SGX Group

Responses to Comments on Consultation Paper

Board Renewal and Remuneration Disclosures

11 January 2023

Singapore Exchange

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I Introduction

1 Background

1.1 On 27 October 2022, Singapore Exchange Regulation ("**SGX RegCo**") issued a consultation on "Board Renewal and Remuneration Disclosures" to invite feedback on changes to the Listing Rules (Mainboard) ("**Mainboard Rules**") and Listing Rules (Catalist) ("**Catalist Rules**") (collectively the "**Listing Rules**") for issuers listed on Singapore Exchange Securities Trading Limited ("**SGX-ST**").

1.2 To accelerate board renewal and promote board independence, SGX RegCo consulted on a proposal to remove the current two-tier vote mechanism[1] set out in the Listing Rules for independent directors ("**IDs**") that have served for more than nine years and instead introduce a hard nine-year limit on ID tenure. It was proposed that the two-tier vote will be removed immediately once the amendments are announced but that issuers will have a one-year transition period before the hard tenure limit takes effect.

1.3 To increase transparency on remuneration and to bring our regime in line with global standards, SGX RegCo also consulted on requiring issuers disclose the exact amount and breakdown of remuneration paid to each individual director and to the chief executive officer ("**CEO**") in their annual reports.

1.4 These proposals stemmed from recommendations issued by the Corporate Governance Advisory Committee ("**CGAC**")[2] following a review of listed companies' disclosures on their compliance with the Code of Corporate Governance ("**Code**") conducted by KPMG in Singapore ("**KPMG**")[3].

1.5 The consultation closed on 17 November 2022. We thank all respondents for providing comments to the consultation. The list of respondents can be found in Appendix 1.

1.6 The amendments to the Listing Rules are set out in Appendix 2 and Appendix 3.

II Comments Received and SGX RegCo's Responses on Board Renewal

1 Hard limit on ID tenure

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?

[1] Under the Listing Rules, 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 by: (a) all shareholders; and (b) shareholders, excluding the directors and the CEO and their associates. This mechanism is referred to as the two-tier vote.

[2] The CGAC's recommendations is available here: https://www.cgac.sg/cgac-statements-and-amendments-practice-guidance.

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

Comments Received

Hard tenure limit

1.1 Majority of respondents supported the proposal to impose a hard tenure limit for IDs. They include retail investors, institutional investors, directors, issuers and professional firms and associations.

1.2 Proponents of the hard limit favoured it as a mechanism to make issuers take board renewal seriously. Some respondents stated that issuers on our market tend to be reluctant to refresh their boards, as evidenced by the boilerplate justification commonly provided for retention of long-serving IDs ("**LSIDs**") and the prevalent use of the two-tier vote. Several respondents supported the hard limit as they thought that most issuers are unlikely to act on succession planning unless compelled.

1.3 Some respondents agreed that the hard limit will promote board independence. Several respondents, including directors, acknowledged that the increased familiarity with the issuer's shareholders, other board members and management will compromise on a director's independence. An institutional investor highlighted that they already use tenure length to determine if a director is non-independent in their own assessment procedures.

1.4 The minority of respondents who objected to the hard tenure limit were predominantly directors and issuers. They highlighted the challenges faced in finding suitable ID candidates, citing the limited talent pool in Singapore and low director fees as reasons, stating that this is especially difficult for small issuers or those in specialised industries where a specific skillset is required.

1.5 A few respondents argued that the link between tenure length and independence has not been proven conclusively and that independence should be judged qualitatively instead. They submitted that the experience of a LSID may be beneficial as these LSIDs have the institutional knowledge to question management effectively. Such knowledge, they highlighted, takes time to build and cannot be easily replaced. A few respondents feared that redesignating LSIDs as non-independent will come with additional costs, as the issuer must enlarge their board to make the requisite minimum number of IDs[4]. It was also suggested that tenure diversity may make for more robust boards, as boards with a mix of directors with varying tenure lengths including LSIDs, may have superior monitoring performance.

1.6 We also received comments that the market has yet to adapt to the two-tier vote requirements as it was only recently implemented and that it may be too early to form conclusions on its use. Some proposed that the two-tier vote be retained but tweaked to exclude controlling shareholders from the second-tier vote to enhance robustness.

1.7 There were several alternative approaches proposed so that valuable LSIDs can be retained. Examples include placing limits on the number of LSIDs per issuer, allowing issuers to use the two-tier vote for only one LSID at a time, prescribing additional training for LSIDs, requiring peer evaluations on the independence of LSIDs and requiring a new ID to be appointed if all the current IDs on the board are LSIDs.

