

Singapore Financial Reporting Updates

September 2011



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Introduction

This publication provides an update of changes in the new or amended Singapore Financial Reporting Standards (FRSs) that come into effect in years 2011 and 2012 as follows:

- **Standards effective for annual periods beginning on or after 1 July 2011**

Amendments to FRS 107 *Disclosures – Transfer of Financial Assets*

- **Standards effective for annual periods beginning on or after 1 January 2012**

Amendments to FRS 12 *Deferred Tax: Recovering of Underlying Assets*

The salient features of the following FRSs and INT FRSs have already been included in our publication, *Singapore Financial Reporting Updates October 2010*. Hence, salient features of the FRSs and INT FRSs are not repeated in this publication.

- **Standards effective for annual periods beginning on or after 1 February 2010**

Classification of Rights Issues (Amendment to FRS 32)

- **Standards effective for annual periods beginning on or after 1 July 2010**

- INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments*

- Improvements to FRSs 2010:

- Amendments to FRS 27 *Consolidated and Separate Financial Statements*

- Amendments to FRS 103 *Business Combinations*

- **Standards effective for annual periods beginning on or after 1 January 2011**

- Amendments to FRS 24 *Related Party Disclosures*

- *Prepayment of a Minimum Funding* (Amendments to INT FRS 114)

- INT FRS 115 *Agreements for the Construction of Real Estate*

- Improvements to FRSs 2010

- Amendments to FRS 1 *Presentation of Financial Statements*

- Amendments to FRS 34 *Interim Financial Reporting*

- Amendments to FRS 107 *Financial Instruments: Disclosures*

- Amendments to INT FRS 113 *Customer Loyalty Programmes*

Introduction (cont'd)

This publication also includes:

- **Framework**
Conceptual Framework for Financial Reporting – Objectives and Qualitative Characteristics
- **Practice Statement**
Management Commentary
- **Other Matters**
 - Review of the Companies Act and Regulatory Framework for Foreign Entities
 - Proposed Revisions to the Code of Corporate Governance

Section A: Framework and New and Amended Standards

1. Conceptual Framework for Financial Reporting – Objectives and Qualitative Characteristics
2. Amendments to FRS 107 Disclosures – Transfer of Financial Assets
3. Amendments to FRS 12 Deferred Tax: Recovering of Underlying Assets

Section A: Framework and New and Amended Standards

1. Conceptual Framework for Financial Reporting – Objectives and Qualitative Characteristics

The *Conceptual Framework* is to replace the existing framework and sets out the concepts that underlie the preparation and presentation of financial statements for external users. This includes the first two chapters that the International Accounting Standards Board (IASB) has published as a result of the first phase of the conceptual framework project – Chapter 1 *The Objective of Financial Reporting* and Chapter 3 *Qualitative Characteristics of Useful Information*.

The *Conceptual Framework* is not a Financial Reporting Standard and hence does not define standards for any particular measurement or disclosure issue. However, it is used when developing an accounting policy in the absence of a standard and is applicable to all preparers of FRS general purpose financial statements.

Key changes that are included in this revision are:

- The revision limits the range of users of general purpose financial reporting. It now lists the primary users of financial statements as existing or potential investors, lenders and other creditors.
- The revision also introduces more general terms to the financial information that must be provided to meet the user's needs.

The qualitative characteristics of financial statements have also been reconsidered. They are now presented in a more structured and comprehensive manner. These are now ordered as either fundamental or enhancing characteristics.

Impact on entity

These changes are unlikely to result in an immediate impact on the preparation of financial statements. However, accounting policies not covered by existing standards may need to be reconsidered as this project progresses.

Effective Date and Transition

There are no specific transition requirements. The revised chapters replace existing elements of the existing Conceptual Framework with immediate effect from 1 March 2011.

2. Amendments to FRS 107 Disclosures – Transfer of Financial Assets

On 23 February 2011, this amendment was issued which helps users of financial statements to evaluate the risk exposures relating to transfers of financial assets and the effects of those risks on an entity's financial position.

The new disclosure requirements apply only to the transfer of financial assets. The previous FRS 107 requires an entity to disclose limited information on the transfer of financial assets which did not qualify for derecognition in their entirety.

This amendment requires additional qualitative and quantitative disclosures relating to the transfers of financial assets, where:

- Financial assets are not derecognised in their entirety.

