

**Speech by Loh Boon Chye, CEO of SGX at the ACRA-SGX-
SID Audit Committee Seminar on 12 January 2016**

(10 minutes)

Mr Kenneth Yap, Chief Executive of the Accounting &
Corporate Regulatory Authority (ACRA),

Mr Willie Cheng, Chairman, Singapore Institute of Directors
(SID),

Distinguished guests, friends, ladies and gentlemen,

A very good morning to you and Happy New Year!

Introduction

1. As Kenneth has explained, the role of an audit committee in a company is an important one. In fact, the turnout for the seminar this year has more than doubled compared to last year, which probably indicates how more companies and directors are placing increased emphasis in the role of the audit committees today.

2. Audit committees today look at a diverse range of matters.

Today, AC agendas are no longer dominated by audit and financial reporting issues. AC members need to be at the forefront of global trends and exhibit the foresight in connecting macro developments with business opportunities and risks. They need to set the tone for corporate governance and regulatory compliance. They also need to be conversant in sustainability issues to handle the new global expectations.

3. Today, I would like to adopt a more macro-approach to this subject and speak on a broader issue which I believe is growing as a key topic in board room discussions – sustainability reporting. This is an area that board members can focus on to strengthen corporate governance for their companies. For the audit committee, an understanding of this subject will allow it to better frame the business risks and derive a deeper understanding of the qualitative factors underlying the financial numbers.

Sustainability reporting

4. Sustainability reporting complements financial reporting by covering the non-financial aspects, including the environmental, social and governance (ESG) aspects of the company's business and strategy. This gives investors better insight into the companies they invest in by enabling them to assess a company's prospects and quality of management more holistically. It is widely recognised that the disclosure of material information beyond the financial numbers enhances transparency and builds greater understanding and trust among investors over time.

5. SGX is cognisant of these advantages that stem from sustainability reporting. To that end, I'm proud to share that we at SGX are early adopters in sustainability reporting. We have in fact been including a sustainability report as part of our Annual Report since our FY2012.

6. I am sure all of you still remember the prolonged haze last year. Pollution has been one of the biggest environmental challenges of our time and is taking a toll on public health. In fact, during the haze episode last year, we saw supermarket chains being pressured to withdraw products sourced from firms associated with environmental malpractices. Now – more than ever before – corporates are held accountable by the public for their impact to the wider environment. As such it is pertinent for companies to make a conscious attempt and engage their stakeholders through sustainability reporting.

7. Investors are likewise interested in sustainability reporting. We conducted a survey last year among institutional investors and found that 90% of them considered ESG factors when making investment decisions. They wanted to know how companies are managing risks and what policies they have in place in their management of supply chains, resources and waste.

8. Therefore, to ensure sustainability reporting progresses further among our listed companies, we are introducing sustainability reporting on a “comply or explain” basis. We launched a public consultation a week ago on the proposed rules and guide, and I encourage you to participate in the exercise and share your views and suggestions with us.

9. We are hosting a sustainability roundtable tomorrow to provide a platform for key stakeholders, including representatives of investor groups, regulators, company directors, corporate governance experts and sustainability experts to debate the proposals being consulted on and provide their feedback.

10. On a related note, we have also engaged KPMG last October to carry out a review of listed companies' compliance with the "comply or explain" requirement for the Code of Corporate Governance. As most here would appreciate, listed companies are required under SGX listing rules to comply with the CG Code, or explain deviations in their annual reports. Investors can then evaluate the adequacy of companies' disclosures and whether explanations for any deviations are meaningful.

11. We will be exploring ways to share the findings from the KPMG review to highlight areas of concern as well as areas for further improvement. Hopefully this will provide companies with guidance on how and what to disclose, as well as guidance on how and what to explain.

Conclusion

12. Singapore is reputable for upholding itself to the highest governance standards. Our corporates have benefited from this reputation and built on it with good support from their boards and board committees. Therefore, I urge audit committees and board members to continue to adopt a welcoming mindset towards global developments that will lead to the establishment of a strong governance structure in their companies. I believe you will agree that robust corporate governance is the best safeguard for your company's assets and shareholders' interest.

13. Without further ado, I will now hand over to Mr. Paul George, Executive Director from the Conduct Division of the UK Financial Reporting Council. I wish you all a fruitful morning.

14. Thank you.