

## **SINGAPORE POST LIMITED**

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 199201623M)

### **UPDATE ON CORPORATE GOVERNANCE REVIEW**

*Words and expressions used in this announcement shall bear the meanings set out in the Company's announcement dated 19 January 2016.*

#### **Background**

The Board of Directors (the "**Board**") of Singapore Post Limited ("**SingPost**" or the "**Company**") refers to the Company's announcements relating to the Corporate Governance Review<sup>1</sup> (as defined in the Company's announcement dated 19 January 2016).

Heidrick & Struggles Singapore was appointed by the Company as the independent consulting firm to undertake the Corporate Governance Review (the "**CG Consultant**"), following the conclusion of a detailed Request-for-Proposal exercise carried out by the CG Review Committee. In undertaking the Corporate Governance Review, the CG Consultant selected the Singapore law firm Lee & Lee to be its partner to leverage its expertise on compliance with the Singapore Code of Corporate Governance, the Companies Act (Chapter 50 of Singapore), and the Listing Rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). As mentioned in the Company's announcement of 31 March 2016, a key focus of the Corporate Governance Review was to review the process for review of independence of Directors, Board and management succession planning and Board renewal, Board composition, size and diversity, and the role of the Executive Committee.

#### **Findings of the Corporate Governance Review**

The CG Consultant has completed the Corporate Governance Review, and has on 4 July 2016 submitted a report on its findings and recommendations (the "**CGR Report**") to the Company. The SGX-ST has been provided with the CGR Report.

The Executive Summary of the CGR Report is attached as Annexure A to this announcement.

The Board has unanimously adopted all the recommendations of the CG Consultant set out in the CGR Report, with the exception of the recommendation to deem any director who has served on the Board for more than nine (9) years as non-independent. This recommendation to have a nine (9) year deeming policy has been addressed by the Company's adoption of a Board Renewal and Tenure Policy, which was announced on 16 June 2016. The Board Renewal and Tenure Policy fixes the maximum tenure of a director at nine (9) years. In the circumstances, the adoption of a nine (9) year deeming policy is no longer relevant as no director would be serving beyond nine (9) years on the Board.

The Board would like to take the opportunity to thank the CG Consultant, Lee & Lee and others involved in the Corporate Governance Review, for their cooperation and assistance.

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<sup>1</sup> The Company's announcements were released on 19 January 2016, 29 January 2016 and 31 March 2016.

The Company will provide shareholders with an update when the recommendations of the CG Consultant are substantially implemented, which is expected to be within approximately three (3) months, except for the appointment of new directors with the requisite background and qualifications recommended by the CG Consultant, which will be subject to the identification of suitable candidates and the timing of such appointments.

Issued by Singapore Post Limited on 4 July 2016.

**ANNEXURE A**

**THE EXECUTIVE SUMMARY OF THE CGR REPORT**

# **Leadership Advisory**

*CEO and Board Practice*

## **SINGAPORE POST LIMITED**

### **Corporate Governance Review**

#### **Executive Summary**

by

Heidrick & Struggles Singapore

4 July, 2016

***Board Effectiveness***

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## GLOSSARY OF TERMS

No.	Abbreviation	Description
1.	AC	SingPost Audit Committee
2.	AGM	Annual General Meeting
3.	Board / Boards	Board of Directors
4.	Board Effectiveness Framework	Board Effectiveness Framework and Methodology developed by Heidrick & Struggles
5.	Board leadership and Board Chair	Chairman of SingPost Board
6.	CC	SingPost Compensation Committee
7.	CGR	Corporate Governance Review
8.	CGRC	Corporate Governance Review Committee
9.	Chair	Chairman
10.	CHRO	Chief Human Resource Officer
11.	Code	Code of Corporate Governance 2012
12.	Committee	The respective Board committees of SingPost
13.	Committee Chair	The respective Chairs of the various Board committees of SingPost
14.	Companies Act	Companies Act (Cap. 50 of Singapore)
15.	Company Secretary	Company secretary of SingPost
16.	Directors	Members of SingPost Board of Directors
17.	EAR	Entity-at-risk
18.	ExCo	Executive Committee
19.	executive / executives	Senior-most team of the organisation, includes CEO and his direct reports
20.	GCEO	Group Chief Executive Officer
21.	GCFO	Group Chief Finance Officer
22.	Famous Acquisitions	The specific transactions relating to the acquisition (i) by SingPost of Famous Holdings Pte Ltd in 2013; and (ii) by Famous Holdings Pte Ltd of F.S. Mackenzie Limited in 2014 and Famous Pacific Shipping (NZ) Limited in 2015.
23.	FIC	Financial Investment Committee
24.	Internal IPT Policy	SingPost's internal IPT policy referenced in its prescribed M&A process
25.	IP	Interested Person
26.	IPT	Interested Person Transaction
27.	LID	Lead Independent Director
28.	Long-Tenured Directors	Directors who have served on the Board of a company beyond nine years
29.	M&A	Mergers and Acquisitions
30.	Management team / teams	Management teams in general
31.	NC	SingPost Nominations Committee
32.	P&L	Profit and Loss
33.	Repository	SingPost's database of EARs and IPs
34.	Securities and Futures Act	Securities and Futures Act (Cap. 289)

<b>No.</b>	<b>Abbreviation</b>	<b>Description</b>
35.	SGX announcements	Announcements on SGXNet
36.	SGX-ST	Singapore Exchange Securities Trading Limited
37.	SGX-ST Listing Rules	The Listing Rules promulgated from time to time by SGX-ST
38.	SingPost	Singapore Post Limited
39.	SingPost Board	SingPost Board of Directors
40.	SingPost ExCo	SingPost Executive Committee
41.	SingPost Group / Group	SingPost and its subsidiary companies
42.	SingPost management / management	SingPost Management team
43.	Special Audit	The special audit initiated by SingPost appointing Drew & Napier LLC and PricewaterhouseCoopers LLP as special auditors to investigate the Famous Acquisitions
44.	Special Audit Report	The report of the Special Audit
45.	TOR	Terms of Reference

## CONTEXT

Heidrick & Struggles was selected by the SingPost CGRC in March 2016 to undertake a comprehensive CGR by July 2016. Singapore law firm, Lee & Lee, was selected to be Heidrick & Struggles' partner to leverage its expertise in compliance with the Code, Companies Act and SGX-ST Listing Rules.

SingPost's CGR TOR specifies a review period of March 2013 to March 2016 in respect of SingPost's existing disclosures and practices. As requested in the TOR, the scope of this review excludes the specific transactions noted in the Special Audit and the Special Audit Report.

On the basis of the recommendations suggested in the Special Audit Report the following three areas of review have been included in this CGR:

- 1) processes and procedures regarding the evaluation and approval of M&A transactions;
- 2) processes and procedures regarding the disclosures of Directors' interests; and
- 3) processes and procedures regarding the preparation and approval of SGX announcements for M&A transactions.

This report sets out a summary of the findings and recommendations for SingPost to consider in order to enhance the Board's future effectiveness. It is important to consider the following organisational context in reviewing the enclosed insights and recommendations:

- Over the past 5 years, SingPost has embarked on a significant transformation journey – designed to continue to deliver excellence in and transform its core postal services, whilst creating new growth engines in e-commerce logistics.
- A key element of the transformation has been M&A activity (18 transactions since 2013).
- In December 2015, the GCEO announced his departure and in April 2016, the Board Chair announced his intention to step down. The organisation has faced key leadership changes, as well as increasing public scrutiny. A number of the Directors have had to take on significant responsibilities to help navigate the SingPost Board and organisation through this difficult time.

The Heidrick & Struggles 'Accelerating Board Performance Framework' (the "**Board Accelerator Framework**") has been applied to the SingPost context. This is a comprehensive framework designed to support the SingPost Board to take a holistic view of how it can enhance its effectiveness, governance and value-add as a strategic asset to support the future success of SingPost on its key strategic priorities. The framework incorporates the scope of work requested in the original TOR, as well as two additional areas, as agreed with the CGRC.

A comprehensive Board effectiveness methodology was adopted to triangulate the multiple data points set out in the methodology section of this report.

Heidrick & Struggles experienced a high level of commitment, candour, transparency and openness from Directors and the SingPost management in providing feedback and insights, as well as in considering the recommendations set out in this report.



## LIMITATIONS AND DISCLAIMERS

This report is intended by Heidrick & Struggles and Lee & Lee for, and only for, the benefit of the SingPost Board, the CGRC and for no other person. The purpose of the report is to support the SingPost Board in understanding how it can enhance its effectiveness, governance and value-add as a strategic asset to support the future success of SingPost on its key strategic priorities, and for no other purposes. We do not accept or assume responsibility for our work, and this report thereof, to anyone except the CGRC. Our work is not to be relied on by any other party or for any other purpose, and we accept no liability or responsibility in respect of any losses suffered by the use of, or reliance on, this report by an unintended recipient or for an unintended purpose.

Our work was not planned or conducted in contemplation of reliance by any third party. Therefore, items of possible interest to a third party may not be specifically addressed and matters may exist that may be assessed differently by a third party.

The verification of accuracy and/or authenticity of the information and documents provided to us in the course of our work is outside the scope of our TOR. In making the findings and recommendations in this report, we have assumed the accuracy of information given to us by SingPost (including without limitation, members of the SingPost Board and SingPost management) and have not performed any verification of that information except to the extent specified in this report. We have also assumed that all the documents provided to us as originals are authentic, that copies provided to us conform to the originals and that all signatures on the documents have been properly affixed. We do not assume any responsibility and make no representations with respect to the accuracy or completeness of any information provided to us by SingPost (including without limitation, members of the SingPost Board and SingPost management). We have also relied on representations made by the Company Secretary and members of the SingPost legal and internal audit teams in relation to the completeness of the documents provided to us.

This report refers to statements of opinion by members of the SingPost Board and SingPost management on matters and/or persons, provided through surveys or interviews. Where we have included in this report observations or comments on any person, we have not had the opportunity to put such observations and comments to them in draft, and to give them an opportunity to respond to such draft observations on comments prior to the submission of this report. The reader of this report is reminded that statements of opinion are inherently subjective, and no assurance can be given that such statements of opinion will prove to be correct. For the avoidance of doubt, such statements of opinion represent the views of the respective statement-makers, and do not represent the views of Heidrick & Struggles and/or Lee & Lee. Consequently, our findings and recommendations are based on the information made available to us to-date and subject to these limitations.

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# 1. SCOPE OF WORK, FRAMEWORK AND METHODOLOGY

## 1.1 Scope of Work

As set out in the TOR, the CGR has two key focus areas:

1	Review of <b>Current</b> Practices	2	Review Fit for <b>Future</b> Purpose
	Independence of Directors		Recommend relevant Best and Better practices aligned to SingPost's Strategic Direction and Strategic Priorities
	Board and Management Succession Planning and Renewal		Benchmark the SingPost Board against its Future Strategic Priorities
	Board Composition, Size, Diversity		Benchmark against and learn from Relevant, Best-in-class Organisations
	The Role of the SingPost ExCo		
	Board review of SGX announcements		
	Mergers, Acquisitions and Divestments		
	Conflicts of Interest		

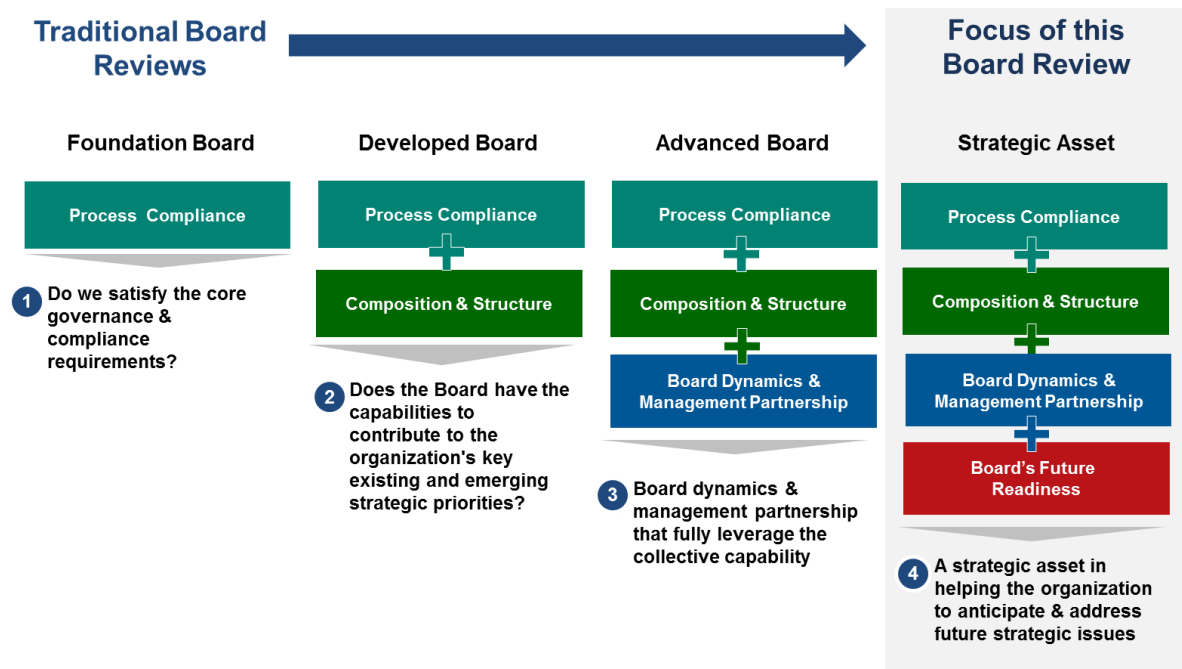
The starting point of this document is a review of the way the Board operates today. However, the greatest value will come from the Board acting on the enclosed recommendations on how it can enhance its future effectiveness. These recommendations are summarised in the recommendations section from page 49 to 51 of this document.