Section A: Framework and New and Amended Standards (cont'd)

2. Amendments to FRS 107 *Disclosures – Transfer of Financial Assets* (cont'd)

- Financial assets are derecognised in their entirety, but where the entity has a continuing involvement in them (e.g. options or guarantees on the transferred assets).

The entity shall disclose at each reporting date for each class of transferred financial assets that are not derecognised in their entirety:

- The nature of the transferred assets.
- The nature of the risks and rewards of ownership to which the entity is exposed.
- A description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions arising from the transfer on the reporting entity's use of the transferred assets.
- When the counterparty/counterparties to the associated liabilities has/have recourse only to the transferred assets, a schedule that sets out the fair value of the transferred assets, the fair value of the associated liabilities and the net position (the difference between the fair value of the transferred assets and the associated liabilities).
- When the entity continues to recognise all of the transferred assets, the carrying amounts of the transferred assets and the associated liabilities.
- When the entity continues to recognise the assets to the extent of its continuing involvement, the total carrying amount of the original assets before the transfer, the carrying amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.

When an entity derecognises transferred financial assets in their entirety but has continuing involvement in them, the entity shall disclose, as a minimum, for each type of continuing involvement at each reporting date:

- a. The carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which the carrying amount of those assets and liabilities are recognised.
- b. The fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets.
- c. The amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and information showing how the maximum exposure to loss is determined.
- d. The undiscounted cash outflows that would or may be required to repurchase derecognised financial assets (e.g. the strike price in an option agreement) or other amounts payable to the transferee in respect of the transferred assets. If the cash outflow is variable then the amount disclosed should be based on the conditions that exist at each reporting date.

Section A: Framework and New and Amended Standards (cont'd)

2. Amendments to FRS 107 *Disclosures – Transfer of Financial Assets* (cont'd)

- e. A maturity analysis of the undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee in respect of the transferred assets, showing the remaining contractual maturities of the entity's continuing involvement.
- f. Qualitative information that explains and supports the quantitative disclosures required in "a" to "e" above.

Entities must also provide additional disclosures if transfer activity is not evenly distributed in a reporting period (e.g. if the transfer activity is concentrated around the end of reporting periods). This requirement addresses concerns over "window dressing" of the balance sheet.

An entity may aggregate the information above in respect of a particular asset if the entity has more than one type of continuing involvement in that derecognised financial asset, and report it under one type of continuing involvement.

An entity shall disclose for each type of continuing involvement:

- The gain or loss recognised at the date of transfer of the assets.
- Income and expenses recognised, both in the reporting period and cumulatively, from the entity's continuing involvement in the derecognised financial assets (e.g. fair value changes in derivative instruments).
- If the total amount of proceeds from transfer activity (that qualifies for derecognition) in a reporting period is not evenly distributed throughout the reporting period (e.g. if a substantial proportion of the total amount of transfer activity takes place in the closing days of a reporting period):
 - When the greatest transfer activity took place within that reporting period (e.g. the last five days before the end of the reporting period),
 - The amount (e.g. related gains or losses) recognised from transfer activity in that part of the reporting period; and
 - The total amount of proceeds from transfer activity in that part of the reporting period.

An entity shall provide this information for each period for which a statement of comprehensive income is presented.

Impact on entity

Each entity will need to assess how it will meet the disclosure objectives.

Entities with extensive financial asset transfers should modify management information systems and internal controls to be able to extract the necessary quantitative information to prepare the disclosure objectives and explain the risks associated with those transfers.

Section A: Framework and New and Amended Standards (cont'd)

2. Amendments to FRS 107 *Disclosures – Transfer of Financial Assets* (cont'd)

Effective Date and Transition

This amendment is effective for annual periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies this amendment from an earlier date, it shall disclose the fact.

An entity need not provide the disclosures required by those amendments for any periods presented that begins before the date of initial application of the amendments.

3. Amendments to FRS 12 *Deferred Tax: Recovering of Underlying Assets*

On 23 February 2011, the Accounting Standards Council (ASC) issued the amendments to FRS 12 *Deferred Tax: Recovering of Underlying Assets*.

The amendments apply to entities with **investment property measured using fair value** in FRS 40 *Investment Property*, and entities with **non-depreciable property, plant and equipment** measured using the revaluation model in FRS 16 *Property, Plant and Equipment*.

Investment Property measured using fair value

Under the amendment, if investment property is measured using the fair value model in FRS 40, there is a rebuttable presumption that the entity will recover the carrying amount of the investment property entirely through sale. If that presumption is not rebutted, the deferred tax on fair value gain or loss is measured at each jurisdiction's applicable tax rate pertaining to the gain or loss on sale of investment property.

