

# The Singapore Directorship Report 2014



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## Foreword

We are pleased to present the findings of the inaugural Singapore Directorship Report 2014.

This Report aims to be the definitive study on the state of directorships of listed entities on the Singapore Stock Exchange ("SGX"). While there have been various studies that have looked at different aspects of listed boards in Singapore over the years (the issue of gender diversity, for example, has come under a particularly bright spotlight in recent times), this Report sets out to be both broad-based and in-depth at the same time.

The sweep of this Report encompasses boards as a whole as well as looking at the positions of individual chairmen, executive directors, non-executive directors, independent directors and board committees. It also delves into detailed issues such as board size, structure and composition, gender diversity and mix, multiple directorships and director interlocks, disclosure of director remuneration and board and committee meetings.

The focus of the Report is to provide statistical data on directors as well as presenting such information in the context of compliance with the guidelines as specified in the Code of Corporate Governance 2012. The information in this Report is independently extracted and compiled primarily from the annual reports and other public available reports of entities with financial year-ends in 2013.

All-in-all, information was collected from 717 listed entities, comprising 679 corporations (both on the Main Board and on Catalist), 15 business trusts and 23 REITs. This comprises all entities which filed an annual report with the SGX for their financial year-ends in 2013, and includes 16 entities which had a secondary listing on the Main Board during this same period.

We would like to thank our partners, Handshakes, NTU, NUS and Deloitte, as well as the SGX for their support of this initiative.

**Willie Cheng**

Chairman

Singapore Institute of Directors



**Gerard Ee**

President

Institute of Singapore Chartered Accountants



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### Singapore Institute of Directors

The Singapore Institute of Directors (SID) is the national association of company directors. SID promotes the professional development of directors and corporate leaders. It works closely with the authorities and regulators, its network of members and professionals, such as accountants and lawyers, to identify ways to uphold and enhance the highest standards of corporate governance and ethical conduct.

Formed in 1998, membership of SID comprises mainly directors of Singapore publicly listed and other companies, lawyers, accountants, academics and other professionals involved in the field of corporate governance. The affairs of SID are managed by a Governing Council, comprising members elected from the general membership. The Governing Council is headed by a Chairman and supported by a Secretariat.

Through its training programmes, SID aims to increase the pool of individuals who are suitable to serve as directors (executive as well as independent directors) in listed companies. Members have access to a range of resource material on corporate governance published by SID. In addition to individual membership, SID has also introduced corporate membership with a view to support and improve corporate governance practice in corporate Singapore, to become a one-stop corporate governance resource base for the corporate community and to provide board director introduction service.

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Possessing a Global Mindset, with Asian Insights, ISCA leverages its regional expertise, knowledge, and networks with diverse stakeholders to contribute towards Singapore's transformation into a global accountancy hub. Our stakeholders include government and industry bodies, employers, educators, and the public.

ISCA is the Administrator of the Singapore Qualification Programme (Singapore QP) and the Designated Entity to confer the Chartered Accountant of Singapore - CA (Singapore) - designation. It aims to raise the international profile of the Singapore QP, a post-university professional accountancy qualification programme and promote it as the educational pathway of choice for professional accountants seeking to achieve the CA (Singapore) designation, a prestigious title that is expected to attain global recognition and portability. There are about 28,000 ISCA members making their stride in businesses across industries in Singapore and around the world.

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Founded in 2011, Handshakes began with coverage of the Singapore capital markets, and has recently expanded its coverage to the Malaysian capital markets. Championing the concept of "Disclosure 2.0", Handshakes strives to illuminate the big picture of the capital markets, which can be derived from the systematic analysis of thousands of disparate and separate public disclosures.

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## Executive Summary

Directors play an important role in the governance of firms. This report provides a comprehensive study of 3,670 directors on the boards of 717 companies, business trusts and REITs listed on the Singapore Exchange (SGX) as at the end of 2013. This report specifically examines the structure of boards and their composition, director tenure, remuneration, meeting attendance, gender diversity and multiple directorships. It also documents compliance with key aspects of the Singapore Code of Corporate Governance 2012 (the Code) relating to some of these matters.

### Board Structure and Composition

The most common board size is six directors. The largest board has 20 directors and the smallest has three. Generally, larger firms have more directors on their boards than smaller firms.

For board structure and composition, overall, 34.1% of available board seats are occupied by executive directors (EDs), 18.4% by non-executive directors (NEDs), and 47.5% by independent directors (IDs). Firms incorporated overseas reported a lower total proportion of ID seats (39.7%), compared with firms incorporated in Singapore (48.6%).

57.0% of firms have an ED as the Board Chair; out of which 30.8% are concurrently the firm's CEO, leaving a balance of 26.2% as Executive Chairs who are not concurrently the firm's CEO. Independent Chairs are the least common with only 18.4% of firms having such an arrangement. Only 2.9% of firms incorporated overseas have Independent Chairs compared with 21.0% of Singapore incorporated firms.

30.8% of firms did not separate the Board Chair and CEO positions, with a higher proportion of small cap firms not having such a separation compared with large cap firms. Firms incorporated in Singapore have a higher level of Board Chair/CEO separation (70.8%) than firms incorporated overseas (59.2%).

Among firms that should appoint a lead ID as recommended by the Code, only 54.4% do. It is the large cap firms that have the lowest proportion of compliance (42.9%).

Overall, the current level of independence on boards appears to be healthy. ID seats make up just slightly less than half of all board seats. 97.0% of all firms have IDs occupying at least 1/3 of their boards and 54.5% of all firms have IDs occupying at least half of their boards.

IDs in general tend to be fairly highly educated, with 85% having a degree, a post-graduate degree or some form of professional qualification. Large cap firms appear to have a higher proportion of more highly educated directors.



### Board Tenure

The median board tenure of IDs for all firms is six years while that for “older” firms (those which have been listed for more than nine years) is eight years. The most common board tenure for IDs is two years. 37.6% of IDs on older firms have been on their boards for more than nine years. The majority of older firms have at least one ID who has been on its board for more than nine years.

### Director Remuneration

31% of firms fully disclosed the remuneration of individual directors on a named basis in compliance with Guideline 9.2 of the Code. The size of directors’ fees and remuneration appears to be positively correlated to the size of the firm. A significantly higher percentage of IDs and NEDs in large cap firms have remuneration in the \$100,001 to \$250,000 range compared with IDs and NEDs in mid and small cap firms. IDs and NEDs in firms in the financial sector also appear to receive higher remuneration than those in other sectors.

### Attendance at Board Meetings

ID’s attendance at board meetings is relatively high. 85.5% of IDs have attendance rates of more than 3/4 of the total number of board meetings held.

### Gender Diversity

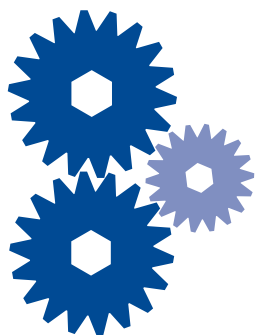
Men take up 91.7% of all board seats leaving 8.3% which are taken by women. Only 5.9% of ID seats, however, are held by women. More than half of all boards (56.1%) do not have any women. This distribution is consistent across firms of varying sizes.

### Multiple and Cross-Directorships

The vast majority of directors hold only one board seat with only 17.8% of all directors holding multiple directorships. The highest number of board seats held by a single individual is ten. The highest number for a woman is five. 28.4% of IDs have multiple independent directorships. The highest number of ID seats held by a single individual is nine. The highest number for women is four.

Directors with multiple directorships appear to have better board meeting attendance than single seat directors with over 90% of them attending more than 3/4 of board meetings compared to a lower 80% attendance rate for single seat directors.

Directors with multiple directorships also have higher educational qualifications than single seat directors, with 75% of directors with multiple directorships holding at least an undergraduate degree compared to 66% of single seat directors.

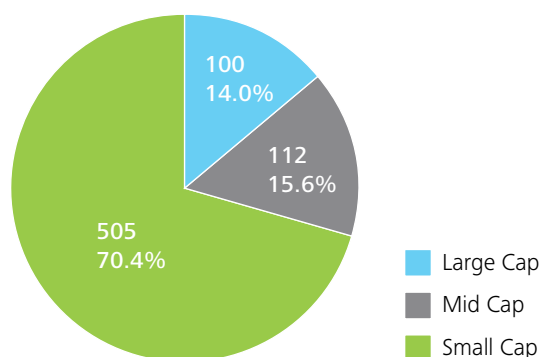


## Methodology and sample

This report provides a comprehensive study and a statistical snapshot of information on directors on the boards of companies, business trusts<sup>1</sup> and REITs which are listed on the SGX as at the end of 2013. The focus of this report is to provide insights on directors as well as the state of compliance with the guidelines/recommendations relating to directors in the Code.

This report endeavours to present information available as at 31<sup>st</sup> December 2013. The information was collected from the Corporate Profile and Director Profile sections of annual reports of firms with financial year ends in 2013. Directors who were appointed after the end of 2013 are excluded from the data set. As not all firms have their financial year ends on 31<sup>st</sup> December, we have assumed in our report that the information provided in the 2013 annual reports of firms which do not have their financial year ends on 31<sup>st</sup> December 2013 remains the same as at that date. Data used in this report was provided by Handshakes.

Information was collected from 717 firms, comprising 679 companies (542 listed on the Mainboard and 137 listed on Catalist), 15 business trusts and 23 REITs. The sample comprises of all firms which filed an annual report with the SGX for their financial year ending in 2013. This also includes 16 firms which had a secondary listing on the Mainboard (Secondary Listings) during the relevant period. Firms were categorised into large cap (>S\$1 billion); mid cap (between S\$300 million and S\$1 billion) and small cap (<S\$300 million).<sup>2</sup>

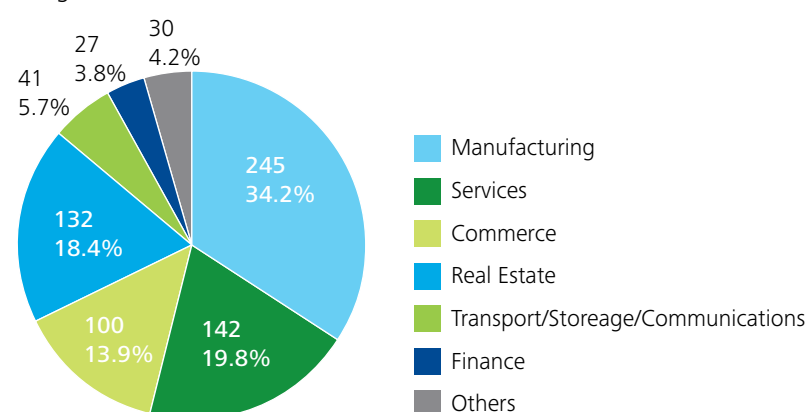


**Figure M1 – Distribution of Sampled Firms by Market Cap**

<sup>1</sup> Information provided on business trusts and REITs relate to the boards of the Trustee / Managers of the trusts / REITs.

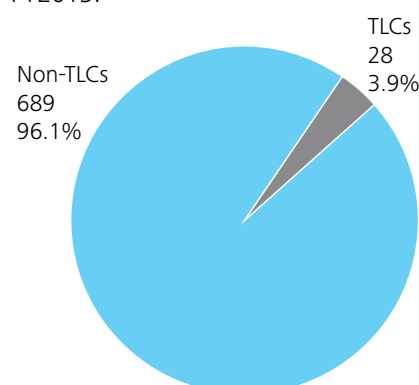
<sup>2</sup> Data is taken as at end of the first trading week of January 2014.

Firms were also grouped into seven major industry sectors. These sector classifications were consolidated based on the SGX's 12-category industry categorisation of firms.<sup>3</sup>



**Figure M2 – Distribution of Sampled Firms by Industry Type**

Further, firms were analysed in terms of whether they were Temasek-linked (TLCs) or not (non-TLCs). A firm is defined as a TLC if Temasek Holdings (Private) Limited has a shareholding of 20% or more in the firm as of FY2013.<sup>4</sup>



**Figure M3 – Percentage of TLCs**

Directors may be broadly classified as Executive Directors (EDs) and Non-Executive Directors (NEDs). NEDs may in turn be either Independent (IDs) or Non-Independent. Our study assumes that firms adopt the definition of "Independent" in accordance with the Code<sup>5</sup> when classifying directors as such in their annual reports. Where directors are reported as "Non-Executive" without reference to their independence, we have assumed that they are non-independent and have classified them as NEDs<sup>6</sup>. As such, where the term "NEDs" is used in this report, it refers to non-independent, non-executive directors. By default directors who are not EDs or NEDs are IDs.

<sup>3</sup> For instance, Hotels, Properties, and Construction in the SGX classification is consolidated under the Real Estate sector classification in this report

<sup>4</sup> The use of a 20% threshold is consistent with prior studies such as "The State as Shareholder: The Case of Singapore" jointly published by the Centre of Governance, Institutions & Organisations at the NUS Business School and the Chartered Institute of Management Accountants (CIMA) in June 2014.

<sup>5</sup> In particular, the relevant Guidelines of the Code used in this report are reproduced in Annex A.

<sup>6</sup> There were five firms (all of which are Secondary Listings) where insufficient information was presented for proper determination as to whether or not the non-executive directors were independent. We have classified these 40 non-executive directors as non-independent, non-executive directors for the purposes of this report.

### 1. Number of Directors and Number of Board Seats

The 717 firms in the study had 4,839 board seats, occupied by 3,670 individuals. There were 56 additional alternate director seats taken up by 55 individuals, with one individual holding two alternate director seats in two REITs. Unless specifically stated, alternate directors have generally been excluded in the analysis for this report.

### 2. Number of Directors and Number of Board Seats (by type of firm)

The 679 companies had 3,505 directors occupying 4,560 board seats. The 15 business trusts had 99 directors occupying 100 board seats and the 23 REITs had 157 directors occupying 179 board seats.<sup>7</sup>

| Firms           | Number          | Directors         | Board Seats       | Average Board Seats / Firm |
|-----------------|-----------------|-------------------|-------------------|----------------------------|
| Companies       | 679<br>(94.7%)  | 3,505<br>(93.2%)  | 4,560<br>(94.2%)  | 6.7                        |
| Business Trusts | 15<br>(2.1%)    | 99<br>(2.6%)      | 100<br>(2.1%)     | 6.7                        |
| REITS           | 23<br>(3.2%)    | 157<br>(4.2%)     | 179<br>(3.7%)     | 7.9                        |
| Total           | 717<br>(100.0%) | 3,761<br>(100.0%) | 4,839<br>(100.0%) | 6.7                        |

Table A1 – Number of Directors and Board Seats

<sup>7</sup> A person sitting on more than one board is regarded as a unique director for each board that he sits on. For example, a director who sits on the board of a company and a REIT will be regarded as a unique director for both the company and the REIT.

## B. Board Structure and Composition

### 1. Board Size

The most common board size is six directors. The largest board has 20 directors and the smallest has three.

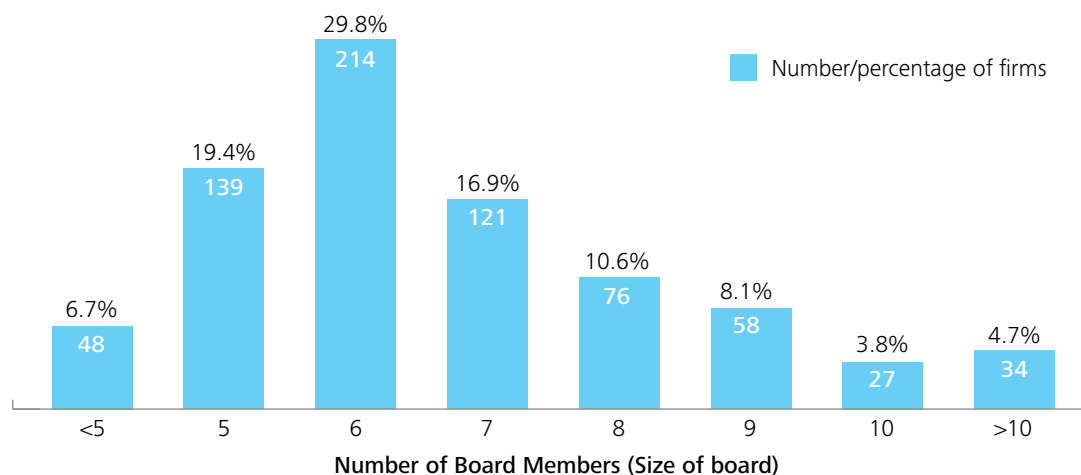


Figure B1– Board Size – Overall

Predominant board size differs among firms of different sizes. Generally, larger firms have more directors on their boards than smaller firms. Most large cap firms have eight or more directors (78.0%). Most mid and small cap firms have 5-7 directors (62.5% and 76.0% respectively). While a significant percentage of mid cap firms have eight or more directors (37.5%), a relatively smaller percentage of small cap firms do (14.9%).

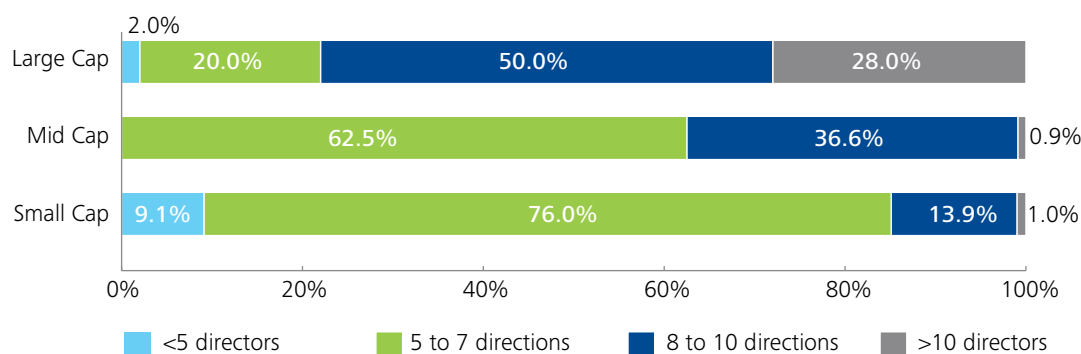


Figure B2 – Board Size – by Market Capitalization

## 2. Board Composition and Roles

### (a) Types of Directors (Executive, Independent or Non-Executive)

#### (i) Total

The 717 firms have a total of 1,649 ED seats held by 1,614 individuals, 889 NED seats held by 774 individuals and 2,301 ID seats held by 1,508 individuals.

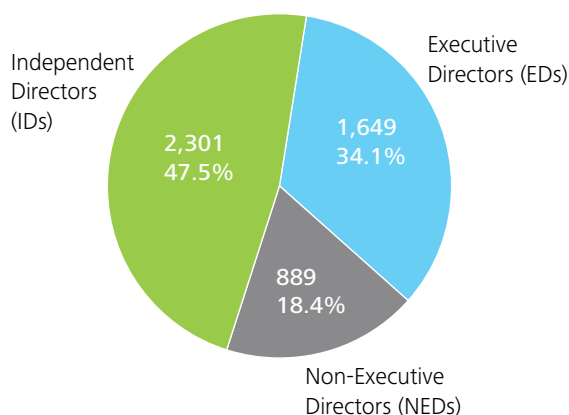


Figure B3 – Types of Directors

#### (ii) By type of firm

There is not much difference in the proportion of ED, ID and NED seats in Mainboard or Catalist companies. REITS, however, have a higher proportion of NED seats and a lower proportion of ED seats when compared with companies. Business trusts have a higher proportion of both IDs and NEDs.

