SGX Group

Consultation Paper

Board Renewal and Remuneration Disclosures

27 October 2022

Singapore Exchange

Responding to this Consultation Paper

Singapore Exchange Regulation invites comments on this consultation paper.

Please send your responses through any of the following means:

Mode	**Correspondence Details**
Email	listingrules@sgx.com
Mail	Singapore Exchange Limited 11 North Buona Vista Drive #06-07, The Metropolis Tower 2 Singapore 138589 (Attention: Listing Policy & Product Admission)

Responses should include a summary of the major points, a statement of interest and reasoned explanations. Please identify the specific policy or rule proposal on which a comment is made. Please also include your full name and, where relevant, the organisation you are representing, as well as your email address or contact number so that we may contact you for clarification. Anonymous responses may be disregarded.

SGX may make public all or part of any written submission, and may disclose your identity. You may request confidential treatment for any part of the submission which is proprietary, confidential or commercially sensitive, by clearly marking such information. You may request not to be specifically identified.

Any policy or rule amendment may be subject to regulatory concurrence. For this purpose, you should note that notwithstanding any confidentiality request, we may share your response with the relevant regulator.

By sending a response, you are deemed to have consented to the collection, use and disclosure of personal data that is provided to us for the purpose of this consultation paper or other policy or rule proposals.

SGX requests all comments by **17 November 2022**.

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I Introduction

1 Background

1.1 On 13 September 2022, KPMG in Singapore ("**KPMG**") published a review[1] of listed companies' disclosures on their compliance with the Code of Corporate Governance ("**Code**"). The review found that board renewal and remuneration matters remain areas where improvement is needed. Based on the findings, the Corporate Governance Advisory Committee ("**CGAC**") recommended[2] that SGX amend its Listing Rules in these two areas.

1.2 The first recommendation was to introduce a hard tenure limit on independent directors ("**IDs**") in the Listing Rules. The CGAC noted the significant number of boards having IDs serving beyond nine years and considered that it may be necessary to impose a hard tenure limit so that IDs who serve more than the tenure limit will no longer be considered independent. The CGAC highlighted that this does not preclude a director from continuing to serve on the board after nine years, albeit as a non-independent director. The CGAC recommended that SGX consult on the appropriate length of tenure and transition period before the limit takes effect.

1.3 The second recommendation was to mandate remuneration disclosures of each individual director and the chief executive officer ("**CEO**") in the Listing Rules. The CGAC noted that shareholders are increasingly demanding more transparency and accountability regarding remuneration. They highlighted that inadequate disclosure of remuneration makes it difficult for shareholders to have clear visibility on companies' remuneration structure and practices.

1.4 SGX proposes to amend the Listing Rules to adopt the CGAC's recommendations. The proposed amendments to the Listing Rules are set out in Appendix 1 and Appendix 2.

II Board Renewal

1 Background of the nine-year rule

1.1 Currently under the Listing Rules[3], a director of a listed company is no longer independent after a nine-year tenure, unless his or her appointment as an ID has been approved in two separate resolutions ("**two-tier vote**") by: (a) all shareholders; and (b) shareholders, excluding the directors and the CEO and their associates. A director that is not voted in as an ID through the two-tier vote can continue to serve on the board, albeit as a non-independent director.

1.2 This requirement, commonly known as the "nine-year rule", was a recommendation by the Corporate Governance Council ("**Council**") in 2018, as part of a review of the Code initiated by the Monetary Authority of Singapore ("**MAS**"). Prior to this formulation, the Code recommended that the independence of any director who has served on the board beyond nine years should be subject to a particularly rigorous review. However, the Council noted that companies' disclosures on what constituted a particularly rigorous review remained ambiguous, and boilerplate disclosures with scant justifications underlying the independence assessments were common.

1.3 To address this situation, the Council sought public comment in January 2018 on two options to enhance the Listing Rules – (i) imposing a hard limit on director independence or (ii) subjecting

[1] The KPMG report is available here: https://www.sgx.com/regulation/reports

[2] The CGAC statement on the review is available here: https://www.cgac.sg/cgac-statements-and-amendments-practice-guidance

[3] Mainboard Rule 210(5)(d)(iii) and Catalist Rule 406(3)(d)(iii)

appointment of IDs that have served beyond nine years to a two-tier vote.