This rebuttable presumption is also applicable to an investment property initially measured at fair value in a business combination, if the acquirer subsequently uses fair value to measure that investment property.

This presumption is rebutted if investment property is **depreciable** and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax is measured using the rate and the tax base that are consistent with the expected manner of recovering or settlement.

Non-depreciable Property, Plant and Equipment

If a non-depreciable (e.g. freehold land) is measured using the revaluation model in FRS 16, the measurement of the deferred tax liability or deferred tax asset shall reflect the tax consequences of recovering the carrying amount of the non-depreciable asset through sale. The deferred tax on the revaluation gain or loss is measured at each jurisdiction's applicable tax rate pertaining to gain or loss on sale of non-depreciable property, plant and equipment.

INT FRS 21 *Income Taxes - Recovery of Revalued Non-depreciable Assets* is superseded from 1 January 2012.

Impact on entity

This amendment is likely to reduce significantly deferred tax liabilities in the jurisdictions affected, where there is no capital gains tax. Tax laws in different jurisdictions and different tax laws will result in different accounting outcomes.

Section A: Framework and New and Amended Standards (cont'd)

3. Amendments to FRS 12 *Deferred Tax: Recovering of Underlying Assets* (cont'd)

Retrospective application of this amendment may create complexity where the underlying investment properties were acquired in a business combination. It would need to restate goodwill and recalculate previous goodwill impairment.

Where it is established that it is impracticable to adjust comparative information, the disclosures on the limitations on retrospective restatement and impracticability in respect of retrospective application and retrospective restatement required by FRS 8 should be made.

Effective Date and Transition

Management shall apply this amendment for annual periods beginning on or after 1 January 2012. Earlier application is permitted. If an entity applies this amendment from an earlier date, it shall disclose the fact.

An entity shall apply the change retrospectively in accordance with paragraph 19(b) of FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The entity should disclose that the amendments have been applied for earlier periods and consider whether a third statement of financial position is required upon adoption of the amendment in accordance with FRS 1 *Presentation of Financial Statements*.

Section B: Practice Statement

1. Management Commentary

Section B: Practice Statement

1. Management Commentary

The ASC has published its first FRS Practice Statement “Management Commentary – A Framework for Presentation” on 17 March 2011. This Practice Statement is not an FRS and does not have the same authority as one.

Although, the Practice Statement has been developed for listed entities, it does not mandate which entities should be required to prepare and publish management commentary nor does it prescribe how frequently management commentary should be prepared or the level of assurance to which it should be subjected.

Management Commentary is the term used to denote narrative reports that often accompany the financial statements. It is sometimes referred to by other names such as Management Discussion and Analysis or an Operating and Financial Review. It is a narrative report that provides context within which to interpret the financial position, performance and cash flows of an entity, i.e. it supplements and complements financial statements.

Such reports provide users such as existing and potential investors, lenders and other creditors with:

- Nature of business,
- Historical explanations of the amounts presented in the financial statements,
- Commentary on the entity’s prospects and other information not presented in the financial statements; and
- A basis for understanding management’s objectives and strategies.

It provides a broad, non-binding framework for the presentation of management commentary relating to FRS financial statements. It sets out the principles, qualitative characteristics and elements that are necessary to provide users of financial statements with decision – useful information.

When an entity provides management commentary to supplement its financial statements, it should either make the financial statements available with the commentary or identify the financial statements to which the commentary relates. Management commentary should be clearly identified and distinguished from other information and should incorporate a statement on the extent to which management has complied with the Practice Statement.

Management commentary should provide management’s view of the entity’s performance, position and development in a way that supplements and complements the information presented in the financial statements including what has happened during the reporting period, an explanation as to why it has happened and the potential future impact.

Effective Date and Transition

The Practice Statement may be applied prospectively from 1 April 2011.

Impact on entity

Entities in jurisdictions with no existing requirements for management commentary disclosures, and who voluntarily wish to apply the Practice Statement, will need to evaluate their systems and processes to gather the necessary and pertinent information for reporting purposes.

Section C: Other Matters

1. Review of the Companies Act and Regulatory Framework for Foreign Entities
2. Proposed revisions to the Code of Corporate Governance

Section C: Other Matters

1. Review of the Companies Act and Regulatory Framework for Foreign Entities

A. Review of the Companies Act

The last comprehensive review of the Companies Act was conducted in 1999. The Ministry of Finance had thus set up a Steering Committee in October 2007 to carry out a fundamental review of the Companies Act. The review is aimed at ensuring an efficient and transparent corporate regulatory framework that supports Singapore's growth as an international hub for both businesses and investors.

