RESPONSE TO FEEDBACK RECEIVED

August 2018

Recommendations of the Corporate Governance Council

Contents

1. Preface

1.1 On 16 January 2018, the Corporate Governance Council ("Council") issued a consultation paper to seek comments on its recommendations to revise the Code of Corporate Governance ("Code"). SGX also consulted on proposed amendments to the SGX-ST Listing Rules (Mainboard) and SGX Listing Rules (Catalist) (collectively, "SGX LR") arising from the Council's recommendations.

1.2 The consultation period closed on 15 Mar 2018. A total of 63 responses were received. The respondents are listed in Annex A. The Council and SGX would like to thank all respondents for their contributions.

1.3 The Council has carefully considered all feedback received. Respondents were generally supportive of the recommendations. There were diverse views on certain proposals, reflecting concerns of various stakeholder groups. The Council has weighed the different perspectives, and revised its recommendations in some areas. Where appropriate, the Council has also incorporated changes to the drafting of the Introduction, Code and Practice Guidance based on feedback and suggestions from respondents. This paper highlights comments that are of wider interest, the Council's responses and its final recommendations.

1.4 The Council has submitted its final recommendations, along with the proposed revisions to the Code, to the Monetary Authority of Singapore. Please refer to Annex B of the consultation paper for the Council's final recommendations. To facilitate compliance with the Code, the Council recommends that a transitional period be introduced such that the revised Code take effect for companies in respect of annual reports relating to financial years commencing 1 January 2019 onwards.

1.5 SGX has also reviewed all feedback on amendments to the SGX LR arising from the Council's recommendations. SGX's responses are reflected in Section 9. The revisions relating to the nine-year rule for independent directors and requirement for independent directors to comprise at least one-third of the board will take effect from 1 January 2022. Prior to 1 January 2022, the corresponding Guidelines 2.1 and 2.4 in the current Code will continue to apply. Unless otherwise stated, the revised SGX LR will take effect from 1 January 2019.

2. Structure of Code

The Council sought comments on the following recommendations:

Key Recommendation 1: To include in the Code a simple *Introduction* to explain the broad intent of the Code, and clarify how companies should apply the comply-or-explain regime.

Key Recommendation 2: To focus the Code on key tenets of corporate governance and encourage more thoughtful and meaningful application by rationalising the requirements according to the following hierarchy of compliance:

(a) ***SGX LR:*** 12 Guidelines in the current Code which are in effect important requirements or baseline market practices were recommended to be shifted to the SGX LR for mandatory compliance (see Annex E, Table 1).

(b) ***Code:*** The Principles and Guidelines in the current Code are recommended to be re-calibrated as follows, and will continue to apply on a comply-or-explain basis (see recommendations on the comply-or-explain regime in Section 7):

- Principles are overarching, non-disputable statements embodying the fundamentals of good corporate governance that companies should comply with.
- Provisions (renamed from existing Guidelines) are actionable steps which guide companies in complying with the substance of the Principles.
- The Code has been re-drafted to shift away from an instructive style and the use of "should".
- 15 existing Guidelines which are overly-prescriptive, or replicate requirements already in the SGX LR, were recommended to be removed from the Code (see Annex E, Table 2).

(c) ***Practice Guidance***: To complement the Code, the new non-binding Practice Guidance (which will not apply on a comply-or-explain basis) provides guidance to companies on compliance with the Code and sets out best practices. 24 prescriptive or less essential details in the current Code were recommended to be incorporated in the Practice Guidance (see Annex E, Table 3).

2.1 Introduction in Code: All respondents were supportive of this recommendation. A number suggested that the Introduction clarify the basis on which the Code and Practice Guidance would apply. One suggested that the Introduction clarify the consequences of non-compliance with the Code and/or SGX LR.

2.2 Citing observations from recent cases of corporate lapses, a few respondents suggested that the Code include reference to ethics, corporate culture and values as crucial elements of good corporate governance.

2.3 Streamlining of Code: A majority of respondents were supportive of this recommendation, noting that the streamlining would simplify the Code and encourage companies to shift away from a box-ticking compliance mentality. These respondents also noted that the Practice Guidance would provide a useful reference for companies.

2.4 Some respondents were concerned that the shifting of certain guidelines from the current Code to the non-binding Practice Guidance could be interpreted as a relaxation of governance standards and lead to poorer disclosures by companies. Two respondents commented that the level of detail provided in the Practice Guidance differs by topic. A few respondents noted that sufficient guidance on corporate governance matters is already available to companies, for example in the form of the Singapore Institute of Directors' Corporate Governance Guidebooks. Hence, the addition of a new set of Practice Guidance is unnecessary and generates additional complexity.

Council's Response: Given strong support for the recommendations on the inclusion of the Introduction to the Code, and the proposed approach to streamline the Code, the Council recommends proceeding with these recommendations.

