning outreach of the AC Chapter incepted in 2017.
- Relevant and topical AC matters, led by domain experts.
- Short duration (usually two hours) for small groups (30 to 40 participants),
- Interactive sessions to deep-dive into specific areas of significance to ACs.
- 13 sessions held thus far, with approximately 500 participants.

Upcoming AC Pit Stops 2019

- The AC Role and Analytics.
- Auditing and Disrupting Technologies Impact on IA.
- Business Valuation Best Practices, Issues and Challenges.
- Understanding the New Insolvency Regime.
- Managing Tax Disputes.

SID key targets for 2019

- Roll out new series of AC Pit Stop seminars.
- Continue working with regulators such as ACRA and SGX; as well as other key professional bodies.
- Ensure continuous update of AC resources.
- Expand engagement and support for AC members and independent directors.

"The key objective of the AC Chapter is to develop thought leadership and advocacy with stakeholders. One initiative arising from it is the AC Pit Stop sessions that provide a platform for AC members to be apprised of and discuss current issues. Some topics to be rolled out for 2019 involve understanding the impact of disruptive technologies, business valuation best practices, insolvency regime and how to manage tax disputes."

Soh Gim Teik
Chairman, SID AC Chapter

Panel Discussion

L-R: Ramlee Buang (Council Member, SID), Kevin Kwok (Chair, Accounting Standards Council & AC Chair, SGX), Lim How Teck (AC Chair, Raffles Education & PNG Sustainable Development Programme), Ooi Chee Kar (AC Chair, AusGroup & Tokio Marine Insurance Singapore), Shariq Barmaky (Regional Managing Partner, Audit & Assurance, Deloitte Southeast Asia).

AC Composition

"In my view, ACs should include at least two members who are qualified accountants with up-to-date industry knowledge as well as accounting standards to lift the quality of ACs. A question I would like to pose to the floor is whether ACs should also require directors with IT knowledge."

Ms Ooi Chee Kar

"The name 'Audit Committee' is misguiding in terms of the contemporaneous changes in corporate governance and its expected function. We should maybe consider renaming audit committees to governance committees, remuneration committees to prosperity committees and nominating committees to longevity committees."

Mr Phua Sian Chin
CFO, Teho International Inc Ltd

Specialists on ACs and boards

"What are the duties of directors? Is it to micromanage companies and tell CEOs what to do? Or is it to exercise oversight? We need experienced directors who understand their duties, take on the role of governance and analyse issues from a governance perspective. As for accountants and IT specialists, we may need their guiding advice but not necessary to sit on the board. We just need competent directors who know their duties.
If we get people without the same backgrounds as is common on many boards, the board can get a fresh perspective from the questions raised."

Mr Phua Sian Chin

"I disagree with that. We do need directors with a certain degree of knowledge and experience on the board and the various committees. The scope of work in ACs is more technical in nature and one cannot ask good questions without a deep understanding of financial reporting. We don't pay directors to learn on the job!"

Ms Ooi Chee Kar

Panel Discussion

An effective AC

"The crucial point is to be able to constantly anticipate impending issues and to plan to address them appropriately. ACs earn their keep through oversight, not by conducting the affairs of companies. ACs should strive to ask four pertinent questions. Firstly, whether there is a structure in place within the organisation to support financial reporting and which is closely linked to all aspects of the business. Secondly, whether the company engages good people within the CFO function, people of integrity, technically competent and with the courage to do the right thing. Thirdly, whether robust processes are in place that enable the financial reporting function to interact closely with the business. Lastly, whether the management team is able to conduct robust discussions and to reasonably challenge the conclusions of the auditors about the business of the organisation and how it is reported."

Mr Kevin Kwok

Asking questions of management and auditors

"On important areas, ACs should ask relevant questions of the management and confirm their understanding with the auditors, i.e. not to just take their word for it."

Mr Shariq Barmaky

"I strongly urge ACs to challenge auditors who may not always be right, and engage a second audit firm for a second opinion should there warrant a need, as we are all aware that the auditing standards applied to firms may not always be consistent."

Mr Lim How Teck

"ACs should be cognisant that they are part of a larger ecosystem and should know where to seek help should they need it."

Mr Ramlee Buang

"ACs should engage the auditors more frequently, including outside of board meetings to attain a better idea of the financial reports."

Mr Lim How Teck

"ACs should be well-informed and understand the business nature of the company board they sit on. They should ask key questions to the auditors and CFO to make well-informed decisions instead of merely rubber-stamping the financial reports."

Ms Ooi Chee Kar

Audit reports

"My concern moving forward is that audit reports may comprise more boilerplate statements – and that is something to be avoided. We have done relatively well with the enhanced audit reports (EARs) in the last two years. That is coming into its third year and we should continue to enhance its value to investors."

Mr Shariq Barmaky

Dominance of the Big Four

"Any comments from the panel on the recent UK discussions on the possible break up of the Big Four?"

Mr Lee Chong Kwee
Council Member, SID

"It is not so much about breaking up the Big 4, but we should strive to have companies that are audited by the same auditing firm to talk with one another about their respective audit findings. Though controversial as it may sound, this is something to ponder over. It is embarrassing for the local auditing standards that companies with similar financial reports receive vastly different audit reports."

Mr Lim How Teck

Implementation of the nine-year rule

"The impending nine-year rule is bound to result in a great deal of independent directors exiting companies. Given the extensive corporate governance requirements, how should we reach out to recruit and retain new talents as we seek to replace those who have served over nine years?"

