

KeyNote Address at SID AC Seminar, 16 January 2018
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Mr Willie Cheng, Chairman of SID,

Mr Ong Khiaw Hong, CEO of ACRA,

Mr Tan Boon Gin, Chief Regulatory Officer of SGX & CEO of SGX RegCo,

Ladies and gentlemen,

I am honored to be in your presence this morning and grateful for the privilege of delivering this address.

In my experience, AC members of public companies often are the first, after the key executives and likely also the Board Chairman, to receive and review not only the financial statements, but also the announcement of results and the narrative for the directors' report. In practice, therefore, the AC plays a key role in the level and quality of disclosure and explanation, and arguably is at the forefront of good corporate governance.

The timing of this AC Seminar is a happy coincidence for the Corporate Governance Council because it presented us with a timely opportunity to launch the public consultation of the Council's recommendations on the same date as this event where the topic of corporate governance is relevant and will involve the audience.

That said, allow me to speak about the process that the Council has gone through and that has culminated in the recommendations that are being released today.

The last review of Singapore's Code of Corporate Governance was done in 2012. Given the rapid pace of change in today's world of business and markets, MAS deemed it timely to take stock of how the Code has fared in practice and to evaluate developments since then in corporate governance in other comparable jurisdictions.

The Council was formed in February last year and tasked with a review to (1) keep the Code up to date, relevant and effective, (2) validate the comply-or-explain model and enhance its practice, and (3) consider how good corporate governance can be better inculcated and fostered in Singapore on an ongoing basis.

In its approach, the Council has been mindful that the Code must fit Singapore's own context and the profile of companies here. It was also sensitive to the need for companies to not only keep up with the environment of constant and accelerating change, but also to innovate, improve continuously, and be well prepared for the future. And not least, the Council recognized the duty of sustaining and strengthening investor trust and confidence in Singapore's capital markets.

The Code by itself is not an Act of law, and the Council came to an early consensus that the Code can be simplified and streamlined so that it sets out Principles that are over-arching and non-disputable statements of good corporate governance; and for each Principle there will be Provisions that are actionable steps to guide companies on living up to the Principle.

In keeping with the comply-or-explain model, companies have latitude to vary from Provisions by taking alternative measures and explaining how the Principle is upheld just the same. The intention is to move companies

away from a mindset of compliance --- manifested in many cases as a “tick the box” approach, with explanations for non-compliance by way of platitudes with little illumination --- to one of thoughtful application of the Principles to their own business missions, objectives and circumstances.

The recommended Code avoids being coercive and refrains from use of the word “should”. The more prescriptive requirements will be moved to the SGX Listing Rules. The Council also decided that requirements which duplicate those stipulated by the Companies Act or by SGX Listing Rules do not have to be repeated in the Code. There are three Principles fewer than before and word count has been reduced by half.

The new elements that are being introduced aim at (1) improving board performance by means of a more diverse and more independent mix of directors, and by planning for renewal and succession; (2) making remuneration more transparent and relating it to long term objectives and performance; and (3) getting boards to engage with the wider community of stakeholders beyond shareholders.

In closing, I would say that no matter how we try to codify good governance, ultimately it will be the management and the board who determine how well the company performs and how well it is managed and governed. The imperative is for companies to recognize that good corporate governance helps in accomplishing their business mission and objectives and is therefore in their own best interests. The hope is for good corporate governance to become second nature.

To that end, the Council is recommending the establishment of an advisory committee that will advocate good practices, monitor progress of implementation, and issue practice guidance. The standing committee will comprise subject experts, experienced directors and representatives

from stakeholder groups such as large and small enterprises, institutional and retail investors and the audit and legal professions. It will have no formal regulatory powers but will act as a resource on corporate governance for the regulatory authorities.

We will have more on the Council's recommendations in the panel session later this morning starring the chairmen of the three working sub-committees --- namely Mr Willie Cheng, Ms Rachel Eng and Mr Tham Sai Choy --- to whom I am indebted for support with their unstinting time and effort and excellent work.

I look forward to reaction and participation from the floor then.

Thank you for hearing me out.