

Review of Mainboard Companies' Code of Corporate Governance Disclosures

Conducted by KPMG in Singapore
5 July 2016

Singapore Exchange

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EXECUTIVE SUMMARY

This is the inaugural review of the Code of Corporate Governance (CG Code) disclosures of Mainboard companies by Singapore Exchange (SGX) and is part of our initiatives to work with companies and the industry to raise governance standards.

The objective of the study was to identify the extent to which corporate governance disclosures were present (either a positive or negative statement) and of good quality (the disclosure, including explanations for alternative practices, provides forthcoming and meaningful information to enable the reader to understand the practices adopted by the company) in relation to the key requirements specified in the CG Code, the SGX Disclosure Guide and the SGX Listing Rule 1207 (10).

Disclosures on each of the 85 requirements¹ were evaluated in this review based on whether the disclosure was present, which would account for one-third of the score, and the quality of the disclosure if present, which would carry two-thirds of the score. The heavier weightage awarded to the quality of disclosures reflects the focus of this review on evaluating the overall quality of disclosures, rather than only whether disclosures are present.

The review of 545 companies² CG Code disclosures was independently carried out by KPMG. Disclosures in the annual reports of companies with financial years ending from 1 July 2014 to 30 June 2015 were reviewed in the study. Findings of the review are presented here on a statistical no-name basis.

The review generally found the state of CG Code disclosures of Mainboard companies to be good with room for improvement. The highest score achieved by a company in this study was 90%, while the lowest was 28%. The study found companies' scores evenly distributed around the 60% average where:

- 52% of companies (281 in total) scored above 60% (including 3% of all companies (17 in total) scoring above 80%);
- 35% of companies (189 in total) scored between 50% to 60%; and
- 14% of companies (75 in total) scored below 50% (Chart 1).

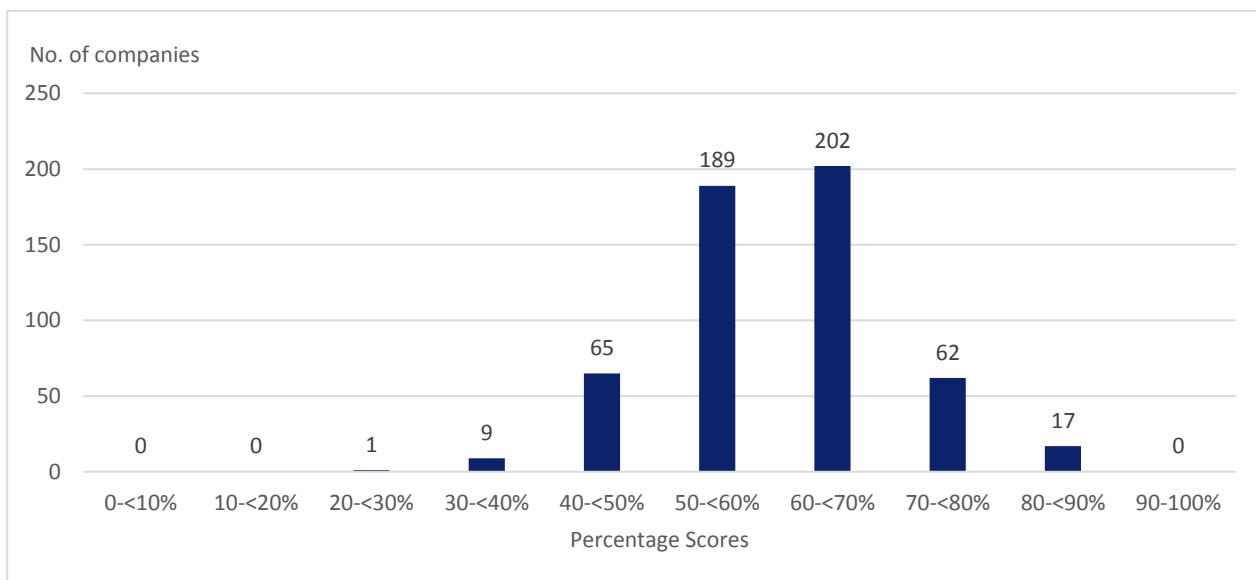


Chart 1

¹ The term 'requirements' is used to collectively refer to the guidelines, recommendations and requirements found within the Code, SGX Disclosure Guidance Document and the SGX Listing Rule 1207 (10). Refer to Appendix 1 for a further breakdown of the 85 requirements reviewed in the study.

² The study excluded Catalist-listed companies, Exchange Traded Funds, Secondary listings and Mainboard-listed companies unable to be analysed (e.g. suspended, no annual report, change in financial year end).

The review also showed that companies achieved average scores of close to 60% or more across three of the four CG Code pillars. Disclosures on Remuneration Matters were however scored lower across companies regardless of their market capitalisation.

Companies with market value exceeding S\$1 billion were regarded as large-capitalisation companies for the purpose of this study. Such companies made up 17% of the 545 companies reviewed. Mid-cap companies – or those with market value of S\$300 million to S\$1 billion – comprised 15% of companies while the remaining 68% of companies were described as small-cap companies. The average score for large-cap companies was 66%, compared with 62% for mid-cap companies and 59% for small-cap companies (Chart 2).

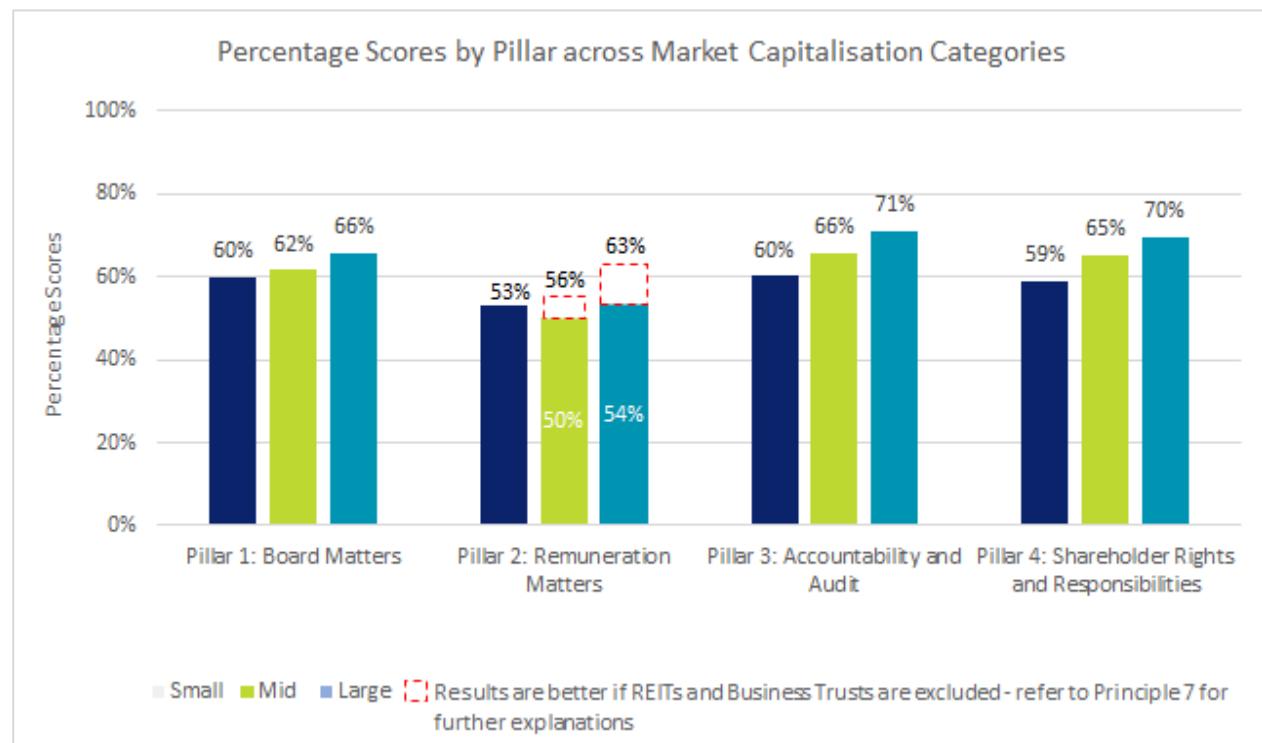


Chart 2

Results of the review showed that the standard of disclosures can be improved if companies ensured disclosures are adequately addressed for all Principles and Guidelines of the CG Code. We saw a number of outstanding disclosures which contained either a comprehensive description of existing practices or a meaningful explanation where alternative practices have been adopted.

SGX will use the findings to work with the relevant companies which need improvement i.e. those with poor disclosures or provide no explanation for deviation to address areas they can improve in.

PILLAR 1: BOARD MATTERS

Key Findings³

99%

Disclosed the number of meetings of the board and each board committee, plus attendance level of each director at the meetings

90%

Disclosed that they have a majority of independent directors on the Nominating Committee, including the chairman

98%

Disclosed that they have 1/3 of independent directors on their board

78%

Disclosed that they do not have an independent chairman

46%

Disclosed early adoption of having majority independent directors (effective from 2017)

58%

Disclosed having a Lead Independent Director

52%

Disclosed having directors serving beyond 9 years

25%

Disclosed specifying 'gender' as a factor in board diversity

16%

Disclosed measures to achieve diversity

1%

Disclosed having a diversity policy

32%

Disclosed setting a cap on directorships (average of 6)

32%

Disclosed whether alternate directors are appointed

³ All percentages shown for Pillar 1: Key Findings are taken based on the total population of 545 companies.

PILLAR 1: BOARD MATTERS

Pillar 1 sets out the important aspects of establishing a strong and independent board comprising directors with a range of skills and experience to meet the needs of the company.

We found that for Pillar 1 disclosures 307, or 56% of, listed companies surveyed achieved a score of 60% and above for their disclosures (Chart 3). The average score for this pillar was 61%.

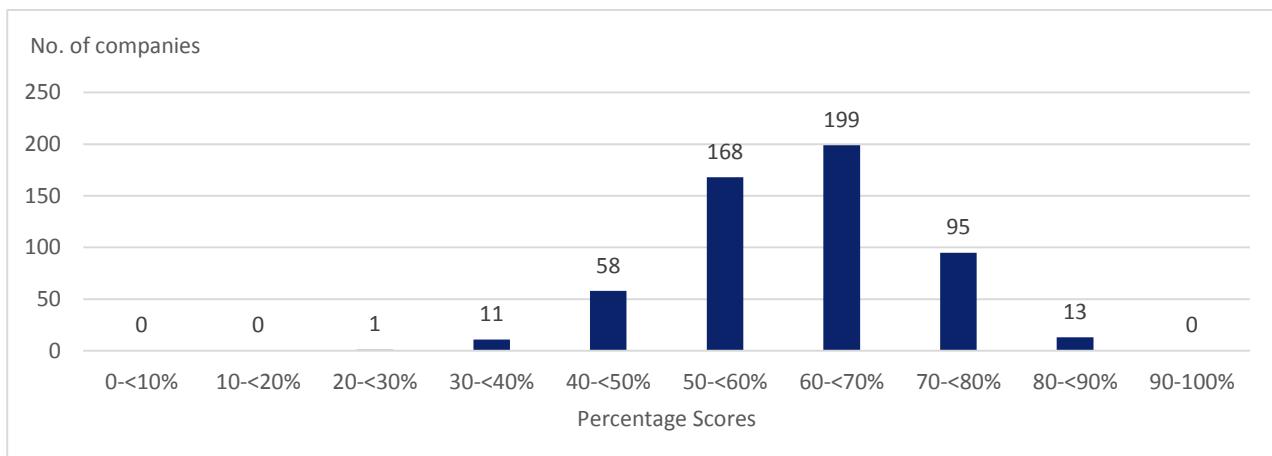


Chart 3

STRENGTHS:

Disclosures on board meetings and the Nominating Committee were mostly comprehensive. Almost all companies disclosed that the board meets regularly and provided details on the number of meetings of the board and each board committee, together with the attendance level of each director at the meetings. Most companies also mentioned that telephonic and video-conferencing facilities are available for directors to attend the board meetings.

90% of companies disclosed that the majority of the Nominating Committee, including the chairman, was independent, and 98% of companies disclosed that one-third of their boards comprise independent directors. Only 9 companies did not meet the minimum requirement of one-third independent directors on the board. Of these, 5 provided an explanation as to why this is not met citing alternative safeguards which are in place to ensure independence. For example, “The board’s size, composition and diversity of skills and experiences are considered appropriate for the Company to ensure that the board will make independent decisions. Matters requiring the board’s approval are discussed and deliberated with participation from each member of the board and collective decisions ensure that no individual influences or dominates the decision-making process. The board will constantly review the contribution of its directors to ensure a strong and independent element on the board.”

OF INTEREST:

The CG Code recommends that where the board chairman is not independent, at least half of the board must comprise independent directors.

78% of companies do not have an independent chairman. 46% of companies have at least half of their board comprising independent directors. We are encouraged by the level of compliance as this CG Code recommendation is only applicable from 2017. 58% of companies appointed a lead independent director. 9% of companies provided an explanation why they did not meet this requirement and common explanations included shareholders being able to reach out to any director for queries, small size of board and sufficient presence of independent directors on the board. 12% of companies failed to disclose an explanation as to why this requirement was not met. The lead independent director is a key member of the board, representing the views of independent directors and facilitating a two-way flow of information between

shareholders, the chairman and the board. Establishing clear roles and responsibilities for the lead independent director and disclosing them provides comfort to stakeholders that there are channels in place to identify and address any concerns (particularly involving the non-independent chairman).

How directors are judged to be independent even when they have been on the board of the company beyond 9 years is of great interest to shareholders. Just over half of all companies disclosed that they have directors who serve beyond 9 years. Companies should disclose plans for the progressive refreshing of the board where companies have 2 or more long-serving directors to bring in fresh perspectives.

52% of companies provided an explanation as to why the director remained independent with a majority stating that the board and Nominating Committee reviewed the independence of the director in character and judgement. But few companies provided details on the process used to form their conclusion. We strongly recommend that companies describe the process by which the board and Nominating Committee arrive at their decision that a director is independent. Examples of what may be considered are the annual review of director's independence for those who have served beyond 9 years, review of the board and board committee meeting minutes for incidents or records of how such long-serving directors actively sought amplification and explanation, directors' declaration, self-assessment checklist, peer-review questionnaires and review by an external consultant.

Diversity of the board is now viewed as a driver of value in decision-making and companies should incorporate a broader view of diversity when establishing board composition. The SGX Disclosure Guide specifies additional requirements such as establishing a diversity policy, reporting numerical data on diversity and outlining measures taken to enhance diversity of the board.

However, disclosures in relation to board diversity, on average, do not fully reflect requirements of the CG Code and the SGX Disclosure Guide. Only a quarter of companies specified "gender" as a factor in board diversity, 16% disclosed measures taken to achieve diversity, 6% provided numerical data to highlight diversity of the board and only 1% disclosed having a diversity policy. Where these practices were not disclosed, companies did not provide an explanation as to why the guidelines were not complied with.

One-third of companies disclosed a cap on multiple board representations with 6 directorships being the average limit. 14% of companies provided reasons for specifying the cap including ensuring the directors had sufficient time and attention to adequately perform their role. However, no clear rationale was generally provided for the specific number of directorships set as the cap. 53% of companies did not set a cap and disclosed reasons for not doing so. These included the personal capabilities of directors, differing company complexities and not wanting to deny directors – who are involved in other boards - from bringing value to the company.

Directors face increasing demands in their role. We urge companies to ensure that a formal process is put in place to evaluate the ability of directors to fulfil their duties and that the process be disclosed.

Companies should also review the adequacy of their explanations on whether a cap is set, or not, to justify their approach.

NEEDS IMPROVEMENT:

In respect of alternate directors, the CG Code recommends that boards should generally avoid appointing them. Although most companies do not appoint alternate directors, two-thirds of companies made no disclosure on this point. This is clearly not in line with the CG Code which specifies that all companies are required to make disclosures in relation to all the Principles and Guidelines in the CG Code. Of the 176 companies which did make a disclosure, most stated that they do not have alternate directors.