1.4 The Council received diverse views on both options. The Council also noted then that there was no international consensus on the most effective approach of addressing the risks related to long-tenured IDs. At that time, the international approaches ranged from a requirement for boards to conduct regular assessments (in Australia), to a disclosure of reasons for determining a director who has served more than nine years to be independent (in the UK), and to requirements to subject such IDs to shareholders' votes (in Hong Kong and Malaysia[4], and for certain companies in the UK).

1.5 The Council acknowledged that a hard limit would be clear and simple to implement and would encourage board renewal. However, it was mindful that a hard limit could be perceived as being overly mechanistic. The two-tier vote was thus preferred for the flexibility it provided to retain quality IDs, to empower shareholders to assess the independence of long-tenured IDs and to encourage shareholders' active engagement.

1.6 Accordingly, the nine-year rule was announced on 6 August 2018 and came into effect on 1 January 2022, at the end of a three-year transition period for companies to adjust to the new requirements and plan for board appointments.

2 Concerning trend

2.1 The nine-year rule aims to promote board independence while providing companies some flexibility to retain quality IDs. There is also a broader consideration of board renewal. While long-serving IDs who are not appointed under the two-tier vote can continue to be serve as non-independent directors, the Listing Rules also require boards to comprise of one-third IDs[5]. Collectively, these requirements should achieve board renewal, as companies would have to appoint new directors to maintain a minimum proportion of IDs.

2.2 However, current market practice suggests a concerning trend that long-serving IDs may become entrenched, despite the nine-year rule. KPMG's review of companies with the financial years ended from 1 July 2020 to 30 June 2021 found that only 52% of companies disclosed that they did not have directors serving beyond nine years. According to another study[6] conducted by Associate Professor Victor Yeo of Nanyang Business School, in 2021, 70% (273 out of 391) of long-serving ID seats that were due for re-election were put up for election through the two-tier vote. Equally concerning was the finding that 73% (125 out of 172) of the remaining long-serving ID seats were also put through the two-tier vote, despite not being due for re-election. Of these 398 long-serving IDs that were put through the two-tier vote, almost all (97%) were reappointed. At this rate, there is an increasing risk that companies' boards will grow stale and their independence compromised.

2.3 Companies have also not provided adequate disclosures on the independence assessments of their long-serving IDs. KPMG's review found that disclosures on why companies considered individual long-serving IDs as independent were often lengthy and not meaningful. KPMG noted that companies often mention that the board and Nominating Committee have reviewed the independence of the director in character and judgement and deemed them independent, with very few providing details on the process used to form their conclusion.

3 Proposed hard limit on ID tenure

3.1 SGX is of the view that decisive action must be taken to accelerate board renewal and promote board independence. As the CGAC has noted, IDs play an important role by providing shareholders

[4] As set out in section 3 of this Part, there has since been changes to the regimes in Hong Kong and Malaysia.

[5] Mainboard Rule 210(5)(c) and Catalist Rule 406(3)(c)

[6] Associate Professor Victor Yeo of Nanyang Business School, Nanyang Technological University, "Study of the Implementation of the Nine-Year Rule for Long-Serving Independent Directors", 24 July 2022

with independent views in critical areas such as financial reporting, nominations, remuneration and interested party transactions. We are also of the view that board renewal is critical for boards to remain effective under the constantly evolving market landscape so that fresh ideas and independent thought are brought into the board's decision-making process.

3.2 Globally, there have been recent developments that reinforce the importance of tenure limits for IDs. Hong Kong have recently amended its Corporate Governance Code to require the appointment of a new ID if all the IDs on the board have served more than nine years, to take effect in January 2023[7]. Notably, Hong Kong Exchange ("**HKEx**") also suggested[8] that they may consider phasing out long-serving IDs gradually in the long run. In Malaysia, a hard limit of 12 years for IDs will be introduced in the Bursa Main Market Listing Requirements in June 2023, such that all IDs that have served beyond 12 years are required to resign or be redesignated as non-independent[9]. The European Commission also recommends[10] that non-executive directors have a limited tenure of 12 years, and this has been adopted by France[11] in their Corporate Governance Code.

