

## Singapore Fund Directors Association's (SFDA) Code of Conduct

### *Our Vision*

To be recognised locally and internationally as an advocate and facilitator of excellence in fund director practices through education, information sharing and accreditation as well as creating an influential community to promote professionalism and exemplary practices of fund directors.

### *Our Values*

#### EDUCATION AND KNOWLEDGE

- To organise and conduct development programmes for the continuing education of fund directors and to provide training for potential fund directors.
- To develop and promulgate among members the standards, rules, disciplines and guidelines regarding fund directors' conduct, integrity, and responsibilities.
- To establish a system of accreditation for fund directors.
- To keep abreast of world trends in fund governance with a particular focus on fund director practices.
- To provide members with value-added services, benefits, and organise regular activities to facilitate networking and information-sharing opportunities.

#### LOCAL AND INTERNATIONAL RELATIONS

- To be the voice for the fund director community in leading consultations and discussions with the government, regulatory authorities, and service providers on fund governance issues.
- To be recognised as the representative body for fund directors in Singapore.
- To work closely with other industry associations in providing a collective voice for the betterment of the funds industry in Singapore.
- To become an essential partner to fund director associations in other countries in the global promotion of good governance for funds.
- To promote and create awareness of the SFDA's role, to the public.

#### RESPONSIBILITY AND ACCOUNTABILITY

- To encourage our members to act objectively, responsibly and in the best interest of the funds served.

#### PROFESSIONALISM AND INTEGRITY

- To foster and uphold high ethical standards of our members.
- To raise the standards of fund governance, thereby advancing the quality and expertise of fund directors in the industry.

## *Preface*

The intention of the SFDA Code of Conduct (the “Code”) is to provide the board of directors of investment funds (the “Board”) with a framework of high-level principles and best practices for an effective and efficient governance of funds. The Code is also intended to ensure that fund directors demonstrate a high standard of professionalism and ethical behaviour when discharging their obligations.

The SFDA, as its name suggests, is focused on those individuals who choose to act as directors of investment funds (a “Fund Director”).

For the avoidance of doubt, the term investment funds can include, and is not limited to, (i) funds that are managed by family offices, funds that are in the form of limited partnership models where the director sits on the board of the general partner and funds that are set up by charitable organisations and foundations, and (ii) whose primary business activity involves a portfolio of investments, in any asset class, in the public or private markets, that is being professionally managed. It does not include funds or assets that are managed by a corporate on behalf of its related corporations and that are not held on trust or pursuant to any investment contract entered into with persons that are not its related corporations.

In developing the Code, consideration was given to the broad responsibilities of the Board, and the high-level of responsibilities that this confers on a Fund Director. As a fund would typically not have employees of its own, the Board would be responsible for overseeing the service providers of the fund, such as an investment manager, an administrator, custodian, registrar and transfer agent and a prime broker.

Essentially, the key roles of a Fund Director are stewardship and ensuring proper governance of a fund. A Fund Director’s responsibilities in that regard would include, but are not limited to, the following:

- (i) providing leadership and oversight over the affairs of the fund;
- (ii) ensuring that the fund’s operations and policies are aligned with the fund’s documents (including the constitution and offering memorandum);
- (iii) ensuring that the service providers appointed to the fund have sufficient expertise, skills and experience to discharge their respective responsibilities;
- (iv) identifying and managing risks as well as actual and perceived conflicts of interests; and
- (v) ensuring that all communications to investors are clear and accurate.

The Principles of the Code are designed to support good judgement and are not intended to be prescriptive. The Code seeks to provide guidance to SFDA members and outlines the minimum standards expected by the SFDA of its members. The SFDA expects its members to be able to demonstrate tangible evidence of its commitment to the Code.

The Code does not and should not be taken to supersede any laws and regulations applicable to Fund Directors, a fund or its service providers.