WHAT MAKES DISCLOSURES OUTSTANDING:

A selection of tips for enhancing disclosures for Pillar 1 is set out below. This is not meant to be exhaustive and further guidance is provided in Appendix 2.

- A clear statement specifying whether the company is required to have at least half the board as independent directors or to have a lead independent director with clear rationale and reasons why this is applicable or not.
- Specific disclosure on the tenure of each director and identification of all directors serving beyond nine years. Where directors have served beyond nine years, disclosures should be forthcoming about the process the company has adopted for rigorously reviewing and testing the independence of the director. Leading disclosures indicate whether the board has adopted a policy relating to director tenure.
- Disclosure on whether the board adopts a broad definition of diversity (e.g. skills, experience, gender, knowledge, age, ethnicity, etc.), whether a diversity policy is implemented including measures to enhance diversity, and numerical data and percentages to show diversity for selected demographics for the company and the full board.
- Where companies have not satisfied the specific requirements, there should be clear explanations provided and what they are doing to rectify the situation.
- Companies should provide disclosures in relation to all guidelines in the CG Code, including those where they may not be applicable, such as where no alternate directors were appointed throughout the year.

PILLAR 2: REMUNERATION MATTERS

Key Findings⁴

94%

Disclosed whether a Remuneration Committee or a Nominating and Remuneration Committee is established

93%

Disclosed that they have a majority of independent directors on the Remuneration Committee, including the chairman

31%

Disclosed remuneration of directors and Chief Executive Officer in dollar value

71%

Disclosed remuneration of key management personnel in bands of S\$250,000

92%

Disclosed whether they had employees with remuneration exceeding S\$50,000 who were related to directors or Chief Executive Officer

46%

Disclosed they had employees with remuneration exceeding S\$50,000 who were related to the directors or Chief Executive Officer

30%

Disclosed the remuneration of employees who were related to the directors or Chief Executive Officer in bands of S\$50,000

⁴ All percentages shown for Pillar 2: Key Findings are taken based on the total population of 545 companies.

PILLAR 2: REMUNERATION MATTERS

Pillar 2 sets out the important aspects of executive remuneration and the determination of the remuneration packages of individual directors.

We found that for Pillar 2 disclosures 170, or 31% of, listed companies surveyed achieved a score of 60% and above for their disclosures (Chart 4). The average score of 53% for this pillar was the lowest among all pillars. Average scores were similar for large-, mid- and small-cap companies.

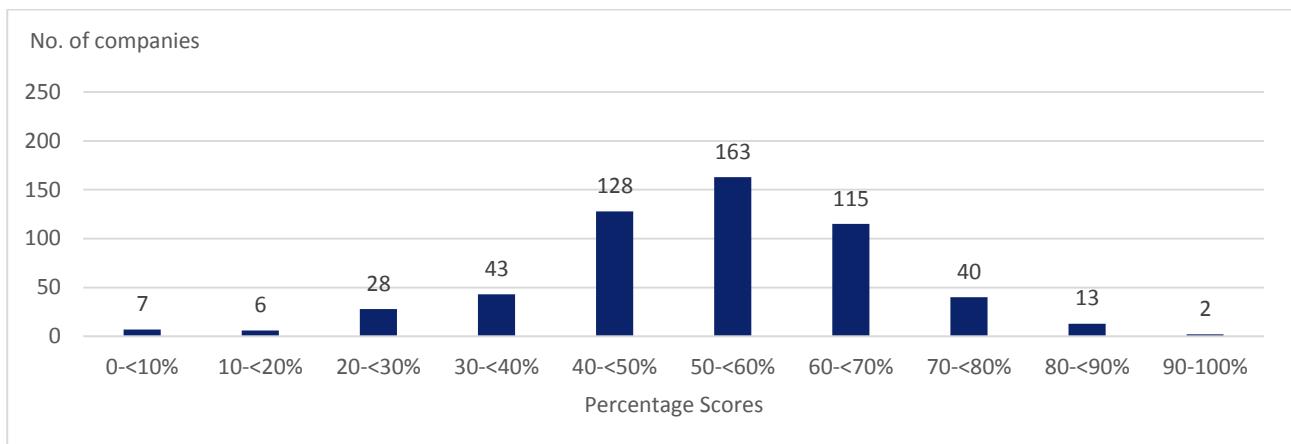


Chart 4

STRENGTHS:

Companies were forthcoming and provided much detail on the set-up of the Remuneration Committee and its general responsibilities. This information is, by and large, fairly standard across companies. But companies were generally much more reticent on matters which they judge to be sensitive such as actual remuneration in dollar value or the link between incentive schemes and performance.

Companies' disclosures on the establishment of a Remuneration Committee were comprehensive and detailed. 92% of companies have a Remuneration Committee while 2% have a combined Nominating and Remuneration Committee. Companies also addressed the requirement to have a majority of independent directors, including the chairperson, in the Remuneration Committee. They readily identified the committee members by name and disclosed whether the Remuneration Committee comprises solely of non-executive directors.

Most companies also stated they have a remuneration framework, and that the Remuneration Committee reviews and recommends the individual remuneration packages of the directors and key management personnel for board endorsement. Companies also stated that the Remuneration Committee review includes all aspects of remuneration was also largely stated by companies.

OF INTEREST:

Remuneration amount paid to directors, Chief Executive Officers and key management personnel is a matter which companies were generally reticent about. At the same time, shareholders and other stakeholders may want to know that the rewards of key officers are commensurate with business performance. Compensation issues are of interest to shareholders to provide assurance that the remuneration structure of the board and key management are aligned with the company's objectives in the long term. Some companies did not disclose the name of the key management personnel which is one of the key issues where shareholders would like to identify the key management personnel of the company and determine the extent to which they are remunerated.

Almost all companies provided a breakdown of remuneration in percentage terms into salary, bonus, benefits, etc. for directors and the Chief Executive Officer. But only about a third of companies fully

disclosed the remuneration amount in dollar value paid to both directors and the Chief Executive Officer on a named basis. Most of those which did not fully disclose the remuneration in dollar value provided generic explanations such as confidentiality or fear of poaching.

71% of companies disclosed remuneration of key management personnel in bands of S\$250,000 and 59% of companies disclosed the aggregate amount of remuneration paid to key management personnel. 11% of companies did not disclose the remuneration of directors and the Chief Executive Officer in dollar value and did not explain the reasons for the non-disclosure. We strongly urge companies to be more open and transparent about disclosures on director and Chief Executive Officer remuneration for a more sustainable relationship with shareholders.

92% of companies disclosed whether they had employees with remuneration exceeding S\$50,000 per annum who were related to the directors or the Chief Executive Officer. 46% of companies have employees with remuneration exceeding S\$50,000 per annum who were related to the directors or the Chief Executive Officer. 35% of companies identified the employee name, 35% stated the relationship and 30% disclosed the remuneration in bands of S\$50,000.

NEEDS IMPROVEMENT:

The CG Code recommends that the remuneration of the top 5 key management personnel be disclosed in bands of S\$250,000. As best practice, companies are encouraged to fully disclose the remuneration of the top 5 key management personnel. The study found that companies were less forthcoming on the remuneration of key management personnel citing the same concerns of confidentiality or fear of poaching. While many provide a positive or negative statement in relation to the breakdown of the remuneration of key management personnel in bands of S\$250,000, and the same number providing a percentage breakdown of the remuneration components, only 3% fully disclosed the remuneration amount in dollar value paid to the top 5 key management personnel who they named. Two thirds of those which did not make full disclosure provided an explanation citing the generic concerns of confidentiality or poaching fears. Some disclosures stood out for their explanations such as “Given the highly competitive industry conditions and in the interest of maintaining good morale and a strong spirit of teamwork within the Group, the disclosure relating to the remuneration of the top 5 key management personnel (who are not directors of the company) of the Group in bands of S\$250,000 is set out below”.

WHAT MAKES DISCLOSURES OUTSTANDING:

A selection of tips for enhancing disclosures for Pillar 2 is set out below. This is not meant to be exhaustive and further guidance is provided in Appendix 2.

- Generic explanations such as confidentiality and fear of poaching do not meet shareholders' expectations for greater transparency. To build a more open and transparent relationship with shareholders, companies should reconsider the value of providing more forthcoming disclosures in relation to director and Chief Executive Officer remuneration. For key management personnel, companies should disclose at least a breakdown of remuneration in bands of S\$250,000. Boards should carefully consider whether such disclosures are truly detrimental to the company and explain how this is so, instead of providing boilerplate reasons such as confidentiality and fear of poaching.
- If companies do not want to do so, they may want to consider providing a more extensive explanation, for example by elaborating on why poaching fears in their business or industry are intense. They should also disclose to shareholders that remuneration is in line with industry practices after obtaining professional advice where applicable. They can be transparent on the link between performance and remuneration including disclosing what appropriate measures of performance are in place and why they are chosen. They should also say whether the performance conditions are met and if so, to what level.

- The board, typically through the Remuneration Committee, should evaluate the relevance of each remuneration practice suggested in the CG Code and provide a disclosure confirming whether it has or has not been adopted including reasons why not.

PILLAR 3: ACCOUNTABILITY AND AUDIT

Key Findings⁵

100%

Disclosed that their Audit Committee has at least 3 directors

99%

Disclosed that they have a majority of independent directors on their Audit Committee, including the chairman

92%

Disclosed Audit Committee members having recent and relevant accounting and financial experience

99%

Disclosed adequacy of internal controls

53%

Disclosed effectiveness of internal controls

66%

Disclosed adequacy of risk management

45%

Disclosed effectiveness of risk management

95%

Disclosed that an Internal Audit function has been established

62%

Disclosed that the Internal Audit function is outsourced

⁵ All percentages shown for Pillar 3: Key Findings are taken based on the total population of 545 companies.

PILLAR 3: ACCOUNTABILITY AND AUDIT

Pillar 3 sets out the key aspects of a balanced and understandable assessment of the company's performance, position and prospects. It also sets out the requirements for managing the key risks and internal controls, establishing a well-composed Audit Committee and establishing an IA function.

We found that Pillar 3 showed the highest quality of disclosures among all pillars and this was observed most significantly in large-capitalisation companies. The average score for the pillar was 63% and 323, or 59% of, listed companies surveyed achieved a score of 60% and above for their disclosures (Chart 5).

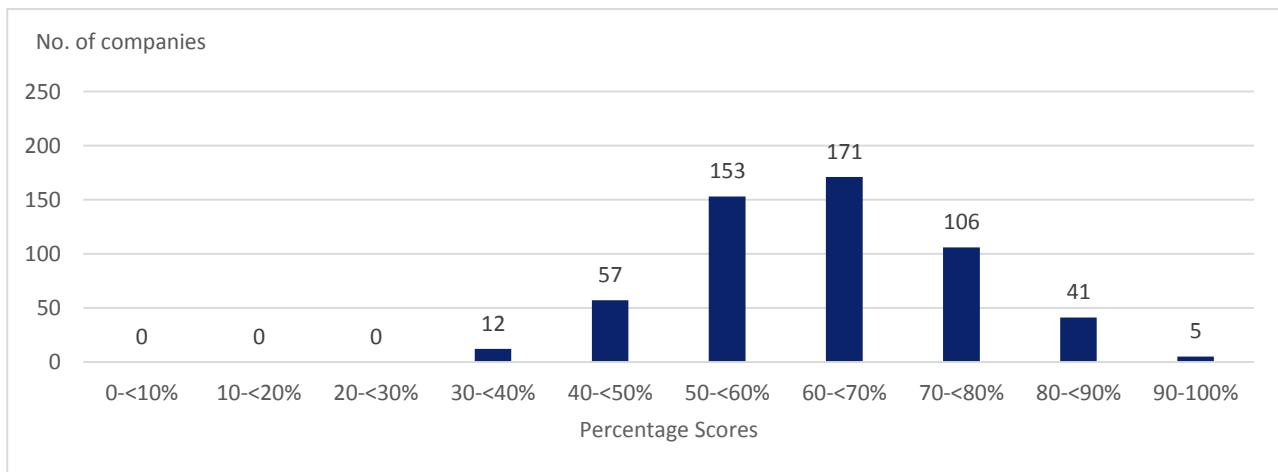


Chart 5

STRENGTHS:

Listed issuers were forthcoming in terms of their disclosures with regards to the composition of the Audit Committee, establishment of its terms of reference and identification of its members. All (except 2) companies disclosed that they have at least 3 directors on their Audit Committee and are transparent in identifying the names of Audit Committee members. We also noted that 99% of companies disclosed the Audit Committee comprised a majority of independent directors, including the chairman

In addition, a majority of companies provided forthcoming disclosures in relation to the role of the Audit Committee covering oversight of financial reporting, external audit, internal audit, internal controls and whistleblowing.

Disclosures relating to the relevant qualifications or experience of Audit Committee members were relatively forthcoming. While some companies provided generic statements such as "The board believes that the Audit and Risk Committee is appropriately qualified to discharge their duties and responsibilities", other companies provided more detailed disclosures such as, "The board is of the view that the Audit Committee chairman and members of the Audit Committee are appropriately qualified, with the necessary accounting, financial, business management and corporate legal expertise and experience to discharge their responsibilities. The Audit Committee comprises four members, all of whom are non-executive and independent. The Audit Committee chairman, having worked extensively at several accounting firms for over 20 years, possesses practical accounting and financial management knowledge and experience and is well qualified to chair the Audit Committee. The other members of the Audit Committee have expertise or experience in accounting, fund management, banking, real estate management and related financial management."

OF INTEREST:

While almost all companies provided a disclosure in relation to the board's opinion and comment on the adequacy and effectiveness of risk management and internal controls, not all companies satisfied all the

requirements contained within SGX Listing Rule 1207(10) and Guideline 11.3 of the CG Code. While the board's opinion is strong in relation to the adequacy of internal controls (driven by the listing requirement), there are significant gaps in disclosure across the board's comment on the internal control effectiveness and risk management adequacy and effectiveness. 99% of companies disclosed adequacy of internal controls, 53% of companies disclosed effectiveness of internal controls, 66% disclosed adequacy of risk management and 45% disclosed effectiveness of risk management.

NEEDS IMPROVEMENT:

Notwithstanding the high disclosure standards with regards to the Audit Committee, we noted several areas for improvement, particularly in relation to Internal Audit.

95% of companies disclosed that they have an Internal Audit function.

We noted that the disclosures occurred against the backdrop of most companies outsourcing their Internal Audit function. 62% of companies outsource the Internal Audit function, 32% of companies have an in-house Internal Audit function, 2% co-source the function and 5% of companies did not disclose in relation to this requirement. More large-capitalisation companies (66%) have in-house Internal Audit function compared to small-cap companies (23%). Where the Internal Audit function is outsourced, many companies fail to provide all the necessary disclosures contained within the CG Code.

Disclosures relating to the Internal Audit functions of listed companies were mostly written in generic language and mostly along the lines of "Company X has outsourced the Internal Audit function to Firm X" with no further responses to the CG Code requirements in relation to the Internal Audit personnel or standards adopted. Some companies did not even mention the name of the outsourced provider which makes it more challenging to assess the calibre of the outsourced provider. Furthermore some companies merely adopted the CG Code wording such as "The Internal Audit is also staffed with persons of relevant qualifications and experience". This approach does not provide information on the specific Internal Audit personnel and their specific qualifications and experience, nor how they continue to keep abreast of business and Internal Audit industry developments.

Nevertheless, we found good disclosures. Some listed issuers set out the Internal Audit function role (with reference to an Internal Audit Charter being adopted), scope and coverage (for example, the types of processes under review, the focus of testing across adequacy and effectiveness of risk management and internal controls, and coverage across the group and subsidiary structures) and timeliness for following up and rectifying deficiencies identified (based on severity of findings).

WHAT MAKES DISCLOSURES OUTSTANDING:

A selection of tips for preparing outstanding disclosures for Pillar 3 is set out below. This is not meant to be exhaustive and further guidance is provided in Appendix 2.