3.3 In line with the CGAC's recommendation, SGX therefore proposes the Listing Rules to be amended to require a hard tenure limit for IDs beyond which such directors will no longer be considered independent. Consequently, we propose to remove the two-tier vote mechanism for long-serving IDs. Directors who serve beyond the tenure limit can continue to be appointed for future terms but must be designated as non-independent.

3.4 The tenure limit is proposed to be set at nine years, given the market's familiarity with the nine-year rule. This will also be aligned with the nine-year tenure limits imposed by the MAS for IDs of Singapore-incorporated banks[12], insurers[13] and for real estate investment trust ("**REIT**") managers[14].

3.5 We note that proponents of the two-tier vote prefer its flexibility for companies to retain long-serving quality IDs. Indeed, long serving directors may have accumulated valuable experience and institutional knowledge in relation to the company and its industry. However, with increased familiarity, there may also be reduced objectivity. The imposition of term limits to safeguard independence is not unique to directorships. The Listing Rules[15] currently also mandate rotation of the audit partner after a fixed term for similar reasons. In our view, if companies wish to retain their quality long-serving directors, an appropriate balance would be for these directors to serve in a non-independent capacity instead.

Question 1: Hard limit on ID tenure

(a) Do you agree with the proposal to impose a hard tenure limit for IDs, beyond which such directors will no longer be considered independent?

(b) If you agree to (a), do you also agree that the tenure limit should be nine years? If not, what should be a suitable tenure limit?

[7] Hong Kong Corporate Governance Code, Provision B.2.4

[8] HKEx, "Consultation Paper on Review of Corporate Governance Code and Related Listing Rules", 16 April 2021

[9] Bursa, "Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements in relation to Director Appointment, Independence and Miscellaneous Changes", 19 January 2022

[10] Official Journal of the European Union, "Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board", Annex II, para 1(h)

[11] Afep-Medef, Corporate Governance Code of Listed Corporations, January 2020, Provision 9.5.6

[12] Banking (Corporate Governance) Regulations, Regulation 2

[13] Insurance (Corporate Governance) Regulations, Regulation 2

[14] Securities and Futures (Licensing and Conduct of Business) Regulations, Regulation 13D(7)(b)(v)

[15] Mainboard Rule 713 and Catalist Rule 713

3.6 We propose to remove the two-tier vote mechanism immediately after we announce our response to this Consultation Paper. To provide companies with sufficient time to find suitable ID candidates, we propose a one-year transition period after that date, before the hard limit becomes effective. At the effective date of the hard limit, it is proposed that IDs who have served beyond the hard tenure limit must be redesignated as non-independent, regardless of whether they have been approved through the two-tier vote previously. Therefore, companies should be minded that exercising the two-tier vote now will not work to lock in their ID appointments.

Question 2: Transition

(a) Do you agree with the proposed transition period of one year?

(b) Do you agree that IDs who have served beyond the hard tenure limit must be redesignated as non-independent at the effective date of the hard limit?

III Remuneration Disclosure

1 Current remuneration disclosure practices

1.1 Principle 8 of the Code states that companies should be transparent on their remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance, and value creation. Provision 8.1(a) of the Code requires companies to disclose in their annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of each individual director and the CEO.

1.2 Companies' disclosures in this area have been lacking. KPMG's review found that almost all companies provided a breakdown of remuneration in percentage terms into salary, bonus, benefits and others for directors and the CEO. However, only 5% of companies fully disclosed the remuneration amount in dollar value paid to both directors and the CEO on a named basis, with such breakdowns. 35% and 18% of companies disclosed the actual remuneration of directors and CEO respectively on a named basis. 59% of companies disclosed directors' remuneration in bands, while 75% of companies disclosed the CEO's remuneration in bands.

1.3 KPMG found that companies mostly provided boilerplate explanations that their non-compliance was due to competitive, sensitivity and confidentiality concerns. It also found that disclosures on how remuneration was determined were mostly high level, and companies often did not explain how remuneration, performance and value creation were related.

