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CORPORATE ETHICS

Doing Right

By **WILLIE CHENG**
Chairman, SID

DIRECTIONS

In this issue, we tackle the contemporaneous and difficult topic of corporate ethics.

Though it is an age-old issue, it is also contemporaneous, especially in light of recent corporate scandals in both the international arena (1MDB, Wells Fargo, Uber) and the local scene (Keppel Offshore & Marine, Midas, Trek 2000 International).

But it is also a difficult subject. While many people think they already know right from wrong, the fact is that ethics can cover a very grey area. There are often no clearly correct answers to many situations. Morality is very personal, and the question of whether specific situations and behaviour are ethical can tap very sensitive nerves.

That said, being ethical in business is generally difficult because many, if not most, companies are intensely results-focused. This can lead to "incorrect" incentives, and management and employees doing things that should not be done, in order to meet their KPIs. What's more, decisions, even though they might be complex, need to be made quickly, without much reflection, amidst fierce competition.

In other words, the operating environment and corporate culture are important. Too often, unethical behaviour is rationalised on the basis that "everyone does it" and "this is how things are done here".

We kick off this issue with a treatise by Abhijeet Vadera and Gerard George of the Singapore Management University on what morality is and how it should apply to corporations (page 6). I found illuminating the authors' insight that much of the guidance on corporate morality tends to be based on utilitarianism without sufficient consideration of deontology and virtue ethics, the other two foundations of morality.

Professor Tan Cheng Han of the National University of Singapore also provides an enlightening walkthrough of how the modern corporate structure evolved, and how the law intervenes to ensure that parties behave optimally for the benefit and greater good of society in what is otherwise a strictly private affair between commercial entities (page 14).

Our other feature articles look at facets of ethical behaviour in various corporate settings: corruption, money laundering, economic sanctions, fraud, tax morality, supply chain, and fake news.

Of course, the big news in this last quarter was the release of the fourth edition of the Code of Corporate Governance and the consequential updates to the Listing Rules. Incidentally, ethical standards are emphasised in the latest edition of the Code. Coverage of the changes can be found in our news features on the SGTI launch (page 60) and CG Briefings (page 72). Related to these events are the upcoming launch of the updated CG Guides for Boards in Singapore, and the Singapore Directorship Report on 3 October 2018. We hope to see you there.

Meanwhile, be good and do right. ■

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The Morality of Doing Business Purposefully

By **ABHIJEET K. VADERA** and **GERARD GEORGE**

Corporate scandals are often seen as a lapse in corporate governance mechanisms. However, it could be that corporate governance codes and measures are too focused on utilitarianism, and insufficiently on the moral foundations espoused by deontology and virtue ethics, which would shift a company from an absolute emphasis on profit maximisation to its purpose or mission.

In recent years, corporate scandals and news of wrongdoing in government, for-profit and not-for-profit bodies have captured our attention. Whether it is Volkswagen cheating on emission results, Samsung allegedly guilty of bribery and embezzlement, or Oxfam's senior executives accused of sexual impropriety, the headlines make a gripping read.

In the Wells Fargo scandal, where the US bank created millions of fraudulent savings and checking accounts without the consent of its clients, a headline in *CNN Money* (April 2017) demanded: "Where was the board?"

Even in squeaky-clean Singapore – which has consistently ranked among the top 10 least corrupt countries in Transparency International's Global Corruption Perceptions Index since it was first established in 1995 – there have been headline-grabbing lapses in corporate governance.

While it may be possible that board members – individually or collectively – were unaware of the misbehaviour of company executives until the scandal hits the news, this cannot be the basis for the board to abrogate its responsibilities.

Code of conduct and ethics

Corporate governance broadly refers to the system of rules, processes and practices that helps a company make effective decisions in its long-term interests.

The recently revised Code of Corporate Governance in Singapore takes as its starting point a recognition that the board has the dual role of setting both the company's strategic direction, and its approach to governance. It emphasises that this includes establishing an appropriate culture, values and ethical standards of conduct at all levels of the company.

The board and management, who make important decisions but are not the major owners of the company, should not be tempted to indulge their own preferences. Rather, they must act as responsible agents of the shareholders.

For that reason, corporations across the globe are increasingly making significant changes to their corporate governance policies. Specifically, they have started increasing the presence of independent directors, emphasising demographic diversity, and allocating board leadership to an independent Chairman. These, and other measures, ensure a more effective board.

Based on our research, we highlight in the table below the six common criteria used in codes of corporate governance to promote board effectiveness.

The Six Common Criteria in Codes of Corporate Governance

INCLUSIVITY

- Treating all shareholders equally and fairly
- Enabling all shareholders to exercise their rights
- Engaging all shareholders and promoting effective, balanced communication

ALIGNING INCENTIVES

- Having a transparent procedure for remunerating individual directors and key management personnel
- Ensuring that the level and structure of remuneration are aligned with the long-term interests of the firm

MEMBERSHIP

- Having a transparent process for appointments and reappointments
- Regularly reviewing the needs of the organisation and changing the board structure accordingly

SELF-MONITORING

- Regularly assessing the effectiveness of the board and the board committees
- Regularly evaluating the contributions of each director on the board

CONDUCT & COMPOSITION

- Having an appropriate balance of independence
- Having clear division of responsibilities between the board and the management
- Promoting diversity of skills, knowledge and experience

MONITORING THE ORGANISATION

- Determining the level and nature of risk a company is willing to take
- Ensuring that the management maintains a sound system of risk management

Three foundations of morality

There is some scientific evidence, primarily from data collected in the US, to suggest that some of these changes will potentially reduce breaches in corporate governance practice.

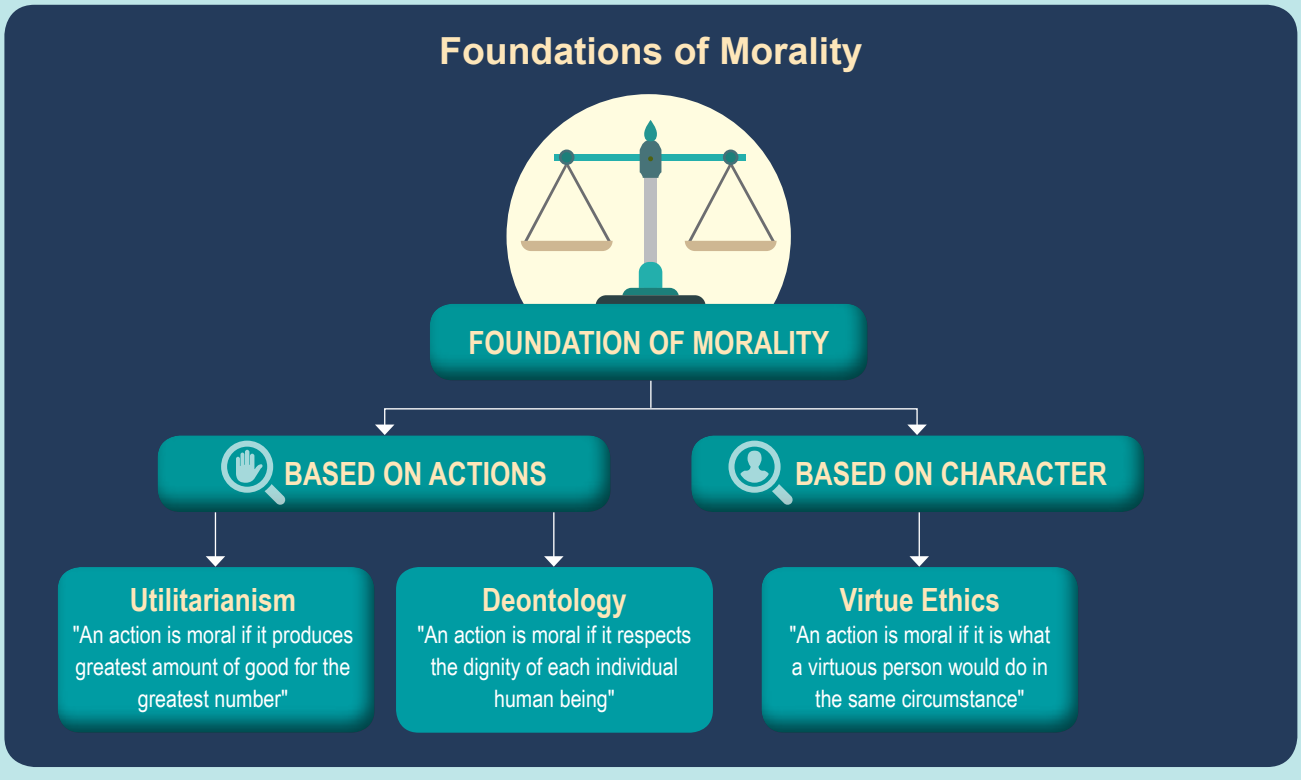
However, this picture is incomplete because the guidelines tend to be based solely on the utilitarian foundation of morality, while ignoring the other two foundations of deontology and virtue ethics (see diagram below).

The three foundations of morality stem from different worldviews, and consequently take different approaches to setting out the ethical standards that guide us.

Deontological ethics, or deontology, is sometimes described as ethical standards based on rules, duties or obligations. It tells us that there are some rules that we ought to follow and duties we ought to fulfil even if these prevent good outcomes from happening or may even result in bad outcomes. The fundamental duty of individuals and corporates is the categorical imperative, which is to respect the dignity of each individual human being. Simply put, we should treat others as we would want to be treated and every human being has a right to be treated with dignity and respect.

Virtue ethics are based on character traits, such as having integrity, being honest and truthful, being tolerant, and so on. In essence, these are qualities that constitute a good and meaningful human life. Such a foundation of morality shifts the focus from what the person should do to who the person is. It encourages companies to develop cultures and design systems in which people can act virtuously.

The third foundation of morality, utilitarianism or pragmatic ethics, directs us to decide how to act, based on the overall consequences of our actions.



Primarily a consequence-based theory put forth by theorists Jeremy Bentham and John Stuart Mill, this approach proposes that maximising the overall good brings about "the greatest amount of good for the greatest number".

According to utilitarianism, the ultimate ethical goal is to produce the best consequence for all parties affected by a decision and thus, any decision that does not accomplish this goal is ethically wrong. The idea of "profit maximisation" is based on this world view and corporate governance systems are primarily intended to fulfil this organisational mission.

Designing corporate governance policies based on utilitarianism alone raises a moral challenge. Since its essence emphasises outcomes, and ethical and unethical acts are inferred from their consequences, it follows that the ends justify the means. In reality, we know that this is not always the case. Profit maximisation cannot be the only goal. For example, a firm would probably increase its profits by lowering its labour costs if it used children to make cheap products. Such practices, however, violate the basic human rights of children.

When the principle of utilitarianism does not necessarily promote behaviours that are in line with ethical standards and societal norms, it may lead us to question whether an exceptional focus on utilitarianism in our codes of corporate governance and a "compliance" mindset is actually the most appropriate model. In other words, sometimes, the utilitarian way of directing and managing the firm should be addressed by incorporating deontology and virtue ethics into the company's corporate governance policies.

Organisations with purpose

Clearly, corporate scandals and misconduct are orchestrated by a few, but affect many. It is important to recognise that there are some outstanding models of good governance, and to reward such good behaviour because, more often than not, these organisations have a corporate culture that is based on "purpose".

One way of doing so is to shift from an absolute emphasis on profit maximisation to one that integrates the purpose, or the mission, of the company.

With this perspective, the focus moves beyond asking questions about whether the company is maximising profits or which actions are legal and, instead, engages in a search for its true sense of purpose.

This search involves asking questions such as: Why did this particular business begin? What did the founders want to achieve when they started it? How does the business understand itself in relation to its stakeholders, to the industry, and to society? And what is it doing to create a shared sense of purpose?

A focus on purpose underscores the interdependence of business and society, that business success is intertwined with the success of society, which in turn allows the business to flourish. Thus, one cannot thrive without the other.

We know, from several decades of research, that employees are affected by their work environments, and good behaviours can be encouraged and characters nurtured. Therefore, the way in which business leaders describe the purpose of the business, and the dedication and loyalty they inspire in their employees, can have a great effect on how their employees feel about their responsibility for one another and the wider community. The table on the next page lists six values that could potentially help companies find and achieve their purpose.

Achieving Purpose: Six Helpful Values

DIGNITY

Businesses have a responsibility to view each employee as a someone, not a something and to treat employees with respect and dignity and to promote their fulfilment.

SOLIDARITY

Business actions operate in the context of the values, expectations, and needs of communities, particularly, by looking for ways to help the underprivileged, underserved and the disenfranchised.

PLURALITY

Businesses can accomplish their purpose by creating a context that minimises constraints and creates opportunities for diversity.

SUBSIDIARITY

Businesses should promote accountability at all levels by proper delegation of decision-making.

RECIPROCITY

Businesses should provide opportunities for mutual benefit in that employees receive what they are entitled to and can reasonably expect from the organisation.

SUSTAINABILITY

Businesses should seek to replace what earth's resources we use and repair what we damage and strive to leave the planet in a better condition than that in which we found it.

Source: Hollensbe, E., Wookey C., Hickey, L., George, G., and Cardinal Nichols V. 2014. Organisations with purpose. Academy of Management Journal, 57(5): 1227-1234

Integrating profits and purpose

To avoid ethical failures and compromised moral behaviours, companies can take steps to integrate profits and purpose into governance practices. But how should the board ensure that the company's objectives are fulfilled while safeguarding shareholder value?

First, the company should design a comprehensive performance management process that supports the purpose of the business. We know that people perform better when their actions are measured and rewarded. Therefore, the board needs to focus on delivering results while accomplishing the business' purpose. That is, it needs to marry the "what" with the "how".

The board can also engage in an exercise to reflect on its true purpose and how the six values of dignity, solidarity, plurality, subsidiarity, reciprocity and sustainability can be imbibed to achieve this objective. These values can then be translated into behavioural metrics for which management is held accountable. The alignment of the goals and rewards with the company's true purpose is likely to work as a governance mechanism which considers all three moral foundations.

Extensive academic research has found that having a strong disciplinary system in a company is better than having no such system, but having a weak disciplinary system may be worse than having none. It is thus important to ensure that violators of the purpose of the company are punished in a way that is commensurate with the transgression, thereby sending a signal to all members of the company that the board truly endorses the purpose.

Next, the board should appoint a "purpose committee". There is evidence that when people are contemplating whether to report (whistleblow) problems at work, they conduct a decision calculus based on two factors:

- Efficacy: the person's perception about whether speaking up will be effective in bringing about the desired result, and
- Safety or risk: the person's perception of whether reporting problems will have negative consequences for himself or for his relationships with others.

The core idea is that people are more likely to speak up and report problems if their judgements of efficacy and safety are high. In fact, beliefs about efficacy and safety are the driving force behind whistleblowing behaviours, and these factors outweigh other elements such as ethical leadership, presence of ethics, and compliance programmes.

To ensure that employees are encouraged to speak up, it is essential to create a "purpose committee" of the board. This committee of non-executive directors should be responsible for creating a robust programme of controls and processes to promote conduct in line with the purpose of the company.

The committee should be charged with working with senior management and other board members to ensure that the company's purpose forms an integral part of its overall business strategy. It should be the main point of contact for all employees who want to anonymously and confidentially raise any problems related to non-compliance of organisational members, including the top management, with the purpose of the company. Such a committee would signal high levels of efficacy and safety to the employees, thereby encouraging them to speak up.

Finally, the board should mandate interactive training programmes, especially for newcomers. These can help companies achieve their purpose. There is plenty of scientific evidence which suggests that when that purpose includes dignity by encouraging employees to express their personal identities at work, they develop pride in their company and internalise its values.

Training can also help companies achieve purpose through solidarity. For example, women are historically under-represented in the formal labour force. Research suggests that women in developing countries face psychological and social barriers that force them to drop out soon after joining. Workplace training conducted by experienced trainers can reduce dropout rates by inculcating work-readiness learning, such as self-reliance, interpersonal communication, self-presentation, and work-life separation.

In summary, the ethics of good corporate governance should motivate boards to move away from focusing on profit maximisation as the company's sole objective and to incorporate purpose into the equation. In particular, boards need to reflect on their governance processes and question whether their internal structures for decision-making and rewards are solely utilitarian or if they should integrate deontological and virtue-based ethics.

In the long run, our view is that good ethics makes for good governance. ■

Abhijeet K. Vadera is Assistant Professor of Organisational Behaviour and Human Resources, and Gerard George is Dean and Lee Kong Chian Chair Professor of Innovation and Entrepreneurship at Singapore Management University.

The Evolution of the Ethical Corporate Structure

By **TAN CHENG HAN**

Businesses evolved from the exchange of goods and services, and the need to protect the rights of trading parties. In this age of globalisation, the transformation of economic processes has irrevocably reshaped how business transactions are conducted and how companies are structured. What happens when ethics is added to the mix?

The modern corporate structure – in particular, the incorporated form – has evolved over the centuries as the complexity of conducting business transactions has increased.

Its primary function is to manifest the partnership of the capitalist with the entrepreneur. In this context, the term "company" implies association. In fact, the precursor of the modern company was the unincorporated joint stock company which was really a partnership that provided for the division of the undertaking into shares transferable by the original partners.

In partnership law, however, each of the investors was liable for the joint stock company's debts, and entitled to its gains. So if the joint stock company wanted to sue a debtor, all investors had in theory to be joined as plaintiffs. The converse was also true if the joint stock company was to be sued; all investors had to be joined as defendants.

The deed of settlement company, by vesting the company's property in trustees, and providing that the trustees could sue or be sued on behalf of the undertaking, was an attempt to get around this particular difficulty. This did not, however, remove the potential for personal liability on the part of investors. After much agitation, legislation was passed to allow the incorporated form and soon after, limited liability.

Here, it is important to note the role played by social amelioration. According to this idea, the concept of limited liability would open up more opportunities to the middle and working classes to become entrepreneurs/investors, so that they would not be excluded from fair competition through the fear of personal bankruptcy. The idea of fairness is one of the first dimensions of ethics forming part of the modern corporate structure. Many aspects of corporate law have aspects of fairness embedded within it.

As game-changing as this new creature was, however, notes of ambivalence were sounded early. The economist Adam Smith expressed reservations about the potential conflict of interest for the managers of companies. In his view, they, as custodians of the money of others, could not be expected to exercise the same degree of vigilance as partners would over their own funds.

The agency problem

This concern is today broadly referred to as the "agency problem", that is, the risk that managers may act in their own interests rather than the interests of the shareholders of the company.

A solution was found by treating these managers, or the modern-day directors and senior executives, as fiduciaries. Indeed, the concept of stewardship is one of the pillars upon which ethical standards apply to directors. A steward is someone who looks after the affairs or property of another and acts to further their interests and not his own.

In this way, the law sent out a strong signal of what was unacceptable conduct, a position that endures to the modern era: unless there is fully informed consent, a director is prohibited absolutely from profiting from his position as steward. He should not be tempted to put his interests over those of the company. Such an action would indicate that the relationship of trust has been broken. Here, we see the ethical dimension not merely as an aspiration but one with great practical benefit.

What next?

While not a fail-proof concept, the modern corporate form has survived the changes brought about by technological disruption, and even sometimes mind-boggling corporate fraud.

For better or for worse, such a form is likely to remain with us for the forseeable future, if for no other reason than the fact that no viable alternative has emerged.

Without a corporate structure, it is difficult to see how shareholders in an unincorporated association can avoid potential personal liability for civil wrongs. A more subtle point is that, ultimately, the ability to incorporate was created by legislatures because, whatever their faults, companies bring net utility to society that is not easily substitutable (or, at least, that is their raison d'être). This is the "public" social aspect of incorporation that must be balanced against its "private", more dispassionate contract-based nature.

Thus, incorporators, owners and managers of companies must ask themselves if their companies are benefiting society. A focus on profit alone is, from an ethical perspective, neither enough nor appropriate.

Other broader ethical dimensions, such as sustainability, the environment and fair labour practices, must also be considered. Facilitating human endeavour and enterprise is worthwhile only if there are net benefits to society.

This is the basis for the law to intervene in what is otherwise a strictly private matter between commercial entities: to ensure that the parties behave optimally for the benefit and greater good of society. This broader vision must therefore always be kept in mind. If not, the very reason for the existence of the corporate form becomes questionable.

To adapt a well-known aphorism: "With great privilege comes great responsibility." ■

Professor Tan Cheng Han, SC is Chairman of Singapore Exchange Regulation. He is also Chairman of the EW Barker Centre for Law and Business at the NUS Law School, a board member of the Accounting and Corporate Regulatory Authority, and Chairman of the Public Accountants Oversight Committee.

THE SHIFT IN CORPORATE ETHICS IN THE NEW ECONOMY

By **NEO SING HWEE**
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The digital revolution and the new economy are creating many challenges and opportunities, some with far-reaching ethical implications. How might boards prepare for and, indeed, address the ethical issues?

Corporate ethics are the standards, principles, values and norms that govern the actions and behaviours of a company. They are influenced by the social, political, and economic trends of the times. In other words, what is regarded as "right" or "wrong" conduct is not a static concept, though this does not mean companies can be complacent, because wrongful conduct has very tangible impact.

For example, during the Industrial Revolution in the 18th Century, it was not uncommon for children to be employed in factories, working poorly paid shifts of up to 18 hours a day in deplorable working conditions. Today, the mere hint that a company employs minors on a production floor would attract an immediate and strong rebuke from customers and stakeholders, alongside a swift dip in sales and a hit to the share price.

What then are the shifts and ethical considerations in this age of automation, digitisation and disruption, and how should boards respond?

Shift in stakeholder expectations

One significant change in the business environment has been the shift in stakeholder attitude towards the purpose of companies. Businesses can no longer be solely concerned with developing the next new product, or producing it faster and cheaper.

The move by the Singapore Exchange to make mandatory sustainability reporting for listed companies from FY2017 onwards reflects this shift in expectations. Directors should note that a sustainability report is neither a cursory marketing exercise nor a fleeting reporting requirement. Consumers do care about a company's stance on social issues. A 2017 survey by public relations firm, Edelman found that 57 per cent of consumers are more likely to boycott brands that do not share their social beliefs.

The board has an important role in setting the strategic direction of the company, and the governance framework within which management operates. It is in the driver's seat to question and shape a company's raison d'être and how it aims to generate a positive return to society.

Shift to innovation and collaboration

Another significant change relates to the increased need for innovation and speed to market, both of which have fostered greater collaborations between businesses.

In a bid to be the first to create the next big thing, businesses have even begun establishing internal innovation funds to disrupt themselves. Some are also making extensive use of advisory panels and collaborating with third parties, often in an informal fashion.

In terms of ethical oversight, this presents a new challenge for directors. For instance, is the company sufficiently knowledgeable about the ethical practices of its business partner? What influence does it have over the decisions made in the course of the collaboration, especially those that may have ethical implications?

The use of internal innovation funds poses another problem. The main objective of such funds is to spur new business or product innovation in a way that is unshackled from the current ways of thinking, and the limitations present in the existing business. How then does the company still ensure that ethical norms and expectations developed over the years translate to the new team or entity?

Shift in technology deployment

Digital transformation also presents ethical challenges. The deployment of artificial intelligence, robotic process automation, and digitalisation of business processes rapidly shorten the deliberation-to-decision cycle, making it harder for human judgement to intervene where necessary in a timely manner.

For example, Microsoft's "Tay" and IBM's "Watson" chatbots were launched with the intention of mimicking a human operator. Both had the potential to automate routine customer queries, or proactively engage potential consumers to build brand loyalty. They were designed to constantly self-improve by learning from real-world interactions. Unfortunately, both had to be taken offline very quickly due to the unexpected learning of socially inappropriate responses like swearing and racism from the users with whom the chatbots interacted.

As these technologies continue to evolve and are introduced into more sophisticated business processes, companies must look out for instances where ethics and conduct may be called into question. In other words, opportunities for human judgement and intervention must be adequately designed into the technologically-enhanced process.

Shift in the workforce

Shifts in the way businesses operate have also led to changes in the way businesses manage manpower.

Business needs and demographic changes in workforce expectations have forced companies to adopt contingent staffing, short-term augmentation and even the wholesale use of

a series of external parties on a permanent basis. Some think-tanks predict that by 2020, freelancers may comprise up to 40 per cent of the workforce.

This "gig economy", while providing businesses with the flexibility to scale up or down in response to market needs and demands, presents unique ethical challenges.

Recently, a Singapore-based social media influencer, who gained fame and a following as a photographer, was recently exposed for wrongly claiming stock photos as his own. Some of the photos in question were used in sponsored campaigns that he was engaged to work on by established brand names like Sony, Oppo and Uniqlo.

Traditionally, businesses could rely on their supervisors to provide adequate oversight in detecting ethical breaches, or first-hand performance experience with an employee prior to his promotion to a sensitive position. Full-time employees would typically undergo mandatory training on the company's code of conduct or ethics, and have access to ethical hotlines or whistleblowing channels to report potentially improper practices. However, when an increasing portion of a business' workforce becomes transient, how adequate are these methods and practices to keep a company "safe"?

Shift in ethical practices

At the enterprise level, directors need to ask if there have been sufficient discussions at the management and board levels about the ethical dimension of the business, and if there has been sufficient emphasis on developing and sustaining a corporate culture that supports "doing the right thing".

Even for businesses that have never had issues with ethical practices before, the changing business environment may require a re-assessment of emerging ethical risks, and a holistic review of the adequacy of existing governance and control mechanisms to meet new challenges.

At the operational level, technology itself could provide directors with potential solutions.

For instance, AI-enabled data analytic capabilities could be built into operational and financial systems to enable real-time monitoring of transactions to flag potential issues for investigation. The frequent use of "one-time vendor" accounts for routine purchases could indicate an attempt to mask the identity of a vendor or a facilitation payment. Similarly, unusual sales patterns could indicate the existence of a fraud scheme where sales volumes surge before a period-end and are matched by an almost similar sales return in the subsequent period; as could an unusual trend in promotional discounts or marketing expenses for a particular customer vis-à-vis other customers.

Robotic process automation also has the advantage of freeing up employees from routine activities so that they can devote more time to the oversight of third-party contractors or contingent labour. It could also help the compliance and internal audit functions with simpler, repetitive testing procedures to enable greater and more effective coverage in their monitoring activities.

Shift in ethics as an emerging risk

While the challenge of maintaining adequate oversight over ethical issues is not new, the changing operating model of today's businesses requires directors to anticipate new challenges and rethink existing practices.