- Detailed explanation on why each member of the Audit Committee has relevant qualifications or experience, including details of any relevant accounting and financial experience possessed by the member.
- Disclosures are required to confirm that there is a risk management and internal control system in place. Details should be forthcoming in relation to the board having overall responsibility for the governance of risk, whether the board has delegated authority to a board committee (such as the Audit Committee or Board Risk Committee), that management is responsible for implementing risk management and internal controls and that there is a risk management policy in place with clarity in relation to risk appetite and tolerance levels. In addition, disclosures should indicate that there are mechanisms in place to regularly review and receive assurances from the Chief Executive Officer and Chief Financial Officer regarding the effectiveness of the system of risk management and internal control. Ultimately, the disclosures should ensure that the board provides an opinion (and comment)

on the adequacy and effectiveness of risk management and internal controls, covering financial, compliance, operational and information technology risks.

- All companies should review each guideline in the CG Code in relation to Internal Audit and ensure disclosures are complete and forthcoming.

PILLAR 4: SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Key Findings⁶

95%

Disclosed that directors are required to attend the general shareholder meeting

92%

Disclosed that external auditors are required to attend the general shareholder meeting

95%

Disclosed that the board establishes and maintains regular dialogue with shareholders

92%

Disclosed that shareholders are allowed to appoint proxies to attend and participate in general meetings

66%

Disclosed whether voting by poll is adopted

43%

Disclosed announcing poll voting results

21%

Disclosed whether electronic poll voting is adopted

63%

Disclosed whether an Investor Relations policy or protocol is in place

46%

Disclosed that a dedicated Investor Relations team or equivalent is in place

55%

Disclosed that minutes for the general shareholder meeting will be prepared

51%

Disclosed that general shareholder meeting minutes will be made available to shareholders upon request

⁶ All percentages shown for Pillar 4: Key Findings are taken based on the total population of 545 companies.

PILLAR 4: SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Pillar 4 sets out the key aspects of recognising, protecting and facilitating the exercise of shareholders' rights and ensuring that governance arrangements are continually reviewed and updated.

We found that Pillar 4 disclosures achieved an average score of 62%, and that 316, or 58% of, listed companies surveyed achieved a score of 60% and above for their disclosures (Chart 6).

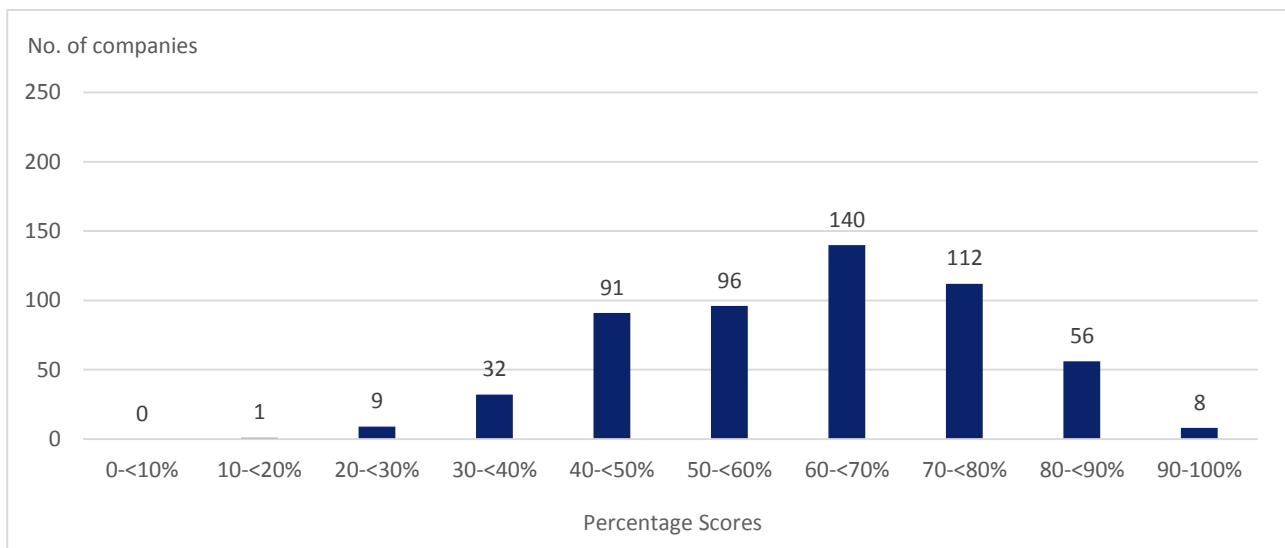


Chart 6

STRENGTHS:

Most companies disclosed that their directors attend the general shareholder meeting. A similar number disclosed the attendance of external auditors at the meeting. Most companies also disclosed that their board establishes and maintains regular communications with shareholders, and whether shareholders are allowed to appoint proxies to attend and participate in these meetings.

NEEDS IMPROVEMENT:

Disclosures on the outcome of shareholder meetings were less forthcoming. Only two-thirds of companies disclosed whether voting by poll is adopted and less than half of companies disclosed announcing the results. We also noted that just 1 in 5 companies disclosed whether electronic poll voting is adopted. Disclosures relating to poll voting are expected to improve as the SGX listing requirement for mandatory poll voting and announcement of voting results became effective on 1 August 2015.

Over one-third of companies did not disclose whether they have an Investor Relations policy or protocol in place, and less than half of companies have a dedicated Investor Relations team or equivalent in place. Establishing a formal Investor Relations policy or protocol provides a mechanism for defining when and how the company will engage and communicate with shareholders/stakeholders. This ensures a consistent approach that is in line with the board's expectations and provides shareholders/stakeholders with the information how the company will engage with them.

Large-capitalisation companies indicated a more structured approach to engaging with shareholders with a higher frequency of interactions (e.g. investor roadshows, analyst briefings, etc) while small-cap companies disclosed that the main type of shareholder engagement predominantly occurred at the general shareholder meeting.

Also of concern is that only about half of companies disclosed that minutes for the general shareholder meeting will be prepared. Only about half of all companies also disclosed that minutes of the meetings are available to shareholders upon their request.

WHAT MAKES DISCLOSURES OUTSTANDING:

A selection of tips for preparing outstanding disclosures for Pillar 4 is set out below. This is not meant to be exhaustive and further guidance is provided in Appendix 2.

- Specific disclosure that indicates poll voting is adopted for all resolutions at the general shareholder meeting, including the process for the announcement of the “for and against” voting results.
- Disclosure of the full or key aspects of the Investor Relations policy such as disclosing the role of the team, the frequency and channels of communication such as road-shows and conferences with specified groups of shareholders, the availability of a feedback channel such as email, the opportunity for management to provide strategic and financial insights on the company to shareholders.
- Specific statement on the preparation of minutes of the general meetings including description of what is included such as substantial and relevant comments or queries from shareholders. Explicit mention that the minutes will be made available on the website by a certain time after the Annual General Meeting/Extraordinary General Meeting.

APPENDIX 1: OVERVIEW OF METHODOLOGY

The objective of the study was to identify the extent to which corporate governance disclosures were present (either a positive or negative statement) and of good quality (the disclosure, including explanations for alternative practices, provides forthcoming and meaningful information to enable the reader to understand the practices adopted by the company) in relation to the key requirements specified in the CG Code, the SGX Disclosure Guide and the SGX Listing Rule 1207 (10).

The total number of requirements assessed was 85, which included 83 Guidelines from the CG Code⁷, the overarching requirement to provide a positive statement of adherence to the ‘comply or explain’ requirement upfront in the CG section⁸ and the requirement for the board to provide an opinion on the adequacy of internal controls⁹.

Disclosures on each of the 85 requirements were evaluated in this review based on whether the disclosure was present, which would account for one-third of the score, and the quality of the disclosure if present, which would carry two-thirds of the score. The heavier weightage awarded to the quality of disclosures reflects the focus of this review on evaluating the overall quality of disclosures, rather than only whether disclosures are present.

The review of companies’ CG Code disclosures was independently carried out by KPMG. The study relied on publicly available information contained in the Annual Reports and disclosures in the annual reports of companies with financial years ending from **1 July 2014 to 30 June 2015** were reviewed in the study. It did not involve reviewing the underlying processes that companies have implemented to satisfy the requirements. Where referenced in the annual report, disclosures on a company’s website were also reviewed. Findings of the review are presented here on a statistical no-name basis.

A total of 545 Mainboard-listed companies were identified as in scope during this period. The study excluded Catalist-listed companies, Exchange Traded Funds, Secondary listings and Mainboard-listed companies unable to be analysed (e.g. suspended, no annual report, change in financial year end).

The study contains some qualitative assessments in classifying the extent to which the disclosures were forthcoming in nature. While efforts were made to standardise the assessments and calibrations across companies, there was an element of subjectivity and interpretation which may impact the results.

Companies with market value exceeding S\$1 billion were regarded as large-capitalisation companies for the purpose of this study. Such companies made up 17% of the 545 companies reviewed. Mid-cap companies – or those with market value of S\$300 million to S\$1 billion – comprised 15% of companies while the remaining 68% of companies were described as small-cap companies.

⁷ The CG Code contains 82 Guidelines. For the purposes of analysis, the study split Guideline 11.3 into two reflecting the board’s comment on the adequacy and effectiveness of risk management and internal controls and the assurances provided by the CEO and CFO on financial records, risk management and internal controls.

⁸ This requirement is found in the supporting guidance at the end of the CG Code.

⁹ This requirement relates to the SGX Listing Rule 1207 (10).

APPENDIX 2: SUMMARY OF PRINCIPLES

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

Principle 1 sets out that every company should be headed by an effective board to lead and control the company. The board is collectively responsible for the long-term success of the company. The board works with management to achieve this objective and management remains accountable to the board.

We found that for Principle 1 disclosures 347, or 64% of, listed companies surveyed achieved a score of 60% and above for their disclosures (Chart 7).

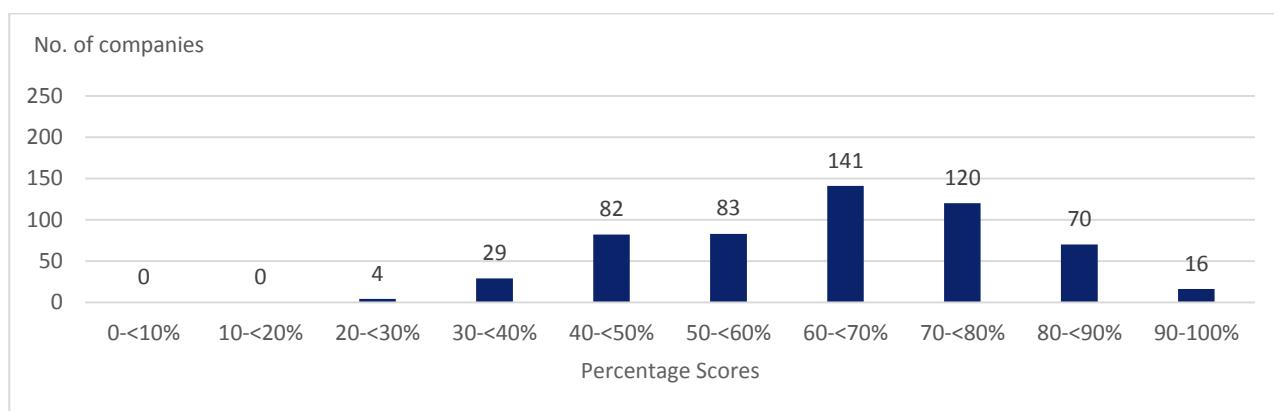


Chart 7

KEY CONSIDERATIONS:

Principle 1 contains recommendations to encourage companies to establish a board with a clear purpose, with formal delegations for decision making and efficient and effective mechanisms for the board meeting regularly. Other recommendations relate to directors' duties and obligations being defined with structured training to continuously develop director knowledge and skills.

Increasingly, stakeholders (including investors, regulators, employees and the community) expect boards to actively engage with them to understand key concerns or insights, particularly in relation to the long-term sustainability of the company. In addition, key stakeholders want to ensure there is an appropriate ethical culture instilled by the board throughout the company.

Disclosures relating to the role of the board are of a good quality but could be enhanced to reflect the board's role in stakeholder engagement, ethical standards and sustainability. These factors which drive stakeholder value in the long-term should be considered and adopted.

A critical board function relates to delegations of authority from the board to board committees and management. While a majority of disclosures indicates that a delegation process is in place, companies could be more forthcoming in relation to the matters and types of material transactions that require board approval.

Companies make good quality disclosures in relation to hosting regular board and board committee meetings with attendance of all directors recorded and disclosed. Most companies also mentioned that telephonic and video-conferencing facilities are available for directors to attend the board meetings.

A majority of companies provided disclosures in relation to directors receiving regular training. However, disclosures could be more forthcoming in relation to the specific type of training delivered and directors attendance at the training.

TIPS FOR OUTSTANDING DISCLOSURES:

Companies should check to ensure a disclosure is provided in relation to all 7 Guidelines specified in Principle 1. The following are provided as examples and do not represent an exhaustive list of guidance.

Role of the board

- All aspects of the role of the board set out the CG Code (i.e. strategy, financial, human resources, risk management and internal controls, reviewing management performance, stakeholder engagement, setting ethical standards and sustainability matters) and adapt for relevance to the company's circumstances. Companies could adapt the wording in the CG Code as long as the practices can be substantiated
- An emerging practice for consideration is developing a formal Board Charter and/or Board Code of Conduct capturing key roles and responsibilities and values for the board to adopt and adhere to
- Where the board roles specified in the CG Code are not explicitly mentioned, companies should provide explanations for why they have not been adopted

Material transactions

- Existence of a formal document, policy or guideline (capturing the board approval process) disclosed
- Clear allocation of decisions for board/management approval (covering strategic matters, financial and non-financial items)
- Materiality thresholds for board/management approval specified
- Examples of types of material transactions (this list is not exhaustive):
 - a) new investments or increase in investments:
 - b) disposals or changes in equity interests in existing subsidiaries/associates
 - c) acquisition and disposal of assets
 - d) capital equipment purchase and/or lease, exceeding \$XX million by any group company (not separately listed)
 - e) All commitments to term loans and lines of credit from banks and financial institutions by the company.

Director training

- Establishment of a formal and structured training framework with curriculum and topics identified
- Maintenance of director attendance at trainings
- Selection of accredited training providers
- Explicit disclosure on types and frequency of training conducted by the company for directors during the financial year
- Specific statement that the costs of such training is borne by the company

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

Principle 2 sets out that there should be a strong and independent element on the board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the board's decision making.

We found that for Principle 2 disclosures 273, or 50% of, listed companies surveyed achieved a score of 60% and above for their disclosures (Chart 8).

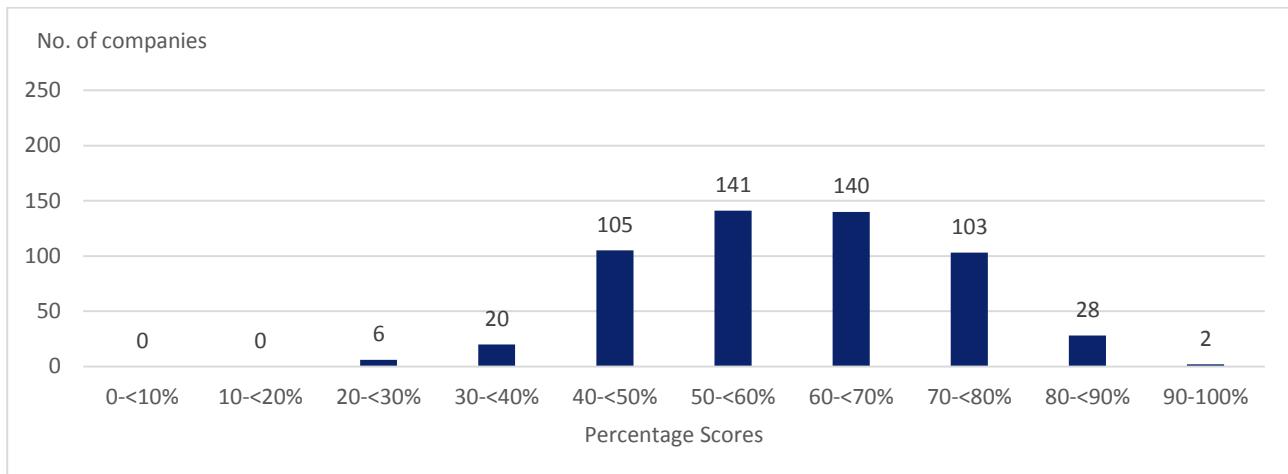


Chart 8

KEY CONSIDERATIONS:

Principle 2 contains recommendations relating to the board maintaining a certain degree of independence, (based on specified relationships and circumstances, including tenure) and the importance of establishing a well comprised board with diversity of skills, experience and background.

