

The Singapore Code Of Corporate Governance – Its Evolution

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The History

The Code of Corporate Governance (“Code”) is the bedrock and foundation of corporate governance in Singapore. The first code was introduced by the Corporate Governance Committee in March 2001 and came into effect on 1 January 2003, being applicable to listed companies in Singapore on a “comply or explain” basis. In 2005, the Council of Corporate Disclosure and Governance (“CCDG”) undertook a review of the Code, and a revised Code was subsequently issued by the Ministry of Finance in July 2005.

With the dissolution of the CCDG in 2007, the Corporate Governance Council (“Council”) was established in February 2010 with the objective to continue the effort in promoting a high standard of corporate governance among listed companies in Singapore. After conducting a comprehensive review of the Code over a 18 month period, taking into account corporate

governance developments in other leading jurisdictions and feedback received from stakeholders, the Council finally issued a consultation paper in June 2011, setting out proposed revisions to the Code and inviting interested parties to submit their views and comments on the proposed revisions to the Council before 31 July 2011. The Institute has submitted its response to the Council

pursuant to this consultation exercise and if any reader is interested to obtain a copy of the Institute’s submission, please contact our Secretariat at secretariat@sid.org.sg.

In proposing changes to the Code, the Council sought to adapt, rather than replicate, relevant practice of other jurisdictions. The Council is of the view that the objective of enhancing



Singapore's corporate governance standards and reputation as a trusted financial hub is better achieved with a set of recommendations that has wide acceptance as being pragmatic and workable in practice.

The Proposed Changes

The Council has proposed changes to 14 of the principles in the Code and their accompanying guidelines, introduced two new principles and eliminated the various commentaries in the Code. The Council has also included a statement on "The Role of Shareholders" as an annexure to the Code, taking into account the increasing acceptance that shareholders have an important role in creating an environment that fosters good corporate governance.

These proposed changes are quite far-reaching and deal with diverse topics such as Director independence, Board composition, Director training,

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multiple directorships, remuneration practices and disclosures, as well as risk management.

Over the next few pages, various contributors from the Institute have summarised and discussed in more detail the proposed changes to the Code as recommended by the Council in four main areas :

- Director independence
- Disclosure of remuneration
- Risk management
- Shareholder rights

There is of course no certainty that the revised Code will, when it is eventually issued by the Ministry of Finance, take the form as set out in the public consultation paper issued by the Council or will be varied to the extent of comments or feedback received by the Council during the recent consultation exercise. All we know for sure is that the new revised Code (which will be its 3rd edition) will represent significant steps forward in the development of corporate governance in Singapore with a view to enhancing Singapore's reputation as a leading and trusted international financial centre.