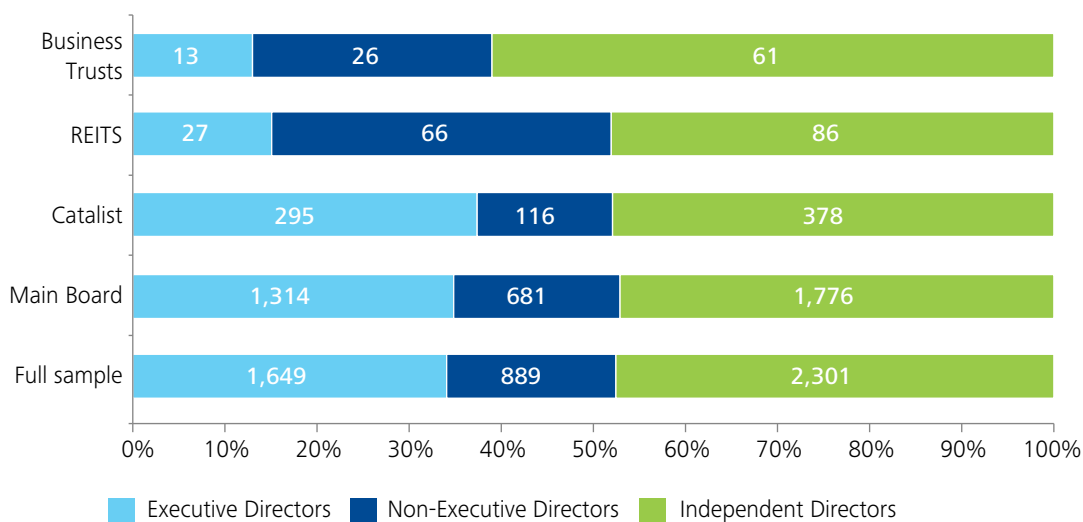
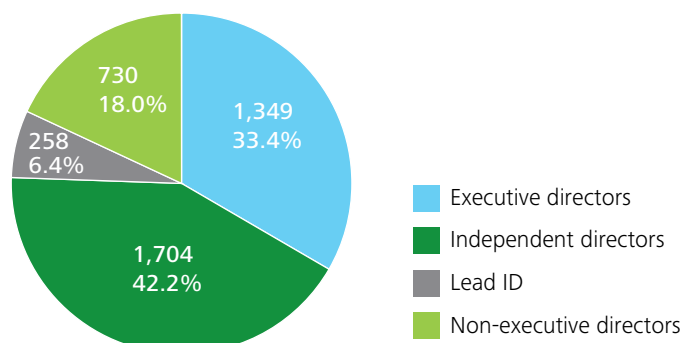


Figure B4 – Types of Directors – by Type of Firm

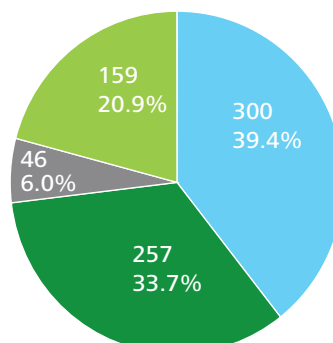
(iii) By place of incorporation

Firms incorporated overseas reported a lower total proportion of ID seats (39.7%), compared with firms incorporated in Singapore (48.6%). Instead, a higher proportion of director seats are taken up by EDs (39.4% versus 33.4% for overseas incorporated firms versus Singapore incorporated firms).

**Director Seats  
(Singapore Incorporated Entities)**



**Director Seats  
(Overseas Incorporated Entities)**



**Figure B5 – Types of Directors – Singapore incorporated and Overseas incorporated firms**

**(b) Board Chairs and Director-CEOs**

The Board Chair may be Executive, Non-Executive or Independent. The Chief Executive Officer ("CEO") (or equivalent) may or may not be sitting on the board. If he or she is, then that person would be an ED (referred to in this report as a "Director-CEO").

(i) Total

Our sample reported 705 Board Chairs in 702 firms<sup>8</sup>.

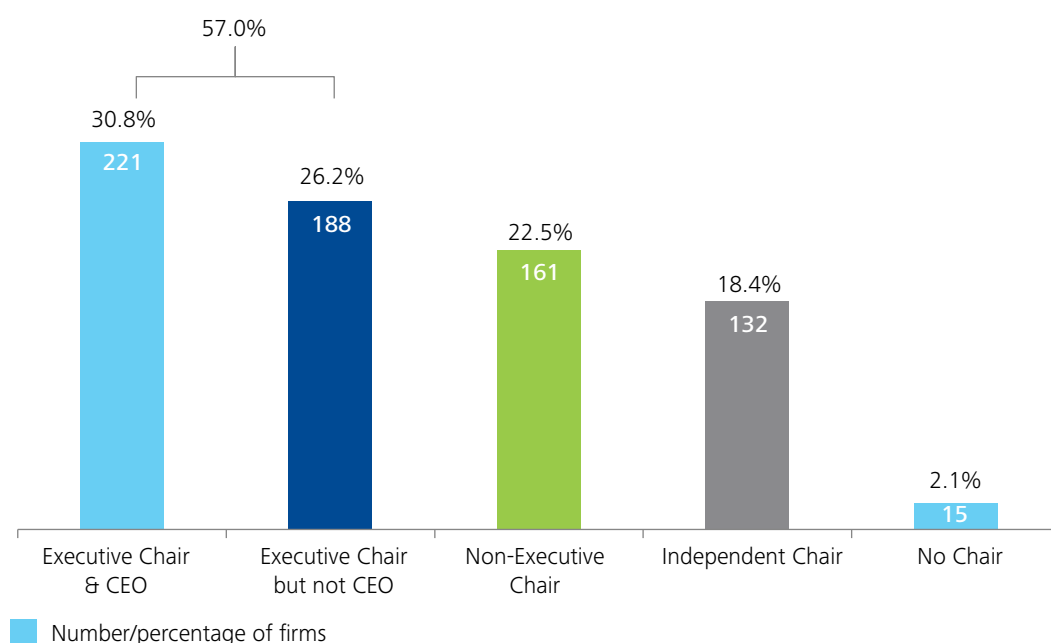
| Mainboard        |                    |           |                 | Catalist    |
|------------------|--------------------|-----------|-----------------|-------------|
| Companies        |                    | REITs     | Business Trusts |             |
| Primary listings | Secondary listings |           |                 |             |
| 519 (73.6%)      | 16 (2.3%)          | 23 (3.3%) | 15 (2.1%)       |             |
| 573 (81.3%)      |                    |           |                 | 132 (18.7%) |

**Table B1 – Board chairs in various types of firms**

<sup>8</sup> There are actually 702 firms with Chairs and 15 without. Three firms have either joint or co-chair positions or a Chairman Emeritus position in addition to a Chair.

In total, 57.0% of firms have Board Chairs who are EDs, out of which 30.8% have Board Chairs who are concurrently the firm's CEO. The other 26.2% of firms have executive Board Chairs who are not concurrently the firms' CEOs (26.2%). It is likely that the latter group of Board Chairs comprise former CEOs who may be the founder/controlling shareholder of the firms concerned who have appointed a new CEO. However, they may have retained executive functions to continue to be involved in the day-to-day management of the firm.

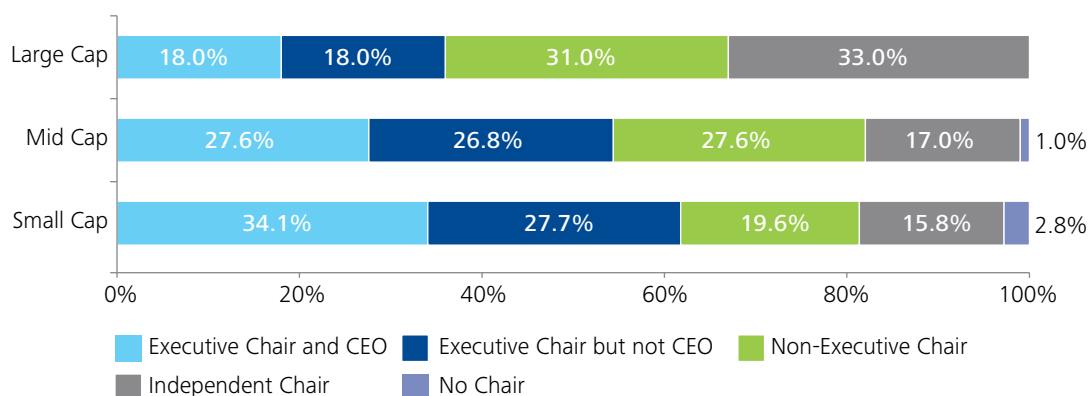
The next most common arrangement is for firms to have non-executive Board Chairs (22.5%). Independent Board Chairs (18.4%) are the least common arrangement.



**Figure B6 – Types of Board Chairs – Overall**

(ii) Types of Board Chairs by firm size

There is a significant difference in the proportion of Board Chair types among firms of different sizes. Among large cap firms, there appears to be an equal proportion of independent Board Chairs (33.0%), non-executive Board Chairs (31.0%), and executive Board Chairs (36.0%). Mid and small cap firms appear to have a higher proportion of executive Board Chairs (54.4% and 61.8% respectively), followed by non-executive Board Chairs (27.6% and 19.6% respectively) and independent Board Chairs (17.0% and 15.8% respectively). While large cap firms all have Board Chairs, there are a handful of mid and small cap firms that do not. A higher percentage of small cap firms have executive Board Chairs who are also the firm's CEO (34.1%).



**Figure B7 – Types of Board Chairs – by Firm Size**



(iii) Types of Board Chairs by firm type

The proportion of Board Chair type varies greatly by firm type. Companies listed on the Mainboard and Catalist have a higher proportion of executive Board Chairs (59.0% and 61.0% respectively) than other types of Chairs. REITs and business trusts have low proportions of executive Board Chairs (less than 10%) but a high proportion of independent Board Chairs (60.9% and 40.0% respectively). Further, Secondary Listings have a higher proportion of executive Board Chairs (75.0%) with no reported independent Board Chairs<sup>9</sup> at all.

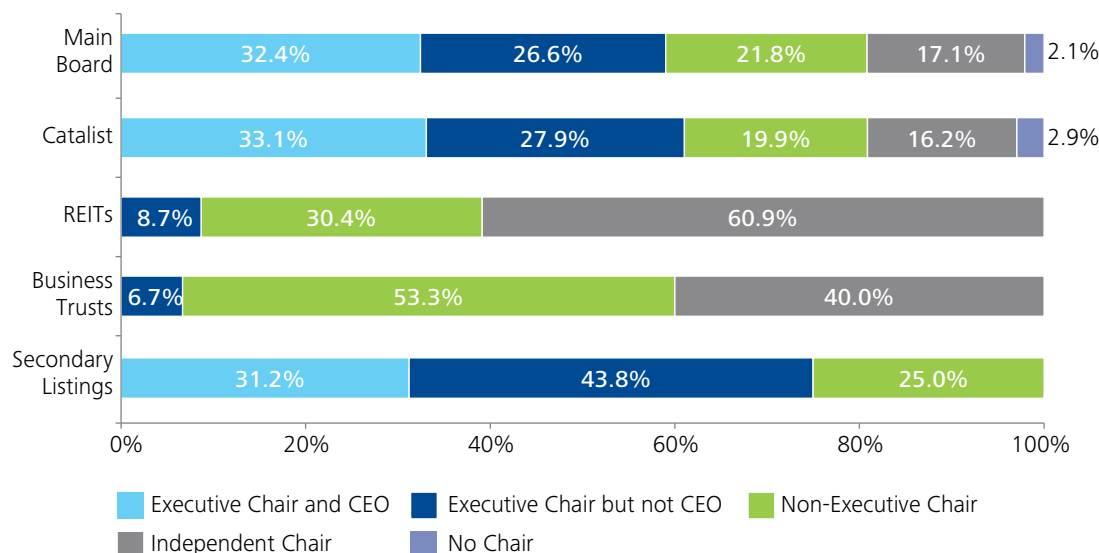


Figure B8 – Types of Board Chairs – by Firm Type

(iv) Types of Board Chairs by place of incorporation

There are some differences in the proportion of Board Chair type by place of incorporation. Firms incorporated in Singapore have a lower proportion of executive Board Chairs (53.5%) than firms incorporated overseas (78.7%). Only 2.9% of firms incorporated overseas have independent Board Chairs versus 21.0% of Singapore incorporated firms.

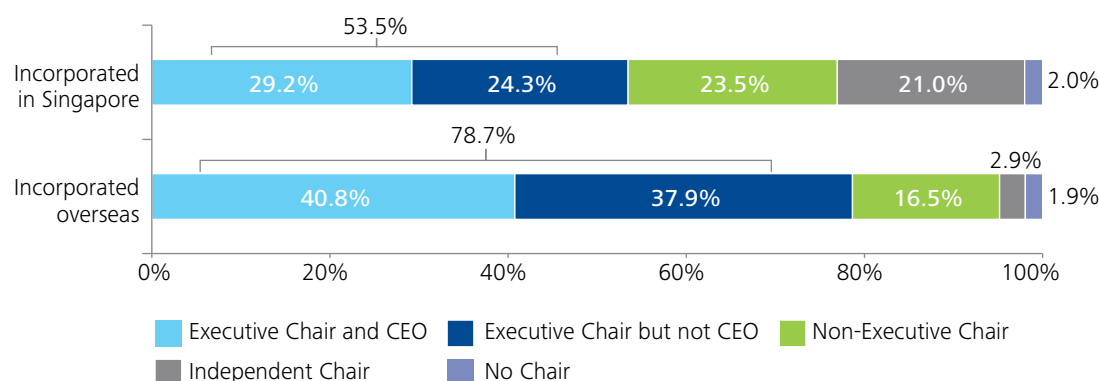


Figure B9 – Types of Board Chairs – by Place of Incorporation

<sup>9</sup> This may be linked to the fact that some of the Secondary Listings do not appear to distinguish between Non-Executive Directors and Independent Directors in their annual reports.

**(c) Compliance with Code Guideline 3.1 (separation of Board Chair and CEO) and Guideline 3.3 (appointment of Lead ID) - Firm level analysis**

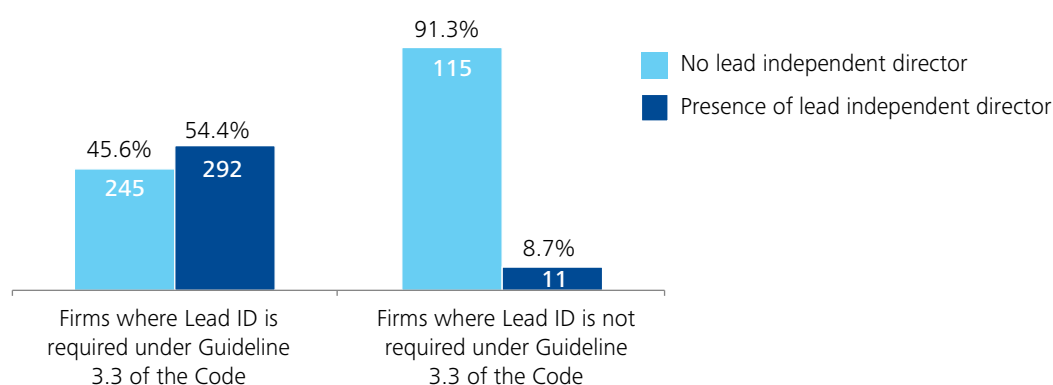
**(i) Compliance with Code Guidelines on separation of Board Chair and CEO**

According to Guideline 3.1 of the Code, the Board Chair and the CEO should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the board for independent decision making. A majority of firms adhere to this Guideline, with 69.2% of firms having separate Board Chair and CEO positions.

The level of Board Chair/CEO separation is different among firms of different sizes. Large cap firms have the highest level of Board Chair/CEO separation (82.0%), whereas small cap firms have the lowest (65.9%). Firms incorporated in Singapore have a higher level of Board Chair/CEO separation (70.8%) than firms incorporated overseas (59.2%) (see Figures B7 and B9 above).

**(ii) Compliance with Code Guidelines on appointment of Lead Independent Director**

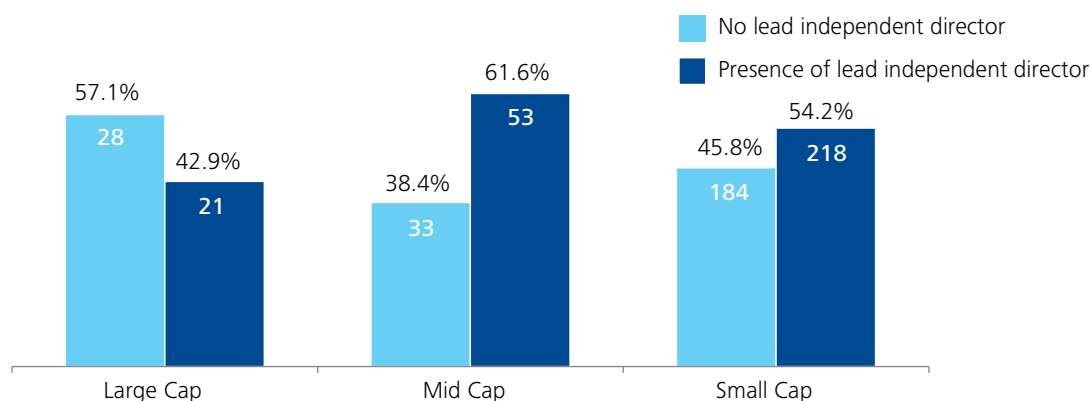
There are 304 Lead Independent Director Seats (243 on Mainboard and 61 on Catalyst), held by 246 individuals. According to Guideline 3.3 of the Code, every firm should appoint an ID to be the lead ID where the Board Chair and the CEO is the same person, Board Chair and the CEO are family members, Board Chair is part of the management team, or the Board Chair is not an ID. Among the 537 firms that should appoint a lead ID as recommended by the Code, only 54.4% do. A small percentage of firms (8.7%) appoint a lead ID even when they are not required to do so.



**Figure B10 – Compliance with Code Guideline 3.3 – Presence of Lead ID**  
(sample excludes REITs, business trusts and Secondary Listings)

Among firms that fall under the guideline recommending a lead ID, the mid cap firms have the highest percentage which have done so (61.6%) followed by the small cap firms (54.2%) and then by the large cap firms (42.9%).

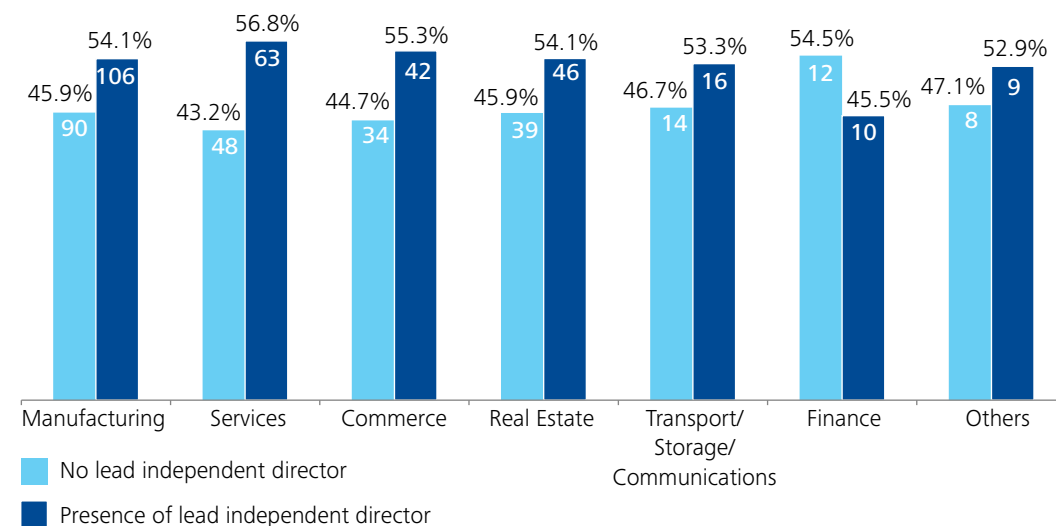
Feedback from practitioners suggests that large cap firms may tend to have established and experienced IDs on their boards. Thus the relatively low proportion of large cap firms appointing a lead ID could be due to the difficulty in selecting a lead among such IDs or it being the consensus among peers that there may not be a need for one.