Mr Bernard Yeo
Independent Director, RH Petrogas Limited

"Directors not deemed independent on one board can still serve on other boards as independent directors, hence retaining the talent pool. Nonetheless, boards are still largely an old boys' club, and I would therefore like to remind nominating committees that there are lots of competent women out there."

Ms Ooi Chee Kar

Becoming a director or not

"Look, if you have a problem with the difficulties or liabilities of being a director, be an adviser instead. You make money without the risks that board directors face. If the company loses money, you just lose face. If you prefer to be a director, be brave enough to disagree. When you do so, you may just be surprised that you get support from unexpected quarters. Leading the board is a badge of honour. It shows that you are brave enough to question the management. Directors need to manage the risks and cross-check where necessary."

Mr Lim How Teck

Singapore capital market lagging behind Hong Kong

"Could the panel give its take on why Singapore is lagging behind Hong Kong in the capital markets?"

Ms Yu-Foo Yee Shoon
Director, Singapura Finance Ltd

"We are looking at different markets here. The Hong Kong market, underpinned by funds from China, is a much more volatile market. The Singapore market thrives on trust and is steadier and less volatile with less speculative activities. I believe long-term investors would prefer a market that is less volatile and therefore more predictable."

Mr Kevin Kwok

AC Pit-Stop

Elevating the AC Role

Kicking off the first AC Pit Stop of the year, SID in collaboration with the Institute of Singapore Chartered Accountants (ISCA) conducted a session on "Elevating the AC Role with Analytics and AC Commentary".

Over 30 participants attended the session held at PwC's office on 7 March 2019.

Sanjay Panjabi, Partner of Deloitte & Touche LLP and Chairman of the ISCA Data Analytics Subcommittee started off by underlining the responsibilities of audit committees (ACs), in the areas of finance, internal audit and external audit. Using role play, Mr Panjabi demonstrated how developing technology such as dynamic dashboards, real-time monitoring, data analytics and artificial intelligence can change the nature of financial reporting.

The session was engaging and interactive, with participants sharing some of the key challenges they faced as AC members. Participants were eager to know more about the digitalisation, increased regulation, the risk of cyber attacks, the collection and reliability of source data, and cloud storage.

Hans Koopmans, Partner of PwC Singapore and Deputy Chairman of the ISCA Auditing and Assurance Standards Committee, presented on AC commentaries. In January 2017, ACRA, MAS and SGX had encouraged ACs to provide an AC commentary in their annual reports on (1) key audit matters, (2) their assessments and conclusions of the discussions, and (3) judgement calls and sources of assurance in addressing the issues.

A survey conducted by PwC showed that AC commentaries have gone up to 60 per cent in Year 2, from 40 per cent in Year 1. However, only 31 per cent met the three-part expectations, although this was an improvement from 11 per cent in Year 1.

Ultimately, investors want greater transparency in corporate reporting, including the AC's views on significant accounting matters. If used appropriately, the AC commentary can be an effective communication tool for ACs to showcase the robustness of their work performed. ■

Masterclass for Directors

Corporate Culture and the Role of the Board

Close to 30 participants attended the Masterclass session on "Corporate Culture and the Role of the Board" at M Hotel on 23 January 2019.

Underlining the significance of corporate culture in upholding ethics, driving innovation, organisational performance and engagement of customers, employees and other stakeholders, Erik van de Loo, Affiliate Professor of Organisational Behaviour, INSEAD, said that establishing the desired corporate culture should be the foremost priority for boards.

Major reasons why this poses a challenge include overconfidence and naivety in underestimating the complexity of the issue, as well as the deferential culture in Asia that creates an overall reluctance to challenge the board.

Given the two key tasks of boards to supervise and collaborate, Prof van de Loo pointed out that boards need to collaborate to enable effective oversight. Optimal collaboration requires effective interaction among directors. In dealing with different issues and stakeholders, directors should actively probe, engage and take a direct approach, rather than rectify and react to situations.

Prof van de Loo described the two dimensions of corporate culture. One aspect is behaviour that centres on decision-making, leadership and communication. The second dimension comprises personal mindset and group dynamics.

He emphasised that the right culture would exert a positive influence on the company's business model, strategy and governance practices. Acknowledging that fault lines within boards could arise from different views, he noted that polarisation and conflict were possible outcomes.

However, a healthy corporate culture could pave the way for collaboration among board members and management, taking into account different values and perspectives.

To align personal values with group dynamics, he advocated ownership of boards' primary purpose, i.e. to put it into active practice. Another mitigating measure is reflective learning, where boards share essential information and have constructive discussions – here, trust is imperative.

Participants had an enriching discussion and concurred that it is the collective responsibility of both boards and management to set the desired corporate culture, for which possessing the right values plays a vanguard role. Challenges were discussed that focused on an unbalanced distribution of power in the form of controlling or difficult board chairmen and high performing CEOs.

Prof van de Loo concluded the session by underscoring the need for boards to strike a balanced posture between being in control and being open to different perspectives, as they pivot their focus towards establishing the right corporate culture. ■

International Directors Programme 2018 Dinner

Reinforcing the success of the INSEAD-SID collaboration for the International Directors Programme (IDP), Dr Wilson Chew, SID Council Member and Chair of the Professional Development Committee was invited to speak at the closing dinner of the 5th IDP Singapore cohort (27th globally).

The event on 13 December 2018 was held at the Goodwood Park Hotel, and a total of 43 participants representing 19 nationalities were in this IDP cohort. Course participants were from a wide range of industries, from banking and investment management, to aviation, oil and gas, and transportation.