Disclosures relating to the board comprising at least one third independent directors were of a good quality, with almost all companies satisfying this requirement (except for 9 in total).

Having a higher proportion of independent directors on the board is a cornerstone of good governance. A sufficient balance of independent directors provides healthy challenge and objective views in decision-making, in the interests of shareholders. Under the CG Code, there are circumstances (such as having a non-independent chairman) where companies are required to have independent directors make up half the board so that independent decision-making is not at risk.

Where companies are required to have half the board as independent, they should specify clearly the reasons for the requirement. Companies were provided an extension until 2017 to satisfy the requirement to have half the board independent when certain conditions were present. In the event the companies are unable to achieve half the board as independent, companies should specify reasons for it and what is being done to address the gap.

Given the perceived risk of impairment to the independence of directors serving beyond 9 years, companies should provide more details on the steps taken to review their independence and contribution so as to justify their re-appointment, including the adoption of progressive refreshing of the board.

Diversity on the board is now viewed as a driver of value in decision-making. Given the heightened focus in recent times, companies should be incorporating a broader view of diversity when establishing and

reviewing board composition, beyond skills, experience, competencies, and knowledge of the company (to include age, gender, nationality, ethnicity etc).

The SGX Disclosure Guide specifies additional requirements such as establishing a diversity policy, reporting diversity numerical data and outlining measures taken to enhance diversity on the board. All companies should consider the additional requirements and provide disclosures as to whether they choose to adopt them or provide an explanation indicating the reasons why they have not.

Establishing a protocol for the non-executive directors to meet separately without the presence of management or other directors is a key aspect of governance. The meetings enable the non-executive directors to share concerns or views on key matters under their purview.

Despite this requirement being procedural in nature, many companies have failed to provide a disclosure. A common practice amongst those companies that have disclosed indicated establishing an integrated and efficient process, by gathering the non-executive directors for a separate meeting immediately preceding the regular board meetings.

TIPS FOR OUTSTANDING DISCLOSURES:

Companies should check to ensure a disclosure is provided in relation to all 8 Guidelines specified in Principle 2. The following are provided as examples and do not represent an exhaustive list of guidance.

Director independence

- Companies should continue to specify the names of the independent directors and set out the process to determine and check independence on an on-going basis
- There should be a clear statement specifying whether the company was required (or not required) to have at least half the board as independent with clear rationale specifying the reasons
- For companies required to have at least half the board as independent but did not, there should be clear explanations as to why they have not satisfied the requirement and what they are doing to rectify the situation

Director tenure

- There should be a positive or negative statement made in relation to whether directors have served beyond 9 years
- Disclosure of the reasons why the directors remained independent beyond 9 years
- Overview of the process adopted by the company to rigorously review the independence of directors beyond 9 years. For example, conducted on an annual basis, review of board and board committees meetings minutes (to assess director questions and voting actions), directors' declaration, self-assessment checklist, peer-review questionnaires and/or review by an external consultant
- Disclosure of guidelines and processes adopted by the board to progressively renew the board composition

Board diversity

- A broad definition of diversity disclosed (e.g. skills, experience, gender, knowledge, age, ethnicity etc.)
- A diversity policy is implemented and disclosed
- Numerical data and percentages provided to show diversity for selected demographics compared to the full board (e.g. ethnicity, gender, age group, tenure of service etc.)
- Measures taken to enhance diversity disclosed

Non-executive director meetings

- Specific mention that the non-executive directors regularly meet without the presence of management
- Explicit disclosure on the frequency of meetings (regular and ad-hoc as required)
- Clear presentation of the number of meetings and attendance levels

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3 sets out that there should be a clear division of responsibilities between the leadership of the board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

We found that for Principle 3 disclosures 241, or 44% of, listed companies surveyed achieved a score of 60% and above for their disclosures (Chart 9).

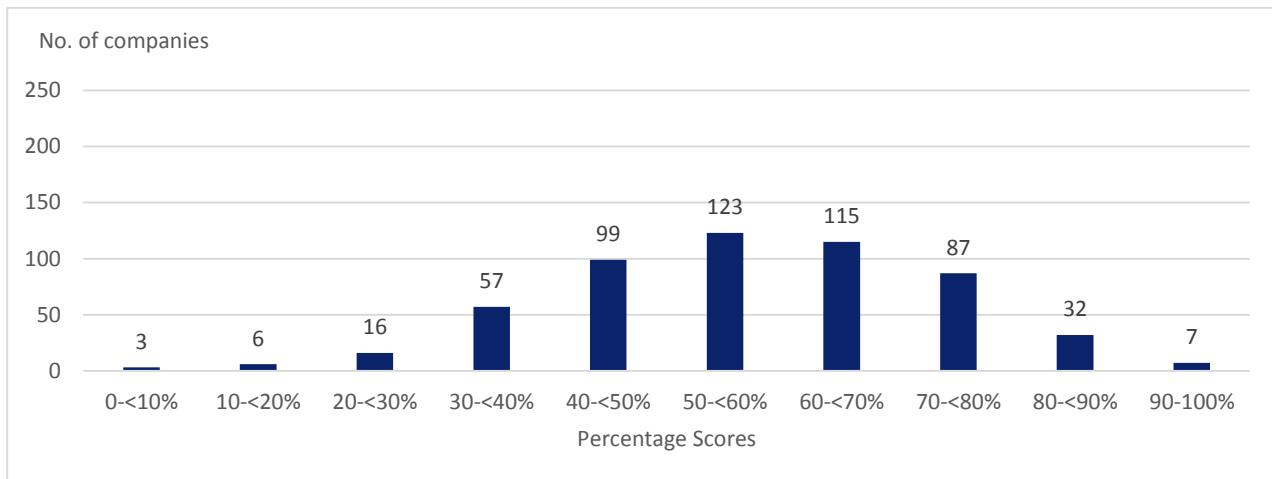


Chart 9

KEY CONSIDERATIONS:

Principle 3 contains recommendations relating to the role of the chairman and Chief Executive Officer and the need for there to be a clear division of responsibilities, including recommendations to appoint a lead independent director where certain conditions are present so as to prevent one individual possessing too much power.

A lead independent director is appointed for the following key functions: to represent the views of independent directors, and to facilitate a two-way flow of information between shareholders, the chairman and the board. These roles are disclosed to stakeholders to raise their awareness that there are available channels for identifying and addressing any concerns (particularly involving a non-independent chairman).

Where companies are required to have a lead independent director, due to circumstances that are viewed in the CG Code to put independent decision-making at risk, there should be a clear statement as to why the lead independent director was required (or clear rationale for when a lead independent director should have been appointed but was not).

In addition, establishing a protocol for the lead independent director to arrange for the independent directors to meet separately without the presence of management or other directors is a key aspect of governance. The meetings enable the independent directors to share concerns or views on key matters under their purview and consider whether further action is required.

Despite this requirement being procedural in nature, many companies have failed to provide a disclosure. A common practice amongst those companies that have disclosed indicated establishing an integrated and efficient process, by gathering the independent directors for a separate meeting immediately preceding the regular board meetings.

TIPS FOR OUTSTANDING DISCLOSURES:

Companies should check to ensure a disclosure is provided in relation to all 4 Guidelines specified in Principle 3. The following are provided as examples and do not represent an exhaustive list of guidance.

Lead independent director

- Explicit positive or negative statement that the company has or has not appointed a lead independent director with clear rationale as to why or why not (including whether the company was not required to appoint a lead independent director)
- Specific statement on the role of the lead independent director, including being available to shareholders to voice their concerns

Meetings of independent directors

- Where there is a lead independent director, he or she should be disclosed as being responsible for leading the meeting of independent directors and providing feedback to the chairman
- Consider adopting and disclosing the emerging practice of independent directors to meet separately even when there is no lead independent director in place

PRINCIPLE 4: BOARD MEMBERSHIP

Principle 4 sets out that there should be a formal and transparent process for the appointment and re-appointment of directors to the board.

We found that for Principle 4 disclosures 366, or 67% of, listed companies surveyed achieved a score of 60% and above for their disclosures (Chart 10).

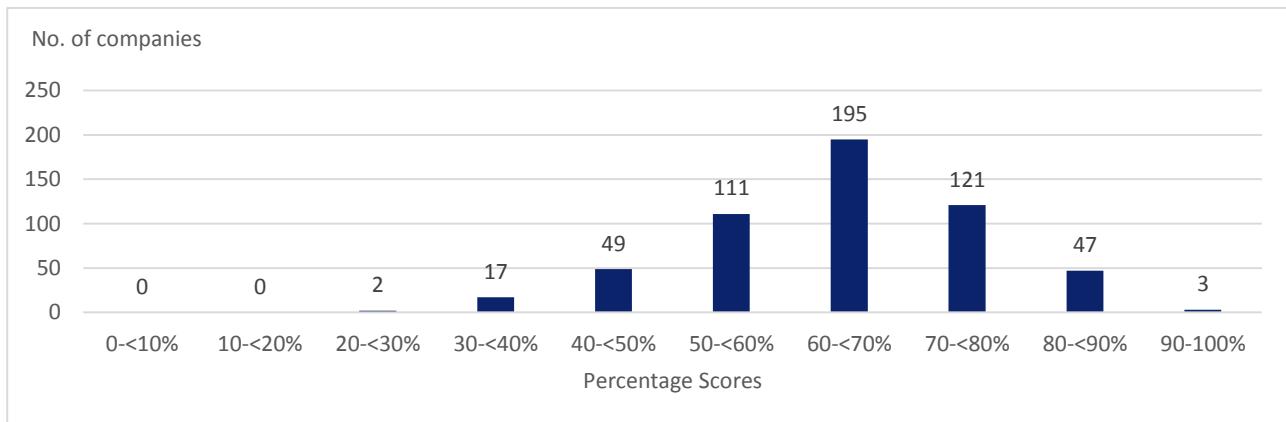


Chart 10

KEY CONSIDERATIONS:

Principle 4 contains recommendations for establishing a well-composed Nominating Committee to support the board in discharging its duties in relation to board composition, board evaluation, director appointment and reappointment processes, succession planning and director training. Other recommendations relate to directors having sufficient time and attention to devote to the board, avoiding alternate directors and disclosing key director information.

Disclosures were of a good quality in relation to establishing a well-composed Nominating Committee with nearly all companies indicating they have at least 3 directors on the Nominating Committee, and 90% of companies disclosing having a majority of independent directors on the Nominating Committee (including the chairman). In addition, a majority of companies indicated having formal terms of reference in place for the Nominating Committee.

When appointing directors to the board and monitoring their on-going performance, evaluating whether the director has sufficient time and attention to fulfil their duties and obligations as a director is critical. Given the range in personal capabilities of directors to manage their own workload, many companies have opted to assess this requirement on a case by case basis rather than setting a cap. With increasing demands placed on board members to oversee a range of matters (such as strategy, risks, compliance and reporting) companies should ensure that there is a formal process to evaluate the ability of the director to fulfil their duties and disclose it. Companies should review and enhance the explanations that they provide regarding whether a cap or no cap was set to justify their approach.

Given that a significant majority of companies do not practise the appointment of alternate directors (which is in line with the CG Code), many companies fail to provide either a positive or negative statement at all in relation to this guideline.

TIPS FOR OUTSTANDING DISCLOSURES:

Companies should check to ensure a disclosure is provided in relation to all 7 Guidelines specified in Principle 4. The following are provided as examples and do not represent an exhaustive list of guidance.

Nominating Committee

- Disclosures specify that a Nominating Committee has been established with at least 3 directors, majority (including the chairman) being independent. Where relevant, the lead independent director should be a member of the Nominating Committee
- Disclosures should specify that a formal terms of reference exists for the Nominating Committee, covering the key aspects specified in the CG Code

Multiple Directorships

- Specific statement that the Nominating Committee plays a role in determining that directors have sufficient time and attention when they have multiple directorships
- Indication that formal guidelines have been established that address competing time commitments when directors serve on multiple boards
- Indication of directors' declaration and measures in place to assess directors' performance and consider competing time commitments
- Reasons to support maximum cap provided or explanations as to why none was imposed
- Examples of the specific considerations to determine the capacity of the director provided:
 - a) the level of commitment required of the director's other principal commitments, whether it is a full-time or part-time employment capacity
 - b) the degree of complexity of the other listed companies where the director holds directorships
 - c) expectations of the director's obligations in the capacity as director in other organisations.

Alternate Directors

- Explicit statement that no alternate directors were appointed
- General mention of circumstances that will warrant the appointment of an alternate director with statement of whether one was appointed
- Specific mention of the alternate director having similar qualifications and bearing all responsibilities as the director being substituted

PRINCIPLE 5: BOARD PERFORMANCE

Principle 5 sets out that there should be a formal annual assessment of the effectiveness of the board as a whole and its board committees and the contribution by each director to the effectiveness of the board.

We found that for Principle 5 disclosures 114, or 21% of, listed companies surveyed achieved a score of 60% and above for their disclosures (Chart 11).

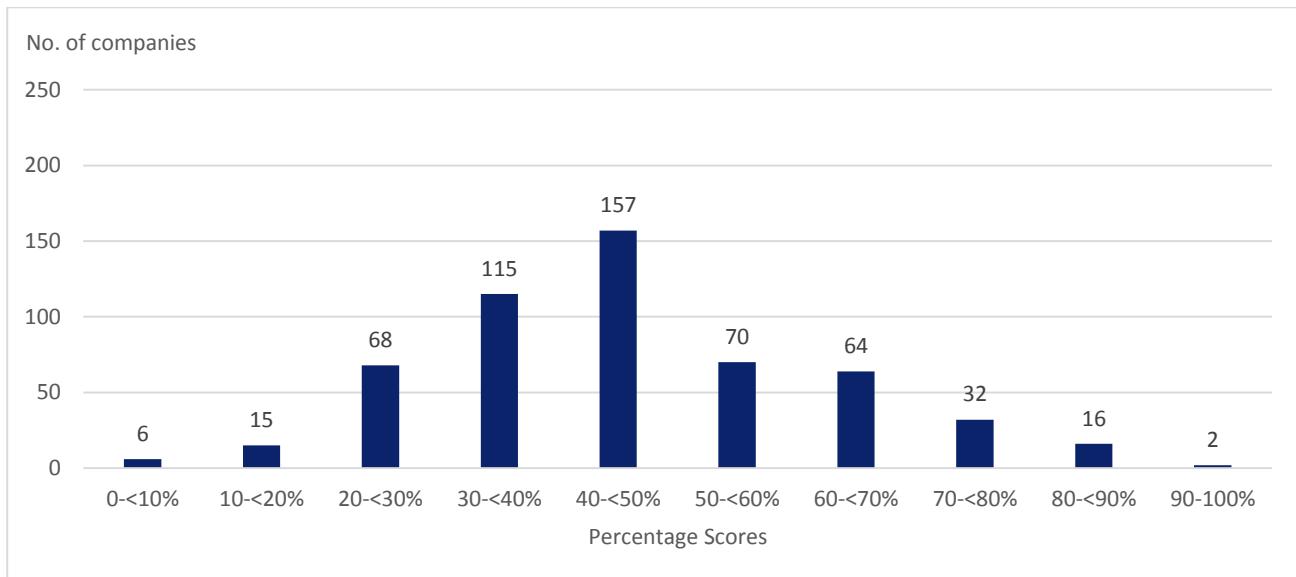


Chart 11

KEY CONSIDERATIONS:

Principle 5 contains recommendations for conducting an annual evaluation for the board, board committees and individual directors. It also recommends disclosing the process adopted for conducting the evaluation, including the role of the Nominating Committee in determining the performance criteria and working with the chairman to act on the results of the performance evaluation.