Directors should therefore be mindful that what has previously worked for the company may not necessarily continue to be effective in this new business era. Pursuing initiatives, such as strategic collaborations and adoption of technology, to stay ahead of the pack may be an undisputed business necessity, but governance and control mechanisms need to evolve alongside it. ■

Curbing Corruption Through Corporate Disclosure and Transparency

How ASEAN Companies are Performing

By **THOMAS THOMAS**
CEO, ASEAN CSR Network

NGUYEN THI PHUONG THAO
Senior Manager, ASEAN CSR Network

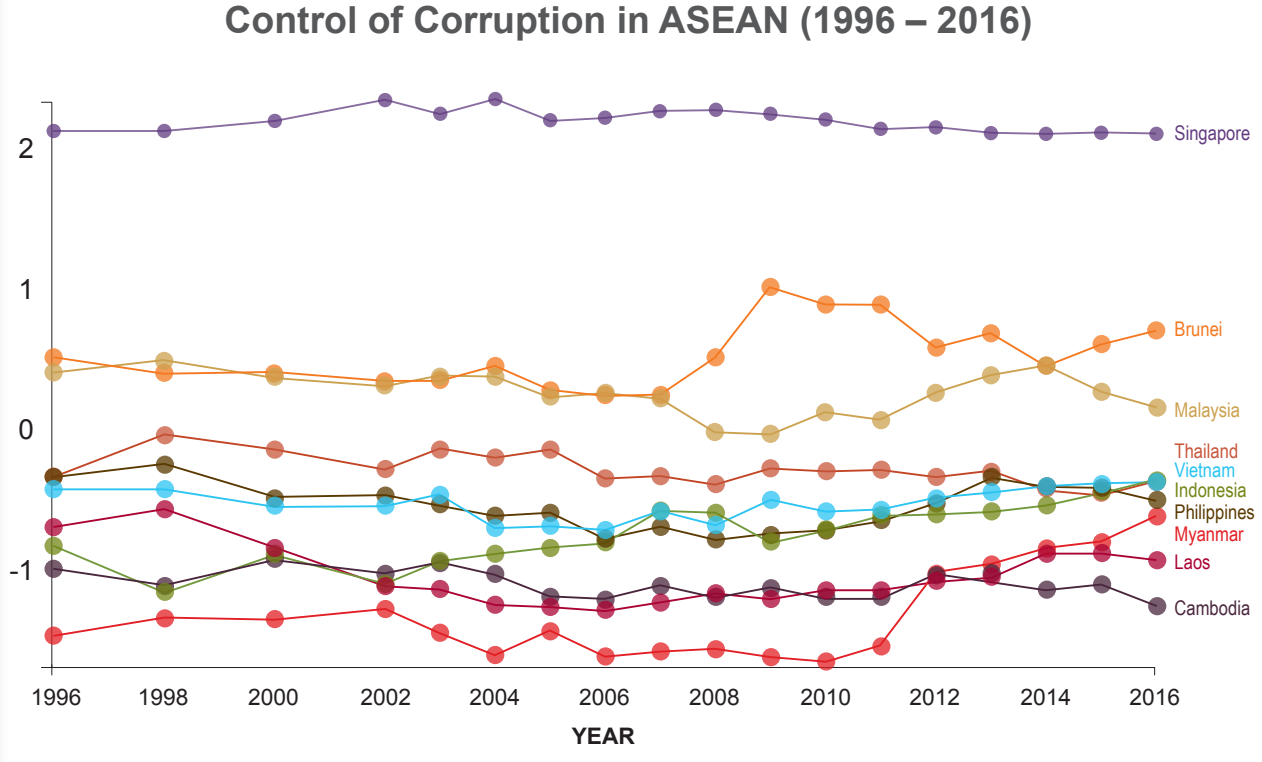
As ASEAN tries to capitalise on the opportunities presented by its regional integration, it is crucial that the regional bloc and its stakeholders take effective steps to curb corruption. Businesses have been part of the problem, and now they must be part of the solution.

Corruption is a serious concern all over the world. The World Bank estimates that US$1.5 trillion is paid in bribes each year by businesses and individuals. This is equivalent to two per cent of global GDP and 10 times the value of overseas development assistance. The actual cost on society is even higher as corruption undermines the rule of law and stymies inclusive growth. It deprives people, particularly the poor, from their basic needs, fuels injustice, inequality and resentment, and seriously hinders attempts to alleviate poverty. For these reasons and more, substantially reducing corruption is at the heart of the Sustainable Development Goals.

According to the World Bank's *Control of Corruption* indicators (see chart below), very little progress has been made by ASEAN in the fight against corruption over the two decades from 1996 to 2016. As a region, it also consistently fares badly in Transparency International's Corruption Perception Index (CPI), with most of its countries ranked in the bottom half. The 2017 *Voices of ASEAN* report published by the Economic Research Institute for ASEAN and East Asia highlighted that corruption is the top concern at both national and regional levels, requiring concerted action by all member countries.

Corruption in much of ASEAN has become so systemic that many people say it has become ingrained in the cultural norms and expectations of doing business in the region. Even Singapore, the sixth least corrupt country in the world according to Transparency International, is not immune. Data shows that most corruption cases in ASEAN involve the private sector, and this is also true for Singapore. The latest annual statistics released by Singapore's Corrupt Practices Investigation Bureau show that private sector cases continued to form the vast majority of corruption cases in the country, at 92 per cent in 2017.

Throughout ASEAN, businesses have been a large part of the problem, and now they must be a leader in delivering the solution. By adopting greater corporate transparency and reporting on their anti-corruption programmes, companies can make themselves accountable internally and externally, and create a robust governance system that can help them detect or prevent wrongdoing. Which begs the question: How are companies in ASEAN performing?



Source: World Bank

(Ranking the degree to which governments exercise control to reduce corruption, where zero is average for countries of roughly similar income levels, and +2 is very good)

Overall improvement

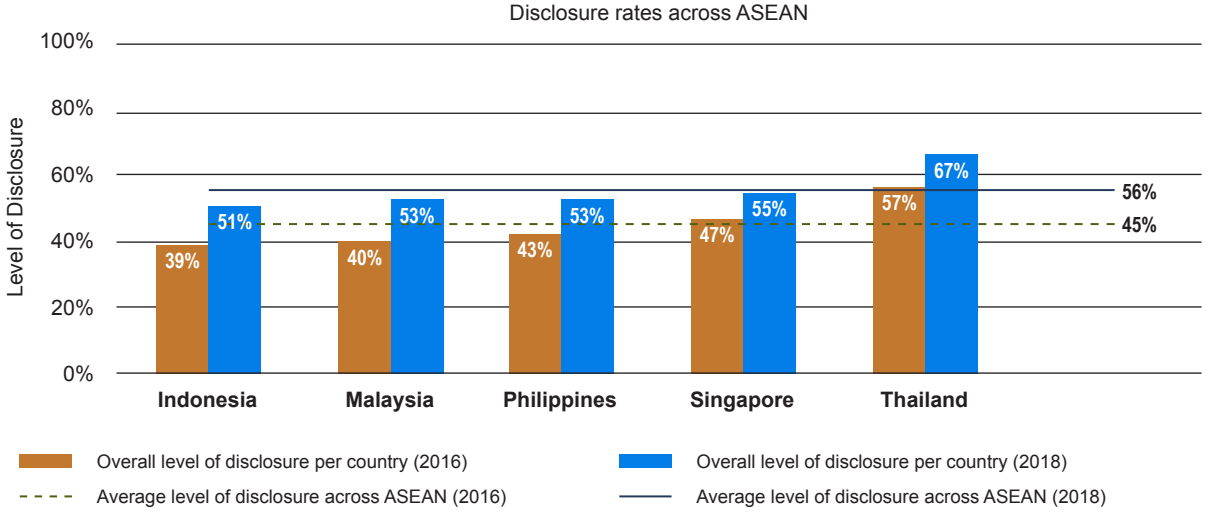
The 2018 study on *Corporate Disclosure on Business Integrity in ASEAN* which assesses the anti-corruption disclosures of the top 50 ASEAN-based companies by market capitalisation shows an improvement in the average level of disclosure across five countries (Indonesia, Malaysia, the Philippines, Singapore, and Thailand). Compared to the baseline study in 2016, the average level of disclosure increased 11 per cent, from 45 to 56 per cent. Thailand continues to lead with the highest disclosure rate (67 per cent), followed by Singapore (55 per cent). Indonesia still scores the lowest (51 per cent), whilst Malaysia and the Philippines show solid improvement, both attaining 53 per cent (see chart, "Anti-Corruption Disclosures Across ASEAN").

Much credit for Thailand's high disclosure rate goes to the "Principles of Good Corporate Governance for Listed Companies 2012", a framework that was stringently implemented by the Stock Exchange of Thailand and which emphasised disclosure and transparency.

Similar to the findings in 2016, the 2018 report found that companies still focus more on their own operations while ignoring their responsibility to embrace and enact a set of business integrity values in their sphere of influence. As the table on the next page ("Anti-Corruption Disclosures") shows, a majority are committed to comply with anti-corruption laws (Question 2) and apply the Code to all employees and directors (Question 4). Applying the Code to agents (Question 5) and suppliers (Question 6) are areas that need improvement. Worryingly, leadership support combating corruption (Question 3), though up from 18 per cent in 2016, is still lamentably low at 38 per cent.

Singapore companies perform variably. They perform comparatively well on most parameters, but they markedly lag when it comes to applying the Code to agents (Question 5), leadership support (Question 3), and disclosure of political contributions (Question 13).

Anti-Corruption Disclosures Across ASEAN



Source: Corporate Disclosure on Business Integrity in ASEAN 2018 by the ASEAN CSR Network (ACN) and the Centre for Governance, Institutions & Organisations (CGIO), NUS Business School

Anti-Corruption Disclosures					
Category	Question	Description	Singapore Disclosure Rate 2018	ASEAN Disclosure Rate	
				2018	2016
1. Internal commitment to anti-corruption	1	Publicly stated commitment to anti-corruption	79%	70%	54%
	2	Commitment to comply with laws	92%	94%	96%
	3	Leadership support	34%	38%	18%
	4	Code applied to all employees and directors	56%	85%	75%
	7	Training programme for all employees and directors	67%	66%	45%
2. External commitment to anti-corruption	5	Code applied to agents	17%	16%	14%
	6	Code applied to suppliers	38%	29%	19%
	8	Gifts, hospitality, travel policies	51%	60%	59%
	9	Prohibition of facilitation payments	42%	34%	21%
	13	Disclosure of political contributions	23%	31%	31%
3. Reporting and monitoring	10	Prohibition of retaliation for reporting	76%	77%	64%
	11	Confidential reporting channel	88%	75%	56%
	12	Regular programme monitoring	58%	49%	34%

Source: Corporate Disclosure on Business Integrity in ASEAN 2018 by ACN & CGIO

Singapore companies lead

Of the top 11 companies with the highest levels of disclosure across the five ASEAN countries, five are from Singapore: Golden Agri Resources, Sembcorp Industries, SIA Engineering, Singapore Airlines, and Singapore Telecommunications.

Encouragingly, the increasing awareness of the corporate governance landscape in ASEAN has led more countries to implement new codes of corporate governance that encourage disclosure of anti-corruption measures, alongside a marked improvement in the average level of disclosure across the five ASEAN countries. That said, there is still much room for improvement. In the campaign to promote integrity in business operations, it is important to note that the assessment of companies is based solely on the disclosure of their anti-corruption policies. It does not necessarily reflect the actual enforcement and effectiveness of these policies.

Being transparent and reporting indicate commitment and action. Ultimately, businesses need to build a strong corporate culture of integrity. By upholding good moral values and doing right in the first place, corruption has no opportunity to take root. For this reason, under the ASEAN Community Blueprint 2025, promoting good governance and transparency, and instilling a culture of integrity and anti-corruption are identified as strategic measures to realise the ASEAN Community Goals.

Corruption is a cross-border issue and no single individual or entity can fight it alone. As promising as the 2018 Corporate Disclosure on Business Integrity in ASEAN is, it is clear that much work remains to be done. It is time that all stakeholders – from governments to businesses, academia to civil society – join hands and fight as one. ■

Culture and Fraud Risk

By **SIDNEY LIM**, Managing Director, South-East Asia, Protiviti

Protiviti's 2018 *White-Collar Crime and Fraud Risk Survey* reveals an inverse relationship between corporate culture and ethical failures.

Survey Key Findings

While culture continues to be a buzzword in boardroom discussions, in practice, it is given little attention as an operational priority.

Poor culture can cause organisational inertia and complacency; this, in turn, may give rise to unethical behaviour, including fraud, corruption and misconduct.

Companies that give lip service to fraud risk are signalling to their employees that ethics is not a priority. This can have a toxic ripple effect and set the stage for an inevitable cultural meltdown.

To build a stronger corporate culture, companies need to be more proactive in managing fraud risk across all areas of operations.

Organisations lag in employing leading practices to build a strong culture

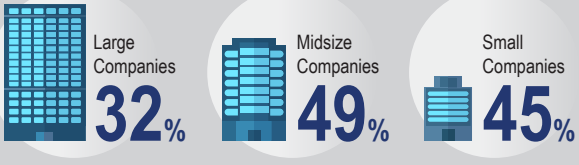
43% Organisations that do not conduct ethics and fraud risk awareness training

16% Organisations overall that have no senior management professional designated with ownership of and responsibility for fraud risk management

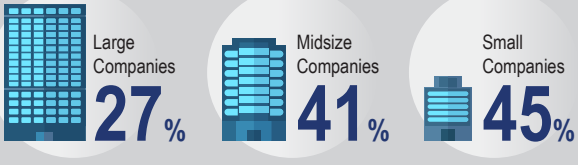
Organisations that have a fraud risk management (mitigation) programme

Culture issues extend to third parties

Organisations lacking high confidence that they have effective oversight of third parties



Organisations that do not categorise third parties according to risk



Companies should adopt sound fraud risk governance practices

- Regular ethics and fraud awareness training can teach companies to recognise warning signs and prevent fraud.
- Third-party due diligence and competitive bidding, IT controls, authority and approval limits, and segregation of duties can be effective methods for preventing fraud.
- Implementing a fraud detection programme and monitoring its ongoing improvement are fundamental to a company's ability to mitigate fraud risk.
- Well-defined and documented confidential reporting and internal investigations are hallmarks of an effective ethics and compliance programme.

The Board's Oversight of Corruption Risk

By **EL'FRED BOO**

SID SINGAPORE INSTITUTE OF DIRECTORS | BOARDROOM MATTERS

The Board should leverage on the right corporate culture to help steer management and employees clear of graft and other illegal activities.

Singapore is known for its clean system and low corruption levels. It is the sixth least corrupt country in the world in the Corruption Perceptions Index 2017 by Transparency International. Singapore is also consistently ranked as the least corrupt Asian country in the Political and Economic Risk Consultancy annual surveys.

The Corrupt Practices Investigation Bureau has declared that corruption in Singapore "remains under control", with the number of private sector cases continuing to remain low despite forming the majority of corruption cases. Recent high-profile financial scandals have, however, forced a rethink of the ethics and culture of corporate leadership.

A recurring theme

In the case of the spectacular collapse of Pan-Electric Industries in 1985 and UK merchant bank Barings a decade later, the focus of investigations post-crises was on board responsibility and oversight of management. Yet, corruption and the ensuing crises seem to re-emerge years later. The corporate scandals involving "S-Chips" (Singapore-listed China companies) in the mid-2000s and early 2010s have now resurfaced in the recent case of Midas Holdings whose auditor's reports for the financial years ending from 2012 through to 2016 can no longer be relied on.

Earlier this year, up to 17 former and current executives of Keppel Corp and its offshore and marine units were investigated in connection with bribery charges involving Keppel Offshore and Marine in Brazil. This followed denials by the board that it was not aware of any illegal payments. Keppel Corp had, in the past two years, declared its "zero tolerance" policy, including a statement to the SGX, when refuting allegations of corruption.

Plugging the gaps

Subsequent to each crisis, the regulators have sought to plug the gaps to prevent similar events from recurring. Questions about poor corporate governance, dubious accounting practices and financial irregularities are particularly relevant.

The Pan-El crisis, for example, led to changes in the Companies Act in 1990 including the mandatory formation of Audit Committees for listed companies, and a system of internal accounting controls for public companies. The Barings collapse also resulted in extensive changes to the then Futures Trading Act.

In 1998, in the aftermath of the Asian Financial Crisis, the Singapore Institute of Directors (SID) was formed to promote high standards of corporate governance, and the professional and ethical conduct of directors. Over the years, the SID has sought to not just be relevant during a crisis, but also to steer the corporate ecosystem towards good corporate governance.

Board accountability and responsibility

The most recent review of the Code of Corporate Governance emphasises the board's role in establishing the appropriate culture, values and ethical standards of conduct at all levels of the company.

According to a key principle of the Code, the board is responsible for the governance of risk and ensuring that management maintains a sound system of risk management and internal controls. Since corporate culture has a significant effect on behaviour, the board should leverage on the right culture to help steer management and employees clear of corruption and other illegal or inappropriate activities.

Setting the tone

What factors then should the board consider in embedding the right culture?

First, there must be a clear and strong tone from the board demarking a "red line". Zero tolerance means no exceptions, full stop. To add bite to the tone from the board, there must be careful monitoring, rigorous enforcement and severe consequences for breaches, including dismissal, reporting to the relevant authorities and public disclosure. More importantly, both the board and top leadership must lead by example through their actions.

Second, the board should seek assurance from top management and auditors that employees clearly understand the implications and adverse impact of corruption. Zero tolerance requires a mindset change, and employees will take their cue from their board leadership. Hiring and retaining the right employees who internalise the corporate culture is a real test of commitment to fight corruption.

Third, the board must review the company's strategies and priorities. The board must assess if contracts can be clinched and fulfilled based on the merits of its goods and services and unique value proposition. The appropriate strategy is one that leverages on the company's strengths and opportunities, which if designed and executed well, would ensure the company's continuing competitive edge.

Fourth, the board, in particular the Remuneration Committee, should assess whether performance targets are aligned with market realities. Doing so will take pressure off management and staff from succumbing to pay bribes and enable them to pursue clean businesses. To curb excessive risk-taking and encourage responsible decision-making, the board can adopt, for instance, deferred bonus schemes and clawback mechanisms.

Finally, the board, especially the Audit and/or Board Risk Committee, should diligently monitor that robust anti-corruption programmes are in place. The board must ensure that internal audit and risk control systems are adequate and effective. This includes proper follow-up on key issues highlighted by internal and external auditors, thorough investigation and resolution of suspicious acts identified through whistleblowing channels, and disclosure.

History shows that corruption could rear its ugly head and taint corporate ideals. All the more crucial is the realisation that ethical standards and behaviour are fundamental to how companies should operate.

Boards must play a pivotal role in embedding the right culture to steer companies clear of corruption and crises. ■

El'fred Boo is a member of the SID Best Managed Board Award Working Committee and Audit Committee Chapter Publication Sub-Committee.

Boardroom Matters is a regular column by SID in The Business Times and its online financial portal, BTInvest, where this article was first published on 9 July 2018.

Cleaning Up Money Laundering

By **DANIEL NG**, Head of Group Audit, United Overseas Bank

The rise of money laundering has led regulators around the world to adopt new ways to tackle the problem. In tandem with a renewed focus on accountability and conduct in financial regulations in recent years, increasingly, anti-money laundering frameworks are extending the compliance- and penalty-based approach to include an ethics dimension.

Money laundering is a serious problem. According to the United Nations Office on Drugs and Crime (UNODC), the estimated amount of money laundered in a year is two to five per cent of global gross domestic product, or about US$800 billion to US$2 trillion.

Though laws and regulations have been considerably strengthened in recent years to fight it, the corresponding cost of compliance has also escalated.

Existing anti-money laundering laws act largely as a disincentive to commit crimes, rather than an effective deterrent. The UNODC estimated that less than one per cent of global illicit financial flows is currently being seized and frozen.

For this reason, regulators around the world are moving towards ethics-based regulations to change the status quo, emphasising the importance of the right organisational culture and behaviour in protecting the financial system.

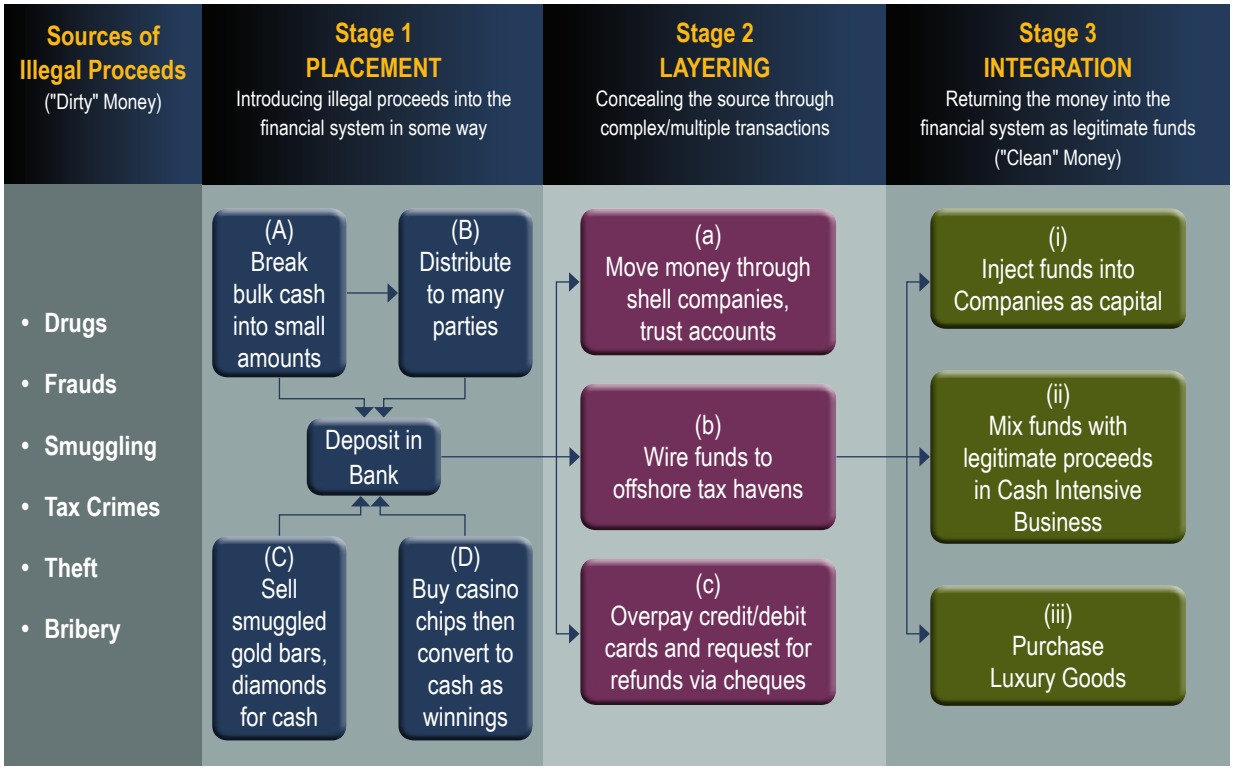
How money gets laundered

Money laundering is the process by which large amounts of money derived from criminal activities are "cleaned" to make it appear that the money originated from a legitimate source. Drugs, fraud and smuggling are three major acts usually associated with this activity.

See the diagram, "How Money is Typically Laundered" for the three stages (placement, layering and integration) by which "dirty" money gets "cleaned".

In Singapore, money laundering is a criminal offence under the Penal Code.

How Money is Typically Laundered



Since almost all money from crimes ends up in a bank somewhere in the world, law enforcement agencies and financial regulators look to banks to implement robust anti-money laundering (AML) programmes.

The Monetary Authority of Singapore (MAS) has established clear guidelines on Anti-Money Laundering and Countering the Financing of Terrorism (AML and CFT) for financial institutions. To meet these requirements, banks implement stringent "know your customer" processes to verify the identity of their customers and their source of funds and wealth. They also monitor bank accounts, and analyse transaction patterns to detect anomalies. Suspicious transactions must be reported to the authorities.

Money laundering agents

Bank employees are potential agents of money laundering. They could be coerced, bribed or tricked into doing so.

Other professionals such as lawyers, accountants, notaries, financial advisers, stockbrokers and real estate agents could also end up as agents. In 2017, a lawyer and a real estate agent in Singapore were charged and fined for failing to report a suspicious multi-million-dollar property deal in Sentosa Cove that fell apart after a high net-worth client was detained by the Chinese authorities for his involvement in a Ponzi scheme in China.

All professionals need to understand how AML and CFT laws and regulations impact their responsibilities, especially the fact that non-compliance carries the risk of criminal liability.

Of course, compliance poses unavoidable ethical challenges since professionals must strike a balance between reporting suspicious activities and maintaining the confidentiality of their clients. This is why professional bodies such as the Institute of Singapore Chartered Accountants and regulators such as the Council for Estate Agencies have issued their own guidelines.

Costs of AML compliance

According to research firm Wealth Insights, banks worldwide spent around US$8 billion annually on AML compliance. Since 2008, they have been fined in excess of US$300 billion for regulatory failings (see chart, "Anti-Money Laundering Fines", on the next page).

Regulators have also intensified their efforts to oversee financial institutions more effectively and comprehensively by investing in technology and setting up dedicated AML departments. In almost all cases, the most commonly cited reasons for companies failing in their AML processes are weaknesses in management culture, professional integrity, and risk consciousness.

Despite the high cost of AML compliance, the UNODC estimates that less than one per cent of money laundering activity is actually detected. Not surprisingly, these numbers raise doubts about whether regulations and enforcement actions are sufficient deterrents in the battle against money laundering.