Dr Chew congratulated the participants on their successful completion of the programme and emphasised the need for directors to sharpen their skills and competencies in order to address the complexities of governance challenges.

As the ongoing trade war impacts the global supply chain, so companies have to be prepared for disruption on multiple fronts – technological innovation, increased competition, shareholder activism and regulatory changes, among them. Against this backdrop, boards and directors have to deepen and widen their network of professional knowledge and partnerships. ■

IDP 2019 Cocktail Preview

Continuing the successful runs of the INSEAD-SID IDP held in Singapore for the last five years, the 2019 programme is now open for registration. To cater to the increased demand, there will be two offerings of the programme this year, an increase from the single run in previous years. In a first, IDP Asia participants will be able to choose to complete one of the three modules of the course in Sydney or Fontainebleau.

Close to 30 prospective IDP candidates gathered at SID's Governance Resource Centre for an exclusive preview. Since its inception in 2014, SID has collaborated with INSEAD to offer this premier programme that attracts directors from over 60 countries.

Dr Wilson Chew highlighted the importance of the IDP in preparing board directors to handle challenges in an international setting and providing a platform to network with culturally diverse participants.

Programme Director Professor Ludo Van der Heyden, Founding Director of INSEAD Corporate Governance Centre, provided an overview of the programme. He outlined how the IDP syllabus aims to develop effective directors and bolster their board performance beyond compliance.

Past alumni were also on hand to interact with participants and address their queries. They shared their personal experiences and benefits gained from the course. ■

INSEAD International Directors Forum

On 25 February 2019, the INSEAD Corporate Governance Centre held its annual INSEAD Directors Forum (IDF) Asia edition on the theme, "Governance in the Era of Regulatory and Geopolitical Shifts" at its Asia Campus in Singapore.

About 40 participants comprising a mix of International Directors Programme (IDP) former participants, INSEAD alumni, SID members and directors gathered to glean insights from leading academics and practitioners on what it takes to navigate risks and opportunities in a volatile world.

Many also came to catch up with those they had studied with and, perhaps most of all, to see Professor Ludo Van der Heyden, INSEAD Chaired Professor of Corporate Governance and Co-director of the IDP, who led the day's forum.

Antonio Fatas, Professor of Economics at INSEAD, set the stage for the morning by framing the geo-economics landscape, identifying emerging trends, and projecting potential shocks to the global economy. Michael Witt, Affiliate Professor of Strategy and International Business, followed with a fascinating account of governance in international politics and the shift towards deglobalisation.

Three experienced directors then shared their varied perspectives in dealing with the different and difficult situations they faced on their boards: Rachel Eng, managing partner of Eng and Co. LLC; Elizabeth Proust, Chair of Nestle (Australia) and Bank of Melbourne; and Adnan Soufi, Chairman of the Advisory Committee to the Capital Market Authority in Saudi Arabia.

Professor Van der Heyden chaired the session with the three panelists, who discussed how their boards formulated strategies to deal with the

regulatory and geopolitical shifts. It was a wide-ranging and engaging session, grounded in various real-life examples.

The afternoon session allowed time for participants to reflect on what they had learnt in the morning, and share in their small group discussions on their own board practices.

The afternoon keynotes were delivered by H.E. Jawed Ashraf, High Commissioner of India to Singapore, and Kishore Mahbubani, Senior Adviser (University & Global Relations) and Professor in the Practice of Public Policy at NUS. Addressing the complexities of geopolitics from the historical perspective, the speakers offered their views on the ongoing geopolitical tension, with particular focus on the US/China relationship.

The evening ended with a ceremony to honour the 23 new INSEAD-certified board directors (IDP-C), among 91 globally who have successfully completed the IDP and fulfilled the requirements for the INSEAD Certificate in Corporate Governance. ■

When You Unknowingly Break the Trust

The first session of the Current Topic series presented by SID for 2019 kicked off on 15 February. The presentation on competition regulation and anti-trust law, entitled "When You Unknowingly Break the Trust", was held at Rajah & Tann's boardroom with close to 50 participants.

Ms Kala Anandarajah, Partner and Head, Competition & Antitrust and Trade of Rajah & Tann Asia, opened the presentation with an introductory 101 guide to competition law. Emphasising the impact on a director's fiduciary duty, she outlined three main prohibitions by legislation: (1) anti-competitive agreements, (2) abuse of a dominant position, and (3) mergers that substantially lessen competition.

Using both regional and international case studies, Ms Anandarajah highlighted directors' legal and regulatory duties and responsibilities to stay up to date on compliance issues. In jurisdictions such as the UK, there are criminal consequences, and directors face the risk of disqualification and/or administrative fines

Mr Danny Chua, Head of Risk and Compliance at Optal Singapore, shared the business perspective on antitrust and competition legislation. Offering pointers on the practical realities of navigating mergers and acquisitions (M&As), he stressed the importance of engaging stakeholders. Cross-border deals mean that companies should consider legislation in countries where their products are manufactured and also their distribution points.

Other than competition regulators, central banks and data protection agencies will scrutinise transactions. While some agencies approach the issue from the perspective of consumer protection, others are concerned about predatory pricing.

It was an engaging session with several thought-provoking questions and avid discussions between the participants and speakers. Participants were keen to know more about when they should pre-notify competition authorities, for instance even when the joint venture is not exclusive, or when the company has a dominant market share in one country but operates in multiple countries. ■

Welcoming the New Year

To welcome the Year of the Pig in the Chinese lunar calendar, SID hosted around 80 council and committee members to a traditional "lo hei" meal at the Straits Chinese Restaurant on 18 February 2019.