Considering the feedback received, the Council recommends amendments to the Introduction to (i) provide greater clarity on how the Code and Practice Guidance would apply to companies, and (ii) incorporate references to the board's role in establishing corporate culture.

The Council agrees that establishing an appropriate culture and a high standard of ethics is fundamental to good corporate governance. Regulators and corporate governance bodies in other jurisdictions such as the UK and Australia have also increasingly noted that strong culture plays a part in companies' governance structure. In addition to making reference to this in the Introduction, the Council also recommends revisions to Provision 1.1 of the Code to state that "The Board puts in

place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company."

On the streamlining of the Code, the Council would like to emphasise that the proposed shifting of prescriptive or less essential details to the Practice Guidance is not intended to be a relaxation of governance standards. This exercise is meant to rationalise the Code, recognising that it is not tenable to keep adding requirements with each review, and a lengthy and prescriptive Code gravitates companies towards a box-ticking mindset. The streamlined Code is more principle-based, and seeks to encourage companies to be more thoughtful in applying the Code. It also promotes more meaningful communication between the companies and their stakeholders.

Where appropriate, the Council has incorporated suggestions on additional areas that the Practice Guidance could cover, such as on board diversity (see Section 4), remuneration disclosures (see Section 5) and stakeholder engagement (see Section 6). To ensure that the Practice Guidance continues to remain relevant and serve as a useful reference for companies, the proposed CG Advisory Committee ("CGAC") (see Section 8) will continue to refine or issue new Practice Guidance as necessary.

Please refer to the draft Introduction and proposed Provision 1.1 of the Code in Annex C, incorporating the Council's recommendations.

3. Director Independence

The Council sought comments on the following recommendation:

Key Recommendation 3: To rationalise the tests of director independence in the Code so as to provide clarity on considerations which companies should apply their minds to when assessing the independence of each director by:

(a) Setting out an overarching principle-based definition of director independence in the Code;

(b) Shifting to the SGX LR objective and baseline tests of independence setting out circumstances which deem directors not to be independent, to reflect that companies should apply these without any exceptions. These tests include where the director has an employment relationship, relationship with

substantial shareholder or where the director has served on the board for more than nine years since the date of his first appointment; and

(c) Including in the Practice Guidance the other tests of director independence which set out details on business relationships between a director or his family members, and the company, or where the director is directly associated with a substantial shareholder. This provides companies with flexibility in applying these tests while adhering to the overarching principle-based test in the Code.

3.1 Most respondents agreed with the concept of rationalising the tests of director independence in the Code. Those who objected were concerned that the rationalisation would result in dilution of the tests of independence, or create confusion for companies and investors as some tests are incorporated in the SGX LR while others are in the Practice Guidance.

3.2 One respondent disagreed with shifting the objective and baseline tests of independence from the Code to the SGX LR as it was perceived to be too prescriptive, and would go against the intent of moving towards a more principle-based approach. On the other hand, several respondents disagreed with the Council's recommendation to shift the tests relating to business relationships and associations with substantial shareholders, from the Code to the Practice Guidance. A few suggested that the tests recommended to be shifted to the Practice Guidance be included in the SGX LR. The respondents were of the view that it is critical to have in place stringent tests of director independence given that boards are required to have a minimum of only one-third IDs (see paragraph 4.1). Two respondents suggested introducing additional tests of independence.

3.3 A few respondents commented that the reference period for assessment of directors' independence should be reviewed. In particular, it was suggested that where a director has an employment relationship with, or served as a former professional advisor for the company or the related corporations, the reference period should be revised to past five financial years (instead of the existing reference to current or any of the past three financial years).

3.4 A number of respondents provided suggestions on the appropriate threshold for determining significance of payments for the purposes of determining director independence. Two suggested that that the Council's recommended thresholds of $50,000 (for payments to or from individual director, or immediate family members) and $200,000 (for payments to or from any organisation which the director, or immediate family member is a substantial shareholder, partner, executive officer or director of) be based on a percentage of the company's net tangible assets, in line with thresholds for

interested person transactions under the SGX LR. One commented that it is not necessary to have different thresholds for payments to individuals and organisations, and suggested retaining the existing threshold of $200,000. Another respondent suggested that the $50,000 threshold for payments to or from individuals is too low and should be set at least $100,000.

Council's Response: On the concerns regarding dilution of the tests of independence, and potential confusion on the application of these tests, the Council would like to clarify that the over-arching principle-based definition of an "independent director" in Provision 2.1 of the Code will encompass the various tests of independence, as it refers to relationships with the company, its related corporations, substantial shareholders or officers which could interfere, or be reasonably perceived to interfere with the exercise of the directors' independent judgement. The board and Nominating Committee ("NC") are expected to apply this definition, taking reference from the tests of independence set out in the Practice Guidance, in their assessments of director independence. This approach is intended to provide companies with the flexibility to apply the overarching definition of independence in Provision 2.1 as appropriate to their specific circumstances, avoiding an overly-prescriptive "one-size-fits-all" approach.