**Figure B11 – Compliance with Code Guideline 3.3 by Firms Which Fall Under the Guideline – by Firm Size**

*(sample excludes REITs, business trusts and Secondary Listings)*

The prevalence of the appointment of Lead IDs among firms which fall under the Guideline recommending one is generally similar across industry sectors, with 52.9% to 56.8% of firms within each sector appointing one. The only outlier is the Finance sector, which has a lower 45.5% of compliance.

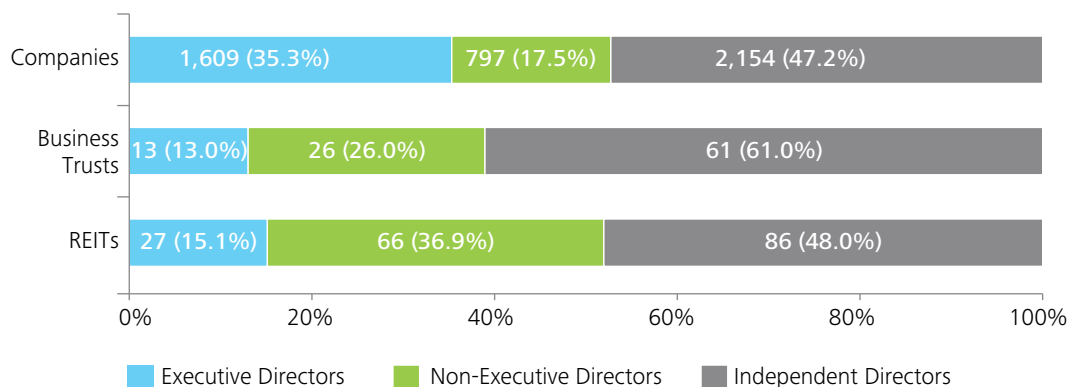


**Figure B12 – Compliance with Code Guideline 3.3 by Firms Which Fall Under the Guideline – By Industry**

Of the 28 TLCs in our sample, nine are required to comply with Guideline 3.3. Of these only four have Lead IDs.

**(d) Independent Directors (IDs)**

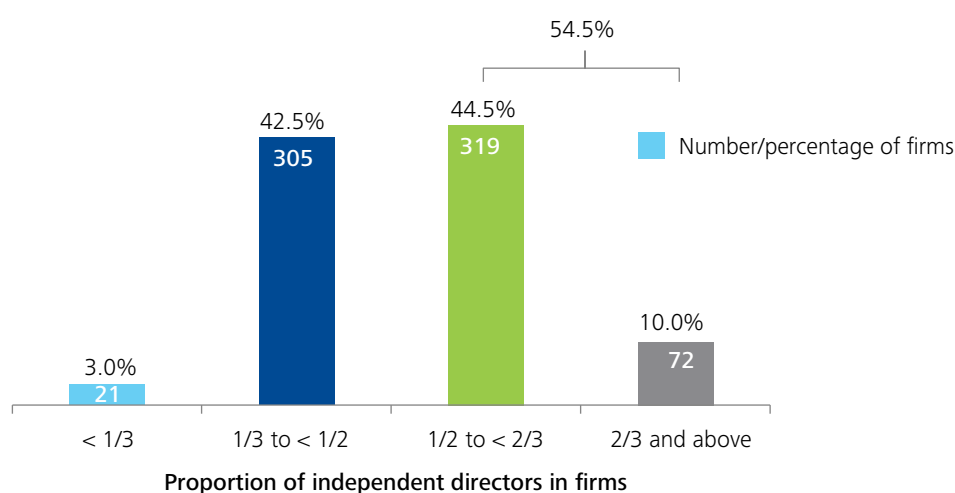
ID seats make up slightly less than half (47.6%) of all board seats. The percentages of ID seats for companies (47.2%) and REITs (48.0%) do not differ by much. There is also no significant difference in the total percentage of ID seats between Mainboard or Catalist companies. Business trusts, have a higher total percentage of ID seats (61.0%). This may be due to it being mandatory for the board of the trustee-managers of business trusts to comply with minimum ID requirements.<sup>10</sup> REITs have the highest percentage of Non-Executive Director seats.



**Figure B13 – Breakdown of Director Seats – by Type of Firm<sup>11</sup>**

**(i) Proportion of Independent Directors on Boards**

More than half of all firms have IDs forming at least half of the board (54.5%).



**Figure B14 – Proportion of Independent Directors In Firms**

<sup>10</sup> Regulation 12 of the Business Trusts Regulations provides that, subject to certain specified circumstances, the board of directors of trustee-managers of a registered business trust shall be in accordance with the following:

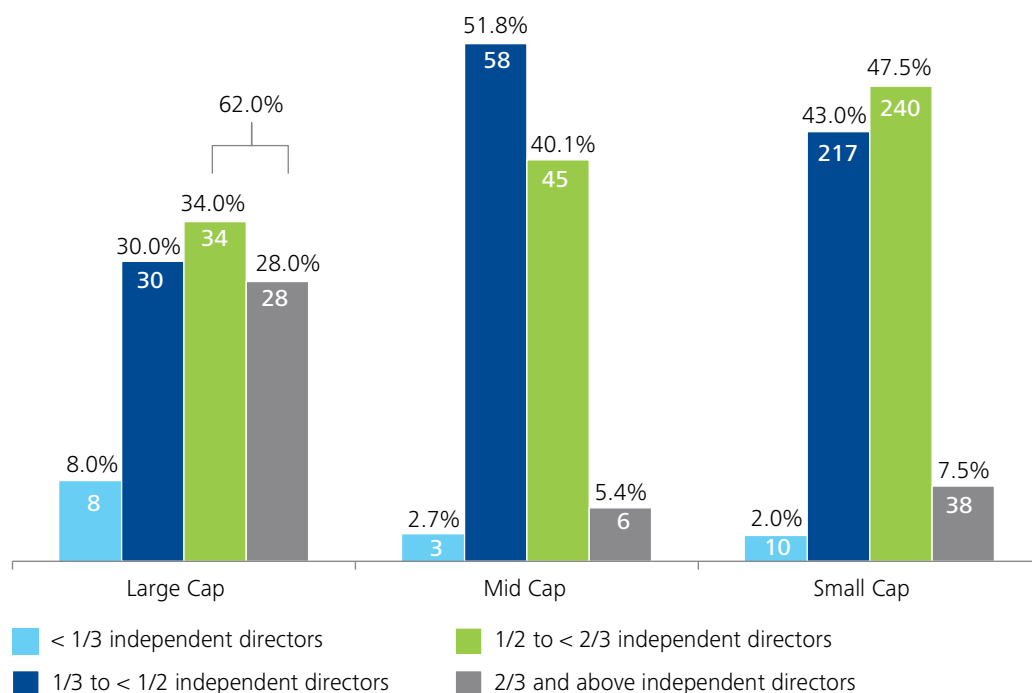
(a) at least a majority of the directors shall be independent from management and business relationships with the trustee-manager;

(b) at least one-third of the directors shall be independent from management and business relationships with the trustee-manager and from every substantial shareholder of the trustee-manager; and

(c) at least a majority of the directors shall be independent from any single substantial shareholder of the trustee-manager.

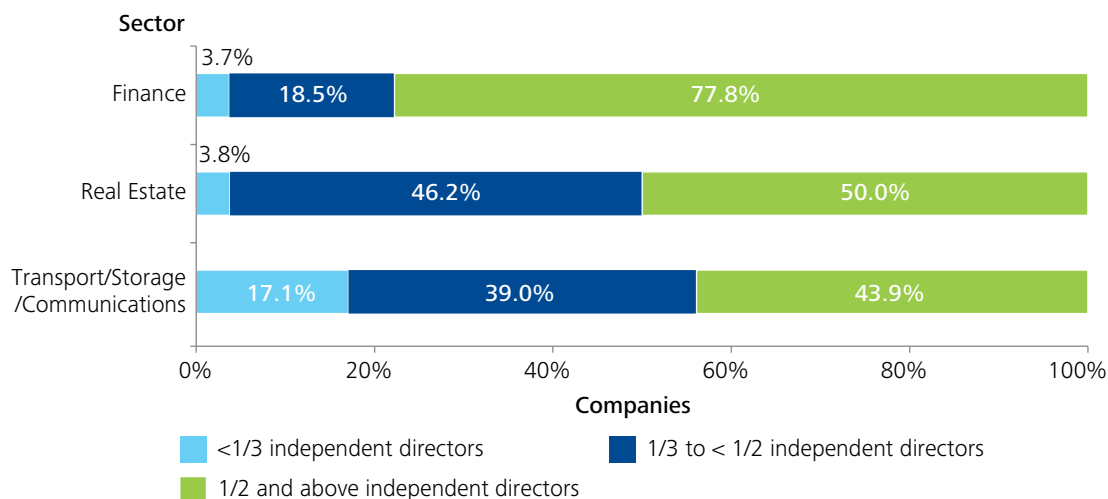
<sup>11</sup> Breakdown according to all 4,839 available board seats (please refer to Figure B3).

The proportions of IDs on boards differ by firm size. 62.0% of large cap firms have more than half of their board seats taken up by IDs. Further, 28.0% of large cap firms have IDs forming two thirds or more of the board. For mid cap and small cap firms, IDs mostly form between one third to less than two thirds of the board. Few of such firms have boards with two thirds or more being IDs.



**Figure B15 – Proportion of Independent Directors – by Firm Size**

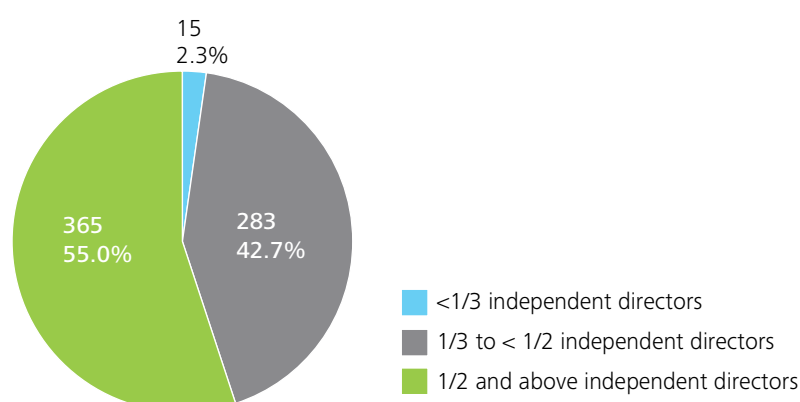
Looking at sectors, firms in the Finance, Real Estate and Transport/Storage/Communications sectors have the highest proportions of firms with more than 1/2 of their boards comprising IDs (77.8%, 50.0% and 43.9% respectively).



**Figure B16 – Proportion of IDs on Boards – Selected Industries**

TLCs have relatively higher proportions of IDs, with our data showing 82.1% of TLCs having 1/2 or more of their boards comprising IDs, compared to non-TLCs (only 52.1% ).

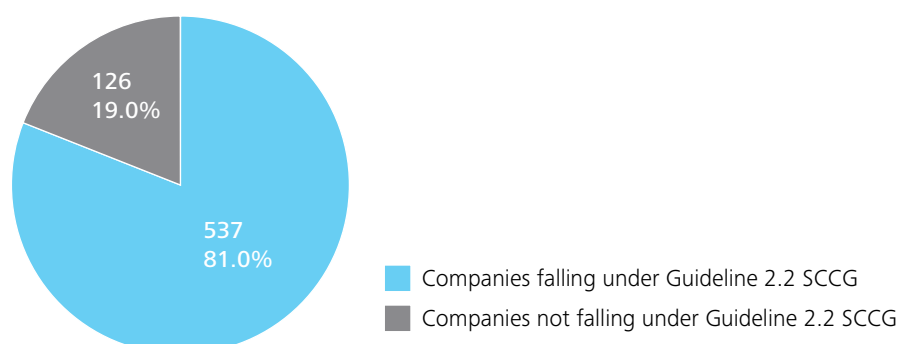
(ii) Compliance with Code recommendations relating to Independent Directors (unless otherwise stated, the sample excludes REITs, business trusts and Secondary Listings) Code Guideline 2.1 provides that “there should be a strong and independent element on the Board, with Independent Directors making up at least one-third of the Board.” 97.7% of all companies are in compliance with this recommendation with 55.0% going over and above the recommendation by having more than half of their board being made up of IDs.



**Figure B17 – Various Proportions of IDs in Companies**

Code Guideline 2.2 recommends that Independent Directors should make up at least half of the board where the Board Chair and the CEO are the same person or are immediate family members, or the Board Chair is part of the management team or not an Independent Director. Companies have until their financial years beginning on or after 1 May 2016 to comply with this guideline, failing which they will need to explain why there is non-compliance<sup>12</sup>.

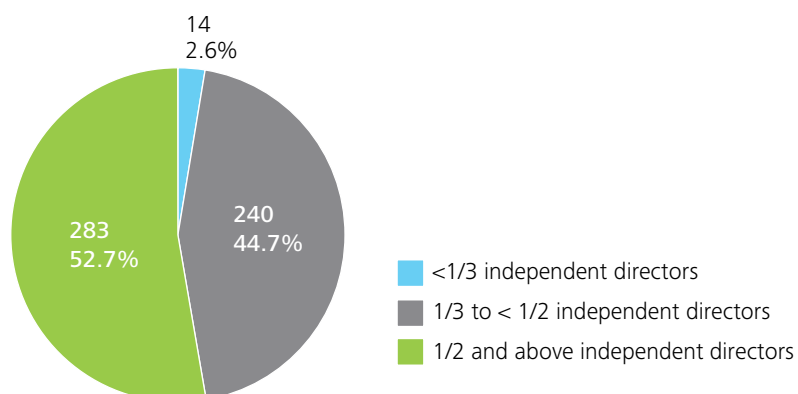
Out of the sample of 663 companies, 537 (81.0%) have a Board Chair who falls within the criteria of Guideline 2.2 and will therefore fall under this Guideline when it comes into effect. Our discussion in this sub-section focuses only on such companies.



**Figure B18 – Breakdown of Companies falling under Code Guideline 2.2**

<sup>12</sup> This is the only guideline in the Code which has not come into effect as of date.

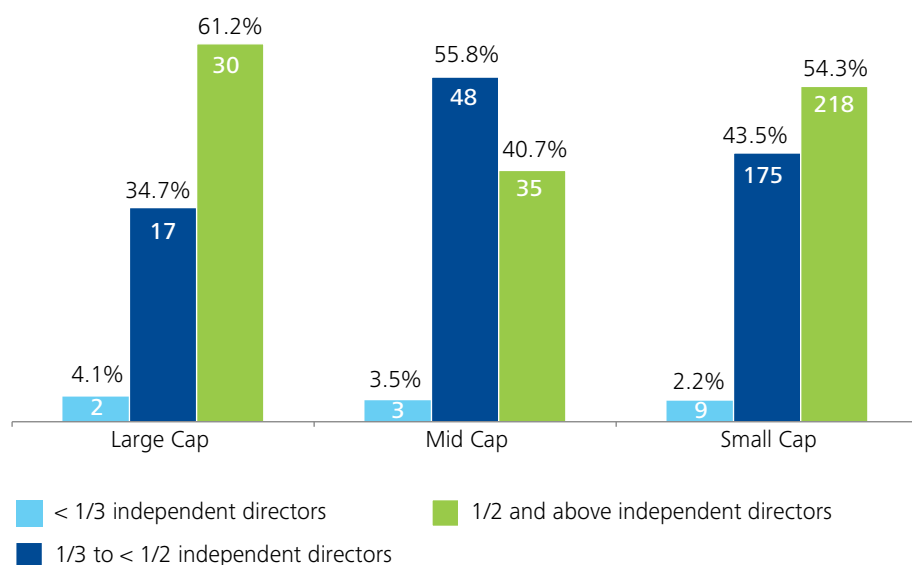
Among these 537 companies, 52.7% have already met the recommendation to have IDs form at least half of the board.



**Figure B19 – Compliance with Code Guideline 2.2 – Overall**

• *By firm size*

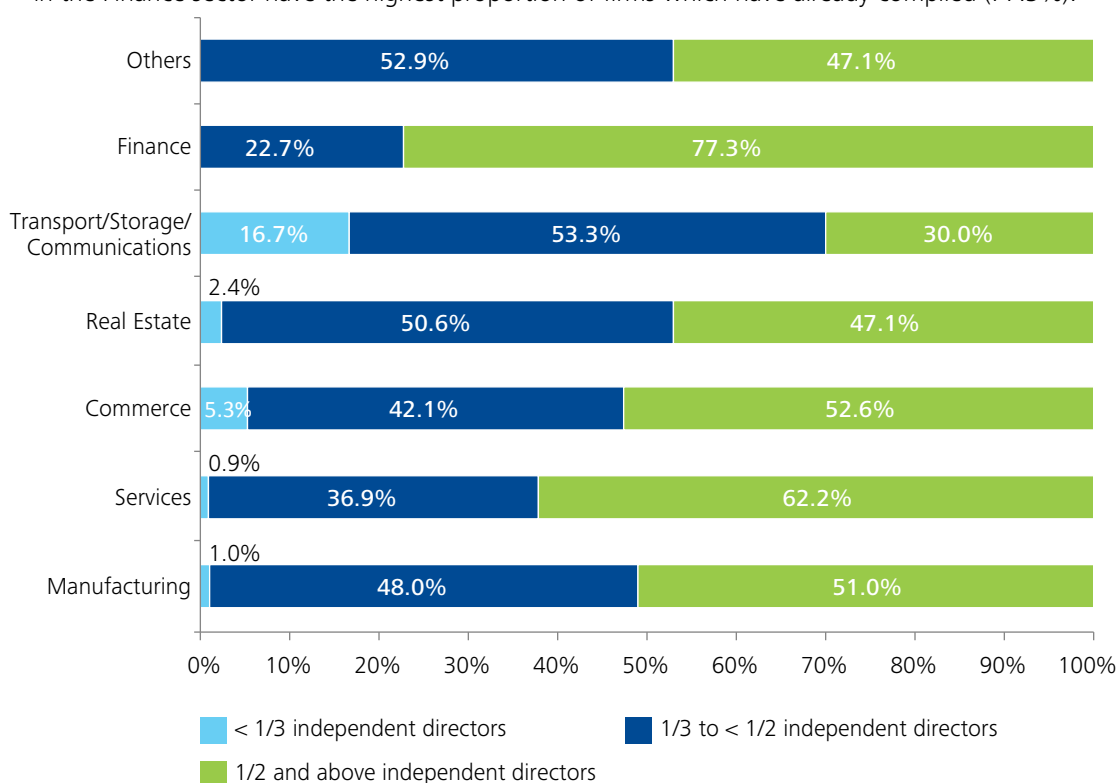
Large cap firms have the highest proportion of firms that already meet Guideline 2.2 (61.2%). This is likely due to larger firms' ability to accommodate more IDs. Mid cap firms have the highest proportion not yet meeting Guideline 2.2 —only 40.7% of such firms have at least half of their board made up of IDs.



**Figure B20 – Compliance with Code Guideline 2.2 – by Firm Size**

- *By industry sector*

Among firms which will be required to comply with Guideline 2.2 when it comes into effect, firms in the Finance sector have the highest proportion of firms which have already complied (77.3%).