The Steering Committee's report comprises six chapters and 217 recommendations:

- Chapter 1 – Directors
- Chapter 2 – Shareholders' rights and meetings
- Chapter 3 – Shares, debentures, capital maintenance, schemes, compulsory acquisitions and amalgamations
- Chapter 4 – Accounts and audit
- Chapter 5 – General company administration
- Chapter 6 – Registration of charges

Below are the highlights of some key recommendations of the Steering Committee's report:

- **Extend disclosure requirements to Chief Executive Officer (CEO)** – Company directors, currently are required to disclose conflict of interests in transactions with the company, as well as shareholdings in the company or related corporation.

As a company's key decisions are made by management who may not be directors, the Steering Committee's report recommends the disclosure requirement be extended to the CEO who is at the apex of the company's management.

- **Enfranchise indirect investors** – Currently, a member of a company can appoint a maximum of two proxies to attend and vote at general meetings, unless the company's articles specify otherwise. The Steering Committee's report recommends that subject to contrary provisions in the company's article, members who provide custodial or nominee services will be allowed to exercise the rights attached to a different share, and the number and class of shares are specified.

It also recommends that share investors using their CPF monies be given the right to attend, speak and vote at general meetings.

- **Liberalise rules on electronic transmission of notices and documents** – The report recommends that companies be allowed to use electronic communications if a member has given "deemed consent" or "implied consent".

Under the "deemed consent" regime, members can choose to receive electronic or physical notices and documents.

Section C: Other Matters (cont'd)

1. Review of the Companies Act and Regulatory Framework for Foreign Entities (cont'd)

A. Review of the Companies Act (cont'd)

Under the “implied consent” regime, members will not have any right to request for physical copies, and the absence of such rights must be specified in companies’ articles. Shareholders should be given sufficient time to react and adjust if a company amends its articles to adopt the “implied consent” regime.

- **Allow public companies to issue non-voting and multiple vote shares** – Public companies currently can only issue share that carry one vote per share. The restriction does not apply to private companies.

The Steering Committee’s report recommends allowing public companies to issue non-voting and multiple vote shares subject to certain safeguards. Listed companies may be subject to additional restrictions imposed by the Singapore Exchange.

- **Introduce small company criteria for audit exemption** – A company currently must be audited unless it is dormant, or an exempt private company (EPC) with revenue of S\$5 million or less. An EPC is a private company whose members are natural persons and has not more than 20 members, or any private company that is gazetted as such.

The Steering Committee’s report recommends replacing the EPC criterion with a “small company” criterion for audit exemption. A company qualifies as a “small company” if it is a private company and fulfils two of the following three criteria:

- Total annual revenue of not more than S\$10 million;
- Total gross assets of not more than S\$10 million;
- Number of employees of not more than 50.

The Steering Committee’s report further recommends that a subsidiary may be exempt from audit as a “small company”, only if the entire group of companies meets the “small company” criteria on a consolidated basis. With the introduction of the “small company” criteria, the concept of EPC will be abolished.

- **Merge the Memorandum and Articles of Association (M&AA) into one document known as the Constitution** – For practical reasons, the Steering Committee’s report recommends merging the existing two documents of the M&AA into a single document, to be known as the Constitution of the company.

In addition, the Steering Committee’s report recommends that there should be two models of the Constitution for private companies and public companies limited by guarantee. There will be no prescribed model Constitution for public companies limited by shares, given the complexity of such companies and since they will be in a better position to determine their Constitution.

Section C: Other Matters (cont'd)

1. Review of the Companies Act and Regulatory Framework for Foreign Entities (cont'd)

B. Review of the Regulatory Framework for Foreign Entities

The Companies Act contains provisions relating to foreign companies. The Steering Committee took the view that the laws relating to the registration and regulation of foreign entities, namely branches of foreign corporations registered in Singapore, should be placed in separate legislation to facilitate the streamlining of the Companies. The Accounting and Corporate Regulatory Authority of Singapore (ACRA) has conducted a separate review on the regulatory framework for foreign entities. There is no intent for any significant widening of the scope of regulation of foreign entities. The proposed standalone legislation will not regulate the operations of subsidiaries (incorporated in Singapore) of foreign companies, which will continue to be regulated under the Companies Act.