In addition, under Provision 4.4 of the Code, directors are to disclose to the board any relationships which may affect their independence, and the company is to disclose and explain its reasons if the board determines that directors are independent notwithstanding these relationships. To ensure that the board and NC considers all the relevant tests of independence and that the company discloses such relationships where relevant, the Council recommends specifying in Provision 4.4 that these relationships include those which the Council recommends to be shifted to the Practice Guidance. Where the director or his immediate family member, or a company where they are a substantial shareholder in, provides to or receives from the company or its subsidiaries any significant payments or material services, the amount and nature of the service should also be disclosed.

The Council notes the diversity of views on specific tests of independence to be shifted to the SGX LR. In considering the independence tests to be made mandatory, the Council weighed the need for baseline requirements to be made clear to companies against the practicalities of requiring mandatory compliance with tests that can be subjective in nature. On balance, the Council has decided to proceed with the recommendations to shift the tests on independence from employment relationships and the nine-year rule (see paragraph 3.9) to the SGX LR. The test for independence

from substantial shareholders (revised to 5% from 10% shareholding) will be retained in the Code (see paragraph 3.5).

In rationalising the independence tests in the Code, details on the application of the tests will be shifted to the Practice Guidance. Such details include reference periods for independence assessments and thresholds for determining significance of payments. In line with the approach for companies to consider the principles-based definition of independent director in Provision 2.1 of the Code, the reference periods and payment thresholds set out in the Practice Guidance are intended to provide guidance, and are not prescriptive. Companies are encouraged to take into account all relevant circumstances, and should continue to apply them as appropriate, to ensure that a director is truly independent.

Please refer to proposed Provisions 2.1 and 4.4 of the draft Code in Annex C, and SGX LR in Annexes G and H.

The Council sought comments on the following recommendation:

Key Recommendation 4: To lower the shareholding threshold in relation to determining director independence from 10% to 5%, and include this in the SGX LR.

3.5 While a majority of respondents were supportive of the recommendation, several favoured status quo. One respondent who preferred status quo commented that substantial shareholders, particularly institutional investors who do not have ties with controlling shareholders (holding 15% or more), are unlikely to have any conflicts affecting director independence.

3.6 A few respondents disagreed with the concept that any relationship with substantial shareholders of the company affects independence of directors on the grounds that the interests of substantial shareholders are aligned with those of other shareholders. Where there are specific risks that a large shareholder could unfairly abuse its shareholdings to obtain an unfair benefit at the expense of minority shareholders, these should be directly addressed (for example, through the SGX LR relating to interested person transactions). These respondents also commented that if the concept of director independence from shareholders is retained, 5% is not a meaningful threshold as a majority of companies in Singapore have a controlling shareholder holding at least 15%. It was suggested that a more appropriate threshold would be 15% or 20%.

3.7 One respondent suggested including an exception for circumstances where the director has a shareholding interest of more than 5% but is not a controlling shareholder (i.e. holds less than 15%), and there is another unrelated controlling shareholder, as such a director could represent the interests of non-controlling shareholders. Another respondent suggested retaining the shareholding threshold in the Code to provide flexibility on the application of the shareholding threshold in assessments of director independence.

3.8 On the proposed transition period, a few respondents suggested a shorter transition period (e.g. 2 years or 18 months) instead of 3 years as proposed by the Council.

Council's Response: Relationships between directors and substantial shareholders can compromise director independence, and this is already acknowledged in the current Code. While the interests of substantial shareholders may be largely aligned with other shareholders, there are instances where minority interests should be safeguarded, for instance, where a substantial shareholder delists a company at an inequitable offer price to minority shareholders. IDs who are not beholden to the substantial shareholder play an important role in such cases. This is also consistent with the practices in the UK, Hong Kong and Australia.

Given majority support for the recommendation, the Council will proceed with the recommendation to rationalise the shareholding threshold used in assessment of director independence from 10% to 5%, in line with the definition of "substantial shareholders" in the Companies Act and Securities and Futures Act. Based on feedback, some companies already apply the 5% threshold in their assessments of IDs.

Nonetheless, the Council recognises that there could be specific circumstances where a relationship with a substantial shareholder may not necessarily compromise the independence of a director. To continue providing flexibility to the board and NC, the Council recommends retaining the shareholding test of director independence in the Code instead of shifting it to the SGX LR. The Council recommends revision of the over-arching principle-based definition of independence in Provision 2.1 to incorporate independence from the company's substantial shareholders. The board and NC will continue to be responsible for assessing directors' independence from substantial shareholders on a case-by-case basis, taking into consideration all relevant factors. If a director is deemed independent notwithstanding a relationship with a substantial shareholder, the company should disclose the reasons for this assessment.

As the shareholding threshold will be retained in the Code, the lowered threshold will come into effect along with the revised Code, with no further transition period necessary. Companies that require additional time to comply with the Provision should explain this in their corporate governance disclosures.