Appointed Fund Directors must also satisfy, where applicable, the minimum criteria as outlined by the Accounting and Corporate Regulatory Authority (“ACRA”) and Ministry of Manpower. This applies to both Executive Directors, who typically have greater access to day-to-day management information of a fund, and Non-Executive Directors, who have less access to such information but are expected to adopt a more specific role in having oversight of the management team based on their own industry knowledge and expertise. Additionally, Executive Directors are expected to separate their own management roles from their Board role and to recuse themselves from any conflicts that may arise from acting in both roles. Whether executive or non-executive, independent or interested, all directors of a corporate fund will be expected to have the same duties.

All members of the SFDA are required to understand and comply with the Code and all applicable laws that govern the relevant fund and its operations.

In conjunction with Our Values, the Code is intended to help facilitate proper decision-making and sound actions of individuals responsible for the governing body of an investment fund, regardless of the legal structure of the fund.

### ***Our Principles***

Below are the 10 key Principles of the Code

Regardless of the legal structure of the investment fund that the SFDA member serves as a director, all SFDA members must abide by this set of 10 Principles when discharging their obligations as Fund Directors:

- I. ***Integrity and Honesty*** Fund Directors must act with utmost integrity and honesty when discharging their obligations to the fund. Additionally, the director must uphold the principles of the Code and the best practice recommendations of the SFDA.
- II. ***Due Care and Diligence*** Fund Directors must exercise due care and diligence when conducting their governance functions and exercising their powers as the director of the fund.
- III. ***Devotion of Time*** Fund Directors should ensure that they can dedicate adequate attention, and should allocate sufficient time, to discharge their responsibilities effectively.
- IV. ***Act in the best interest of the fund*** Fund Directors should use the power of their position for a proper purpose, acting in the best interest of the fund and consequently, its stakeholders.
- V. ***Independence*** Fund Directors must remain independent in their judgement and actions and must take reasonable care to ensure the soundness of all decisions taken by the Board.

- VI. **Confidentiality** Fund Directors must safeguard the information pertaining to the fund and its activities and should not make improper use of the information gathered in the individual's capacity as a director.
- VII. **Manage Conflicts of Interest** Fund Directors must be aware of, manage and disclose all potential, perceived and actual conflicts of interest that arise or may arise between the fund's interest and his/her personal interests or interests of his/her associates.
- VIII. **Competency** Fund Directors must maintain high personal standards by ensuring continuing education of legal and regulatory requirements applicable to fund structures and operations, adherence to the Code and staying current with fund governance best practices and other fund industry developments that have a foreseeable impact on the role of a Fund Director.
- IX. **Compliance Oversight** Fund Directors must ensure that the fund complies with all applicable laws and regulations and acts in accordance with the constituent documents of the fund.
- X. **Risk Management Oversight** To ensure that the Board is effectively discharging its risk management obligations, Fund Directors must ensure that the fund has in place appropriate systems, processes and controls in place for identifying, analysing and managing risk.

Please note that as this Code will be periodically reviewed and updated, and it is incumbent on each SFDA member to stay abreast of changes to the Code.

### **Best Practice Recommendations**

To effectively discharge their governance obligations, Fund Directors must familiarise themselves with the relevant laws and regulations applicable to the offering and operations of a fund to fulfill their legal and regulatory obligations. In conjunction with a required understanding of the relevant laws and regulations, directors should apply the above set of principles outlined in the Code when formulating a decision as part of their governance obligations. To assist with the understanding of these principles, we have compiled a set of best practice recommendations to assist Fund Directors and Boards with the application of these principles.

This set of best practices has been derived from and builds upon research conducted on various frameworks and director-related guidelines in established jurisdictions such as Singapore, Luxembourg, Australia, United Kingdom and the Cayman Islands. It should be noted that this set of best practice recommendations is by no means fully comprehensive and does not cater for all governance circumstances. Furthermore, as governance is a continually evolving practice, it is incumbent on Fund Directors to keep abreast of the changes in this domain.

As previously mentioned, the Code cannot cover every situation or replace good judgment. The following best practice recommendation highlights the potential key considerations that a Fund Director should contemplate when making decisions to discharge his/her governance obligations.

**I. Fund Directors must act with utmost integrity and honesty when discharging their obligations to the fund entity.**

Acting as a member of the Board, Fund Directors must act in good faith and in the best interest of the fund. Fund Directors must hold themselves to the highest ethical standards, to interact in an open, honest positive manner and be guided by what is right.