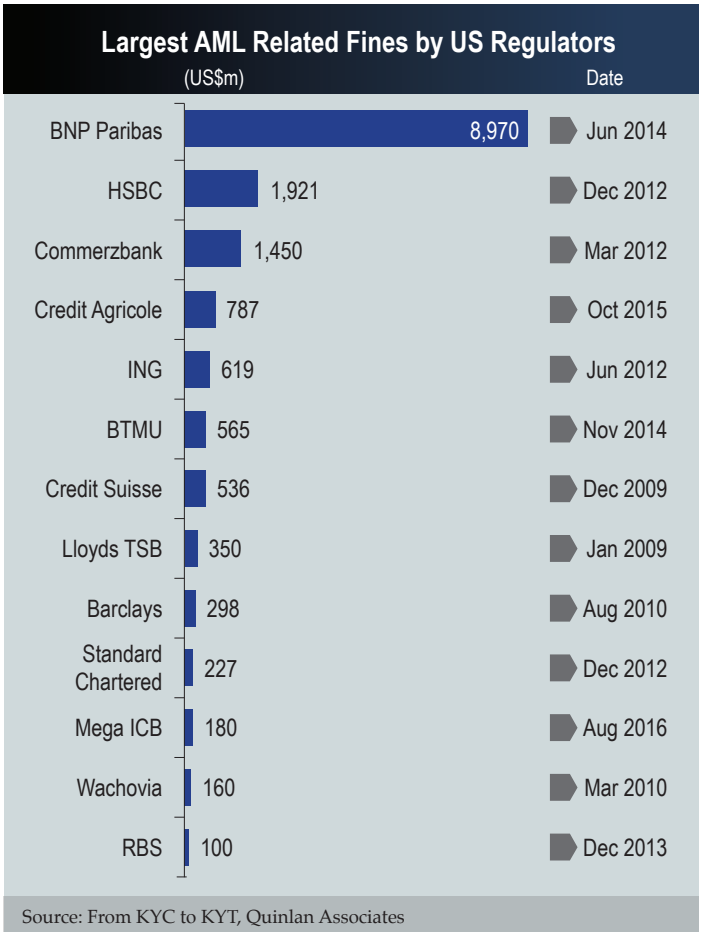
Ethical issues

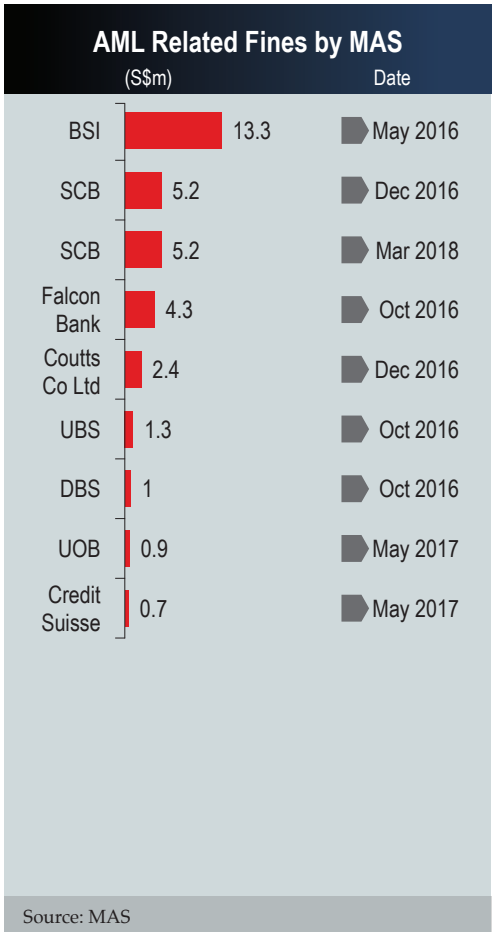
Ethics are moral guidelines that direct an individual in his actions. In contrast to laws, ethics deals with the ability to differentiate between right and wrong, and the commitment to do what is right. In any discussion about money laundering, two ethical issues loom.

The first relates to the actions and decisions of regulators against the executives of companies that brazenly flout money laundering regulations.

Take for example the US government's decision not to criminally prosecute HSBC

Anti-Money Laundering Fines





and Barclays, despite their admission of fault and the magnitude of their wrongdoings. From a utilitarian perspective, the decision is sound, as it balances regulatory actions with a broader consideration of the stability of the financial system. However, the opposing deontological view asserts that individuals are morally obligated to act ethically, no matter the consequences, so that in failing to mete out punishment, the US government has failed in its duty to carry out justice.

The second ethical issue relates to the somewhat narrow focus on compliance. The culture of an organisation is defined by the shared values, norms and attitudes that guide the behaviours of its employees, and compliance requires everyone to recognise their regulatory obligations and to follow them. But is it enough that people follow rules simply because they fear the penalties that come with non-compliance? Surely the real test comes when they face situations where the rules are either not clearly defined or do not exist? In such cases, is it not better that an organisation's culture goes beyond mere compliance to include an ethical dimension?

An example of a culture of compliance and ethics in joint action is when staff from a remittance company foiled scams and prevented unwitting victims from transferring their money to con men. In this case, the staff went beyond standard

procedures (compliance) because they felt the need to do the right thing (ethics).

Towards an ethics-based framework

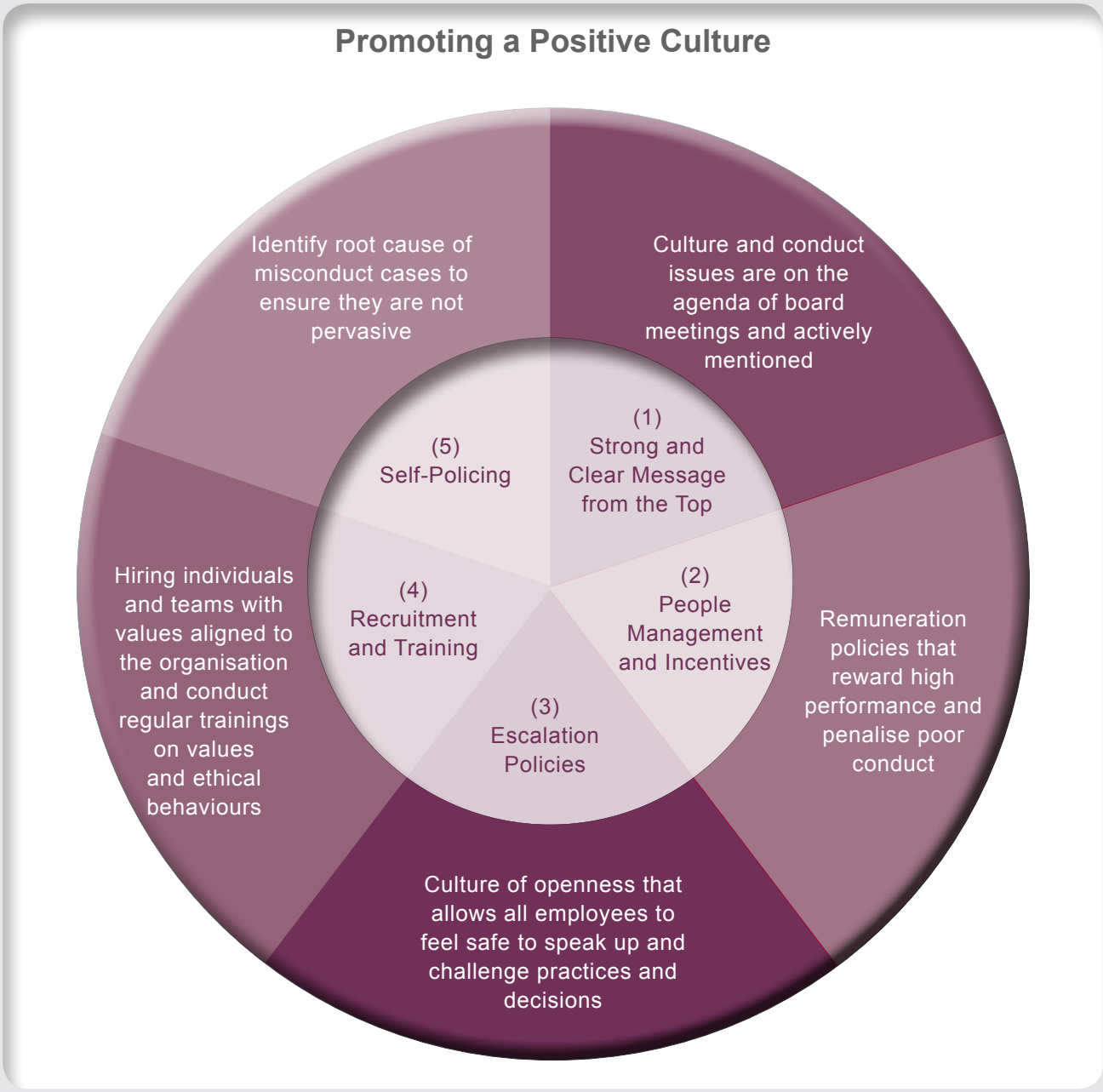
After the finance ministers and heads of the central banks of the G7 countries collectively pushed for a code of conduct for banking professionals in 2015, several jurisdictions introduced ethics-based regulatory frameworks to strengthen individual accountability and conduct in the financial industry. These include the UK's Senior Managers and Certifications Regime and Conduct Rules (2016), Hong Kong Monetary Authority's Managers-in-Charge Regime (2017), and Australia Prudential Authority's Banking Executive Accountability Regime (2018). Underlying these new regulations is the assumption that behaviours are not motivated by a fear of regulatory penalties, but by ethical considerations.

Such ethics-based banking regulations are an effort by regulators to bring to banking a set of commitments that mimics similar values already incorporated into the professional code of ethics of doctors, lawyers and accountants.

In April 2018, the MAS issued a consultation paper that sets out guidelines to strengthen individual accountability of senior managers and to raise the standards of conduct in financial institutions (see above diagram, "Strengthening Individual Accountability").

Interestingly, these proposed regulations apply the underlying deontological principles universally. Not only are banks accountable for promoting an ethical culture, the regulators are also holding themselves accountable by going after the banks' top executives for non-compliance.

The diagram, "Promoting a Positive Culture", on the next page, summarises the key drivers that the MAS recommends banks should focus on to promote a positive ethics-based corporate culture.



Focus on organisational culture

Complying with AML and CFT regulations in a way that merely crosses the t's and dots the i's cannot be the end goal of any individual or company. As Richard Bredeen, former Chairman of the US Securities and Exchange, once said, "It is not an adequate ethical standard to aspire to get through the day without getting indicted."

Rather, the mission is to achieve an organisational culture that combines compliance and ethics to direct employees to do the right thing and therefore align their behaviours with the company's values. Whilst the jury is still out on how effective the recently introduced ethics-based regulatory frameworks are, they're certainly a step in the right direction. ■

Sanctions Compliance and Opportunity

By **ADAM M. SMITH**, Partner, Gibson, Dunn & Crutcher, LLP

Complying with economic sanctions enforced by foreign governments can be an expensive burden for local businesses. At the same time, approached correctly, sanctions compliance can be an opportunity.

Economic sanctions are commercial restrictions applied by the governments of one or more countries against a targeted country, group, or individual. They may include various forms of trade barriers, tariffs, and restrictions on financial transactions.

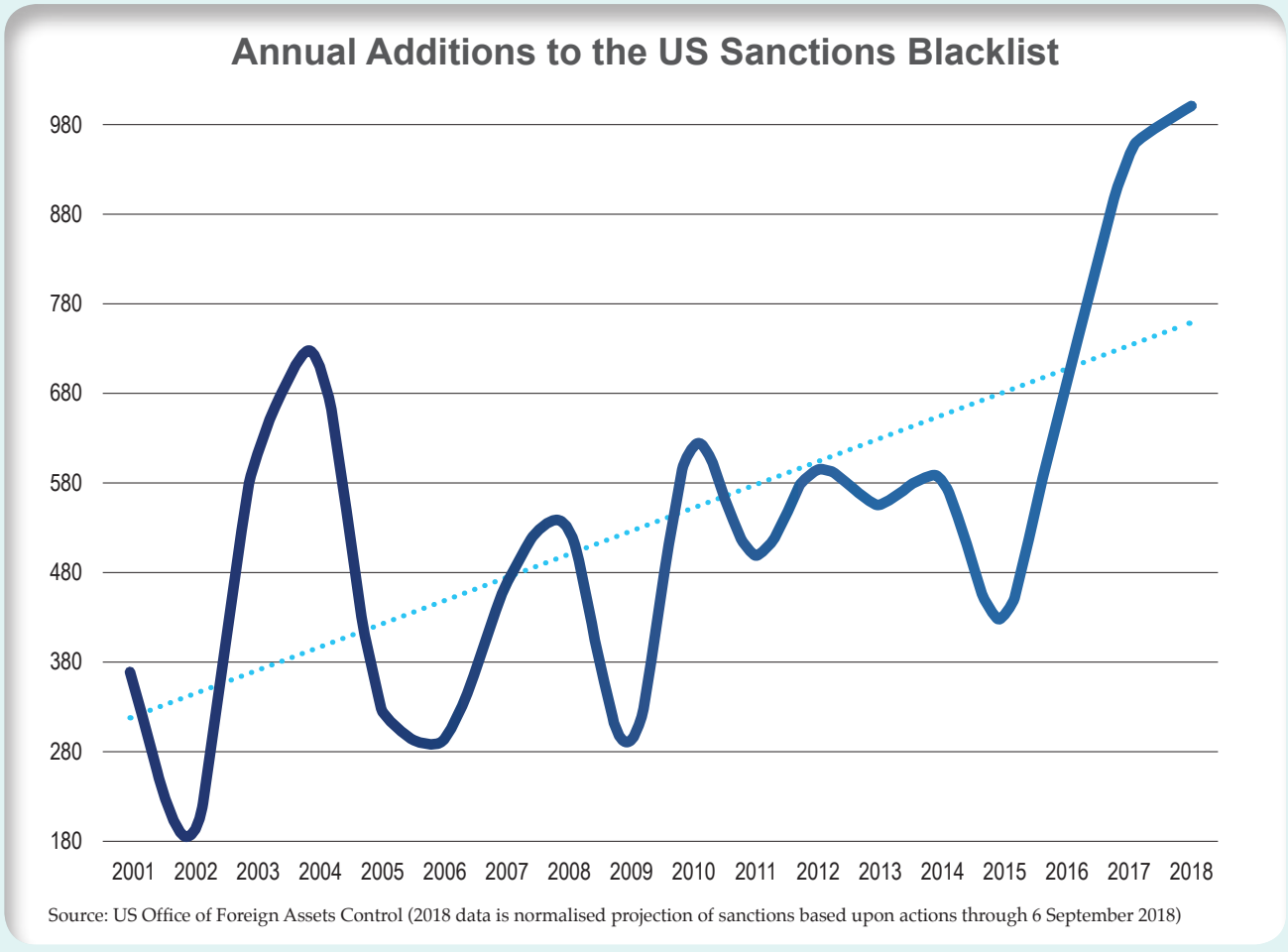
Economic sanctions are being used ever more frequently by the United Nations (UN), the European Union (EU) and individual countries.

The United States (US) is, by far, the most aggressive user and enforcer of sanctions (see chart, "Annual Additions to the US Sanctions Blacklist"). The power of its regulators to deny companies far removed from its shores access to its currency, domestic banks and insurers, and goods, services, suppliers, and customers – and to fine companies millions of dollars if they do not comply – makes it critical for global companies to understand US sanctions.

While all US presidents since 2000 have relied heavily on sanctions as a tool of foreign policy, President Trump is on track to launch more sanctions programmes, blacklist more entities, and impose more significant penalties than any of his predecessors.

Hitting home

Recent penalties against major Asian manufacturers, prohibitions on certain Asian companies importing goods from US suppliers, and the blacklisting of large corporations that trade on Asian exchanges



have, understandably, unnerved companies in the region. Likewise, the likelihood of future sanctions against Russia, North Korea and Iran – the latter of which could affect Singaporean energy supplies – generates unwelcome uncertainty.

This increasingly aggressive sanctions environment has hit home in Singapore. Given their export orientations and close ties with international suppliers and customers, Singaporean firms, both large and small, are at particular risk of being collateral damage in economic sanctions.

For example, in July 2017, the US settled with a Singaporean-based firm, CSE Global, for US$12 million for alleged violations of US sanctions. A month later, COSL-Singapore paid US$415,350 to settle allegations that it too had violated US sanctions.

While it would be a natural reaction for Singaporean corporate leaders to simply grit their teeth and resign themselves to allocating ever-increasing resources towards regulatory compliance, there is another way to look at the modern compliance function: done correctly, a robust, flexible compliance framework can actually be a commercial and competitive advantage, and potentially a lucrative opportunity.

Put another way, companies that can differentiate themselves in their implementation of compliant processes will pull ahead of their competitors, and potentially gain mind- and market-share, while demonstrating their corporate values and value propositions to public consumers and shareholders.

There are two ways that companies can leverage compliance as a competitive advantage and transform the cost of compliance into a profit centre.

Avoiding bad business

First, while many aspects of compliance appear to be political – and indeed political sanctions on Iran and Russia receive the bulk of the compliance-related news headlines – the reality is that the vast majority of entities and individuals under US sanctions are listed due to manifestly legal or even moral reasons.

For instance, narcotics traffickers, transnational organised criminals, international terrorists, and human rights violators make up the bulk of the 6,000+ entities on the US sanctions blacklist. Indeed, even in the case of Iran and Russia where sanctions are largely political in nature, a significant number of individuals and organisations against whom sanctions have been assessed are listed because of human rights violations, terrorism, and/or mass corruption.

As such, rather than surrender to extra-territorial political measures emanating from Washington, a company's maintaining regulatory compliance with third-party, US sanctions often entails making sure that the company does not do business with individuals or entities whom it would wish to avoid engaging with in the first place.

The problem is that due to opaque beneficial ownership chains and limited investigative resources, a company might not even know that a certain counterparty is a bad actor. The sanctions list, in this regard, can be used as a form of supplemental corporate intelligence and due diligence to identify entities and individuals whose involvement in a transaction could, if ever it became public, hurt the company's brand equity, or worse.

As such, having a robust compliance programme – and making sure the public is aware of this programme via corporate messaging and

even branding associated with a company's commitment to the programme – can be an effective way to underline a company's commitment to, and investment in, being a good corporate citizen.

In a sense, public and express compliance with a sanctions programme can be an unexpected component of effective corporate social responsibility.

De-risking for advantage

A commitment to sanctions compliance can also benefit the bottom line because such issues are no longer solely the province of compliance and legal experts on the frontlines of deals and business making. Rather, compliance has become a topline concern for the board and shareholders. In fact, many institutions – from international banks and suppliers, to customers and insurers – are under board direction to completely shy away from doing business with entities about whom compliance concerns exist.

The result has been an unrelenting, global march towards "de-risking" – the process by which institutions back away from doing business with those who do not share (or who do not seem to share) their commitment to effective compliance.

Banks have been leading the charge towards de-risking with far-reaching and often devastating results. A large number of institutions and companies – and in some cases even entire countries – have effectively lost access to the formal financial sector as banks have closed accounts and denied services.

No company or institution is too big to be immune from the potential of de-risking as other sectors have followed the lead of the banks. Suppliers, customers, insurers, logistics providers, and others increasingly demand and expect robust compliance from all counterparties and intermediaries, whilst companies are requiring broad representations, warranties and even indemnities from business partners assuring them of their compliance.

As a consequence, companies that are able to implement robust compliance – and to demonstrate that commitment and strength to their counterparties – have a market-leading advantage. They do not need to fear being labelled as "unconcerned" by dealings with troubling actors – an increasingly common charge levelled by a growing number of non-governmental groups and shareholder activists around the world who focus on compliance issues.

Such companies also need not be concerned by the severe reputational damage that would arise from an enforcement action by a global regulator. Instead, they can take advantage of relationships and transactions with even the most conservative counterparties.

The Singapore case

The scrutiny that Singapore and its companies have been under for many years by global regulators – from the US, the UK and others – is increasing. After all, the country is at the financial and trade cross-roads of the most economically dynamic region in the world. Given the speed and magnitude of economic flows through Singapore, it is, perhaps, not surprising that some Singaporean companies are sometimes caught up in compliance nets and even face enforcement actions.

This places ever more urgency on Singapore to ensure that its corporate compliance and governance framework is in order. Many Singaporean companies are already there – others are catching up. The investment in compliance can be significant, but if done well, the pay-off can be equally so. ■

The World Would Go Hungry Without Sustainable Supply Chains

By **BRUCE BLAKEMAN**, Vice President of Corporate Affairs, Asia Pacific, Cargill

Supply chains may remain largely hidden from public scrutiny, but it is here that ethics and sustainable practices play their biggest role to ensure the livelihoods of primary producers, the cohesion of communities, and the longevity of companies.

Bringing food products from the farm to the table involves complex processes – specifically, supply chains – that are rarely, if ever, visible to the consumer. And while there is no doubt that sustainability issues like deforestation, water wastage or abusive labour practices are real, and that they negatively impact the future of the world, it is predominantly through their value chains that companies are ethically obliged to address the impact of their operations on human rights and sustainability.

Consumers and customers are now, more than ever before, holding companies accountable for their actions. Companies need to be responsible not only for their behaviours, but also the actions of their suppliers. They can no longer hide behind their supply chains and plead ignorance.

It is no longer acceptable, for instance, to have child labour, or for other unethical activities to occur in a company's plant or supply chain. Research shows that consumers are holding companies accountable and basing their purchasing decisions on the ethical behaviour of the brands they buy; whilst NGOs are actively ferreting out unethical corporate activities and the media splashing stories about unethical activities on the front page.

Even B2B businesses need to raise their awareness of what happens in their plants and supply chains. Large branded companies are choosing suppliers who will protect their brand reputation by demonstrating how they can deliver products and services that have ethical and sustainable supply chains. Suppliers who fall behind the ethics and sustainability curve will lose out in the long-run.

The only way companies can survive in today's instant media world is to put their values first and uphold ethical standards, even when no one is looking.

But acting sustainably and ethically is not always easy. It is often accompanied by higher costs and significant disruption. Moreover, market conditions and competition can squeeze profit margins, increasing the temptation to cut corners, or to just continue with decades-old unethical practices. However, the rewards are immense. (See next page for examples of how two industries have responded positively to ethical and sustainability challenges.)

Thai Poultry Industry: Taking Proactive Steps to Ensure Labour Rights

In 2015, Finnwatch raised concerns about the 20-hour shifts, poor working conditions, confiscation of worker passports, and wretched living conditions of migrant labour in Thailand's massive poultry industry.

The issue was not with the major processors, but their third-party live bird supply chains. These companies are situated in very remote areas and the affected employees lacked a public voice. Still, it became a major news story that could have affected the entire Thai poultry industry.

Concerned industry players wanted to avoid a repeat of the scandal which beset the Thai seafood industry a year earlier, when allegations of slave labour on fishing trawlers ultimately led to exports to the European Union and United States being curtailed.

As a result, the poultry industry came together with the government to formalise a code of conduct for the entire value chain. While the code is voluntary, it provides a practical plan for implementing numerous labour, health, safety, environment, and social security laws.

There are four definitive, unambiguous rules: No child labour; no forced labour; no discrimination; and no people trafficking.

The Filipino and Indonesian Coconut Oil Industry: Helping Smallholder Farmers Thrive

The challenges that face the coconut oil industry in the Philippines and Indonesia – the world's two largest producers of coconuts and exporters of coconut-based products – threaten its sustainability. At risk are the livelihoods of tens of thousands of small farmers because of inadequate income and technology adoption.

Most are independent, small land-holders whose lack of business scale reduces access to financing. Lack of shared knowledge also leads to poor agricultural practices and ageing plantations. A complex supply chain structure with various middle-men results in high cost of inputs, logistics and transportation, all of which lead to declining yields and income squeeze.

In the Philippines, a three-year programme bringing together industry, NGOs and Germany's GIZ Fund has resulted in the training of over 3,300 farmers in good agricultural practices, such as intercropping and replanting. They are organised into groups to build market power, and trained to access government services. In addition, the Rainforest Alliance, an NGO, was engaged to develop a sustainable coconut production certification process. Through these efforts, many of the farmers are now producing certified sustainable coconuts, replanting their trees, and seen a 10 per cent increase in incomes.

What directors can do

Even boards of directors that want to do the right thing must take specific steps to turn intention into action. Different regulations around the world governing critical areas such as labour, contaminants, sanitary conditions and genetic modification create uncertainty. The laws of some countries even prevent ethical or sustainable practices. Certain directors might also argue that consumer expectations for sustainable products in Asia differ from those in the West. Here are four steps directors can take to address the situation:

1. It all starts at the top

The CEO and the board need to be fully committed to act ethically and sustainably, even if such behaviour will add costs, increase the time to get things done, and require significant change in management direction. The entire company and supply chain will need to be trained, expectations set, and new behaviours reinforced and rewarded. Suppliers may need to be removed if they are unwilling or unable to meet the new criteria. Employees also need to adopt a significant mindset change. They need to know that senior management will support new behaviours and not condone unethical practices, regardless of costs.

2. Commit to obeying the law

Following the laws in all the countries the company operates in ought to be the baseline expectation for any director. This is the first step to behaving ethically.

3. Understand the issues

In this increasingly complex business environment, the directors' world view must go beyond simply running the company. They must learn the science underlying the issues of sustainability. They need to ask more questions, and not take things at face value. If they lack the scientific, product or supply chain knowledge, they must find resources within and outside their company to close the gap.

