

# Singapore

## Summary of Current Shareowner Rights

*Percentages cited reflect information gathered by GMI for about 54 companies in Singapore as of 15 May 2010.*

Relative to other Asian markets, Singapore has few limitations on shareowner rights. These rights are not generally used aggressively, however, to influence boards of directors. Singapore's Code of Corporate Governance is generally left to the market to enforce. Although the code suggests 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 nonbanks because regulations are more stringent for banks than for other listed companies and 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 board members on public company boards (% independent board members)?	51%	
What percentage of companies report significant related-party transactions (1% of revenue or more) within the last three years?	26%	This number is probably lower than would be expected, given the requirement to disclose related-party transactions (RPTs) in Singapore, because we are looking here only at RPTs with directors. Singapore companies do have a lot of RPTs, but they are mostly with related companies, not with directors.
What percentage of publicly traded companies have a controlling shareowner (e.g., family, government, majority block holder)?	41%	This number might be higher if a broader cross section of the Singapore market were examined.
Is voting by proxy permitted?	Yes	
Must shares be deposited or blocked from trading in order to vote?	No	

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?	Mostly, no	<p>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.</p> <p>Singapore Press Holdings has issued management shares to managers that grant the holder of such shares 200 votes per share on any matter involving the appointment or dismissal of a director or staff member. This measure limits the rights of shareholders in their ability to get rid of directors or managers who exhibit poor performance. It is not strictly a share ownership limitation.</p> <p>There is a 40% limit on foreign ownership of local incorporated banks.</p>
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	<p>Most voting in Singapore is 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.</p>
Do companies allow for cumulative voting in the election of board members?	No	
Are shareowners able to affect a company's remuneration policy through shareowner approval (binding or non-binding) of the remuneration committee report, the proxy's Compensation Discussion and Analysis section, or something comparable?	No	<p>Remuneration policy for executives generally is not subject to shareholder vote, but the remuneration of directors (both executive and nonexecutive) is subject to a vote of shareholders.</p>
Are shareowners able to affect remuneration policy through binding shareowner approval of specific equity-based incentive plans, or something comparable?	Mostly, yes	<p>Most companies allow shareowners to vote on specific equity-based incentive plans at annual meetings.</p>
Are shareowners permitted to introduce dissident resolutions (binding or non-binding) at an annual meeting?	Yes	

Issue	Current Standard or Usual Practice	Level of Practice Adoption, Exceptions to Usual Practice, and Trends (if any)
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 in any case 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 have shareowner approval of major transactions, such as mergers.
Do companies require a supermajority vote to approve a merger?	No	
Are companies subject to a fair price provision, either under applicable law or as stated in company 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 low in Singapore. Several organizations in the country, however, are working to promote shareowner engagement. The Securities Investors Association (Singapore) (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) 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 each year. The awards are endorsed by the Corporate Governance and Financial Reporting Centre of the National University of Singapore, in association with organizations such as Standard & Poor's, PricewaterhouseCoopers, the Singapore Exchange (SGX), the Singapore Institute of Directors, the Institute of Certified Public Accountants of Singapore, and 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 percent 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 listing rules. Shareowners with 10 percent 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 percent 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 on a show of hands, a poll can be demanded by at least three members present in person or by proxy. This is an important shareowner right because a show of hands may not reflect the balance of proxies. Concerns continue to be expressed, however, by such organizations as the Asian Corporate Governance Association (ACGA) that a poll should be standard practice to create transparency in the voting process and, particularly, to reveal proxy vote counts that 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 to court for an 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.

## **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 Monetary Authority of Singapore (MAS). 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 directors being independent of both management and substantial shareowners (those who have 5 percent 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 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 United Kingdom, the listing rules of the SGX do not always back up the code. For instance, the code recommends that one-third of the board be independent directors, but the SGX listing rules require only two independent directors on each board.

The Council on Corporate Disclosure and Governance (CCDG), formed in August 2002, has reviewed the Singapore Code of Corporate Governance since its inception in 2001. The Singapore government adopted most of the recommendations of the CCDG in 2005 with an effective date of January 2007. All of the recommendations except two were accepted. The two recommendations that were not accepted were related to the definition of director independence (which excluded independence from substantial shareholders) and public disclosure of the exact remuneration of directors.

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 Singapore 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 inadequacies 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.

In June 2007, the MAS and SGX announced the results of a review of the corporate governance practices of listed companies, undertaken by a professor from the National University of Singapore. The report recommends ways companies can strengthen their internal governance standards and places the primary burden for such changes on retail and institutional investors. The report suggests that they can do more to hold companies accountable.

In early 2009, the Singapore Ministry of Finance announced that a steering committee had been established to review the Companies Act. The steering committee is expected to issue a public consultation paper on its recommendations in 2011. In February 2010, the MAS established a Corporate Governance Council. The council was created in the aftermath of the financial crisis to maintain investor confidence, update the existing code, and enhance Singapore's reputation as a trusted international financial center. It will also play an advisory role to the MAS, ACRA, and SGX on matters relating to corporate governance.

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

Singapore Exchange Ltd. ([www.sgx.com](http://www.sgx.com))

Monetary Authority of Singapore ([www.mas.gov.sg](http://www.mas.gov.sg))

Ministry of Finance ([www.mof.gov.sg](http://www.mof.gov.sg))

Securities Investors Association (Singapore) ([www.sias.org.sg](http://www.sias.org.sg))

Singapore Institute of Directors ([www.sid.org.sg](http://www.sid.org.sg))

Institute of Certified Public Accountants of Singapore ([www.accountants.org.sg](http://www.accountants.org.sg))

Accounting and Corporate Regulatory Authority of Singapore ([www.acra.gov.sg](http://www.acra.gov.sg))

Asian Corporate Governance Association ([www.acga-asia.org](http://www.acga-asia.org))

Centre for Governance, Institutions and Organizations ([www.cgfrc.nus.edu.sg](http://www.cgfrc.nus.edu.sg))

Investment Management Association of Singapore ([www.imas.org.sg](http://www.imas.org.sg))