2 Proposed mandatory remuneration disclosure for the CEO and individual directors

2.1 SGX is of the view that shareholders should have more transparency on companies' remuneration practices. In line with CGAC's recommendations, we propose to require companies to disclose the amount and breakdown of remuneration of each director and the CEO in the annual report on a named basis.

2.2 SGX is of the view that the arguments against disclosing the exact amount of remuneration due to competitive concerns are less relevant for directors and the CEO, compared to that for key management personnel. The Code also makes that distinction by only requiring key management personnel to disclose their remuneration in bands no wider than S$250,000. While we note the concerns on sensitivity and confidentiality, we believe these considerations are outweighed by the fiduciary duty owed to shareholders to provide transparency.

2.3 Shareholders expect remuneration of directors and the CEO to be linked to a companies' sustainable, long-term value creation. Remuneration has therefore often been an area of market scrutiny when business performance falls below expectations. At the height of the COVID-19 pandemic for example, questions were raised[16] on whether remuneration packages for listed companies' directors and executives were appropriate amid the uncertain business environment. There are now also growing calls[17] for transparency on how environmental, social and governance factors are incorporated in companies' compensation structures. Full transparency on director and CEO pay is thus necessary for investors to make informed assessments on whether there is alignment with their interests on these matters.

2.4 Furthermore, most major jurisdictions already mandate disclosure of the exact amount and breakdown of remuneration paid to directors and key executives.

(a) In the UK[18], the amounts and breakdown of compensation of directors and the CEO are required to be disclosed on a named basis in law.

(b) In the USA[19], disclosure of the amounts and breakdown of compensation paid to the directors, CEO, chief financial officer and three most highly compensated executive officers on a named basis is required in law.

(c) In Australia[20], details of the nature and amount paid to each key management personnel (which includes directors)[21] must be disclosed on a named basis in law.

(d) In Hong Kong[22], the HKEx Listing Rules require an issuer to disclose the amount and breakdown of directors' fees on a named basis as well as the exact remuneration paid to five highest-paid individuals on unnamed basis. Where the top five highest paid individuals are directors, the former requirement suffices.

(e) In Malaysia, the Bursa Main Market Listing Requirements mandate[23] the disclosure of the exact amount of directors' remuneration with breakdowns on the named basis while the Malaysian Code of Corporate Governance requires the disclosure of the top five senior management's remuneration components in bands of RM50,000 with breakdowns.

2.5 Our proposal will therefore bring Singapore's disclosure requirements on director and CEO remuneration in line with global standards.

2.6 We considered whether the proposed requirements should also apply to trust structures, such as REITs and business trusts, given that their managers and trustee-managers are paid management fees, and the pay of its directors and CEO are borne by the REIT manager or trustee-manager and not the trust itself. We note that current remuneration disclosure practices by trusts for directors and CEO of the managers and trustee-managers are also lacking. In the Governance Index for Trusts 2021[24], produced by Professor Mak Yuen Teen and Mr Chew Yi Hong, it was observed that while 98% of trusts disclosed the actual fees for non-executive directors, only 7% of trusts disclosed the

[16] Jude Chan, Yong Jun Yuan, "Lower profit, higher pay for key execs: Is it justifiable?", Business Times, 12 October 2021

[17] Kuek Ser Kwang Zhe, "Governance: Linking ESG factors to executive remuneration", The Edge Malaysia, 21 July 2022

[18] UK Companies Act, Section 420(1) read with Section 11 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008

[19] Regulation S-K, Item 402

[20] Australia Corporations Act, Section 300A, 1(c) and Australia Corporations Regulations, Regulation 2M.3.03

[21] Key management personnel are defined by reference to the Australian Accounting Standards and is currently defined in AASB 124 as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

[22] HKEx Listing Rules, Appendix 16, paragraph 24 and 25

[23] Bursa Main Market Listing Requirements, Appendix 9C, Part A, paragraph 11

[24] Professor Mak Yuen Teen, Chew Yi Hong, "Governance Index for Trusts 2021", 12 November 2021

exact remuneration of the CEO and executive directors.

