Corporate Governance in the New Era: Lessons from the Steamboat

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Corporate Governance Issues

- **Focus**
  - Board
  - Nomination
  - Remuneration
  - Audit

- **Emerging**
  - Risk management
  - Investor relations
  - Shareholder rights

What’s the next big thing?
Corporate Governance Study

- Conducted under SIAS – Singapore Corporate Governance Awards 2011
- Number of companies considered
  - 705 mainboard & catalyst companies, excluding ETFs & REITs
- Period of consideration
  - FY ending in 2010
State of Corporate Governance

Average Total Score

- 2009: 62.3
- 2010: 67.9
- 2011: 68.7
Lesson 1: Mind Your Foundation

- The soup base matters!
- Foundation gets stronger the more you put in
Dilemma: Delicate Balance

Investor Protection

Market Growth
Co-Leveraging Protection & Growth

Investor Returns

Fair markets
- Resolutions
- Regulations

Free markets
- Best practices
- Incentives

Investor Protection

Market Growth
Lesson 2: No One-Size-Fits-All

• Comply or explain
• There is no set menu - variety, variety, variety
Classification of directors (i.e., independent or not)

- 2009: 88%
- 2010: 96%
- 2011: 99%

Process for director selection disclosed

- 2009: 34%
- 2010: 39%
- 2011: 58%
Remuneration Matters

- Exact amount of remuneration of ED disclosed:
  - 2009: 4%
  - 2010: 6%
  - 2011: 6%

- Exact amount of remuneration of NED disclosed:
  - 2009: 6%
  - 2010: 7%
  - 2011: 7%

- Exact amount of remuneration of top 5 execs who are not directors disclosed:
  - 2009: 3%
  - 2010: 2%
  - 2011: 2%

- Components of remuneration disclosed:
  - 2009: 76%
  - 2010: 59%
  - 2011: 86%
Lesson 3: Reveal Your Fare

- You eat exactly what you put in
- No hidden ingredients
Why Investor Protection?

- Minority Shareholders
- Creditors
- Managers
- Controlling Shareholders

Company

Outside Stakeholders
- Investments
- Expropriation

Inside Stakeholders
Sure glad the hole isn’t at our end.
Lesson 4: All in the Same Boat

- For all stakeholders, including shareholders
- No “hole-not-in-my-side” syndrome
Audit Matters

Review by AC on the independence of external auditors:
- 80% in 2009
- 90% in 2010
- 87% in 2011

Statement by the board on adequacy of internal controls in AR:
- 21% in 2009
- 64% in 2010
- 61% in 2011

Whistleblowing policy:
- 65% in 2009
- 71% in 2010
- 77% in 2011
Lesson 5: Outcome Counts

- Trust but verify
- Let the whistle blow
Wishing You

Happy New Code
Happy New Era

Happy New Year