Figure 1 overleaf summarises the four key questions that the CGR has been designed to answer:

- 1) Does the SingPost Board comply with good corporate governance practices – as set out in the Companies Act, SGX-ST Listing Rules and Code?
- 2) What Board composition, Board capabilities and approach to Board renewal can best support SingPost on its current, emerging and future strategic priorities?
- 3) What Board dynamic, Board culture and partnership between Board and management can best leverage the collective capability of the SingPost Board and its future contribution to SingPost?
- 4) How can the Board be a strategic asset, helping the organisation to anticipate, prepare for and address SingPost's future strategic issues?

The scope of this review is the SingPost Board. The effectiveness of SingPost's subsidiary Boards and the interface between those Boards and the Group is not included in the scope of this review.

**Figure 1: Boards as Strategic Assets**



## 1.2 Framework

The Board Accelerator Framework has been applied to the SingPost context. This framework has been specifically designed to assist Boards to identify how they can be a strategic asset, helping management to accelerate organisational performance and outperform the competition in today's dynamic and fast changing world.

It is based on our research and practical experience of working with Boards and their organisations around the world. This research highlights that one of the most critical drivers of competitive differentiation in today's dynamic and fast changing world is an organisation's ability to make sense of changes in their environment and to then act in a timely manner.

Like SingPost, many organisations face the dual challenge of simultaneously sustaining strong execution in their core business today in the face of potential disruptive threats from new technologies and market volatility, whilst themselves transforming to create new sources of growth.

Boards have an increasingly important role in helping management to balance the paradox of protecting the core, whilst driving growth through transformation. They also have a critical role to play in helping the organisation to anticipate and address future strategic opportunities and threats with greater speed, agility and effectiveness than their competitors.

In our experience, Boards and organisations that excel in this do four things well:

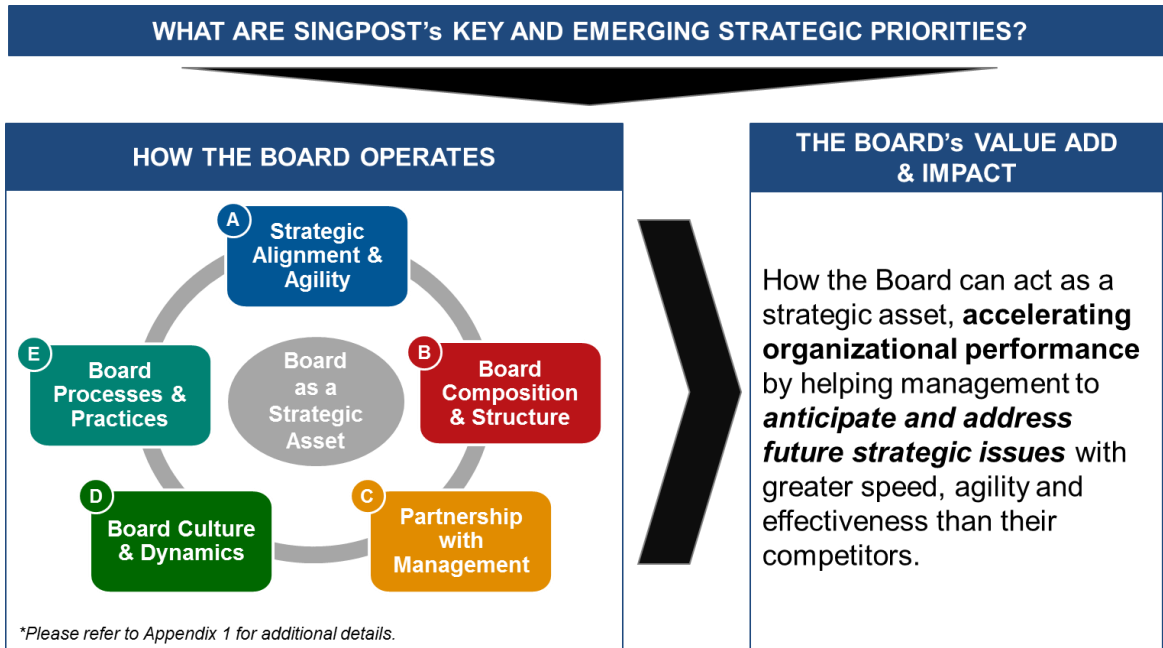
### **M + E + T + A = Accelerated Performance**

<b>M</b> obilise	Inspire aligned action based on a compelling purpose and a simple set of strategic priorities.
<b>E</b> xecute	Fully harness and streamline resources to consistently deliver excellence in the core business.
<b>T</b> ransform	Experiment and innovate to create new growth engines and to reinvent existing businesses ahead of the market.
<b>A</b> gility	Spot opportunities and threats; adapt and pivot at a faster pace than competitors to create competitive advantage.

This 'M.E.T.A' Framework underpins the Board Accelerator Framework (figure 2). We believe that 'M.E.T.A' is a useful and relevant lens for the SingPost strategic context given its strategic focus on:

- executing with excellence its core postal business; whilst
- continuing to transform into e-commerce logistics, leveraging the expertise from its core.

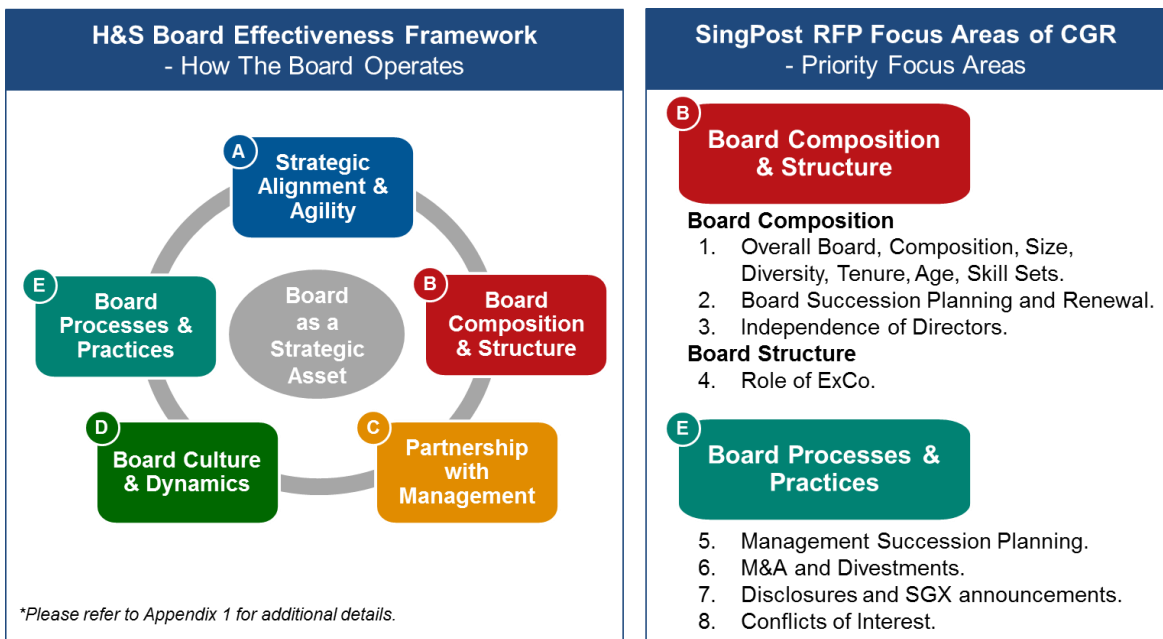
**Figure 2: Board Accelerator Framework**



As shown in figure 3 below, the Board Accelerator Framework covers all of the areas outlined in the scope of work above. It was agreed with the CGRC to also include the following two additional drivers from the Board Accelerator Framework into the scope of work:

- Board Culture and Dynamics - how Directors work together as a team to fully leverage the collective capability of the Board; and
- Partnership with Management – how the Board works with management to add strategic value.

**Figure 3: Addressing the Priority Focus Areas through the Heidrick & Struggles Board Framework**



## 1.3 Methodology

The insights and recommendations in this report are based on a comprehensive methodology using the following data points, collected by the Heidrick & Struggles and Lee & Lee teams between April and mid-May 2016:



A. **Online Board Effectiveness and Future Readiness Survey**, which is benchmarked against global best practices. The survey uses a 5 point scale:

- 1: Needs significant improvement;
- 2: Partially meets expectations;
- 3: Meets expectations;
- 4: Exceeds expectations; and
- 5: Exemplary

Participants: a total of 17 individuals (Directors and the SingPost management) participated in the survey.



B. **Structured Individual Interviews** with the SingPost Board and selected members of SingPost management.

Participants: a total of 17 individuals (Directors and the SingPost management) participated in the interviews.



C. **Desktop Review** of selected Board papers and minutes of meeting related to key decisions (between March 2013 and March 2016), the Special Audit Report, and corporate governance related processes and practices (such as the TORs for Board Committees).



D. **Benchmarking:**

- Benchmarking SingPost's Board composition and structure to a group of comparison companies using publicly available information for those companies. 15 comparison companies were selected comprising SGX-ST listed companies with strong corporate governance ratings, and global listed companies within the e-commerce logistics and postal value chain.
- Identifying relevant best practices from the Code and from organisations facing similar strategic issues as SingPost.

## 2. STRATEGIC ALIGNMENT AND AGILITY

In this section, we reviewed the SingPost Board's current practices and made relevant best practice recommendations for the future in three areas:

- 1) **Strategic Priorities:** What are the strategic priorities for SingPost and how aligned is the SingPost Board on these priorities?
- 2) **Strategy Process and Value Add:** How effective is the SingPost Board at contributing to Strategic Alignment and Agility and helping to proactively shape the future strategy and transformation agenda?
- 3) **Align Resources and Build Capability to Execute Strategy:** How effective is the SingPost Board in proactively helping to ensure the organisation builds and allocates the right resources and capabilities required to successfully execute on these emerging strategic priorities? Also, how effective is the Board at helping the organisation to quickly reallocate resources to respond to market opportunities and threats?

### 2.1 Strategic Priorities

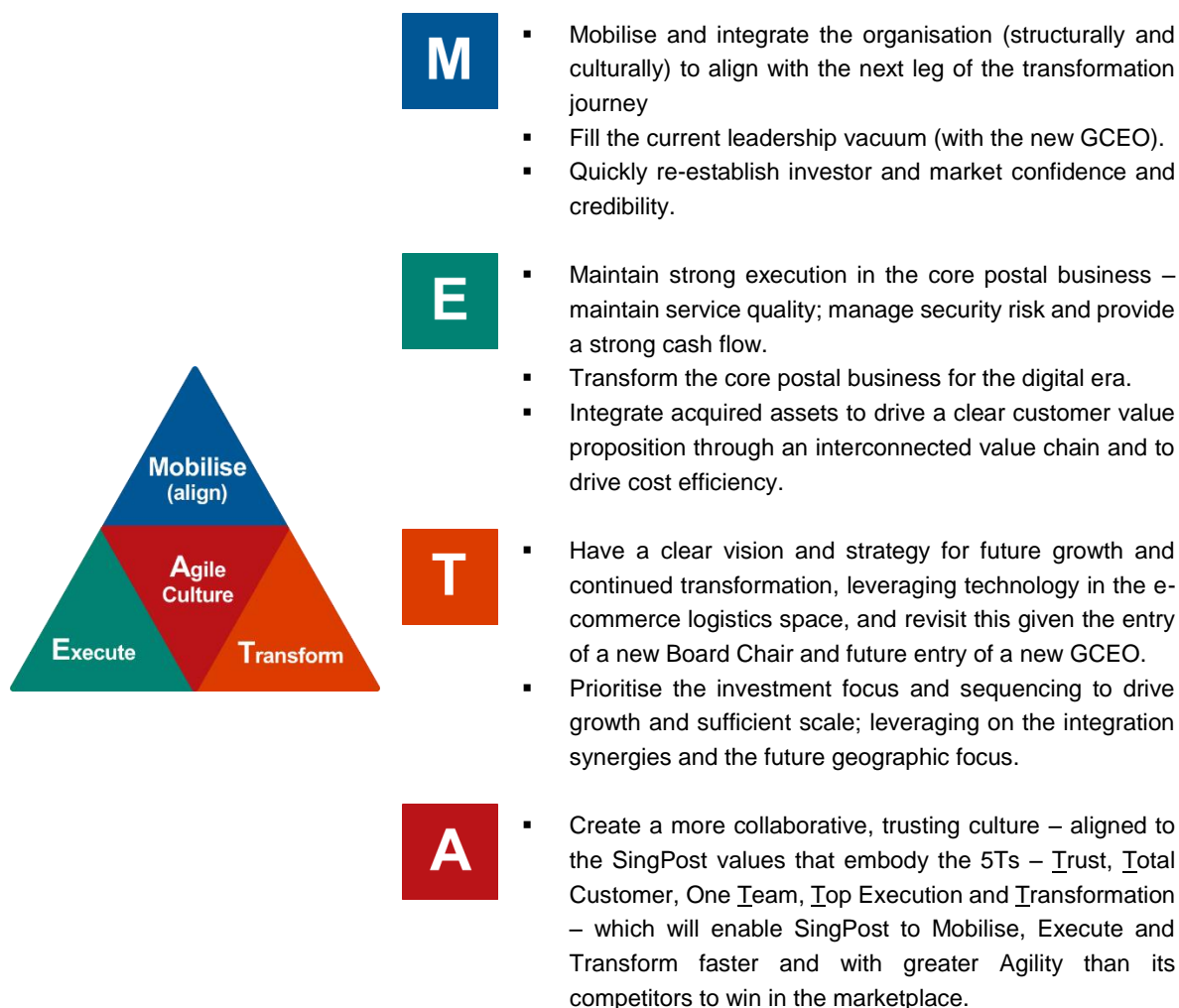
From the structured interviews, all interviewees shared that there was a strong alignment within the SingPost Board and between SingPost Board and SingPost management around the strategic imperative for transformation and change. There was strong alignment that SingPost must continue to both:

- *Execute* in the core postal business; and
- *Transform* into e-commerce logistics to substitute declining postal revenues.