4. Seek different points of view

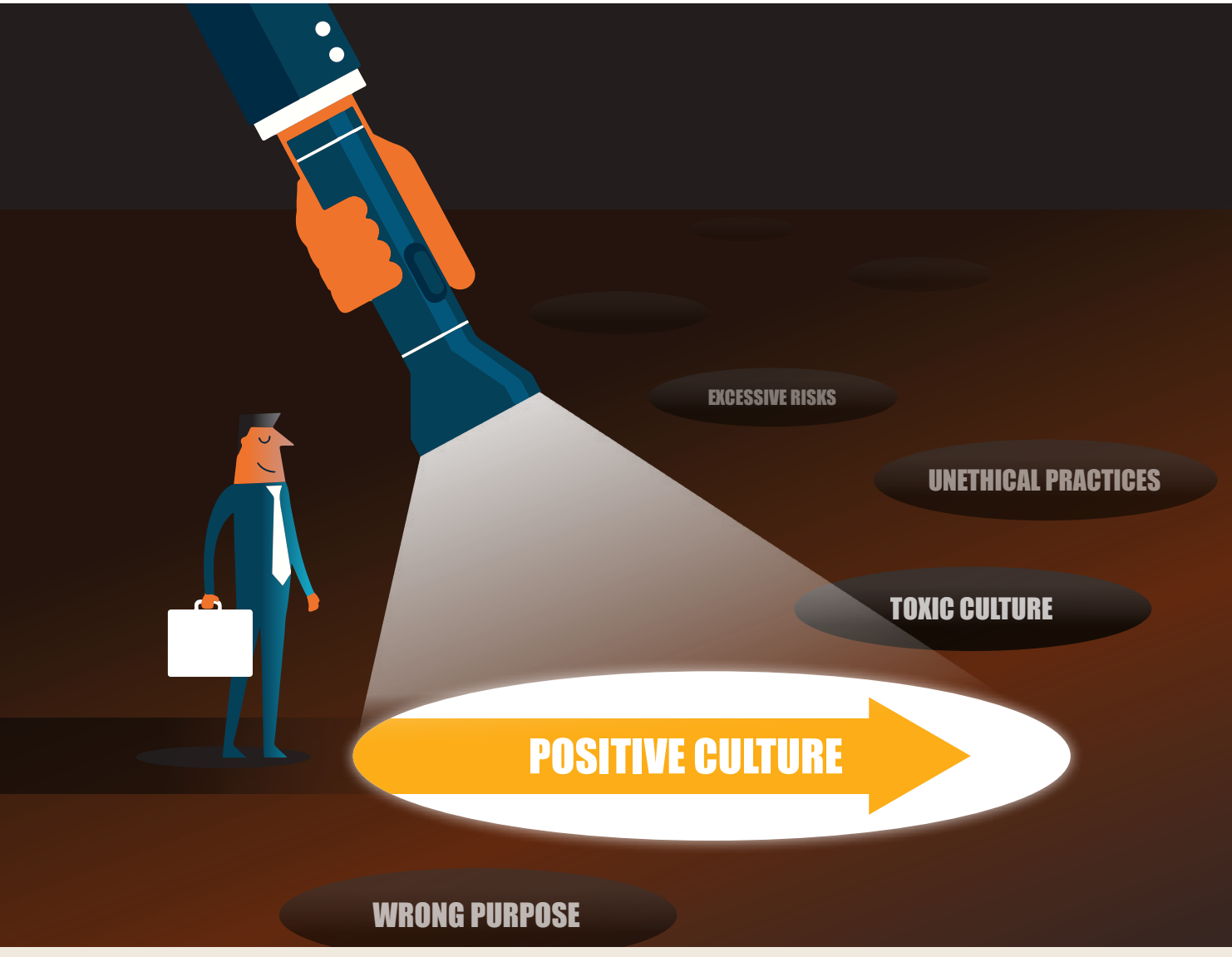
The dilemma of deciding whose ethical standards to follow is best addressed by tapping into a diverse pool of experiences, knowledge and opinions. This may also include getting the views of external stakeholders like governments, NGOs, suppliers, communities and customers. The more diverse input directors receive, the greater the chance they will come up with best practices, and help move systems and processes beyond the standard "I know what I know".

Commit to doing the right thing. Then, do it.

Setting ethical guidelines for a company is no easy task. For unless they become part of its ethos, they will merely be words, or another failed corporate initiative. The board and management must communicate and outline their expectations to the employees and supply chain. This may result in developing a supplier code of conduct, conducting supplier training, establishing a sustainability commitment, developing a set of guiding principles, or mandating a specific set of labour practices for employees and suppliers' employees.

Ultimately, the combined forces of ethics and values will differentiate a company's products and services in the market. Unethical and unsustainable business practices will result in a degraded environment that is unable to support food production or prevent unsafe food getting into the food chain. Consumers will face reduced food choices or buy food that will sicken them. Communities will be at risk. Corporate profits will eventually dwindle, impacting employment, government tax revenues, and making reinvestment more difficult.

In other words, this is not just a business issue. It is a universal imperative. ■



Putting Culture Risk on the Board Agenda

By **DAVID CHEW**
Executive Director, Southeast Asia & Singapore Executive Director, Risk Consulting, Deloitte

Culture is important, and the board sets the tone from the top. More than that, the board needs to actively ensure that the company has a positive healthy culture, and not a toxic one that leads to unethical behaviour and overly risky activities.

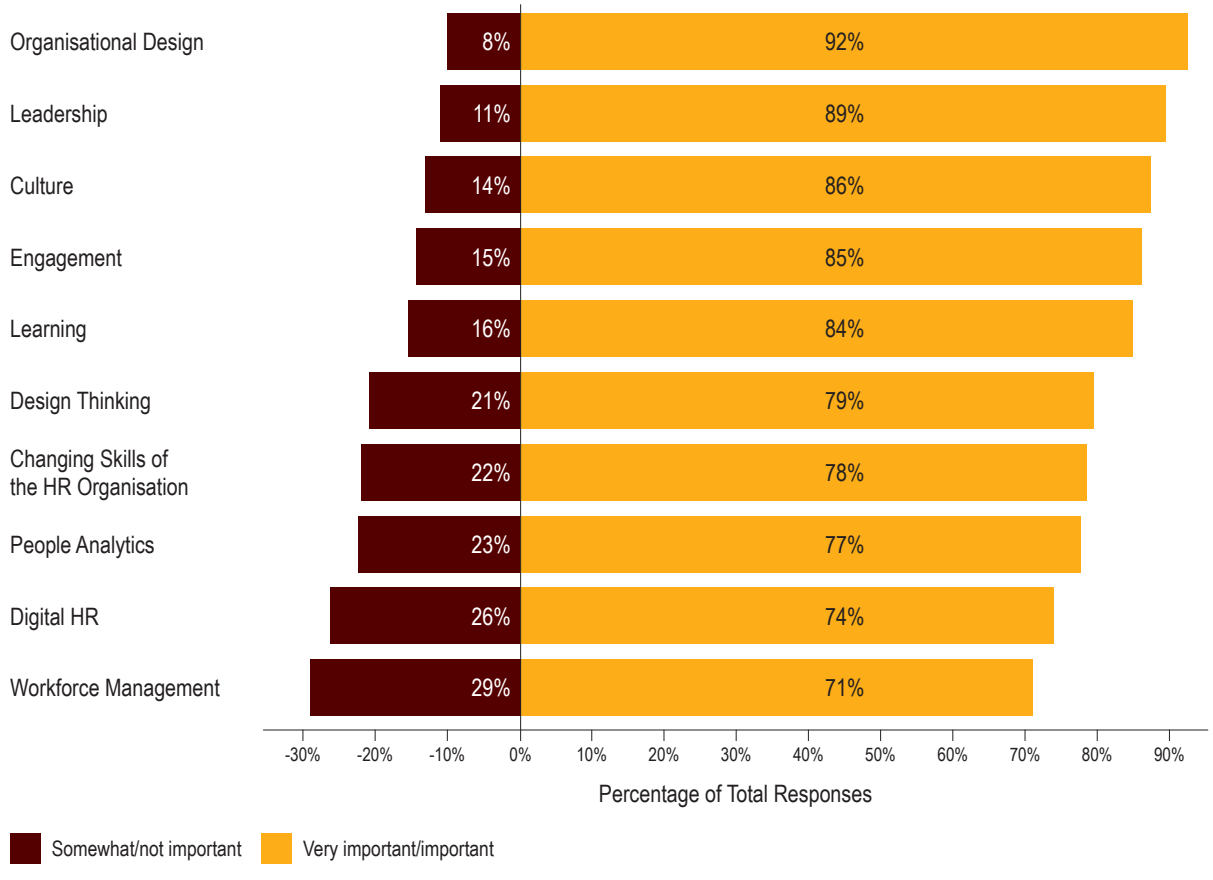
Culture is the system of values, beliefs, and underlying assumptions that shape behaviour, both in the workplace and the surrounding environment in which a company operates.

Promoting the right culture is important for companies. A global human capital survey by Deloitte shows that an overwhelming 86 per cent of business and HR leaders rate culture as either important or very important (see chart, "Top 10 Human Capital Trends"). A further 82 per cent agree that culture is a potential competitive advantage. However, only 12 per cent believe their company is driving the right culture.

Culture continuum

Culture is a continuum ranging from highly positive to highly toxic. It is shaped by a number of factors, many of which cannot be controlled by or even known to the company. For instance, people's individual values, attitudes, and behaviours, which may widely vary in an increasingly diverse workplace, all play a role.

Complicating matters is the fact that most companies contain multiple sub-cultures that vary from one operating region, business unit, or working team to another. This is why the "tone at the top" may be much different from the "tone in the middle" in each of the latter.



Source: Global Human Capital Trends Report 2016 by Deloitte

This means that though a company may want to proactively shape a desired culture, changing existing cultural habits often takes considerable time. On the other hand, it may need to mitigate the risk of a positive culture "tipping" into a toxic one, since decay can happen quickly.

Board considerations

An important consideration for the board is being able to recognise the signs of a culture at risk – for instance, when the company's values and beliefs are not embedded or when the prevalent values, are not the right ones. This could result in behaviours that do not respect stakeholders such as customers, employees, suppliers, investors, and business partners.

One warning sign of a culture at risk is when financial, sales, production, or other performance measures become the primary business purpose.

Another is when undue pressure is placed within the company to achieve those metrics. When this occurs, employees could find themselves engaging in unethical or overly risky activities in an attempt to align correct management incentives with their compensation. In other cases, employees may fear losing their jobs if they fail to meet aggressive sales, production, or financial targets.

As boards begin to prioritise corporate culture, they should start looking at the considerations set out in the box, "Key Factors for the Board on Corporate Culture".

Key Factors for the Board on Corporate Culture

- **Culture governance.** Boards should ensure they devote sufficient time for discussions on culture. This may vary depending on circumstances. Mergers, acquisitions, or other restructurings that will have an impact on culture may require greater attention. Or perhaps the lead oversight responsibility for culture should be assigned to a board committee.
- **Monitoring culture.** A board should be satisfied that it is getting the right amount and quality of information about the company's culture necessary for their oversight purposes. It should also consider the impact of its decisions on the company's culture.
- **Public commitment.** What information does the company disclose about its culture and values internally to employees, and externally to stakeholders through its filings, website, or other disclosures?
- **Compensation practices.** The board's remuneration committee should review senior management's compensation to ensure that inappropriate activities are not inadvertently being incentivised.
- **Board and management oversight.** Boards and senior management must set the appropriate "tone at the top" through their words, actions, and behaviours.
- **Follow-through.** While it is important that management keeps the board updated on the company's culture, boards should undertake their own analysis to ensure that the tone at the top established by management and the board is actually cascading through the company.

Shaping corporate culture

A toxic culture can undermine a company's values, impede change, and support behaviours that damage financial performance, reputation, and brand. It is the management's job to build and manage a healthy culture, but the board plays an important role. Directors must therefore choose between working with management to properly shape the company's culture, or let the culture evolve on its own and shape the company.

The board's first task is to work with the CEO to develop and agree on the company's core values and the desired culture, and also to develop a compelling mission and vision. Great companies tend to have a "purpose beyond profit" which helps develop the kind of culture that attracts top talent, and motivates people. It also creates a powerful force for meaningful performance, not just within the company, but also in the communities and countries in which the company operates.

It is also important to have a clear and meaningful code of conduct that articulates the values needed to achieve the company's strategies, and to build its reputation and brand. Together with a compelling mission and vision, this code forms the foundation of the board's expectations of organisational culture; and helps ensure that, in the midst of the challenges of daily operations, all are mindful of the board's expectations of the way business is to be conducted.

The third point to make is that an integral part of organisational culture is implementation and enforcement. Obviously, a code of conduct alone is not enough. Many of the companies at the centre of scandals boasted impressive codes of conduct filled with all the key values one would expect. The problem was essentially one of people not following those codes. An important test of any code of conduct, in other words, is the way it is enforced, and non-compliance issues are resolved. That means the code has to be universally applied across the company without exceptions.

Walking the talk

Now, if getting everyone on board is a crucial part of the process of shaping the organisational culture, it is equally clear that the board must walk the talk and set the tone from the top.

This is easier said than done. To operate according to the company's purpose and core values without compromise, or adaptation to local conditions, is not a straightforward task. The challenge is compounded by the changing demographics in the workforce, and the increasing proportion of women in the workplace and in leadership roles, all of which impact organisational culture because of the different expectations, behaviours and lifestyle of workers and leaders within the company.

A healthy culture is a winning culture. It is one that achieves the company's purpose and strategies, and generates energy, excitement, and ongoing innovation. It can even create a competitive advantage though there are low barriers to entry. But creating a healthy culture requires hard work and leadership. The board needs to ask questions like: do we have the leadership and talent to execute on our strategies? Are we organised in the right way to achieve our strategies and to develop the capabilities of our people? ■

This article has been adapted with permission by the author from a previously published article, "On the board's agenda - Would you recognise the warning signs of a toxic culture?" by Deloitte Global Center for Corporate Governance.

Can Tax Planning be Whiter than White?

By **CHRIS WOO**, Tax Leader, PwC Singapore

In this age of interconnectedness and demand for greater transparency, tax systems around the world have grown incredibly complex as they attempt to reconcile the demands of international businesses and domestic needs of their populace. A by-product of these attempts is tax planning, a legitimate exercise that is nevertheless fraught with subjective considerations. But what exactly does tax planning entail, and what should boards be mindful of?

Governments around the world face complex and interconnected choices about how to keep their countries competitive, how to encourage job and wealth creation that feeds local economies, and how to reward such activity whilst ensuring sufficient tax revenues to fund public spending. Singapore, for instance, is pressed to fund better healthcare and education, support young parents, and keep the country secure.

Almost without exception, the solution to these issues has been taxes. However, in recent years, there has been much concern internationally about tax systems and those operating them. These concerns, like the tax systems themselves, sit within a broader dynamic of societal, economic and political change; *and* they are framed by an apparently eroding level of public trust.

Framing the debate on tax

The debate on tax is complex. It comprises multiple interconnected issues, each of which is of a different nature and requires specialised responses. For many businesses, the entire context matters, not only because of the financial costs, but because multi-country taxes have real and significant risks for their business models.

When we talk about "the tax system", it is important to remember that – at least as far as society is concerned – this includes both the rules of the system itself (driven by underlying tax policies) and the behaviour of all players operating within it (taxpayers, advisers and intermediaries, and tax authorities).

It is also important to appreciate that there is no such thing as an "international tax system" per se. Every tax system is inherently local, grounded in country-based legal systems, and aimed at benefiting the local economy. There are, however, some common principles which determine how local tax systems should interact in relation to international business or other cross-border activities. It is this area of interaction that has caused the greatest concern and tension.

Where we are now

Most tax systems are broadly designed to achieve an outcome in which tax is paid, once and only once, on profits generated in the country where the business operates (i.e. trading "in", rather than trading "with").

However, in recent decades, businesses have evolved to the point that the value attributable to intellectual property, increased remote selling through digital platforms, and the resulting taxable profits have become increasingly separated from the location in which the sales actually take place. In many cases, they have become more closely associated with the location of "higher value-add" activities.

Alongside that evolution, in an effort to enhance their own economies and national welfare, many countries, including Singapore, compete with other favourable tax regimes to attract activities and entities that create value. In turn, this generates domestic tension as countries grapple with what their future tax systems need to look like and how they need to transition.

Countries are also having to think about their future in a connected world, and this has generated tension. The conflict between the US and the EU – expressed through conflicting tax reform and retaliatory measures – is a case in point, as are the perceptions about tax havens.

Categories of concern

In an attempt to "unpick" a tangled debate, the concerns can be split into three categories:

- Tax fraud
- Tax planning with intended outcomes
- Tax planning with unintended outcomes

The intended and unintended outcomes relate to what is intended/unintended by the authorities. Though the issues are complex and it is often difficult to draw clear lines between them, these categories help bring some clarity to boards. In particular, they help the board focus on the most appropriate responses to the different issues that arise – including the very real possibility that a company's profits may be subject to tax in multiple jurisdictions.

"Blacker than Black" - Tax fraud

This category encompasses tax evasion, the hiding of taxable income and assets from tax authorities, the fraudulent claiming of reliefs, and "the hidden economy".

All boards cannot legally – either in Singapore and elsewhere – be knowingly involved in any way in tax fraud or evasion. Many countries specifically mandate an official notification if either activity is suspected; and, increasingly, intermediaries have a legal responsibility to detect and prevent such activity.

A robust corporate tax policy and appreciation of the need for tax compliance is key. Specifically, boards need to ensure that a system of tax controls are put in place by in-house and independent tax professionals. Technology can also help flag irregularities and identify areas that warrant further internal investigation, so that they can be properly addressed and disclosed, without warranting an intervention by the authorities.

"Whiter than White" - Tax planning with intended outcomes

In this category are government-sponsored incentives and all forms of planning that are consistent with the intention of the government's tax laws.

It does not, however, automatically follow that these laws, and the policies behind them, are either known about and well understood by ordinary citizens or are considered "fair". It also does not mean that governments of other countries (or, for that matter, NGOS and the public) will agree on what is an "acceptable" outcome. This is especially if countries feel that they are not getting an appropriate share of tax from globalisation. Such tensions and disagreements are very likely to worsen.

These issues are exacerbated by international tax competition and tax systems that have not kept up with the digital age.

"Lux Leaks" is a classic example where the tax structures involved were known to, and endorsed

by, both the Luxembourg tax authority and several EU member states, but the other member states branded them as unfair competition.

Against this backdrop, boards have to make longer-term strategic decisions, all of which carry domestic and international tax implications. They must also make informed decisions about their tax obligations, the choices available to them as they balance their responsibilities to stakeholders, and the management of tax cost and risk of operating in multiple jurisdictions. Singapore companies with operations outside Singapore need to be very aware of and take proactive steps to manage this.

"Shades of Grey" - Tax planning with unintended outcomes

This category encompasses tax planning that, whilst having a valid basis in a strict interpretation of the law, may not reflect either the tax law in question or commercial reality. The result is an outcome that's unintended by the authorities.

Drawing a line between the second and third categories presents significant challenges given the aforementioned tax competition and the lack of consensus and/or alignment of intent and philosophical approach to tax between individual countries and the broader region. Even without that international dimension, intent can be difficult to ascertain when applying law to a wide range of specific circumstances, some of which may never have been envisaged at the time of drafting the law.

It is, of course, easier to spot a course of action that is clearly within the legislature's explicit intent, but the wide ground in between requires professional judgement and a sophisticated understanding of different stakeholder perspectives – qualities that are not always present during heated tax debates.

Indeed, much of the ethical debate about taxes concerns both categories of tax planning. While the act in itself is legal, leveraging an arrangement for a tax advantage is often perceived as unethical.

Taxing the board

A fundamental issue is to whom does the company owe a duty? Is it the company's duty to maximise profits for shareholders, which in turn makes tax planning ethical, or is its duty to be mindful of the broader community that it operates in – which may make tax planning unethical?

The judgement of the board must canvass all these issues in all their complexity. The short answer to the questions posed above is that responsibility cannot be limited to what is technically legal. The board must assume a position of full transparency (including the full disclosure of relevant facts and circumstances) towards tax authorities.

Any tax professional's advice must be provided on a similar basis, and include a well-considered assessment of the broader economic, commercial and reputational risks of different options available to the board.

As tax regimes in various countries evolve, boards must become more involved in tax matters and consider the various broad tax implications associated with the strategic decisions they make. This is especially so given the regional and global footprint of modern businesses. The risks of double or even triple taxation are higher and there are also potential reputational risks. ■

Harnessing Data Through AI in the Digital Economy

By
YEONG ZEE KIN
Assistant Chief Executive (Data Innovation & Protection), Infocomm Media Development Authority

Artificial intelligence has transformed today's digital economy; there are however ethical dilemmas that have to be managed for the purposes of public accountability and business confidence.

Data has been referred to as the new oil for the fourth industrial revolution. Businesses that do well in this revolution will be those that can leverage data. Parallels may be drawn between oil refineries that process crude oil into different grades of fuel and technologies like data analytics that process data into useful intelligence. Used deftly, such technologies can help businesses understand customers' preferences and behaviours better, and allow them to improve their products and services.

Keeping with the analogy, oil created a whole industry of petrochemicals: plastic is perhaps the most pervasive, not least in its toughest form – carbon fibre. These new materials enabled generations of products, from sporting goods to cars and military applications. Artificial Intelligence (AI) is the data equivalent.

While AI has been around since the 1950s, large datasets combined with modern computing power has pushed emergent AI technologies such as neural networks and machine learning to new frontiers. This has borne new applications that enhance productivity and enable companies to offer new and better products and services, some of which are already present in our daily lives.

Apple's personal assistant, Siri, is one such example. A voice-activated system that users can interact with to find information, and manage their devices, Siri uses machine-learning technology to predict and understand natural language commands.

Another example would be targeted recommendation engines employed by platforms like Amazon and Spotify. Likewise, social media platforms like Facebook use deep neural networks to better match advertisements to users, ensuring businesses reach their desired markets.

Some commentators like to focus on the disruptive effects of AI, and neglect its benefits. The reality is that many of the AI technologies deployed today are narrow and function-specific, intended to augment and assist human decision-making. This technology will evolve gradually and as we use function-specific AI, we will learn to manage its benefits and effects progressively.

Principles for responsible AI use

The promises of AI cannot be realised unless businesses adopt them, and they in turn will hesitate unless consumers are prepared to use these new products and services. Consumer trust and confidence is crucial.

To gain their trust and confidence, the use of AI should adhere to two principles: first, AI should be explainable, transparent and fair; and second, AI deployments should be human-centric.

AI systems and applications rely on various machine-learning methods to create rules or models. Some of these are then selected and may either autonomously make decisions, or assist humans in decision-making.

Predictive coding technology used in document review tools, for example, allows lawyers to train AI engines to identify and categorise documents. AI assists reviewers by conducting first pass document-categorisation. This allows law firms to provide differentiated services. One of Singapore's largest law firms offers clients services at three levels and price-points: human-only review, AI-assisted review; and AI-only review. Anecdotally, more clients opt for the middle option, balancing costs with mixed AI-human input.

Consumer confidence will be enhanced if their interaction with autonomous decision-making intelligent systems is managed well. Consumers vote with their wallets and most will go to where the best value is found. The use of AI to automate approval processes, for example in online travel insurance, provides a way to reach online customers directly and reduce product costs. Transparency can be achieved if explanations of how the automated decision-making process works is provided. The information provided must be easy to understand. Too much information, and it is all just gobbledygook. Too little and it does not do much to boost consumer confidence.

The average consumer probably does not need to know the technical specifics of AI, but they will appreciate knowing that the use of AI will ensure consistency in decisions. Most customers will also appreciate knowing that if they are unhappy about an unsuccessful application, there is someone to contact. As this illustrates, designing processes with sensible features that adhere to the principles of responsible AI is not beyond the ken of businesses.

Reaping the benefits of AI

For Singapore's Digital Economy to progress and reap the full benefits of AI, pervasive adoption of AI is key. To this aim, the Infocomm Media Development Authority plays a key role in helping drive industry adoption and understanding of AI benefits.

Governance frameworks relating to the ethical use of data will be necessary to support the growth of AI and Big Data technologies. To this end, the Personal Data Protection Commission issued a discussion paper that highlights ethical issues arising from the use of personal data in AI solutions and provides a "how-to" for translating ethical principles into action in the form of: corporate governance structures; operations management; and consumer relationship management.

We are just at the beginning of an exciting, transformative journey around the development and deployment of AI. To ensure that systems, robots and decisions made using AI are human-centric, bolster consumer confidence and benefit society, an appropriate balance must be struck between consumer protection and business needs. ■

FIGHTING FAKE NEWS

By **JEAN-MICHEL DUMONT**, Head of Global Strategy, Ruder Finn

The fake news phenomenon and its political effects are well-documented. Corporations and the communications industry, however, have stayed relatively quiet despite the erosion of public trust that threatens to undermine their businesses. What can, and should, companies do to address the issue?

Though fake news is not a new phenomenon, it has been exacerbated by the rise of the Internet with its attendant open platforms and the Dark Web. Not a day goes by without unsubstantiated online claims being aired.

Some users engage in the online spreading of false information to win followers or for financial gain. Others use false conspiracy theories to influence elections or significantly impact businesses. This has led to a free-fall in trust in media, brands, governments and even charities as people find it increasingly difficult to discern between what is real and what is fake.

Tackling fake news

To rebuild trust, governments have tried to intervene. Some, like India, tried to pass legislation regulating media, but this was quickly abandoned after public outcry about free-speech and censorship. The French government is currently debating a similarly criticised proposal.

Many businesses have jumped in. Social media platforms from Facebook to Twitter have tried to introduce systems to sift, delete or identify fake news. Increasingly, these erstwhile champions of information freedom resort to methodologies like algorithms and the kind of full-time "information censors" that are used in more controlled platforms, such as in China.

Traditional media, an industry that has already changed dramatically, and which was among the first to be affected by fake news, has reacted by reviewing and improving news-checking methodology to rebuild confidence.

Somewhere in between traditional and social media, nonprofit organisations such as FactCheck, Politifact, and Snopes have developed tools to help judge the accuracy of claims and assess the truth, or otherwise, of particular stories.

Through its platforms and automated bots, technology, which has played a critical role in the explosion of fake news, is coming up with its own solutions. Recently, media company Look Live Media launched VeriFlix, a proprietary tool that uses smart AI-powered software to spot the difference between real and fake news by authenticating the metadata of submissions for geolocation, time stamps, and footage quality.

The role of corporations

Surprisingly, two groups that rely heavily on the Internet to engage their stakeholders have stayed below the radar in this battle: corporations and the communications industry. This is surprising given that they are, arguably, the biggest users and beneficiaries of the Internet, and they are the ones with the most to lose with the erosion of public trust.

Facing pressure from consumers, CEOs and boards around the world have become more involved in both social and political issues, not the least because it makes business sense. A Sprout Social report in the US found that nearly 70 per cent of respondents believe it is important for corporations to take a stand on social or political issues. Only 11 per cent disagree. A recent global survey by a communications consultancy also found that 70 per cent of respondents expect brands to curb the spread of fake news.

So what are corporations and communications practitioners doing to tackle fake news?

As the world becomes fully digital, helping people become more critical when they consume online information is key. Funds should be allocated to help media, businesses, educational institutions, and nonprofit organisations work together to encourage real-news literacy.

Over the years, communications professionals have done amazing work by developing education campaigns to raise awareness about issues like malaria, financial education, and safe driving. Working in tandem with media and governments, these campaigns have impacted not just the reputation of the company, but, more importantly, they have changed the narrative to empower the general public to address these issues.

Funding efforts to enhance news literacy – especially for novice online consumers – is becoming a priority for governments. Schools are training students to search multiple sources with multiple perspectives as well as to identify the credible ones. Companies can involve their employees or fund these programmes, whilst backing governmental efforts.