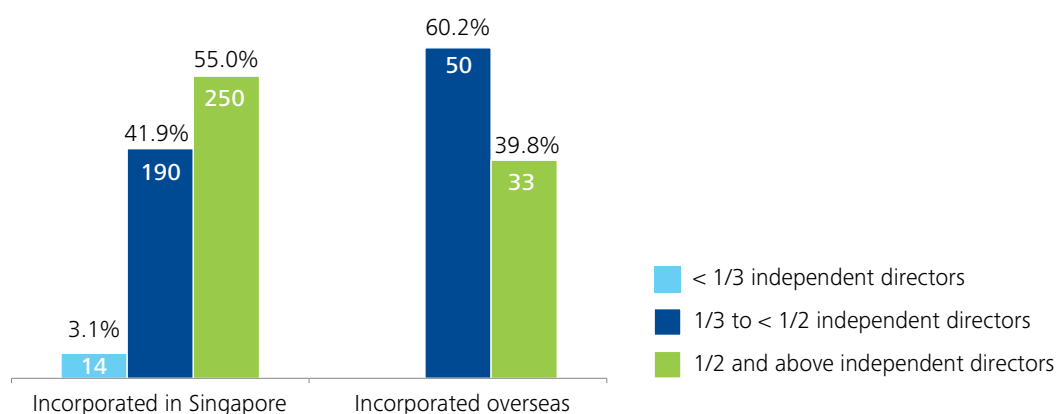
**Figure B21 – Compliance with Code Guideline 2.2 – By Industry**

- *By link to Temasek*

Nine out of the 28 TLCs currently have Board Chair criteria which will require them to comply with Guideline 2.2 when it comes into effect. Of these, six are already in compliance.

- *By place of incorporation*

A higher proportion of Singapore incorporated firms (55.1%) have already met Code Guideline 2.2 recommendations, compared with overseas incorporated firms (39.8%).



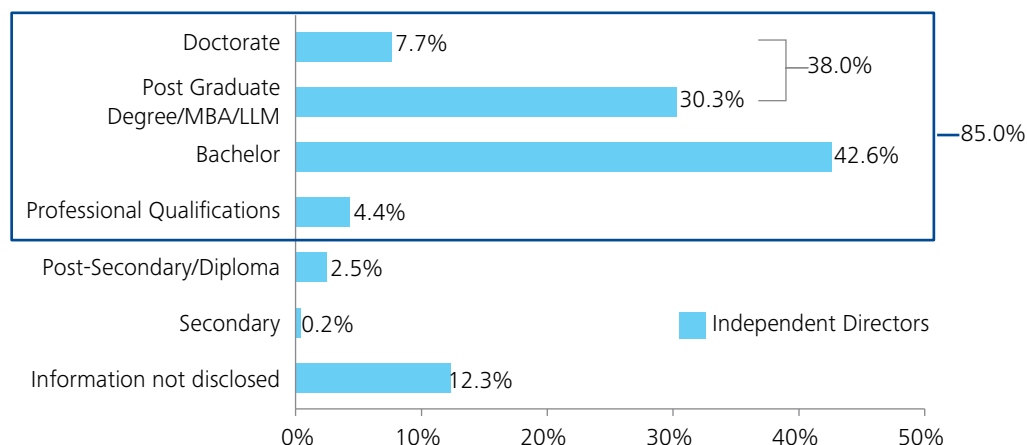
**Figure B22 – Compliance with Code Guideline 2.2 – by Place of Incorporation**



(iii) Education level of Independent Directors

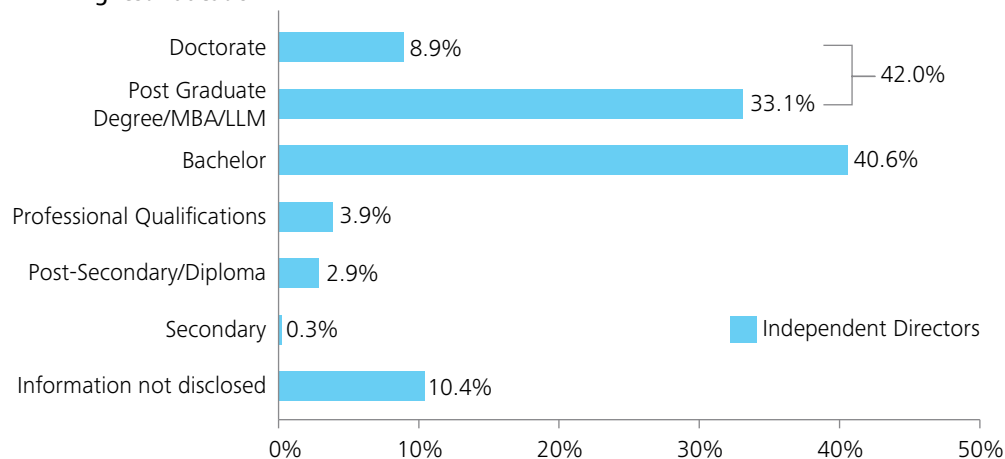
85% of the IDs in the 717 listed firms have either one of the following: i) professional qualification, ii) bachelor degree or iii) post-graduate education. The data also shows that IDs of large cap firms generally have higher educational qualifications compared with IDs in mid and small cap firms. 42.0% of IDs in large cap firms have post-graduate education. This may be contrasted with the 38.0% overall.

**Highest Education**



**Figure B23 – Education Level of Independent Directors – 717 Listed Firms<sup>13</sup>**

**Highest Education**

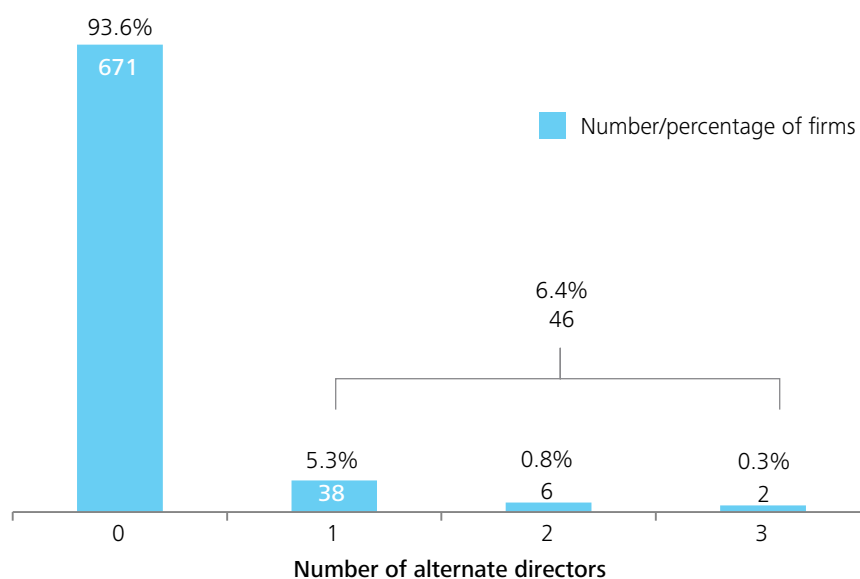


**Figure B24 – Education Level of Independent Directors – Large Cap Firms**

<sup>13</sup> When information was not disclosed or was insufficient, directors were classified in the "Information not disclosed" category

**(e) Alternate directors**

According to Guideline 4.5 of the Code, in order to create a formal and transparent process for the appointment and re-appointment of directors to the Board, Boards should generally avoid having alternate directors. Only 46 entities (6.4%) report having alternate directors. Of these, 38 have one alternate director, six reported two alternate directors each and two entities reported having three alternate directors each.



**Figure B25 – Alternate Directors**

## C. Board Tenure

We examined the board tenure of directors, with a focus on the tenure of IDs. Not all firms reported this information.

### 1. Tenure of Independent Directors

Information was collected on the tenure<sup>14</sup> of 2,178 IDs, representing 94.7% of the ID seats in the sample. Of these, 837 IDs (38.4%) have been on their boards since the firm was listed.

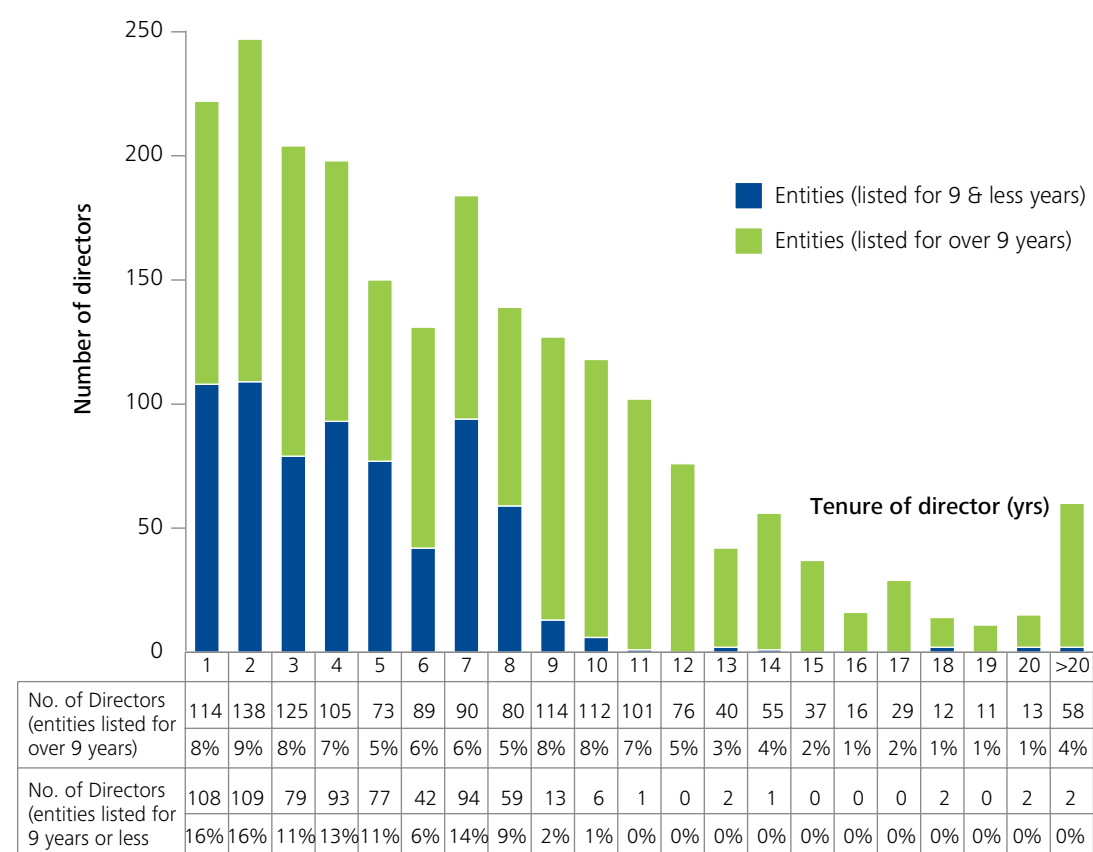


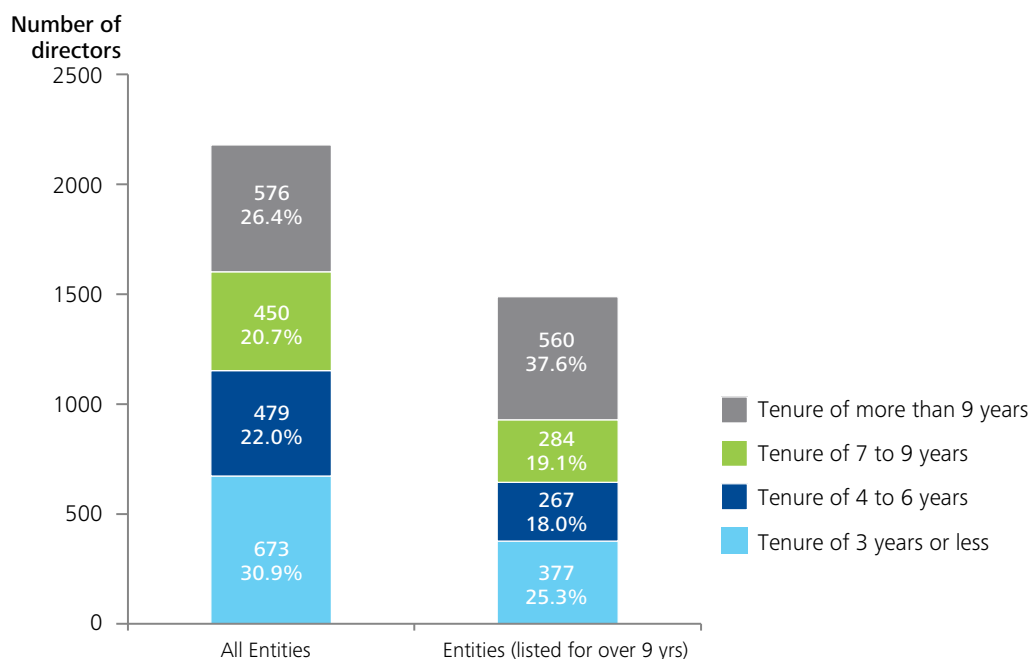
Figure C1 – Tenure of Independent Directors

<sup>14</sup> The length of tenure may not necessarily refer to how long the director has been appointed in the firm as an ID. Some individuals may, for example, have been first appointed as ED and subsequently relinquished his or her executive position and remained on the board for a number of years and may presently be regarded as an ID.

The median board tenure for IDs for all firms is six years, while that for firms listed for over nine years is eight years. The most common (mode) board tenure for IDs for all firms and firms listed for over nine years is two years. The longest serving ID has been serving since 1971.

**(a) Compliance with Code Guideline 2.2 – the “nine-year rule”**

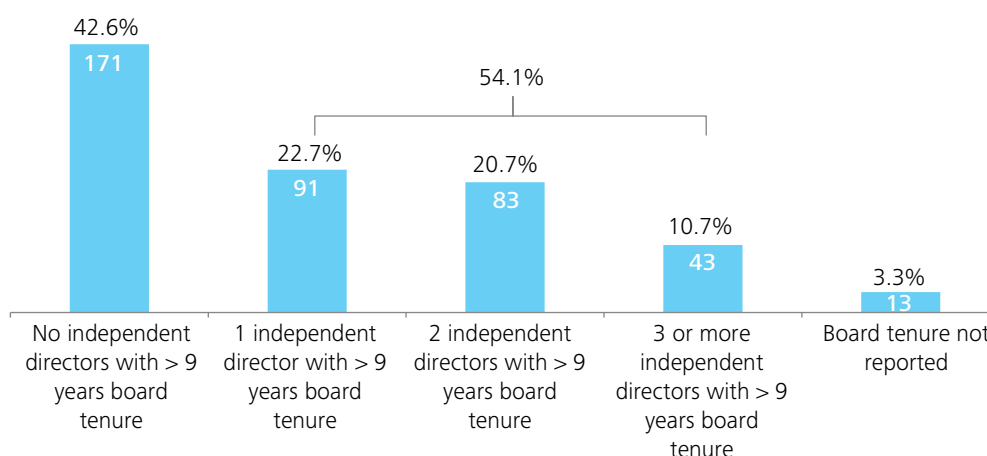
Guideline 2.4 of the Code recommends that “the independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review”. Presently, 26.4% of ID seats for which tenure was reported are of tenures that are more than nine years. This proportion increases to 37.6% if only firms listed for over nine years are considered.<sup>15</sup>



**Figure C2 – Tenure of Independent Directors and the “Nine-Year Rule”**

**(b) Firm level analysis – tenure of IDs and Compliance with Code Guideline 2.4**

There are 401 firms which have been listed for 9 years or more (prior to 2005). 217 (54.1%) of these firms have at least one ID who has served for more than nine years on their boards. 91 (22.7%) have one such director, 83 (20.7%) have two such directors and 43 (10.7%) have three or more such directors. These firms will need to comply with Guideline 2.4 of the Code .

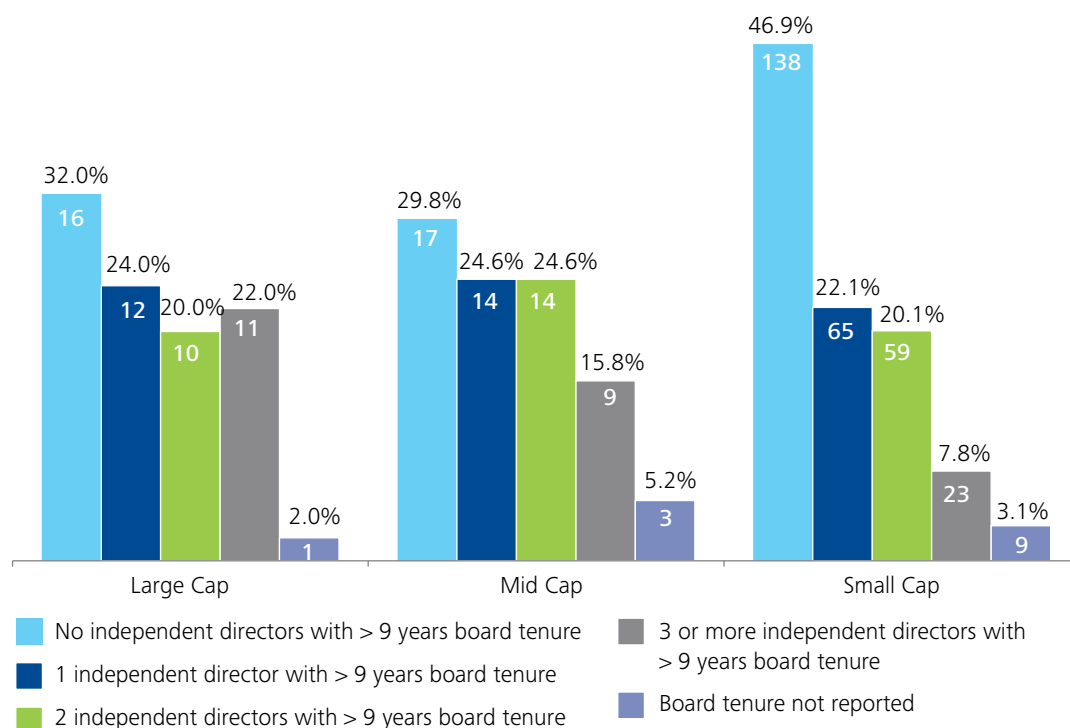


**Figure C3 – Percentage of Firms (listed prior to 2005) having Independent Directors with tenures > 9 years**

<sup>15</sup> This is to take into account the fact that firms which have not been listed for more than 9 years generally do not have IDs serving on their boards for over 9 years. This information is taken from 401 firms listed prior to 2005.

(i) By firm size

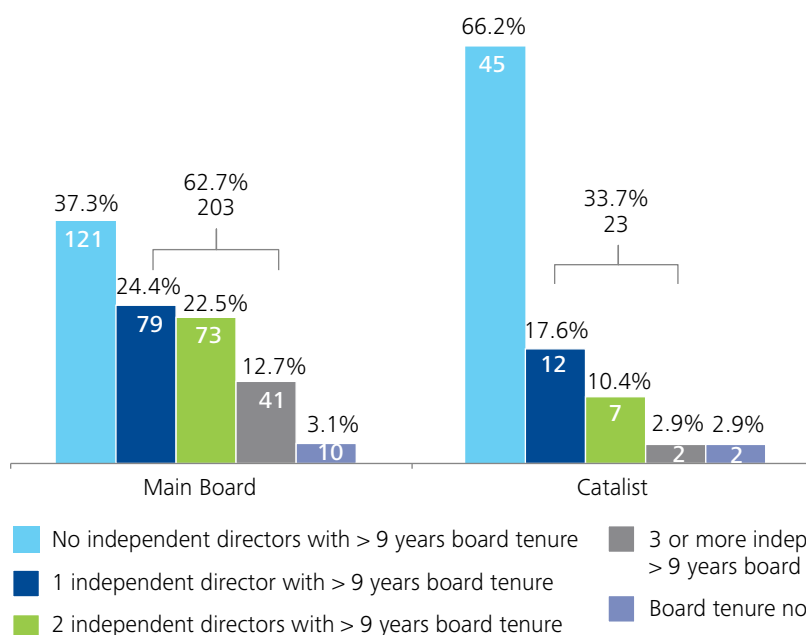
The proportion of firms that have IDs with more than nine years board tenure for large cap and mid cap firms is almost similar (68.0% for large cap and 70.2% for mid cap firms). In this regard, small cap firms have the lowest proportion at 53.1%.