This strong alignment, reflected in figure 4, has provided a solid foundation against which we have benchmarked the Board's fit for future purpose and made recommendations.



**Figure 4: M.E.T.A Framework and SingPost Key Strategic Priorities and Issues**



## 2.2 Strategy Process and Value Add

In the structured interviews, the annual strategy workshop was consistently seen as an effective channel for the SingPost Board and SingPost management to convene and discuss the strategic priorities for SingPost and for the SingPost Board to support the SingPost management in strategy execution.

The approach to strategy was also highlighted as a strength for the SingPost Board within the online survey, with average scores in the 'meets expectations' range, in the following areas:

- 1) The development and execution of SingPost's strategy and transformation agenda;
- 2) Striking an effective balance in the focus on short and long term issues;
- 3) Supporting management to future proof the organisation;
- 4) Generating new thinking and new ideas; and
- 5) Helping the company adapt and pivot on strategic priorities.

## 2.3 Align Resources and Build Capability to Execute Strategy

SingPost has been on a growth trajectory through acquisitions, reflected in the 18 acquisitions made since 2013. From the structured interviews, there is a common view from the Directors and the SingPost management team that an important focus will now be on the integration of the assets of the acquired companies into an integrated network to fully extract synergies, and deliver maximum value to customers.

## 2.4 Recommendations

We recommend that in the area of strategic alignment and agility, the SingPost Board and SingPost management use this year's annual strategy process and retreat to:

- 2.4 A Continue to have the SingPost Board play an active role in contributing to strategy. However, create a clearer delineation between the role of the Board in contributing to the strategy in partnership with management and the role of the SingPost management team in executing the strategy against a clear road map with agreed milestones.
- 2.4 B Review the Strategic Growth Ambition and Timeframe
  - Review the strategic growth ambition for the organisation and its competitive value proposition.
  - Align on the organic growth strategy, paying particular attention to phasing/sequencing (e.g. geographic priorities).
  - Align on and identify potential inorganic growth options and a structured process for evaluating them.
- 2.4 C Align Organisational Capability, Resources and Talent Bench-Strength to the Strategy
  - Give greater attention within the strategy and transformation agenda to the *Organisational Structure, Culture, Capability Building and Processes* (i.e. the key transformation / change levers) required to support and accelerate the agreed transformation and strategy.
- 2.4 D Integration of Acquired Assets
  - Give greater focus to integrating acquired assets to create one integrated network.

### 3. BOARD COMPOSITION

In this section, we reviewed the SingPost Board's current practices and made relevant best practice recommendations for the future in three areas:

- 1) **Board Competence, Size and Diversity:** Does the Board collectively have the right depth and breadth of expertise, experience and Board leadership competencies to add value on the emerging strategic priorities?
- 2) **Board Succession Planning and Renewal:** What is the Board's philosophy, process and effectiveness in proactively planning ahead to shape the Board's composition to align with emerging strategic priorities?
- 3) **Independence of Directors:** What is the Board's approach to managing the independence of Directors in accordance with the Code?

The review of the SingPost Board composition was based on the following considerations:

- SingPost's strategic priorities and ambition – on which the SingPost Board must add value and be a strategic asset;
- The stated ambition and vision for the organisation;
- The nature of SingPost's business – including its relative size and complexity, and the requirement to balance agility and speed with good governance;
- The balance of independent versus non-independent Directors;
- Board diversity;
- Bandwidth and availability of Directors (based on their other executive and non-executive commitments);
- Any other guidelines within the Code, including, but not limited to guidelines on the composition of committees.

#### 3.1 Board Competence, Size and Diversity

##### Board Competence

Through structured interviews and discussions with the CGRC, Heidrick & Struggles prepared a Board Composition Matrix template for the NC to use as a resource tool. It is designed to provide a structure for reviewing the overall Board composition and its fit-for-purpose as part of the annual Board renewal process. The following methodology was applied to create the template for the future annual review of the SingPost Board's competence, size and diversity:

- 1) Review SingPost's emerging strategic priorities;
- 2) Build a Board Composition Matrix aligned to these strategic priorities;
- 3) Review the fit-for-purpose of the Board composition today; and
- 4) Identify critical competency gaps to fill with respect to the emerging strategic priorities of SingPost.

Please note that the analysis of the Board composition is based on the composition of the Board as of 25 May 2016. The Board Composition Matrix is summarised in appendix 2.

In applying this matrix to the Board composition today we note that the Board could enhance its contribution as a strategic asset to SingPost by adding directors with the following capabilities:

- A legal expert.
- An e-commerce logistics expert.
- Non-executive directors with recent broad P&L leadership experience.
- A finance and accounting expert, providing optionality for future Board succession planning.

## **Board Size**

The review of the size of the SingPost Board took into account the following factors:

- Size and complexity of the SingPost business;
- The bandwidth of Directors; and
- The requirements of the Code with respect to the balance between Independent and Non-Independent Directors.

We benchmarked these factors against the comparison companies and found that:

- For the size and complexity of the SingPost business, a Board comprising 10 Directors would be closer to the comparison companies;
- SingPost has a higher number of Directors (7) holding full time professional employment, which has the potential to impact their bandwidth to contribute to SingPost; and
- 5 out of the 10 Directors are considered non-independent, which is at the 50% limit set out in the Code when the Board Chair is non-independent.

Taking into consideration bandwidth and independence requirements, SingPost may need to retain up to 12 Directors at least in the short term. It can target to have a smaller Board comprising 10 members when it is able to feasibly balance factors of expertise, director bandwidth, and independence.

## **Board Diversity**

We benchmarked the gender diversity, average age and average tenure of the Directors against the comparison companies. The current SingPost Board's (2016) average age is 57.6 years and its average tenure is 5 years. This is similar to that of the comparison companies. The average age and average tenure of the SingPost Board in 2015 were 58.3 years and 7.3 years respectively. However, there is room for improvement in terms of gender diversity with only one female Director.

## **3.2 Board Succession Planning and Renewal**

Heidrick & Struggles did not sight any blueprint or policy on Board renewal – such as a policy on tenure, age, diversity or culture of constant renewal. Similarly, Heidrick & Struggles did not sight any evidence of a regular structured, comprehensive review of the alignment of overall Board composition to strategy. We also did not sight any documentation on the Director selection and appointment process. Data from the online survey indicates that both the SingPost Board and SingPost management agree that this is an area to improve.

### 3.3 Independence of Directors

SingPost adopts the definition of independence set out in the Code, which is provided in Guideline 2.3 of the Code.

Each Director is required to complete a Directors' Independence Checklist annually. The Directors' Independence Checklist used by SingPost comprises questions that examine whether each Director has any relationships or circumstances that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of SingPost. The list of questions in the Directors' Independence Checklist is consistent with the factors set out under Guideline 2.3 of the Code.

In 2014, ISS Proxy Advisory Services ("ISS") reported on the proposed resolutions for SingPost's AGM in the same year (the "ISS Report"). The ISS Report analysed, *inter alia*, SingPost's compliance with local best practices and concluded that the Board independence of SingPost complies with the independence requirements of the Code. In the ISS Report, the classification of independent and non-independent Directors by ISS was the same as that of SingPost's, providing strong indication that SingPost's review of the general independence of its Directors is consistent with the requirements of the Code.

We note that the conclusions of the SingPost Board's assessment of the independence of the Directors of SingPost are disclosed by SingPost in its Annual Reports. Based on our review of SingPost's current practices in relation to the examination of the general independence of the Directors as well as the conclusions under the ISS Report, we note that the requirements of the Code are met.

#### Independence of Long-Tenured Directors

The NC recognises that for Long-Tenured Directors, there is a need for a higher standard of review, through a particularly rigorous review, compared to that of the normal review of the independence of Directors. During discussions in its first meeting of 2014, the NC expressed recognition of the requirement in the Code for the particularly rigorous review of Long-Tenured Directors and adopted additional criteria that include the following:

- (a) whether the Long-Tenured Director continues to express views objectively and seek clarification and amplification when deemed necessary;
- (b) whether the Long-Tenured Director continues to debate issues objectively;
- (c) whether the Long-Tenured Director continues to scrutinise and challenge management on important issues raised at meetings; and
- (d) whether the Long-Tenured Director is able to bring judgment to bear in the discharge of the Long-Tenured Director's duties as a SingPost Board member and Committee member.

The NC used the above criteria in preparing the draft of a separate checklist to assess the independence of Long-Tenured Directors and circulated the draft to all members of the SingPost Board. The checklist was adopted by the SingPost Board. The particularly rigorous review that SingPost conducted in 2014 comprised 2 measures, as elaborated below.

#### Peer-to-Peer Review

First, the NC conducted a peer-to-peer review of the Long-Tenured Directors. Under the peer-to-peer review, each Director was required to submit a standard peer-to-peer review form for each Long-Tenured Director in the form of a "Directors' Independence Checklist Applicable to Director who has

served on the board beyond Nine (9) Years”. The form also allowed a Director to state reasons in support of each indicated choice. No Long-Tenured Director submitted the form for the assessment of his own independence. The NC then reviewed the checklists in arriving at its recommendations to the SingPost Board on the independence of the Long-Tenured Directors. Based on these recommendations from the NC, the SingPost Board deliberated on whether each Long-Tenured Director was indeed independent.

#### Egon Zehnder Directors’ Independence Review

Second, SingPost conducted an objective review process on the Long-Tenured Directors by engaging Egon Zehnder International Pte Ltd (“**Egon Zehnder**”), an external facilitator, for such review in 2014. During the review, Egon Zehnder interviewed each Director individually at length and gave each Director the opportunity to express their views in a private forum. The interviews were designed to draw qualitative comments from the respective Directors on their submitted peer-to-peer review forms to seek their views on the independence of each Long-Tenured Director (except that each Long-Tenured Director did not give his views on his own independence).

The report stated that there was unanimous and unequivocal agreement amongst all the Directors that all the Long-Tenured Directors are independent, and these Long-Tenured Directors take into consideration all stakeholders’ interests, and uphold governance standards. The report went on to note that while each Director was offered opportunities to express any hesitation or qualify their views on the independence of each Long-Tenured Director, none had done so. The consensus was that the Long-Tenured Directors bring objectivity, contribute to rigorous discussions and act in the interest of shareholders. On the basis of the foregoing, the report concluded that all Long-Tenured Directors were still independent.

#### ISS Report

In the ISS Report, ISS also analysed the particularly rigorous review of Long-Tenured Directors by SingPost, taking into consideration Egon Zehnder’s facilitation of the process. Noting the reasons given by the SingPost Board in determining that each Long-Tenured Director was independent, the thoroughness of the particularly rigorous review process, and the lack of concerns regarding the independence of these Directors, ISS concluded that the three Long-Tenured Directors were independent under its classification of Directors.

#### Insights

In the structured interviews conducted as part of this CGR, the responses obtained were consistent with the finding that the Long-Tenured Directors are independent.

Based on publicly available information, SingPost’s particularly rigorous review process on the independence of Long-Tenured Directors is consistent with the processes of many other listed companies that rank ahead of SingPost in the 2015 Governance and Transparency Index Rankings (the “**2015 GTI Rankings**”).