Performance evaluations of the board, board committees and directors provide a structured approach to setting objectives and assessing whether they have been achieved. Almost all companies disclosed whether there is a process in place to assess the board. Companies also stated whether they evaluate individual directors but they were less forthcoming on whether board committees are evaluated. To provide a holistic view of board effectiveness, it is important to consider conducting the assessment at the various levels.

Key stakeholders are interested in the extent to which the performance of the board evaluation process is objective and how the results will value-add the company. Stakeholders are further interested in how the performance criteria used for assessment aligns with expectations and hence drives the achievement of company objectives.

Companies were also mostly silent on whether performance conditions were met for the board evaluation process; only a third of companies did so. We urge companies to provide more details on the board evaluation process including whether performance conditions were met.

Companies should consider disclosures such as whether performance criteria adopted are comparable with those of industry peers and whether they have bearing on enhancing long-term shareholder value. For example, “The qualitative criteria include factors such as board size and composition, board independence, board processes, board information and accountability and performance. The quantitative criteria

comprises quarterly performance indicators (current v past year) comparing company, industry peers and industry averages (e.g. profit after tax, earnings per share, return on assets, debt-equity ratio, dividend payout ratio and total shareholder return)."

TIPS FOR OUTSTANDING DISCLOSURES:

Companies should check to ensure a disclosure is provided in relation to all 3 Guidelines specified in Principle 5. The following are provided as examples and do not represent an exhaustive list of guidance.

- Specific statement that performance evaluations are conducted for the board, board committees and individual directors
- Frequency of the evaluations is specified (e.g. annual)
- Details of how the evaluations had been performed (e.g. questionnaires, self-assessment, third party consultant)
- Where relevant, specific details of whether an external facilitator had been used and the name of the external facilitator (where appointed) is disclosed
- Explicit disclosure on whether the board met its performance objectives
- Specific statement that the Nominating Committee determines the board's performance evaluation criteria
- Examples of performance criteria used:

Financial	Non-financial
<ul style="list-style-type: none">▪ Return on assets▪ Return on equity▪ Return on investment▪ Economic value added▪ Profitability on capital employed▪ Company's share price performance over a five-year period	<ul style="list-style-type: none">▪ Composition and size of the board▪ Board's input to strategy▪ Engagement with management▪ Performance tracking▪ Management of risks▪ Succession planning of key leadership role▪ Meeting attendance

- Explicit mention that the performance criteria is comparable against industry peers, is board approved and enhances long-term shareholder value – providing insights into how and why this is the case
- Specific disclosure that the performance criteria did not change from year to year (or where it has, an explanation as to why this occurred)

PRINCIPLE 6: ACCESS TO INFORMATION

Principle 6 sets out that in order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

We found that for Principle 6 disclosures 414, or 76% of, listed companies surveyed achieved a score of 60% and above for their disclosures (Chart 12).

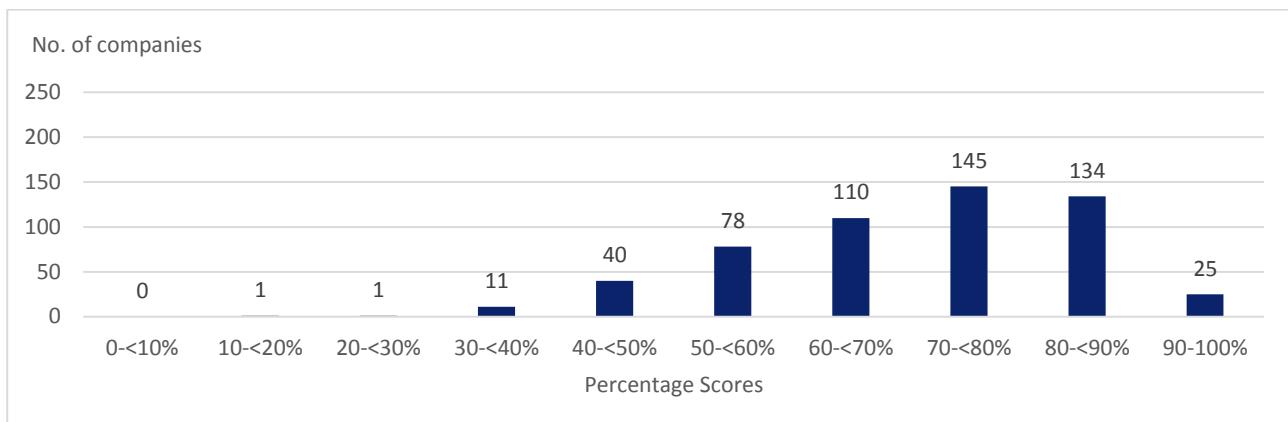


Chart 12

KEY CONSIDERATIONS:

Principle 6 contains recommendations relating to the board receiving complete, adequate and timely information and sets out the pivotal role that the company secretary plays in supporting the board ensure compliance with requirements and board procedures.

As the pace and change of the business environment continues to evolve, the information relevant for the board to review and discharge its duties is increasing in volume. Management plays a key role in identifying and determining the type and volume of information to be presented to the board (for decision making or information purposes). This should include a balance of historical (backward looking) and future oriented (forward looking) events. Disclosures relating to the types of information presented to the board could be more forthcoming, particularly in relation to disclosure of key risks faced by the company.

The company secretary role and/or function is important in supporting the board in discharging its duties and obligations. A majority of companies have disclosed well in relation to the high-level role of the company secretary and related procedures.

TIPS FOR OUTSTANDING DISCLOSURES:

Companies should check to ensure a disclosure is provided in relation to all 5 Guidelines specified in Principle 6. The following are provided as examples and do not represent an exhaustive list of guidance.

Management information to the board

- Specific statement that management provides the board with key information that is complete, adequate and timely
- Explicit mention that the board has independent and separate access to management
- Frequency of information provided to the board specified (e.g. monthly)
- Specific examples of the type and nature of information provided include (but are not limited to) having:
 - a) business strategies
 - b) risk analysis and assessments

- c) monthly management information including country performance, budgets, forecasts, funding position, capital expenditure, and manpower statistics of the Group
- d) reports from the internal and external auditors
- e) regulatory updates and implications
- f) significant project updates.
- Specifically identifying an adequate timeframe between distribution of information and the board meeting to allow for review so that questions may be raised for discussion
- Encryption of distribution channel where information is distributed on electronic devices

Company secretary

- Specific disclosure that directors having separate and independent access to the company secretary
- Clear overview of the role of the company secretary
- Explicit statement that the company secretary is required to attend all board meetings
- Clear indication that the appointment and removal of the company secretary is a matter for approval by the board as a whole
- Specific statement that directors are able to obtain independent professional advice at the company's expense

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7 sets out that there should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

We found that for Principle 7 disclosures there was a significant range of results across companies regardless of size. Large-capitalisation companies (except REITs and Business Trusts¹⁰) provided slightly more transparent and forthcoming disclosures relating to this Principle, over small- and mid-cap companies.

Chart 13 shows that 309, or 57% of, listed companies surveyed achieved a score of 60% and above for their disclosures.

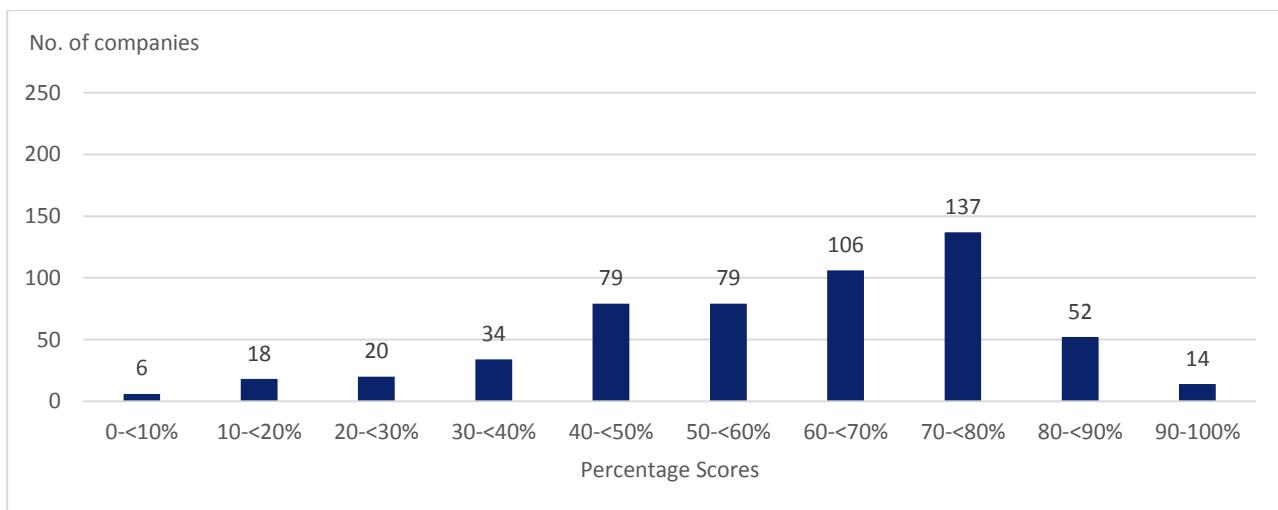


Chart 13

KEY CONSIDERATIONS:

Principle 7 contains recommendations for establishing a well-composed Remuneration Committee to support the board in developing appropriate remuneration packages for the board and key management personnel.

Disclosures were of a good quality in relation to establishing a well-composed Remuneration Committee with nearly all companies indicating they have at least 3 directors on the Remuneration Committee, with a majority (including the chairman) being independent and predominantly all as non-executive directors. In addition, a majority of companies indicated having formal terms of reference in place for the Remuneration Committee.

Establishing an appropriate remuneration framework for directors and key management personnel can be complex given the wide variety of remuneration instruments and practices available to be deployed.

¹⁰ Disclosures relating to remuneration were not as forthcoming, particularly in relation to REITS and Business Trusts. While some REITS and Business Trusts provided explanations relating to not disclosing certain aspects of the remuneration guidelines set out in the CG Code (such as the unique structural arrangements whereby the Trustee Manager is responsible for remuneration policies and payments), many did not disclose in relation to all of the guidelines and did not provide an appropriate explanation. Increased awareness of the disclosure requirements relating to remuneration for REITS and Business Trusts will help to improve consistency of disclosures in this important aspect of corporate governance. In particular, the recently released guidance set out in MAS Notices SFA01-N14 and SFA04-G07 (introduced for REITS on 1 January 2016) will improve awareness and enhance disclosure standards.

Most companies provided high level disclosures of having a remuneration framework in place for the board and key management personnel covering all aspects of remuneration. Other aspects of remuneration which were minimal, or not mentioned, included disclosure on whether experts provide remuneration advice, whether termination clauses are used, whether long-term incentive schemes are in place and whether contractual provisions are in use to reclaim incentives. Given the complexities and sensitivities associated with remuneration, the Remuneration Committee could consider engaging expert advice to review the remuneration framework and consider the aspects mentioned in the CG Code for relevance and whether they will provide value to the company if adopted. Where deemed not relevant for the company, disclosures should reflect the reasons why not.

Although most companies disclosed that the remuneration of executive directors and key management personnel is linked to corporate and individual performance, few provided more details on this link. Less than half of companies stated that there are appropriate measures of performance in place. While three-quarters of companies describe a link between performance and remuneration of executive directors and key management personnel, only 18% explained why these conditions are chosen and just 8% disclosed if the conditions are met.

TIPS FOR OUTSTANDING DISCLOSURES:

Companies should check to ensure a disclosure is provided in relation to all 4 Guidelines specified in Principle 7. The following are provided as examples and do not represent an exhaustive list of guidance.

Remuneration Framework

- Specific mention that the remuneration framework covers all aspects of remuneration including directors' fees, salaries, allowances, bonuses, grant of shares and share options, and benefits in kind
- Explicit disclosure of the specific remuneration packages for each director and key management personnel

Expert Advice

- Where remuneration consultants were engaged, the remuneration consultants engaged should be identified on a named basis with scope of work defined, and their independence and objectivity should be affirmed
- Alternatively, where remuneration consultants were not engaged, a specific statement should be provided with explanation why none was engaged

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

Principle 8 sets out that the level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

We found that for Principle 8 disclosures 94, or 17% of, listed companies surveyed achieved a score of 60% and above for their disclosures (Chart 14).

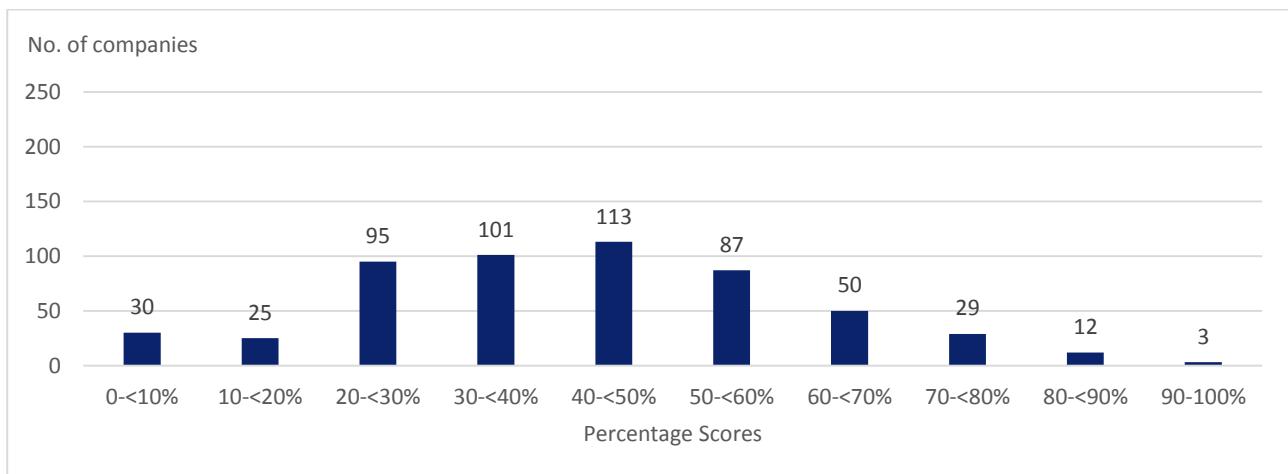


Chart 14

KEY CONSIDERATIONS:

Principle 8 contains recommendations for determining executive directors' and key management personnel's remuneration which align remuneration with corporate and individual performance and encourages long-term incentive schemes. In addition, it recommends non-executive directors should not be overly compensated to maintain their objectivity.

Remuneration is a sensitive topic given the challenges in establishing a fair and reasonable remuneration package (from the perspective of multiple stakeholders) to attract talent (when the demand for talent is high). Increasingly shareholders are becoming more active in this area and are demanding more information to clarify and support decisions relating to remuneration so that directors and management are rewarded commensurate with business and individual performance. Compensation issues are of interest to shareholders to provide assurance that the remuneration structure of the board and key management are aligned with the company's objectives in the long term.

Companies should consider all elements of the CG Code guidelines (such as linking remuneration to the company and industry performance, aligning to the risk policies, establishing long-term incentive schemes with vesting periods for benefits and reclaiming incentives through contractual provisions when misstatement or misconduct has occurred) when drafting disclosures in this area. Better practice disclosures share the key performance metrics for directors and management and provide forthcoming commentary on how performance and remuneration are aligned.

Given that non-executive directors play a critical role in monitoring the performance of management in achieving companies' goals and objectives, the non-executive director remuneration structure should be disclosed in a transparent and formal manner, and clearly demonstrate the relationship between non-executive directors' remuneration and their contribution and responsibility level.

To better align non-executive director's interests to those of the shareholders', companies should extend the eligibility of incentive schemes to non-executive directors without inducing any potential conflict of interest.

While the practice of implementing contractual provisions to reclaim incentives is still relatively uncommon in Singapore compared to other jurisdictions (such as UK and US), some leading companies have adopted it. While disclosures could be improved, some companies indicated that they would pursue recovery of the bonuses paid through other legal mechanisms.

TIPS FOR OUTSTANDING DISCLOSURES:

Companies should check to ensure a disclosure is provided in relation to all 4 Guidelines specified in Principle 8. The following are provided as examples and do not represent an exhaustive list of guidance.