Show me the money

Spreading false information can be profitable, due to advertising revenues or increased traffic. During the 2016 US presidential campaign, trolls in Macedonia reportedly made a lot of money by disseminating erroneous material.

However, advertising networks with big budgets, as well as corporations working with influencers, can do a lot to stop the monetisation of fake news, while publishers can also stop carrying advertising networks that endorse or ignore fake news sources. Cutting advertising on unsuitable platforms, the ethical selection of the right product endorser, and having zero tolerance for spreading fake news or using sensationalised news hooks are all weapons at our disposal even if it necessitates acting against our self-interest or sales targets.

As always, finding solutions for such complex issues requires all actors to coordinate and play the same tune. Neither governments nor traditional and social media can prevent fake news on their own. However, leveraging consumer needs with industry-wide corporate objectives and financial muscle may just provide the thrust we need to really take the fight to fake news. ■

Learning Right About Right

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

EXPANDING HORIZONS

In many boardrooms, ethics is the trending buzzword. Can it be learnt? Or is it just simply about having a good conscience and doing right?

Around the world, lapses in corporate governance and ethical behaviour have resulted in some of the biggest business scandals in living memory.

Consider the following:

- 1MDB – Malaysia's strategic development company, and considered by some as the biggest corruption scandal in history – has allegedly cost the country billions of dollars.
- Arthur Andersen, at one time one of the "Big Five" global accountancy firms, ceased to exist after having been charged, although it was not convicted, for its involvement in the fraudulent activities and collapse of Enron.
- Apple, Google and other global corporations engage in what is known as tax optimisation – a legally justified but, in the eyes of many, an unethical practice.
- Petrobras, the Brazilian state-owned oil company kicked back to officials and politicians vast amounts of money in return for contracts it needed to stay successful in business.
- The Italian football club Juventus, which is owned by Fiat, bought star-player Cristiano Ronaldo at a cost equal to €5,000 in annual salary of each of its employees in Turin.
- The German car giant Volkswagen has admitted to using a "defeat device" in its diesel engines to cheat emissions tests in the US.

In the face of examples of such corporate lapses, is it any wonder that there is a growing call for tighter regulation and improvement in corporate ethics and cultures?

The Monetary Authority of Singapore (MAS), for instance, has issued a revised Code of Corporate Governance, which references ethics, corporate culture and values as crucial elements of good corporate governance.

Moral dilemmas

A definition of ethics involves systematically categorising, defending and recommending concepts of right and wrong conduct. At its core is an emphasis on moral duty and obligation.

Ethics, however, is not an easy subject to deal with.

Say you run a public relations firm that is approached by a leading cigarette manufacturer. Do you stay guided by your moral convictions and reject the company's business and the tobacco industry as a whole, as many sustainable investment funds have done? Or do you treat it as any other business? What about a business that produces and markets alcoholic beverages which may result in drinking addiction? Or a casino that many opponents charge contributes to, even causes, gambling addiction?

Then there are pharmaceutical companies that price their products on a strict demand-and-supply basis. A textbook example is the controversial pricing of the EpiPen allergy-reaction injector, which rose six-fold despite being a life-saving pharmaceutical product, pricing it out of range of those that depend on such medical aids.

Where do we draw the line?

How we can learn ethical behaviours

Any attempt to answer that question must start with another question: can ethics be learnt?

Certainly, there are any number of training programmes that teach ethics. For instance, Coursera, the highly popular online platform offering education by the world's best universities and educational institutions, lists over a hundred ethics courses in various languages; whilst most undergraduate and masters programmes include modules in ethics.

But can we really learn ethics in the classroom, or absorb the knowledge from books and articles? How does the theory hold up in practice?

For directors, who have to balance the needs and interests of various stakeholders, the issue of ethics poses particularly thorny issues.

Senior executives and directors may consider themselves ethical individuals and agree to what they should do in theory; yet in real life, they are travelling on a road where a never-ending range of ethical issues appears as barriers to what their companies set out to achieve.

To deal effectively with ethics in a business setting requires an investment in continuous personal development. It is worthwhile studying companies that are regarded as benchmarks, the better to learn how to capture the spirit of ethical behaviour successfully.

At the end of the day, ethics is about doing things with conscience. Stripped down to its purest form, a simple test of whether something is ethical or not, perhaps, is to ask if you could explain it to your children.

Ultimately, the issue of doing right and doing good is an intrinsic and personal conviction. The challenge is to practise ethical behaviour as we go about our daily lives, in a way in which business or financial considerations are not the ultimate drivers. ■

Dear Mr Sid

Sailing into Troubling Waters

I have recently become a non-executive director of a Singapore-registered shipping company.

This is my first director role, and I was hugely excited to be offered it. I don't have any shipping experience. My background is in accounting, where I mostly handled audits for the financial services sector.

I was invited by the board chairman (an old school friend). The plan is that I join the audit committee (AC) and take over as chair a year later when the current AC chairman retires. So, I have much to learn, but I have attended a few SID courses to learn about the directorship role.

Now, the company has a fleet of ships ferrying goods across the world. We have offices in the ports of many countries, and I am finding that things can be "done differently" in some of those countries.

I'm still learning about the culture of the company, but I would describe it as very profit-focused: maximising earnings may not be the only thing, but it's certainly the main thing.

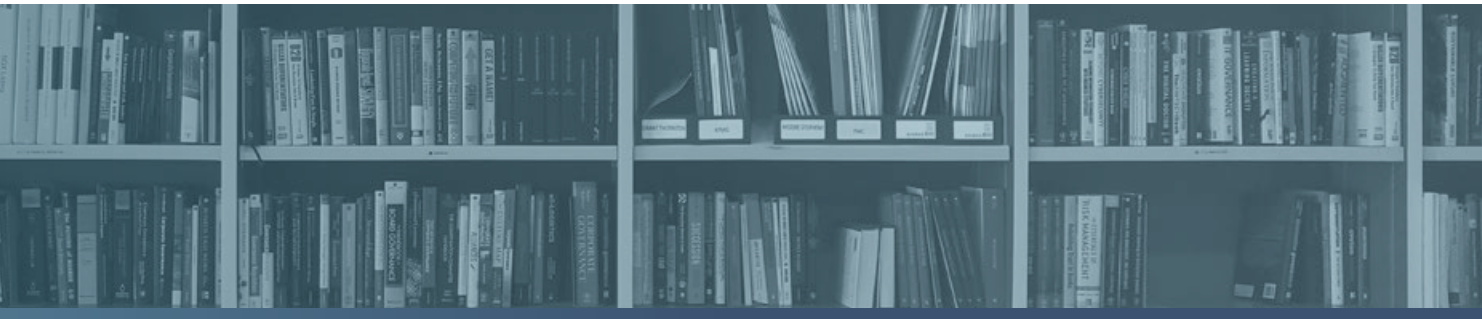
And this leads to my concern. There are things going on that I don't fully understand. For example, the internal auditor tells me that there have been some quite significant claims for entertainment and payments of agency fees. When I raise this with the chairman, I am told that we need to be pragmatic in dealing with the ports and customs officers to help our clients get their goods through.

I understand that these are not black and white issues. It's not like the company is paying bribes directly, and it's possible that the payments are permitted in the local jurisdictions. But the situation does make me feel uncomfortable. Even if it's legal, I wonder if it's moral.

The SID courses I have attended so far do not provide any guidance on to how I should deal with such a situation. Maybe you can help.

Yours sincerely

What-Have-I-Gotten-Myself-Into



Dear What-Have-I-Gotten-Myself-Into

You raise several good questions about business ethics and ethical conduct. Ethics is a difficult and, often, a sensitive subject. While good ethical practices can be taught in the classroom and agreed to in the boardroom, ethical decisions are not always, as you point out, black and white.

Several of the SID courses do cover the subject as part of their curriculum. However, what is right or wrong in any one particular situation can be very subjective, and affected by the corporate culture and the operating environment. SID also occasionally present case studies at forums for participants to explore the facets of specific situations.

Board selection

If you had attended SID's entry-level course, "So, You Want To Be A Director" (SYD), you would have learnt that an important aspect of ensuring a satisfying directorship is board selection.

Too many directors are only too glad to be nominated to a board. But making sure that there is a good fit between director, company and board is a decision that both the board and the director should make.

In SYD, participants are taught the importance and process of conducting due diligence of a company and its board prior to accepting an appointment. The process involves, among other things, understanding the company's business, financial performance, governance, key personnel, board dynamics, corporate values, and other matters.

That said, it is not always practical to get an adequate appreciation for the key issues, in particular, board dynamics and corporate values, prior to joining a board.

But you are where you are. How then can you be more comfortable with the ethical direction of the company?

Code of conduct and ethics

A good starting point is to review the company's Code of Conduct and Ethics. If there is none, you should get the board to establish one.

One way to raise the subject is to refer to recent ethics-related corporate scandals (take your pick!) and make the point that, for good governance, your board should ensure that the right conditions are in place to avoid similar occurrences.

But a more positive way of introducing the subject is to reference the recently-revised Code of Corporate Governance 2018 where ethical standards are specifically emphasised:

- "[The board has the role of] establishing an appropriate culture, values and ethical standards of conduct at all levels of the company." (Introduction paragraph 3)
- "The Chairman should… set the right ethical and behavioural tone, and provide leadership to the board." (Introduction paragraph 4)
- "The board puts in place a Code of Conduct and Ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company." (Provision 1.1)

You should volunteer to take the lead to oversee not just the development or review of the Code of Conduct and Ethics, but also the plan for its communication and implementation.

Whistleblowing

Whistleblowing reports provide a good source for uncovering ethical breaches. Many studies show that the majority of frauds and other irregularities are exposed by insiders who saw and knew what happened.

Ever since the Enron collapse which was triggered by an internal whistleblower uncomfortable with its accounting, it is generally recognised as good governance to have a whistleblowing policy and processes in place for reporting irregularities. Thus, Provision 10.1(f) of the Code of Corporate Governance requires that "the company publicly discloses, and clearly communicates to employees, the existence of a whistleblowing policy and procedures for raising such concerns".

If your company does not have a whistleblowing policy or procedures, it should certainly have one. If it has one, you should still review it to ensure that it includes principles and practices such as confidentiality, protection for whistleblowers, and appropriate channels for reporting.

The fact that you are an AC member and you are also designated to become the AC chair is a good basis for you to initiate the establishment or review of the whistleblowing policy and look into specific cases of irregularities. It would not be out of place for you to visit specific ports, for instance, to review and understand their internal controls and experience.

To get a good sense of the trend of irregularities occurring in the company, you can ask the internal auditor to provide you and the AC with an analysis of the misconducts that have been reported in the recent years.

Beyond the documented history, you may be able to get a good sense of irregularities that have occurred in the company even if there were no explicit whistleblowing reports on them by speaking to relevant management and operational staff – such as the internal auditors, and those involved with key aspects of operations at the ports.

Specific cases

Where there are known or alleged specific cases of fraud or bribery, the AC should dig into

them. This means fully resolving such cases, with clear decisions on the company's ethical stand and proportionate penalties for those found guilty of breaches.

Beyond the resolution of each case, you need to determine if there is a pattern: are the cases symptomatic of a broader cultural or operational issue?

You should then have an open discussion with the chairman, the AC and the board to address matters of concern.

Nuclear option

If, after you have explored and exhausted all options, you find that the situation is untenable, you may need to take extreme action.

For instance, where members of the company's management have been engaged in illegal activities, and the board has condoned it and/or not sought to take appropriate action, you should seriously consider whistleblowing these activities to the authorities.

Where there is no clear evidence of misconduct but you remain uncomfortable with the values, culture and ethical behaviour of the board and/or management, it may be that you decide to resign from the board.

Hopefully, it will not come to this.

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 4.5: Risk Management

Section 4.6: Finance

Boardroom Matters

Vol 1, Chapter 15: "Beware of Anti-Corruption Laws" by Annabelle Yip

Vol 1, Chapter 17: "Conducting Due Diligence Before Accepting A Directorship" by Mike Gray

Vol 2, Chapter 4: "Business Ethics: Beyond Compliance to Competitive Advantage" by Neo Sing Hwee

Vol 2, Chapter 29: "Whistleblowers: The Directors' Ally" by Mike Gray

Vol 3, Chapter 11: "Setting the Right Board Culture" by Philip Forrest

Vol 3, Chapter 13: "The Role of the Board in Corporate Culture" by Philip Forrest

SGTI and CG Code 2018

Raising the National Bar on Corporate Governance

Even as the latest results of Singapore Governance and Transparency Index (SGTI) show that the level of corporate governance in Singapore is improving, the bar is being raised with the fourth edition of the Code of Corporate Governance and related Listing Rule changes.

Over 300 corporate directors and senior management converged on Marina Mandarin Singapore on 6 August 2018 for the 2018 results of the Singapore Governance and Transparency Index (SGTI). The index is a benchmark that assesses Singapore-listed companies on their corporate governance disclosures and practices, as well as the timeliness, accessibility and transparency of their financial results announcements.

The forum was organised by SID, in collaboration with CPA Australia and NUS Business School's Centre for Governance, Institutions and Organisations (CGIO).

In his opening address, Mr Yeoh Oon Jin, Divisional President of Singapore CPA Australia, observed that companies are increasingly under pressure to be more transparent and accountable to their stakeholders; which is why the current

corporate governance structures and processes need to evolve in order to remain relevant and effective.

The event's guest of honour Mr Ong Chong Tee, Deputy Managing Director (Financial Supervision), Monetary Authority of Singapore, underlined the importance of good corporate governance. Corporate governance failings, he said, damage investor confidence, and in larger institutions, could even undermine financial stability on a broader plane. He also announced the release that morning of the revised Code of Corporate Governance. The Monetary Authority of Singapore had considered and accepted all the recommendations of the Corporate Governance Council, and incorporated these in the revised Code.

Next, Associate Professor Lawrence Loh, Director, CGIO, presented the key findings of SGTI 2018. The mean score for Singapore-listed companies in the General category this year was on an upward trajectory and at an all-time high of 56.3. A similar pattern was observed for companies in the REITs category with a mean score of 74.5 this year, up from 60.4 in 2017.

Awards were presented to the top five companies overall, as well as the top company in the REITs and Business Trusts, Small-Cap category (less than S$300 million market capitalisation) and Mid-Cap category (S$300 million to less than S$1 billion market capitalisation).

A panel discussion followed. Moderated by Mr Melvin Yong, Country Head, Singapore CPA Australia, the four panellists – Mr Robert Chew, Managing Partner, iGlobe Partners; Ms Rachel Eng, Deputy Chairman, WongPartnership LLP; Mr Alex Hungate, President and CEO, SATS; and Mr Melvin Teo, Executive Director and Group CEO, Yeo Hiap Seng Ltd – tackled the theme "Corporate Governance in the Future Economy". It was a robust discussion in which both panellists and audience gave their opinions on what the revised CG Code portends for corporate governance.

Mr Willie Cheng, Chairman, SID, closed the forum with a reminder that corporate governance is a journey that each company and board undertakes, and that various players in the ecosystem including regulators such as ACRA, MAS and SGX, and associations such as SID are on hand to support with resources and programmes.

Keynotes

"The SGTI is a collaboration of CPA Australia, the Centre for Governance, Institutions and Organisations (CGIO) at NUS Business School, and the Singapore Institute of Directors.

This powerful tripartite alliance of accountants, directors and an independent academic institution ensures that the SGTI continues to be the pre-eminent Singapore national benchmark for good corporate governance among Singapore-listed companies.

With the SGTI, we hope that Singapore companies will continue their upward trend in strengthening governance locally, while aligning with global standards and best practices."

Mr Yeoh Oon Jin
Divisional President, Singapore CPA Australia

"For market discipline to work, it is essential that companies provide relevant and meaningful disclosures.

Investors, in turn, can play an important role by scrutinising disclosures and providing relevant feedback to companies where boilerplate disclosures are ambiguous or unhelpful. Companies must similarly play their part to engage their stakeholders proactively. The engagement between companies and shareholders should be conducted responsibly by both parties.

Industry associations are another key enabler group to foster strong market discipline. Other players in the CG ecosystem matter too. Journalists, analysts, academics, lawyers, other advocacy groups and the general public – all can contribute to raising industry-wide CG standards through their reports and research.

In sum, building a strong CG ecosystem is most effective when there is a collective effort involving multiple gatekeepers – beyond the regulators and the boards of companies."

Mr Ong Chong Tee
Deputy Managing Director, (Financial Supervision), MAS

"The sustained progress of listed companies in the SGTI is timely as Singapore transforms its regulatory landscape for effective corporate governance practices.

Companies have made good overall progress in corporate governance over the years. While steady improvements were made in various core areas, one specific area for improvement is engagement of stakeholders.

Many companies made significant increases in SGTI 2018 performance due to attention to sustainability. It is also important to address issues relating to director tenure and board independence in light of the new regulatory landscape."

Assoc Prof Lawrence Loh
Director, CGIO, NUS Business School

"The good news is that the regulators have given companies adequate lead time to comply with the Code. All companies have at least a year and a half before reporting on their compliance.

For two of the listing rule changes which are related to independent directors, the transition period is three years. But rather than wait until the changes come into full force, we urge companies to act now. The first step is to understand precisely what the changes involve.

Ultimately, corporate governance is a journey that each company and board undertakes. We are all committed to being on that journey with you so that each board and each director can play an effective role in the long-term interests of our corporate ecosystem."

Mr Willie Cheng
Chairman, SID

Changes to the Code of Corporate Governance

Over the past year and a half, the Corporate Governance Council set up by MAS in February 2017 has deliberated over the finer points of the corporate governance structures and processes that apply to all listed companies in Singapore. Through a series of public consultations and council sessions, the council members weighed the different perspectives and submitted their recommendations. MAS accepted these recommendations in their entirety.

Some of the major changes to the revised Code are:

Structure of Code

The revised Code is intended to be more concise and less prescriptive, so as to encourage thoughtful application and shift away from a box-ticking mindset. Just over half the length of the previous Code, it has also been streamlined to focus on the key tenets of corporate governance.

- The revised Code contains core Principles – for which compliance is mandatory – which set out broadly accepted characteristics of good corporate governance.
- Provisions, which are designed to support compliance with the Principles, replace the Guidelines of the previous Code. These describe the tenets of good corporate governance. Variations are acceptable if companies explicitly state and explain how their practices are consistent with the aim and philosophy of the Principle in question.
- The accompanying Practice Guidance, which is non-binding, guides compliance with the revised Code and sets out best practices.

Comply-or-Explain Regime

The Introduction explains the broad intent of the revised Code and clarifies how companies should apply the comply-or-explain regime. It also explains how the revised Code and Practice Guidance apply to companies and refers to the board's role in establishing corporate culture.

Director Independence

Objective and baseline tests relating to employment have been shifted to the SGX Listing Rules, to reflect the fact that companies should apply these tests without any exceptions. In the revised SGX LR, the term of an ID will be limited to nine years. The re-appointment of IDs who have served beyond the nine-year mark is subject to a two-tier vote to be approved by the majority of (i) all shareholders; and (ii) all shareholders excluding shareholders who also serve as directors or the CEO (and their associates).

Substantial Shareholders

The shareholding threshold in relation to determining director independence has been revised downwards from 10 to five per cent, to align with the definition of "substantial shareholders" in the Companies Act, and Securities and Futures Act. Companies will be required to disclose the relationship between the Chairman and CEO if they are immediate family members. SGX will apply the existing definition of "immediate family" in the SGX LR.

Board Composition

The current Guideline for one-third of the board to comprise independent directors is shifted from the Code to the SGX LR. The revised Code provides that IDs must comprise a majority of the board (from "at least half" in the current Code) where the Chairman is not independent. A new Provision in the revised Code requires the board to comprise a majority of non-executive directors.

Board Diversity

The provision for board diversity is enhanced. Directors as a group should have an appropriate balance and mix of skills, knowledge, experience, gender and age, so as to avoid groupthink. Companies are required to disclose their board diversity policy and to describe the progress made in implementing that policy, including objectives.

Training for First-time Directors

Directors with no prior experience as a director of a listed company must now undergo mandatory training in the roles and responsibilities of a director of a listed issuer. SGX has also issued a Practice Note setting out the prescribed training for first-time directors within their first year of appointment.

Remuneration Disclosure

Companies are now required to disclose: (a) the relationship between remuneration and value creation, and (b) the names and remuneration of employees who are substantial shareholders or immediate family members of substantial shareholders (in addition to employees who are immediate family members of a director or the CEO, as in the current Code), where such remuneration exceeds S$100,000 during the year (revised from S$50,000 currently), in bands no wider than S$100,000 (revised from S$50,000 currently).

Accountability and Audit

The revised SGX LR requires companies to establish committees to perform the functions of an Audit Committee, Nominating Committee and Remuneration Committee, with clear terms of reference. Provisions in the revised Code set out the duties of the Audit Committee.

Stakeholder Engagement

A new Principle and accompanying Provisions require companies to consider and balance the needs and interests of material stakeholders.

Establishment of a Corporate Governance Advisory Committee

An industry-led Corporate Governance Advisory Committee to promote good corporate governance practices will be established.

SGTI Panel Discussion

L-R: Melvin Yong, Melvin Teo, Rachel Eng, Alex Hungate, Robert Chew.

What the SGTI results mean for boards

"When a business reaches a certain size, it needs even more guidance from its independent directors (IDs) to strengthen the foundation of the company, such as risk management, sustainability and corporate governance. That is where the varied skillsets of the independent directors come into play."

Ms Rachel Eng
Deputy Chairman, WongPartnership LLP

"Independence and transparency are absolutely key. But any company looking to be sustainable in the long run, should emphasise corporate culture, values and ethics, because these are the best protection against the unknown."

Mr Alex Hungate
President & CEO, SATS

"I would encourage directors, when in doubt, to just make the disclosure to the market. Investors would like management to disclose as much as possible as they are interested in how the company is growing. The more information is out there, the better it is for investors."

Mr Robert Chew
Managing Partner, iGlobe Partners

"We look at succession planning as part of the index assessment. Should the assessment also consider CEO tenure?"

Mr Raymond Kwok
Independent Director, HSBC Insurance

Accounting for the gap between the average and top scores

"Some ways to generate a higher level of awareness and instil greater interest in the index among listed companies are to communicate more directly with the chairmen and to have shareholders raise the performance of the company during AGMs."

Mr John Lim
Immediate Past Chairman, SID

"Companies at the lower end of the Index may not place much emphasis on the rankings. For those companies who did well, perhaps their staff are rewarded for doing well on the Index. So we need to think of how to make the Index more relevant to companies."

Mr Robert Chew

"In our assessment of the companies, those companies on the SGX watch-list tend to score lower on the Index. On the flipside, companies on the SGX fast-track list tend to score significantly higher on the Index."

Assoc Prof Lawrence Loh
Director, CGIO, NUS Business School

"Is there a correlation between companies being on the lower end of the index score and being on the SGX watchlist?"

Mr Richard Hayler
Senior Managing Director, FTI Consulting

Stakeholder engagement

"One of the roles of the CEO is to balance the needs of all the different stakeholders. This may be complex and take considerable time and effort."

Mr Alex Hungate

"These days, you get queries from more parties, such as minority shareholders. That is why being able to articulate your vision and to disclose and share what is happening is very important."

Mr Melvin Teo
Executive Director & Group CEO, Yeo Hiap Seng

Reactions to the CG Code changes

"What I hope to see is for the Code to eventually be extended to unlisted private companies, some of which may be as large as, if not larger than, listed companies. For large private companies with many shareholders, perhaps these rules should also apply to them."

Mr Melvin Teo

"The 9-year rule really helps. It forces the chairman, CEO and Nominating Committee to seek out new directors and work out a strategy to ensure continuity."

Mr Robert Chew

"I find the new CG Code easier to digest in this streamlined form. The 2012 Code was a lot more prescriptive. Personally, I'd like to see more customised and bespoke disclosures."

Ms Rachel Eng

SGTI Findings

Summarised here are the key takeaways from Associate Professor Lawrence Loh's presentation on the results of the 2018 SGTI.

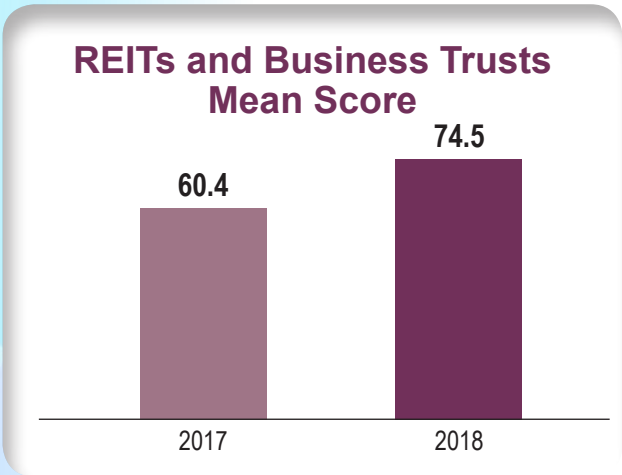
- The SGTI studied 632 companies that released FY 2017 annual reports by 31 May 2018. In addition to annual reports, the assessment also canvassed website information, company announcements, media coverage and the companies' investor relations responses.
- In all, 127 companies were excluded. These were newly listed companies without a full year's financial reports, secondary listings, companies that complied with another code of corporate governance, companies suspended from trading, and companies that had not released annual reports for two years.