### 3.4 Recommendations

We make the following recommendations to the SingPost Board in the area of Board composition:

- 3.4 A Priority Appointments to the Board
- A legal expert, preferably someone with deep expertise in M&A.
  - A Director with a combination of broad P&L leadership experience and e-commerce logistics expertise.
  - A Director with strong financial / accounting expertise who can further complement the current AC Chair.
  - The SingPost Board should prioritise candidates who increase gender diversity (subject to competence).
  - The SingPost Board should also consider the balance between active executives and retired individuals. This will help to ensure that the SingPost Board both brings insights into contemporary and emerging issues and has the required time availability.
- 3.4 B Board Composition Matrix
- The NC to adopt and regularly update the Board Composition Matrix on an annual basis to maintain alignment of the overall Board Composition to SingPost's emerging Strategic Priorities and to proactively manage Board renewal on an ongoing basis.
- 3.4 C Define Success Profiles for Key Board Leadership Roles
- Define the role and required success profile for all key leadership roles on the SingPost Board and create a process to provide annual feedback to the incumbents in these roles. This will include the Board Chair, the LID and the Committee Chairs.
- 3.4 D New Board Member Assessment and Selection
- Establish a structured process for selecting and assessing new Directors based on an evaluation against the agreed 'Pivotal Expertise' and 'Board Leadership Competencies' required in the role, depending on needs, as mapped out through the Board Composition Matrix.
- 3.4 E Adopt a Clear Board Renewal Practice and Process
- In light of the absence of any blueprint or policy on Board renewal, we recommend that the SingPost Board adopts a clear Board rotation and renewal policy, taking into consideration Board succession – please see 3.4 F and 3.4G.
- 3.4 F Board Tenure
- We recommend that SingPost establishes a definitive policy for Board Tenure and Succession Planning. Directors could be appointed for an initial term of 3 years, at the end of which the Director will decide if he/she wishes to be considered for a second 3-year term. The NC will make a recommendation to the SingPost Board on whether to extend the Director's appointment for the second 3-year term, based on a review of both his/her contribution and the overall balance of skills and expertise on the SingPost Board relative to the company's strategic needs. The same principles apply to the Chair. In appropriate circumstances the NC may recommend to the Board that a Director's tenure be extended beyond 6 years, for up to an additional 3 years for purpose of critical continuity or phasing.
- 3.4 G Nine Year Deeming Policy:
- To reiterate, we note that SingPost has met the Code's requirements with respect to the independence of the Directors as well as the independence of the Long-Tenured

Directors on the SingPost Board. Under the Code, the independence of a Long-Tenured Director should be subject to “particularly rigorous review”. However, as what constitutes a “particularly rigorous review” is subjective in nature and its parameters difficult to define, we recommend going beyond the requirements of the Code..

- We recommend that SingPost adopts a “nine year deeming policy”. Under the nine year deeming policy, all directors who have served on a Board longer than a period of nine years will be deemed non-independent. This is regardless of whether such director demonstrates independence from management, or business relationships with the company, or any substantial shareholder.
- While the nine year deeming policy applies by operation of law for companies in the banking sector by virtue of Regulation 2(1) of the Banking (Corporate Governance) Regulations 2005, it is not mandated for companies outside the banking sector. However, we observed that this practice has also been adopted by some listed companies (that are not in the banking sector) that rank ahead of SingPost in the 2015 GTI Rankings. Therefore, as a benchmark for a more stringent policy relating to the independence of Long-Tenured Directors, we recommend that SingPost adopts a nine-year deeming policy.
- The nine year deeming policy is separate and should not be confused with a fixed tenure policy. Under such a fixed tenure policy, directors may not stay on the Board of a company for longer than a specified number of years under any situation. The nine year deeming policy does not go as far as such a tenure policy in restricting the Board in the exercise of its discretion to keep a Long-Tenured Director on the Board. The nine year deeming policy allows a Board to have diversity of tenure and to retain talent on the Board to enable the company to continue tapping on the type of expertise and experience that the company needs.
- Under a typical nine year deeming policy, companies generally adopt the position that each of its independent directors will be deemed a non-independent director upon completing nine years of service, notwithstanding the demonstrable independence from management, or business relationships with the company or any substantial shareholder. These companies may keep Long-Tenured Directors on their Boards as non-independent directors in light of the contributions and inputs the Long-Tenured Directors can continue to give to the company and the experience and institutional memory that such Long-Tenured Directors possess.
- We recommend that SingPost consider adopting a nine year deeming policy and deem Long-Tenured Directors to be non-independent notwithstanding traits of independence that such directors may possess. This removes any risk of a long tenure compromising a director’s independent judgment in the company’s best interests notwithstanding that such a director may appear to meet all the criteria of independence.

At the same time, it allows SingPost the flexibility to retain Directors who possess the expertise and experience suitable for SingPost’s purposes notwithstanding that they may have been on the SingPost Board for longer than nine years.

However, we would add that if the recommendation on Board Tenure under Recommendation 3.4F is adopted, the recommendation to adopt the nine-year deeming policy under this Recommendation 3.4G, would not be relevant.



## 4. BOARD STRUCTURE

In this section, we reviewed the SingPost Board's current practices and made relevant best practice recommendations for the future in two areas:

- 1) **The Role of the SingPost ExCo:** What is the Role of the SingPost ExCo and is the SingPost ExCo the right setup to help SingPost achieve its future strategy and transformation agenda?
- 2) **Overall Committee Structure and Effectiveness:** Is the overall structure of Board Committees appropriate to support the future strategy and transformation agenda, in light of the insights from this review?

### 4.1 The Role of the SingPost ExCo

#### Background and Context

The SingPost ExCo is a Committee of the SingPost Board, set up to assist the Board in overseeing the management of business and affairs of the SingPost Group, as delegated by the SingPost Board. Its raison d'être has been to:

- facilitate the speed and agility of decision making; and
- provide an oversight role on M&A activities when a large flow of opportunities has to be reviewed, evaluated and approved, within parameters set by the SingPost Board.

#### Benchmarking

We have undertaken a review of ExCos in other organisations. There were two focus areas of this review. Firstly, who has and does not have an ExCo? Secondly, what is the purpose of the ExCo?

Approximately 50% of the benchmark companies have ExCos. Typically, ExCos are established with the following purposes:

1. To act as sounding boards to the ideas of management.
2. To act as fast decision-making bodies when required such that market opportunities are not lost due to slow processes.

Of the Boards without an ExCo, 60% of them have no committee dealing with at least some aspect of the work of a regular ExCo. The remaining 40% have a committee or committees focused on investment, finance and budget, and/or strategy.

Whilst ExCos are reasonably common in Singapore, outside of Singapore ExCos are less common. The most common use of ExCos internationally are in situations where the Board is very large or is geographically dispersed, making it difficult to deal with urgent issues in a timely manner. Large Boards tend to meet less frequently with fuller agendas, which tend to exacerbate the issue and make the use of an ExCo relevant.

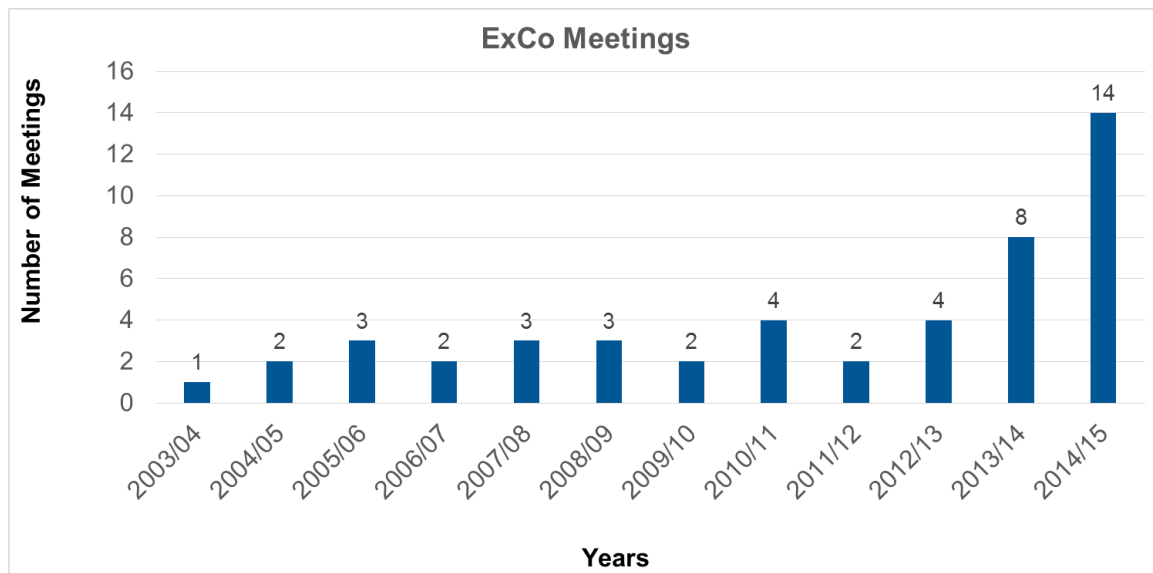
Based on the data of benchmarked companies with ExCos, some ExCos meet regularly (as often as monthly) while others are mandated to meet on an ad hoc basis when an urgent issue appears. The mandate is mostly very detailed and limits the ExCo's authority to specific areas. This may include urgent investment / divestment decisions, legal issues, etc. The ultimate aim of the ExCo is to make the Board more effective, not take away the authority of the Board.

The potential risk with an ExCo structure is the development of a 2-tier Board - those who are well-informed and members of the ExCo, and those who feel less informed. Given the electronic means of participation / attendance / decisions today there is less need for a body that needs to deal with urgent issues between Board meetings. In addition, other Board committees may be formed that obviate the need for an ExCo, such as an investment committee, tender committee, etc. with explicit and narrower mandates.

Whatever form the SingPost ExCo takes in the future, the scope of the committee should be reviewed. It would also be valuable to include provisions that the Chairs of all Committees, including the SingPost ExCo, should be required to escalate material issues within their delegated authority to the SingPost Board should they believe that the issue at hand could materially impact SingPost's business, reputation, risk profile, credit rating or financing needs.

The Heidrick & Struggles team has also reviewed the frequency of SingPost ExCo meetings relative to both the needs of SingPost and the frequency at other organisations. As illustrated by figure 5, there was a spike in the number of SingPost ExCo meetings in 2015. Based on a review of SingPost ExCo meeting minutes, the number of meetings in 2015 was reflective of the volume, frequency and nature of M&A transactions at this time.

**Figure 5:** Frequency of SingPost ExCo Meetings



Source: SingPost 2003 to 2015 Annual Reports

## **The Role of SingPost ExCo and its Effectiveness**

The SingPost ExCo has a wide remit as set out in its TOR. From the online survey, the Directors gave the SingPost ExCo an overall rating in the 'meets expectations' range in fulfilling and delivering value on its responsibilities. However, the survey also highlights the following areas for improvement:

- Partners effectively with management without overstepping its stewardship role.
- Makes clear recommendations with a clear rationale to the Board.

In addition, as gathered from the structured interviews, the timing of the distribution of meeting minutes are inconsistent, contributing to the perception of an asymmetrical flow and availability of information between the SingPost ExCo and the SingPost Board.

With the recent announcement of imminent departures from the SingPost Board, more than half of the members of SingPost ExCo would have resigned from the Committee by the 2016 AGM. This change offers the opportunity to reconsider this particular Board Committee. Given SingPost's continued growth ambition and the speed of change and disruption within the industry, the need for a sounding board for new ideas and a fast decision-making body still exists. Any change in the Committee structure should take this into account.

## **4.2 Structure of the Board and its Committees**

### **Benchmarking**

The overall structure of Board Committees of SingPost is similar to the other organisations whom we benchmarked it against.

All of the Singapore Boards have Audit, Remuneration, Nominations and Risk Committees. This is not surprising as the Code suggests that Boards should at least constitute these four committees. In some cases, these four committees have been given a broader scope to address the unique strategic context and needs of the respective organisation. For example, two organisations have combined their Nomination and Corporate Governance Committees.

In most cases the Remuneration (Compensation) Committees also take on responsibility for executive management succession planning due to their more intimate insight into management.

As outlined above, all of the benchmark companies in Singapore have a Board Risk Committee. In most cases, the committee also has responsibility for safety. In the case of SingPost, the Board Risk Committee is additionally mandated to cover technology risks. This is understandable given the critical importance of technology in both disrupting the traditional postal business and enabling the e-commerce logistics business.

## Other Key Considerations

It is important to base any recommendations on the future Committee structure primarily on the unique needs of SingPost. Specifically, where does the SingPost Board, through its Committees, need to give greater attention and focus to improve its impact and value-add?

Critical areas requiring greater focus and attention include:

- Board Succession Planning and Renewal (through the NC).
- Management Succession Planning (currently done through the NC).
- Corporate Governance and Compliance. There is no committee currently mandated to address this area.

## 4.3 Recommendations

We recommend that the SingPost Board acts on the following:

### 4.3 A Document Material Items Which Require Board Approval.

Some examples of key decisions which should be documented as mandatory to come to the Board include (but are not limited to):

- |   |  |
|---|--|
| ▪ Group Strategic Plan                                      | ▪ Succession Plans for management – including appointment/dismissal of, KPI's and compensation for the GCEO and other Group Executives |
| ▪ Group Annual Operating Plans and Budgets                  | ▪ Compensation Framework, including principles of long term incentive schemes for employees  |
| ▪ Risk Appetite, Tolerance, Strategy and Policy             | ▪ All Mergers & Acquisitions and Disposals   |
| ▪ Full, half year and quarterly financial results           | ▪ Capital Expenditures exceeding certain material limits   |
| ▪ Dividend policy and pay-out                               |  |
| ▪ Board Succession Plans                                    |  |
| ▪ Capital Structure   |  |
| ▪ Issues that could materially impact SingPost's reputation |  |

### 4.3 B Review the TORs, Financial Authorities and Delegated Authorities of all Committees:

This should include ensuring that the delegated authority of all Committees is not solely dependent on financial limits. The Committee Chairs should also be required to escalate material issues within their delegated authority to the SingPost Board should they believe that the issue at hand could materially impact SingPost's business, reputation, risk profile, credit rating or financing needs.