Fund Directors are expected to demonstrate professionalism, leadership, integrity, ethical behaviour, and proficiency. They are expected to refrain from any activity that will discredit or bring disrepute to the fund entity, the SFDA or its members.

Fund Directors should be cognizant of the fact that their behaviour and actions will have a direct impact on the fund and its stakeholders.

Fund Directors who are SFDA members are expected to conduct themselves in a manner that will contribute to the reputation, welfare and advancement of the SFDA and ensure its good standing in the funds community. Members of the SFDA, are expected to strive to maintain and where possible, enhance the reputation of the SFDA. Fund Directors are expected to respect and accept the professional standing of their fellow members in the SFDA at all times.

**II. Fund Directors must exercise due care and diligence when conducting their governance functions and exercising their powers as the director of the fund entity.**

Fund Directors should be aware of their duties at law, which includes acting in good faith and the best interests of the fund; exercising due care, skills and diligence; and avoiding conflicts of interest.

Fund Directors should seek information of an appropriate nature, scope and quality, with sufficient reporting frequency from the service providers to the fund so as to enable the Board to consider and properly discharge its oversight responsibility.

Fund Directors should ensure that the service providers appointed to the fund have sufficient expertise, skills and experience to discharge their respective responsibilities. Fund Directors should ensure that the fund has in place proper policies and processes to comply with applicable legal and regulatory requirements. Where the Board has delegated certain functions to service providers, the Board should ensure that the respective agreements with the service providers adequately set out the duties and responsibilities of the service providers, in compliance with the fund documents, policies and applicable laws and regulations. The Board must continue to maintain oversight of the performance of the service providers.

Fund Directors should ensure that fund offering documents: (i) accurately describe the investment objectives and strategies of the fund, (ii) reflect all applicable legal and regulatory disclosures; and (iii) contain clear, reasonable and specific disclosures on applicable risks. Where the fund has an express mandate to invest in a particular investment universe (such as environmental, social and governance (ESG) investments), Fund Directors should ensure that the offering documents are sufficiently clear on the relevant parameters on the investable universe and that processes are in place to comply with applicable regulations, guidelines and industry best practices.

It is incumbent on Fund Directors to ensure that they prepare for and actively participate in board meetings and that they are given and seek the regular and timely information required to enable them to effectively discharge their obligations. Where necessary, Fund Directors should seek professional advice or information to enable them to effectively discharge their duties.

**III. Fund Directors should ensure that they can dedicate adequate attention, and should allocate sufficient time, to discharge their responsibilities effectively.**

When accepting appointments to act, and throughout the course of their appointment, on a fund Board, Fund Directors should ensure that they are able to devote sufficient time to the fund so as to be able to discharge their responsibilities and to contribute to the Board effectively.

What amounts to sufficient time would depend on several factors, including but not limited to, the circumstances of each Fund Director, his/her level of experience and expertise, the number of funds that he/she serves and the complexity of the strategies of the fund in question. A Fund Director should therefore consider and assess each appointment carefully, inquire on the time commitment expected and ensure that he/she is able to allocate sufficient time to each fund served so as to enable he/she to discharge his/her responsibilities adequately and effectively.

**IV. Fund Directors should use the power of their position for a proper purpose, acting in the best interest of the fund and its stakeholders.**

Fund Directors must not take improper advantage of their position as director on a fund board and must act fairly and independently in the best interests of its economic stakeholders (Note: Generally, by definition economic stakeholders are the shareholders of the entity but in the event of an insolvency will include the entity's creditors). Sufficient care should be taken when making decisions involving parties affiliated with a Fund Director (refer to section VII below for best practice recommendations to dealing with conflicts of interest situations). Consideration should also be given to rights and entitlements of specific shareholder classes if different shareholder classes exist within the fund entity. Additional consideration and deliberation must be given to decisions that may prejudice one share class over another.