The annual get-together is to acknowledge and appreciate SID supporters and partners who contribute to SID's work. SID Chairman Tham Sai Choy hosted the lunch.

In a symbolic gesture to commemorate the event, guests tossed the prosperity "yusheng" dish accompanied by lively banter. Strengthening bonds between acquaintances old and new, the gathering was an occasion to renew networks amid a congenial atmosphere. ■

Director Appointments

SID members appointed as directors of listed companies during the period 1 December 2018 to 28 February 2019.

COMPANY	PERSON	DESIGNATION
Allied Technologies Limited	Chin Chee Choon	Non-Executive Chairman
Allied Technologies Limited	Clement Leow Wee Kia	Executive Director
Atlantic Navigation Holdings (Singapore) Limited	Michael Kum Soh Har	Non-Executive Chairman
Chew's Group Limited	Chiu Joon Sun	Executive Director
ComfortDelGro Corporation Limited	Jessica Cheam	Independent Director
CSE Global Ltd	Tan Chian Khong	Independent Director
DLF Holdings Limited	Wu Chiaw Ching	Independent Director
Falcon Energy Group Limited	Tan Tee Beng	Independent Director
Far East Orchard Limited	Shailesh Anand Ganu	Independent Director
Forise International Limited	Azman Hisham Bin Jaafar	Independent Director
Global Investments Limited	Abdul Jabbar Bin Karam Din	Independent Director
GS Holdings Limited	Chong Eng Wee	Independent Director
HL Global Enterprises Limited	Tan Eng Kwee	Non-Executive Director
Hong Leong Asia Ltd	Tan Eng Kwee	Executive Director
IPC Corporation Ltd	Dennis Tan Sin Huat	Independent Director
Isetan Singapore Limited	Richard Tan Chuan-Lye	Independent Director
Kitchen Culture Holdings Ltd	Lance Tan Han Beng	Independent Director
Koh Brothers Group Limited	Danny Low Yee Khim	Independent Director
KTL Global Limited	Lim Yeow Hua @ Lim You Qin	Non-Executive Chairman
KTMG Limited	Goh Yeow Tin	Independent Director
Lorenzo International Limited	Soh Chun Bin	Independent Director
Low Keng Huat (Singapore) Ltd	Michael Leong Choon Fai	Independent Director
Mary Chia Holdings Limited	Ricky Sim Eng Huat	Independent Director
Rich Capital Holdings Limited	Kuek Tee Meng	Executive Director
SBS Transit Ltd	Yang Ban Seng	Executive Director
SembCorp Marine Limited	Tan Wah Yeow	Independent Director
Singapore O&G Ltd	See Tho Soat Ching (Situ Shuzhen)	Independent Director
Soilbuild Construction Group Ltd	Ho Toon Bah	Non-Executive Director
Starburst Holdings Limited	Lai Keng Wei	Independent Director
Sunright Limited	Daniel Soh Chung Hian	Independent Director
TA Corporation Ltd	Pang Teng Tuan	Independent Director
Thakral Corporation Ltd	Natarajan Subramaniam	Independent Director
The Place Holdings Limited	Chng Hee Kok	Independent Director
Zhongmin Baihui Retail Group Ltd	Goh Poh Kee	Independent Director

An All-Consuming Passion for Life

By **FERDINAND DE BAKKER**
Council member, SID

For me, *After Hours* is a beautiful song, especially the late Glenn Frey's rendition. It is, however, not how my life is structured. My passions occupy all hours.

They include opera, music, film, books, golf, food, wine, cooking, history, collecting, travel… the list goes on. Among them too, my interest in fine cognac.

No longer calling the shots

Life changes, post-retirement.

For the first time, the family really comes first. Sure, I still have a client or two I work with, but when I visit my former firm's offices, it is as if no one has time to meet me. I am, very clearly, no longer important.

The big cheese one day, a nobody the next.

Not being in the thick of things and not calling the shots anymore. It can be painful, to feel the absence of both respect and of the benefits corporations offer to senior executives.

This makes me realise the importance of having passions and hobbies of interest to fill in the empty space.

Among my current pastimes is a project on collecting biographies of remarkable women of the first half of the 20th century. Dorothy Parker, Katharine Graham, Gerda Taro, Nien Cheng, Kawakami Sadayakko, Gitta Sereny, Simone Veil, Mina Loy, Eleonor Roosevelt, to name a few.

AFTER HOURS

My favourite is the model, photographer, and war correspondent Lee Miller, about whose life a film starring Kate Winslet is currently being produced.

A celebration of rare distinction

I have also invested in a small cognac house: Cognac Grosperrin. The founder, who is of the same age as I am, is mesmerised by the quality of the very old cognacs he manages to purchase from farmers and distillers.

Instead of using them in the blend of VSOP and XO cognacs as sold by major producers, he bottles them cask by cask, the same as with malt whisky in Scotland.

A few years later, the owner plans to step down due to health concerns and his 24-year old son will take over the business. We recapitalise the company and grow, step by step, to what we are today: an exclusive business that offers very old, high quality single cask vintage cognacs.

Just how old is old? How about an 1810 Cognac Grande Champagne? For sale? No. Available for charity auctions? Yes.

We have a beautiful facility, including a laboratory, cellars, bottling facilities, tasting rooms and a wine shop. It sounds great, but it certainly isn't as easy as it looks.

