CORPORATE GOVERNANCE ADVISORY COMMITTEE
2019 REPORT

The Corporate Governance Council ("Council"), during its review of the Code of Corporate Governance ("Code") in 2017 and 2018, recommended that a standing industry-led committee be established to advocate positive corporate governance practices.

As a body with advisory and advocacy functions, this committee will be able to provide close collaboration amongst the key stakeholders – companies, professionals, investors and regulators, to uphold corporate governance standards.

In line with the Council’s recommendation, the Monetary Authority of Singapore ("MAS") established the Corporate Governance Advisory Committee ("CGAC") in February 2019. For further information about the CGAC, including its purpose and mandate, please refer to the Appendix.

CGAC Members

The members of the CGAC are as follows:

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<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Position</th>
<th>Title</th>
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<tbody>
<tr>
<td>1</td>
<td>Mr Bobby Chin</td>
<td>Chairman</td>
<td>Chairman, NTUC Fairprice Co-operative Ltd</td>
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<td>2</td>
<td>Ms Prudence Ann Bennett</td>
<td>Member</td>
<td>Corporate Governance Consultant, Former Head of Investment Stewardship, BlackRock, APAC</td>
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<td>3</td>
<td>Mr Timothy Chia</td>
<td>Member</td>
<td>Director, The Straits Trading Company Limited</td>
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<td>4</td>
<td>Mr Philip Eng</td>
<td>Member</td>
<td>Director, Frasers Property Limited</td>
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<td>5</td>
<td>Mr David Gerald</td>
<td>Member</td>
<td>President, Securities Investors Association (Singapore)</td>
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<td>6</td>
<td>Mr Hsieh Fu Hua</td>
<td>Member</td>
<td>Former Chief Executive Officer, Singapore Exchange</td>
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<td>7</td>
<td>Prof Mak Yuen Teen</td>
<td>Member</td>
<td>Associate Professor of Accounting, National University of Singapore</td>
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<td>8</td>
<td>Mr Ng Kee Choe</td>
<td>Member</td>
<td>Chairman, CapitaLand Limited</td>
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<td>9</td>
<td>Mr Ng Tat Pun</td>
<td>Member</td>
<td>Chairman, Sing Investments &amp; Finance Limited</td>
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<td>10</td>
<td>Ms Christina Ong</td>
<td>Member</td>
<td>Chairman and Senior Partner, Allen &amp; Gledhill LLP</td>
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<td>11</td>
<td>Mr Bahren Shaari</td>
<td>Member</td>
<td>Chief Executive Officer, Bank of Singapore</td>
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<td>12</td>
<td>Dr David Smith</td>
<td>Member</td>
<td>Head of Corporate Governance, Asia Pacific, Aberdeen Standard Investments</td>
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<td>13</td>
<td>Mr Bob Tan</td>
<td>Member</td>
<td>Chairman, Jurong Engineering Limited</td>
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<td>14</td>
<td>Ms Tan Hwee Bin</td>
<td>Member</td>
<td>Director, Wing Tai Holdings Ltd</td>
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<td>15</td>
<td>Mr Tham Kui Seng</td>
<td>Member</td>
<td>Director, Avanda Investment Management</td>
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<td>16</td>
<td>Mr Tham Sai Choy</td>
<td>Member</td>
<td>Chairman, Singapore Institute of Directors</td>
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<td>17</td>
<td>Mr Wong Wei Kong</td>
<td>Member</td>
<td>Editor, The Business Times</td>
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<td>18</td>
<td>Mr Yeoh Oon Jin</td>
<td>Member</td>
<td>Executive Chairman, PwC Singapore</td>
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The CGAC’s activities in 2019

In 2019, three CGAC meetings were convened.

At the inaugural CGAC meeting in April 2019, the members discussed the role that the CGAC should play in promoting corporate governance in light of the mandate given to the committee. The CGAC explored potential focus areas, and organised itself into two sub-committees. Sub-committee 1 will consider and review the matters relating to board matters, and sub-committee 2 will consider and review the matters relating to accountability and audit, and shareholder rights and engagement.