Please refer to proposed amendments to Provision 2.1 of the draft Code in Annex C.

The Council sought comments on the following recommendation:

Key Recommendation 5: To enhance the nine-year rule by either: (a) incorporating it as a hard limit in the SGX LR, or (b) subjecting the appointment of IDs who have served beyond nine years to an annual vote to be approved by: (i) the majority of all shareholders; and (ii) the majority of non-controlling shareholders, in the SGX LR.

3.9 A majority of respondents agreed that the nine-year rule should be enhanced. However, there were diverse views on the best means of doing so.

3.10 A large number of respondents supported the option to incorporate the nine-year rule as a hard limit in the SGX LR, on the basis that a clear and definitive test would be easier for companies to adopt. A hard limit would also encourage consistent board renewal and facilitate greater board diversity. One respondent noted that a hard limit could create more demand for IDs, and thereby provide opportunities to expand the pool of IDs. Respondents who objected to a hard limit commented that it is arbitrary and could result in companies taking a "box-ticking" approach to assessments of director independence.

3.11 Several other respondents supported the option to subject the appointment of long-serving IDs to a two-tier vote as this option would provide companies with the flexibility to retain quality IDs beyond nine years, and could encourage shareholder engagement. Some others suggested variations of the two options proposed by the Council, such as having a limit of nine years that can be extended to 12 years if approved by shareholders, or subjecting the appointment of the long-tenured IDs to vote by only non-controlling shareholders (shareholders who hold less than 15%), or for the resolutions to be subject to a higher approval threshold (e.g. at 75%) instead of a two-tier vote. Two respondents suggested that the appointment of all IDs regardless of tenure through a two-tier vote process could add credibility to the ID's election and position, as

well as engender greater trust in the nomination and election process among minority shareholders. Respondents who objected to the two-tier vote noted that it could be administratively cumbersome for companies.

3.12 On the recommendation for the two-tier vote to be approved by the majority of (i) all shareholders, and (ii) non-controlling shareholders (i.e. excluding controlling shareholders, or the shareholders holding 15% or more, based on SGX LR definition), some were of the view that shareholders who hold 15% or more should not be excluded from the vote in (ii) (the "second vote"). These respondents were of the view that the exclusion is not justified as the controlling shareholders' interests were aligned with those of other shareholders, and in some circumstances, shareholders with more than 15% of shares do not necessarily have "control" of the company.

3.13 Some respondents objected to both options proposed by the Council, preferring status quo. These respondents commented that the proposed enhancements could be onerous for companies, and potentially make Singapore less attractive to companies as a listing venue.

3.14 A few respondents suggested that the current Code guideline for IDs who have served beyond nine years to be subject to "particularly rigorous review" be supplemented with measures targeted at addressing inadequate disclosures of justifications for considering long-tenured IDs to be independent. For example, companies could disclose specific factors considered in the board's assessment, or provide written confirmations on factors considered in the board's independence assessment to SGX. To encourage board renewal, one suggested approach was for companies to specify succession plans if a significant proportion of directors on the board had served more than nine years.

3.15 Most respondents supported a three-year transition period to allow companies time to adjust to the new requirements, while some suggested that a shorter transition period would be sufficient.

Council's Response: The Council notes the strong support for enhancement of the nine-year rule in the SGX LR, but acknowledges the divergence of views among respondents on how best to do so. The Council carefully weighed the arguments put forth by the different stakeholder groups on the two options consulted. The Council notes that there is no consensus internationally on the most effective approach of addressing the risks related to long-tenured IDs. The approach taken in other jurisdictions varies – depending on the ownership structure, market practices adopted by companies and directors, as well as the level of shareholder engagement.

The Council acknowledges that a hard nine-year limit would be clear and simple to implement. This would also encourage board renewal, an important consideration in equipping Singapore companies to compete in the future economy. However, the Council was mindful that a hard limit could be perceived as being overly mechanistic. On the other hand, the two-tier vote provides companies with flexibility to retain quality IDs beyond nine-years. Such an approach also empowers shareholders to assess the independence of long-tenured IDs and encourages shareholders' active engagement.

Given the above considerations, the Council recommends enhancing the nine-year rule through a two-tier vote on director independence beyond nine years. In any case, it is important to note that a director who is not voted in as an ID through the two-tier vote can continue to serve on the board as a non-independent director, contributing his knowledge about the company and its business acquired from the long tenure on the board.

On the formulation of the two-tier vote, the Council notes that it might not be fair to exclude all controlling shareholders in the second vote, particularly where the controlling shareholder might not have ultimate control, or if the controlling shareholder has not placed their representatives on the management or board of the company. Further, the Council noted that the key risk of long tenure is compromised independence from management, as IDs become familiar and develop relationships with management over time. Based on SGX's statistics, more than 80% of companies that faced corporate governance issues or material breaches of the SGX LR[1], had controlling shareholders who were also the CEO and/or directors. Maintaining independence on the boards of such companies is key. To better target this risk, the Council proposes to revise the two-tier vote to require IDs beyond nine years to be approved by the majority of (i) all shareholders; and (ii) all shareholders *excluding shareholders who serve as directors or CEO of the company, and their associates*. Companies are not expected to have operational difficulties to identify the votes of the directors and CEO, and their associates, as companies would already maintain a register of interested persons, including the directors and CEO, and their associates for the purpose of complying with the requirements for interested person transactions in the SGX LR.