Buying old cognacs and storing them for many years, as we do, creates cash-flow problems. We are also too small in size to make a real dent, but we remain dedicated to our approach.

Learning journey

In Singapore, I am thrilled to work with students as a part-time lecturer at the Nanyang Technological University's Wee Kim Wee School of Communication and Information. It often feels I learn more from my students than they learn from me.

Singapore will do well in the decades to come with all the talent that graduates from our tertiary institutions.

My life is also filled with volunteer work, mainly in education and the arts, especially Chinese music and opera; the Alzheimer's Disease Association; and now also a completely different animal: SID.

It runs in the family. My wife Jenny shares my passions and is a volunteer docent at the National Museum of Singapore and the National Gallery.

We travel a lot in the region, and this allows me to write articles about art, architecture and, of course, food and wine. The best discovery of doing all this, is that it seems the more you do, the more time you have. ■

Directors Compliance Programme • 11 January 2019

So, You Want to be a NonProfit Director • 29 January 2019

Director Financial Reporting Fundamentals • 20 February 2019

Board and Directors Fundamentals • 20 February 2019

So, You Want to be a NonProfit Director • 5 March 2019

Listed Entity Director Programme • 7 March 2019

SID's Q1 Events (Jan 2019 – Mar 2019)

DATE	TYPE	EVENT DETAILS
11 Jan 2019	PD	DCP: Directors Compliance Programme
16 Jan 2019	Event	ACRA-SGX-SID Audit Committee Seminar
23 Jan 2019	PD	MCD 2: Corporate Culture and the Role of the Board
29 Jan 2019	PD	SYD: So, You Want to be a Director
15 Feb 2019	PD	CTP 1: When You Unknowingly Break the Trust
20 Feb 2019	PD	DFF: Director Financial Reporting Fundamentals
25-26 Feb 2019	PD	INSEAD Directors Forum
26 Feb 2019	PD	IDP: SID-INSEAD International Directors Programme Cocktail Preview
26 Feb 2019	PD	BDF: Board and Director Fundamentals
5 Mar 2019	PD	SYN: So, You Want to be a NonProfit Director
7 Mar 2019	PD	ACP: AC Pit Stop: Elevating the AC Role with Analytics and AC Commentary
7 Mar 2019	PD	LED 1: Listed Entity Director Essentials
12 Mar 2019	PD	LED 2: Board Dynamics
13 Mar 2019	PD	DCP: Directors Compliance Programme
20 Mar 2019	PD	LED 3: Board Performance
22 Mar 2019	PD	LED 4: Stakeholder Engagement
26 Mar 2019	PD	LED 5: Audit Committee Essentials
26 Mar 2019	PD	LED 6: Board Risk Committee Essentials
28 Mar 2019	PD	LED 7: Nominating Committee Essentials
29 Mar 2019	PD	LED 8: Remuneration Committee Essentials