2.7 MAS currently requires REIT managers to disclose[25], on a comply or explain basis, the remuneration of its CEO and each director on a named basis as well as whether such remuneration is (i) paid in the form of shares or interests in the controlling shareholder or its related companies; or (ii) linked to the performance of entities other than the REIT. When these requirements were launched, MAS stated[26] that greater transparency of REIT managers' remuneration practices improve market discipline and REIT managers' accountability to unitholders. MAS also stated that these requirements were aligned with the prevailing requirements for listed companies.

2.8 REIT managers and trustee-managers of business trusts owe a fiduciary duty to act in the best interests of unitholders and are required to prioritise unitholders' interests as a whole over those of the REIT manager or trustee-manager and its shareholders. Given the considerations on alignment of interests remain relevant for these trust structures, it is thus proposed that the same remuneration disclosure requirements contemplated for listed companies will also apply to REITs and business trusts.

Question 3: Mandatory disclosure of remuneration of directors and the CEO

Do you agree that SGX should require the exact amount and breakdown of remuneration paid to directors and the CEO be disclosed in the annual report? If not, please provide other suggestions on how remuneration disclosures can be improved.

[25] MAS Notice SFA 04-N14 to All Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management, Provision 3.2 and 3.3

[26] MAS, "Response To Feedback Received – Consultation On Enhancements To The Regulatory Regime Governing REITs And REIT Managers", 2 July 2015

Appendix 1 Proposed Amendments to Mainboard Rules

Legend: Deletions are struck-through and insertions are underlined.

Chapter 2 Equity Securities

Part III SGX Mainboard Listings

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(5) Directors And Management

(d) A director will not be independent under any of the following circumstances:

(i) if he is employed or has been employed by the issuer or any of its related corporations in the current or any of the past three financial years;

(ii) if he has an immediate family member who is employed or has been employed by the issuer or any of its related corporations in the current or any of the past three financial years, and whose remuneration is or was determined by the remuneration committee of the issuer; or

(iii) ~~if he has been a director for an aggregate period of more than 9 years (whether before or after listing) and his continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the chief executive officer of the issuer, and associates of such directors and chief executive officer. For the purpose of the resolution referred to in (B), the directors and the chief executive officer of the issuer, and their respective associates, must not accept appointment as proxies unless specific instructions as to voting are given. Such resolutions may remain in force until the earlier of the following: (X) the retirement or resignation of the director; or (Y) the conclusion of the third annual general meeting of the issuer following the passing of the resolutions.~~ [Deleted]

(iv) if he has been a director of the issuer for an aggregate period of more than nine years (whether before or after listing).

Chapter 12 Circulars, Annual Reports and Electronic Communications

Part III Annual Reports

1207

The annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including at least the following:

General Information

(10D) The names, amounts and breakdown of remuneration of each individual director and the chief executive officer.

Practice Note 4.2 Corporate Governance Requirements for Real Estate Investment Trusts and Business Trusts

1. Introduction

1.1 Rule 210(5)(d)~~(iii)~~(iv) states that a director will not be independent if he has been a director of the issuer for an aggregate period of more than nine ~~9~~ years (whether before or after listing) ~~and his continued appointment as an independent director has not been sought and approved in separate~~

~~resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the chief executive officer of the issuer, and associates of such directors and chief executive officer~~.

1.2 Rule 210(5)(e) states that an issuer must establish one or more committees as may be necessary to perform the functions of an audit committee, a nominating committee and a remuneration committee, with written terms of reference which clearly set out the authority and duties of the committees.

1.3 Rule 720(5) states that an issuer must have all directors submit themselves for re-nomination and re-appointment at least once every three years.

1.4 This Practice Note provides guidance on the applicability of these Rules in relation to an issuer that is a Real Estate Investment Trust (REIT) or a Business Trust (BT).

2. Real Estate Investment Trusts

2.1 Under the Securities and Futures Act, the manager of an authorised REIT must act in the best interest of all unitholders as a whole and give priority to their interests over the manager's own interests and the interests of the shareholders of the manager in the event of a conflict. The Securities and Futures Act and regulations and notices made thereunder stipulate requirements for the composition of the board of a REIT manager, the establishment of an audit committee and the circumstances in which a director of the REIT manager is independent (the "**SFA provisions**").