**Figure C4 – Percentage of Firms (listed prior to 2005) having Independent Directors with tenures > 9 years – by Firm Size**

(ii) By firm type

Firms listed on the Mainboard have a higher proportion of firms having IDs (62.7%) with more than nine years of tenure than firms on Catalist (33.8%). There were five REITs in our sample. Only one had two directors with tenures exceeding nine years. No business trusts fell within our sample for this category. There were four Secondary Listings in this sample. One Secondary Listing had no director with tenure exceeding nine years, one with two such directors and one did not provide the information.



**Figure C5 – Percentage of Firms (listed prior to 2005) having Independent Directors with tenures > 9 years – by Firm Type**

## 2. Tenure of Executive Directors

Half of all firms have EDs who have served for six years or more (50.1%). A quarter of the firms have EDs who have served for more than 10 years.

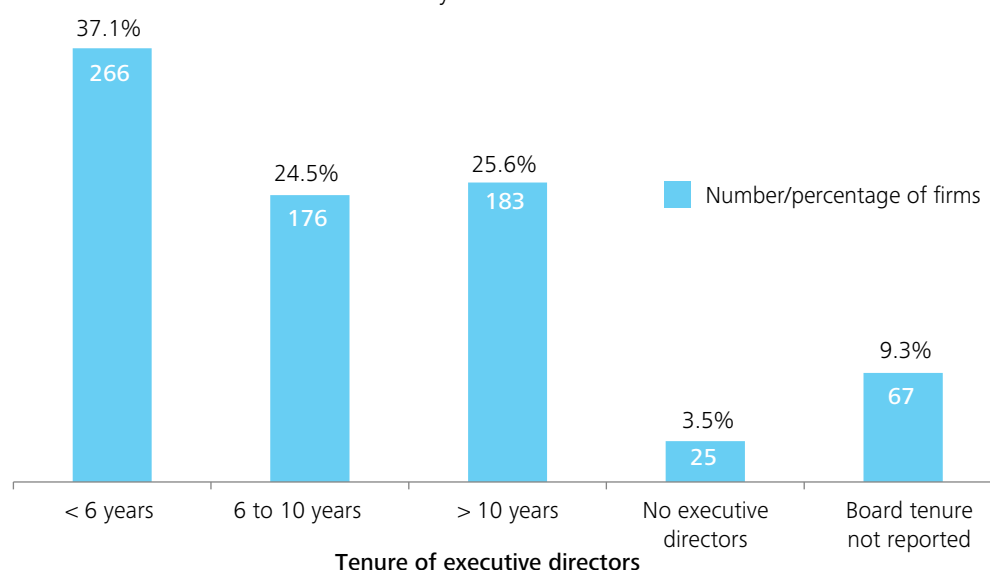


Figure C6 – Tenure of Executive Directors – Overall

## 3. Tenure of Non-Executive Directors

Approximately 32.1% of Non-Executive Directors serving on Mainboard companies have served for more than nine years on their boards. This is a significantly higher percentage than for firms listed on Catalist, REITs and business trusts. This could be because the majority of Mainboard firms have been listed for a longer period than firms on Catalist, REITs and business trusts.

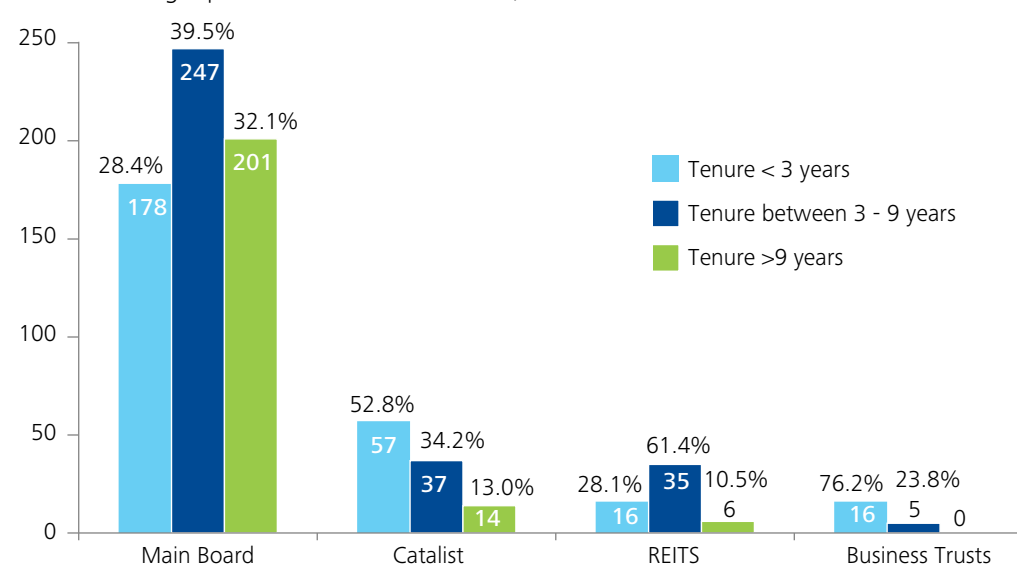
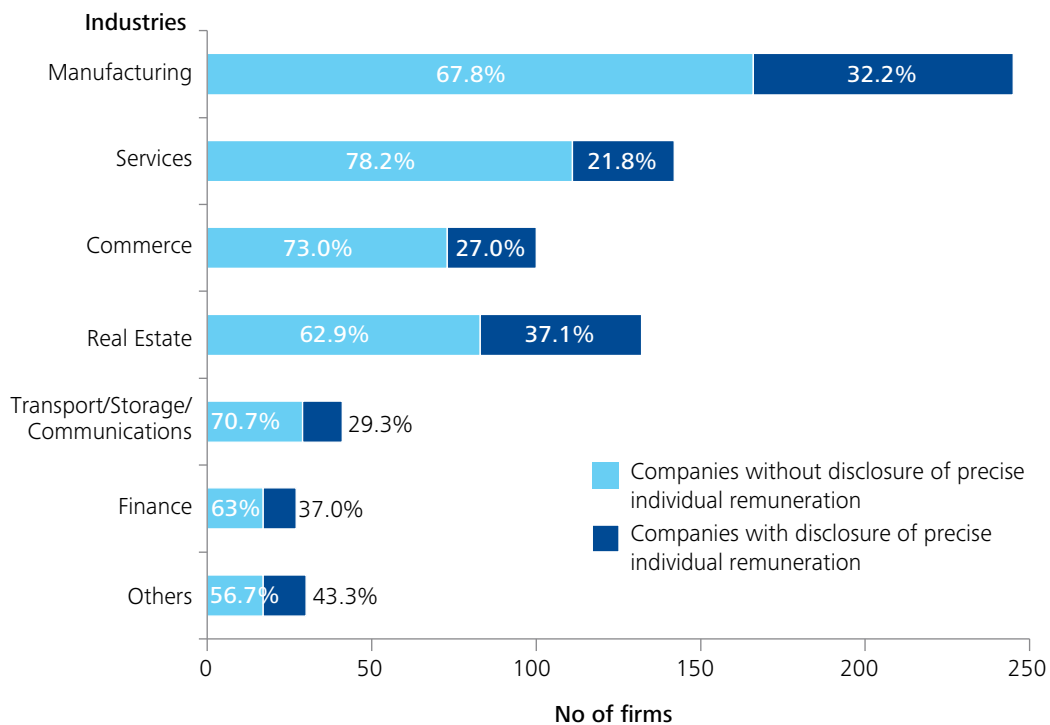


Figure C7 – Tenure of Non-Executive Directors – by Firm Type

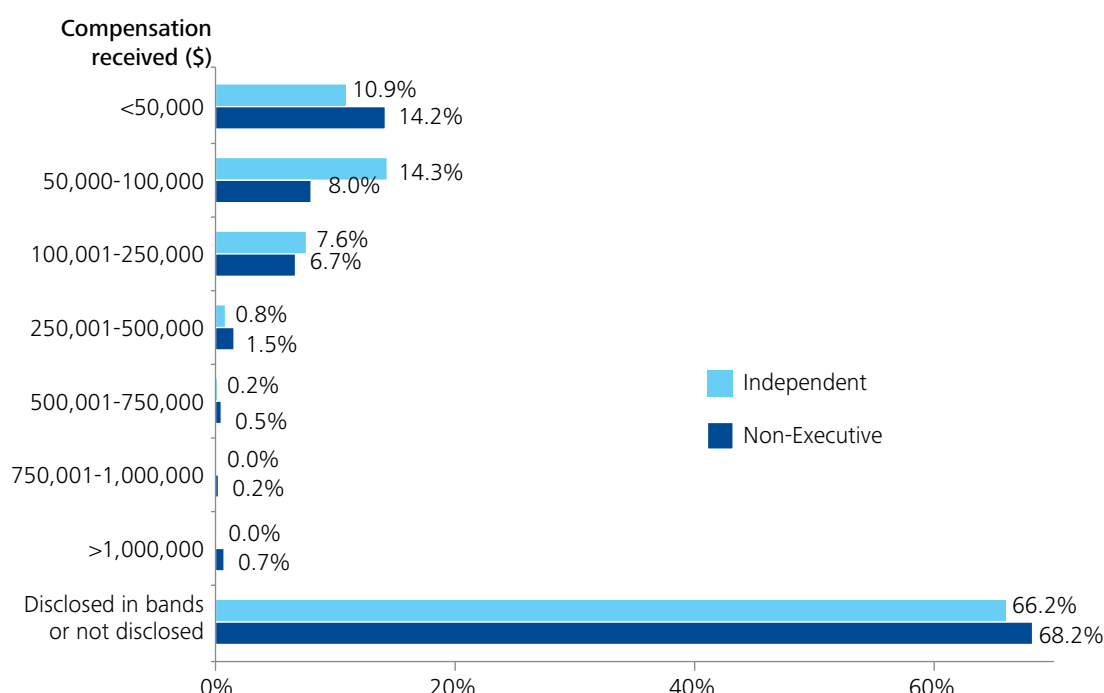
## D. Remuneration of Directors

Guideline 9.2 of the Code recommends that companies fully disclose the remuneration of individual directors on a named basis. This took effect for firms with annual reports relating to financial years commencing from 1 November 2012. Overall, 31.0% of firms had precise disclosure of directors' annual fees and remuneration. Across sectors, Finance (37.0%), Real Estate (37.1%) and Manufacturing (32.2%) had higher proportions of firms making precise annual fees and remuneration disclosures.



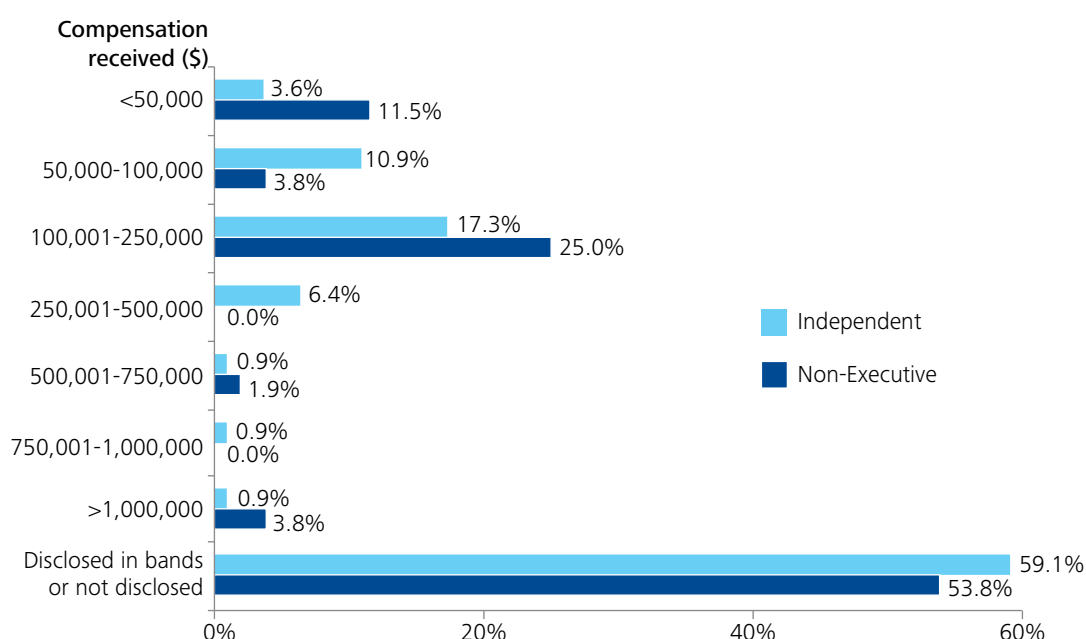
**Figure D1 – Proportion of Firms Making Precise Disclosure of Individual Director Annual Remuneration – by Industry**

We examined the fees and remuneration paid to IDs and NEDs to understand remuneration trends for such directors. Data for 1,049 ID and NED seats was available. We observed that most remuneration levels cluster around i) under S\$50,000 or ii) between S\$50,000-S\$100,000. ID seats (14.3%) are more often remunerated at the range of S\$50,000-S\$100,000. There are more occurrences of NEDs than IDs having higher levels of remuneration with 2.9% of NEDs having remuneration of S\$250,000 and above, compared to 1.0% for IDs.



**Figure D2 – Remuneration of Independent and Non-Executive Directors – For Firms with Precise Disclosure – Overall**

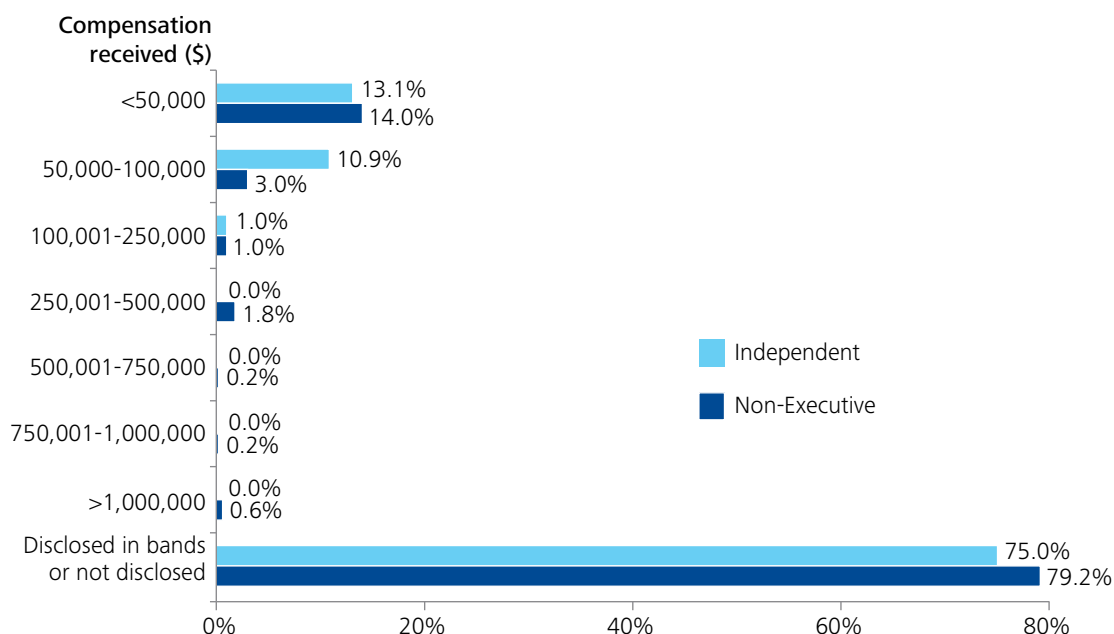
IDs and NEDs tended to have higher levels of remuneration in the Finance sector. We see more clustering of remuneration at the S\$100,000-S\$250,000 range for IDs (17.3%) and NEDs (25.0%) here. Proportionately more IDs were remunerated at the higher range of S\$250,000 and above (9.1%) compared with NEDs (5.7%).



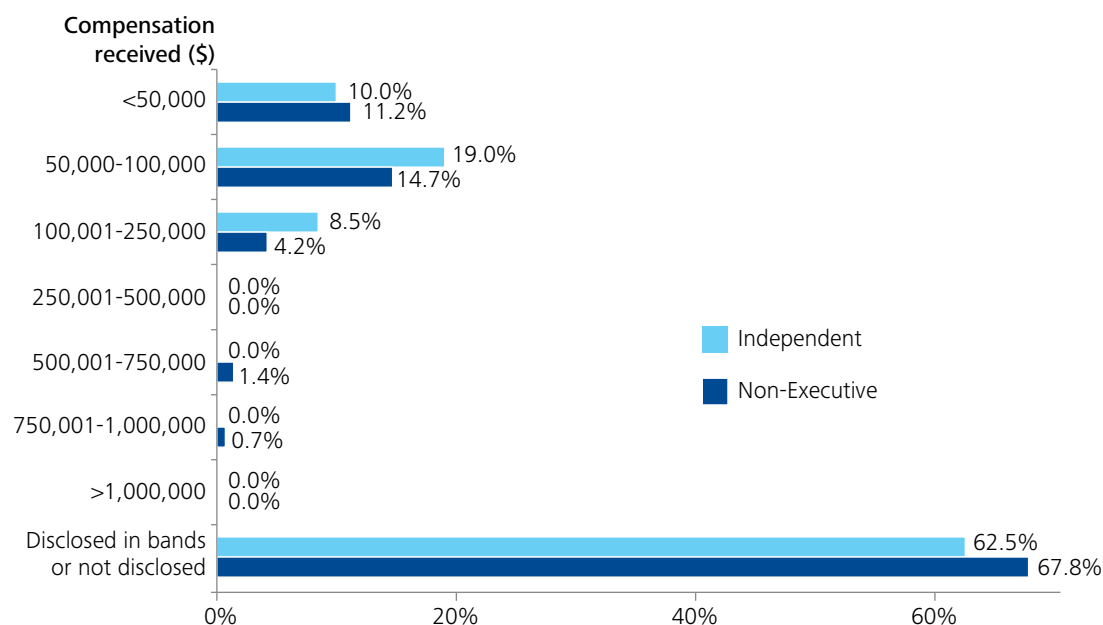
**Figure D3 – Remuneration of Independent and Non-Executive Directors – For Firms with Precise Disclosure – Finance Industry**



For small cap firms which provided precise disclosure of director remuneration, the remuneration range which had the highest proportion of IDs and NEDs was the range below \$50,000. For mid and large cap firms, the highest proportions are found in the \$50,000-\$100,000 and \$100,000-\$250,000 ranges respectively.<sup>17</sup> Large firms tend to be more complex in nature. As such, they may need to remunerate their IDs and NEDs more to attract and retain suitable candidates with the necessary talent and skill sets to cope with these complexities.<sup>18</sup>



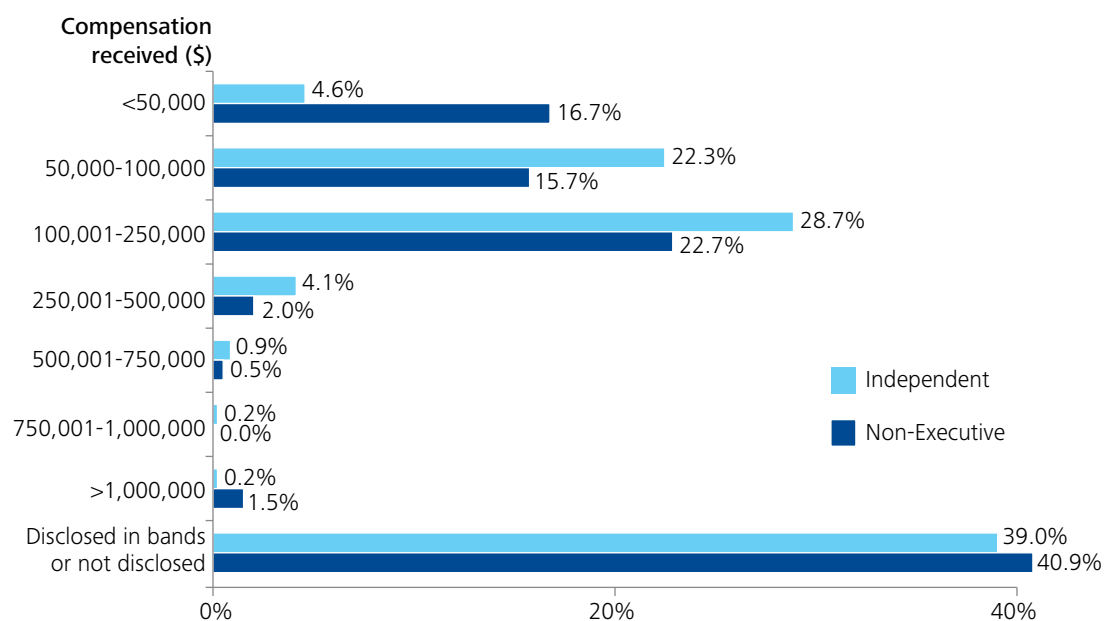
**Figure D4 – Remuneration of Independent and Non-Executive Directors – For Firms with Precise Disclosure – Small Cap**



**Figure D5 – Remuneration of Independent and Non-Executive Directors – For Firms with Precise Disclosure – Mid Cap**

<sup>17</sup> This is consistent with other studies. For example, a Hays Group survey of SGX listed firms found that average director fees for large firms were higher than for smaller firms - <http://news.asiaone.com/print/News/AsiaOne%2BNews/Business/Story/A1Story20130308-407237.html>

<sup>18</sup> For example, the Forbes article, "Too Big to Manage?", discusses the potential problems or opportunities that complexity in large firms can present - <http://online.wsj.com/articles/SB10001424052970203585004574392673999432000>



**Figure D6 – Remuneration of Independent and Non-Executive Directors – For Firms with Precise Disclosure – Large Cap**

## E. Attendance at Board Meetings

IDs' attendance at board meetings is relatively high for all 717 firms. 85.5% of IDs have attendance rates of more than 75% of the total number of board meetings held. This is comparable to EDs (86.6%), while being relatively higher than NEDs, who like the IDs do not have a daily executive role.