Upcoming Events

Core Professional Development Programmes

PROGRAMME	DATE	TIME	VENUE
IDP 1: Board Fundamentals	1-4 Apr 2019	0900 to 1730	INSEAD Campus
CTP 2: Board Leadership for Cyber Resilience	4 Apr 2019	0900 to 1100	Capital Tower
CTP 8: Cybersecurity Threats and Data Breaches – What Can Directors Learn from the Two Most Significant Healthcare Sector Breaches in Singapore?	9 Apr 2019	0900 to 1115	M Hotel
BFS 1: Disruptive Technologies for Directors	10 Apr 2019	0900 to 1530	Accenture
SDP 1: The Role of Directors	10-12 Apr 2019	0900 to 1730	SMU Campus
CTP 3: Grappling with the Challenges of the Digital Economy in the Context of Data Protection and Cyber Security	16 Apr 2019	0900 to 1100	Capital Tower
DCP: Directors Compliance Programme	17 Apr 2019	1300 to 1730	Capital Tower
BDC1: Board Risk Committee Chairman's Conversation	30 Apr 2019	1200 to 1400	JW Marriott Singapore
BFS 3: Data Analytics and Artificial Intelligence for Directors	3 May 2019	0900 to 1530	M Hotel
SDPC: SID-SMU SDP Cocktail Preview Session	7 May 2019	1700 to 1830	SMU Campus
LED 1: Listed Entity Director Essentials	8 May 2019	0900 to 1700	Marina Mandarin Singapore
SDP 2: Assessing Strategic Performance	8-10 May 2019	0900 to 1730	SMU Campus
LED 2: Board Dynamics	10 May 2019	0900 to 1300	Marina Mandarin Singapore
LED 3: Board Performance	14 May 2019	0900 to 1300	Marina Mandarin Singapore
SGOOD 1: Essentials of NonProfit Board Leadership	15 May 2019	0900 to 1300	Social Service Institute
MCD 1: The Director as an Innovation Driver	16 May 2019	0900 to 1730	M Hotel
MCD 3: Strategy at the Board Level	17 May 2019	0900 to 1730	M Hotel
LED 4: Stakeholder Engagement	21 May 2019	0900 to 1300	Marina Mandarin Singapore
DFF: Director Financial Reporting Fundamentals	22 May 2019	0900 to 1730	Capital Tower
LEDM: Listed Entity Director Programme (Mandarin) Core Modules	22-24 May 2019	0900 to 1700	Beijing, China
GRC: Governance, Risk Management and Compliance Professional Training Programme	27-29 May 2019	0900 to 1730	Marina Mandarin Singapore
IDP 2: Board Dynamics, Efficiency and the Role of Committees	27-29 May 2019	0900 to 1730	INSEAD Campus
MCD 4: Illusion of Control in Decision-Making	28 May 2019	0900 to 1230	M Hotel
LED 5: Audit Committee Essentials	29 May 2019	0900 to 1300	Marina Mandarin Singapore
LED 6: Board Risk Committee Essentials	29 May 2019	1330 to 1730	Marina Mandarin Singapore
SDP 3: Finance for Directors	29-31 May 2019	0900 to 1730	SMU Campus
CTP 4: Blockchain for Directors	30 May 2019	0900 to 1100	Capital Tower
LED 7: Nominating Committee Essentials	31 May 2019	0900 to 1300	Marina Mandarin Singapore
LED 8: Remuneration Committee Essentials	31 May 2019	1330 to 1730	Marina Mandarin Singapore
SGOOD 2: Board Dynamics	12 Jun 2019	0900 to 1300	Social Service Institute
IDP 1: Board Fundamentals	16-19 Jun 2019	0900 to 1730	INSEAD Campus
GRC: Governance, Risk Management and Compliance Professional Training Programme	17-19 Jun 2019	0900 to 1730	Marina Mandarin Singapore
CTP 5: Board Diversity	18 Jun 2019	0900 to 1100	Capital Tower
SYN: So, You Want to be a NonProfit Director	19 Jun 2019	1700 to 2100	Capital Tower
BDF: Board and Director Fundamentals	26 Jun 2019	0900 to 1730	M Hotel
SDP 1: The Role of Directors	3-5 Jul 2019	0900 to 1730	SMU Campus
SGOOD 1: Essentials of NonProfit Board Leadership	9 Jul 2019	1700 to 2100	Social Service Institute
SYD: So, You Want to be a Director	10 Jul 2019	1030 to 1230	M Hotel
SDP 2: Assessing Strategic Performance	10-12 Jul 2019	0900 to 1730	SMU Campus
SGOOD 3: Board and Management Dynamics	17 Jul 2019	0900 to 1300	Social Service Institute
LED 1: Listed Entity Director Essentials	22 Jul 2019	0900 to 1700	Marina Mandarin Singapore
LED 2: Board Dynamics	23 Jul 2019	0900 to 1300	Marina Mandarin Singapore
LED 3: Board Performance	23 Jul 2019	1330 to 1730	Marina Mandarin Singapore
LED 4: Stakeholder Engagement	24 Jul 2019	0900 to 1300	Marina Mandarin Singapore
LED 5: Audit Committee Essentials	24 Jul 2019	1330 to 1730	Marina Mandarin Singapore
LED 6: Board Risk Committee Essentials	25 Jul 2019	0900 to 1300	Marina Mandarin Singapore
LED 7: Nominating Committee Essentials	25 Jul 2019	1330 to 1730	Marina Mandarin Singapore
LED 8: Remuneration Committee Essentials	26 Jul 2019	0900 to 1300	Marina Mandarin Singapore
SGOOD 2: Board Dynamics	30 Jul 2019	1700 to 2100	Social Service Institute
SDP 3: Finance for Directors	31 Jul-2 Aug 2019	0900 to 1730	SMU Campus
CTP 6: Executive and Director Remuneration	31 Jul 2019	0900 to 1100	Capital Tower
SGOOD 4: Talent and Volunteer Management	14 Aug 2019	0900 to 1100	Social Service Institute
SDF: Startup Director Fundamentals	16 Aug 2019	0900 to 1200	Capital Tower
SGOOD 3: Board and Management Dynamics	20 Aug 2019	1700 to 2100	Social Service Institute
DFF: Director Financial Reporting Fundamentals	29 Aug 2019	0900 to 1730	Capital Tower

Core Professional Development Programmes

PROGRAMME	DATE	TIME	VENUE
GRC: Governance, Risk Management and Compliance Professional Training Programme	28-30 Aug 2019	0900 to 1730	Marina Mandarin Singapore
CTP 7: Business Transformation through Design Thinking	22 Aug 2019	0900 to 1100	Capital Tower
SGOOD 4: Talent and Volunteer Management	12 Sep 2019	1700 to 2100	Social Service Institute
SDP 4: Risk and Crisis Management	12-13 Sep 2019	0900 to 1730	SMU Campus
SGOOD 5: Strategy and Board Performance	16 Sep 2019	0900 to 1300	Social Service Institute
IDP 3: Developing Directors and their Boards	17-19 Sep 2019	0900 to 1730	INSEAD Campus
SYN: So, You Want to be a NonProfit Director	18 Sep 2019	1700 to 2100	Capital Tower
SGOOD 5: Strategy and Board Performance	24 Sep 2019	1700 to 2100	Social Service Institute
BDF: Board and Director Fundamentals	25 Sep 2019	0900 to 1730	M Hotel
BFS 2: Cyber Security for Directors	26 Sep 2019	0900 to 1530	Capital Tower
IDP 2: Board Dynamics, Efficiency and the Role of Committees	24-26 Sep 2019	0900 to 1730	INSEAD Campus
SGOOD 5: Strategy and Board Performance	1 Oct 2019	1700 to 2100	Social Service Institute
SGOOD 6: Financial Management and Accountability	3 Oct 2019	0900 to 1300	Social Service Institute
LED 1: Listed Entity Director Essentials	9 Oct 2019	0900 to 1700	Marina Mandarin Singapore
LED 2: Board Dynamics	10 Oct 2019	0900 to 1300	Marina Mandarin Singapore
LED 3: Board Performance	10 Oct 2019	1330 to 1730	Marina Mandarin Singapore
LED 4: Stakeholder Engagement	11 Oct 2019	0900 to 1300	Marina Mandarin Singapore
LED 5: Audit Committee Essentials	16 Oct 2019	0900 to 1300	Marina Mandarin Singapore
LED 6: Board Risk Committee Essentials	16 Oct 2019	1330 to 1730	Marina Mandarin Singapore
LED 7: Nominating Committee Essentials	17 Oct 2019	0900 to 1300	Marina Mandarin Singapore
LED 8: Remuneration Committee Essentials	17 Oct 2019	1330 to 1730	Marina Mandarin Singapore
SGOOD 6: Financial Management and Accountability	22 Oct 2019	1700 to 2100	Social Service Institute
SGOOD 7: Fundraising and Outreach	31 Oct 2019	0900 to 1300	Social Service Institute
SDP 5: Strategic CSR and Business Valuation	31 Oct-1 Nov 2019	0900 to 1730	SMU Campus
SGOOD 7: Fundraising and Outreach	26 Nov 2019	1700 to 2100	Social Service Institute
DFF: Director Financial Reporting Fundamentals	27 Nov 2019	0900 to 1730	Capital Tower
SGOOD 8: Social Trends	28 Nov 2019	0900 to 1300	Social Service Institute
SDP 6: Effective Succession Planning and Compensation Decisions	28-29 Nov 2019	0900 to 1730	SMU Campus
IDP 3: Developing Directors and their Boards	10-12 Dec 2019	0900 to 1730	INSEAD Campus
SGOOD 8: Social Trends	17 Dec 2019	1700 to 2100	Social Service Institute