Align remuneration and performance

- Disclose performance metrics for directors and key management personnel that incorporate risk appetite thresholds (e.g. placing a significant portion of executives' remuneration "at risk" that is subject to a vesting schedule and having provisions to forfeit the "at risk components" of remuneration when certain key performance indicators or conditions are not met at a satisfactory level), and that are designed to minimise unconscionable or reckless behaviour in the short-term to maximise bonuses
- Setting performance targets to be achieved over a time frame that does not encourage short-term decision-making and actions
- Alignment between variable remuneration components being disclosed in the remuneration framework and the remuneration table breakdown. For example, where companies disclose a significant proportion of the remuneration is linked with performance, the remuneration table breakdown should correspondingly reflect this structure in the fixed versus variable components of the remuneration
- Specific mention of whether the performance criteria have been met

Long-term incentives

- Detailed disclosure of long-term incentive schemes for directors and key management personnel including the eligibility conditions, performance targets to achieve, size of options or shares available for grants, any discount or computation of exercise price
- Specific inclusion of vesting schedule

Non-executive director remuneration

- Detailed disclosure of non-executive directors' remuneration such as basic annual retainer fees, fees for chairmanship and membership of respective committee, or meeting attendance fees
- Specific statement that the independence of non-executive directors is not compromised by their compensation and how this has been prevented
- Explicit mention of non-executive directors' entitlement to share options and incentive schemes to better align their interests with those of the shareholders (or reasons provided where not adopted)

Claw-back provision

- Clear disclosure that contractual provisions that allow companies to reclaim incentive components of remuneration are established with circumstances that warrant the exercise of claw-back clauses being stipulated
- Alternatively, where claw-back provisions are not provided, rationale explaining why these were not provided should be supplied

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

Principle 9 sets out that every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

We found that for Principle 9 disclosures 227, or 42% of, listed companies surveyed achieved a score of 60% and above for their disclosures (Chart 15).

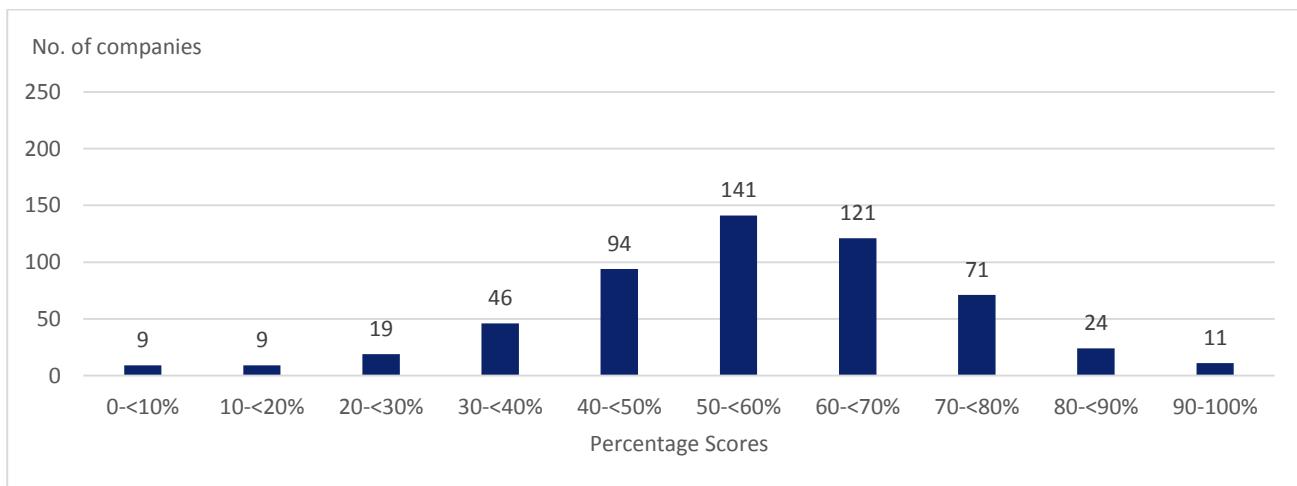


Chart 15

KEY CONSIDERATIONS:

Principle 9 contains recommendations for disclosing remuneration of directors, Chief Executive Officer, key management personnel and employees who are immediate family members of a director or Chief Executive Officer (earning above \$50,000). In addition, recommendations are made in relation to establishing employee share schemes and disclosing more information relating to the performance conditions driving entitlements to short and long term incentive schemes and whether the conditions were met.

The remuneration paid to directors, Chief Executive Officers and key management personnel is a sensitive area. Key stakeholders (such as shareholders) are keen to ensure that directors, Chief Executive Officers and key management personnel are rewarded commensurate with business and individual performance and have interests that are aligned to help the company succeed in the long term. However, they are also keen to ensure that talented directors, Chief Executive Officers and key management personnel are retained and not poached by competitors.

While a majority of companies are comfortable sharing a breakdown of the remuneration paid to directors and Chief Executive Officers, there is a reluctance to fully disclose the dollar amount paid.

In addition, a majority of companies are comfortable sharing a breakdown of the remuneration to key management personnel in bands of S\$250,000, there is a reluctance to fully disclose the dollar amount paid to key management personnel individually and in aggregate.

To build a more open and transparent relationship with shareholders and stakeholders, companies should reconsider the value in providing more forthcoming disclosures in relation to directors, Chief Executive Officer and key management personnel remuneration.

The transparency relating to the disclosure of position and remuneration for immediate family members of a director or Chief Executive Officer (earning above S\$50,000) is essential in addressing the concerns of stakeholders that such employees of the company are remunerated fairly and are aligned with the company's objectives in the long term. Forthcoming disclosures indicate to investors that the remuneration is reflective of market rates and meritocracy is present in these companies. The study found that 46% of companies disclosed having employees with remuneration exceeding S\$50,000. Disclosures were relatively strong in specifying the employee name, relationship and remuneration in bands of S\$50,000.

TIPS FOR OUTSTANDING DISCLOSURES:

Companies should check to ensure a disclosure is provided in relation to all 6 Guidelines specified in Principle 9. The following are provided as examples and do not represent an exhaustive list of guidance.

Director and Chief Executive Officer remuneration

- Detailed disclosure of the remuneration amount in exact dollar value of directors and Chief Executive Officer with percentage breakdown of each component on named basis in table format. These remuneration components include: base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives
- Specific explanations provided to describe the company's circumstances when director and Chief Executive Officer remuneration disclosures are not forthcoming

Key management personnel remuneration

- Detailed disclosure of the remuneration amount in exact dollar value of key management personnel with percentage breakdown of each component on named basis in table format. These remuneration components include: base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives
- Specific explanations provided to describe the company's circumstances when at least the top 5 key management personnel remuneration disclosures are not forthcoming

Immediate family member remuneration

- Detailed disclosure of such family member whose remuneration exceeds S\$50,000 in bands of S\$50,000 with identity (name) and relationship disclosed
- Or otherwise, specific mention that no employees related to any director or the Chief Executive Officer whose remuneration exceeds S\$50,000 exist

PRINCIPLE 10: ACCOUNTABILITY

Principle 10 sets out that the board should present a balanced and understandable assessment of the company's performance, position and prospects.

We found that for Principle 10 disclosures 310, or 57% of, listed companies surveyed achieved a score of 60% and above for their disclosures (Chart 16).

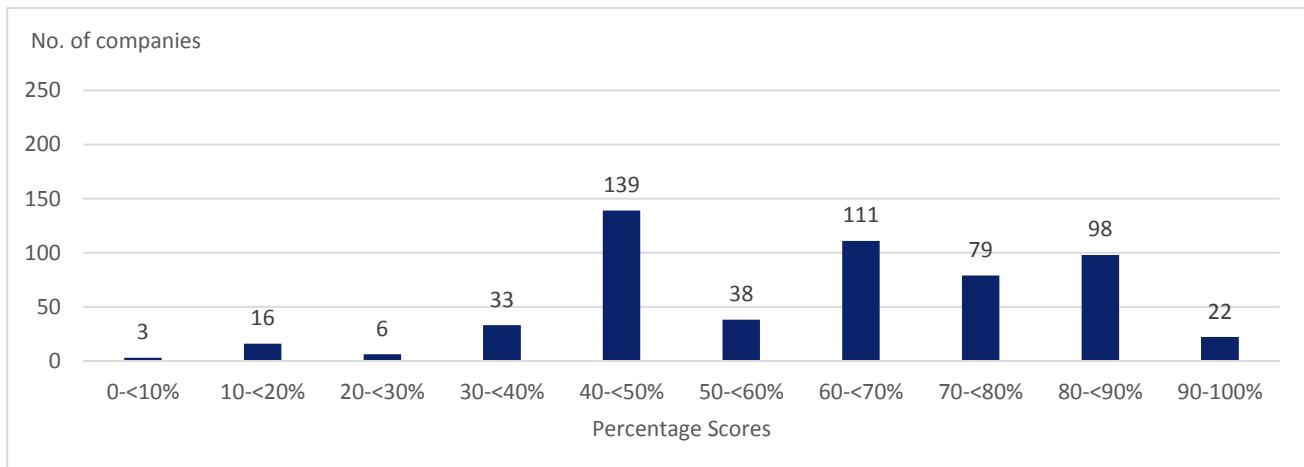


Chart 16

KEY CONSIDERATIONS:

Principle 10 contains recommendations that set out the board's responsibility to provide a balanced view of the company's performance while ensuring compliance. It also reiterates that management are responsible for providing the board with key information to aide their decision making and oversight role.

Stakeholders increasingly want companies to provide a balanced and rounded view of performance and prospects (providing 'good' and 'bad' news). This helps to build trust through more transparent disclosures.

While a majority of companies provide disclosures relating to the board generally providing a balanced view, disclosures tend to be high-level in nature. Most companies disclose that management provide the board with information, although disclosures are fairly high-level in nature and often fail to specify the frequency or disclose the risk types (as per the SGX Guidance Document).

The area of disclosure that could be improved relates to the board taking steps to ensure compliance with legislative and regulatory requirements, with very few companies making meaningful disclosures in relation to this recommendation.

TIPS FOR OUTSTANDING DISCLOSURES:

Companies should check to ensure a disclosure is provided in relation to all 3 Guidelines specified in Principle 10. The following are provided as examples and do not represent an exhaustive list of guidance.

Balanced and understandable assessment

- Specific statement that it is the board's responsibility to provide a balanced and understandable assessment of the company's performance, position and prospects with examples of how this is achieved in practice
- Specific mention of the type of reports the board is responsible for preparing and issuing and includes interim and other price sensitive public reports, and reports to regulators (if required). Examples include:
 - a) release of quarterly and full year results within legally-prescribed period to provide shareholders with a balanced and understandable assessment of the company's performance and prospects

- b) explicit mention of all financial results, as well as price-sensitive information, annual reports, material corporate developments
- c) release of information in a timely manner through various media, including press releases posted on the company's website and disclosure via SGXNet.

Compliance framework

- Specifically having formal policies and procedures that adhere to legislative requirements and regulatory obligations
- Explicit disclosure of guidelines and procedures for internal reporting and decision-making with the objective of enhancing corporate performance and accountability, as well as protecting the interests of stakeholders
- Better practices include having a compliance function or officer or instituting a board committee with oversight responsibility for compliance matters including the implementation of policies

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11 sets out that the board is responsible for the governance of risk. The board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the board is willing to take in achieving its strategic objectives.

We found that for Principle 11 disclosures 416, or 76% of, listed companies surveyed achieved a score of 60% and above for their disclosures (Chart 17).

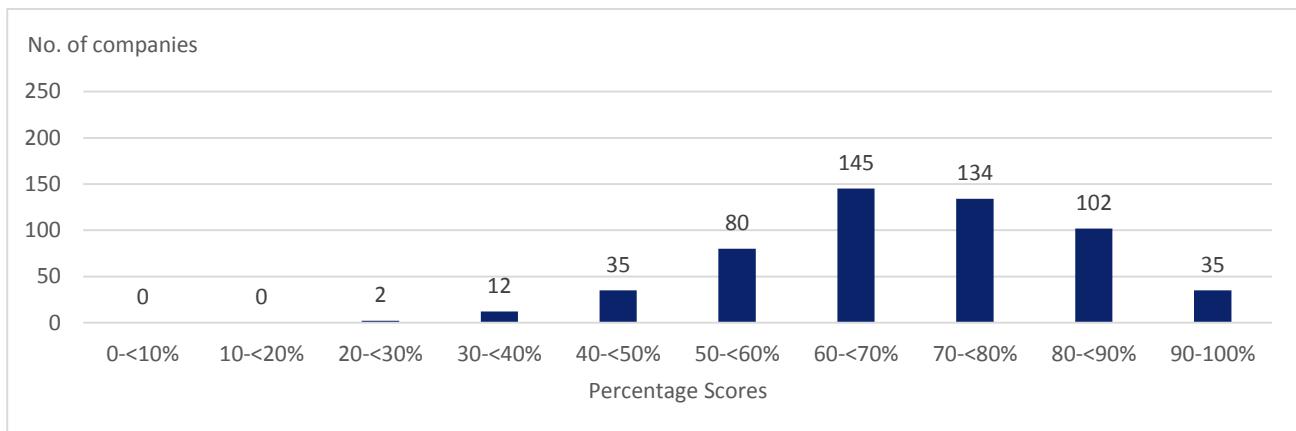


Chart 17

KEY CONSIDERATIONS:

Principle 11 contains recommendations relating to the board setting risk tolerance and policies, the board's review and comment of the adequacy and effectiveness of the risk management and internal control system, the assurances provided by the Chief Executive Officer and Chief Financial Officer relating to financial records, risk management and internal controls and establishing a risk oversight committee (or Board Risk Committee).

Risk governance is a fundamental component of good corporate governance. Establishing a robust risk management and internal control system ensures that roles and responsibilities are well understood and decisions are made within clear guidelines that are in line with the expectations of the board.

Stakeholders are increasingly demanding more information in relation to the way risks are managed. Companies should review existing practices to ensure there is clear accountability for risk across all levels in the company (starting with the tone at the top from the board and board committee level), clear risk tolerance limits and risk policies to be adopted in practice.

In the dynamic and rapidly changing business environment in which companies operate today, the way in which the board navigates uncertainty and proactively manage risks to ensure the long-term success of the business is a key factor in investment decision-making and can impact stakeholder perceptions of the company.

Having a structured approach to identify the key risks to the company's objectives and establishing key controls to manage the risks provides management and the board with timely visibility to make informed decisions about mitigating the risk or enhancing controls. While improvements in risk management and internal control disclosures have occurred since the CG Code was revised in 2012, there is still confusion in relation to adequacy (i.e. whether it is designed appropriately) and effectiveness (i.e. whether it is operating as intended) of the risk management and internal control system.

Companies should review their existing disclosures to ensure that they meet the specific requirements of the mandatory SGX Listing Rule 1207 (10) to provide an opinion (which is legally considered a stronger form of conclusion with a certain amount of evidence to be collected to satisfy the requirement) on the adequacy of internal controls. In addition, companies should ensure that they have robust processes in place to enable the board to form a view and comment on the adequacy and effectiveness of risk management and internal control.

Given the evolving business landscape and multitude of risks and challenges that companies face today, the establishment of a Board Risk Committee should be encouraged so that the Audit Committee can focus on its core role of governance and financial reporting integrity.

The SID Board Risk Committee Guidebook 2016 indicates that better practice for the Board Risk Committee composition is for all members to be non-executive directors with at least 1 independent director.

The terms of reference of the Board Risk Committee (or equivalent) should also be defined. Specifically, it should capture what it identifies as its key risks and provide details of how the key risks are identified, assessed, managed, measured, monitored and mitigated and how regularly this framework is reviewed and revised.

In addition, the disclosure should identify the Board Risk Committee members and include details of the members' qualifications or experience to allow stakeholders to evaluate if they are suitably qualified.

TIPS FOR OUTSTANDING DISCLOSURES:

Companies should check to ensure a disclosure is provided in relation to all 4 Guidelines specified in Principle 11. The following are provided as examples and do not represent an exhaustive list of guidance.