The following are the highlights of the recommendations on the regulatory framework for foreign entities:

- **Changing the reference of “foreign companies” to “foreign entities”** – The Companies Act currently defines a “foreign company” to mean a body corporate formed outside Singapore, as well as a foreign unincorporated body that can sue or be sued or is capable of holding property.

The review recommends that the current definition be retained but the reference be changed to “foreign entities” to recognise that the scope of the definition includes more than what is commonly understood to be “foreign companies”.

- **Streamlining the requirements and procedures for registration of foreign entities** – The review recommends that certain particulars required to be lodged upon registration be streamlined. Additional information is to be reported and prescribed persons who are involved in the registration process of the foreign entity will be allowed to verify and authenticate certain documents. These are intended to facilitate the registration of foreign entities.
- **Streamlining continuing filing obligations** – The review recommends that requirements to file non-essential information such as changes in the authorised capital and changes in the number of members, be removed.
- **Enhancing financial disclosure requirements and accountability for financial information filed by foreign entities for greater transparency** – Presently, foreign companies are required to lodge less financial information compared to locally-incorporated companies.

The review recommends that foreign entities lodge with ACRA components of their financial statements similar to those expected of locally-incorporated companies.

- **Expansion of the grounds for striking-off a foreign entity** – Presently, the Registrar may strike the name of a foreign company off the register where the Registrar has reasonable cause to believe that it has ceased to carry on business in Singapore or where it is being used for an unlawful purpose.

The review recommends that two additional grounds for striking-off a foreign entity be provided, namely when the sole agent resigns with no replacement and the foreign entity is dormant with no instructions to the agent to continue its registration in Singapore.

Section C: Other Matters (cont'd)

1. Review of the Companies Act and Regulatory Framework for Foreign Entities (cont'd)

B. Review of the Regulatory Framework for Foreign Entities (cont'd)

- **Restriction on registration of names of foreign entity which are identical to those already on ACRA's registers** – There is currently a restriction on a foreign company being registered by a name which is undesirable or one which the Minister has directed the Registrar not to accept for registration.

The review recommends that the Registrar be empowered to reject registration of a name of a foreign entity which is identical to any other name already on ACRA's registers. However, ACRA will consider the inclusion of "Singapore Branch" in a foreign entity's name as distinguishing.

2. Proposed revisions to the Code of Corporate Governance

On 14 June 2011, the Monetary Authority of Singapore (MAS) issued a Consultation paper on the proposed revisions to the Code of Corporate Governance (Code). This is the second review of the Code since it was introduced in 2001. The review was conducted by the Corporate Governance Council (the Council) which was appointed by MAS in February 2010.

The Council aims to promote a high standard of corporate governance among listed companies in Singapore. The Council's proposed revision appears to heighten a sense of awareness and accountability in the decision-making process of Boards of listed companies, as well as encourage greater engagement with shareholders. It has proposed changes to 14 principles in the Code and their accompanying guidelines, and introduced two new principles. The Council has also included a statement on "The role of shareholders" as an annexure to the Code. Below are some of the proposals recommended by the Council:

- **Tightening definition of independence of director**

A director would not be considered interdependent if he/ she:

- Is or was in the current or any of the past three financial years, a substantial shareholder¹, partner, executive officer, or director of organizations to which the company or any of its related corporation made, or received significant payments or material services in the current or immediate past financial year,
- Is a substantial shareholder¹ or an immediate family member² of a substantial shareholder company,
- Has served on the Board for more than nine years from the date of his or her first election.
- Is or has been directly associated with a substantial shareholder of the company in the current or any of the past three financial years; and

¹ The term "substantial shareholder" in the Code has the same meaning as currently defined in the Companies Act, i.e. a person who has an interest or interests in one or more voting shares in the company and the total votes attached to the share (or those shares) is not less than 5% of the total votes attached to all the voting shares in the company.

² The term "immediate family" in the Code has the same meaning as currently defined in the Listing Manual of the Singapore Exchange (the SGX Listing Manual), i.e. the person's spouse, child, adopted child, step-child, brother, sister and parent.

Section C: Other Matters (cont'd)

2. Proposed revisions to the Code of Corporate Governance (cont'd)

- **Board composition**

The Code currently requires independent directors to make up at least one-third of the Board of a listed company. The Council proposes to strike an appropriate balance by requiring that half of the Board be independent, where:

- The Chairman and CEO is the same person,
- The Chairman and CEO are immediate family members²,
- The Chairman and CEO are both part of the management team; and
- The Chairman is not independent.