Tenure length

1.8 There was significant agreement that the hard limit should be set at nine years, mostly because of market familiarity and consistency with MAS' requirements for directors of banks, insurers and managers of real estate investment trusts ("**REITs**"). Respondents were of the view that nine years, equivalent to three terms of service, is a sufficiently long period for an ID to gain familiarity with

[4] Mainboard Rule 210(5)(c) and Catalist Rule 406(3)(c) require boards to comprise one-third IDs.

the business and contribute to the success of the issuer.

1.9 Amongst those who disagreed, there were mixed views on whether such limit should be longer or shorter. Some suggested that nine years was too long and proposed the limit be lowered to five or seven years. On the other hand, some thought that nine years was too short for meaningful contribution and suggested the limit be raised to ten or 12 years to give more time for succession planning.

SGX RegCo's Response

1.10 Given the majority support, SGX RegCo will proceed to impose a hard tenure limit for IDs. We will set the tenure limit at nine years, as this is the market's preference.

1.11 We note respondents' views that there is general resistance amongst issuers on board refresh. This is reinforced by a recent survey conducted by the Singapore Institute of Directors ("**SID**")[5], which found that the bulk (67%) of issuers intends to put their existing LSIDs up for shareholder vote at their upcoming annual general meetings ("**AGMs**"). The hard tenure limit for IDs will therefore halt this trend and provide for issuers to bring in new IDs and refresh their board composition.

1.12 We recognise concerns raised on the potential loss of LSIDs with valuable knowledge and experience. We emphasise that the new rules will still allow issuers to retain their LSIDs but redesignated as non-independent. It will be up to issuers to decide on the appropriate board size and composition that will work for their circumstances and satisfy regulatory requirements. Issuers can consider the tenure diversity of the board and the cost factors highlighted by respondents in determining their approach.

1.13 We note the divergent views on tenure length and independence. The risk that increased tenure length may erode independence is not a new one. As highlighted in the consultation, other markets such as Hong Kong, Malaysia and France have adopted some form of tenure limits for independent directors to deal with this risk. Investors also view tenure length as a risk to independence, as highlighted in the comments we received. We also note that some proxy advisors[6] use tenure length to determine if a director is independent.

1.14 We note the alternative approaches suggested by respondents, such as limiting the number of LSIDs or limiting the use of the two-tier vote. As compared to these approaches, we are of the view that a hard tenure limit would be clear and simple for issuers to administer. Other suggestions to provide issuers more discretion to maintain LSIDs as independent, like requiring additional training or peer evaluation for LSIDs, will not achieve the broader objective of board renewal and may also simply end up as box-checking exercises. We believe that stricter intervention through the imposition of a hard limit is necessary.

1.15 We received queries on whether an ID's tenure is considered to have restarted in a reverse takeover ("**RTO**") scenario. We highlight that as per the current requirements in determining if the two-tier vote applies, a director's years served in the issuer's board prior to the RTO must be considered in calculating their tenure length under the new rules. This is also consistent with the current admission requirements where a director's tenure with the issuer prior to listing is also considered in determining their tenure length.

[5] Also reported in The Business Times, "Singapore boards need to strengthen corporate governance practices", 11 November 2022.

[6] Glass Lewis 2022 Policy Guidelines for Singapore.

2 Transitional arrangements

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?

Comments Received

2.1 Most respondents agreed that a one-year transition period was acceptable and will provide sufficient time for issuers to plan for board appointments. A few respondents cautioned against further delay with one respondent disagreeing with providing any transition at all.

2.2 Several respondents requested that SGX RegCo provide more time for issuers to find replacement IDs, especially for issuers that have multiple LSIDs on board. Alternative transition periods were suggested, ranging from 18 months to three years. A respondent suggested that the transition should end on 1 January, to align with the implementation of the two-tier vote mechanism which came into effect on 1 January 2022.

2.3 Majority agreed that IDs who have served beyond the hard tenure limit should be redesignated as non-independent at the effective date of such hard limit. Several respondents raised concerns on orderly board renewals and suggested that LSIDs be allowed to continue to serve their term until the issuer's next AGM to reduce disruption. They stated that it would not be ideal to replace these appointments in the middle of the financial year with new directors who are not familiar with the financials and performance of the issuer. A few respondents proposed that LSIDs whose independence had previously been approved via the two-tier vote should be allowed to complete their terms and that this would reduce the cost and rush of replacing these LSIDs.