Risk tolerance and policies

- Specific statement that the board is responsible for the governance of risk management (better practice suggests using risk governance, risk management and internal controls but not only internal controls)
- Explicit mention that the board is responsible for determining the company's levels of risk tolerance (it should be noted that risk appetite and risk tolerance are used interchangeably)
- Clear disclosure that the board is responsible for determining risk policies
- Specific mention that the board oversees management in implementing the risk management and internal controls system – detailed explanation of the way in which risks are identified, assessed, managed, monitored and mitigated throughout the company
- Consider and adopt the emerging practice to provide a summary of the risk tolerance statements for the company included and an overview of the risk tolerance framework provided
- Consider including disclosures relating to risk management and internal controls in a separate Risk Management Report within the Annual Report

Board's comment

- Specific disclosures that the board has formed a view or conclusion of whether the risk management and internal control system is adequate and effective (with all four aspects mentioned)
- Clear indication of which board committee supports the board in forming the view on the adequacy and effectiveness of risk management and internal controls
- Specific categories of controls mentioned including financial, operational, compliance and information technology
- Detailed disclosure on the basis for the comment i.e. the evidence that was gathered to support the board in forming a conclusion (e.g. risk and control certification, Chief Executive Officer and Chief Financial Officer assurances, management review, internal and external audits)
- Where companies find deficiencies or are unable to form a conclusion on the risk management and internal controls system, explanations should be provided with plans to rectify the deficiencies

- An example of a leading disclosure incorporating the board's comment and opinion is provided below

Board's opinion

- Specific statement that the board, with the concurrence of the Audit Committee (or equivalent board committee), is of the opinion that the internal controls were adequate
- Detailed disclosure of the basis for the opinion i.e. the evidence that was gathered to support the board in forming a conclusion (e.g. risk and control certification, Chief Executive Officer and Chief Financial Officer assurances, management review, internal and external audits)
- Where deficiencies in controls exist, clear and succinct rationale should be provided with details of control rectification plans provided
- Better practice disclosures are broadening the board's opinion to include adequacy of risk management along with effectiveness of risk management and internal controls
- An example of a leading disclosure incorporating the board's comment and opinion is provided below

Example of a leading disclosure:

Based on the Group's framework of management control, the internal control policies and procedures established and maintained by the Group, the regular audits, monitoring and reviews performed by the internal and external auditors and review of the Risk Management Assessment Framework, the board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls and risk management are adequate and effective to address the financial, operational, compliance and information technology risks which the Group considers relevant and material to its current business scope and environment.

Board Risk Committee

- Specific reference to the independence and relevant experience on a named basis of the Board Risk Committee members (including identification of directors who are members of both the Audit Committee and Board Risk Committee to foster sharing of information and knowledge)
- Specific reference to the Board Risk Committee terms of reference, with details of key responsibilities disclosed
- Detailed disclosure of activities performed by Board Risk Committee during the year with list of activities in relation to Board Risk Committee meeting

PRINCIPLE 12: AUDIT COMMITTEE

Principle 12 sets out that the board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

We found that for Principle 12 disclosures 450, or 83% of, listed companies surveyed achieved a score of 60% and above for their disclosures (Chart 18).

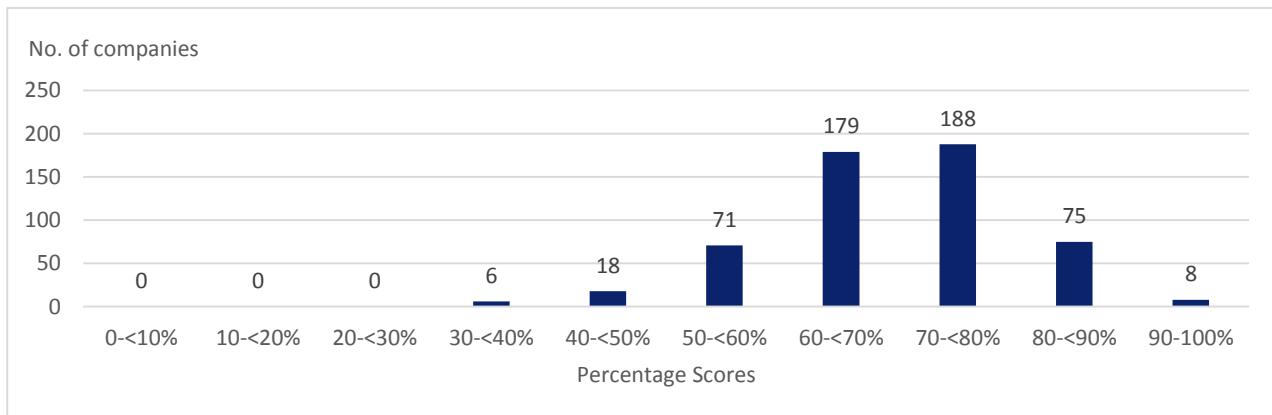


Chart 18

KEY CONSIDERATIONS:

Principle 12 contains recommendations for establishing a well-composed and qualified Audit Committee to support the board in overseeing financial reporting, internal controls, internal audit and external audit (including the hiring, firing, remuneration and independence review). Other recommendations relate to the Audit Committee having authority to investigate matters, overseeing the whistleblowing policy and procedure, meeting with internal and external auditors separately without management and prohibiting a former partner/director of the external auditor being an Audit Committee member.

Disclosures were of a good quality in relation to establishing a well-composed Audit Committee with nearly all companies indicating they have at least 3 directors on the Audit Committee, with a majority (including the chairman) being independent. In addition, a majority of companies indicated having a formal terms of reference in place for the Audit Committee.

Given the increasing demands being placed on the Audit Committee, particularly in relation to financial reporting and where delegated, risk management and internal controls, it is critical to ensure that the Audit Committee members are appropriately qualified, are independent and continue to ensure their skills remain relevant in the constantly changing business and regulatory landscape. A third of companies failed to provide a disclosure in relation to measures taken by the Audit Committee members to keep abreast of changes in accounting standards and issues.

Disclosures could be enhanced by specifying the details of the Audit Committee member's qualifications, outlining how Audit Committee members keep abreast of changes in accounting standards and providing a specific statement (with sufficient information for the reader to confirm) that a former partner/director of the auditing firm is not part of the Audit Committee.

TIPS FOR OUTSTANDING DISCLOSURES:

Companies should check to ensure a disclosure is provided in relation to all 9 Guidelines specified in Principle 12. The following are provided as examples and do not represent an exhaustive list of guidance.

Audit Committee qualifications

- Specific reference to accounting and financial management expertise on a named basis within the relevant section of the CG report
- Where qualifications do not appear to be relevant, disclosures should identify why the directors have been deemed to have the relevant experience

Audit Committee activities

- Detailed disclosure of activities performed by Audit Committee during the year
- Detailed disclosure of measures to keep abreast of changes to accounting standards (i.e. training courses)

Audit Committee member restrictions

- Clear distinct statement saying none of the Audit Committee members were previous partners or directors of the existing auditing firm within the previous 12 months and that none of the Audit Committee members hold any financial interest in the auditing firm
- Detailed disclosure provided when former partner/director of audit firm becomes member of the Audit Committee

PRINCIPLE 13: INTERNAL AUDIT

Principle 13 sets out that the company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

We found that for Principle 13 disclosures 167, or 31% of, listed companies surveyed achieved a score of 60% and above for their disclosures (Chart 19).

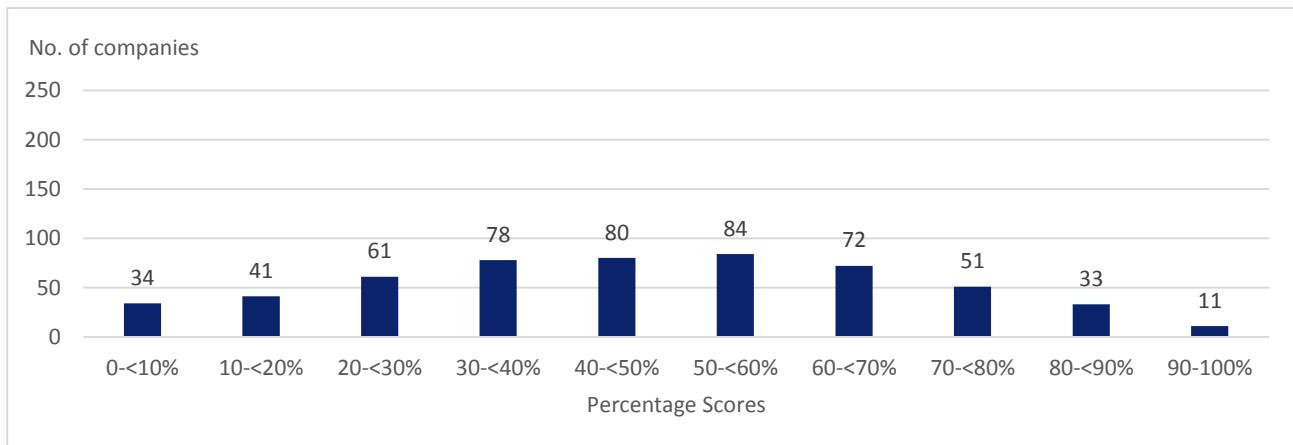


Chart 19

KEY CONSIDERATIONS:

Principle 13 contains recommendations relating to establishing an independent and qualified Internal Audit function with sufficient resources and appropriate standing in the organisation.

The Internal Audit function is a critical element of the governance eco-system and provides much needed insight to the board and board committees charged with overseeing the risk management and internal control system.

Nearly all companies have indicated an Internal Audit function exists. Significantly more large-capitalisation companies have an in-house Internal Audit function compared to small- and mid-cap companies. On the other hand, significantly more small-cap companies outsource their Internal Audit function as compared to mid- and large-cap companies. It appears that where the Internal Audit function is outsourced, many companies fail to provide all of the necessary disclosures contained within the CG Code, particularly in relation to Internal Audit qualifications, standards, resourcing and standing in the company.

All companies should review the requirements specified in the CG Code in relation to Internal Audit and ensure disclosures are complete and forthcoming.

TIPS FOR OUTSTANDING DISCLOSURES:

Companies should check to ensure a disclosure is provided in relation to all 5 Guidelines specified in Principle 13. The following are provided as examples and do not represent an exhaustive list of guidance.

- Specific statement regarding the existence of an Internal Audit function and the structure (e.g. outsourced, in-house, co-sourced). Specifies the name of firm where the function is outsourced or co-sourced
- Clear and succinct explanations for companies that do not have an Internal Audit function
- Indication of the reporting line of the Internal Audit function (e.g. direct reporting line to Audit Committee, indirect reporting line to Chief Executive Officer/Chief Financial Officer etc.)

- Explicit mention that the Audit Committee is responsible for the hiring, removal, evaluation and compensation of the Internal Audit function – this is often located in the Audit Committee terms of reference
- Specific disclosure that the Internal Audit function has unfettered access to all company's documents, records, properties and personnel, including the Audit Committee
- Clear mention that the Internal Audit function is adequately resourced and has appropriate standing. Examples included as to how the Internal Audit function has appropriate standing e.g. involved in strategy sessions, executive meetings etc.
- Explicit statement that the Internal Audit function is staffed with persons with the relevant qualifications and experience supported by numerical data (e.g. number of people with number of years of relevant experience and/or training attended)
- Detailed disclosure that the Internal Audit activities are conducted in relation to nationally or internationally recognised standards such as the Institute of Internal Auditors Professional Practice of Internal Auditing

PRINCIPLE 14: SHAREHOLDER RIGHTS

Principle 14 sets out that companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

We found that for Principle 14 disclosures 453, or 83% of, listed companies surveyed achieved a score of 60% and above for their disclosures (Chart 20).

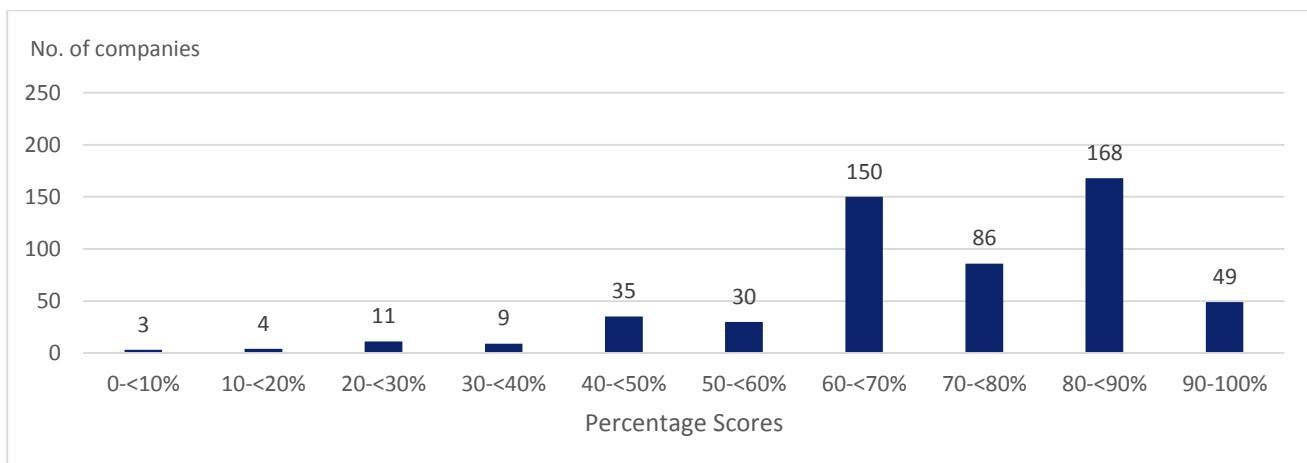


Chart 20

KEY CONSIDERATIONS:

Principle 14 contains recommendations relating to respecting and maintaining shareholder rights, encouraging shareholder participation in general meetings of shareholders and proxy voting.

Shareholders (in particular institutional investors) are increasingly becoming active and like to build trust through regular and open communication with the board of the company.

Establishing the protocols for encouraging shareholder participation in a constructive way is a key aspect of good governance. Increasing awareness of shareholder voting procedures will provide shareholders with options to engage in the critical decisions for the best interest of the company. Disclosures are relatively strong in relation to shareholder rights and voting procedures. A majority of companies disclose that they have implemented proxy voting whereby shareholders may appoint up to 2 proxies. Very few companies disclose specifically in relation to the CG Code recommendations to allow corporations providing nominee and custodial services more than 2 proxies. This may be due to a misalignment between the Companies Act and the CG Code which was recently addressed whereby the Companies Act now recommends for corporations providing nominee and custodial services to provide more than 2 proxies.

TIPS FOR OUTSTANDING DISCLOSURES:

Companies should check to ensure a disclosure is provided in relation to all 3 Guidelines specified in Principle 14. The following are provided as examples and do not represent an exhaustive list of guidance.

Shareholder participation

- Specific statement that the company informs shareholders of the voting procedures
- Explicit mention that the company ensures that shareholders are given the opportunity to participate effectively in and vote at general meeting of shareholders with an overview of the measures that support this

Proxy voting

- Specific statement that a registered shareholder who is unable to attend the general meeting of shareholders can appoint up to 2 proxies to attend, participate and vote in general meetings on his/her behalf
- Explicit mention of corporations providing nominee and custodial services to appoint at least 2 proxies to attend, participate and vote in general meetings of shareholders on behalf of shareholders who hold shares through such corporations

PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

Principle 15 sets out that companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

We found that for Principle 15 disclosures 302, or 55% of, listed companies surveyed achieved a score of 60% and above for their disclosures (Chart 21).