- **Director Training**

Companies should arrange and fund training for new and existing directors, and disclose the induction, orientation and training in their annual report. Continuous training is needed for directors to ensure that directors have the necessary competencies to cope with increasingly complex operations of companies and the ability to discharge their fiduciary duties.

The Council also proposes that the Board Nominating Committee to review and make recommendations to the Board on training programmes for the Board.

- **Multiple Directorships**

The Nominating Committee should decide if a director is able to and has been adequately carrying out his or her duties as a director, taking into consideration the director's number of listed company board representations and other principal commitments.

The Board should determine the maximum number of listed company board representations that a director may hold and disclose this in the listed company's annual report.

- **Alternate director**

Companies should generally avoid appointing alternate directors except for limited periods in exceptional circumstances such as when a director has a medical emergency. The alternate director should be familiar with the company's affairs and be appropriately qualified to bear all the duties and responsibilities of a director.

- **Remuneration**

It was proposed that the level and structure of remuneration should be aligned with the long-term interests and risk policies of the company. Company may consider including contractual provisions that allow for claw-back of remuneration in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the company.

Section C: Other Matters (cont'd)

2. Proposed revisions to the Code of Corporate Governance (cont'd)

The Code proposes a new guideline for companies to consider including contractual provisions that allows companies to reclaim incentive components of remuneration from its directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct that results in financial loss to companies.

It was also proposed that the disclosure of remuneration to be enhanced:

- Companies should fully disclose the remuneration for each individual director and the CEO on a name basis to the nearest thousand dollars.

Such disclosure should also include the breakdown (in percentage or dollar terms) of the various components making up the remuneration of each individual director and the CEO (namely base or fixed salary, variable or performance-related income or bonuses, benefit-in-kind, stock options granted, share-based incentives and awards, and other long-term incentives).

- Companies should disclose in aggregate the total remuneration paid to the top five key management personnel who are not also directors or the CEO. This disclosure remains on the basis of bands of S\$250,000.

Such disclosure should also include the breakdown (in percentage or dollar terms) of the various components making up the remuneration of each key management personnel (namely base or fixed salary, variable or performance-related income or bonuses, benefits in kind, stock options granted, share-based incentives and awards and other long-term incentives).

- Companies should disclose the remuneration details of employees who are immediate family members of a director or the CEO and whose remuneration exceeds S\$50,000.
- Disclosure is to be made on a named basis with clear indication of the employee's relationship with the relevant director or the CEO and in bands of S\$50,000.
- Companies should disclose more information on the link between the performance and remuneration paid to the directors, CEO and key management personnel for greater transparency.

- **Risk Management**

Boards of listed companies (Boards) should review (at least annually) and comment in its annual report the adequacy and effectiveness of the companies' risk management and internal control systems (including financial, operational, compliance and information technology controls). Such a review can be carried out internally or with the assistance of a competent third party.

The Boards should determine companies' levels of risk tolerance and risk policies, and oversee management in the design, implementation and monitoring of the risk management and internal control systems.

Section C: Other Matters (cont'd)

2. Proposed revisions to the Code of Corporate Governance (cont'd)

Board commentary should include assurance from both CEO and CFO that:

- The financial records have been properly maintained,
- The financial statements give a true and fair view of the companies' operations and finances; and
- That an effective risk management and internal controls system has been put in place.

- **Audit Committee**

- Currently, the Code only requires at least two audit committee members to have recent and relevant accounting or related financial management expertise and does not specifically require the audit committee chairman to have such expertise.

The council proposes that the audit committee chairman and at least one more audit committee member should have recent and relevant accounting or related financial management expertise.

- A former partner of companies' existing auditing firms should not act as an audit committee member for a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or his having any financial interest in the auditing firm, whichever is later.
- The audit committee should state in the annual report the total fees paid to the external auditors for that financial year, including fees for audit and non-audit services.

- **New Principle on "Shareholder Rights"**

The Council proposes to introduce in the Code a new principle and accompanying guidelines on shareholder rights and responsibilities with the aim of enhancing practices to give effect to shareholder rights.

The Council introduces an annexure to the Code a statement on the role of shareholders in engaging with the companies in which they invest.

- **Conduct of shareholder meetings (new principle)**

Companies should put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. Companies are encouraged to employ electronic polling.

This publication is not a substitute for professional advice. Partners and professional staff of Moore Stephens LLP Singapore are more than happy to advise you on specific situations and circumstances.

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