### 4.3 C Improve Information Flow/Symmetry between some Committees and the SingPost Board:

It is essential to address the current asymmetrical flow and availability of information between some Committees and the SingPost Board. We recommend instituting clear policies, practices and minimum standards for the quality and timeliness of sharing and information following Committee and SingPost Board meetings.

- 4.3 D Reconstitute SingPost ExCo as an FIC with the Reduction of Scope Set Out Below:
- As shown in the 'Board Structure' section, approximately 50% of Boards of benchmarked companies in Singapore have an ExCo. For those without an ExCo, 40% of them have an FIC or similar committee, which undertakes a narrower scope of responsibilities. It is possible to make the case for either retaining the SingPost ExCo or shifting to an FIC. The key to success is the spirit with which the committee works to honour the Board's governance role and the management's role in executing strategy.
  - As SingPost continues to transform and drive its growth agenda, we recommend a shift to an FIC, focusing on M&A matters, finance and investments.

4.3 E Other Committee Changes:

In addition to re-constituting the SingPost ExCo as an FIC, the following changes are recommended:

- Corporate Governance Committee: in light of i) the insights from this corporate governance review; and ii) corporate governance being of critical importance to large corporations, we recommend that SingPost considers the formation of a Corporate Governance Committee. This committee could potentially be combined with the NC to form a Corporate Governance and Nominations Committee. The TOR for this committee should include oversight and responsibility for all matters related to corporate governance, including independence, conflicts of interest, whistle-blowing, processes around SGX announcements, Board evaluation, etc. Due to the absence of a Board renewal plan and process, this committee should also explicitly be tasked to focus on Board succession and renewal.
- Extended Mandate for the CC: We recommend moving responsibility for management succession planning from the NC to the CC. It already has deeper insight into management from its compensation role and this would also lead to a more even distribution of work across the Committees.
- Committee Composition: We recommend that each Committee establish a simple matrix of the key expertise and leadership competencies required to execute their respective TORs.

4.3 F Review and Streamline the Structure and Process for Management of Subsidiary Boards: This was out of the scope of this review. However, following the structured interviews, there are two recommendations for the Board to consider in this area:

- A review of the structure of governance for subsidiaries with a view towards the best way to integrate subsidiaries into the Group.
- The Board should carefully consider each appointment of a Director to the Board of a subsidiary business taking into account the following factors:
  - 1) the primary responsibility of management in overseeing and managing these businesses;
  - 2) the distinctive value-add that the Director would bring; and
  - 3) any actual or perceived conflict of interest.

## 5. PARTNERSHIP WITH MANAGEMENT

In this section, we reviewed the SingPost Board's current practices and made relevant best practice recommendations for the future in two areas:

- 1) **Overall Quality of Partnership:** Is there a highly open, trusting and transparent relationship between the Board and management and between the CEO and Chair, in which there is constructive challenge and debate?
- 2) **Respecting the Role of Management and Board:** Does the Board respect the Board's stewardship role and the role of management in executing the strategy?

### 5.1 Overall Quality of Partnership

The relationship between Board and management is one of the major drivers of success in any organisation.

The key focus of this partnership is:

- the need for the Board to ensure that the organisation will at any time have a CEO with the requisite qualities and capabilities;
- the CEO is empowered and incentivised to achieve the jointly agreed strategy;
- the CEO has the right team in place to achieve success; and
- there is open, transparent communication between the Board and management, based on a high level of trust, collaboration and constructive challenge.

As gathered from the structured interviews, there is a consistent view and experience that interactions between the Board and management are generally guided by a genuine care for the business and a desire to drive speed and agility.

At the same time, the lowest scoring item in this section of the online survey (as rated by the Directors) was the statement:

- The partnership between Board and management is effective with a high level of trust, openness and transparency.

The average feedback score from the Board and management for this item was in the "partially meets expectations" range.

### 5.2. Respecting the Role of Management and Board

Both the structured interviews and the survey results suggest that more can be done at the Board level to recognise and distinguish between the Board's stewardship role and the role of the GCEO / management in executing the strategy. For example, in the online survey, the SingPost management rated the statement 'the board comprehends and respects the difference between the board's stewardship role and the role of the GCEO/management' in the 'partially meets expectations' range. This was the only area (across the whole online survey) in which the SingPost management rated the SingPost Board lower than the SingPost Board rated itself.

The SingPost ExCo also represents an important conduit between the SingPost management and the SingPost Board. As outlined within the section on Board structure, the SingPost ExCo has a very wide remit of responsibilities and it would be wise to consider a narrowing of its scope, perhaps within the remit of an FIC. This will both help to ensure a more symmetrical sharing of information with the whole SingPost Board and help manage the risk of the SingPost Board not making enough of a distinction between the SingPost Board's governance/oversight role and the role of the GCEO / the SingPost management.

### 5.3. Recommendations

We make the following recommendations to the SingPost Board in the area of partnership with SingPost management:

- 5.3 A Build a Highly Collaborative Partnership Between the New Chair and New GCEO
- The partnership established between the new Board Chair and GCEO/management will be critical to the future effectiveness of the organisation and the SingPost Board. It will be important for the new Chair to role model this partnership. In selecting the next GCEO it will be important to consider his/her chemistry fit with the Chair, as well as the extent to which they can complement each other. Alignment on the ambition and future vision for the organisation should also be considered.
- 5.3 B Clear Roles and Responsibilities of the SingPost Board and SingPost management, the Company Secretary, GCEO and Board Chair to be documented
- Whilst the SingPost Board and the new Board Chair continues to establish an open, transparent working partnership with the new GCEO and SingPost management, it will be critical for the new Board Chair to establish and reinforce through actions a clear delineation between the role of the SingPost Board as a strategic asset and the role of the SingPost management in executing strategy. We recommend that in addition to reviewing the TORs for each Committee the Board also documents the respective roles of the SingPost Board and SingPost management, as well as those of the Company Secretary, GCEO and Board Chair.

## 6. BOARD CULTURE AND DYNAMICS

In this section, we reviewed the SingPost Board's current practices and made relevant best practice recommendations for the future in the areas of

- **Board Culture and Dynamics:** How the Board works together as a team to fully leverage the collective capability of the Board through rigorous, open debate facilitated by the Chair.

### 6.1 Key Insights into Board Culture and Dynamics

Board Culture and Dynamics represents the critical 'software' which ensures that Boards with an appropriate composition, structure and processes truly add the value that they are capable of. In other words, this is what translates a group of highly capable individuals into a highly capable, high performing team.

Board Culture and Dynamics includes the degree of inclusiveness, the level of trust, and the extent to which there is an open, candid dialogue which fully leverages the collective capability of the Board.

The majority of the SingPost Board and SingPost management shared in the structured interviews that they see a need to reshape the SingPost Board's culture to be one that is more open, with more frank and open dialogue and rigorous debate to fully leverage the SingPost Board's diverse thinking and capability. This is also reflected in the online survey results on the Board Culture and Dynamics section. The lowest rated item (by Directors) in the Board Culture and Dynamics section of the online survey was the item 'discussions are open and frank, leveraging diverse thinking and debate to make better decisions'.

The Board culture and dynamics is a critical area for the Board to address as it moves forward starting with clear alignment on how the Board will work together as a team and the non-negotiable behaviours for how the team will work together.

### 6.2 Recommendations

We make the following recommendations to the SingPost Board in the area of Board culture and dynamics:

- 6.2 A Board Code of Conduct: It would be valuable for the SingPost Board to discuss, align and commit to a formal Board Code of Conduct setting out the agreed tone and spirit of the SingPost Board and non-negotiable behaviours for how the SingPost Board will work together. This can form an important and symbolic component of shaping the Board dynamic for the future. The SingPost Board should consider including the following within the Code of Conduct:
- a) To avoid any situations (business or personal interest) in which actual or perceived conflicts with the interests of SingPost could arise. Where a Director has a conflict of interest or it appears that he/she might have a conflict of interest, he/she must immediately declare his/her interest at a Board meeting, send a written notice to



SingPost with details of his/her interest of nature and character and recuse him/herself from any discussion and decision in the matter.

- b) Maintain confidentiality at all times – any analyst and media related questions should be dealt with by a common spokesperson that the SingPost Board elects.
- c) Comply with all SingPost policies and directives.

6.2 B Role Modelling from the New Chair

- The new Board Chair will play a critical role in role-modelling the desired Board culture.

6.2 C Annual Review

- We recommend that the annual Board review process include a section on Board culture and Board dynamics. It should also include feedback for the Board Chair, completed by all Directors and coordinated by the LID.

6.2 D Lead Independent Director

- We recommend a review of the formal description of the role and success profile of the LID to follow best practice. We have drafted a fresh LID role description and success profile for consideration. Once the review is complete, the independent directors should use the LID role description and success profile to undertake a thorough selection process of the next LID.

## 7. BOARD PROCESSES AND PRACTICES

In this section, we reviewed the SingPost Board's current practices and made relevant best practice recommendations for the future in three areas:

- 1) **Overall Effectiveness of Board Processes:** How effective are the Board's overall processes to support both organisational agility and good governance?
- 2) **Management Succession Planning:** How effective is the Board in helping the organisation to develop the depth and breadth of leadership talent and potential successors to lead the future success of the organisation?
- 3) **Deep Dive in Critical Areas:** How effective is the Board in the following critical areas:
  - a. M&A and Divestments
  - b. Conflicts of Interest and Disclosures
  - c. SGX Announcements

### 7.1 Overall Effectiveness of Board Processes

The SingPost Board interviews and desktop document review suggest that in seeking to drive speed and agility, the SingPost Board operated in a fairly informal manner with the potential to institute more rigor and process.

This is reflected across a number of aspects of the results of this governance review, including the following:

- Based on the structured interviews, the timing of the distribution of meeting minutes was inconsistent, contributing to the perception of an asymmetrical flow and availability of information between some Committees and the SingPost Board.
- M&A activity appeared to have been driven by the SingPost management team and Board Chair, with strong involvement of the SingPost ExCo, but in some instances a less robust process for SingPost Board involvement (please see the M&A investments and divestment section).
- A lack of clear follow-through and review of progress following the annual Board effectiveness review.
- From the interviews, the perception was that SingPost Board meetings could have benefitted from following more closely to the agenda. The online survey results reflect that there is a potential to remain more focused on relevant and priority topics.

The mandate, TOR and processes of the NC should be sharpened. The Board should also consider the option of forming a Corporate Governance and Nominations Committee for the Board, which, amongst other things, would take responsibility for tightening up key governance, compliance and process.

Please refer to the recommendations within the Board Structure section.

## 7.2 Management Succession Planning

The online survey highlights that management succession planning is a key area for improvement. The lowest rated item in the survey (based on average responses from the Board) was in the 'needs significant improvement' range for the following statement:

- SingPost has a robust pipeline of future leaders with the potential to assume the GCEO and CEO roles.

We had understood from the structured interviews and from the TOR for the NC that the NC is responsible for management succession planning. Based on our interviews, we understand that more could have been done in this role; the NC's focus has been on finding replacements when roles became vacant, with less focus on proactively preparing leaders and successors for the future. This is consistent with the TOR for the NC, which states that the committee will "review and makes recommendations to the SingPost Board on key staff appointments of the group". The TOR for the NC does not make reference to long term succession planning.

In benchmarking to the comparison companies, we note that management succession planning is often addressed by the Compensation/Remuneration Committee. The rationale for this is that the Compensation/Remuneration Committee already has deep knowledge of key talent in the organisation through its role in reviewing the performance of the organisation's key executives.

## 7.3 Mergers, Acquisitions and Divestments

### M&A Processes

SingPost has established written policies to guide SingPost management in the process for the evaluation and approval of M&A transactions. In lieu of a detailed written procedure/process, the M&A team adopts a process in practice based on broad internal guidelines. We have sighted two separate proposed M&A guidelines that do not refer to one another and do not appear to be linked to one another. The broad internal guidelines are set out below in the following stages:

- i. Kick-off, where acquisition targets are sourced and the SingPost management executes non-binding non-disclosure agreements with the potential counter-parties.
- ii. In-principle approval of the SingPost Board is sought thereafter.
- iii. Following the kick-off, due diligence and negotiations commence and SingPost management proceeds to finalise the specifics of the deal.
- iv. Following deal finalisation, SingPost management seeks the SingPost Board's final approval to sign legal documents to formalise the transaction.

### M&A Evaluation Checklist

The SingPost management is also guided by a checklist for the relevant M&A team in evaluating target companies for potential M&A transactions (the "**Management Evaluation Checklist**"). Certain key aspects that the M&A team are to consider include target background, corporate and commercial considerations, legal, information technology, human resources and valuation. We note that SingPost's Constitution has no prescribed requirements relating to the evaluation and approval of M&A transactions.

