

Guidelines on Corporate Governance

Foreword

IMAS believes that investment managers, as stewards of the money of others, need to have regard to their role as shareholders. We recommend, therefore, that investment managers should have a policy relating to corporate governance arrangements and behaviours of the companies in which they invest; consider the process required to implement this policy; and review the information that should be presented to their clients.

In order to assist members, IMAS has developed a voluntary "Guidelines for Corporate Governance" for investment managers, in their capacity as shareholders. This is intended to complement codes and guidance already developed by other bodies such as Corporate Governance Committee and the Singapore Exchange.

IMAS recommends that investment managers should, wherever possible, maintain communication with companies, vote actively and inform their own investors about their policy on voting and other corporate governance matters. Voluntary adoption of the Code is likely to be practicable only for the relationships between investment managers and Singapore listed companies. In the longer term, it may be desirable to consider the practicalities of extending the Code to relationships with overseas companies.

STATEMENT OF KEY PRINCIPLES

1. POLICY ON CORPORATE GOVERNANCE

IMAS encourages all members to adopt a clear and considered policy towards their responsibilities as shareholders. As part of this policy, IMAS recommends that members should take steps to satisfy themselves about the extent to which the firms in which they invest comply with the recommendations of the Code of Corporate Governance issued by the Corporate Governance Committee on 21 March 2001 and subsequent updates which may be issued.

2. RESPONSIBLE VOTING AS SHAREHOLDERS

IMAS welcomes Principle 15 of the Code of Corporate Governance which stipulates that companies should encourage greater shareholder participation at annual general meetings, and allow shareholders the opportunity to communicate their views on various matters affecting the company. IMAS therefore encourages members to exercise actively the voting rights represented by the shares they manage on behalf of their clients.

3. VOTING POLICIES AND PROCEDURES

IMAS encourages all members to have written policies that they use, subject to clients' mandates, to determine how to vote proxies relating to securities in funds they managed. Such policies should be disclosed in the case of unit trusts, in their prospectuses, and for clients in writing to the latter.

These policies and procedures should be designed to reasonably ensure that proxies are voted in the best interest of the clients concerned, and should include both general policies well as policies with respect to voting on specific type of issues. In addition, they should also cover how conflicts between the interest of the members or its affiliated parties on the one hand and those of the funds they managed should be addressed.

Members should maintain records on the votes exercised, and any deviation from the policies must be documented. Members should put in place arrangements to provide a record of how the members have voted their proxies if these are requested for by clients.

4. VOTING PROCEDURES

IMAS recommends that members agree, in writing, and keep under regular review with trustee, depositaries and custodians the practical arrangements for circulating company resolutions and notices of meetings and for exercising votes in accordance with standing or special instructions.

5. INTERNAL AUDIT OF VOTING ACTIVITY

IMAS encourages members to establish appropriate systems of internal audit of voting activity. Members may wish to include in their report a statement that such an internal audit system is in place.

6. COMMUNICATION WITH COMPANIES

IMAS welcomes Principle 14 of the Code of Corporate Governance which states that companies should engage in regular, effective and fair communication with shareholders. IMAS encourages members to be ready, where practicable, to enter into regular communication with companies based on the mutual understanding of objectives.

Regular communication provides opportunities for members to explore with companies any concerns they may have about companies' compliance with the Code of Corporate Governance.

7. EVALUATION OF COMPANIES' CORPORATE GOVERNANCE ARRANGEMENTS

IMAS welcomes Principles 2 to 5 of the Code of Corporate Governance which states that when evaluating companies' governance arrangements, particularly those relating to board structure and composition, and appointment and assessment of directors, shareholders should give due weight to all relevant factors drawn to their attention.

IMAS encourages members to have a written corporate governance policy, including policies regarding the monitoring and evaluation of the corporate governance activities of the companies.

8. DISCLOSURE

IMAS recommends that members should include in their reports to clients, as a minimum, a statement as to whether the member is following the IMAS Code of Ethics and Standards of Professional Conduct. The detailed content of such a statement would of course be a matter for the discretion of individual members.

Members may also wish to take additional opportunities to inform clients about their approach on corporate governance matters.

9. TRAINING

IMAS encourage all members to provide training for relevant staff on corporate governance issues and on communicating the members' policy on corporate governance to its clients.