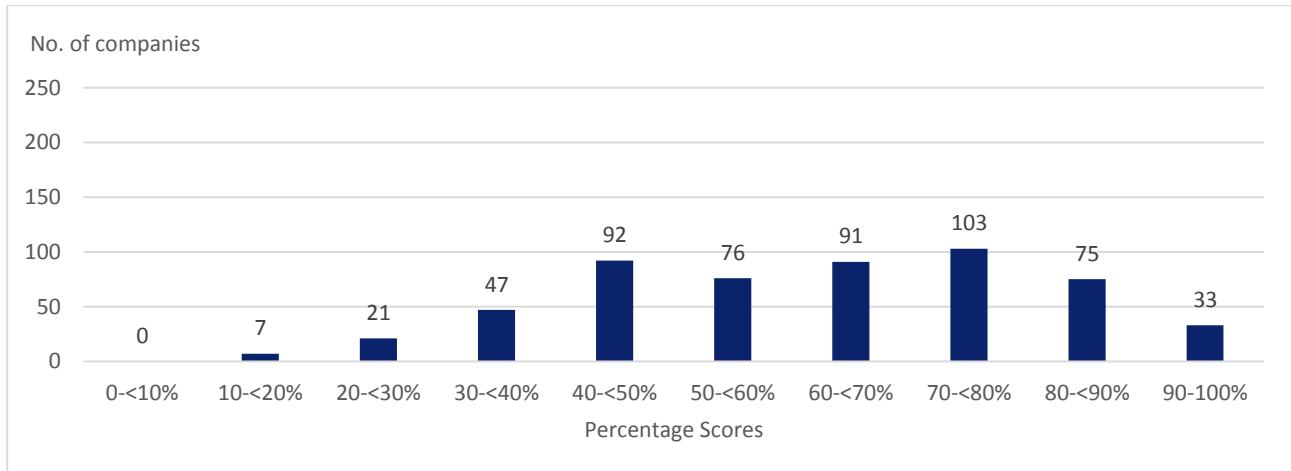


Chart 21

KEY CONSIDERATIONS:

Principle 15 contains recommendations relating to investor relations, shareholder engagement, disclosure channels and protocols and dividend policies.

Disclosures were of varied quality amongst large- and small-capitalisation companies in relation to shareholder dialogue and engagement. Large-capitalisation companies indicated a more structural approach with investor roadshows, analyst briefings, etc. while small-cap companies disclosed that the main type of shareholder engagement occurred at the general meeting of shareholders.

Establishing a formal Investor Relations policy or protocol provides a mechanism for defining when and how the company will engage and communicate with shareholders/stakeholders. This ensures a consistent approach that is in line with the board's expectations and provides shareholders/stakeholders with the information on how the company will engage with them. Although more than half of companies disclose having an Investor Relation policy or function, the quality of the disclosure could be further enhanced by specifying full or key aspects of the Investor Relations policy, the role of the Investor Relations function, frequency and channels of communication (e.g. roadshows, conferences and analysts' briefings) with specified groups of shareholders (e.g. institutional or retail investors) and availability of a feedback channel (e.g. email, website, Investor Relations contact).

In addition, disclosures were not forthcoming in relation to whether companies have a dedicated Investor Relations team either by formally assigning responsibilities and/or resources to an in-house position or engaging extended support through professional Investor Relations firms.

TIPS FOR OUTSTANDING DISCLOSURES:

Companies should check to ensure a disclosure is provided in relation to all 5 Guidelines specified in Principle 15. The following are provided as examples and do not represent an exhaustive list of guidance.

- Specific mention that the company has an Investor Relations policy in place

- Disclosure of the full or key aspects of the Investor Relations policy (e.g. discloses the role of the Investor Relations team, frequency and channels of communication (e.g. roadshows and conferences) with specified groups of shareholders, availability of a feedback channel (e.g. email), opportunity for management to provide strategic and financial insights on company to shareholders, protocols for addressing inadvertent selective disclosures)
- Specific statement that the board has taken steps to solicit and understand the views of the shareholders (including institutional and retail investors)
- Disclosure including examples beyond the general meeting of shareholders of how the company communicates regularly with shareholders
- Clear disclosure that shareholders are informed of corporate developments
- Specific mention that a dedicated Investor Relations team (or equivalent) is in place or explanation why not

PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

Principle 16 sets out that companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

We found that for Principle 16 disclosures 275, or 50% of, listed companies surveyed achieved a score of 60% and above for their disclosures (Chart 22).

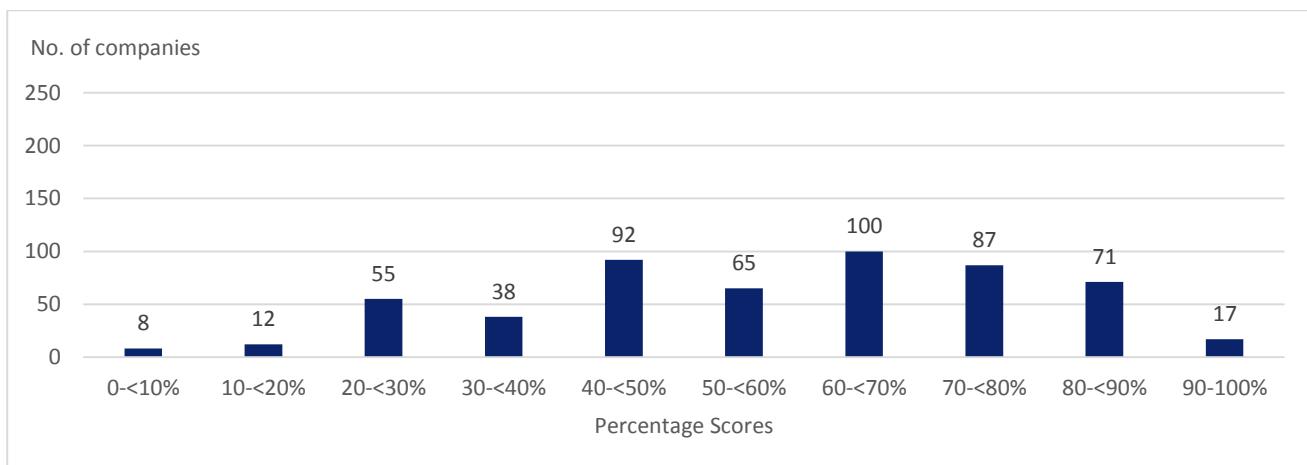


Chart 22

KEY CONSIDERATIONS:

Principle 16 contains recommendations relating to shareholder participation in general meetings of shareholders, absentia voting, resolutions, director and external auditor attendance at general meetings of shareholders and annual general meeting minutes. In addition, voting by poll and electronic polling is encouraged.

Shareholders (in particular institutional investors) are increasingly becoming active and seek to build trust through regular and open communication with the board of the company.

Disclosures are relatively strong in relation to shareholders participating in the general meeting of shareholders.

Disclosures relating to poll voting are expected to improve with the introduction of the new SGX Listing Rule 704(16) and Listing Rule 730(A) which were effective from 1 August 2015 (which was outside the scope of this study). These now require all listed companies to implement poll voting at general meetings and make announcements of the results. Electronic poll voting is an emerging practice that some companies are starting to disclose.

Very few companies have implemented absentia voting citing security concerns over verifying shareholder identity.

Minutes are a vital source of reference for the on-goings and matters discussed and agreed during the general meetings, particularly for shareholders who are unable to attend the general meetings, and therefore, should be prepared, approved and disclosed in a timely manner.

By disclosing that minutes are prepared, accompanied by a brief description of its contents and its availability, companies are being transparent to their shareholders who would like to obtain insights and information on the meeting proceedings. This practice would help enhance and promote shareholders' rights.

TIPS FOR OUTSTANDING DISCLOSURES:

Companies should check to ensure a disclosure is provided in relation to all 5 Guidelines specified in Principle 16. The following are provided as examples and do not represent an exhaustive list of guidance.

Absentia voting

- Specific statement that the company informs shareholders of the voting procedures
- Explicit mention that the company ensures that shareholders are given the opportunity to participate effectively in and vote at general shareholder meeting of shareholders with an overview of the measures that support this
- Detailed disclosure that absentia voting is provided or clear and succinct rationale stating the reasons why it has not been implemented

General meeting of shareholders minutes

- Explicit disclosure on preparation of minutes from the general meeting of shareholders that include substantial and relevant comments or queries from shareholders
- Clear mention that the minutes will be made available to shareholders upon request
- Leading practice specifies a timeframe for when the minutes will be made available on the website after the general meeting of shareholders

Voting by poll

- Specific statement that all resolutions are put to vote by poll
- Explicit mention that the results of voting (for and against) will be disclosed
- A statement confirming whether electronic poll voting has been adopted and if not, why not

APPENDIX 3: RANKING OF CG REQUIREMENTS

The following chart sets out the total average percentage scores by CG requirement. It is presented to show each CG requirement ranked within each Pillar or Other. It does not represent the percentage of companies that disclose in relation to each CG requirement.

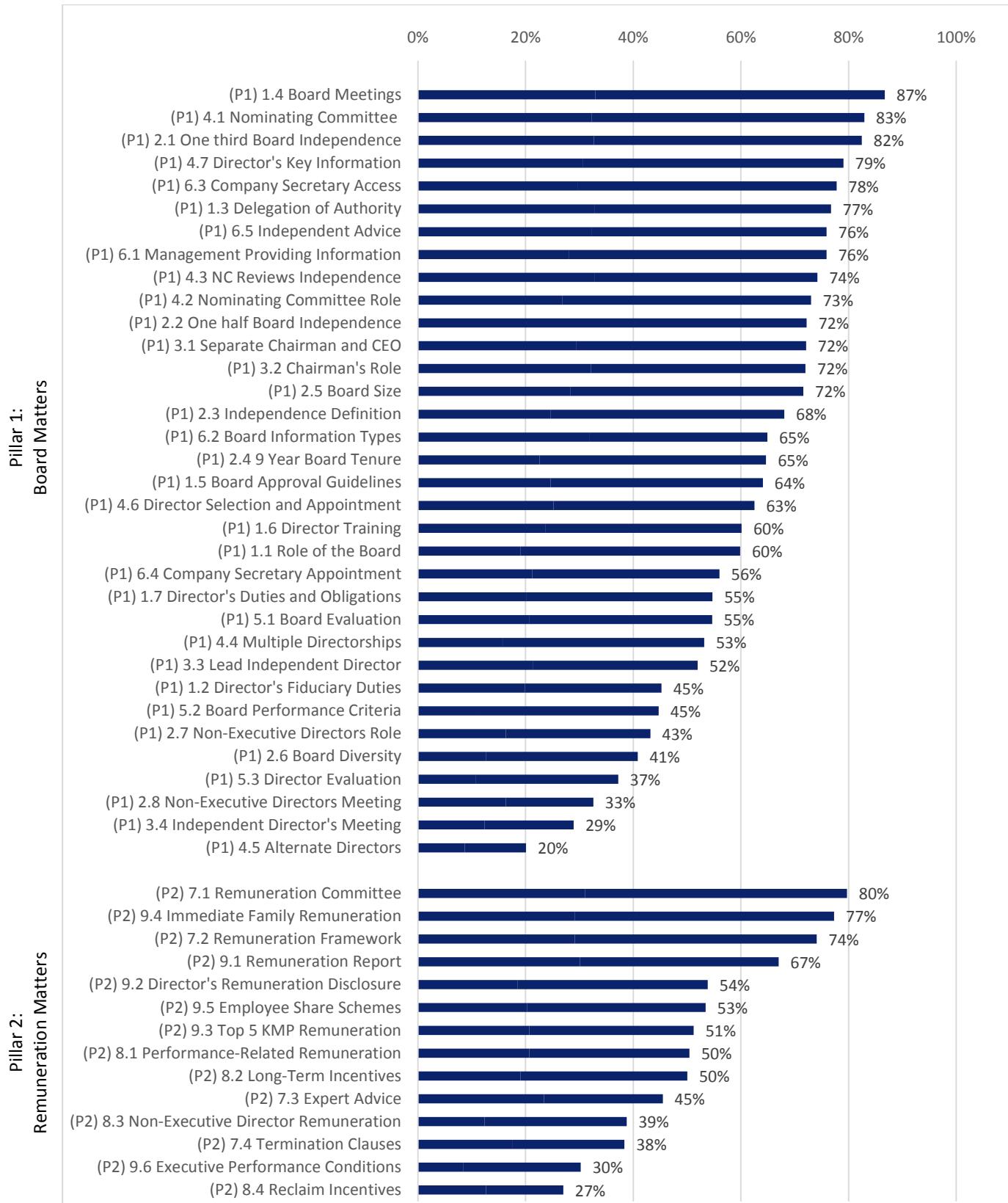


Chart 23a: Overall Percentage by CG Guidelines (Pillar 1 and 2, ranked)

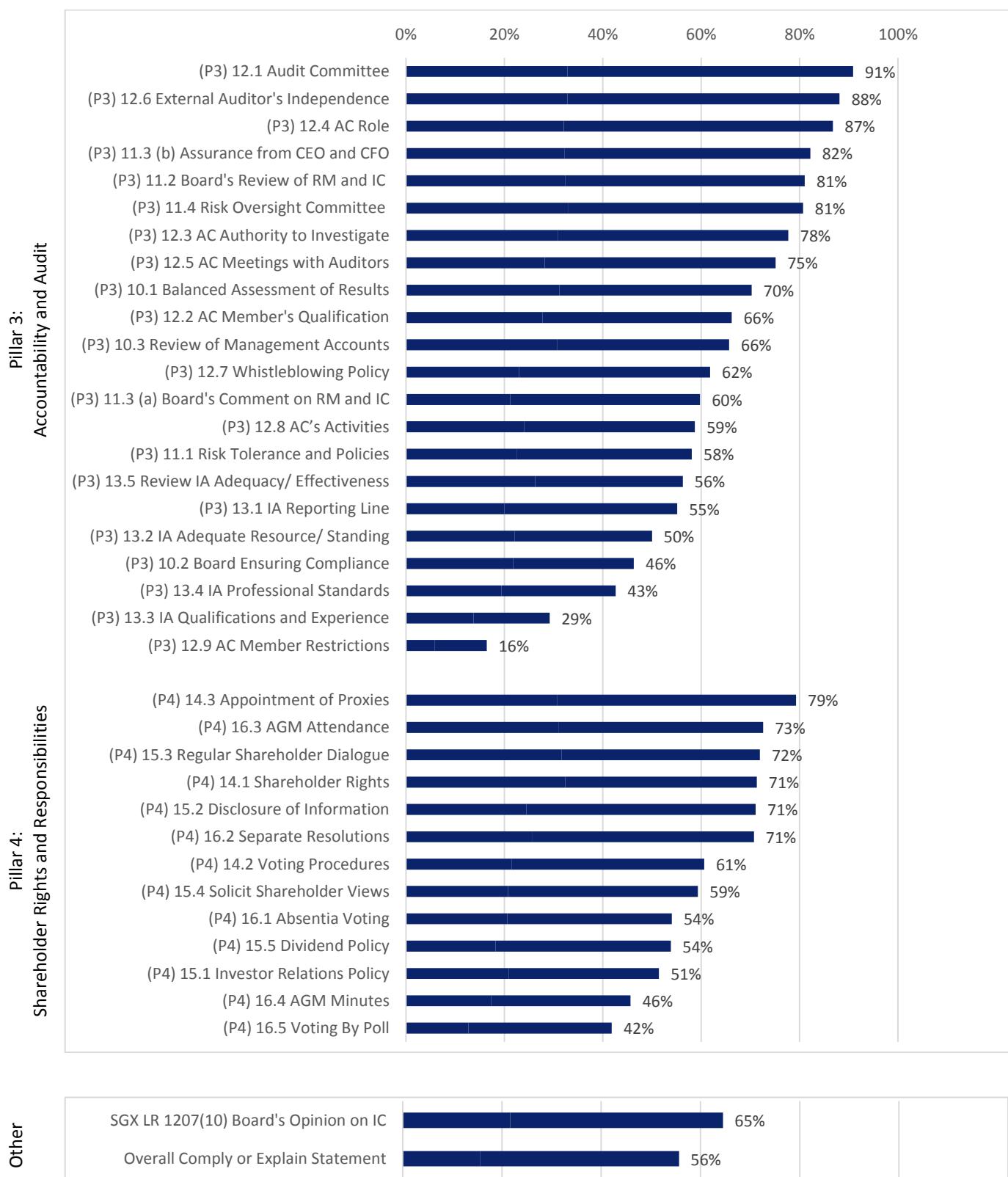


Chart 23b: Overall Percentage by CG Guidelines (Pillar 3 and 4 + Other, ranked)

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