[1] This group of companies comprises all (i) companies suspended for 12 months or more due to regulatory breaches as at 30 April 2018; and (ii) companies issued public reprimands from 2014 to 2018.

In developing the revised formulation of the two-tier vote, the Council had also considered whether shareholders holding other senior management positions apart from the CEO should also be excluded from the second vote. The Council decided against excluding other management members from the second vote as IDs would have less contact with this group of management members, compared to the frequent contact with other members of the board and the CEO. Moreover, the other management members who are not related to the CEO/directors would typically not have significant shareholdings that could influence the vote on ID appointments.

To ease the administrative burden on companies, the Council recommends that the two-tier vote be valid for a term of ID appointment (up to three years) instead of the annual vote consulted on earlier. In addition, the Council recommends that a three-year transition period be provided for companies to adjust to the new requirement and plan for board appointments.

Please refer to proposed amendments in Rule 210(5)(d)(iii) of the Listing Rules (Mainboard) in Annex G and Rule 406(3)(d)(iii) of the Listing Rules (Catalist) in Annex H.

The Council sought comments on the following recommendation:

Key Recommendation 6: To introduce a Code Provision for companies to separately disclose non-controlling shareholders' votes on appointments and re-appointments of IDs regardless of the tenure of service, on a comply-or-explain basis.

3.16 Several respondents were supportive of the recommendation. Two respondents suggested that the proposed disclosure of non-controlling shareholders' votes should apply to the appointment of all directors, rather than only IDs. One respondent suggested that the recommendation go one step further, such that only non-controlling shareholders vote on ID appointments, or for ID appointments to be subject to the approval of 75% of voting shares.

3.17 Respondents who objected commented that the additional disclosure does not provide additional safeguards to investors, and could be cumbersome and administratively costly for companies. A number were concerned that if the votes of non-controlling shareholders and controlling shareholders conflict, the Nominating

Committee and/or ID in question would be placed in an awkward position. Such disclosures could also discourage people from serving as IDs.

3.18 While a majority of respondents indicated that any operational challenges involved would not be insurmountable, some highlighted that there could be difficulties with tracking shareholdings and votes of the shareholders, especially for shares held through beneficial owners or proxies. A few respondents cautioned that the proposal would result in additional time and costs for companies to track the shareholdings.

Council's Response: Notwithstanding the support received from some respondents, the Council notes the concerns on operational difficulties and potential costs involved in tracking the shareholdings and votes of shareholders. Balancing the potential costs and benefits, the Council has decided not to proceed with the recommendation to introduce a Code Provision on separate disclosure of non-controlling shareholders' votes on ID appointments and re-appointments before nine years.

4. Board Composition

The Council sought comments on the following recommendations:

Key Recommendation 7: To shift the current Guideline for one-third of the board to comprise IDs from the Code to the SGX LR.

Key Recommendation 8: To revise the Code Provision for IDs to comprise a majority of the board (from "at least half" in the current Code) where the Chairman is not independent.

4.1 A large majority of respondents were supportive of these recommendations. One respondent objected to incorporating the minimum one-third ID rule in the SGX LR, citing that this would go against a principles-based approach towards corporate governance. Another respondent cautioned that companies may view the proposed minimum one-third IDs requirement as a "ceiling", and limit the proportion of their IDs to one-third. The respondent noted that it is critical to encourage companies to expand the independent component on their boards as their needs and business changes.

4.2 A number of respondents suggested that the minimum proportion of IDs on the board should go beyond one-third, to either half or a majority. A few respondents suggested that the baseline requirement for a minimum proportion of IDs where the board Chairman is non-independent also be included in the SGX LR.

4.3 A few respondents objected to the Council's recommendation for a majority of the board to comprise IDs (from "at least half" in the current Code) where the Chairman is not independent. These respondents cited that having more IDs on board could increase costs and impose a burden on companies, and might impact the attractiveness of Singapore as a listing venue. Some highlighted practical difficulties that companies might face such as whether there are sufficient directors, and surfaced concerns that the revision might result in smaller listed companies increasing the number of directors on the board to meet the Provision, which could stall decision-making, or leave some companies without a sufficient number of directors who understand the business. A few of these respondents suggested that the Council weigh these costs and practical considerations against the advantages of having more IDs.

