
Singapore

Summary of Current Shareowner Rights

Percentages cited reflect information gathered by GMI Ratings about 52 companies in Singapore as of 31 August 2012.

Relative to other Asian countries, Singapore has few limitations on shareowner rights. Generally, these rights are not used aggressively to influence boards of directors. Singapore's Code of Corporate Governance is generally left to the market to enforce. Because most companies are majority owned by one key shareholder, the current rules limit engagement by minority shareholders to challenge decisions by such companies.

Although the code calls for a high level of disclosure of governance practices, Singapore lacks a governing body to effectively enforce governance policies. Therefore, pushing companies to follow corporate governance guidelines remains largely in the hands of investors. Corporate governance is generally stronger at banks in Singapore than at nonbank entities because regulations are more stringent for banks than for other listed companies and they impose higher independence hurdles on bank directors.

Issue	Current Standard or Usual Practice	Level of Practice Adoption, Exceptions to Usual Practice, and Trends (if any)
What is the average percentage of independent directors on public company boards (% independent board members)?	57%	
What percentage of companies have fully independent audit committees?	61.5%	
What percentage of publicly traded companies have a controlling shareowner (e.g., family, government, majority block holder)?	46.2%	This number is more than 50% if a broader cross section of the Singapore market is examined.
Is voting by proxy permitted?	Yes	
Must shares be deposited or blocked from trading in order to vote?	No	

(continued)

Issue	Current Standard or Usual Practice	Level of Practice Adoption, Exceptions to Usual Practice, and Trends (if any)
Are there share ownership limitations in this market?	No, mostly	Share ownership limitations are not common but may apply to a specific company, such as Singapore Telecommunications Limited, where shareowners are limited to holding 15% of the issued share capital unless the directors permit them to hold more. Singapore Press Holdings has issued management shares to managers that grant the holder of the shares 200 votes per share on any matter involving the appointment or dismissal of a director or staff member. This measure limits the ability of shareowners to get rid of directors or managers who exhibit poor performance. It is not strictly a share ownership limitation. There is a 40% limit on foreign ownership of local incorporated banks.
Are there (other) common restrictions on the rights of shareholders to vote in person or by proxy?	No	
Do companies adhere to a majority voting standard in the election of board members?	Yes	Most voting in Singapore is carried out by a show of hands and does not strictly ensure majority voting, whereby a director would not be permitted to serve on the board if he or she did not receive a majority of outstanding votes at the meeting or shares outstanding. The use of a show of hands means that the true majority intention is not necessarily known. The revised corporate governance code recommends voting by poll instead of by a show of hands.
Do companies allow for cumulative voting in the election of board members?	No	
Are shareowners able to affect remuneration policy through shareowner approval (binding or nonbinding) of the remuneration committee report, the proxy's Compensation Discussion and Analysis section, or something comparable?	No	Remuneration policy for executives generally is not subject to shareholder vote, but the remuneration of directors (both executive and non-executive) is subject to a vote of shareholders.

Issue	Current Standard or Usual Practice	Level of Practice Adoption, Exceptions to Usual Practice, and Trends (if any)
Are shareowners able to affect remuneration policy through binding shareowner approval of specific equity-based incentive plans or something comparable?	Yes, mostly	Most companies allow shareowners to vote on specific equity-based incentive plans at annual meetings.
Are shareowners permitted to introduce dissident resolutions (binding or nonbinding) at an annual meeting?	Yes	
Do shareowners have a right to convene a general meeting of shareowners outside the annual meeting process (e.g., an extraordinary general meeting or special meeting) if only 10% or less of the shares are represented in the group requesting the meeting?	Yes	The directors of a company, at the request of members holding not less than 10% of the paid-up capital, must immediately proceed to convene an extraordinary general meeting of the company to be held as soon as practicable but not later than two months after the receipt of the request.
What percentage of companies include golden shares in their capital structure?	0%	Golden shares do not exist in Singapore.
Are shareholder rights plans (poison pills) allowed in this market?	No	
If shareowner rights plans are in use, do they have to be approved by shareowners?	na	
Do all shareowners have the right to approve significant company transactions, such as mergers and acquisitions?	Yes	Companies are required to gain shareowner approval of major transactions, such as mergers, but because most companies are controlled by a single shareowner or group of shareowners, this right is somewhat muted.
Do companies require a supermajority vote to approve a merger?	No	
Are companies subject to a fair price provision, either under applicable law or in their constituent documents (such as the charter or bylaws)?	Yes	
Are class action suits commonly used in this market?	No	
Are derivative suits commonly used in this market?	Yes	

na = not applicable.

Current Engagement Practices and Shareowner Rights Developments

Individual or institutional engagement with boards of directors is generally limited in Singapore; however, several organizations in the country are working to promote shareowner engagement. The Securities Investors Association (Singapore), or SIAS, is the largest organized investor lobby group in Asia. Founded by activist investor David Gerald in 1999, SIAS actively promotes investor education, corporate governance, and transparency and is the watchdog for investor rights in Singapore. SIAS has stated that it would like to see directors and managers accord more respect to minority shareowners and make greater efforts to accommodate these shareowners' legitimate concerns. The Investor Relations Professionals Association (Singapore), or IRPAS, was set up in 2006 by leading investor relations practitioners with the primary objective of promoting awareness and application of best practices in investor relations. These organizations, together with several others, promote and hope to influence positive corporate governance in companies through their Investors' Choice Awards, including the Singapore Corporate Governance Award, each year. The awards are endorsed by such organizations as Standard & Poor's, PricewaterhouseCoopers, the Singapore Exchange (SGX), the Singapore Institute of Directors, the Institute of Certified Public Accountants of Singapore, and the *Business Times*.