## M&A Delegation Matrix

In addition to the M&A process and the Management Evaluation Checklist, SingPost has established financial authorisation and approval limits for operating and capital expenditure, the procurement of goods and services, and the acquisition and disposal of investments. Apart from matters that specifically require the SingPost Board's approval, the SingPost Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to the relevant levels of SingPost management and the SingPost ExCo. The material aspects of the delegation matrix for SingPost are set out below:

Delegation Matrix:				
	Type of Transaction	SingPost Board	SingPost ExCo	GCEO & GCFO
1.	In-principle approval of proposed investment / divestment project	More than \$50 million	Less than or equal to \$50 million	Less than or equal to \$10 million
2.	Approval to invest, subject to detailed due diligence work to be carried out	More than \$25 million	Less than or equal to \$25 million	Less than or equal to \$5 million
3.	In-principle approval to divest, write-down or write-off (based on value of investment before divestment)	More than \$50 million	Less than or equal to \$50 million	Less than or equal to \$10 million
4.	Approval to divest (based on value of investment before divestment), provided the loss to the SingPost Group arising from the divestment does not exceed \$100K	More than \$25 million	Less than or equal to \$25 million	Less than or equal to \$5 million
5.	Approval to write-down or write-off (based on value of investment before divestment)	More than \$25 million	Less than or equal to \$25 million	Less than or equal to \$100,000

### Insights

#### **Insights as to Process**

Through our interviews with the Directors and the SingPost management, the consensus is that while there are written guidelines available to them, the approach taken in following these guidelines is not consistently understood by the relevant members of the SingPost management or the SingPost Board (who rely on these guidelines) and this has resulted in some confusion.

Many of the broad guidelines are implemented based on the commercial experience of the members of the relevant M&A team, with varying interpretations and applications of the principles and guidelines.

For example, in one of the prescribed M&A processes, we note that it is stated that if a contracting party is an IP, an IP review process should be commenced. There is no mention of any checks to be done with the Repository or of how potential conflicts of interest can be identified or ruled out as part of the M&A process. In addition, this requirement to initiate the internal process for IPTs only occurs much later in the prescribed M&A process – after in-principle approval of the SingPost Board is sought and after due diligence and application of relevant regulatory grants and approvals are made.

We understand the term “in-principle approval” to mean the approval for, *inter alia*, due diligence to be conducted on a potential M&A transaction. In addition, we understand that the phrase “approval to invest, subject to detailed due diligence work to be carried out” should refer to the final approval for the actual investment in the proposed acquisition. However, the latter creates some confusion as the final approval is still subject to further due diligence.

In relation to the prescribed M&A processes we have sighted, there seems to be two separate policies that are in circulation. Both policies do not refer to one another, are not consistent with each other and in some cases, contradict each other in terms of what the SingPost management needs to do, what approvals are required and when certain internal processes are to be initiated.

Based on our scope of review and the documents sighted with respect to the same, we did not encounter any evidence of non-compliance with the SGX-ST Listing Rules in the course of the CGR.

### **Specific Insights**

We note that the M&A process was not followed entirely and a key approval was not formally sought from the SingPost Board in relation to the potential acquisition of a large US enterprise, although approval from the SingPost ExCo was obtained for this potential acquisition. Based on our interviews with the SingPost management and Directors and questions posed to SingPost, we received feedback from the Directors that they were not sufficiently consulted and in-principle approval was not formally obtained for due diligence on the proposed acquisition of the large US enterprise to be carried out. This potential acquisition was eventually not proceeded with.

## 7.4 Disclosures and SGX Announcements

### Process for Release of SGX Announcements

We did not sight any written procedure on the release of SGX announcements. In response to a query posed in the course of this CGR, the Company Secretary provided us with a description in writing of the informal procedure used by SingPost, which we detail below.

For announcements and press releases relating to transactions, there is a general 3-step process as follows:

- 1) The relevant legal counsel/team prepares and circulates the draft announcement to members of the working group for input. It is unclear what "working group" means but we assume that the working group refers to the M&A team. The draft announcement is annexed to the SingPost Board or SingPost ExCo papers when approval is sought for the transaction.
- 2) The Company Secretary then attaches the final draft announcement in the SGXNet template/platform.
- 3) Upon signing of the agreement, an approval to release the final announcement via SGXNet is typically sought from the GCEO (or the GCEO's covering officer, as the case may be).

For other types of SGX announcements such as SGX announcements for "Notification of Results Release" or "Quarterly Financial Report", the Company Secretary works with the relevant departments in preparing the SGX announcements for release.

### Insights

Based on the findings for the current practices in relation to the process for release of SGX announcements as well as interviews conducted with the SingPost management and Directors, we note that the approval of the SingPost Board is not required for the release of all SGX announcements.

In addition, we have also observed that the understanding of the Directors and the SingPost management of the procedures relating to the approval and release of SGX announcements is inconsistent and the relevant responsibilities of each person involved in this process have not been properly documented.

The above findings are consistent with the findings of the Special Audit Report.

Based on our scope of review and the documents sighted with respect to the same, we did not encounter any evidence of non-compliance with the SGX-ST Listing Rules in the course of the CGR.

## 7.5 Conflict of Interest / Interested Persons Transactions

We will be dealing with directors' conflict of interest and IPTs separately.

### Directors' Conflict of Interest

#### Directors' Appointment Letter

The duties and obligations of disclosure by the Directors of SingPost are set out in the director's appointment cover letter (the "**Director Appointment Letter**"), which is provided to all Directors upon their appointment. The Director Appointment Letter makes references to further specific duties under the Memorandum of Directors' Duties and Responsibilities (the "**Memorandum for Directors**").

The Director Appointment Letter informs the relevant Director of, *inter alia*, his/her obligations of disclosure under Section 156 of the Companies Act. The letter requires a Director who is directly or indirectly interested in a transaction or proposed transaction with SingPost to declare the nature of his/her interest at a meeting of the Directors. Such declaration is required to be made as soon as practicable after the relevant facts have come to the conflicted Director's knowledge. In making such declarations, where applicable or appropriate, the Director should adopt the following practice: (i) a general notice should be given or as soon as possible after the Director's appointment as a Director; and (ii) the general notice should be updated on a regular basis by the issue of a fresh general notice whenever there are changes. In practice, there is a standard form provided to the Directors, annexed to the Director Appointment Letter to facilitate the making of disclosures.

#### Insights

While the Memorandum for Directors and Director Appointment Letter provide some guidance and insights to the obligations of Directors in disclosing their interests and potential conflicts, there are no formally prescribed policies, processes or procedures to determine or to facilitate the determination of whether there are conflicts of interests involving Directors in relation to any of SingPost's M&A transactions, or whether relevant disclosures have been made to the SingPost Board.

#### Directors' Disclosure of Interests

Declarations are required to be made by Directors upon their appointment as Directors. Directors are required to declare their current directorships in other entities and these declarations are updated annually thereafter. The information required to be disclosed are (i) details of any directorship/sole partnership/partnership/other business interests of the director in any entity; and (ii) details of any shareholdings where 5% or more of the total number of voting shares are held by the director in any business or corporation in Singapore or elsewhere.

#### Insights

However, it is not clear if these declared interests are consolidated in a database easily accessible by the SingPost management or an appointed contact person for the purposes of tracking these conflicts (as in the case of the Repository), especially in the cases of potential M&A transactions.

Currently, the declarations by Directors only include their involvement as directors in other entities. However, these declarations do not cover other relevant interests that these Directors may have.

### **Acts of Conflicted/Interested Directors**

In relation to a proposed M&A transaction where a Director has a conflict of interest, the Memorandum for Directors does not state whether a Director that is deemed to be interested or conflicted in a transaction may or may not vote at a meeting of the SingPost Board on such transaction. However, Article 102 of SingPost's Constitution provides that "A director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any personal material interest, directly or indirectly. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting".

### **Insights**

We have not sighted any relevant requirements for an interested or conflicted Director to recuse himself from participating in discussions regarding a matter which he has or may have an interest in.

### **IPT Policy**

During the term of their appointment, Directors are required to make a declaration of a list of their associates for the purposes of Chapter 9 of the SGX-ST Listing Rules. For the purposes of this section relating to conflicts of interests and IPTs, "associates" would refer to:

- i. the Director's immediate family (i.e. spouse/child/adopted child/stepchild/brother/sister/parent (whether or not such persons are financially independent));
- ii. the trustees, acting in their capacity as such trustees, of any trust of which the Director or his/her immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
- iii. any company in which the Director and his/her immediate family together have an interest (direct or indirect) of 30% or more.

SingPost's prescribed M&A process references its Internal IPT Policy. The objective of the Internal IPT Policy is to explain SingPost's Group's internal procedures and guidelines to identify, report and where necessary, seek appropriate approval for IPTs in order to ensure compliance with Chapter 9 of the SGX-ST Listing Rules. SingPost has a Repository that stores information relating to EARs and IPs that have been disclosed under the Internal IPT Policy.

The key controls of the Internal IPT Policy are as follows:

- i. The Company Secretary maintains and updates the Repository. The finance department of SingPost informs the Company Secretary of the list of recipients of the information specified in the Repository. The recipients of the information in the Repository include the senior vice-presidents, vice-presidents and assistant vice-presidents of line departments and the chief executive officers of the subsidiaries and associated companies identified as the EARs. The Repository is maintained by the IT department and the relevant senior vice-presidents, vice-presidents, assistant vice-presidents and chief executive officers are responsible for checking against the Repository in deciding whether any transaction can be entered into.
- ii. Vice-presidents and chief executive officers are responsible for ensuring that the financial procedures and approval limits for IPTs are adhered to before entering into contracts with any third parties, including any IPs. The vice-presidents and chief executive officers also ensure that the prices and terms of the contracts are fair and reasonable or on normal commercial terms, and are not prejudicial to the interests of SingPost and its minority shareholders.



- iii. Monthly and Quarterly IPT reports are provided to the SingPost management for their information.
- iv. In addition, the GCFO and vice-president (IA) reviews the IPT procedures and guidelines annually to ensure that the processes and safeguards are adequate and appropriate.

### Insights

We have not sighted any relevant policies to ensure that IPs are informed of the requirements outlined in the Internal IPT Policy and Chapter 9 of the SGX-ST Listing Rules.

Based on our scope of review and the documents sighted with respect to the same, we did not encounter any evidence of non-compliance with the SGX-ST Listing Rules in the course of the CGR.

## 7.6 Recommendations

We make the following recommendations to the SingPost Board in the area of Board processes and practices:

### 7.6 A Crisis Management:

We recommend that the relevant committee undertake a thorough evaluation of the Board's crisis management processes and practices, with a strong focus on external stakeholder communication. Together with the relevant management team (usually those responsible for risk management), establish a clear disclosure and communication policy.

### 7.6 B Management Succession Planning: Establish a process to drive greater focus and transparency in this area. Follow the Four 'A's of Best-Practice.

Objectives: To create a robust pipeline of future leaders aligned to the emerging strategic priorities, which provides a depth and breadth of leaders to execute on strategy and provides succession planning options/ choices for the Board. This is achieved through a transparent, collaborative process involving the Chair, the SingPost Board, the NC or CC, the GCEO and the CHRO, which provides greater Board visibility.

The 4's A's of Succession Planning: an ongoing practice not a one-time process

<b>ALIGN</b>	Align key stakeholders early on the ideal profile of the GCEO and key senior leaders to lead future organisational success based on the emerging strategic priorities.
<b>ASSESS</b>	Assess key high potential talent and potential successors early to identify critical gaps – providing sufficient time to test and address critical gaps and accelerate readiness.
<b>ACCESS</b>	Engage early with external talent whom could be brought in early to strengthen the succession pool and/or track external talent to bring directly into key roles.
<b>ACCELERATE</b>	Accelerate the development of key internal talent and regularly track their progress and readiness to take on additional leadership responsibilities. Support key leaders to accelerate their transition and impact in new roles.

## Mergers & Acquisitions and Divestments

### 7.6 C Written M&A Policy

In light of the commercial climate and the volume of M&A transactions that SingPost undertakes, we would strongly recommend that SingPost review the current guidelines and policies in place relating to M&A transactions.

Specifically, we strongly recommend that SingPost reviews its guidelines, delegation matrices and checklists holistically to adopt a properly documented policy relating to M&A, divestments and other corporate actions. Such a policy should serve as a guide for all M&A transactions undertaken by SingPost. This would allow for the identification of potential M&A targets consistently and in line with the overall strategic direction of SingPost and will lead to greater clarity, consistency and control over future M&A transactions. For example, it

should be made clear at which stages in a proposed M&A transaction SingPost Board approval should be sought and the parameters that such approval is to be sought for.

#### 7.6 D Holistic Approach

The obligation on SingPost to identify and expeditiously deal with potential conflicts of interest and IPTs go hand-in-hand with the various M&A transactions that SingPost undertakes. In reviewing its M&A process, SingPost should ensure that the new policy it adopts deals not only with clear steps in undertaking an M&A transaction but also ensures that SingPost discharges its obligations relating to conflicts of interest, IPTs and the release of SGX announcements, and these too should be documented and dealt with holistically in SingPost's review of its existing M&A policy.

In relation to IPTs, the obligation to deal with IPTs is set out much later in SingPost's current internal IP review process and is initiated when the proposed M&A is already in an advanced stage. This should not be the case. The formal M&A policy should set out clear procedures to identify and disclose potential conflicts of interests or IPTs as soon as possible. Read in line with our recommendations relating to conflicts of interests and IPTs, a key contact person (e.g. the Company Secretary) should be responsible for maintaining the Repository and working closely with the SingPost Board as well as the SingPost management to ensure that all potential conflicts of interest and IPTs are identified and dealt with by the relevant responsible parties as soon as practicable. The requirement can be initiated at an early stage of a proposed M&A transaction and should be a continuing obligation on all SingPost management and Directors to be actively aware of any potential conflicts or IPTs that may arise as an M&A transaction runs its course.