Council's Response: The Council notes the strong support for the recommendation to incorporate in the SGX LR a requirement for the board to comprise at least one-third IDs, and for the revision of the Code Provision for IDs to comprise a majority of the board (from "at least half" in the current Code) where the Chairman is not independent. To reinforce the importance of having sufficient ID representation on boards, the Council recommends proceeding with the recommendations as consulted. These changes will bring the board composition requirements closer to the standards in UK, Australia, US and Hong Kong.

As the requirement for at least one-third of the board to comprise IDs is a baseline market practice, hardcoding this requirement in the SGX LR is consistent with the Council's overarching approach in streamlining of the CG Code (as elaborated in Section 2 above). The Council recommends that a three-year transition period be provided for companies to adjust to this new requirement.

While the Council sees merits in the suggestions for the SGX LR to mandate a minimum proportion of IDs beyond one-third, it is mindful of the potential impact on companies especially in view of the other recommendations to enhance board independence. Some respondents have also pointed out relevant practical implications. As such, the Council has taken a more calibrated approach to retain the Provision for a majority of IDs where Chairman is non-independent in the Code. This recommendation seeks to

strengthen the collective weight of the IDs where there is a greater risk of concentration of powers. The Code Provision will apply on a comply-or-explain basis to provide companies with the flexibility to adopt a board composition appropriate to their ownership structure, size and complexity of business.

Please refer to proposed amendments in Rule 201(5)(c) of the Listing Rules (Mainboard) in Annex G and Rule 406(3)(c) of the Listing Rules (Catalist) in Annex H, and Provision 2.2 of the draft Code in Annex C.

The Council sought comments on the following recommendation:

Key Recommendation 9: To introduce a new Code Provision for the board to comprise a majority of directors who have no management or business relationships with the company, on a comply-or-explain basis.

4.4 A majority of respondents were supportive, with some suggesting the recommendation be hardcoded in the SGX LR. A few respondents suggested that half of the board comprise directors with no management or business relationship (rather than majority) while several others indicated a preference for the board to comprise a majority of IDs instead. A number of respondents sought guidance on what constitutes "management or business relationship". A few respondents suggested that the Code Provision be amended to refer to "non-executive directors" instead.

4.5 Respondents who disagreed commented that the necessity of this new Provision is unclear, given that the Code and SGX LR already include rules on the minimum proportion of IDs.

Council's Response: The underlying intent of the recommendation is to reinforce management accountability to the board, and ensure an appropriate balance of power within the board. A board dominated by management would face conflicts of interests in decisions relating to management performance and remuneration.

Noting requests for greater clarity with respect to "directors with no management or business relationships with the company", the Council has replaced this with non-executive directors (i.e. directors who do not hold any executive position in the

company). The final recommendation by the Council is to introduce a new Code Provision for the board to comprise a majority of non-executive directors.

Please refer to proposed amendments in Provision 2.3 of the draft Code in Annex C.

The Council sought comments on the following recommendation:

Key Recommendation 10: To enhance the current Code Provision for companies to disclose their board diversity policy and progress made in achieving the board diversity policy (including any objectives set by the companies).

4.6 Most respondents were supportive of the recommendation. A few respondents suggested that the Council consider taking reference from the Australian CG Code as well as provide further guidance on the content of disclosures relating to board diversity. One respondent cautioned that companies might provide boilerplate disclosures, while a few others suggested that companies should disclose further details such as concrete or measurable targets, and a timeline to achieve them, to increase companies' accountability on board diversity.

4.7 A few respondents disagreed with the recommendation. One respondent commented that the proposed disclosure requirements may entail additional costs with little tangible benefits to the diversity agenda, especially in the context of smaller companies. Two respondents commented that companies already in practice consider board diversity, and the competency of directors would be reflected in the companies' financial performance. One respondent commented that there should not be a prescribed diversity matrix as the required diversity is highly dependent on the specific business.

Council's Response: Given majority support for the recommendation, the Council will proceed with the recommendation for the current Code Provision to be enhanced for companies to disclose their board diversity policy and progress made in achieving the board diversity policy (including any objectives set by the companies).

On suggestions for companies to disclose further details such as concrete or measurable targets, and a timeline to achieve them, the Council is of the view that including such requirements in the Code Provision could be overly prescriptive. Further, the Council recognises that board diversity includes various aspects, and not all aspects of diversity

can be measured objectively. Instead of incorporating this as part of the Code, the Council has incorporated in Practice Guidance 2 the suggestions for the board diversity policy to include qualitative and measurable objectives, where appropriate.

The Council notes the concerns on potential boilerplate disclosures in respect of board diversity. As this is the first time such disclosures are being introduced, the proposed CGAC can monitor the market's experience with these disclosures, and provide further guidance as necessary.

Please refer to proposed amendments in Provision 2.4 of the draft Code in Annex C, and draft Practice Guidance 2 in Annex E.

5. Remuneration

The Council sought comments on the following recommendations:

Key Recommendation 11: To revise the Code for companies to disclose the relationship between remuneration and value creation.