It is not unusual to have a majority of non-independent directors serving on boards in Singapore. Shareowner influence can also be limited if Temasek Holdings owns company shares, which is not uncommon. Temasek Holdings is the domestic investment arm of the Singapore government and, given its wide scope of investments, can often indirectly own 30% or more of a company's shares, which limits shareowner control.

Despite the prevalence of significant and in some cases controlling shareowners, Singapore does protect some important minority shareowner rights in its Code of Corporate Governance and SGX listing rules. Shareowners with 10% or more of outstanding shares may call special meetings, and the company must meet the request within two months. In addition, shareowners holding at least 10% of outstanding shares may require the company to disclose all compensation and benefits received by the directors of the company, and the company must comply within 14 days. Furthermore, shareowners have the right to present dissident proposals at annual meetings.

Although votes at general meetings are generally decided by a show of hands, the new corporate governance code encourages companies to offer voting by poll. This right is important to shareowners because a show of hands may not reflect the balance of proxies. Such

organizations as the Asian Corporate Governance Association (ACGA) continue to advocate for polls to become standard practice to create transparency in the voting process and, particularly, to reveal proxy vote counts, which are never disclosed in a show-of-hands process.

Minority shareowners can sue in their own name to enforce shareowners' rights under the law. A shareowner can apply for a court order on the grounds of oppression, disregard of interest, unfair discrimination, or prejudice. For these actions, no minimum level of shareholding is required.

Payment for directors' fees must be approved by the shareowners at the company's general meeting.

In 2012, the Monetary Authority of Singapore (MAS) issued the revised Code of Corporate Governance. The key changes to the code are in the areas of director independence, board composition, director training, multiple directorships, alternate directors, remuneration practices and disclosures, risk management, and shareholder rights. The revised code went into effect on 1 November 2012; however, a grace period was built into the code, and full compliance with the code is not required until 2016.

In 2012, the Corporate Governance Council released a Risk Governance Guide for Listed Boards, which focuses on risk management. Singapore's corporate governance code holds that companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective, and fair communication with shareholders. Furthermore, the board should establish and maintain a regular dialogue with shareholders to hear their views and to address their concerns.

Legal and Regulatory Framework

The legal framework in Singapore consists of the Companies Act and the Securities and Futures Act. The Companies Act is administered by the Accounting and Corporate Regulatory Authority (ACRA), and the Securities and Futures Act is administered by the MAS.

As of this writing, the Ministry of Finance, in conjunction with the Accounting and Corporate Regulatory Authority, is seeking comments on a Steering Committee review report regarding the Companies Act. The report contains more than 200 recommendations and has six chapters: (1) Directors, (2) Shareholders' Rights and Meetings, (3) Shares, Debentures, Capital Maintenance, Acquisitions, and Amalgamations, (4) Accounts and Audit, (5) General Company Administration, and (6) Registration of Charges.

The Banking Act follows the revised Code of Corporate Governance for listed companies that the government issued in July 2005, but the regulations for banks are more stringent. For banks, the independence of board directors is contingent on their being independent of both management and substantial shareowners (those who have 5% or more of voting shares). Unlike the code, the regulations for banks are enforceable under law and failure to comply with any of them will result in a fine upon conviction.

Singapore's governance practices have been criticized by some for lacking enforcement mechanisms and for instances when the market has failed to pick up reporting gaps in company disclosure statements. In addition, although the Code of Corporate Governance sets standards comparable to those in the United States and the United Kingdom, the listing rules of the SGX do not always back up the code.

At a roundtable held in January 2007 on Singapore proxy voting, key stakeholders in Singapore's governance practices, including the ACGA, the Singapore Association of the Institute of Chartered Secretaries and Administrators, and custodians of banks, gathered to suggest changes in companies' voting practices. Custodian nominee companies, which act as the registered shareholder for many institutional investors and represent millions of votes, are restricted to the same two proxy cards that any other individual or corporate shareowner may use, which disenfranchises some shareholders. Furthermore, the roundtable looked at the inadequacy of voting by a show of hands as a way to represent accurate votes. The impetus for this discussion was that minority investors were starting to vote against some resolutions and only voting by poll allows such votes to be fully counted. In October 2007, the ACGA submitted a paper to the MAS, ACRA, and SGX recommending that the Companies Act be amended to allow nominee companies operated by custodian banks to appoint multiple proxies to shareholder meetings. The 2012 revised Code of Corporate Governance does recommend poll voting for all votes, but at this time, poll voting is not mandatory.

Key organizations with information relevant to shareowner rights in Singapore include the following:

Singapore Exchange (www.sgx.com)

Monetary Authority of Singapore (www.mas.gov.sg)

Ministry of Finance (www.mof.gov.sg)

Securities Investors Association (Singapore) (www.sias.org.sg)

Singapore Institute of Directors (www.sid.org.sg)

Institute of Certified Public Accountants of Singapore (www.accountants.org.sg)

Accounting and Corporate Regulatory Authority of Singapore (www.acra.gov.sg)

Asian Corporate Governance Association (www.acga-asia.org)

Corporate Governance and Financial Reporting Centre (www.cgfrc.nus.edu.sg)

Investment Management Association of Singapore (www.imas.org.sg)