#### 7.6 E Financial Investment Committee

As outlined in the Board Structure Section, SingPost may also consider establishing an FIC (or equivalent) for the purposes of overseeing the M&A transactions of SingPost. The FIC should have a clear TOR and consist of Directors with the relevant skill set in M&A transactions. Suggested key objectives of this committee are to:

- i. provide advisory support on the development of the SingPost's overall strategy;
- ii. review strategic issues;
- iii. consider and approve strategic, trade and portfolio investments and divestments;
- iv. review SingPost's investment and treasury policies; and
- v. evaluate and approve financial offers and banking facilities, and manage SingPost's liabilities.

We recommend that the FIC comprise at least three Directors, the majority of whom, including the Chair, should be independent. Members of the FIC should avoid being members of the AC as well. To facilitate meetings of the FIC, we recommend that relevant members of the SingPost management be invited to join FIC meetings to keep the Directors in the FIC up to date on M&A related matters.

We note that our recommendations are consistent with the recommendations found in the Special Audit Report.

## SGX-ST Disclosures

### 7.6 F Adoption of Clear Written Policy

The current practice in SingPost in relation to the approval and release of SGX announcements has room for improvement. In reviewing the process of how SGX announcements are released, we recommend that SingPost adopts a clear written disclosure policy on the approval and release of SGX announcements that is consistent with general principles of law and the SGX-ST Listing Rules.

### 7.6 G Clear and Robust Policy and Scope of Responsibilities

Underlying all the recommendations on deriving a written disclosure policy for the approval and release of SGX announcements is the need for clear delegation of responsibilities in the drafting, preparation, approval and release of SGX announcements. Such a robust policy would ensure that information contained in SGX announcements is accurate while avoiding inconsistencies and errors. We recommend that such a policy should include the following elements:

- i. an elaborate timetable and checklist setting out when an SGX announcement has to be prepared, reviewed, and approved, and the different stages of review and approval that are required before the release of the SGX announcement;
- ii. application of the Announcement Approval Matrix (set out below) in the checklist;
- iii. within the checklist, the identification of the relevant responsible parties who will execute the various steps in the checklist, including the drafting of the SGX announcement, verification of the information contained therein, and approval of the final form of SGX announcement to be released; and
- iv. identification of the situations in which there is a need to consult external parties or where such external counsel would add substantially to the discussion at hand, and the parties responsible for ensuring that such consultation is made.

A clear detailed written disclosure policy comprising the foregoing elements will provide a more robust system of internal checks and controls to ensure consistency and adherence to SingPost's disclosure policy regarding the preparation, review and approval of SGX announcements.

### 7.6 H General Principles

The formulation of the formal written disclosure policy should also be predicated on the following general principles:

- i. All SGX announcements, whether routine, non-material or material, must be circulated to the full SingPost Board before release.
- ii. The following information should be included in the notice to the SingPost Board when a draft SGX announcement is circulated:
  - a. when the SGX announcement is intended to be released and its level of urgency; and
  - b. whether express approval is needed or whether the draft SGX announcement circulated is for the SingPost Board's information (further elaboration can be found under the Announcement Approval Matrix below), subject to any material comments given by any Director.

As a matter of best practice, all SGX announcements, after having been released, should be circulated to the SingPost Board for their reference.

#### 7.6 I Announcement Approval Matrix

As there are numerous transactions occurring simultaneously at different levels within the SingPost Group, it would be impractical to require the SingPost Board to expressly sign off on every SGX announcement before it is released. Therefore, we would recommend that the SingPost Board approve a formal and written announcement approval matrix to improve the efficiency of approving and releasing SGX announcements in a timely manner. For example, SGX announcements may be classified into various categories, based on factors such as the type of SGX announcement as well as pre-determined financial thresholds:

##### (a) Routine announcements

Routine announcements would refer to announcements relating to events planned in advance based on a pre-set timetable. Some examples of routine announcements would include announcements relating to the books closure date for dividends and the notices of AGMs of SingPost.

For routine announcements, such announcements can be approved by the relevant working groups or involve the SingPost management and be in finalised form before being circulated to the SingPost Board where the SingPost Board is given a fixed notice period (e.g. at least half a day notice) to give comments before it is deemed to be approved for release.

The notice to the SingPost Board may state that such announcement will be released by a certain time (e.g. upon close of market on the same day) if no material comments are received from the SingPost Board.

##### (b) Non-Material announcements

Non-material announcements would include announcements relating to the incorporation or winding-up of subsidiaries, non-material joint ventures, the opening of new offices or any change in the shareholding interests of Directors.

Such non-material announcements can be approved by the relevant working group or management and be in finalised form before being circulated to the SingPost Board.

The notice to the SingPost Board may state that (i) a certain amount of time (e.g. one day) is given to the SingPost Board to provide any comments before the announcement is deemed to be approved by the SingPost Board for release; or (ii) that the announcement will be released by a pre-determined time if a majority of the Directors provide their express written consent.

##### (c) Material announcements

Material announcements refer to announcements relating to affairs that are not within the ordinary course of business of SingPost. Some examples of material announcements include announcements relating to IPTs, major M&As, general mandates obtained from shareholders of SingPost, significant borrowings and the financial results of the SingPost Group.

Material announcements should require the review and express approval of every Director before the release of such announcements unless that Director cannot be reached or cannot communicate his approval.

The notice to the SingPost Board should state that express written consent is required from every member of the SingPost Board before the announcement can be released. The written disclosure policy should include protocols to seek out every Director's view on the announcement and obtain his/her express consent, especially in the situation where a particular Director is unreachable.

The written disclosure policy should indicate that Directors are encouraged to actively provide comments to the draft announcements with the intention to improve the quality of the disclosure.

(d) Market Disclosure Committee

To complement SingPost's adoption of a written disclosure policy, SingPost may consider establishing a Market Disclosure Committee ("MDC") (or equivalent). The composition of the MDC can include mainly members of the SingPost management team (or equivalent roles) such as the Group CFO, Group Financial Controller, chief legal officer, Company Secretary, senior vice-president of Corporate Communications and vice-president of Investor Relations.

The MDC can take on the role of administering and overseeing SingPost's disclosure policy and ensure that SingPost complies with its disclosure obligations. The MDC should have clear TOR but should also allow room for flexibility to adapt to the changing business climate that SingPost operates in. The members of the MDC should thus constantly stay abreast of changing disclosure requirements and periodically review and fine-tune SingPost's disclosure policy to stay relevant with the latest business and legal developments.

7.6 J Errors or Inaccuracies in Announcements

Notwithstanding how robust a written disclosure policy (as described above) may be, it is always possible that errors or inaccuracies may escape the various stages of internal controls even where there has been no intention to make false or misleading statements.

As a matter of best practice, it should be stressed that in the event any errors or inaccuracies are discovered in an announcement that has been released, a clarification announcement should be made to clarify or correct the error on a timely basis. Notwithstanding whether or not there is any obligation under law to correct such errors or inaccuracies or that it may be uncertain whether an error or inaccuracy is material to warrant making a clarification announcement, the balance of consideration should tilt in favour of the interest of the public to receive accurate and truthful information over the interest of convenience. This is in line with a disclosure-based regulatory regime and SGX-ST's interest in ensuring that the public can rely on information contained in SGX announcements.

In deciding when to make an announcement to clarify or correct an error, SingPost should be guided by the relevant laws, rules and guidelines.

## 7.6 K Holistic Approach

In developing a policy to regulate SGX announcements and other disclosures, a holistic approach needs to take into account the fact that the requirement to release an announcement often stems from an M&A transaction and/or the involvement of potential conflicts of interest or IPTs in such transactions. Therefore, the relevant review of the M&A and conflicts of interest and IPT processes would have to address when SGX announcements are made and indicate clearly the workflow in ensuring the relevant adopted approval matrix and process are consistently followed. These M&A processes and conflicts of interest and IPT policies need to take into account and incorporate the policies relating to the release of SGX announcements so that no one aspect operates in a vacuum.

Such policies should be made easily accessible and easy to apply. One possible way would be to incorporate these policies in an electronic Board Book that can be made available on electronic devices (e.g. iPads, cell phones, Kindle) and is accessible by all Directors and SingPost management. This allows all relevant parties to have access to SingPost's policies and processes wherever they are.

We note that our recommendations above are consistent with the recommendations found in the Special Audit Report.

## Conflicts of Interest and Interested Persons Policy

### 7.6 L Adoption of Formal Conflicts of Interest Policy

We strongly recommend that SingPost adopts a formal conflicts of interest policy applicable to all Directors. We recommend that such a policy should include the following general principles:

- i. Directors should refrain from placing themselves in a situation where their interests would be or would be likely to be in conflict with the interests of SingPost;
- ii. Directors should be transparent to SingPost in any disclosure of their interests;
- iii. Directors should keep the information that they obtain due to their position in SingPost confidential, and should not use such information to further their own interests or the interests of their associates;
- iv. Directors should refrain from using their position in SingPost to obtain benefits for themselves or for their associates, especially where this would lead to adverse consequences for SingPost;
- v. Directors should not permit their interests or the interests of their associates to take precedence over the interests of SingPost or its shareholders;
- vi. Directors should disclose any conflicts of interest to the SingPost Board, and in particular, all Directors should disclose all conflicts of interest that have occurred or may possibly occur to the SingPost Board;
- vii. Directors should abstain and recuse themselves from discussions or voting on resolutions in which they have a conflict of interest, and further consider whether it would be appropriate for them to inform SingPost not to send them Board papers relating to the resolution, or in severe situations, whether to resign from the SingPost Board;
- viii. Directors should adhere to all rules and regulations relating to the sale and purchase of SingPost shares, and must abide by any requirements established by the SingPost Board involving the sale and purchase of SingPost shares; and

- ix. Directors should ensure that any information which is not publicly available and which would have a material effect on the price of SingPost shares is not disclosed to other persons.

#### 7.6 M Standard Forms

We strongly recommend that SingPost adopts the best practice for the disclosure of interests by adopting the standard form for directors' disclosure of interests as set out in Appendix B7 of the Guidebook for Audit Committees in Singapore, 2<sup>nd</sup> Edition (the "Guidebook for Audit Committees") for the purposes of its annual disclosures. The foregoing includes the following interests that a director should disclose on an annual basis:

- i. Interests in shares and debentures as well as interests in options in shares and warrants. The interests should include direct and deemed interests as set out under Sections 4 and 130(5) of the Securities and Futures Act as well as Section 7 of the Companies Act. In addition, a director is deemed interested in the shares and debentures in which his immediate family members (i.e. spouse and children under 21 years old, including step-children and adopted children, provided such person is not also a director or chief executive officer) have an interest. Relevant details of how the deemed interests arise should also be provided.
- ii. List of other directorships and appointments.
- iii. List of trusts in which the director or his/her immediate family members (as defined in the SGX-ST Listing Rules) are beneficiaries or, in the case of discretionary trusts, a discretionary object.

As a step further, we recommend that all disclosures made should extend to cover "principal commitments" (as defined under the SGX-ST Listing Rules), whether current or, if applicable, future.

#### 7.6 N Scope of Directors' Disclosure

##### Procedures relating to Disclosures by Directors

Logistically, SingPost should define standard procedures and guidelines for the declarations of Directors' interests. Some general principles for such procedures and guidelines would include:

- i. standard forms should be used in the Directors' annual declaration of interests (e.g. the standard form as recommended in the Guidebook for Audit Committees);
- ii. where there are changes in these interests in real time, easily accessible standard forms with clear instructions on how to use them should be available to the Directors to update such changes; and
- iii. the timing in making such declarations or changes in interests and the relevant contact person whom such declarations are made to and how such declarations are eventually made to the SingPost Board should be clearly defined.

In relation to the timing of such declarations, SingPost could consider requiring Directors to complete the standard forms not only once a year, but also to make such declarations as and when there are changes in their relevant interests or where there are transactions that may result in a conflict of interests.

##### Scope and Method of Disclosure by Directors



In relation to a director's obligations of disclosure of interests under, *inter alia*, Section 156 of the Companies Act, we note that the Statement of Good Practice No. 5/2006 issued by the Singapore Institute of Directors ("SGP No. 5") recommends that, where directors are uncertain as to whether they are in a position of conflict, such directors should discuss the matter with the Chair of the Board or the nominating committee and seek professional advice where necessary. Further, SGP No. 5 states that where reasonable doubt still exists after such consultation or advice, the matter should be treated as a conflict situation.

As a more robust measure than the above, we strongly recommend that the SingPost Board adopts a wider approach in the making of disclosures of directors' interests consistent with the spirit of Section 156 of the Companies Act. We recommend that in determining whether an interest should be disclosed, Directors should make a declaration of interest to the SingPost Board as long as there is even the slightest possibility of a potential conflict and that the disclosure should be made as soon as he/she is aware of the potential conflict. Such disclosures must be made to the SingPost Board and should be non-delegable to any other sub-committee or sub-Board.

We strongly recommend that the disclosure process be streamlined to allow Directors to make disclosures by way of notice (using easily accessible standard forms with clear instructions on how to use them) to a pre-designated contact person (e.g. the Company Secretary) who can be tasked to disseminate the information to the SingPost Board. Such contact person should direct the notice as soon as practicable (within one day) to the SingPost Board. This enables information and declarations to be made expeditiously and ensures that each declaration reaches the SingPost Board without undue delay.