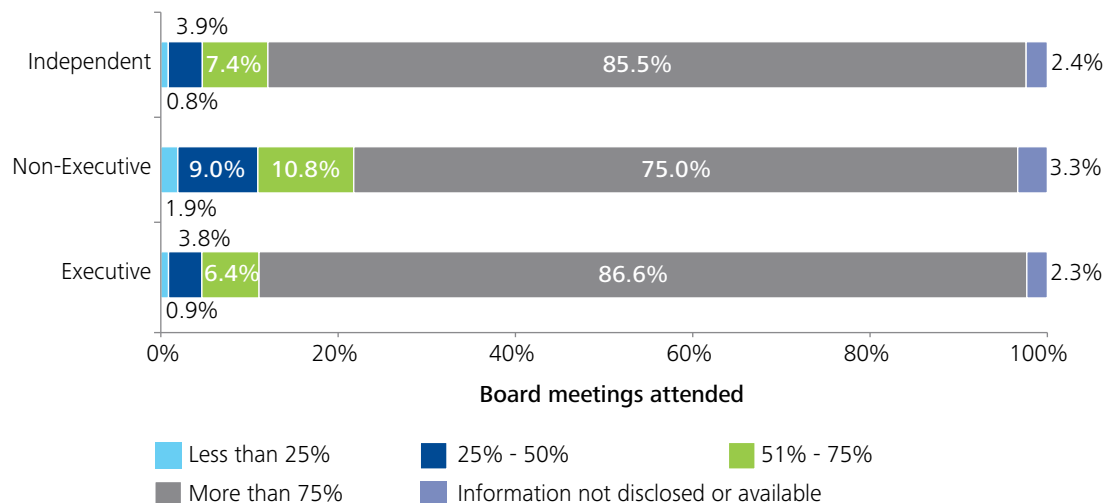


Figure E1 – Attendance at Board Meetings – 717 Listed Firms

## F. Gender diversity

### 1. Gender mix on all boards

#### (a) Numbers of men and women serving as directors

Of the 3,670 directors, 3,314 (90.3%) are men and 356 (9.7%) are women. This finding is generally consistent with other studies on the strong gender bias on boards towards men.

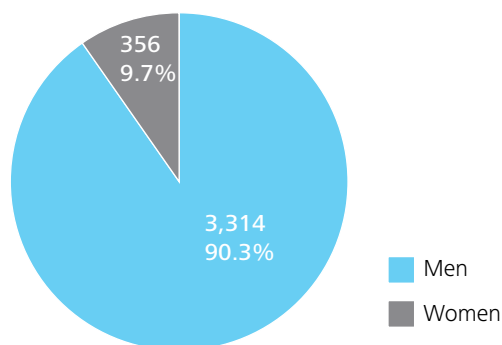


Figure F1 – Gender breakdown of directors – Overall

The gender bias towards men is seen across different firm types. However, this observation is more pronounced in business trusts (94.9% men; 5.1% women) followed by companies (90.3% men; 9.7% women) with REITs (88.5% men; 11.5% women) having, as a whole, the highest percentage of women serving on their boards among the three types of firms.

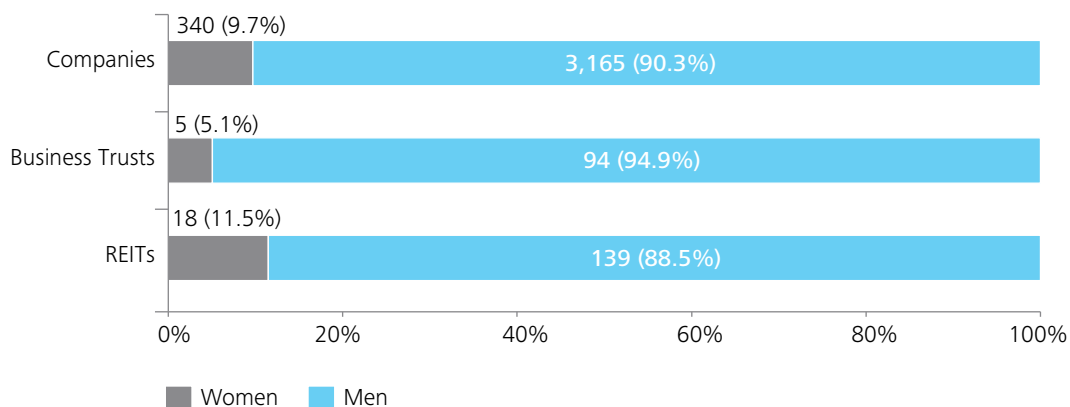
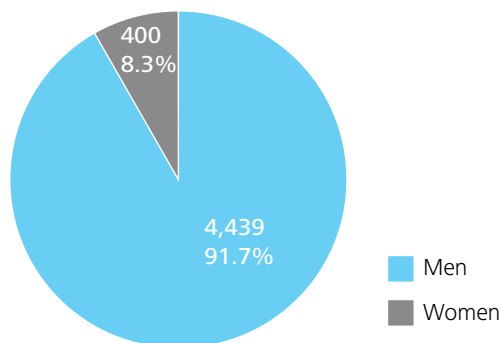


Figure F2 – Gender breakdown of directors – By Firm Type

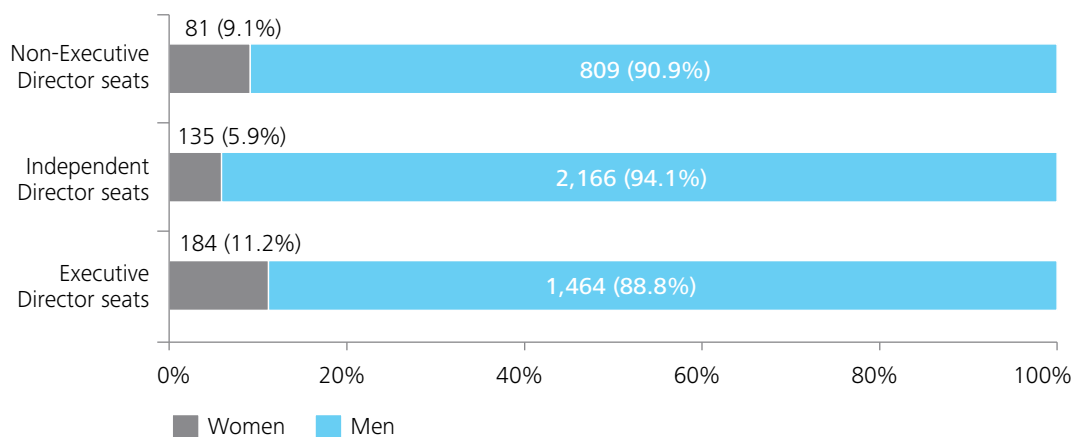
**(b) Numbers of board seats occupied by men and women**

The 3,314 (90.3%) men occupy 4,439 (91.7%) of all board seats while the 356 (9.7%) women occupy only 400 (8.3%) of all board seats. The slightly higher percentage of board seats occupied by men as compared with the percentage of male directors suggests that a higher percentage of men occupy multiple board seats than women. This is further elaborated in the Multiple and Cross-Directorships section below.



**Figure F3 – Gender breakdown of board seats**

The percentage of women IDs is even lower than the percentage of women directors as a whole. Women only hold 135 out of the 2301 ID seats (5.9%). This may be contrasted with the 11.2% of ED seats occupied by women. This data suggests that, while more can be done to appoint women as IDs, companies have been willing to promote women to executive director positions.



**Figure F4 – Gender breakdown of board seats by type of director seats**

(i) By firm size

There is no significant difference in the gender breakdown of board seats amongst mid cap and small cap firms. A slightly lower percentage of women board seats were found in large cap entities.

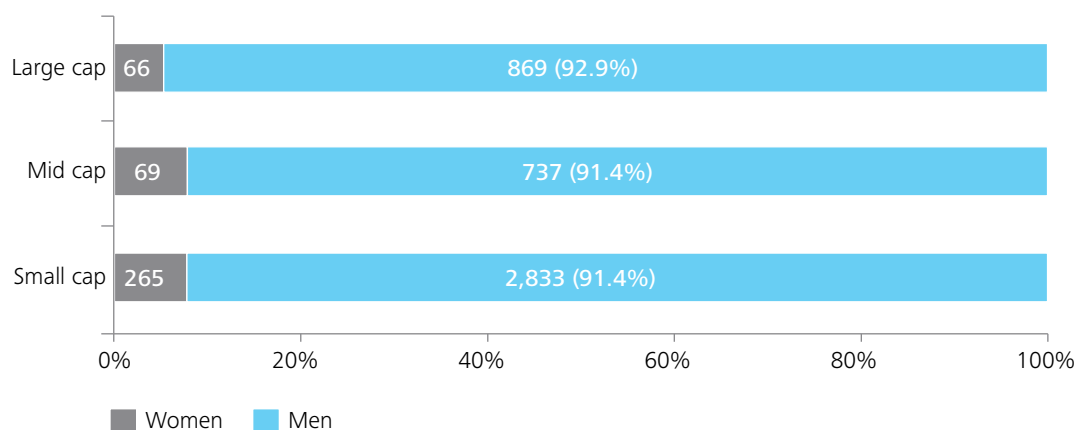


Figure F5 – Gender breakdown of board seats by firm size

## 2. Gender mix at firm level

More than half of all boards (56.1%) do not have any women. If boards have women, it is typically just one (33.8% of all the boards). Overall, only 10.1% of all boards have more than one woman director. The highest number of women directors on any firm is four women directors – which is present in only one firm.

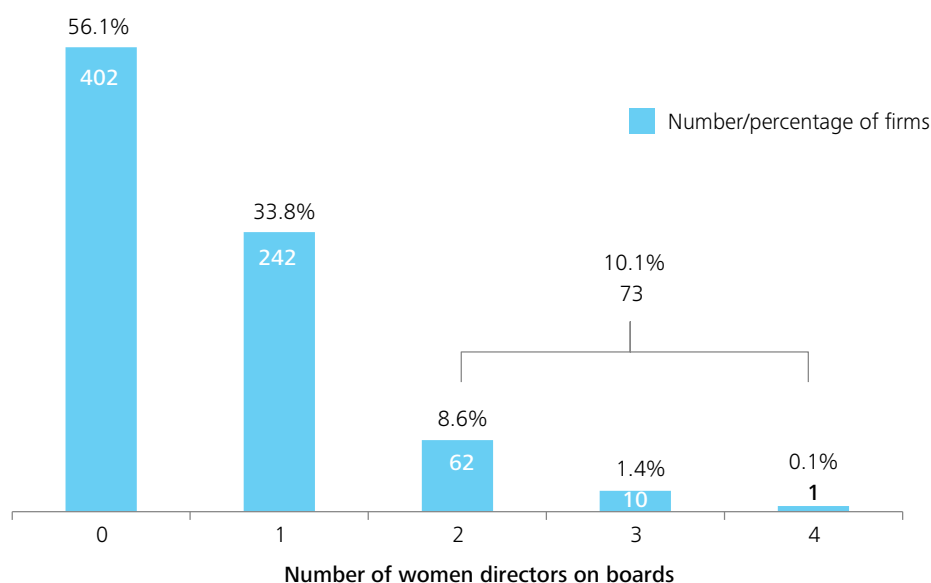
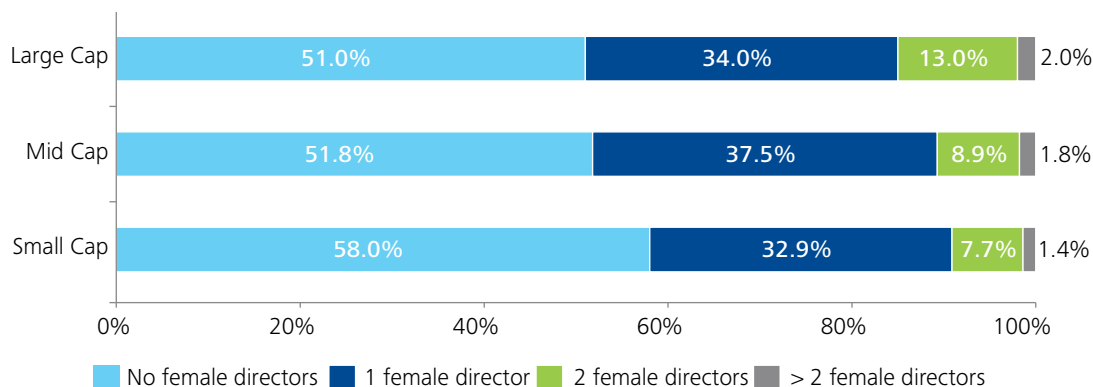


Figure F6 – Numbers of Women on Boards of Firms

**(a) By firm size**

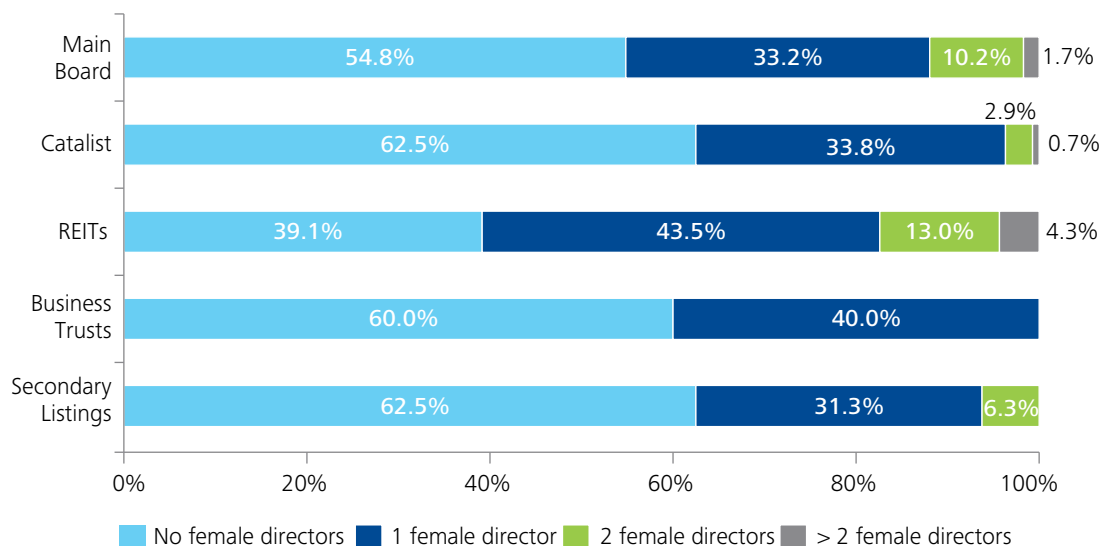
More than half of all boards do not have any women directors across firms of different sizes.



**Figure F7 – Women on Boards – by Firm Size**

**(b) By firm type**

There are some differences in board gender diversity between firm types. REITs have the highest percentage of boards with women (60.9%) while companies listed on Catalist, business trusts and Secondary Listings have lower percentages of boards with women (between 37.5% to 40.0%).



**Figure F8 – Women on Boards – by Firm Type**

## G. Multiple and Cross-Directorships

### 1. Number of board seats<sup>19</sup> for each director

Guideline 4.4 of the Code provides that “(w)hen a director has multiple board representations, he must ensure that sufficient time and attention is given to the affairs of each company.” However, it should be recognised that different individuals have differing capacities in regard to the number of board seats which they can each hold and still continue to fulfil their directorial obligations effectively.