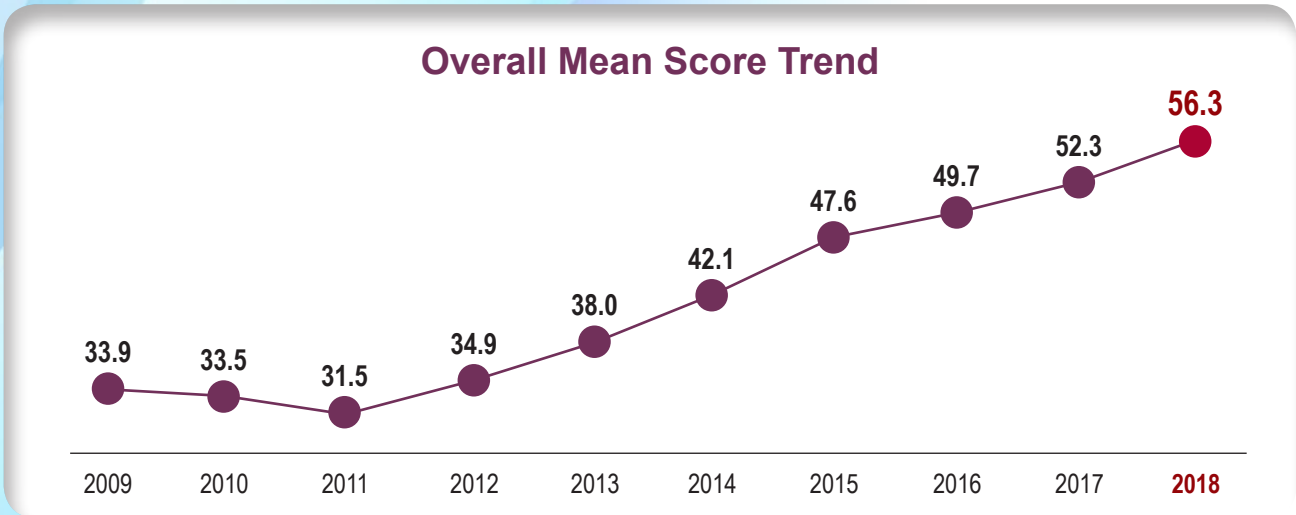
Trend

- Since 2011, there has been a steady upward trajectory with the 2018 SGTI marking all-time high of 56.3 (see line chart below on Overall Mean Score Trend).
- The score distribution trend over the past three years indicates that the majority of companies is improving.
- Companies in the REITs and Business Trusts category are doing well on a steady upward trajectory, with a mean score of 74.5 in 2018, up from 60.4 in 2017 (see bar chart below on REITs and Business Trusts Mean Score).

Improvements

- Stakeholder engagement is an area noted for further improvement.
- Forging ahead in light of the revised CG Code, companies should also expand their focus to include board independence, director tenure, and sustainability.





SGTI Award Winners

Category: **REITs and Business Trusts**
Winner: **CapitaLand Mall Trust**

Category: **Small-Cap** (companies with market cap of less than S$300 million)
Winner: **Global Investments Ltd**

Category: **Mid-Cap** (for companies with market cap of S$300 million to S$1 billion)
Winner: **Tuan Sing Holdings Ltd**

Category: **Overall**
Winner: **Singapore Telecommunications Ltd** (1st)

DBS Bank Ltd (2nd)

CapitaLand Ltd (Joint 3rd)

Singapore Exchange Ltd (Joint 3rd)

SATS (5th)

SATS President and CEO, Alex Hungate.

Global Investments Chairman and Non-Executive Director, Boon Swan Foo.

The award winners (L-R): Chng Lay Chew (SGX), Alex Hungate (SATS), Teoh Chia-Yin (DBS Bank), Sin Yang Fong (SingTel), Boon Swan Foo (Global Investments), William Liem (Tuan Sing Holdings).

SGTI Rankings

SGTI Ranking of Listed Companies 2018

RANK 2017	RANK 2018	COMPANY NAME	OVERALL SGTI 2018 SCORE
1	1	SINGAPORE TELECOMMUNICATIONS	129
3	2	DBS GROUP HLDGS	124
2	3	CAPITALAND	118
3	3	SINGAPORE EXCHANGE	118
11	5	SATS	114
6	6	SEMBCORP INDUSTRIES	113
8	7	CITY DEVELOPMENTS	110
11	8	UNITED OVERSEAS BANK	109
9	9	OVERSEA-CHINESE BANKING CORP	108
13	9	SINGAPORE PRESS HLDGS	108
9	11	GLOBAL LOGISTIC PROPERTIES	107
7	12	TUAN SING HLDGS	106
16	13	DEL MONTE PACIFIC	102
15	13	OLAM INTERNATIONAL	102
19	15	PERENNIAL REAL ESTATE HLDGS	101
43	15	SINGAPORE TECHNOLOGIES ENGINEERING	101
25	17	COMFORTDELGRO CORP	100
38	17	GLOBAL INVESTMENTS	100
18	17	STARHUB	100
16	17	VICOM	100
28	21	SINGAPORE AIRLINES	98
21	21	YOMA STRATEGIC HLDGS	98
21	23	KEPPEL T&T	97
19	23	MICRO-MECHANICS HLDGS	97
13	25	GREAT EASTERN HLDGS	96
21	26	SING INVESTMENTS & FINANCE	92
70	27	HONG LEONG ASIA	91
24	27	QIAN HU CORP	91
35	29	FRASERS CENTREPOINT	90
88	30	HAW PAR CORP	89
25	30	WILMAR INTERNATIONAL	89
31	32	SIA ENGINEERING CO	88
346	32	SINGAPORE POST	88
28	34	BANYAN TREE HLDGS	87
38	35	DYNAMIC COLOURS	86
151	35	GEO ENERGY RESOURCES	86
32	35	M1	86
41	38	HONG LEONG FINANCE	85
43	38	JAPAN FOODS HLDG	85
178	40	HO BEE LAND	84
32	40	SBS TRANSIT	84
32	40	WHEELOCK PROPERTIES (S)	84
61	43	FRASER AND NEAVE	83
375	43	GUOCOLAND	83
5	43	KEPPEL CORP	83
111	46	ASL MARINE HLDGS	82
25	46	CHINA AVIATION OIL (S) CORP	82
209	46	FAR EAST ORCHARD	82
37	46	INDOFOOD AGRI RESOURCES	82
164	46	MIYOSHI	82
35	46	SEMBCORP MARINE	82
61	46	TEE INTERNATIONAL	82
88	46	THE TRENDLINES GROUP	82
41	54	BAKER TECHNOLOGY	81
61	54	FIRST RESOURCES	81
88	54	KODA	81
70	57	GRAND BANKS YACHTS	80
375	57	HG METAL MANUFACTURING	80
88	57	JARDINE CYCLE & CARRIAGE	80
295	60	SILVERLAKE AXIS	79
49	60	TEE LAND	79
28	60	VENTURE CORP	79
242	60	WILLAS-ARRAY ELEC (HLDGS)	79
51	64	CENTURION CORP	78
43	64	UOL GROUP	78
83	64	YEO HIAP SENG	78
111	67	AVI-TECH ELECTRONICS	77
139	67	AXCELASIA INC	77
178	67	FRENCKEN GROUP	77
124	67	LHN	77
242	67	MDR	77
56	67	MTQ CORP	77
56	67	RIVERSTONE HLDGS	77
38	67	SINGAPORE O&G	77
51	67	SOILBUILD CONSTRUCTION GROUP	77
279	67	UNITED OVERSEAS INSURANCE	77
124	77	SAMUDERA SHIPPING LINE	76
324	78	ASTAKA HLDGS	75
100	78	COURTS ASIA	75
61	78	IFAST CORP	75
56	78	MEGACHEM	75
193	78	TEHO INTERNATIONAL INC	75
178	83	ECOWISE HLDGS	74
151	83	FU YU CORP	74
533	83	GENTING SINGAPORE PLC	74
295	83	INTRACO	74
219	83	METRO HLDGS	74
88	83	TA CORP	74
209	83	TAI SIN ELECTRIC	74
219	90	CWX GLOBAL	73
242	90	GL	73
256	90	HONG FOK CORP	73
139	90	SINGAPORE EDEVELOPMENT	73
139	90	SINGAPURA FINANCE	73
178	95	CH OFFSHORE	72
100	95	ES GROUP (HLDGS)	72
151	95	ISOTEAM	72
164	95	RAFFLES UNITED HLDGS	72
219	95	ROXY-PACIFIC HLDGS	72
408	100	ANCHUN INTERNATIONAL HLDGS	71
309	100	ASIA ENTERPRISES HLDG	71
68	100	ASIAPHOS	71
61	100	BREADTALK GROUP	71
178	100	EUROSPORTS GLOBAL	71
164	100	HL GLOBAL ENTERPRISES	71
242	100	KARIN TECHNOLOGY HLDGS	71
73	100	OVERSEAS EDUCATION	71
51	100	TELECHOICE INTERNATIONAL	71
51	100	UNITED ENGINEERS	71
178	110	3CNERGY	70
295	110	CITYNEON HLDGS	70
408	110	CSE GLOBAL	70

*Notes:

[1] Abbreviations: CO - COMPANY; CORP - CORPORATION; HLDG - HOLDING; HLDGS - HOLDINGS; PTE - PRIVATE; S - SINGAPORE.

[2] SGTI 2018 assessed companies based on their annual reports for Financial Year 2017 released by 31 May 2018. Exception was made for 19 companies which did not have their Annual Report published, in this case, these companies are assessed based on their annual report for Financial Year 2016.

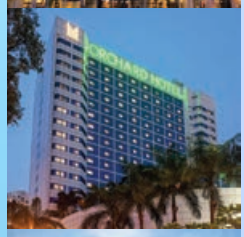
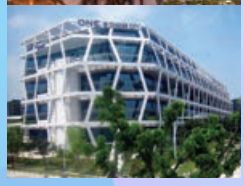
A total of 127 entities listed at SGX were excluded from the SGTI 2018 ranking. They are: 1) Newly-listed companies that do not have a full year's financial report (21 Cos.); 2) Companies that are listed as secondary listing on SGX (29 Cos.); 3) Funds (11 Funds); 4) Companies that are suspended from trading (65 Cos.); and 5) Companies which did not release their annual reports for the past 2 years (1 Co.).

REITs and Business Trusts Category

RANKING 2017	RANKING 2018	TRUST NAME	OVERALL SGTI 2018 SCORE
1	1	CAPITALAND MALL TRUST	102.1
2	2	CAPITALAND COMMERCIAL TRUST	95.7
6	3	ASCOTT RESIDENCE TRUST	88.9
3	4	KEPPEL REIT	88.5
7	5	ASCENDAS REIT	86.7
10	5	CDL HOSPITALITY TRUSTS	86.7
5	5	KEPPEL DC REIT	86.7
9	8	STARHILL GLOBAL REIT	85.7
4	9	CAPITALAND RETAIL CHINA TRUST	84.9
NA	10	BHG RETAIL REIT	84.5
14	11	IREIT GLOBAL	84.3
12	12	FRASERS COMMERCIAL TRUST	83.5
8	13	SPH REIT	83.2
11	14	MAPLETREE COMMERCIAL TRUST	81.8
18	15	FRASERS CENTREPOINT TRUST	81.6
22	15	MAPLETREE LOGISTICS TRUST	81.6
NA	17	FRASERS LOGISTICS & INDUSTRIAL TRUST	80.9
28	18	ESR-REIT	80.8
24	18	KEPPEL INFRASTRUCTURE TRUST	80.8
13	20	FRASERS HOSPITALITY TRUST	80.6
19	21	OUE HOSPITALITY TRUST	80.3
27	22	MAPLETREE GREATER CHINA COMMERCIAL TRUST	78.0
19	23	MAPLETREE INDUSTRIAL TRUST	77.5
33	24	AIMS AMP CAPITAL INDUSTRIAL REIT	77.3
25	25	ASCENDAS INDIA TRUST	76.1
36	26	PARKWAY LIFE REIT	74.5
17	27	SOILBUILD BUSINESS SPACE REIT	74.4
15	28	VIVA INDUSTRIAL TRUST	72.4
15	29	ASCENDAS HOSPITALITY TRUST	70.5
32	30	CACHE LOGISTICS TRUST	70.3
29	31	OUE COMMERCIAL REIT	69.7
37	32	ACCORDIA GOLF TRUST	69.0
NA	33	EC WORLD REIT	68.9
34	33	LIPPO MALLS INDONESIA RETAIL TRUST	68.9
21	35	FAR EAST HOSPITALITY TRUST	66.7
23	36	SUNTEC REIT	66.6
31	37	ASIAN PAY TELEVISION TRUST	65.9
NA	38	MANULIFE US REIT	64.2
40	39	FIRST REIT	59.1
26	40	HUTCHISON PORT HOLDINGS TRUST	48.1
30	41	RHT HEALTH TRUST	46.2
42	42	FIRST SHIP LEASE TRUST	27.4
39	43	SABANA SHARI'AH COMPLIANT REIT	22.3





*Base is the addition of SGTI Base Score and Trust-specific Score

Notes:
[1] Abbreviation: REIT - Real Estate Investment Trust
[2] SGTI 2018 assessed trusts based on their annual reports for Financial Year 2017 released by 31st May 2018. A total of 5 trusts listed at SGX were excluded from the SGTI 2018 ranking. They are: 1) Newly-listed trusts that do not have a full year's financial report (4 Trusts); 2) Trust that is listed as secondary listing on SGX (1 Trust).

Corporate Governance Briefings

Understanding the Revised Code and Listing Rules

Following the revisions to the Code and SGX Listing Rules, SID, with the support of the regulators, is organising six briefing sessions. These are specifically aimed at directors of listed companies, as well as those working closely with them on corporate governance matters, such as company secretaries.

The first Corporate Governance Briefing session kicked off with an enthusiastic reception from close to 130 participants who packed the ballroom at the Marina Mandarin Singapore on 27 August 2018 to learn about the impact of the revisions.

Taking turns to explain the changes were Ms Joyce Koh (ED, SID), Mr Adrian Chan (Partner, Lee & Lee), Mr Irving Low (Partner, KPMG) and Mr David Chew (Partner, Deloitte). A panel of experts comprising members of the Corporate Governance Council – Associate Professor Mak Yuen Teen (NUS Business School) and Mr Willie Cheng (Chairman, SID), and the regulator, Mr Tan Boon Gin (CEO, SGX RegCo) – took a fast and furious flow of questions from the floor.

Among the issues that dominated the agenda were the nine-year rule for independent directors, the cooling-off period between employment and directorship, the separation of the roles of the CEO and Chairman, and the publication of AGM minutes on the company website. There was also concern about the increased pressure to adhere to the new requirements, which included moving a number of former guidelines to the listing rules, and making compliance mandatory.

Mr Tan Boon Gin clarified that a key purpose of the revisions is to encourage every company to thoughtfully consider how corporate governance can be enhanced in a way that suits the company. To achieve the outcomes highlighted in the overarching Principles of good corporate governance, companies can take concrete steps towards good corporate governance by adopting the recommendations in the Provisions.

"These are significant changes and SID has done a great job in delivering a concise summary of what every listed board director needs to know."

Mr Michael Dean
Independent Director, Delfi Limited
Co-founder, Myanmar Investments (AIM listed)

"On the surface, the amendments to the Code and the Listing Rules do not appear to be substantive, but having attended the first Corporate Governance Briefing session, I realised that the changes are significant. All directors should be aware of them and should attend one of the sessions."

Mr Michael Gray
Independent Director
GSH Corporation Ltd

"An excellent briefing by SID on the latest corporate governance changes. A concise yet complete update on the new principles and provisions of the Code of Corporate Governance and listing rules, with useful clarifications on the rationale and key aspects of the changes by the speakers. We are asking all our directors to attend one of the sessions."

Mr Gerald Lee
CEO, Far East Hospitality Trust

"It was an informative and useful session on the corporate governance revisions, providing helpful insights. Participants also had the opportunity to seek clarification on some points which were unclear."

Ms Angeline Khoo
Company Secretary, Venture Corporation

Meanwhile, the new Practice Guidance helps companies conform and perform according to best market practices. While it is a breach of the SGX Listing Rules to fail to comply with the Principles or not to provide explanation for non-adherence with the Provisions, SGX's first response is not to take immediate disciplinary action but to enquire the reasons for such breaches, in order to achieve meaningful compliance.

Feedback from the session was positive, with many saying that they understood the changes and rationale much better, not having realised the full extent of the changes prior to the session. ■

More CG Briefing Sessions

Date:	Tuesday, 18 September 2018
Time:	9.00 am to 12.30 pm
Venue:	Marina Mandarin Singapore
Date:	Friday, 21 September 2018
Time:	9.00 am to 12.30 pm
Venue:	SGX Auditorium
Date:	Wednesday, 26 September 2018
Time:	2.00 pm to 5.30 pm
Venue:	SGX Auditorium
Date:	Wednesday, 10 October 2018
Time:	9.00 am to 12.30 pm
Venue:	M Hotel
Date:	Tuesday, 16 October 2018
Time:	9.00 am to 12.30 pm
Venue:	Marina Mandarin Singapore

Participants received a copy of the *Corporate Governance Revisions 2018 Reference Guide* which contains the full set of the revised Code of Corporate Governance, Practice Guidance and Amended Listing Rules, with the 2018 changes higlighted. Additional copies of the booklet are available from SID. For more information, please email publications@sid.org.sg.

2018 Singapore Corporate Awards

CELEBRATING CORPORATE GOVERNANCE EXCELLENCE ALL ROUND

The 2018 edition of the Singapore Corporate Awards honoured the best in the various aspects of good corporate governance, with a special recognition award for all-round sustained excellence going to DBS Group Holdings.

The annual black-tie gala dinner for the Singapore Corporate Awards was held on 18 July 2018 at Sentosa's Resorts World Convention Centre. Mr Ng Chee Meng, Minister, Prime Minister's Office was the guest of honour.

The event was co-organised by the Singapore Institute of Directors, the Institute of Singapore Chartered Accountants, and *The Business Times*; and it was supported by the Accounting and Corporate Regulatory Authority, and the Singapore Exchange.

The emcee-hosts for the evening – Ms Junie Foo, Chair of BoardAgender and Council member of the SID, and Mr Adrian Chan, Head of Corporate and Senior Partner at Lee & Lee – entertained guests with their humorous takes on a variety of topics from leaders of the free world to the latest government property cooling measures.

Guests were also treated to our world-class Singapore Symphony Orchestra, conducted by maestro Lan Shui, playing excerpts of Beethoven's Symphony No. 5. The three co-chairs of the awards steering committee, Mr Willie Cheng, Mr Kelvin Tan and Mr Wong Wei Kong, added to the performance by conducting alongside – or rather, on screen with – the orchestra.

Later that evening, Mr Gunawan Lim, Chairman and CEO of Bumitama Agri gave a special performance with his band, which was specially flown in from Indonesia.

Guest of Honour Minister Ng Chee Meng.

SCA Co-chairmen: ISCA's Kelvin Tan, SID'S Willie Cheng, *BT*'s Wong Wei Kong.

Gunawan Lim and his band.

In the tradition of the Academy Awards, a series of presentations of the award winners were announced by five pairs of award hosts. This year, the Special Recognition Award was presented to the DBS Group for its all-round excellence in corporate governance. It was specially commended for being the first company to win the top award in each of the five sets of SCA awards in a five-year period.

Several companies also took home multiple awards, including CapitaLand and Tuan Sing Holdings.

The evening ended with the winners and presenters gathering on stage for a lively group photo, and a confetti cannon send-off.

The Grand Finale

Winners, hosts and presenters

Your hosts for the evening...

Event hosts: Adrian Chan and Junie Foo.

Best CEO Award: Malini Vaidya and Edwin Khew.


Best CFO Award: Ramlee Bin Buang and Joy Tan.


Best AR Award: Christian Chin and Cecilia Zecha.

Best IR Award: Ron Tan and Angeline Lee.

BMBA: John Lombard and Ong Choon Fah.

Unveiling the winners...


Best CFO Winners with award presenters (L-R): Ong Khiaw Hong, Lim Cheng Cheng (Singtel), Chong Chou Yuen (Tuan Sing Holdings), Kenneth Liew (Japan Foods), Shariq Barmaky.


Gold Winners of Best Managed Board Award with award presenters (L-R): Tham Sai Choy, Euleen Goh (SATS), Minister Ng Chee Meng, Wong Kok Hoe (Centurion Corporation), Takahashi Kenichi (Japan Foods), Yeo Oon Jin.

Best CEO Award Winners (L-R): Melvin Teo (Yeo Hiap Seng), Alex Hungate (SATS), Christopher Borch (Micro-Mechanics).


Euleen Goh, receiving the Special Recognition Award on behalf of DBS Group.

CONGRATULATIONS TO ALL THE WINNERS

Best Managed Board

Market cap of $1B and above

- GOLD SATS Ltd
- SILVER CapitaLand Ltd
- BRONZE United Overseas Bank Ltd

Market cap of $300M to $1B

- GOLD Centurion Corporation Ltd
- SILVER AEM Holdings Ltd
- BRONZE Tuan Sing Holdings Ltd

Market cap of less than $300M

- GOLD Japan Foods Holding Ltd
- SILVER Dynamic Colours Ltd
- BRONZE Megachem Ltd

Best CEO

Market cap of $1B and above

Mr Alexander Hungate
President & Chief Executive Officer
SATS Ltd

Market cap of $300M to $1B

Mr Melvin Teo Tzai Win
Group Chief Executive Officer
Yeo Hiap Seng Ltd

Market cap of less than $300M

Mr Christopher Reid Borch
Chief Executive Officer
Micro-Mechanics (Holdings) Ltd

Best CFO

Market cap of $1B and above

Ms Lim Cheng Cheng
Group Chief Financial Officer
Singapore Telecommunications Ltd

Market cap of $300M to $1B

Mr Chong Chou Yuen
Group Chief Financial Officer
Tuan Sing Holdings Ltd

Market cap of less than $300M

Mr Kenneth Liew
Chief Financial Officer
Japan Foods Holding Ltd

Best Investor Relations

Market cap of $1B and above

- GOLD China Aviation Oil (Singapore) Corporation Ltd
- SILVER Frasers Property Ltd
- BRONZE ComfortDelGro Corporation Ltd

Market cap of $300M to $1B

- GOLD Centurion Corporation Ltd
- SILVER Hotel Royal Ltd
- BRONZE Tuan Sing Holdings Ltd

Market cap of less than $300M

- GOLD Grand Banks Yachts Ltd
- SILVER iFast Corporation Ltd
- BRONZE Telechoice International Ltd

REITS & Business Trusts

- GOLD Ascendas India Trust
- SILVER CapitaLand Mall Trust
- BRONZE Cache Logistics Trust

First-Year Listed Companies

- MERIT APAC Realty Ltd

Best Annual Report

Market cap of $1B and above

- GOLD Sembcorp Industries Ltd
- SILVER Olam International Ltd
- BRONZE Oversea-Chinese Banking Corporation Ltd

Market cap of $300M to $1B

- GOLD Banyan Tree Holdings Ltd
- SILVER Del Monte Pacific Ltd
- BRONZE Indofood Agri Resources Ltd
- BRONZE QAF Ltd

Market cap of less than $300M

- GOLD Qian Hu Corporation Ltd
- SILVER Baker Technology Ltd
- BRONZE TEE International Ltd

REITS & Business Trusts

- GOLD CapitaLand Commercial Trust
- SILVER CapitaLand Mall Trust
- BRONZE Mapletree North Asia Commerical Trust

First-Year Listed Companies

- MERIT Frasers Logistics & Industrial Trust

Special Recognition Award

DBS Group Holdings Ltd

CO-ORGANISED BY

SUPPORTED BY

AWARD PARTNERS

SUPPORTING PARTNER

How Sustainable is Globalisation?

By **ROBERT CHEW**
Council member, SID

GLOBALISATION

Globalisation is getting bad press. The solution is that it needs to be more inclusive, equitable, and sustainable.

At the end of January 2017, soon after the inauguration of Donald Trump as the 46th President of the United States, *The Economist* published an article, "The Retreat of the Global Company" that charted the rise of, and the subsequent disillusionment with, big business. In examining the role of multinational firms as agents of inequality, the article concluded that "the infatuation with global companies will come to be seen as a passing episode in business history".

This past March, President Trump announced tariffs on the first list of imports from China. Since then, duties and taxes have been rolled out on various foreign imports on a monthly basis, with Europe, Canada and China responding in a tit-for-tat trade war. This resurgence of protectionism has popular support within the US, many of its lower-income earners blaming international trade and the offshoring of lower-wage jobs for the widening income gap.

The American example is not an isolated one. Increasingly, a reassessment of the benefits of globalisation is taking place, as more and more countries turn inward for solutions to their socio-economic issues.

Global income inequality

The recently released *World Inequality Report* – which is published by a team of international economists at the Paris School of Economics – confirmed the rise of inequality around the globe. Using findings from the World Wealth and Income Database, the report provides the first systemic assessment of globalisation in terms of income and wealth inequality by examining country-to-country inequality trajectories and highlighting the importance of policy-making.

Since 1980, income inequality has increased rapidly in North America, China, India, and Russia, with moderate growth in Europe. In 2016, the share of total national income accounted for by the nation's top 10 per cent earners was 37 per cent in Europe, 41 per cent in China, 46 per cent in Russia, 47 per cent in the US and Canada, and around 55 per cent in Sub-Saharan Africa, Brazil, and India. In the Middle East, the world's most unequal regions according to the report's estimates, the top 10 per cent account for 61 per cent of the national income.

Now, the *World Inequality Report* might be used to argue against the benefits of globalisation, and the trend towards irreversible globalisation. However, it does make clear that income inequality is not the inevitable result of increased trade, but rather the unequal ownership of capital – since 1980, there has been a large transfer of public to private wealth in nearly every country.

Ills of economic-driven globalisation

Globalisation began in earnest around 1980, but the current wave has been powered by recent technological change and increasingly

lower economic transaction costs, alongside the dramatic opening up of the economies in China, India, and Russia which expanded the global workforce by over a billion people. This, in turn, has accelerated global economic growth and prosperity.

As highlighted in the *World Inequality Report*, this economic growth has been supported by private wealth, which favours short-term gains and profit maximisation.

Globalisation has also brought tough competition for workers in developed countries, which have seen jobs move overseas and domestic wages stagnate. In extreme cases, the unmonitored explosion of labour needs and the demand for cheap goods has forced children into work, invariably in inhumane and unsafe conditions.

As businesses compete for global trade opportunities, they are often pressured to lower their prices. And in areas of the world without sufficient regulatory oversight, unsanitary and unsavoury industries and practices can thrive as limited natural resources are mercilessly exploited to maximise production. Without sustainable practices for harvesting, resources can be exploited to the point of no return, resulting in pockets of intense environmental damage. Deforestation and overfishing are examples of problems made worse by the opening of trade around the world.

Furthermore, as businesses expand their operations and take on new overseas business partners, the risk of corruption, bribery and fraud grows. Corruption is a major challenge for global businesses. The World Economic Forum descries the damage caused by corruption as it "distorts markets by removing any notion of a level playing field, it undermines the rule of law, and it allows crony capitalists and the otherwise undeserving to hoard economic and political power."

Sustainability-driven globalisation

While globalisation has been credited with contributing to rapid economic growth, it has not universally delivered on its promise to foster equitable growth and sustainable development. As a result, it has been challenged by popular discontent in a number of countries.

A more sustainable, inclusive and equitable form of globalisation is needed.