Other Professional Development Programmes

PROGRAMME	DATE	TIME	VENUE
AC Pit-Stop: Auditing and Disrupting Technologies Impact on Internal Audit	25 Apr 2019	0900 to 1100	Capital Tower
AC Pit-Stop: Business Valuation Best Practices, Issues and Challenges	23 May 2019	0900 to 1100	Singapore Accountancy Commission
AC Pit-Stop: Understanding the New Insolvency Regime	26 Jun 2019	0900 to 1100	Morgan Lewis Stamford
AC Pit-Stop: Managing Tax Disputes and Controversy	17 Sep 2019	0900 to 1100	Ernst & Young

Major Events

EVENT	DATE	TIME	VENUE
In Conversation with Commissioner of Charities: Board Culture, Ethics and Governance	5 Apr 2019	1230 to 1700	Devan Nair Employment & Employability Institute
Singapore Corporate Awards	23 Jul 2019	1800 to 2200	Resorts World Singapore
Singapore Governance and Transparency Index Launch	7 Aug 2019	0900 to 1100	SGX Auditorium (tbc)
SID Directors Conference	11 Sep 2019	0900 to 1640	Suntec City Convention and Exhibition Centre
Board of Directors Survey Launch	7 Nov 2019	0900 to 1100	Marina Mandarin Singapore
Singapore Corporate Governance and Directorship (Chinese) Seminar	13 Nov 2019	0900 to 1700	Marina Mandarin Singapore
Corporate Governance Roundup	19 Nov 2019	0900 to 1300	Orchard Rendezvous Hotel

Socials

EVENT	DATE	TIME	VENUE
SID Annual Golf Tournament	28 Jun 2019	1100 to 2030	Sentosa Golf Club

Course dates and venues are subject to change. Please refer to www.sid.org.sg for the latest updates.

Welcome to the Family

December 2018

William Aw
Patamada Belliappa
Paul Bloemendal
Isabella Teng Boon Kia
Susan Breniman
Chen Qingzhong
Priscilla Chin
Sankeerth Reddy Chittamuru
Lawrence Chiu Joon Sun
Colin Chua Wei Tien
Patrick Ellis
Diane Fletcher
Christopher Fossick
Victor Goh Yeow Kiang
Michael Heng Swee Hai
Lai Boon Yu
Lim Choon Seng
Lim Eng Hong
Low Wee Siong
Susan Stacy McCarthy
Steven Ong Kim Teck
Dwijendranath Vikash Ramdin
Mikkel Mølbæk Rasmussen
Eric Sho Kian Hin
Jaspal Singh
Tan Huay Lim
Tan Siew Hong
Tan Yin Yin
David Tang Siew Foo
Tao Li Jian
Edwin Tham Soong Meng
Sandra Yee
Zheng Zhijian

January 2019

Mohamad Anwar Au
Aw Joo-Lee
Sheinal Bhuralal
Bong Yap Kim
Caroline Bryan
Chan Jen Keet
Chan Sui Yung
Chan Wee Kiat
Chew Kim Soon
Chow Ching Sian
Zenaida Cristobal
Wendy Foong Chee Yin
Wilma Gerber
Kuldip Kaur Gill
Robert Gordon
Josh Jacob
Jia Yunfei
Anthony Kam Ping Leung
Koh Soon Hee
Steve Knabl
Shankar Alan Kulkarni
Pascal Lambert
Kenneth Lee Ngai Hon
David Leung
Keith Lim Yii Fan
Loh Hoon Sun
Lu Ling Ling
Daniel Gabriel Mata Montecillo
Pekka Mikael Nastamo
Victor Neo
Dax Ng Yung Sern
Jonathan James Ng
Kevin Ng
Ng Yao Loong
Isaac Peh Lin Siah
Ivan Phang
Benoy Philip
Phua Tien Beng
Frank Phuan Ling Fong
Stephen Revell
Rahul Saxena
Gabriel Stubbe
Tan Cheng Han
Jonathan Tan
Tan Tee Beng
Dawn Tay
Teo Zhong Khoo
Lisa Theng Siew Lian
Tuan Pang Teng
Deborah Vaughn
Paul Wong Seow Hong
Elicia Yee Sin Ling
Kuraisha Zeenath