In August 2019, the CGAC reviewed the Singapore Exchange Regulation’s (“SGX RegCo”) revised policy for a risk-based approach to quarterly reporting (“QR”) (the “Policy”). The CGAC deliberated on the implications of the Policy and provided its views on the implementation of the Policy.

At the CGAC meeting held in November 2019, the CGAC reviewed feedback from the industry relating to the implementation of the Code and agreed on follow-up actions. The CGAC also reviewed recent trends in corporate governance and identified sustainability reporting as an area warranting further attention and work.

Details of the CGAC’s key actions in 2019 are set out below.

1. Identification of Focus Areas

At the inaugural CGAC meeting, the CGAC determined that its first order of business would be to gather feedback on whether companies faced issues in implementing the requirements of the revised Code. The CGAC sought feedback from listed companies, directors, issue managers, sponsors, law firms and auditing firms.

The CGAC reviewed the feedback received and identified two focus areas that the CGAC would integrate into its work plan – remuneration disclosure and sustainability:

(a) Remuneration disclosure of key management personnel. The CGAC noted feedback that some companies did not disclose the remuneration of key management personnel. There were also questions about what companies ought to disclose under the Code, and in what form. For instance, for share-based remuneration and long-term incentives, disclosures provided by companies may not be comparable as some companies may disclose remuneration in dollar amounts while others may disclose the number of shares vested.

The CGAC felt that it was important to help companies understand and align with the principles behind remuneration disclosure in the Code. That is, to provide transparency so that investors...
can assess whether the remuneration of the Board and key management personnel is appropriate. A working group of the CGAC was formed to undertake this.

In the meantime, to address certain specific queries, the CGAC implemented clarifications to Practice Guidance 8 on Disclosure on Remuneration. The Practice Guidance was augmented to state that (i) remuneration disclosure should be based on the remuneration accrued for the financial year reported on, and (ii) if the company has less than five key management personnel, the company may make the disclosure in respect of such number of key management personnel, with the appropriate explanation. The changes were implemented on 7 February 2020.

(b) **Sustainability reporting.** Globally, investors have been placing greater emphasis on environmental, social and governance factors. The CGAC felt that it was meaningful to promote sustainability.

In line with this focus area, the CGAC intends to review companies’ sustainability reports and consider appropriate best practices for Singapore companies.

2. **Assessment of Companies’ Readiness for the 9-year Rule for Independent Directors**

An important issue that arose from feedback submitted to the CGAC was whether a more flexible approach should be adopted in relation to the implementation of the 9-year rule for independent directors, which comes into effect on 1 January 2022.

The CGAC’s view was that the implementation date of 1 January 2022 should be maintained, but that companies should be reminded to take steps in the interim two-year period (i.e. prior to 1 January 2022) to ensure compliance with the relevant SGX Listing Rules.

3. **Review of the Risk-based Approach to Quarterly Reporting**

During the year, the CGAC reviewed SGX RegCo’s revised Policy on QR.

The CGAC met to consider the proposed changes and supported the risk-based approach to QR.

The CGAC noted that semi-annual financial reporting remained mandatory and that companies must adhere to the continuous disclosure regime. Financial reporting operates in a continuous disclosure regime where material information is to be immediately disclosed as required under the SGX listing rules. Additionally, SGX was making enhancements to strengthen the regime.

In line with and to buttress this risk-based reporting approach, the CGAC enhanced the Practice Guidance of the Code on 7 February 2020 to strengthen accountability and reporting to shareholders.

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3 Mainboard Listing Rule 210(5)(d)(iii) / Catalist Listing Rule 406(3)(d)(iii) states that a director will not be independent if he has been a director for an aggregate period of more than 9 years (whether before or after listing) and his continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the chief executive officer of the issuer, and associates of such directors and chief executive officer.
In the amended Practice Guidance 12 on Engagement with Shareholders, the CGAC recommended that companies consider providing voluntary interim updates to keep shareholders informed on various matters considered useful and relevant. These may include market trends that could materially affect the performance and progress of its strategic and long-term goals. Companies should engage their shareholders on whether such voluntary interim updates will be useful.