SGX RegCo's Response

2.4 We note the support for LSIDs that have served beyond the hard tenure limit to be redesignated as non-independent at the effective date of the limit. Given the concerns raised on having an orderly board succession, SGX RegCo will provide flexibility in the Listing Rules for LSIDs that have served beyond their nine-year limit to continue serving their term until the next AGM following the expiry of their tenure limit. This will apply on a continuing basis, to minimise disruption for issuers. Nevertheless, issuers should consider the nine-year limit early, in their succession planning.

2.5 We note the broad agreement with the one-year transition period and will proceed to implement the nine-year limit at issuers' AGMs held for the financial year ending on or after 31 December 2023. This will effectively provide issuers more time for their search process. Based on the data from the study by Associate Professor Victor Yeo of Nanyang Business School[7], we noted that in 2022, 239 issuers listed on SGX-ST have LSIDs, with either one LSID (44%) or two LSIDs (40%). Based on the responses, we believe that the transition period should provide these issuers sufficient time to find suitable replacements. In this regard, issuers can consider tapping on the resources or services provided by organisations such as the Council for Board Diversity and the SID as well as the relevant professional associations to facilitate their search process.

2.6 As set out in our consultation, SGX RegCo will remove the two-tier vote immediately. Therefore, during this transition period, the two-tier vote will no longer apply to LSID appointments. LSIDs

[7] 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.

must step down or be redesignated as non-independent at the next AGM after the end of the transition period. We have set out an illustrative example in Part IV of this paper on how this will work in practice.

III Comments Received and SGX RegCo's Responses on Remuneration Disclosure

1 Mandatory disclosure of remuneration of directors and the CEO

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.

Comments Received

1.1 Majority of the respondents supported SGX RegCo's proposal to require the exact amount and breakdown of remuneration paid to directors and the CEO to be disclosed in the annual report, noting that this is generally required in most developed markets. Respondents that supported the proposal include institutional investors, retail investors, professional firms and associations, issuers and directors.

1.2 Notably, there was unanimous support from institutional investors and retail investors. They stated that the enhanced transparency would aid their evaluation of issuers' compensation structures, such as assessing whether remuneration is set at an appropriate level and aligned with long term value creation. Investors also stated that such disclosures would better inform their voting decisions and improve issuer's accountability to shareholders. They agreed with KPMG's findings that issuers' current explanations for non-compliance with the Code's requirements to disclose director and CEO remuneration[8] tend to be boilerplate and thus unsatisfactory for meaningful assessment.

1.3 Several respondents suggested that SGX RegCo go further to mandate more comprehensive disclosures on the components of issuers' incentive plans and explanation of its relationship with their business model and strategy. Examples of information that respondents requested include the performance metrics for the CEO and achievement factors of past share grants for employee share plans that vest based on performance. A respondent also suggested that issuers disclose gender and ethnicity pay gaps and CEO-to-employee pay ratios to assess the effectiveness of issuers' diversity, equality and inclusion policies.

1.4 Respondents who disagreed with the proposal were mainly issuers and directors, generally due to competitive, sensitivity and privacy considerations. Some highlighted that such disclosure would lead to misleading comparisons across issuers of different industries and sizes and potential poaching of directors and CEOs. Several respondents suggested that SGX RegCo require remuneration to be disclosed in bands instead, with proposed band sizes ranging from S$100,000 to S$250,000. One respondent suggested that SGX RegCo adopt a size-based approach and apply the proposed requirements only to issuers with a large market capitalisation or only to Mainboard listed issuers.

[8] 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.

1.5 One respondent asked for guidance on how the breakdown of remuneration should be valued and disclosed for share incentives, for example whether these incentives should be disclosed based on their value at grant or receipt. Another respondent suggested that SGX RegCo elaborate on the categories the breakdown should reflect and to clarify whether such breakdown should be in amount or percentage terms or both and that it should include remuneration paid by the issuer's subsidiaries.

1.6 A respondent proposed a transition period for the new rules to only apply for annual reports for the financial year commencing 1 January 2024 onwards.

1.7 There was mixed feedback on the application of the proposed rules to REITs and business trusts ("**BTs**"). A respondent from the sector fully supported the proposal, stating that this would provide transparency to unitholders. Another respondent supported the proposal insofar as it applies to directors' remuneration only, noting that such information was already commonly disclosed today. A few respondents opposed applying the requirements to CEOs of REIT managers and BT trustee-managers. Similar to other issuers, they cited competitive, sensitivity and privacy concerns. Additionally, they were of the view that the statutory safeguards in the Securities and Futures Act 2001 ("**SFA**") and the Business Trusts Act 2004 ("**BTA**") sufficiently protect unitholders' interests. They also highlighted that externally managed REITs listed on other markets generally do not provide such disclosures. A respondent suggested that SGX RegCo instead require disclosure of the metrics, key performance indicators and factors used to determine the CEO's remuneration as this would be more useful.