2.2 As the SFA provisions substantively address the corporate governance requirements stipulated in Rules 210(5)(d)~~(iii)~~(iv), 210(5)(e) and 720(5), these Rules do not apply to a REIT so long as the REIT continues to comply with the SFA provisions.

3. Business Trusts

3.1 Under the Business Trusts Act, the trustee-manager of a registered business trust must act in the best interests of all unitholders as a whole and give priority to their interests over its own interests in the event of a conflict. The Business Trusts Act and the regulations made thereunder stipulate requirements for the composition of the board of the trustee-manager, the establishment of an audit committee and the circumstances in which a director of the trustee-manager is independent (the "**BT provisions**").

3.2 As the BT provisions made thereunder substantively address the corporate governance requirements stipulated in Rules 210(5)(d)~~(iii)~~(iv) , 210(5)(e) and 720(5), these Rules do not apply to a business trust so long as the business trust continues to comply with the statutory stipulations.

Transitional Practice Note 3 Transitional Arrangements Regarding Code of Corporate Governance 2018

2. Arrangements

2.1. The following transitional arrangements will apply:—

Listing Rule	Subject	Effective Date	Transitional Arrangement
210(5)(d)(iii)	~~Continued appointment as independent director, after an aggregate period of more than 9 years on the board, must be sought and approved in separate resolutions by (A) all shareholders and (B) shareholders excluding directors, chief executive officer, and their associates~~ <u>This Rule was deleted on [date].</u>	~~1 January 2022~~	~~On or after 1 January 2022, a director who has served on the board for a cumulative period of 9 years will no longer be eligible to be designated as an independent director unless a resolution from shareholders present and voting at the general meeting is sought and approved in the manner described in Rule 210(5)(d)(iii).~~ ~~The issuer must, prior to 1 January 2022, consider if a director will not be considered independent against the circumstances set out in Rule 210(5)(d)(iii) at any time on and from 1 January 2022.~~ ~~For example, if a person has been a director (whether independent, executive or non-executive) for an aggregate period of more than 9 years as at 1 January 2022, then he will not be independent as at 1 January 2022, unless his continued appointment as an independent director has been sought and approved in separate resolutions (as required in Rule 210(5)(d)(iii)) prior to 1 January 2022.~~ ~~If a person had been a director (whether independent, executive or non-executive) for an aggregate period of more than 9 years and had retired from the board prior to 1 January 2022, he will not be eligible to be appointed as an independent director on or after 1 January 2022, unless his appointment as an independent director has been sought and approved in separate resolutions (as required in Rule 210(5)(d)(iii)). This is because he has already served on the board of the issuer for an aggregate period of more than 9 years prior to the proposed appointment.~~ ~~To ensure that the independence designation of a director who has served for more than 9 years as at and from 1 January 2022 is not affected, an issuer should seek and obtain approvals for his continued appointment as an independent director prior to 1 January 2022. For example, the issuer may do so at the issuer's annual general meeting in calendar year 2021. In accordance with Rule 210(5)(d)(iii), such approvals will remain valid until the conclusion of 3rd AGM from such approvals.~~ ~~Prior to 1 January 2022, Guideline 2.4 of the Code of Corporate Governance 2012 will operate on a comply-or-explain basis.~~

			~~Guideline 2.4 of the Code of Corporate Governance 2012 states that "[t]he independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent."~~

Transitional Practice Note 4 Transitional Arrangements Regarding the Tenure Limit for Independent Directors

1. Introduction

1.1 On [date of insertion of Rule 210(5)(d)(iv)], the Exchange will amend the SGX-ST Listing Rules (Mainboard) to prescribe a nine-year tenure limit for independent directors.

1.2 Rule 210(5)(d)(iii) states that a director will not be independent if he has been a director of the issuer for an aggregate period of more than nine years (whether before or after listing) and his continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the chief executive officer of the issuer, and associates of such directors and chief executive officer. On [date of removal of Rule 210(5)(d)(iii)], Rule 210(5)(d)(iii) will be deleted.