The CGAC also included a recommendation in Practice Guidance 10 on Audit Committees for Audit Committees to strengthen oversight on the company’s financial reporting as a whole. If material issues with year-end reports are raised by the external auditors, the AC should review if these issues could have impacted previously announced interim financial statements. The AC should consider the appropriate corrective measures, including disclosure of the matter.

4. Addition to the CGAC’s Terms of Reference

The CGAC also felt that it was important to reinforce in its Terms of Reference the CGAC’s intention to be balanced and holistic in its approach to corporate governance. That is, the CGAC intends to keep strong references to both the development and the integrity of Singapore’s capital market, with attention to the needs of companies as well as investors.

The CGAC therefore proposed, and the MAS approved, the addition of the following statement to the CGAC’s Terms of Reference:

“The CGAC aims to enhance the performance and value of Singapore’s listed companies, both large and small, through the promotion of meaningful, appropriate and robust corporate governance practices. In pursuit of its objective, the CGAC will keep strong references to the needs of companies and stakeholders as well as the development and integrity of Singapore’s capital market.”

Conclusion

The CGAC thanks all the parties who provided feedback in 2019, and looks forward to working with all the relevant stakeholders to further enhance and promote strong corporate governance practices.
ABOUT THE CORPORATE GOVERNANCE ADVISORY COMMITTEE

PURPOSE

1. The Corporate Governance Advisory Committee (“CGAC”) is a standing industry-led body established to advocate good corporate governance practices among entities listed on the Singapore Exchange (“SGX”).

2. The CGAC aims to enhance the performance and value of Singapore’s listed companies, both large and small, through the promotion of meaningful, appropriate and robust corporate governance practices. In pursuit of its objective, the CGAC will keep strong references to the needs of companies and stakeholders as well as the development and integrity of Singapore’s capital market.

3. The role of the CGAC is advisory in nature. The CGAC does not carry any regulatory or enforcement powers. It will not provide specific opinion, advice or guidance to listed entities on ongoing cases and investigations. The Singapore Exchange Regulation (“SGX RegCo”), the Monetary Authority of Singapore (“MAS”), the Accounting and Corporate Regulatory Authority (“ACRA”) and other relevant regulators remain responsible for taking regulatory action against corporate governance-related breaches.

MANDATE

4. The CGAC will:
   a) identify and assess the current, emerging and potential risks to the quality of corporate governance in Singapore;
   b) provide opinions on corporate governance practices, with the objective of advocating good practices as benchmarks, including highlighting the areas for improvement for listed entities in general;
   c) issue or revise Practice Guidance, where appropriate, to clarify the Principles or Provisions of the Code of Corporate Governance (“CG Code”);
   d) monitor international trends and recommend changes to the CG Code where appropriate;
   e) consult stakeholders including listed entities, on proposed changes to the CG Code or Practice Guidance if necessary; and
   f) act as a resource to regulators (SGX RegCo, MAS and ACRA), including advising regulators on corporate governance issues referred to it by regulators. Matters that may be referred to the CGAC by regulators include case-specific issues or issues of broader public interest.

5. The CGAC may publish an annual report based on its observations of corporate governance practices in Singapore, related developments, areas for improvement and such other areas as it finds appropriate.
COMPOSITION

6. The CGAC should comprise 10 to 15 members, or such other number as MAS may from time to time determine. The members may include practitioners who have served as directors on the boards of listed entities, corporate governance experts and representatives from various stakeholder groups. The Chairman and members shall be appointed by the MAS.

7. Appointment of a member to the CGAC shall be for a term not exceeding 3 years, or such other period in accordance with the terms of appointment. A member may be reappointed upon the expiry of the prevailing term, except that the maximum length of service of each member on the CGAC shall not exceed 9 years.

SECRETARIAT

8. The CGAC shall be supported by a Secretariat staffed by officers from the SGX RegCo. The Head of the Secretariat reports to the CGAC Chairman.