SGX RegCo 's Response

1.8 SGX RegCo notes the broad support to require issuers to disclose the exact amount and breakdown of remuneration paid to directors and the CEO in their annual reports and will proceed with the amendments.

1.9 While we note the competitive, sensitivity and privacy concerns raised by some respondents, we believe these considerations are outweighed by the fiduciary duty to act in the best interest of the company and its shareholders. Providing transparency will be beneficial to the market as investors will be better able to make informed assessments on whether the directors and CEO are appropriately incentivised in line with shareholder interests. Issuers concerned that such disclosures may lead to unfair comparisons may buttress their disclosures with explanation on why the remuneration is of an appropriate level.

1.10 While the suggestion for remuneration to be disclosed in bands may mitigate some of these concerns, it also lacks the specificity that investors require. As evident from their responses, investors are demanding for more comprehensive details on remuneration. One respondent specifically highlighted that disclosure in bands should not be allowed as it would prevent a meaningful assessment of percentage increase in yearly remuneration.

1.11 We note the suggestions to require more information to be disclosed on the basis for remuneration and how it links with the issuer's business model and long-term value creation. Principle 8 of the Code requires companies to be transparent on their remuneration policies and the relationships between remuneration, performance and value creation. We remind issuers that the Listing Rules require[9] compliance with the principles of the Code. Practice Guidance 8 of the Code provides further guidance on the information to be disclosed, such as the details of the metrics used and the payout that can be achieved for hitting or exceeding targets. Issuers should refer to the Practice Guidance when preparing their reports. We will keep under review if stricter requirements are necessary in the future.

[9] Mainboard Rule 710 and Catalist Rule 710.

1.12 The Listing Rules will require the breakdown of remuneration to be set out in percentage terms and to include remuneration paid by the issuer and its subsidiaries. Arising from the feedback, we will clarify that the categories to be disclosed must include base or fixed salary, variable or performance-related income or bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives, in line with Practice Guidance 8 of the Code. On whether disclosure of share awards should be based on their value at grant or receipt, issuers should use the approach that would more clearly reflect how such incentives link with the issuer's performance for the associated period and long-term value creation. Issuers should also refer to Practice Guidance 8 of the Code for the important terms that should be disclosed[10].

1.13 The amended Listing Rules will apply to REITs and BTs. As highlighted in the consultation, MAS already currently requires[11] such disclosures for REIT managers, albeit on a comply-or-explain basis and this approach was explained[12] to be aligned with the prevailing requirements for listed companies. With the changes, we will maintain such alignment of treatment.

1.14 We are of the view that the remuneration information of the directors and CEO of the REIT manager and the BT trustee-manager are useful for investors to make their evaluations on whether incentive plans are aligned with unitholders' interests. Such information is still useful for investors, even if the remuneration is not paid out of the assets of the REIT or BT, particularly as the interests of unitholders are not necessarily the same as that of the manager or trustee-manager. MAS states[13] that it is unsatisfactory for REIT managers to explain their non-compliance with the current disclosure requirements simply with a statement that the remuneration of the CEO and directors are not paid out of the deposited property of the REIT.

1.15 Consequently, REITs and BTs will have to disclose the remuneration paid to individual directors and the CEO of the REIT manager and the BT trustee-manager for the performance of their respective duties.

IV Implementation of Amendments to Listing Rules

1 Implementation of changes

1.1 As set out in Part II of this paper, the Listing Rules on the two-tier vote will be removed immediately on 11 January 2023. IDs who exceed the nine-year tenure limit will have to step down or be redesignated as non-independent no later than at their AGMs held for the financial year ending on or after 31 December 2023.

1.2 For example, if an issuer's financial year ends on 31 December and if an ID has served on the board of the issuer for more than nine years as of 11 January 2023, he or she may remain as an ID on the board until the issuer's AGM held in April 2024. Should his or her term expire in April 2023, he or she may be re-elected as an ID at the issuer's AGM held in April 2023 and the two-tier vote will not apply. However, such ID must either step down or be redesignated as non-independent no later than the issuer's AGM held in April 2024.