1.3 On [date of insertion of Rule 210(5)(d)(iv)], Rule 210(5)(d)(iv) will be inserted, which states that a director will not be independent if he has been a director of the issuer for an aggregate period of more than nine years (whether before or after listing).

1.4 This Transitional Practice Note is published to establish transitional arrangements for the application of these Rules between [date of removal of Rule 210(5)(d)(iii)] and [date of insertion of Rule 210(5)(d)(iv)] (the "Transitional Period").

2. Arrangements

2.1 With effect from [date of insertion of Rule 210(5)(d)(iv)], a director (whether independent, executive or non-executive) who has served on the board of an issuer for an aggregate period of nine years will no longer be eligible to be designated as an independent director of the issuer, as set out in Rule 210(5)(d)(iv). This includes any person who has been a director of the issuer (whether independent, executive or non-executive) for an aggregate period of more than nine years and had previously retired from the board.

2.2 During the Transitional Period, directors who have served for more than nine years can remain as independent directors so long as they meet the requirements in Rules 210(5)(d)(i) and 210(5)(d)(ii). Rule 210(5)(d)(iii) does not apply during the Transitional Period, including for directors who are re-appointed during this Transitional Period.

2.3 For example, if a person has been a director (whether independent, executive or non-executive) of an issuer for an aggregate period of more than nine years and whose term expires during the Transitional Period, the person may remain as an independent director of the issuer if he is re-elected. Rule 210(5)(d)(iii) does not apply to his or her re-election during the Transitional Period. However, the person must resign from the board or be designated as a non-independent director effective from [date of insertion of Rule 210(5)(d)(iv)].

2.4 To comply with these new requirements, issuers should submit their new independent directors for appointment prior to [date of insertion of Rule 210(5)(d)(iv)]. For example, issuers may do so at their annual meeting in [calendar year].

Appendix 2 Proposed Amendments to Catalist Rules

Legend: Deletions are struck-through and insertions are underlined.

Chapter 4 Equity Securities

Part III Catalist Admissions

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(3) Directors and Management

(d) A director will not be independent under any of the following circumstances:

(i) if he is employed by the listing applicant or any of its related corporations for the current or any of the past three financial years;

(ii) if he has an immediate family member who is employed or has been employed by the listing applicant or any of its related corporations for the past three financial years, and whose remuneration is determined by the remuneration committee of the listing applicant; or

(iii) ~~if he has been a director for an aggregate period of more than 9 years (whether before or after listing) and his continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the chief executive officer of the listing applicant, and associates of such directors and chief executive officer. For the purpose of the resolution referred to in (B), the directors and the chief executive officer of the listing applicant, and their respective associates, must not accept appointment as proxies unless specific instructions as to voting are given. Such resolutions may remain in force until the earlier of the following: (X) the retirement or resignation of the director; or (Y) the conclusion of the third annual general meeting of the listing applicant following the passing of the resolutions.~~ [Deleted]

(iv) if he has been a director of the issuer for an aggregate period of more than nine years (whether before or after listing).

Chapter 12 Circulars, Annual Reports and Electronic Communications

Part III Annual Reports

1204

The annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including at least the following:

General Information

(10D) The names, amounts and breakdown of remuneration of each individual director and the chief executive officer.

Transitional Practice Note 2 Transitional Arrangements Regarding Code of Corporate Governance 2018