That is the thrust of the recent SID Directors Conference (see pages 82 to 93). ■

SID Directors Conference 2018

Rebooting Globalisation in an Era of Disruption

Participants at the SID's flagship annual conference this year came away with not just interestingly divergent views about the benefits, challenges, and solutions to Globalisation 2.0, but also gifts and treats from the exhibitors at the Global Gallery.

An aircraft (or was it a spacecraft?) navigating the many storms caused by globalisation – such as the income divide, urbanisation and the digital tsunami – was an apt metaphor for the launch of the ninth edition of the SID Directors Conference on 7 September 2018. Themed "Rebooting Globalisation", the annual event was attended by a thousand participants at Marina Bay Sands.

In his welcome address, Mr Willie Cheng, Chairman, SID contrasted the gains against the drawbacks of globalisation. In light of technological and socio-economic disruption, he said, the onus fell on companies to adapt even as they compete with one another.

In her keynote speech, guest of honour Ms Indranee Rajah, Minister in the Prime Minister's Office and Second Minister for Finance and Education, urged companies to embrace a shift in mindset that seeks out new emerging opportunities and encourages innovation and transformation.

Referring explicitly to the revised Corporate Governance Code and SGX Listing Rules, she re-emphasised the importance of good corporate governance, and highlighted the importance of board independence and diversity when it comes to constituting an effective board to provide strategic insight.

The Minister also presented trophies to winners of the 2nd Singapore Sustainability Reporting Awards.

The plenary session featured two keynote speakers. Professor Ilian Mihov, Dean and Professor of Economics, INSEAD outlined three fundamental steps for a new social contract that promotes good corporate governance and social progress – namely, considering the impact of business initiatives on society and environment, embracing innovation, and collaboration.

Mr Fredrik Haren, Founder of interesting.org, touched on the chasm between struggling and thriving companies. He also talked about the lessons learnt from companies that have successfully transitioned globally, specifically the imperative to transcend nationalities in the push towards global success.

Delegates were treated to six insightful panels that delved into various dimensions of globalisation: Globalisation 2.0, competing internationally, the Belt and Road Initiative, ASEAN integration, international directorships, and international non-government organisations.

This year's event also featured a "Global Gallery" exhibition, where over 25 organisations shared their initiatives for the globalised digital world.

Plenary Speakers

Rebooting, Not Resetting

"Globalisation and disruption are actually mutually reinforcing phenomena…But disruption and change are not new. In a sense, the Singapore story embodies how our country has been forced to react to disrupting events in the face of adversity, to eventually adapting and being a disruptor ourselves. In the present climate, we have continued to renew our commitment to globalisation and free trade; to innovation and enterprise; and to public-private sector cooperation."

Ms Indranee Rajah
Minister in the Prime Minister's Office
Second Minister for Finance and Education

The New Constant is Accelerating Change and Disruption

"The mantra in the corporate world has long been: 'Change is the only constant'. Perhaps this now needs to be amended to: 'The new constant is accelerating change and disruption'. Because that's what's happening. Companies and industries are being disrupted by technology as well as by socio-economic trends at an accelerated pace. Not only must corporations ride the political waves in their geography of operations, they have to deal with a global society that is now more demanding of social and environmental responsibility."

Mr Willie Cheng
Chairman, SID

Taking Ownership of the Change

"If we want to see change, it has to come from within ourselves. We have to start taking ownership of the issue and I do see an encouraging trend of business leaders being cognisant that the present business models have to evolve into more sustainable models. The young generation is also increasingly looking towards jobs that embrace inclusivity."

Prof Ilian Mihov
Dean and Professor of Economics, INSEAD

Successful Global Companies Transcend Nationalities

"It used to be "Think Global. Act Local." but the new way to think is "Think Human. Act Humane". Focus on what you do - not where your founder was born. Heritage is important but geographical heritage is irrelevant. Build the best company possible by harnessing the best ideas, concepts and knowledge from around the world."

Mr Fredrik Haren
Founder, interesting.org

Singapore Sustainability Reporting Awards

L-R: Robert Chew (Chairman, SSRA Panel of Judges), Max Loh (Managing Partner, ASEAN, EY), Rishi Kalra (Global Group Head of Corporate Finance, Olam International), Minister Indranee Rajah, Ch'ng Li-Ling (Lead Independent Director, LHN Limited), Wong Soong Kit (Finance Director, Sheng Siong Group), Yeo Lian Sim (Special Adviser, Diversity, Singapore Exchange), Wilson Ang (Executive Director, Global Compact Network Singapore).

The Singapore Sustainability Reporting Awards were launched by SID, in collaboration with EY and supported by SGX at the 2017 SID Directors Conference to recognise the best Singapore-listed companies in sustainability reporting.

This year's Awards were again partnered with EY, and supported by SGX and Global Compact Network Singapore.

The sustainability reports produced by listed companies are examined for their quality of presentation and the information disclosed, including the key areas set out in the SGX sustainability reporting rules and guidelines. The key assessment areas broadly include material ESG factors, sustainability policies, practices, and performance.

The winners, decided by an independent and distinguished panel of seven judges, are:

- Best Inaugural Sustainability Report (Catalist): **LHN Limited**
- Best Inaugural Sustainability Report (Mainboard): **Sheng Siong Group Limited**
- Best Sustainability Report for Established Reporters (Mainboard and Catalist): **Olam International Limited**

Plenary Panel 1

Globalisation 2.0: Implications and Role for Asia Leaders

Tommy Koh and Chandran Nair passionately debating the merits and demerits of globalisation.

Panellists posing for a wefie after a spirited discourse.
L-R: Ho Kwon Ping, Sally Uren, Chandran Nair, Tommy Koh, Ilian Mihov.

"On one hand, you have the United States renouncing free trade, and Europe pandering to populist policies. On the other hand, you witness the continuation of the Trans-Pacific Partnership despite the withdrawal of the United States, and you also see ASEAN countries and six other countries negotiating the world's largest free trade agreement. This is the mixed reality of globalisation that I am presenting to you today."

Prof Tommy Koh
Ambassador-at-Large, Ministry of Foreign Affairs

"We need to reconstruct globalisation and create a new narrative. Companies would not be naturally socially conscious as this is misaligned with business models. Their self-interests undermine their abilities to do good. We need tougher regulations to take care of this aspect. We are equally responsible for the current disparity and we should think carefully about the impact of our actions."

Mr Chandran Nair
Founder and CEO, Global Institute for Tomorrow

"We need to rethink globalisation. We presently have no answer for its attendant issues and there is a sense that the West is failing us in this aspect. We also need to think about implementing radical changes within our own companies if we are sincere about wanting substantive change. We are guilty of externalising the problem. How much behavioural change is really taking place in the boardroom?"

Mr Ho Kwon Ping
Founder and Executive Chairman, Banyan Tree Holdings

"To do business in this globalised world, Asian companies should seize the current defused power in the global supply chain to seek greater collaboration in Asia. Secondly, we need to rethink the linear supply chain and enable smaller players to deliver value networks. Thirdly, we need to encourage the next generation to harness the dynamism to create a more sustainable economy."

Dr Sally Uren
Chief Executive, Forum for the Future

Plenary Panel 2

Competing Internationally: How Should Boards Respond?

L-R: Teo Lay Lim, Ho Meng Kit, Sunny Verghese, Lucy Nottingham, Naoki Wakai.

"The world we are operating in is increasingly VUCA (Volatile, Uncertain, Complex and Ambiguous). Companies simply do not have the luxury to sit back and allow the changes to consume them."

Ms Teo Lay Lim
Senior Managing Director, ASEAN, Accenture

"While it is encouraging that an increasing number of companies are branching out overseas to compete successfully despite the uncertain economic and political environments, companies have to be familiar with the local regulations in the markets they are operating in, and be well equipped with information on ASEAN integration and markets, including free trade agreements. The Singapore government would also do well to facilitate the process by providing companies with the relevant contacts to venture overseas."

Mr Ho Meng Kit
CEO, Singapore Business Federation

"There is no inherent value in going global. A company can still be a successful enterprise locally. It really depends on the nature of the industry and company. Nonetheless, to be truly global hinges on three fundamental factors - seeking new markets, new resources, and new efficiency. In order to globalise, differentiating your products or services and transforming the mindset of your employees is required."

Mr Sunny Verghese
Co-founder and Group CEO, Olam International

"The main challenges facing transformation of companies include being aware of and adapting to cultural differences, different leadership styles (entrepreneurial versus conventional), changes in technology, and local regulations. Another equally important quality is the need to customise one's business model and approach, as opposed to adopting a cookie-cutter approach."

Mr Naoki Wakai
President & CEO, NTT Singapore

"Companies should adopt a global mindset and be aware that they are facing a complex risk landscape. Different risks develop in different ways, and risk governance must also be more robust via the following: effectively executing the risk oversight, revamping international talent pipeline, and tracking and forecasting critical talent; and having a diverse board that is open to contrasting views whilst considering geographical diversity."

Ms Lucy Nottingham
Director, Global Risk Center, Marsh & McLennan Companies

Breakout 1

The Belt and Road Initiative: Who Benefits and How?

L-R: Yang Yuelin, Hans-Paul Buerkner, Lin Jie, Kurt Wee, Wong Heang Fine.

"The Belt and Road Initiative has been dubbed by some as China's version of Globalisation 2.0. With China's assurance of its support for a multilateral trading system, liberation of investments and greater transparency, companies in Singapore and the region stand to gain enormously. However, companies must be aware of the implications, challenges and opportunities that such a massive infrastructure initiative – with funds of well over US$500 billion – could pose."

Mr Yang Yuelin
Deputy Group Managing Director, IMC Industrial Group

"Singapore SMEs can leverage on the strength of the Singapore brand and capitalise on opportunities that contribute to the BRI growth regions. We are highly sought after in industries that demand trust, security, legal, and professional quality. That's why established Singapore enterprises and brands are very much liked by Chinese investors who are willing to pay a premium for them."

Mr Kurt Wee
President, Association of Small and Medium Enterprises

"The Belt and Road Initiative will be one of the defining geo-economic themes in the next decade, generating an estimated investment of about $1.5 trillion. It is important not to view this initiative as China's attempt to undermine the power and influence of the US, but that it serves the region in spreading technology and infrastructure development to achieve productive growth for all."

Dr Hans-Paul Buerkner
Chairman, The Boston Consulting Group

"The Belt and Road Initiative spurs the logistics services in industries such as electronics, automobiles, communications, electric power and high-speed rails, and chemical products. Singapore is well-positioned to benefit because of its geography, cultural similarities, ease of doing business, and high corporate governance. However, to stay productive and relevant, companies must keep up with innovative products and services to better support the growing demands from the BRI region."

Mr Lin Jie
Founder and President, Worldwide Logistics Group

"Singapore companies should work together as a consortium to galvanise resources and capabilities that tackle major projects such as airports and high-speed rail development. Chinese companies are more observant of international standards when they embark on international projects. It is therefore important that our companies do not compromise sustainability when they too embark on such projects."

Mr Wong Heang Fine
Group CEO, Surbana Jurong

Breakout 2

ASEAN Integration: Is the Regional Economic Community a Myth or Reality?

L-R: Mohd Munir Abdul Majid (standing), Ong Keng Yong, Frederick Chin, Douglas Foo, Eduardo Ramos-Gomez, Panote Sirivadhanabhakdi.

"While the entire picture may seem fragmented with different aspects to consider, we should continue integrating the various different areas wherever tenable. Let us not allow ourselves to be pessimistic. It bears constant reminding that without ASEAN, we will not be accorded a voice on the international stage and the world will not take us seriously."

Ambassador Ong Keng Yong
Executive Deputy Chairman, S. Rajaratnam School of International Studies

"ASEAN has valid reasons to be excited about the digital economy that can transform countries into having smart cities; and grow an additional $1 trillion in GDP by 2025. You have to remember that up-skilling is not going to be easy without fundamental educational qualifications and cognitive abilities. To get everyone on board, we have to first eradicate the disparity in educational standards."

Tan Sri Dato Dr Mohd Munir Abdul Majid
President, ASEAN Business Club

"Though ASEAN financial integration is making progress, it still lags behind trade integration. The reasons for this include contrasting regulatory standards, and different market development. The ASEAN crisis has also delayed financial integration by a decade. Nonetheless, ASEAN has much potential for financial integration, and for coming together as one financial market to meet potential growth for the region."

Mr Frederick Chin
MD and Head of Group Wholesale Banking, United Overseas Bank

"For the ASEAN market to expand globally, we have to recognise the needs and value of member countries, and to establish a business model that taps into these synergies. Integration takes a concerted effort, but we are getting there. One such initiative towards that goal is the SGConnect – a project by the ASEAN Business Advisory Council to develop smart cities in a sustainable manner, and to improve digital infrastructure and cyber security."

Mr Douglas Foo
Founder and Chairman, Sake Holdings

"Thailand's eastern economic corridor serves as a strategic gateway to ASEAN. Frasers' strategy entails enhancing sustainable growth and long-term shareholder value, and we expect to implement our strategies effectively. They involve building platforms, establishing a balanced portfolio and having active capital management. I believe these same principles could be applied to ASEAN Integration which, in my view, is a work-in-progress."

Mr Panote Sirivadhanabhakdi
Group CEO, Frasers Property

"Although full economic integration is a myth, ASEAN gives a common voice to a group of 10 countries with 600 million people. Given its achievements in political, social and cultural integration, the time has come for political will, hard work and determination to further enhance much needed economic integration to improve the quality of life of the people of Southeast Asia."

Mr Eduardo Ramos-Gomez
Partner, Duane Morris LLP

Breakout 3

International Directorship: How can Boards and Directors Cross Borders Effectively?

L-R: Alain Deniau (standing), Frank Lavin, Tan Yen Yen, Aliza Knox, Colin Low.

"The complexities and issues of operating in a global environment must be handled by companies expanding beyond their borders. Boards must also embrace diversity beyond gender and age, and include directors who understand the issues involved in going international and specifically, the various geographies in which the company operates."

Mr Alain Deniau
Partner, Global Board and CEO Practices, Heidrick & Struggles

"Companies should be rational when attracting talents, so as to ensure they draw the right skills and attitude to the board. A homogeneous team of friends and family may not result in divergent thinkers on the board, which is the value international directors bring to the table. Their alternative viewpoints and perspectives bring overall good and growth of the company."

Mr Frank Lavin
Chairman and CEO, Export Now

"An international board pools the skills and knowledge of local culture and practices for the board's decision-making. Beyond gender diversity, geography is crucial to support companies that operate on a global platform. To enhance their overall corporate effectiveness, they are now going beyond the 'old boys' network to widen their search for candidates who bring complementary skillsets and experiences."

Ms Tan Yen Yen
President, Asia Pacific, Vodafone Global Enterprise

"To be effective, directors on international boards should familiarise themselves with the company's operations and the local corporate governance. Renewal of the board is important. Equally important is the process to ensure the effective transfer of knowledge and learning to new board members, so that they can take the capability and potential of the company to the next level."

Ms Aliza Knox
Head of Asia Pacific, Cloudfare

"Being on an international board might be appealing, but in order to be effective members, directors should discern their purpose on the board, and whether their values are aligned with that of the company. In selecting a candidate for an international board, the company must recognise his or her value proposition. There are lots of talent out there that companies can tap and access."

Mr Colin Low
Chairman, Singapore Investment Development Corporation

Breakout 4

International NGOs: How are They Contributing to or Impeding Globalisation 2.0?

L-R: Melissa Kwee (standing), Jean Tan, Jack Sim, Dorjee Sun, Vicky Bowman.

"When I was in college, globalisation was a really dirty word. It conjured up negative connotations of people in countries such as China toiling away in sweatshops. Twenty years on, I am glad to see that we have radically different views of globalisation. We have witnessed the way it has transformed people's lives for the better."

Ms Melissa Kwee
CEO, National Volunteer & Philanthropy Centre

"We will be doomed if we think like hard-core businessmen, with money as the main goal. Each time we encounter a problem, we should strive to establish a business model behind it, with the view to resolve it. With its vast base of the so-called poor populace, South-East Asia, alone, has tremendous potential for that. Their problems offer much potential for us to convert them into innovative business solutions."

Mr Jack Sim
Founder, World Toilet Organization and BoP Hub

"While globalisation hangs in the balance for now, when we look at global issues, we often find the solutions to be symbiotic between NGOs and companies. We have to focus on the positives. In any business, there must be some good. I like to think of NGOs as an R&D department, where we continuously explore ways to think of innovative solutions that benefit both NGOs and companies, and for the good of society."

Mr Dorjee Sun
Project Manager, Perlin.net

"Contrary to popular belief, international NGOs are actually keen for international standards to be introduced in the host country. On that front, there is a lot of support for globalisation. We will regress if we reject globalisation."

Ms Vicky Bowman
Director, Myanmar Centre for Responsible Business

"In funding, we face increasing pressure as more civil society organisations and even private sector companies get on the bandwagon of doing good. We should adopt a collaborative approach and leverage one another's strengths in solving common social issues. Another challenge is digital disruption. To tackle this and harness it to our advantage, we have set up an online platform to galvanise the online community to work with us to foster awareness of our efforts and challenges."

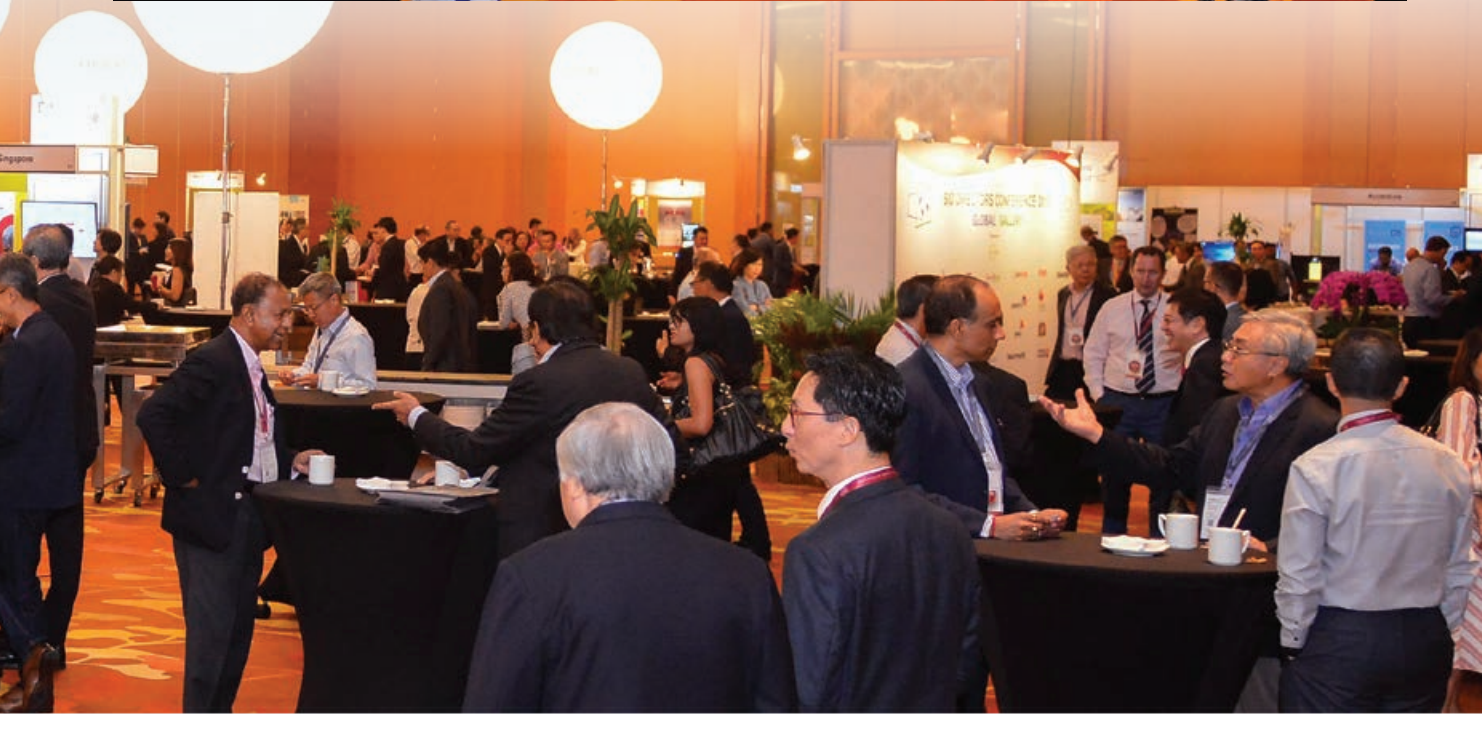
Ms Jean Tan
Executive Director, Singapore International Foundation

Global Gallery & International Treats

This year, the conference exhibition was titled the Global Gallery.

Participants toured and interacted with over 25 exhibitors including educators, consultancies and social enterprises, each of whom shared their initiatives and strategies for the globalised, digital world.

The Global Gallery also featured "International Treats", which showcased international snacks from various countries. These were distributed to all the conference participants. ■



SID-ACRA Focus Group

Feedback on AQI Disclosure Framework

On 9 July 2018, 15 audit committee members attended a focus group session jointly organised by SID and the Accounting and Corporate Regulatory Authority (ACRA). The topic: ACRA's Audit Quality Indicator (AQI) Disclosure framework.

The session began with a brief recap of the framework's introduction in 2015. Its purpose was to provide audit committees of listed companies with a set of comparable indicators on the auditors' ability and commitment to deliver quality audits and to help audit committees better evaluate and select the right auditors. The framework comprises eight AQIs:

1. Audit hours – Time spent by senior audit team members.
2. Experience – Years of audit experience and industry specialisation.
3. Training – Average training hours and industry specific training.
4. Inspection – Results of external and internal inspections.
5. Independence – Compliance with independence requirements.
6. Quality control – Headcount in quality control functions.
7. Staff oversight – Staff per partner/manager ratio.
8. Attrition rate – Degree of personnel losses.

Audit firms are encouraged to provide AQI data to audit committees of their listed audit clients during the selection or re-appointment of auditors.

During the discussion, the audit committees provided ACRA with valuable feedback on their experiences in using AQIs and how these have facilitated their engagement with auditors.

Among the issues canvassed were the use of suitable benchmarks and how the AQIs can be further enhanced to strengthen the audit committee's engagement with auditors. Audit committees are encouraged to continue using the AQIs as a useful tool to help obtain higher quality audits. ■

AC Pit-Stops

Getting Ready for FRS 116 (Leases)

On 28 June 2018, KPMG's Ms Chan Yen San, Partner, Department of Professional Practice and Mr Tan Chee Wei, Partner, Corporate Tax, joined 25 participants to assess the tax implications of the new lease accounting standard (FRS 116) and its impact on key financial performance indicators.

From 1 January 2019, all companies must prepare their financial statements according to FRS 116. Listed companies with year ending December must reflect this change in their first quarter 2019 financial report.

Ms Chan highlighted key discussion points AC members need to have with the management including lease information and impact on KPIs, communications with external stakeholders, the

tax impact evaluation, and the FRS 116 transition option. Mr Tan examined how the new standard impacts the landlord and tenant.

Based on the clarifications sought by participants, it appears that some have underestimated the impact of FRS 116 and will need greater engagement with their management on the subject. ■

Harnessing the Full Potential of Internal Audit

The AC Pit-Stop held on 19 July 2018 saw more than 20 participants gathered at PwC's new Marina One office.

Mr Yong Jiunn Siong, Partner, Risk Assurance presented the key findings of PwC's 14th Annual State of the Internal Audit Profession study. Canvassing 2,500 respondents including CFOs and Audit Committee members across 92 countries, the study points to a technology inflection point where powerful and accessible emerging technologies such as Blockchain and AI allow companies to make leaps in productivity, expand market growth and create previously unattainable markets.

It is therefore crucial that AC members review existing internal audit processes to ensure that their audit teams are equipped to meet the accompanying challenges.

Ms Win Min Htwe, Head of Risk Management & Assurance Financial Management, Yoma Strategic Holdings Ltd, spoke of her experience in establishing an internal audit team in Myanmar and the greenfield challenges that go beyond internal audit processes and systems to include navigating through Myanmar's institutional, social and cultural landscape. ■

Chairmen's Conversations

AC: Dealing with Disruption

On 12 July 2018, EY hosted 21 AC chairmen to discuss the topic, "Audit Committees, Disrupted!"

Mr Christopher Wong, Head, Assurance, set the stage with an overview of digitisation and the emerging technologies, with their attendant key risks like data breaches, that are transforming current business models. He highlighted changes in accounting standards and regulations, and underscored the importance of articulating these clearly to ACs, whilst formulating the right strategy to manage the change process.

He emphasised the need for ACs to work closely with management, internal and external audit, and highlighted the chief differences between audit and risk committees.

He called on ACs to bolster anti-bribery and anti-corruption initiatives, the absence of which could unduly impact a company's financial standing.

A robust discussion saw the AC chairmen in attendance emphasise the importance of ensuring boards have diverse skillsets. In closing, Mr Wong reiterated why data analytics need to be leveraged to better facilitate the work of ACs. ■

BRC: Managing Risks in a Business Transformation

On 23 August 2018, PwC hosted 14 Board Risk Committee Chairmen to discuss the topic, "Business Transformation – Managing Change Initiatives with Confidence".

Ms Julia Leong, Partner, Transformation Assurance, commenced the session by assessing the fundamental risks of transformation such as programme governance and execution. She highlighted the importance of flagging issues in a timely way, asking the right questions, and involving the right people to ensure effective oversight and sufficient accountability.

The Chairmen then examined the reasons behind successful and failed transformations. These included determining key business objectives, managing reputational risks, and ensuring speedy execution.

In closing, Mr Ervin Jocson, Partner, Transformation Assurance, reiterated how BRCs could effectively steer the transformation. A strong board that stays engaged with management to align a focused strategy plays a vanguard role in mitigating risks. BRCs, he added, should pivot their focus towards being flexible. They should also be mindful of potential risks that might affect present business operations, and regularly monitor projects. ■

Board Chairmen's Conversation on China's Digital Economy

McKinsey hosted 12 Board Chairmen on 13 August 2018 at the Ritz-Carlton, Millenia Singapore to discuss the topic, "China's Digital Economy: A Leading Global Force".

Mr Joe Ngai, Managing Partner of McKinsey's Greater China practice, began with an overview of the forces driving the imperative for transformation. Factors facilitating transformation include savvy adopters, vibrant digital ecosystems and a fiercely competitive market. He highlighted Ping An as an example of a traditional company that has successfully embraced technology.