In their capacity as board members, Fund Directors must take all reasonable steps to sustain the fund's financial viability and ensure that its assets are being properly managed in accordance with its terms and policies, and are adequately safeguarded. In general, Fund Directors should ensure that:

- (i) information provided to investors, particularly with regard to the investment objectives, risks and costs of the fund, is true, fair, timely and not misleading;
- (ii) the fund has in place processes to ensure that all assets of the fund are properly safeguarded and segregated from the assets of the manager and other clients of the manager;
- (iii) the fund has in place: (a) a valuation policy and any applicable pricing models that are in line with legal and regulatory requirements and accounting standards and (b) a formalized process for reporting valuation issues to the Board;
- (iv) investors are kept informed of matters relevant to their investment in a form and language that is clear and easy to understand. These would be especially relevant to matters relating to fund policies on complaints handling, proxy voting, best execution and conflict of interest;
- (v) financial statements are prepared and disclosed in accordance with relevant accounting standards and applicable legal and regulatory requirements;
- (vi) the interest of the fund and consequently all investors are taken into account, in particular where Board decisions may affect only certain groups of investors; and
- (vii) investor complaints are reviewed and addressed within a reasonable time.

**V. Fund Directors must remain independent in their judgement and actions and must take reasonable care to ensure the soundness of all decisions taken by the Board.**

The Board's composition should be sufficiently diverse and adequately balanced to make well-informed decisions. Fund Directors have a duty to exercise their own independent judgement. Where appropriate, Fund Directors must consider the potential impact of the Board's decisions on the broader community (within the fund's ecosystem), the investment market in general and his/her own personal integrity and reputation and that of the SFDA. In making these considerations, where necessary, Fund Directors are expected to put forward their views and seek to debate on matters with other members of the Board to ensure that all decisions are adequately and appropriately considered and made in the best interest of the fund and its stakeholders.

**VI. Fund Directors must safeguard the information pertaining to the fund entity and its activities and should not make improper use of the information gathered in the individual's capacity as a Fund Director.**

Confidential information received when exercising directorial duties remains the property of the fund entity and it should not be disclosed to other parties unless that disclosure has been authorised by the fund Board or the person/s from whom the information was derived from or is required by law.

Fund Directors should not seek to profit by leveraging on any confidential information obtained. Fund Directors must bear in mind that any misuse of confidential information could subject him/her to civil and/or criminal sanctions.

Fund Directors must safeguard all fund information received and take all necessary precautions to ensure that fund information is not inappropriately used or disclosed, whether intended or inadvertent.

**VII. Fund Directors must be aware of, manage and disclose all potential, perceived and/or actual conflicts of interest that arise or may arise between the fund entity's interest and their personal interests or interests of any persons associated with him/her.**

Fund Directors must declare all potential, perceived and/or actual conflicts of interest that arise or may arise between the fund entity's interest and their personal interests or interests of any persons associated with him/her, including any related party interests. Furthermore, Fund Directors must not use their position within the fund to benefit themselves or associates indirectly or directly at the expense of or to the detriment of the fund and/or its stakeholders. Consequently, Boards must establish clear and concise mechanisms to identify, disclose and manage any actual, perceived and/or actual conflicts of interest.

Fund Directors must bear their own responsibility for ensuring that full and where appropriate, prior, disclosures are made to the Board of any conflict or potential conflict of interest, including situations where they or any family member holds an interest, whether directly or indirectly, in the fund prior to their appointment as a director of the fund.

In the event of a conflict or potential conflict of interest, the Board should have in place and adhere to its established guidelines to manage the conflict. Fund Directors associated with the conflict or potential conflict in question must disclose and abstain from participating in any decision relating to that conflict.

Nominee Fund Directors representing parties (major shareholders or creditors) that have a substantial interest in the fund entity have a duty to contribute in the interest of the fund and all its economic stakeholders and not just the interest of the party that they represent. Confidential matters arising from Board discussions should not be shared with the interested party without prior consent of the Board.

Fund Directors must also declare to the Board any potential conflict that may impair his/her judgment and independence due to the director's affiliation or obligations with another fund or related entity. The Board should then use its discretion to determine if

the affected Fund Director should recuse himself/herself from participating in any further considerations relating to the matter where the conflict was declared.