2. Arrangements

2.1. The following transitional arrangements will apply:

Listing Rule	Subject	Effective Date	Transitional Arrangement
406(3)(d)(iii)	~~Continued appointment as independent director, after an aggregate period of more than 9 years on the board, must be sought and approved in separate resolutions by (A) all shareholders and (B) shareholders excluding directors, chief executive officer, and their associates~~ This Rule was deleted on [date].	~~1 January 2022~~	~~On or after 1 January 2022, a director who has served on the board for a cumulative period of 9 years will no longer be eligible to be designated as an independent director unless a resolution from shareholders present and voting at the general meeting is sought and approved in the manner described in Rule 406(3)(d)(iii).~~ ~~The issuer must, prior to 1 January 2022, consider if a director will not be considered independent against the circumstances set out in Rule 406(3)(d)(iii) at any time on and from 1 January 2022.~~ ~~For example, if a person has been a director (whether independent, executive or non-executive) for an aggregate period of more than 9 years as at 1 January 2022, then he will not be independent as at 1 January 2022, unless his continued appointment as an independent director has been sought and approved in separate resolutions (as required in Rule 406(3)(d)(iii)) prior to 1 January 2022.~~ ~~If a person had been a director (whether independent, executive or non-executive) for an aggregate period of more than 9 years and had retired from the board prior to 1 January 2022, he will not be eligible to be appointed as an independent director on or after 1 January 2022, unless his appointment as an independent director has been sought and approved in separate resolutions (as required in Rule 406(3)(d)(iii)). This is because he has already served on the board of the issuer for an aggregate period of more than 9 years prior to the proposed appointment.~~ ~~To ensure that the independence designation of a director who has served for more than 9 years as at and from 1 January 2022 is not affected, an issuer should seek and obtain approvals for his continued appointment as an independent director prior to 1 January 2022. For example, the issuer may do so at the issuer's annual general meeting in calendar year 2021. In accordance with Rule 406(3)(d)(iii), such approvals will remain valid until the conclusion of 3rd AGM from such approvals.~~ ~~Prior to 1 January 2022, Guideline 2.4 of the Code of Corporate Governance 2012 will operate on a comply-or-explain basis.~~

			~~Guideline 2.4 of the Code of Corporate Governance 2012 states that "[t]he independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent."~~

Transitional Practice Note 3 Transitional Arrangements Regarding the Tenure Limit for Independent Directors

1. Introduction

1.1 On [date of insertion of Rule 406(3)(d)(iv)], the Exchange will amend the SGX-ST Listing Rules (Catalist) to prescribe a nine-year tenure limit for independent directors.

1.2 Rule 406(3)(d)(iii) states that a director will not be independent if he has been a director of the issuer for an aggregate period of more than nine years (whether before or after listing) and his continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the chief executive officer of the issuer, and associates of such directors and chief executive officer. On [date of removal of Rule 406(3)(d)(iii)], Rule 406(3)(d)(iii) will be deleted.

1.3 On [date of insertion of Rule 406(3)(d)(iv)], Rule 406(3)(d)(iv) will be inserted, which states that a director will not be independent if he has been a director of the issuer for an aggregate period of more than nine years (whether before or after listing).

1.4 This Transitional Practice Note is published to establish transitional arrangements for the application of these Rules between [date of removal of Rule 406(3)(d)(iii)] and [date of insertion of Rule 406(3)(d)(iv)] (the "Transitional Period").

2. Arrangements

2.1 With effect from [date of insertion of Rule 406(3)(d)(iv)], a director (whether independent, executive or non-executive) who has served on the board of an issuer for an aggregate period of nine years will no longer be eligible to be designated as an independent director of the issuer, as set out in Rule 406(3)(d)(iv). This includes any person who has been a director of the issuer (whether independent, executive or non-executive) for an aggregate period of more than nine years and had previously retired from the board.

2.2 During the Transitional Period, directors who have served for more than nine years can remain as independent directors so long as they meet the requirements in Rules 406(3)(d)(i) and 406(3)(d)(ii). Rule 406(3)(d)(iii) does not apply during the Transitional Period, including for directors who are re-appointed during this Transitional Period.

2.3 For example, if a person has been a director (whether independent, executive or non-executive) of an issuer for an aggregate period of more than nine years and whose term expires during the Transitional Period, the person may remain as an independent director of the issuer if he is re-elected. Rule 406(3)(d)(iii) does not apply to his or her re-election during the Transitional Period. However, the person must resign from the board or be designated as a non-independent director effective from [date of insertion of Rule 406(3)(d)(iv)].

2.4 To comply with these new requirements, issuers should submit their new independent directors for appointment prior to [date of insertion of Rule 406(3)(d)(iv)]. For example, issuers may do so at their annual meeting in [calendar year].

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