February 2019

Ang Yiping
Simon G. Bell
Choo Oi Yee
Chua Hock Thak
Chua Sher Lin
Simon John Dale
Patrick Daniel
Sandrine Dorin-Blanchard
Goh Poh Kee
Steven Goh Siak Hong
Winnifred A. L. Heap
Kelly Heng Su Yin
Kevin Ho
Hoh Soon Cheong
Ranjit Khanna
Koh Yat Chung
Penny Koo Jie Ying
Lee Chu Muk
Lee Kok Kee
Raymond Lee
Leong Why Kong
Lim Song Joo
Lim Yan Yin
Low See Lien
Juanita Mega
Milan Mohanlal Paleja
Phua Boon Huat
Jonathan E. Popper
Seow Chin Hwee
Natalia Shadskaya
Venkataramani Srivathsan
Suhaimi Zainul-Abidin
Vincent Tan Boon Hiong
Tan Hwei Ling
Lawrence Tan
Tan Mui Hong
Tan Soh Keng
Tee Yock Siong
Robert W. van Zwieten
Angeline Wong Chooi Peng
Vivien Yui

SID Governing Council 2019

CHAIRMAN
Tham Sai Choy

FIRST VICE-CHAIRMAN
Wong Su-Yen

SECOND VICE-CHAIRMAN
Adrian Chan

TREASURER
Ramlee Buang

COUNCIL MEMBERS
Robert Chew
Wilson Chew
Ferdinand de Bakker
Junie Foo
Philip Forrest
Pauline Goh
Theresa Goh
Lee Chong Kwee
Lee Suan Hiang
Ng Wai King
Poh Mui Hoon
Soh Gim Teik
Tan Boon Gin

SID–SMU DIRECTORSHIP PROGRAMME

CREATING EFFECTIVE BOARD LEADERSHIP

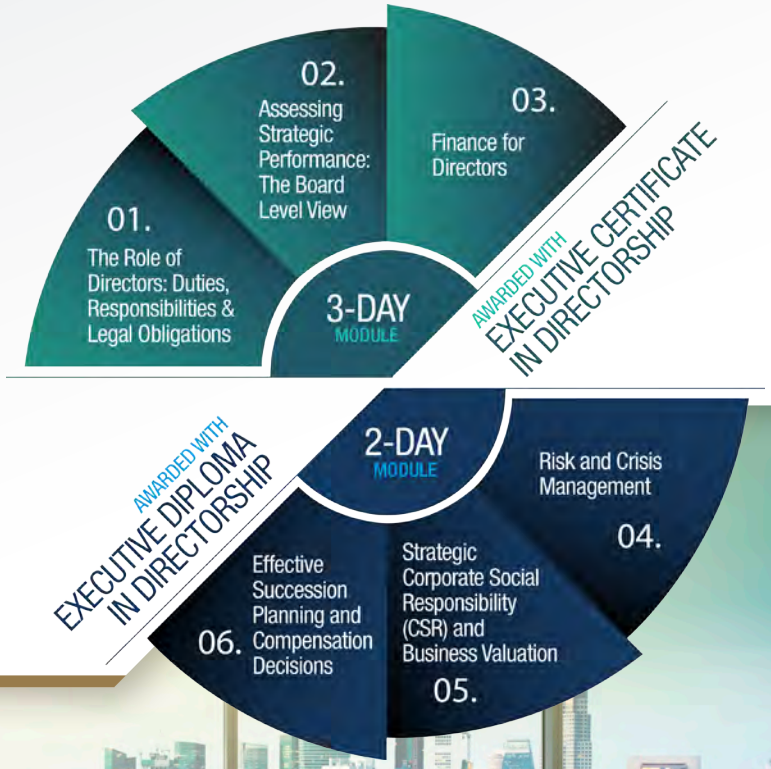
Executive Skills for Board Members in Challenging Times

PROGRAMME DETAILS

The directorship programme is first of its kind in Singapore with a formal certification process, focusing on director training.

PROGRAMME STRUCTURE

The programme is organised in two tiers. Participants have the option to obtain an **Executive Diploma in Directorship** upon completion of six assessable modules, or the **Executive Certificate in Directorship**, which consists of three assessable modules (Module 1, 2 and 3).



Cocktail Preview Session

7th May 2019, 5.00pm–6.30pm

Please register at **www.sid.org.sg**

"A board must be collectively confident and steadfast regardless of the company's situation. The structural tools to achieve this are delivered in this course. I had the privilege of learning from a renowned and remarkable faculty. In my view, it is a "must" for Singapore directors.

With lecturers from academia and the industry, it was a truly balanced and practical programme. Additionally, with participants from MNCs, government, business entrepreneurs and professionals, the value of the networks and relationships alone far outweighs the cost of the programme."

DR WILSON CHEW
Partner, PwC Singapore

SMU SINGAPORE MANAGEMENT UNIVERSITY
Executive Development

SINGAPORE MANAGEMENT UNIVERSITY, EXECUTIVE DEVELOPMENT

Get in touch with our advisor, **Ayden Tay** at **aydentay@smu.edu.sg** or **+65 6828 9095**.
You may also visit **http://exd.smu.edu.sg**.

SID SINGAPORE INSTITUTE OF DIRECTORS

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