**VIII. Fund Directors must maintain high personal standards by ensuring continuing education of legal and regulatory requirements applicable to fund structures and operations, adherence to the Code and staying current with fund governance best practices and other fund industry developments that have a foreseeable impact on the role of a Fund Director.**

Fund Directors should have the appropriate balance of skills, experience and knowledge to enable them to discharge their duties and responsibilities effectively.

Fund Directors must familiarise themselves with the relevant laws and regulations applicable to the offering and operations of a fund, including but not limited to, the Singapore Companies Act 1967, the Securities and Futures Act 2001 and the Variable Capital Companies Act 2018 as well as industry best practices, guidelines and codes such as the Monetary Authority of Singapore (MAS) Code on Collective Investment Schemes for funds offered to retail investors, the Investment Management Association of Singapore (IMAS) Code of Ethics and Standards of Professional Conduct and the Singapore Exchange (SGX) Code of Corporate Governance, to fulfill their legal and regulatory obligations.

SFDA members are required to abide by the principles of the Code. Members are expected to use common sense when applying the principles of this Code to discharge their governance obligations for a fund. Additionally, members should aspire to consistently meet a standard higher than the basic acceptable standard when fulfilling their director obligations.

SFDA members must strive to maintain their professional stature as a fund director by keeping abreast of developments in governance and other related matters to ensure that members' expertise and skills remain current and relevant. SFDA members can refer to the SFDA educational program on a periodic basis to ascertain how to best fulfil this obligation.

If required, Fund Directors should seek professional advice or information to enable them to effectively discharge their duties.

**IX. Fund Directors must ensure that the fund entity complies with all applicable laws and regulations and acts in accordance with the constituent documents of the fund entity.**

Fund Directors must ensure that the fund complies with the laws and regulations of Singapore and any other jurisdiction that the fund is subject to. As a member of the Board, a Fund Director must ensure that the entity has in place adequate organisation, procedures and controls to ensure the fund's compliance with the relevant laws and regulations and with the fund's constituent documents.

The Board must ensure that the compliance activities are being actively monitored including, but not limited to, obtaining regular updates detailing the findings of these activities. Fund Directors must ensure that the Board is collectively satisfied that its compliance practices are both effective and adequate for the fund entity's needs.

Funds are typically directly subject to anti-money laundering/countering the financing of terrorism (AML/CFT) regulations, the compliance of which needs to be discharged by the fund Board. Fund Directors should therefore also have a clear understanding of the

AML/CFT requirements that apply to the fund, including but not limited to, the due diligence to be undertaken, the information to be retained, and whether the performance of the necessary functions and/or procedures may be delegated and if so, the applicable guidelines or regulations in relation to such outsourcing and the supervision and oversight of the service provider to whom any functions have been delegated.

**X. Fund Directors must ensure that the fund entity’s Board is effectively discharging its risk management obligations and have instituted the appropriate internal controls.**

Fund Directors should ensure that relevant written policies and procedures are in place to accurately reflect the ongoing administration and operation of the fund in practice and to ensure appropriate operational and regulatory risk management procedures and controls are in place.

Policies and procedures should include, but are not limited to, those relating to compliance, internal audit, investment risk management, liquidity risk management (where applicable), environmental risk management (where applicable), business continuity plans, technology and cyber security risk management, disaster recovery plans and complaints handling.

Fund Directors should also ensure that all policies and procedures applicable to the fund are regularly reviewed and updated, where necessary, to ensure their effectiveness and compliance with all applicable laws and regulations.

It is also good practice for Boards to have guidelines for handling or managing adverse (crisis) events. For example, it must ensure that the business continuity plans and technology and cyber incident response plans are both sufficient and practical, and regularly tested. This extends to third-party providers servicing the entity.

With regards to Board remuneration, it should reflect the scope, nature, role and responsibilities required of the Fund Director, including factors such as the demands on a Fund Director’s time (e.g., attendance at board meetings, ad hoc committee meetings) and the complexity of the fund in question. Such remuneration should be separately disclosed in the annual financial statements, either individually or collectively, and no one director should be involved in deciding his/her own remuneration.

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