Participants discussed issues such as the trade-off of sacrificing personal privacy, the need to ensure cyber security, the challenge

of regulating myriad market players, and the pitfalls of competitive markets.

Mr Ngai concluded by highlighting key takeaways for fostering innovation and transformation such as the importance of creating customer value proposition via differentiation, a willingness to fund growth, and a healthy risk appetite. ■

Board Fundamentals for Startups

On 3 August 2018, 46 participants attended the inaugural course "Startup Director Fundamentals" at BASH (Building Amazing Startups Here) at One-North.

Mr Terence Quek, Partner, Rajah & Tann, kicked off the session with an overview of key stakeholders in the startup ecosystem, their responsibilities, and the legal responsibilities imposed by regulatory authorities such as ACRA, the CPF Board, IRAS and the MAS.

Mr Rob Bier, Partner, Trellis Asia, discussed board compositions and the accompanying challenges as the startup matures.

Ms Shirley Wong, Managing Partner, TNF Ventures, and Mr Hian Goh, Partner of NSI Ventures examined the fundamental components of a financial framework, particularly the funding

options and governmental support available for startups at the different growth stages, as well as the potential risks they face.

The session concluded with a panel discussion that addressed the need to have a diverse board with appropriate transferable skills and experience to support companies at each stage of growth. ■

Business Future Series 1

Disruptive Technologies for Directors

On 31 July 2018, around 30 participants attended a forum and show-and-tell on disruptive technologies. Targeted at directors, the session was hosted by Accenture at its Liquid Studio, a venue where the global management and technology consulting firm showcases the latest technologies and innovations.

Mr Adam Burden, Global Lead for Advanced Technology and Architecture, presented his firm's vision of the direction in which technology is heading, including an overview of Citizen Artificial Intelligence, Extended Reality, Data Veracity, and Frictionless Business.

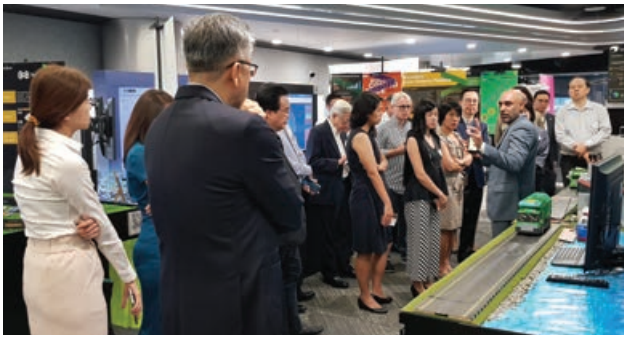
Participants were also treated to an interactive technology-focused presentation by Mr Daniel Gunawan, ASEAN Lead for Advanced Technology and Architecture, in which numerous case studies highlighted the benefits and challenges of intelligent automation, blockchain, and the immersive experience.

Mr Sam Liew, Managing Director, Technology, ASEAN and the Accenture team then led participants on a tour of Liquid Studio and Accenture's Digital Hub.

At the Studio, participants engaged in live demonstrations and examined prototypes, with Accenture engineers showcasing projects that leverage disruptive technologies – such as artificial intelligence, blockchain and server-less architectures – into innovative applications and solutions.

After a networking lunch, the Studio staged a mini-workshop that spotlighted the four key steps involved in design thinking.

The day culminated with Mr Liew leading a robust panel discussion, which was joined by



Mr Low Huan Ping, EVP of Technology at Singapore Press Holdings and Mr Paul Chan, Chairman of Integrated Health Information Systems. Both shared their digital directorship journeys, participants getting a valuable insight into change management and the mitigation of investment risks in technology. ■

The Fundamentals of Family Governance

The SID Family Business Directors Fundamentals was held on 18 July 2018. Over 20 participants from family businesses or listed companies attended.

Mr Ng Siew Quan, Asia Pacific Entrepreneurial and Private Business Leader of PwC Singapore, observed that governance is a topic that many family businesses are reluctant to address, as it can be complicated by the likely influence of the founding and family members.

He added that family governance and corporate governance are analogous. Effective governance of the family businesses requires the family to carefully examine its governance structure, align those structures with the overall business strategy and risk while also managing its family dynamics to better implement those policies and procedures.

The composition of the board of a family business is also a specific challenge especially when dealing with succession in both ownership and leadership. It is also important that independent directors and board members focus on the interests of the company and not on those of any particular family member or branch.

Mr Na Boon Chong, Managing Director and Partner of Aon Hewitt Singapore added that there must be a clear pay philosophy for family members and professional managers. Family members should be paid at market rate to better manage their performances. What's more, an equity stake in the company might entice professional managers to behave like owners of the firm, the result being that their decisions will align with the family's interest. ■

Current Topics

Executive and Director Remuneration

Thirty-three participants attended the session on "Executive and Director Remuneration" on 26 July 2018 at Capital Tower.

The session was organised by Willis Towers Watson. Managing director, Mr Shai Ganu opened with the guiding principles to establish a comprehensive and effective executive remuneration framework and gave insights into the factors that impact CEO remuneration.

This was followed by a presentation by Mr Tan Yong Fei, Executive Compensation Leader, who outlined the types of executive incentive plans. He urged Remuneration Committees to focus on realistic performance targets to ensure the defensibility of remuneration packages.

Mr Krissandi Lee, Senior Consultant, then covered equity plans and their design elements, noting

that performance periods in Singapore for restricted share plans have shifted from two years to one, whereas performance share plans have remained at three years.

Mr Ganu concluded the session by touching on Non-Executive Director remuneration. He provided statistics on average NED fees, and underlined their roles of stewardship and providing guidance to management. ■

How to Protect Your Governance Premium

On 14 August 2018, 35 participants attended a session conducted by Russell Reynolds at Capital Tower on "Protecting Your Governance Premium: Best Practices on Board Effectiveness".

Mr Ric Roi, Managing Director, commenced with an overview of the best practices for effective boards and suggested areas that forward-looking boards should focus on. He outlined the board appraisal framework, methodology and deliverables and highlighted key questions to bear in mind when appraising board effectiveness.

Through case studies, he established that the ideal board has an effective facilitator as the chair, strong relationships with senior management, and a long-term time horizon for strategic decisions.

He also identified attributes for effective board directors and laid out a comprehensive approach to chairman and CEO succession.

During this interactive session, participants highlighted other factors for board effectiveness such as fostering team dynamics, board renewal, plugging gaps in areas not warranting full-time directors and delivering negative feedback in a constructive manner. ■

Board Gender Diversity

AWARE Recognises SID for its Diversity Efforts

On 25 August 2018, SID received a Special Recognition Award from the Association of Women for Action and Research (AWARE) for its proactive efforts in encouraging more companies to consider women candidates for their board posts, and for raising awareness of gender diversity in corporate leadership.

The AWARE Awards honour and celebrate individuals and organisations that have contributed significantly to nurturing a culture of gender equality in Singapore. This year's ceremony was held at the Shangri-La Hotel.

In his acceptance speech, Mr Willie Cheng, Chairman, SID, observed that effective boards

require diversity including skills, age, geography and culture. He noted that gender diversity is one area in which Singapore's boards fall severely short, with only 11 per cent of board seats occupied by women. ■

SID NEWS

Networking with Women on Boards

On 25 July 2018, SID organised a fireside chat especially to acknowledge the growing role of women directors. The networking event was supported by the Singapore Committee for UN Women and drew over 70 participants. Ms Yvonne Goh, Ms Aliza Knox, Ms Wong Su-Yen and Ms Elizabeth Kong, who were among the 24 women featured in the SID publication "*Women on Board – Making A Real Difference*", spoke on the panel which was moderated by veteran Bloomberg anchor, Ms Haslinda Amin, who also sits on the board of the Singapore Committee for UN Women.

Ms Junie Foo, Council member, SID, and Chair, SID Board Diversity and Appointments Committee, spoke of the need for greater participation at events promoting diversity.

With diverse backgrounds cutting across different industries and professions, the speakers shared

their experiences, including the challenges of working on predominantly male boards, how they secured their first board seat, and how women should "behave" amongst mostly male counterparts. ■

Taking the Road Less Travelled

By **WONG SU-YEN**
Council member, SID

AFTER HOURS

It was foretold that I would go to Timbuktu – and beyond. And those journeys have made me who I am.

When I was around eight, my parents took me to see a fortune teller. I don't put much faith in such matters, but something he foretold has indeed materialised. He claimed that my name, Yen 燕 (which refers to the bird, swallow), signified that I would travel to far-away places. As it turns out – like my namesake, which is sometimes known as the "bird of freedom" – I have developed a love for travel, especially to destinations that are, by most accounts, off the beaten path.

One of the most remote places I have visited to date is Timbuktu in the country of Mali in Africa. In popular usage, the name is often a synonym for "the middle of nowhere". In fact, the city was an important trading post on the trans-Saharan caravan route in the 12th Century. It was also a world centre of Islamic learning and, up until rebels overran the city in 2012, held one of the worlds' greatest collections of ancient manuscripts.

Getting to Timbuktu involved a bone-crushing, spine-jarring journey by truck across more than 1,000 km of dusty, dirt roads. In total, it took me two days, travelling through Mali in temperatures that exceeded 40 degrees Celsius. I consider myself extremely fortunate to have been able to explore the ancient mosques and to spend a night in the Saharan desert (accessible only by camel) with a nomadic Tuareg family

The Great Mosque in Djenne, Mali, which dates from 1907 and was designated a UNESCO World Heritage Site in 1988.

Exploring the icebergs of Antarctica on an inflatable Zodiac boat.

that spoke no English. Sadly, in the last decade or so, Mali has become extremely unstable and it is no longer advisable to visit Timbuktu.

Off the beaten path locations are, by definition, difficult to get to, but the rewards are priceless. Which is why I recommend a visit to Antarctica. The scenery is awe-inspiring and it is, perhaps, the closest one can get to being "on another planet".

The memorable journey involved a two-day voyage across the turbulent Drake Passage from Ushuaia, commonly regarded as the southernmost city in the world. There's nothing like being tossed and turned in bed as if you're caught in the spin cycle of a washing machine, to fully appreciate the unrelenting power of the open seas.

To date, I've had the opportunity to visit more than my fair share of remote places including Bangladesh, Bolivia, the Cook Islands, Easter Island, Ecuador, Ethiopia, French Polynesia, Madagascar, Mongolia, Namibia, Tibet, Ukraine and Uruguay.

Sheer adventure notwithstanding, I enjoy locales that often lack basic infrastructure because they are a visceral reminder of the work that remains to be done in this world. Millions of people still lack access to clean water, hot showers, flush toilets, electricity, and paved roads. I go because I want to experience the essence of these remote destinations, and before the hip hotels, fancy coffee shops, and marauding hordes of tourists arrive.

Ultimately, I travel to off the beaten path destinations because the experience serves as a metaphor for life. In the words of Robert Frost, "Two roads diverged in a wood, and I - I took the one less travelled by, and that has made all the difference." ■

SID members appointed as directors of listed companies during the period 1 June to 31 August 2018.

COMPANY	PERSON	DESIGNATION
Advance SCT Limited	Chan Yu Meng	Independent Director
Advance SCT Limited	Fong Heng Boo	Independent Director
Advance SCT Limited	Teh Wing Kwan	Executive Chairman
Asiatic Group (Holdings) Limited	William Chia Soon Hin	Independent Director
BRC Asia Limited	Chang Pui Yook	Independent Director
CSC Holdings Limited	Ong Tiew Siam	Independent Director
Chaswood Resources Holdings Ltd	Chng Hee Kok	Independent Director
City Developments Limited	Jenny Lim Yin Nee	Independent Director
DBS Group Holdings Ltd	Tham Sai Choy	Independent Director
Datapulse Technology Limited	Mick Aw Cheok Huat	Non-Executive Chairman
DeClout Limited	Melvin Poh Boon Kher	Non-Executive Director
G. K. Goh Holdings Limited	Thomas Teo Liang Huat	Executive Director
Global Yellow Pages Limited	Loo Wen Lieh	Non-Executive Director
InnoPac Holdings Limited	Philip Leng Yew Chee	Independent Director
Jasper Investments Limited	Koh How Thim	Independent Director
LifeBrandz Ltd	Jack Chia Seng Hee	Independent Director
Neo Group Limited	Roger Yeo Kok Tong	Independent Director
Roxy-Pacific Holdings Limited	Tay Kah Poh	Independent Director
Samudera Shipping Line Ltd	Juliana Lee Lay Eng	Independent Director
Serrano Limited	Winston Tan Tien Hin	Executive Chairman
SIA Engineering Company Limited	Tang Kin Fei	Non-Executive Chairman
Silkroad Nickel Ltd	Sovann Giang	Independent Director
Singapore Post Limited	Chu Swee Yeok	Non-Executive Director
Singapore Technologies Engineering Ltd	Lim Chin Hu	Independent Director
SP Corporation Limited	David Lee Kay Tuan	Non-Executive Director
Stamford Land Corporation Ltd	Benjamin Goh Shao Lian	Independent Director
StarHub Ltd	Nayantara Bali	Independent Director
Tai Sin Electric Limited	Renny Yeo Ah Kiang	Independent Director
Transcorp Holdings Limited	Peter Lai Hock Meng	Non-Executive Chairman
Ying Li International Real Estate Limited	Jack Chia Seng Hee	Independent Director

NATIONAL DAY AWARDS 2018

Congratulations to the following SID fellows and members on their National Day Awards.

The Meritorious Service Medal
Hsieh Fu Hua

The Public Service Star
Jennifer Lee Gek Choo
Tan Hwee Bin
Chia Yong Yong
Renny Yeo Ah Kiang

The Public Administration Medal (Silver)
Tan Peck Leng
Eric Teo Thiam Chye

The Commendation Medal (Military)
Tan Lee Thong
Tan Chee Keong

The Public Service Medal
Leong Wai Leng
Ramlee Bin Buang
Keith Chua Tiang Choon
Yeoh Oon Jin

The Long Service Medal
Richard Liew Jat Yuen
El'fred Boo Hian Yong
Lye Kin Mun
Tan Soon Liang
Lee Kim Chong
Peter Tan
Elaine Lim

The Efficiency Medal
Tan Tee Meng

SID's Q3 Events (Jul 2018 – Sep 2018)

DATE	TYPE	EVENT DETAILS
4-6 Jul 2018	PD	SDP Module 1: The Role of Directors
5 Jul 2018	PD	So, You Want To Be A Director
9 Jul 2018	PD	SID-ACRA Focus Group: ACRA's Audit Quality Indicator (AQI) Disclosure Framework
12 Jul 2018	PD	Audit Committee Chairmen's Conversation
12 Jul 2018	PD	Directors Compliance Programme
13 Jul 2018	PD	SID-SMU Directorship Programme Graduation
18 Jul 2018	PD	Family Business Director Fundamentals
18 Jul 2018	Event	Singapore Corporate Awards
19 Jul 2018	PD	AC Pit-Stop: Harnessing the Full Potential of Internal Audit
23 July 2018	PD	SGX Sponsors' Outreach
25 Jul 2018	Event	Members' Event: Networking with Women on Boards
25 Jul 2018	PD	Governance, Risk Management and Compliance Professional Course Preview
26 Jul 2018	PD	CTP 6: Executive and Director Remuneration
31 Jul 2018	PD	BFS Module 1: Disruptive Technologies for Directors
1-3 Aug 2018	PD	SDP Module 2: Assessing Strategic Performance
3 Aug 2018	PD	Startup Director Fundamentals
6 Aug 2018	Event	Launch of Corporate Governance Code Changes and Singapore Governance and Transparency Index
13 Aug 2018	PD	Board Chairmen's Conversation
14 Aug 2018	PD	CTP 7: Protecting Your Governance Premium – Best Practices for Board Effectiveness
15 Aug 2018	PD	Director Financial Reporting Fundamentals
23 Aug 2018	PD	Board Risk Committee Chairmen's Conversation
27 Aug 2018	PD	Corporate Governance Briefing
27-29 Aug 2018	PD	Governance, Risk Management and Compliance Professional Course
31 Aug 2018	PD	Social Enterprise Director Fundamentals
5-7 Sep 2018	PD	SDP Module 3: Finance for Directors
7 Sep 2018	Event	SID Directors Conference 2018
13 Sep 2018	PD	Webinar: Readiness, Response and Recovery – The Role of the Board in a Crisis
13 Sep 2018	Event	Members' Event: Tea Appreciation
18 Sep 2018	PD	Directors Compliance Programme
18 Sep 2018	PD	Corporate Governance Briefing
19 Sep 2018	PD	Board and Director Fundamentals
20 Sep 2018	PD	BFS 2: Cyber Security for Directors
21 Sep 2018	PD	Corporate Governance Briefing
24-26 Sept 2018	PD	IDP Module 2: Board Efficiency and the Role of Committees
25 Sep 2018	PD	LED Module 1: Listed Entity Director Essentials
26 Sep 2018	PD	LED Module 2: Board Dynamics
26 Sep 2018	PD	Corporate Governance Briefing
27 Sep 2018	PD	AC Pit-Stop: BEPS and Other Tax Implications for ACs and Boards

SID-INSEAD International Directors Programme Modules 1 & 2 • 19-22 June & 24-26 September 2018


Board and Director Fundamentals • 27 June 2018



Director Financial Reporting Fundamentals • 29 June & 15 August 2018


SID-SMU Directorship Programme Modules 1, 2 & 3 • 4-6 July, 1-3 September & 5-7 September 2018



So, You Want To Be A Director • 5 July 2018


Directors Compliance Programme • 12 July & 18 September 2018

SID-SMU Directorship Programme Graduation • 13 July 2018

SGX Sponsors Outreach • 23 July 2018

Governance, Risk Management and Compliance (GRC) Professional Course Preview • 25 July 2018

GRC Professional Course • 27-29 August 2018

Upcoming Events

Core Professional Development Programmes

PROGRAMME	DATE	TIME	VENUE
SDP Module 4: Risk and Crisis Management	4-5 Oct 2018	0900 to 1730	SMU Campus
LED Module 3: Board Performance	9 Oct 2018	1330 to 1730	Marina Mandarin Singapore
LED Module 4: Stakeholder Engagement	9 Oct 2018	1330 to 1730	Marina Mandarin Singapore
LED Module 5: Audit Committee Essentials	10 Oct 2018	0900 to 1300	Marina Mandarin Singapore
LED Module 6: Board Risk Committee Essentials	10 Oct 2018	1330 to 1730	Marina Mandarin Singapore
Corporate Governance Briefing	10 Oct 2018	0900 to 1300	M Hotel
LED Module 7: Nominating Committee Essentials	16 Oct 2018	0900 to 1300	Marina Mandarin Singapore
LED Module 8: Remuneration Committee Essentials	16 Oct 2018	1330 to 1730	Marina Mandarin Singapore
Corporate Governance Briefing	16 Oct 2018	0900 to 1230	Marina Mandarin Singapore
CTP 8: Navigating the Risk of Economic Sanctions in the Trump Era	23 Oct 2018	0900 to 1100	Capital Tower
LED Module 4: Stakeholder Engagement	28 Oct 2018	0900 to 1300	Marina Mandarin Singapore
Governance, Risk Management and Compliance Professional Course	31 Oct to 2 Nov 2018	0900 to 1730	Marina Mandarin Singapore
SDP Module 5: Strategic CSR and Investor Relations	1-2 Nov 2018	0900 to 1730	SMU Campus
CTP 9: Ethics and Corruption – When Doing the Right Thing is Hard	2 Nov 2018	0900 to 1100	Marina Mandarin Singapore
LED Module 1: Listed Entity Director Essentials	8 Nov 2018	0900 to 1700	Marina Mandarin Singapore
So, You Want To Be A NonProfit Director	13 Nov 2018	1700 to 2100	Capital Tower
LED Module 2: Board Dynamics	15 Nov 2018	0900 to 1300	Marina Mandarin Singapore
LED Module 3: Board Performance	22 Nov 2018	0900 to 1300	Marina Mandarin Singapore
Director Financial Reporting Fundamentals	26 Nov 2018	0900 to 1700	Capital Tower
Governance, Risk Management and Compliance Professional Course	26-28 Nov 2018	0900 to 1730	Marina Mandarin Singapore
LED Module 4: Stakeholder Engagement	28 Nov 2018	0900 to 1300	Marina Mandarin Singapore
SDP Module 6: Effective Succession Planning and Compensation Decisions	29-30 Nov 2018	0900 to 1730	SMU Campus
LED Module 5: Audit Committee Essentials	30 Nov 2018	0900 to 1300	Marina Mandarin Singapore
LED Module 6: Board Risk Committee Essentials	4 Dec 2018	0900 to 1300	Marina Mandarin Singapore
LED Module 7: Nominating Committee Essentials	7 Dec 2018	0900 to 1300	Marina Mandarin Singapore
IDP Module 3: Development of Boards and Directors	11-13 Dec 2018	0900 to 1730	INSEAD Campus

Core Professional Development Programmes

PROGRAMME	DATE	TIME	VENUE
LED Module 8: Remuneration Committee Essentials	16 Dec 2018	0900 to 1300	Marina Mandarin Singapore
LED Module 1: Listed Entity Directors Essentials	7 Mar 2019	0900 to 1700	Marina Mandarin Singapore
LED Module 2: Board Dynamics	12 Mar 2019	0900 to 1300	Marina Mandarin Singapore
LED Module 3: Board Performance	20 Mar 2019	0900 to 1300	Marina Mandarin Singapore
LED Module 4: Stakeholder Engagement	22 Mar 2019	0900 to 1300	Marina Mandarin Singapore
LED Module 5: Audit Committee Essentials	26 Mar 2019	0900 to 1300	Marina Mandarin Singapore
LED Module 6: Board Risk Committee Essentials	26 Mar 2019	1330 to 1730	Marina Mandarin Singapore
LED Module 7: Nominating Committee Essentials	28 Mar 2019	0900 to 1300	Marina Mandarin Singapore
LED Module 8: Remuneration Committee Essentials	28 Mar 2019	1330 to 1730	Marina Mandarin Singapore

Other Professional Development Programmes

PROGRAMME	DATE	TIME	VENUE
CEOs' Conversation	26 Oct 2018	1200 to 1400	Fullerton Hotel
Nominating Committee Chairmen's Conversation	9 Nov 2018	1200 to 1400	Fullerton Hotel
AC Pit-Stop: Valuation and the Impairment Imperative	27 Nov 2018	0900 to 1100	Capital Tower

Major Events

EVENT	DATE	TIME	VENUE
Launch of Singapore Directorship Report and Corporate Governance Guides 2018	3 Oct 2018	0900 to 1100	Marina Bay Sands
Annual Corporate Governance Roundup	20 Nov 2018	1000 to 1330	Orchard Parade Hotel
Fellows' Evening	27 Nov 2018	1800 to 2100	Singapore Repertory Theatre
The ACRA-SGX-SID Audit Committee Seminar	16 Jan 2019	0900 to 1115	Marina Mandarin Singapore
SID Directors Conference 2019	11 Sep 2019	0900 to 1700	Suntec Singapore Convention and Exhibition Centre

Socials

EVENT	DATE	TIME	VENUE
SID Annual Golf Tournament	28 Jun 2019	11:00 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

June 2018

Fiona Heather Bowden
David Chin Yean Choon
Chong Siak Ching
Doan Thuan Hai
Gan Shiying
Annemaree Gray
Suhaimi Kamaralzaman
James Koh Chuan Tiok
Carol Joan Koh Su Yin
Mark Richard Langhammer
David Leow Tiak Cheow
Chanel Lim Kwee Choo
Loh Yew Fatt
Lawrence Loo Yee Wai
Low Huan Ping
Kurt Metzger
Joseph John Mitchell
Kathy Youkyung Park
Ellyn Tan
Christina Tan Hua Mui
Kenneth Tan
Chris Tan Tow Siang
Tee Kai Loon
Kenneth Teo Teck Leong
Mike Tiong Kheng Hua
Raye Wong
Thomas Yang
Bella Young

July 2018

Shiamdass Pathareddy Appannah
Chan Tze Hoe
Chia Miang Yeow
Jeffrey Chiam
Michael Chin Sek Peng
Jaclyn Choon Seow Keng
Thomas Chu Kok Hong
Gurpreet Dhillon
Ho Chye Hoi
Eslyn Ho
Jane Huston
Michelle Kam
Kok Cheang-hung
Vinit Lakhani
Lam Chee Weng
Lau Chew Lui
Lim Hung Siang
Susan Lim
Jeff Lin Li
Jo Anne Loo
Nishant Mahajan
Sandeep Maheswari
Takeo Matsuda
Mok Cher Hwee
Sonjoy Phukan
Wai Phyo
Madhiazhagan Ramkumar
Krishna Sadashiv
Daniel Siew Hoi Kok
Soong Hee Sang
Vaman Sriraman
Megan Stokes
Eleana Tan Ai Ching
Tan Kai Cheong
Tan Kay Siong
Samantha Tan Soh Wah
Tan Wee Jin
Fred Tan Wel Shi
Ingrid The Siu-Ing
Johannes Van Der Burgt
Alfred Michael Verzijl
Shukla Wassan
Wong Wai Shan
Wong Yu Wei

August 2018

Chetna Bastani
Patrycja Karoline Bral
Chan May Ping
Christopher Cheng Kian Hai
Chia Chor Leong
Shilpi Chowdhary
Suzanne Josephine Custerson
Alain Deniau
Abhijit Gupta
Jennifer Kang Ah Eng
Juliana Lee Lay Eng
Abigail Lee Yong Siang
Lei Hsien-Hsien
Jennifer Theresa Lewis
Liaw Kok Wah
Liew Swee Lin
Berlinda Lim
Lina Lim Poh Imm
Regina Lim
Desmond Lim Yew Yee
Meng Fanqiu
Kenny Ng
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Richard Siaw Kin Yeow
Raj Sokalingam
Rajesh Sundaresan
Karen Tan
Jenny Tan Lee Koon
Sean Tan
Ericia Tan Sze Ying
Fabian Tan Wei Ming
Johnny Teo Kim Soon
Desmond Teo Koon Ming
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Poh Mui Hoon
Tan Boon Gin
Tan Yen Yen
Wong Su-Yen

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).

"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, **Winston Liew** at **winstonliew@smu.edu.sg** or **+65 6808 5393**. You may also visit **http://exd.smu.edu.sg**.

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