1.3 The Listing Rule amendments on remuneration disclosures will apply for annual reports for issuers'

[10] Practice Guidance 8 states that the disclosures on employee share schemes should cover the important terms such as the potential size of grants, methodology of valuing stock options, exercise price of options that were granted as well as outstanding, whether the exercise price was at the market or otherwise on the date of grant, market price on the date of exercise, the vesting schedule, and the justifications for the terms adopted.

[11] 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.

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

[13] MAS Guidelines to All Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management.

financial years ending on or after 31 December 2024, to provide time for issuers to prepare for this requirement.

Appendix 1 Respondents to the Consultation

SGX RegCo received comments from 43 respondents for the questions raised in the consultation, of which 20 requested confidentiality. The respondents who agreed to be named are:

Asia Securities Industry & Financial Markets Association - Asset Management Group
Asian Corporate Governance Association
Ben Paul
Blackrock
Boardroom Corporate & Advisory Services Pte Ltd
Bruce Tan
CGI Glass Lewis Pty Ltd
Chartered Secretaries Institute of Singapore
Goh Guan Siong
Ho Yew Mun
Jon Robinson
Kuah Boon Wee
Michael Gray
Protem Committee of the Singapore Independent Directors Association
Provenance Capital Pte. Ltd.
SAC Capital
Securities Investors Association (Singapore)
SGListCos Ltd
Singapore Institute of Directors
Stephen Chen
Tan Yok Koon
Victor Yeo
WongPartnership LLP

Appendix 2 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). Such director may continue to be considered independent until the conclusion of the next annual general meeting of the issuer.

Chapter 12 Circulars, Annual Reports and Electronic Communications

Part III Annual Reports

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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 paid to each individual director and the chief executive officer by the issuer and its subsidiaries. Such breakdown must include (in percentage terms) base or fixed salary, variable or performance-related income or bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.

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~~. Such director may continue to be considered independent until the conclusion of the next annual general meeting of the issuer.

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~~ This Rule was deleted on 11 January 2023.	~~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 11 January 2023, the Exchange amended the SGX-ST Listing Rules (Mainboard) to prescribe a nine-year tenure limit for independent directors. Rule 210(5)(d)(iii) was deleted and Rule 210(5)(d)(iv) was inserted.

1.2 Rule 210(5)(d)(iii) stated 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.

1.3 Rule 210(5)(d)(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 years (whether before or after listing). Such director may continue to be considered independent until the conclusion of the next annual general meeting of the issuer. Rule 210(5)(d)(iv) takes effect for an issuer's annual general meeting for the financial year ending on or after 31 December 2023.

1.4 This Transitional Practice Note is published to establish transitional arrangements for the application of these Rules between 11 January 2023 and the date of the issuer's annual general meeting for the financial year ending on or after 31 December 2023 (the "Transitional Period").

2. Arrangements

2.1 As of the date of an issuer's annual general meeting for the financial year ending on or after 31 December 2023, 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 his 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 no later than at the annual general meeting of the issuer for the financial year ending on or after 31 December 2023.

Appendix 3 Amendments to Catalist Rules

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

Chapter 4 Equity Securities

Part III Catalist Admissions

406

(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). Such director may continue to be considered independent until the conclusion of the next annual general meeting of the issuer.

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 paid to each individual director and the chief executive officer by the issuer and its subsidiaries. Such breakdown must include (in percentage terms) base or fixed salary, variable or performance-related income or bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.

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~~ <u>This Rule was deleted on 11 January 2023.</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 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 11 January 2023, the Exchange amended the SGX-ST Listing Rules (Catalist) to prescribe a nine-year tenure limit for independent directors. Rule 406(3)(d)(iii) was deleted and Rule 406(3)(d)(iv) was inserted.

1.2 Rule 406(3)(d)(iii) stated 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.

1.3 Rule 406(3)(d)(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 years (whether before or after listing). Such director may continue to be considered independent until the conclusion of the next annual general meeting of the issuer. Rule 406(3)(d)(iv) takes effect for an issuer's annual general meeting for the financial year ending on or after 31 December 2023.

1.4 This Transitional Practice Note is published to establish transitional arrangements for the application of these Rules between 11 January 2023 and the date of the issuer's annual general meeting for the financial year ending on or after 31 December 2023 (the "Transitional Period").

2. Arrangements

2.1 As of the date of an issuer's annual general meeting for the financial year ending on or after 31 December 2023, 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 his 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 no later than at the annual general meeting of the issuer for the financial year ending on or after 31 December 2023.

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