Key Recommendation 12: To revise the Code for companies to disclose the names and remuneration of employees who are substantial shareholders or immediate family of substantial shareholders, where such remuneration exceeds S$100,000 during the year (revised from S$50,000 currently), in bands no wider than S$100,000 (revised from S$50,000 currently).

5.1 Most respondents were supportive of the recommendations to enhance remuneration disclosures. However, some thought that the Council should reconsider its position of not introducing "say on pay", by taking reference from other markets such as Australia. These respondents noted that "say on pay" allows shareholders to express their views on the quality of disclosure, the link with value creation and the potential for excess. Where the vote is advisory, it does not inhibit the board's authority or responsibility in this area.

5.2 On the recommendation for disclosure of the relationship between remuneration and value creation, a number of respondents commented that while

conceptually shareholders might be interested in such information, it is not practicable. It was noted that remuneration designed to reflect longer term business objectives could seem inappropriate or misaligned with shareholders' interest when viewed on a year-on-year basis. One respondent added that such disclosures may potentially require the company to also disclose its long-term business objectives and strategies, as these are intrinsically-linked to value creation, which may include sensitive information on the companies.

5.3 Several respondents noted that "value creation" is a subjective concept, and sought guidance on the disclosures expected from companies. A few respondents commented that such disclosures may be difficult to implement in the short term and requested a longer transition period.

Council's Response: While a number of respondents suggested adopting "say on pay" in the Singapore market to facilitate greater shareholder engagement, the Council is of the view that "say on pay" is not necessary in the Singapore context at this point. The primary responsibility to decide on remuneration rests with the Remuneration Committee and board. Further, with greater board effectiveness and independence arising from the implementation of the recommendations to enhance board quality in Sections 3 and 4 above, the board is better placed to ensure that executive remuneration and policies are equitable and incentivise the right behaviour.

In lieu of "say on pay", the recommendation to enhance remuneration disclosures seeks to provide greater clarity on the alignment between the level and structure of remuneration and the company's long-term value creation, and help stakeholders understand the companies' remuneration policies and structure. Shareholders can express their views on the quality of the disclosure by engaging the company, including through Annual General Meetings.

To provide companies with greater guidance on disclosures relating to remuneration, the Council recommends revising the Practice Guidance to set out the key areas to be covered in such disclosures. This will help to demonstrate how companies can provide meaningful disclosures, without revealing confidential information which could negatively impact their competitiveness.

Please refer to proposed amendments in draft Practice Guidance 8 in Annex E.

6. Stakeholder Engagement

The Council sought comments on the following recommendation:

Key Recommendation 13: To introduce a new Principle for companies to consider and balance the needs and interests of material stakeholders, and accompanying Provisions to set out expectations on companies.

6.1 Most respondents were supportive of the recommendation. However, a number disagreed on the basis that there could be overlaps with sustainability reporting requirements under the SGX LR, and duplicating the requirements is not necessary. One respondent noted that not all companies will be able to comply with these requirements as some do not have an investor relations function. Further, these requirements might be costly to implement. These requirements may only be meaningful to stakeholders of larger companies, or companies with a large and/or widespread stakeholder base. A few respondents suggested that it is unnecessary to maintain a separate website as material information should be disclosed through SGXNET[2].

Council's Response: In view of the majority support, the Council will proceed with the recommendation.

In response to concerns on duplication with the sustainability reporting requirements, the Council notes that stakeholder engagement and sustainability reporting are not mutually exclusive. Instead, they complement each other. The results of companies' stakeholder engagements form part of the basis for their sustainability reports and these sustainability reports can in turn be used as part of future engagements with stakeholders. The Council recommends amendments to the Practice Guidance to clarify this.

The Council also recommends amendments to the Practice Guidance to remove reference to specific stakeholder groups, to avoid the list being viewed as exhaustive. Instead, the Practice Guidance will recommend that the board should determine the company's relevant stakeholders and set policies and practices in relation to material stakeholders that are identified.

[2] Provision 13.3 states that "The company maintains a current corporate website to communicate and engage with stakeholders."

In response to the views that the separate website is unnecessary as material information is disclosed through SGXNET, the Council notes that the website is intended to act as a tool for engagement and communication with stakeholders on an ongoing basis, beyond the occasional material disclosures. The Council recommends amending Provision 13.3 to emphasise this.

Please refer to proposed amendments in Provision 13.3 of the draft Code in Annex C, and draft Practice Guidance 13 in Annex E.

7. Comply-or-explain Regime

The Council sought comments on the following recommendation:

Key Recommendation 14: To clarify expectations under the comply-or-explain regime in order to strengthen the emphasis on thoughtful and meaningful communication between companies and their stakeholders, as follows:

(a) compliance with the Code Principles is mandatory;

(b) companies are required to describe their corporate governance practices with reference to both the Principles and the Provisions underpinning each Principle; and

(c) variations from the Provisions are acceptable to the extent that companies explicitly state and explain how their practices are consistent with the intent of the relevant Principle.