#### 7.6 O The Repository

An additional step in creating a holistic framework for identifying and ensuring that conflicts can be identified early and disclosed would be to boost the functions and scope of the Repository. In addition to the list of EARs and IPs that are kept in the Repository under the Internal IPT Policy, a separate and additional running list of Directors' conflicts and interests that have been disclosed in the Directors' annual disclosure of interests and any ensuing updates made throughout each year can be maintained. This Repository can be cross-checked by relevant members of the SingPost management or Directors for any potential conflicts or IPTs.

Updates of this Repository can be done on a periodic and timely basis or in reaction to changing circumstances and a relevant contact person (e.g. the Company Secretary) should update the Repository.

Practically, where there are any proposed M&A transactions, all involved parties, including the financial advisors, auditors, accountants and other professionals in the transaction, should be checked against the Repository as potential IPs.

#### *Duties of Directors and the SingPost Management*

Although the Directors themselves have a duty of disclosure, the standard written policy can specify procedures that require the SingPost management or any relevant working group involved in the proposed M&A transaction, to be part of the ecosystem of checks in SingPost to safeguard SingPost's interests. This can be achieved by placing on the SingPost management the responsibility to inform the SingPost Board (or a contact person, who will inform the SingPost Board) of any conflicts of interests or potential conflicts identified based

on throughout cross-checks with the Repository, which the SingPost management has access to.

Nonetheless, it must be emphasised that the responsibility for the disclosure of a Director's interest falls on the relevant Director, and this responsibility cannot be delegated to the SingPost management. Thus, even where the SingPost management is aware of a Director's conflict of interests, the relevant Director should still ensure that the SingPost Board is made aware of his/her conflict of interests.

#### 7.6 P Acts of Conflicted/Interested Directors

In relation to the presence of a Director at a meeting that discusses matters in which the Director may be placed in conflict, we note that SGP No. 5 expresses the opinion that it is good practice for a conflicted director to recuse himself/herself when such conflict-related matters are discussed unless the Board is of the opinion that his/her presence and participation is necessary to enhance the efficacy of such discussion. However, SGP No. 5 also recommends that a conflicted director may participate if he/she: (i) is invited by the Board to do so; (ii) if the Board consents, where the conflicted director believes in good faith that the Board has not considered all relevant matters for them to come to a decision on the conflict-related matter and the conflicted director is able to lawfully provide such information; and (iii) if the Board consents, where the conflicted director believes in good faith that the Board will otherwise make an unsound decision. Further, where the interested or conflicted director is aware of certain facts which may be relevant to the resolution to be approved at the meeting, and knows that the other directors may not be privy to these facts, the interested or conflicted director should, if lawful to do so, disclose these facts to the other directors, especially where the disclosure of these facts would better equip the other directors to safeguard the interests of SingPost.

We recommend that in order to facilitate full and frank discussions as well as to avoid any perceived risk of influencing the SingPost Board, an interested or conflicted Director should recuse himself/herself from and not participate in meetings where the transaction or proposed transaction in which he/she has an interest or is conflicted in is discussed.

Taking into account the significance of the conflict of interest and the potential ramifications of a failure to handle the conflict properly, Directors should also consider whether to inform the SingPost Board not to send them Board papers relating to the resolution. The interested or conflicted Director should also recuse himself/herself and not vote in any meetings where the transaction or proposed transaction in which he/she has an interest is discussed at all levels within the SingPost Group (including, but not limited to, SingPost's subsidiaries and any committees and sub-committees that are involved in the proposed transaction). In severe situations, Directors should consider whether it might be appropriate to resign from the SingPost Board. This is particularly relevant where the conflict of interest is a material one that will continue over a prolonged period or where it results in the appearance of serious impropriety on the part of SingPost or the Director.

#### 7.6 Q Educating the Relevant Parties

To ensure that all relevant parties are well informed of their responsibilities, we recommend that SingPost, in reviewing its conflicts of interest and IPT policies, should establish a program (e.g. briefings, training) to ensure that key stakeholders (such as the SingPost management/Directors and employees involved in the oversight and monitoring requirements) are informed of and trained in the requirements as outlined in SingPost's

conflict policy (to be adopted), Internal IPT Policy and Chapter 9 of the SGX-ST Listing Rules.

We note that our recommendations are consistent with the recommendations found in the Special Audit Report.

## 8. RECOMMENDATIONS: SUMMARY AND CHECKLIST

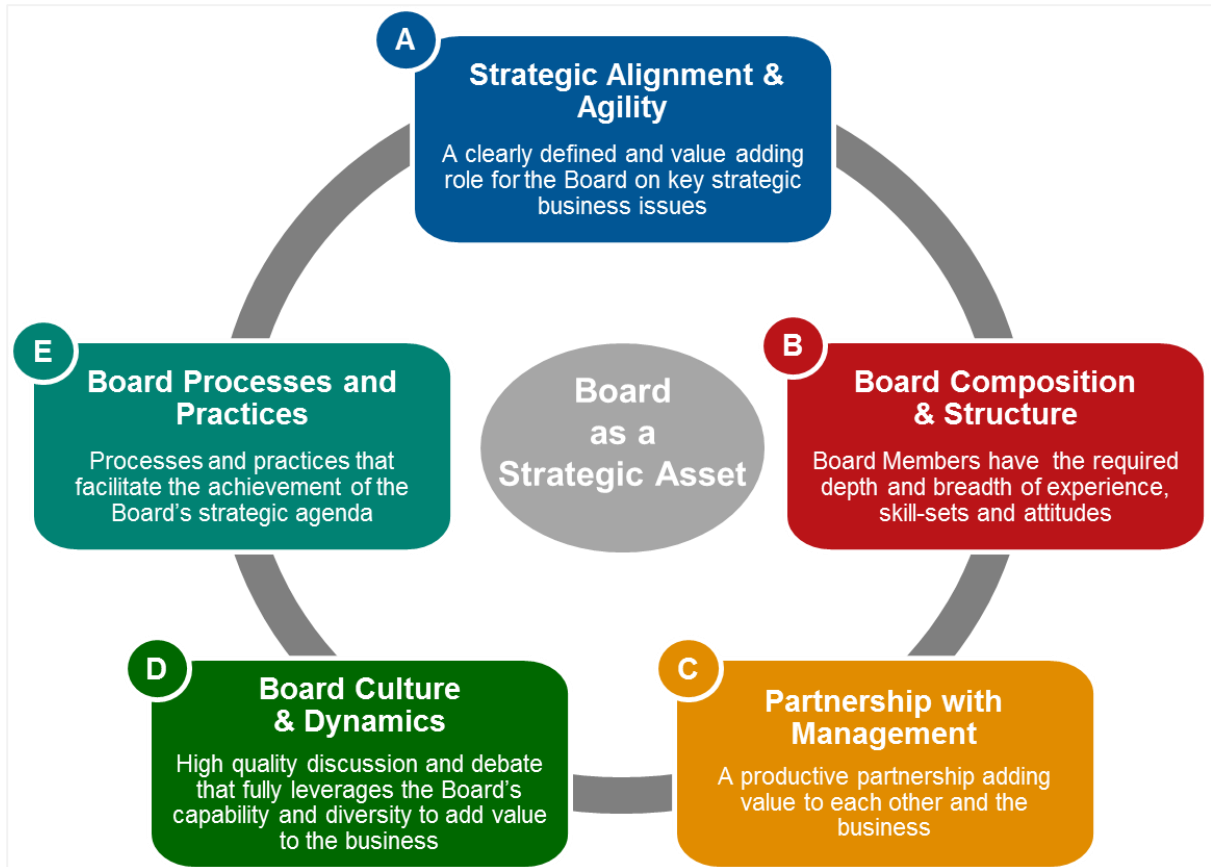
Recommendation (items are not ranked in order of importance)		Implementation Timeline
<b>Strategic Alignment and Agility (See Section 2.4)</b>		
1	The SingPost Board and SingPost management to incorporate the following within the 2016 annual Board strategy process: A) Continue to have the Board play an active role in contributing to strategy, but with a greater delineation between the role of the Board and management; B) Review the Strategic Growth Ambition; Align on the organic growth strategy (e.g. Market Sequencing and Geographic Focus) and Structured Process to manage potential inorganic growth options; C) Align Organisational Capability, Resources and Talent Bench-Strength to the Strategy; and D) Integration of Acquired Assets	To be conducted in partnership with the incoming GCEO
<b>Board Composition (See Section 3.4)</b>		
2	Appoint a legal expert, preferably someone with deep expertise in M&A	
3	Appoint a Director with a combination of broad P&L leadership experience and e-commerce logistics expertise	
4	Appoint a Director with strong financial / accounting expertise	
5	Create the 'Board Composition Matrix' to review alignment between Board composition and the strategic priorities and adopt process for the NC to review Board composition	
6	Define success profiles for key Board leadership roles – Board Chair, the LID and the Committee Chairs	
7	New Board Member Assessment and Selection: Adopt a structured process for assessing and evaluating potential new directors using the pivotal expertise and Board leadership competencies created in the review	
8	Adopt a clear Board renewal practice and process – taking into consideration Board succession	
9	Adopt the Board Tenure policy – outlined in section 3.4 F	
10	Adopt the Independence of Directors policy – outlined in section 3.4 G	
<b>Board Structure (See Section 4.3)</b>		
11	Document material items which require Board approval	
12	Review the TORs, Financial Authorities and Delegated Authorities of all Committees	

<b>Recommendation (items are not ranked in order of importance)</b>		<b>Implementation Timeline</b>
13	Improve Information Flow/Symmetry between some Committees and the SingPost Board: implement a policy for all Committee and Board Minutes to be circulated within a predetermined number days from the meeting	
14	Reconstitute SingPost ExCo as an FIC with the reduction of scope	
15	Corporate Governance Committee: Reconstitute the NC as a new Corporate Governance and Nominations Committee	
16	Extended mandate of the CC to include management succession planning	
17	Committee Composition: Establish a simple matrix of the key expertise and leadership competencies	
18	Review and Streamline the Structure and Process for Management of Subsidiary Boards	
<b>Partnership with Management (See Section 5.3)</b>		
19	Build a Highly Collaborative Partnership Between the New Chair and New GCEO: A) Chair to role model the desired partnership behaviours and the distinctive role of the Board and management; B) Select a GCEO who can work effectively with and complement the Board Chair	
20	Clear Roles and Responsibilities of the SingPost Board and SingPost management, the Company Secretary, GCEO and Board Chair to be documented	
<b>Board Culture and Dynamics (See Section 6.2)</b>		
21	Board Code of Conduct: Create and align on a Board Code of Conduct – setting out the agreed tone and spirit of the SingPost Board and non-negotiable behaviours for how the SingPost Board will work together	
22	Role Modelling from the New Chair: The Board Chair to role model the desired Board Culture	
23	Annual Review: Conduct an annual Board Review – to include feedback specifically on the Board Culture and the Board Chair	
24	Lead Independent Director: Review the formal description of the role and success profile of the LID to follow best practice	
<b>Board Processes (See Section 7.6)</b>		
25	Crisis Management: Review the Board's crisis management process and practices, with a strong focus on external stakeholder communication; establish a clear disclosure and communication policy	
26	Management succession planning - initiate a process, culture and continuous practice of succession planning to be coordinated by the CC and led by the Board Chair and SingPost Board	

Recommendation (items are not ranked in order of importance)		Implementation Timeline
27	Mergers & Acquisitions and Divestments: Document the M&A policy and adopt a holistic approach to include review of conflicts of interest and IPTs earlier in the M&A cycle; and Establish an FIC for the purposes of overseeing the M&A transactions as outlined in section 7.6	
28	SGX-ST Disclosures: Adopt the recommendations and document a clear and robust disclosure policy as outlined in section 7.6	
29	Conflicts of Interest and Interested Persons Policy: Adopt a formal documented Conflicts of Interest Policy with a holistic framework – incorporating Standard Forms, Scope of Directors' Disclosures, Acts of Conflicted/Interested Directors, Educating Relevant Parties, and expanding the scope of the Repository as outlined in section 7.6	

# APPENDICES

**Appendix 1:  
Heidrick & Struggles Accelerating Board Performance Framework**





**Appendix 2:  
SingPost Board Composition Matrix – template**

Criteria	Chairman	CEO	Director 1	Director 2	Director 3	Director 4	Director 5	Director 6	Director 7	Director 8	Total Score
<b>Commercial P&amp;L Leadership</b>											
Lead Complex, Commercial Businesses											
Mergers, Acquisition and Integration											
Transformation											
<b>Expertise Across the SingPost Value Chain</b>											
E-commerce											
Postal											
Logistics											
<b>Functional/ Technical Expertise</b>											
Finance / Audit / Risk Management											
Cybersecurity											
Legal											
Digital and Application of Technology											
<b>Geographical Expertise</b>											
Singapore Network and Credibility with Regulators											
South East Asia											
North Asia											
Europe											
United States											
<b>Availability</b>											
Number of Other Boards including SingPost											
Active Executive											
<b>Personal</b>											
Gender Diversity											
Age											
SingPost Tenure – Continuity											
Independence											

0 Low    1 Medium    2 High

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