The analysis shows that the number of directors with multiple directorships on listed firms are not particularly high – on the basis of the full sample, only 17.8% of directors hold more than one board seat. The highest number of board seats held by a single individual is 10.

|                                      | Full sample               | Main Board                | Catalist                | REITS                   | Business Trusts        |
|--------------------------------------|---------------------------|---------------------------|-------------------------|-------------------------|------------------------|
| No. of directors with 1 board seat   | 3,016<br>(82.2%)          | 2,369<br>(79.0%)          | 495<br>(69.5%)          | 89<br>(56.7%)           | 63<br>(63.6%)          |
| No. of directors with 2 board seats  | 391<br>(10.7%)            | 364<br>(12.1%)            | 111<br>(15.6%)          | 29<br>(18.5%)           | 20<br>(20.2%)          |
| No. of directors with 3 board seats  | 132<br>(3.6%)             | 131<br>(4.4%)             | 43<br>(6.0%)            | 18<br>(11.5%)           | 8<br>(8.1%)            |
| No. of directors with 4 board seats  | 63<br>(1.7%)              | 64<br>(2.1%)              | 34<br>(4.8%)            | 11<br>(7.0%)            | 5<br>(5.1%)            |
| No. of directors with 5 board seats  | 37<br>(1.0%)              | 37<br>(1.2%)              | 18<br>(2.5%)            | 4<br>(2.5%)             | 1<br>(1.0%)            |
| No. of directors with 6 board seats  | 21<br>(0.6%)              | 23<br>(0.8%)              | 7<br>(1.0%)             | 6<br>(3.8%)             | 1<br>(1.0%)            |
| No. of directors with 7 board seats  | 2<br>(0.1%)               | 2<br>(0.1%)               | 1<br>(0.1%)             | 0<br>(0.0%)             | 0<br>(0.0%)            |
| No. of directors with 8 board seats  | 5<br>(0.1%)               | 5<br>(0.2%)               | 1<br>(0.1%)             | 0<br>(0.0%)             | 0<br>(0.0%)            |
| No. of directors with 9 board seats  | 2<br>(0.1%)               | 2<br>(0.1%)               | 1<br>(0.1%)             | 0<br>(0.0%)             | 1<br>(1.0%)            |
| No. of directors with 10 board seats | 1<br>(0.0%)               | 1<br>(0.0%)               | 1<br>(0.1%)             | 0<br>(0.0%)             | 0<br>(0.0%)            |
| <b>Total number of directors</b>     | <b>3,670<br/>(100.0%)</b> | <b>2,998<br/>(100.0%)</b> | <b>712<br/>(100.0%)</b> | <b>157<br/>(100.0%)</b> | <b>99<br/>(100.0%)</b> |

**Table G1 – Multiple Directorships – Number (%) of total number of directors of Board Seats Held by Individual Directors**

19 Our analysis only covers board seats held in other firms listed on the SGX.



Across industries, it is observed that directors in the finance industry hold the highest proportion of multiple directorships, with 49.5% of them holding more than one board seat (either in the same industry or in another industry). This could be due to the specific financial skill set required from these directors and the relative shortage of such directors in the finance sector.

| Industry                             | No of board seats held by directors |        |        |         |       |
|--------------------------------------|-------------------------------------|--------|--------|---------|-------|
|                                      | 1                                   | 2 to 4 | 5 to 7 | 8 to 10 | Total |
| Manufacturing                        | 75.0%                               | 21.5%  | 3.0%   | 0.6%    | 100%  |
| Services                             | 70.7%                               | 25.0%  | 3.5%   | 0.8%    | 100%  |
| Commerce                             | 65.8%                               | 26.9%  | 6.2%   | 1.0%    | 100%  |
| Real Estate                          | 64.1%                               | 30.4%  | 4.9%   | 0.7%    | 100%  |
| Transport/Storage/<br>Communications | 67.0%                               | 26.7%  | 4.6%   | 1.7%    | 100%  |
| Finance                              | 50.5%                               | 39.1%  | 9.9%   | 0.5%    | 100%  |
| Others                               | 57.1%                               | 35.8%  | 6.6%   | 0.5%    | 100%  |

**Table G2 – Multiple Directorships – Percentage of Directors Holding Multiple Directorships – by Industry<sup>20</sup>**

Directors sitting on the boards of TLCs tend to hold more directorships than those who sit on non-TLC boards. While 38.7% of directors who sit on at least one TLC board have multiple directorships, only 18.0% of directors who sit on at least one non-TLC board do so.

| Firm Type | No of board seats held by directors |        |        |         |       |
|-----------|-------------------------------------|--------|--------|---------|-------|
|           | 1                                   | 2 to 4 | 5 to 7 | 8 to 10 | Total |
| TLC       | 61.3%                               | 36.0%  | 2.7%   | 0.0%    | 100%  |
| non - TLC | 82.0%                               | 16.1%  | 1.6%   | 0.2%    | 100%  |

**Table G3 – Multiple Directorships – Percentage of Directors Holding Multiple Directorships – by Temasek Linkage**

## 2. Types of directorial positions taken up by directors with multiple board seats

### (a) Directorial positions held by directors holding multiple directorships

The vast majority of directors (93.9%) only serve in one type of directorial position (Executive – 40.1%, Independent – 37.4% or Non-Executive – 16.4%).

| Positions held (Executive (ED), Independent (ID) or Non-Executive (NED)) |                  |                  |                |              |              |              |                |
|--|------------------|------------------|----------------|--------------|--------------|--------------|----------------|
|  | ED only          | ID only          | NED only       | ED and ID    | ED and NED   | ID and NED   | ED, ID and NED |
| All directors  | 1,473<br>(40.1%) | 1,374<br>(37.4%) | 603<br>(16.4%) | 49<br>(1.3%) | 83<br>(2.3%) | 79<br>(2.2%) | 9<br>(0.2%)    |

**Table G4 – Multiple Directorships - Breakdown of Directorial Positions Held by Individual Directors**

<sup>20</sup> Note for Table G2: Individual directors holding multiple board seats may appear in multiple categories. For example, one director holding two board seats, one in the Manufacturing industry and one in the Services industry, will appear in the count for both these industries (in the "2 to 4" column). Analysis is conducted in a similar manner in figures G3, 6, 8, 9, 11, and 13.

**(b) Executive Directors holding multiple directorships**

160 (9.9%) of the 1,614 directors holding Executive Director seats also have multiple directorships. 88 (5.6%) also hold CEO positions. 114 (71.3%) of the 160 directors hold two board seats. The most number of directorships held by a director who is holding an Executive Director position is nine.

| Total Interlocks of Executive Directors | Full sample       | Main Board        | Catalist       | REITS          | Business Trusts | Secondary Listings |
|---|-------------------|-------------------|----------------|----------------|-----------------|--------------------|
| 1 board seat                            | 1,454<br>(90.1%)  | 1,114<br>(90.0%)  | 29<br>(52.7%)  | 24<br>(88.9%)  | 13<br>(100.0%)  | 34<br>(73.9%)      |
| 2 board seats                           | 114<br>(7.1%)     | 93<br>(7.5%)      | 20<br>(36.4%)  | 2<br>(7.4%)    | 0<br>(0.0%)     | 3<br>(6.5%)        |
| 3 board seats                           | 26<br>(1.6%)      | 20<br>(1.6%)      | 4<br>(7.3%)    | 0<br>(0.0%)    | 0<br>(0.0%)     | 2<br>(4.3%)        |
| 4 board seats                           | 8<br>(0.5%)       | 5<br>(0.4%)       | 2<br>(3.6%)    | 0<br>(0.0%)    | 0<br>(0.0%)     | 1<br>(2.2%)        |
| 5 board seats                           | 7<br>(0.4%)       | 2<br>(0.2%)       | 0<br>(0.0%)    | 1<br>(3.7%)    | 0<br>(0.0%)     | 5<br>(10.9%)       |
| 6 board seats                           | 3<br>(0.2%)       | 2<br>(0.2%)       | 0<br>(0.0%)    | 0<br>(0.0%)    | 0<br>(0.0%)     | 1<br>(2.2%)        |
| 7 board seats                           | 1<br>(0.1%)       | 1<br>(0.1%)       | 0<br>(0.0%)    | 0<br>(0.0%)    | 0<br>(0.0%)     | 0<br>(0.0%)        |
| 8 board seats                           | 0<br>(0.0%)       | 1<br>(0.1%)       | 0<br>(0.0%)    | 0<br>(0.0%)    | 0<br>(0.0%)     | 0<br>(0.0%)        |
| 9 board seats                           | 1<br>(0.1%)       | 0<br>(0.0%)       | 0<br>(0.0%)    | 0<br>(0.0%)    | 0<br>(0.0%)     | 0<br>(0.0%)        |
| 10 board seats                          | 0<br>(0.0%)       | 0<br>(0.0%)       | 0<br>(0.0%)    | 0<br>(0.0%)    | 0<br>(0.0%)     | 0<br>(0.0%)        |
| Total                                   | 1,614<br>(100.0%) | 1,238<br>(100.0%) | 55<br>(100.0%) | 27<br>(100.0%) | 13<br>(100.0%)  | 46<br>(100.0%)     |

**Table G5 – Multiple Directorships – Percentage of Executive Directors Holding Multiple Directorships**

91.0% of EDs in the Manufacturing industry – which has the largest share of GDP<sup>21</sup> – hold only one directorship, compared to 68.6% in the Finance industry who hold one directorship.

| Executive Directors | No of Board Seats Held by Director |        |        |         |       |
|---------------------|------------------------------------|--------|--------|---------|-------|
|                     | 1                                  | 2 to 4 | 5 to 7 | 8 to 10 | Total |
| Manufacturing       | 91.0%                              | 8.6%   | 0.2%   | 0.2%    | 100%  |
| Finance             | 68.6%                              | 25.7%  | 5.7%   | 0.0%    | 100%  |
| Real Estate         | 87.4%                              | 10.9%  | 1.4%   | 0.3%    | 100%  |

**Table G6 – Multiple Directorships – Percentage of Executive Directors Holding Multiple Directorships (Selected industries)**

21 Statistics from Singstat - [http://www.singstat.gov.sg/statistics/visualising\\_data/chart/Share\\_Of\\_GDP\\_By\\_Industry.html](http://www.singstat.gov.sg/statistics/visualising_data/chart/Share_Of_GDP_By_Industry.html)

CEOs, being the most senior executive in firms, are often also appointed to the boards as executive directors. Such concurrent CEO and board directorship duties are likely to require a significant commitment in terms of time and effort from such Director-CEOs. Consequently, Director-CEOs who take on multiple directorships would need to be particularly careful not to overstretch themselves. Overall, 86.0% of directors with at least one concurrent CEO appointment hold only one directorship.

|                                | No of Board Seats Held by Director-CEO |        |        |         |       |
|--------------------------------|--|--------|--------|---------|-------|
|                                | 1                                      | 2 to 4 | 5 to 7 | 8 to 10 | Total |
| Directors with CEO Appointment | 86.0%                                  | 12.5%  | 1.4%   | 0.2%    | 100%  |

**Table G7 – Multiple Directorships – Percentage of Director-CEOs Holding Multiple Directorships**

There appears to be a higher proportion of Director-CEOs in large cap firms who hold multiple directorships (31.2%) compared to Director-CEOs of mid cap firms (12.5%) and small cap firms (10.5%).

| Firm Size | No of Board Seats Held by Director |        |        |         |       |
|-----------|------------------------------------|--------|--------|---------|-------|
|           | 1                                  | 2 to 4 | 5 to 7 | 8 to 10 | Total |
| Small     | 89.5%                              | 9.7%   | 0.6%   | 0.2%    | 100%  |
| Medium    | 87.5%                              | 12.5%  | 0.0%   | 0.0%    | 100%  |
| Large     | 68.8%                              | 25.0%  | 6.2%   | 0.0%    | 100%  |

**Table G8 – Multiple Directorships – Percentage of Director-CEOs Holding Multiple Directorships – by Firm Size**

68.8% of Director-CEOs in the finance industry hold only one directorship, compared to 88.0% in the manufacturing industry and 81.6% in the real estate industry.

| Industry      | No of Board Seats Held by Director-CEO |        |        |         |       |
|---------------|--|--------|--------|---------|-------|
|               | 1                                      | 2 to 4 | 5 to 7 | 8 to 10 | Total |
| Manufacturing | 88.0%                                  | 10.9%  | 1.1%   | 0.0%    | 100%  |
| Finance       | 68.8%                                  | 25.0%  | 6.2%   | 0.0%    | 100%  |
| Real Estate   | 81.6%                                  | 16.3%  | 2.1%   | 0.0%    | 100%  |

**Table G9 – Multiple Directorships – Percentage of Director-CEOs Holding Multiple Directorships – Selected Industries**

***(c) Independent Directors holding multiple Independent Directorships***

There are 428 IDs holding multiple independent directorships. This represents 28.4% of all directors holding ID positions. A majority of such IDs (243 or 16.1%) hold two Independent Director seats. There are only two IDs who hold nine Independent Director seats.

| No. of ID Seats Held  | 1     | 2     | 3    | 4    | 5    | 6    | 7    | 8    | 9    |
|-----------------------|-------|-------|------|------|------|------|------|------|------|
| No. of IDs            | 1080  | 243   | 90   | 48   | 24   | 14   | 4    | 3    | 2    |
| % of total no. of IDs | 71.6% | 16.1% | 6.0% | 3.2% | 1.6% | 0.9% | 0.3% | 0.2% | 0.1% |

**Table G10 – Multiple Directorships - Number and Percentages of Independent Director Seats Held by Independent Directors**

We also examined independent directors who hold multiple-directorships (any type) by industry. Compared with executive directors, there appears to be a larger proportion of independent directors holding multiple directorships in the industries analysed. Between 47.4% and 54.1% of directors in these industries hold more than one directorship.

| Independent Directors | No of Board Seats Held by Director |        |        |         |       |
|-----------------------|------------------------------------|--------|--------|---------|-------|
|                       | 1                                  | 2 to 4 | 5 to 7 | 8 to 10 | Total |
| Manufacturing         | 52.6%                              | 39.1%  | 6.9%   | 1.4%    | 100%  |
| Finance               | 45.9%                              | 44.0%  | 9.2%   | 0.9%    | 100%  |
| Real Estate           | 48.7%                              | 43.1%  | 6.8%   | 1.4%    | 100%  |

**Table G11 – Multiple Directorships – Percentage of Independent Directors Holding Multiple Directorships (Selected Industries)**

**(d) Board Chairs holding multiple directorships**

There are 705 Board Chairs<sup>22</sup>. These have been taken up by 646 directors, with 74.8% of these directors who Chair a board having only one directorship.

|                                  | Full sample             | Main Board              | Catalist                | REITS                  | Business Trusts        | Secondary Listings     |
|----------------------------------|-------------------------|-------------------------|-------------------------|------------------------|------------------------|------------------------|
| Board Chairs with 1 board seat   | 483<br>(74.8%)          | 358<br>(74.0%)          | 99<br>(75.0%)           | 7<br>(36.8%)           | 9<br>(60.0%)           | 10<br>(76.9%)          |
| Board Chairs with 2 board seats  | 85<br>(13.2%)           | 65<br>(13.4%)           | 21<br>(15.9%)           | 3<br>(15.8%)           | 5<br>(33.3%)           | 1<br>(7.7%)            |
| Board Chairs with 3 board seats  | 31<br>(4.8%)            | 24<br>(5.0%)            | 5<br>(3.8%)             | 4<br>(21.1%)           | 0<br>(0.0%)            | 0<br>(0.0%)            |
| Board Chairs with 4 board seats  | 21<br>(3.3%)            | 16<br>(3.3%)            | 6<br>(4.5%)             | 2<br>(10.5%)           | 0<br>(0.0%)            | 0<br>(0.0%)            |
| Board Chairs with 5 board seats  | 10<br>(1.5%)            | 7<br>(1.4%)             | 1<br>(0.8%)             | 2<br>(10.5%)           | 1<br>(6.7%)            | 1<br>(7.7%)            |
| Board Chairs with 6 board seats  | 11<br>(1.7%)            | 9<br>(1.9%)             | 0<br>(0.0%)             | 1<br>(5.3%)            | 0<br>(0.0%)            | 1<br>(7.7%)            |
| Board Chairs with 7 board seats  | 1<br>(0.2%)             | 1<br>(0.2%)             | 0<br>(0.0%)             | 0<br>(0.0%)            | 0<br>(0.0%)            | 0<br>(0.0%)            |
| Board Chairs with 8 board seats  | 3<br>(0.5%)             | 3<br>(0.6%)             | 0<br>(0.0%)             | 0<br>(0.0%)            | 0<br>(0.0%)            | 0<br>(0.0%)            |
| Board Chairs with 9 board seats  | 1<br>(0.2%)             | 1<br>(0.2%)             | 0<br>(0.0%)             | 0<br>(0.0%)            | 0<br>(0.0%)            | 0<br>(0.0%)            |
| Board Chairs with 10 board seats | 0<br>(0.0%)             | 0<br>(0.0%)             | 0<br>(0.0%)             | 0<br>(0.0%)            | 0<br>(0.0%)            | 0<br>(0.0%)            |
| <b>Total No. of Board Chairs</b> | <b>646<br/>(100.0%)</b> | <b>484<br/>(100.0%)</b> | <b>132<br/>(100.0%)</b> | <b>19<br/>(100.0%)</b> | <b>15<br/>(100.0%)</b> | <b>13<br/>(100.0%)</b> |

22.6% of Board Chairs in the manufacturing industry hold more than one board directorship while the corresponding figure is 59.3% and 37.4% in the finance and real estate industries.

| Board Chairmen | No of Board Seats Held by Director |        |        |         |       |
|----------------|------------------------------------|--------|--------|---------|-------|
|                | 1                                  | 2 to 4 | 5 to 7 | 8 to 10 | Total |
| Manufacturing  | 77.4%                              | 20.4%  | 1.3%   | 0.9%    | 100%  |
| Finance        | 40.7%                              | 48.1%  | 11.2%  | 0.0%    | 100%  |
| Real Estate    | 62.6%                              | 29.3%  | 5.7%   | 2.4%    | 100%  |

**Table G13 – Multiple Directorships – Percentage of Board Chairs with Multiple Directorships (Selected Industries)**

<sup>22</sup> See footnote 8 for explanation of 706 Board Chairs.

### 3. Gender mix of directors holding multiple directorships

A much smaller percentage of women directors hold multiple directorships (8.4%) compared with men (19.0%). The highest number of director seats held by women is five. The highest number of ID seats held by any woman ID is four.

| No. of Directorships | 1                | 2              | 3             | 4            | 5            | 6            | 7           | 8           | 9           | 10          |
|----------------------|------------------|----------------|---------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|
| Men                  | 2,682<br>(81.0%) | 373<br>(11.3%) | 128<br>(3.9%) | 61<br>(1.8%) | 35<br>(1.1%) | 21<br>(0.6%) | 2<br>(0.1%) | 5<br>(0.2%) | 2<br>(0.1%) | 1<br>(0.0%) |
| Women                | 326<br>(91.6%)   | 22<br>(6.2%)   | 4<br>(1.1%)   | 2<br>(0.6%)  | 2<br>(0.6%)  | 0<br>(0.0%)  | 0<br>(0.0%) | 0<br>(0.0%) | 0<br>(0.0%) | 0<br>(0.0%) |
| Total                | 3,016<br>(82.2%) | 391<br>(10.7%) | 132<br>(3.6%) | 63<br>(1.7%) | 37<br>(1.0%) | 21<br>(0.6%) | 2<br>(0.1%) | 5<br>(0.1%) | 2<br>(0.1%) | 1<br>(0.0%) |

**Table G14 – Multiple Directorships – Gender Breakdown**

### 4. Meeting attendance of directors holding multiple directorships

One indicator of a director's participation on boards is his or her attendance rate at meetings. A low attendance rate could be an indication that a director is unable to devote sufficient time and effort to board directorships taken on. Surprisingly, the findings show that directors holding multiple directorships have better attendance at board meetings than directors holding only one seat. While only 81.4% of directors holding one seat attended over 75% of board meetings, over 90% of directors holding multiple directorships record an average attendance of over 75%.

| % of Board Meetings Attended | No of Board Seats Held by Director |               |               |               |               |
|------------------------------|------------------------------------|---------------|---------------|---------------|---------------|
|                              | Overall                            | 1             | 2 to 4        | 5 to 7        | 8 to 10       |
| <25%                         | 1.2%                               | 1.5%          | 0.2%          | 0.0%          | 0.0%          |
| 25% to 50%                   | 5.1%                               | 5.9%          | 1.2%          | 0.0%          | 0.0%          |
| 51% to 75%                   | 8.1%                               | 8.3%          | 7.2%          | 5.1%          | 0.0%          |
| >75%                         | 83.3%                              | 81.4%         | 91.3%         | 94.9%         | 100.0%        |
| NA/ND                        | 2.4%                               | 2.9%          | 0.2%          | 0.0%          | 0.0%          |
| <b>Total</b>                 | <b>100.0%</b>                      | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

**Table G15 – Attendance at Board Meetings by Directors Holding Multiple Directorships<sup>23,24</sup>**

<sup>23</sup> Note for Tables G15 and 16: Attendances figures are average attendance figures. For example, the attendance of a director holding 2 board seats is calculated by taking his average attendance at board meetings held on both boards. This average computation equally weights a director's attendance at each company's board meetings regardless of firm or board characteristics (e.g. number of board meetings per firm, firm size, etc).

<sup>24</sup> A director may have been reported as not having attended a meeting not only because the director was unable to attend, but also because the director may not have been appointed onto the relevant board as yet at the time when the meeting took place.

A similar trend is observed regardless of market capitalisation, with directors holding multiple directorships recording better attendances at board meetings compared to directors who hold only one directorship across the board.

|       | % of Board Meetings Attended | No of Board Seats Held by Director |               |               |               |               |
|-------|------------------------------|------------------------------------|---------------|---------------|---------------|---------------|
|       |                              | Overall                            | 1             | 2 to 4        | 5 to 7        | 8 to 10       |
| Small | <25%                         | 1.3%                               | 1.5%          | 0.2%          | 0.0%          | 0.0%          |
|       | 25% to 50%                   | 5.8%                               | 6.9%          | 1.3%          | 0.0%          | 0.0%          |
|       | 51% to 75%                   | 8.1%                               | 8.4%          | 7.3%          | 0.0%          | 0.0%          |
|       | >75%                         | 82.6%                              | 80.5%         | 90.9%         | 100.0%        | 100.0%        |
|       | NA/ND                        | 2.2%                               | 2.7%          | 0.2%          | 0.0%          | 0.0%          |
|       | <b>Total</b>                 | <b>100.0%</b>                      | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

|        | % of Board Meetings Attended | No of Board Seats Held by Director |               |               |               |               |
|--------|------------------------------|------------------------------------|---------------|---------------|---------------|---------------|
|        |                              | Overall                            | 1             | 2 to 4        | 5 to 7        | 8 to 10       |
| Medium | <25%                         | 0.6%                               | 0.9%          | 0.0%          | 0.0%          | 0.0%          |
|        | 25% to 50%                   | 2.0%                               | 2.8%          | 0.5%          | 0.0%          | 0.0%          |
|        | 51% to 75%                   | 5.7%                               | 6.8%          | 4.2%          | 0.0%          | 0.0%          |
|        | >75%                         | 89.8%                              | 86.7%         | 95.3%         | 100.0%        | 100.0%        |
|        | NA/ND                        | 1.9%                               | 2.8%          | 0.0%          | 0.0%          | 0.0%          |
|        | <b>Total</b>                 | <b>100.0%</b>                      | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

|       | % of Board Meetings Attended | No of Board Seats Held by Director |               |               |               |               |
|-------|------------------------------|------------------------------------|---------------|---------------|---------------|---------------|
|       |                              | Overall                            | 1             | 2 to 4        | 5 to 7        | 8 to 10       |
| Large | <25%                         | 1.2%                               | 1.8%          | 0.0%          | 0.0%          | 0.0%          |
|       | 25% to 50%                   | 2.9%                               | 4.4%          | 0.5%          | 0.0%          | 0.0%          |
|       | 51% to 75%                   | 8.8%                               | 9.2%          | 8.2%          | 8.3%          | 0.0%          |
|       | >75%                         | 84.7%                              | 80.6%         | 91.3%         | 91.7%         | 100.0%        |
|       | NA/ND                        | 2.5%                               | 3.9%          | 0.0%          | 0.0%          | 0.0%          |
|       | <b>Total</b>                 | <b>100.0%</b>                      | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

**Table G16 – Attendance at Board Meetings by Directors Holding Multiple Directorships – by Market Cap**

## 5. Education level of directors with multiple directorships

Directors could also take on multiple directorships perhaps due to their better ability or talent. One possible gauge of a director's ability or talent is his or her education level. Overall, the data shows that directors with multiple directorships have a higher level of education compared to directors holding only one board seat. While only 65.9% of directors holding one board seat possess a Bachelor's degree or above, on average over 75.0% of directors with multiple directorships possess the equivalent qualifications.

| Highest Education            | No of Board Seats Held by Director |               |               |               |
|------------------------------|------------------------------------|---------------|---------------|---------------|
|                              | 1                                  | 2 to 4        | 5 to 7        | 8 to 10       |
| Doctorate                    | 5.4%                               | 5.7%          | 5.1%          | 25.0%         |
| Post Graduate Degree/MBA/LLM | 26.6%                              | 28.7%         | 28.8%         | 25.0%         |
| Bachelor                     | 33.9%                              | 47.7%         | 40.7%         | 50.0%         |
| Professional Qualifications  | 2.7%                               | 4.0%          | 8.5%          | 0.0%          |
| Post-Secondary/Diploma       | 6.8%                               | 3.2%          | 3.4%          | 0.0%          |
| Secondary                    | 1.0%                               | 0.2%          | 0.0%          | 0.0%          |
| Insufficient Information     | 23.6%                              | 10.6%         | 13.6%         | 0.0%          |
| <b>Total</b>                 | <b>100.0%</b>                      | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

**Table G17 – Directors' Highest Education Level<sup>25</sup>**

In general, directors holding at least one directorship in large cap firms possess a higher level of education than the overall population of directors. Indeed, the proportion of directors in all categories - except those holding 5 to 7 directorships – holding at least a Bachelors degree is higher for directors in large cap firms than for all firms.

| Highest Education            | No of Board Seats Held by Director |               |               |               |
|------------------------------|------------------------------------|---------------|---------------|---------------|
|                              | 1                                  | 2 to 4        | 5 to 7        | 8 to 10       |
| Doctorate                    | 7.9%                               | 6.4%          | 2.8%          | 33.3%         |
| Post Graduate Degree/MBA/LLM | 37.6%                              | 32.0%         | 19.4%         | 33.3%         |
| Bachelor                     | 33.3%                              | 45.2%         | 41.7%         | 33.3%         |
| Professional Qualifications  | 2.5%                               | 2.7%          | 11.1%         | 0.0%          |
| Post-Secondary/Diploma       | 2.3%                               | 3.7%          | 2.8%          | 0.0%          |
| Secondary                    | 0.2%                               | 0.5%          | 0.0%          | 0.0%          |
| Insufficient Information     | 16.2%                              | 9.6%          | 22.2%         | 0.0%          |
| <b>Total</b>                 | <b>100.0%</b>                      | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

**Table G18 – Directors' Highest Education Level – Large Cap Firms**

<sup>25</sup> Where information was not disclosed or insufficient, director was classified in the "insufficient Information" category.



## 6. Cross Directorships - Director Interlocks amongst firms

A director interlock occurs where a firm's director(s) also sits on the board of another firm which is listed on the SGX. While director-interlocks create a network of firms that facilitates the diffusion of organizational practices that may be of value to interlocked firms, director-interlocks are also a concern as this may expose the company and the relevant directors to potential conflicts of interest. 93.2% of firms have at least one director interlock with other SGX-listed firms, and only 6.8% of firms have no director interlocks with other SGX-listed firms.

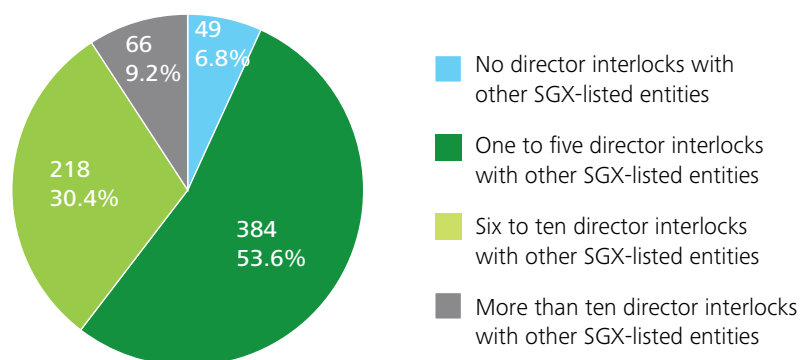


Figure G1: Cross Directorships – Director Interlocks

### (a) Interlocks by firm size

A higher degree of director interlocks takes place in large cap firms compared with their mid and small cap counterparts. Not only do large cap firms have a higher proportion of firms with interlocks, large cap firms also have a higher proportion of “six to ten” and “more than ten” interlocks than mid cap and small cap firms. This is likely due to the larger board size of large cap firms.

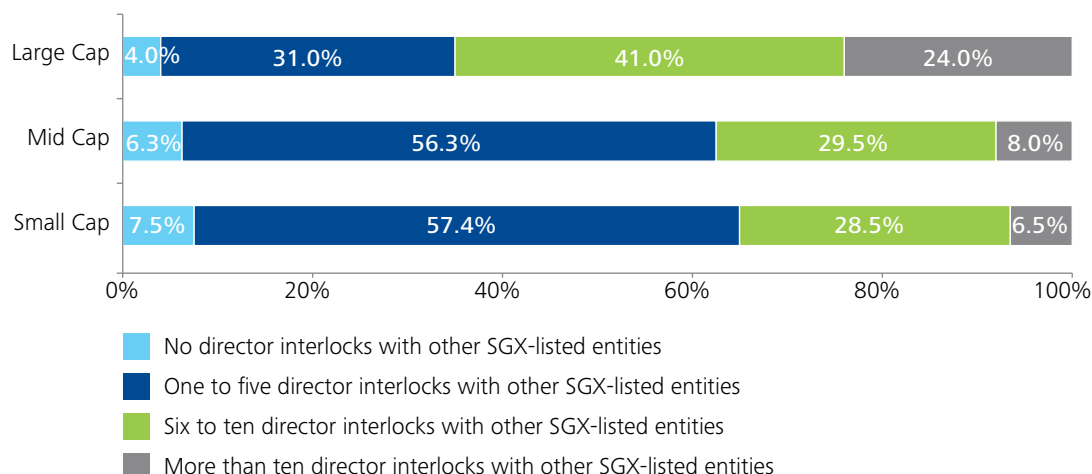
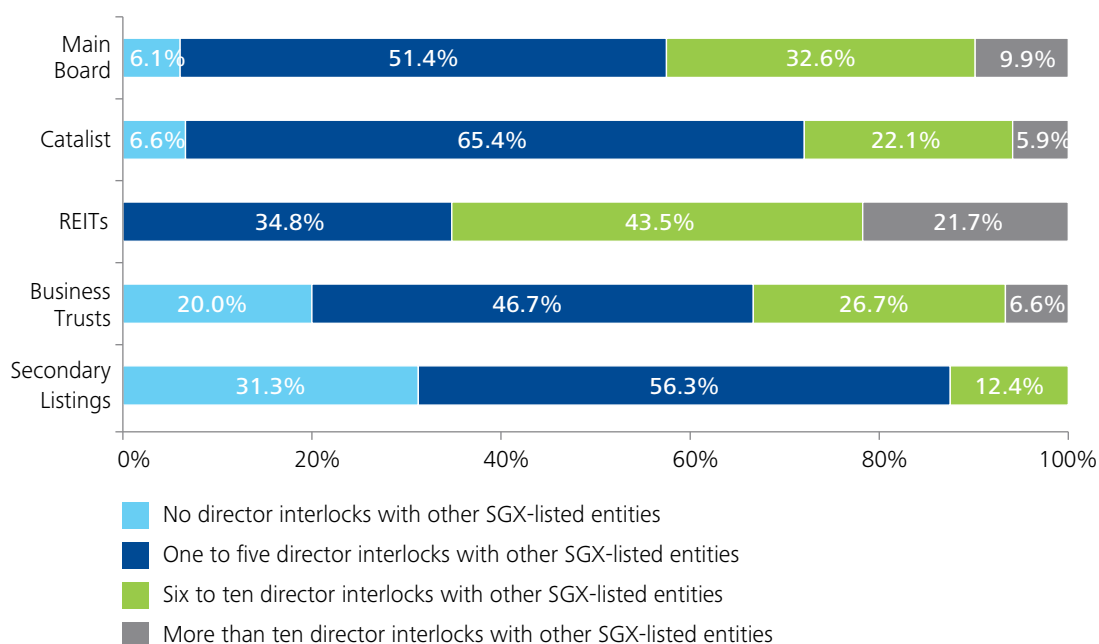


Figure G2: Cross Directorships – Director Interlocks by Firm Size

**(b) Interlocks by type of firm**

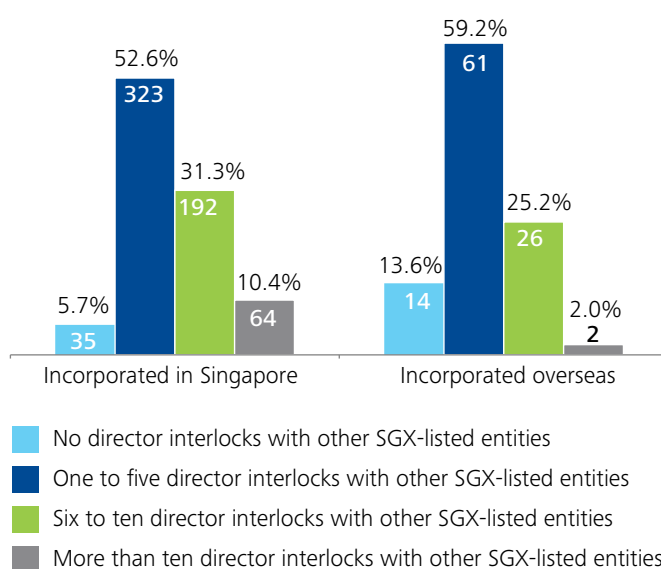
Board interlocks composition does not differ significantly among firms on the Mainboard and Catalist. All directors on REITs have interlocks, whereas there are business trusts and Secondary Listings which have lower levels of interlocks.



**Figure G3: Cross Directorships – Director Interlocks by Firm Type**

**(c) What is the interlocks breakdown by place of incorporation?**

A higher proportion of Singapore incorporated firms (94.3%) have director interlocks compared to firms incorporated overseas (86.4%).



**Figure G4: Cross Directorships – Director Interlocks by Place of Incorporation**

## H. Conclusion



Some of the main findings of this report are not unexpected. These include the relatively low level of disclosure of precise remuneration of directors (31.0%) and the strong gender bias towards men represented on boards (90.3% men compared with 9.7% women).

There was also almost full compliance (97.0%) with the Code Guideline that there be a strong and independent element on the board, with independent directors making up at least one-third of the board. In fact, more than half of all firms have boards comprised of half or more IDs. In this regard, it was observed that there are 537 companies which will need to comply with a more stringent guideline of having IDs make up at least half of their boards when that requirement comes into effect for financial years commencing on or after 1 May 2016. It is good to note that 52.7% of such companies are already in compliance with this guideline.

This report also found that a higher percentage of IDs and NEDs in large cap firms were paid more than their counterparts in small cap firms.

Other findings which are notable include the fact that only 18.4% of firms have Independent Chairs and that there are 30.8% of firms which still prefer not to separate the role of Chair and CEO. It was, however, encouraging to find a strong level of attendance at board meetings on the part of IDs and that the attendance rate of IDs holding multiple directorships appear to be, in general, better than that of their counterparts who only hold single board seats. This suggests that directors with multiple directorships do dedicate sufficient time and attention to each directorship that they take on. It was also found that there was generally a higher level of compliance with certain Code Guidelines on the part of firms which were registered in Singapore as compared with those registered overseas.

Our study also revealed that a strong majority (82.2%) of all directors only sit on one board with only 3.5% holding more than three board seats. 71.6% of IDs also sit on only one board as an ID with only 12.3% serving as IDs of more than two firms. This suggests that there is significant breadth in the pool of IDs presently.

The intent behind this report was to provide a comprehensive snapshot of the state of affairs concerning directors serving on our listed firms. While this report provides stakeholders, such as policy makers, shareholders, board members and C-Suite management, with added insight into the aspects covered, there is ample room to use the findings in this report as a springboard to study more deeply into these issues.

It is hoped, therefore, that this report will also serve as a baseline reference for future studies of trends in corporate governance practices and compliance with the Code, as well as to assist in the evolution of policies and practices to enhance our corporate governance framework and environment.

## Annex A: Relevant Guidelines of the Code

2.1 There should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board.

2.2 The independent directors should make up at least half of the Board where:

- (a) the Chairman of the Board (the "Chairman") and the chief executive officer (or equivalent) (the "CEO") is the same person;
- (b) the Chairman and the CEO are immediate family<sup>3</sup> members;
- (c) the Chairman is part of the management team; or
- (d) the Chairman is not an independent director.

2.3 An "independent" director is one who has no relationship with the company, its related corporations<sup>26</sup>, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the company. The Board should identify in the company's Annual Report each director it considers to be independent. The Board should determine, taking into account the views of the Nominating Committee ("NC"), whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. Directors should disclose to the Board any such relationship as and when it arises. The Board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including the following:

- (a) a director being employed by the company or any of its related corporations for the current or any of the past three financial years;
- (b) a director who has an immediate family member who is, or has been in any of the past three financial years, employed by the company or any of its related corporations and whose remuneration is determined by the remuneration committee;
- (c) a director, or an immediate family member, accepting any significant compensation from the company or any of its related corporations for the provision of services, for the current or immediate past financial year, other than compensation for board service;

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<sup>26</sup> The term "related corporation", in relation to the company, shall have the same meaning as currently defined in the Companies Act, i.e. a corporation that is the company's holding company, subsidiary or fellow subsidiary.

- (d) a director:
  - (i) who, in the current or immediate past financial year, is or was; or
  - (ii) whose immediate family member, in the current or immediate past financial year, is or was, a 10% shareholder of, or a partner in (with 10% or more stake), or an executive officer of, or a director of, any organisation to which the company or any of its subsidiaries made, or from which the company or any of its subsidiaries received, significant payments or material services (which may include auditing, banking, consulting and legal services), in the current or immediate past financial year. As a guide, payments<sup>27</sup> aggregated over any financial year in excess of S\$200,000 should generally be deemed significant;
- (e) a director who is a 10% shareholder or an immediate family member of a 10% shareholder of the company; or
- (f) a director who is or has been directly associated with<sup>28</sup> a 10% shareholder of the company, in the current or immediate past financial year.

The relationships set out above are not intended to be exhaustive, and are examples of situations which would deem a director to be not independent. If the Board wishes, in spite of the existence of one or more of these relationships, to consider the director as independent, it should disclose in full the nature of the director's relationship and bear responsibility for explaining why he should be considered independent.

2.4 The independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent.

3.1 The Chairman and the CEO should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and the CEO should be clearly established, set out in writing and agreed by the Board. In addition, the Board should disclose the relationship between the Chairman and the CEO if they are immediate family members.

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<sup>27</sup> Payments for transactions involving standard services with published rates or routine and retail transactions and relationships (for instance credit card or bank or brokerage or mortgage or insurance accounts or transactions) will not be taken into account, unless special or favourable treatment is accorded.

<sup>28</sup> A director will be considered "directly associated" with a 10% shareholder when the director is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the 10% shareholder in relation to the corporate affairs of the corporation. A director will not be considered "directly associated" with a 10% shareholder by reason only of his or her appointment having been proposed by that 10% shareholder.

- 3.3 Every company should appoint an independent director to be the lead independent director where:
- (a) the Chairman and the CEO is the same person;
  - (b) the Chairman and the CEO are immediate family members;
  - (c) the Chairman is part of the management team; or
  - (d) the Chairman is not an independent director.

The lead independent director (if appointed) should be available to shareholders where they have concerns and for which contact through the normal channels of the Chairman, the CEO or the chief financial officer (or equivalent) (the "CFO") has failed to resolve or is inappropriate.

- 4.4 When a director has multiple board representations, he must ensure that sufficient time and attention is given to the affairs of each company. The NC should decide if a director is able to and has been adequately carrying out his duties as a director of the company, taking into consideration the director's number of listed company board representations and other principal commitments<sup>7</sup>. Guidelines should be adopted that address the competing time commitments that are faced when directors serve on multiple boards. The Board should determine the maximum number of listed company board representations which any director may hold, and disclose this in the company's Annual Report.
- 4.5 Boards should generally avoid approving the appointment of alternate directors. Alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency. If an alternate director is appointed, the alternate director should be familiar with the company affairs, and be appropriately qualified. If a person is proposed to be appointed as an alternate director to an independent director, the NC and the Board should review and conclude that the person would similarly qualify as an independent director, before his appointment as an alternate director. Alternate directors bear all the duties and responsibilities of a director.
- 4.6 The company should fully disclose the remuneration of each individual director and the CEO on a named basis. For administrative convenience, the company may round off the disclosed figures to the nearest thousand dollars. There should be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through 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.