7.1 Most respondents were supportive of the recommendation. A number were concerned that the clarified expectations of the comply-or-explain regime could be confusing. These respondents commented that the proposed regime is akin to a "comply-and-explain" regime which does not provide companies with room for deviation, particularly for Code Principles. On the other hand, one respondent commented that companies may not pay too much attention to the Principles and Provisions as the

important requirements and baseline market practices have been shifted to the Listing Rules, and thus there is no need to comply with the Code.

7.2 One respondent suggested that the SGX LR should encourage companies to undertake an annual assessment and demonstrate quantifiable benefits to shareholders where there is non-compliance. This could add more governance to the process and provide better justifications for not complying. The respondent further suggested conducting reviews on whether comply-or-explain is working as envisaged following the implementation of the recommendations.

Council's Response: Given the majority support, the Council recommends proceeding with this recommendation. The enhanced comply-or-explain regime seeks to shift companies towards more meaningful disclosures and engagements with investors and other stakeholders in the eco-system.

In relation to comments that the enhanced regime may be akin to a "comply-and-explain" regime, the Council would like to emphasise that the intention is not to increase the compliance burden on companies. Rather, the recommended enhancements to the comply-or-explain regime should work in hand with the streamlined Code (see Section 2). Under the streamlined Code, the Principles are overarching, non-disputable statements embodying the fundamentals of good corporate governance which companies should comply with. Companies can vary from the Provisions (renamed from existing Guidelines) with appropriate and meaningful explanations, taking into consideration their business model, size, and complexity. Rule 710 in the SGX Listing Rules (Mainboard) and SGX Listing Rules (Catalist) requires companies to comply with the Principles in the Code. The Council will proceed with the earlier recommendation to enhance Rule 710 to unambiguously set the baseline expectation that companies are required to explain how variations are consistent with the intent of the relevant Principle.

On the suggestions for ongoing assessments on companies' compliance with the Code, such reviews will be conducted by the CGAC on a periodic basis (see Section 8). The findings from such reviews could help identify areas for improvement in companies' practices and disclosures. Where appropriate, the CGAC will also provide guidance to companies, such as best practices for compliance with the Code.

Please refer to proposed amendments in Rule 710 of the Listing Rules (Mainboard) and in Annex G and Listing Rules (Catalist) in Annex H.

8. Corporate Governance Advisory Committee

The Council sought comments on the following recommendation:

Key Recommendation 15: To establish an industry-led Corporate Governance Advisory Committee ("CGAC") to promote good corporate governance practices.

8.1 A large majority of respondents were supportive of the recommendation. A few disagreed, citing that the establishment of such a committee might be superfluous as its role could be carried out by existing regulatory and industry bodies. One respondent commented that the CGAC might not be useful unless it could provide free consultations for listed companies when they have any queries. Another respondent commented that without enforcement capabilities, the effectiveness of the CGAC is uncertain. The CGAC should at least be empowered to make representations to the regulator, and recommend enforcement actions where appropriate.

8.2 A number of respondents noted that the functions of the CGAC should be clearly articulated. Some respondents further suggested that the composition of the CGAC should be representative of participants in the capital markets, reflect important aspects of governance being considered, and incorporate diversity of thought and ideas to balance many potentially conflicting interests.

Council's Response: Given the strong support, the Council will proceed with the recommendation for establishment of the CGAC.

The Council agrees with the comments that structure, function and composition of the CGAC are important factors to ensure close collaboration amongst the key stakeholders – companies, professionals, investors and regulators. The Council recommends that MAS consider these factors in the implementation of the CGAC.

The Council recommends that the CGAC focus on advocating positive corporate governance practices, setting benchmarks and providing guidance to companies where there is ambiguity. As a body with advisory and advocacy functions, the CGAC will work closely with the regulators in upholding corporate governance standards. Enforcement

powers for any breaches of the SGX LR or laws will continue to rest with SGX, and the other relevant regulators such as MAS, ACRA and CAD.

9. Proposed SGX Listing Rule Amendments

Proposed SGX LR Amendments: SGX sought comments on the proposed amendments to the SGX LR described below.

(a) Training for first-time directors
(b) IDs to make up at least one-third of the board
(c) Identification of directors
(d) Tests of director independence
(e) Nine-year rule
(f) Disclosure of relationship between Chairman and CEO
(g) Establishment of board committees
(h) Re-nomination and re-appointment of directors at least once every three years
(i) Key information regarding directors
(j) Adequacy and effectiveness of internal controls and risk management systems
(k) Internal audit function
(l) Disclosure on reasons for not paying dividends
(m) Comply-or-explain regime

9.1 Respondents were generally supportive of streamlining the Code and shifting important requirements or baseline market practices to the SGX LR for mandatory compliance. Key feedback on the proposed amendments are described below. There was no substantive feedback received on proposed amendments on (i) Identification of directors, and (ii) Tests of director independence. Feedback received and the Council's responses on rationalisation of tests of director independence and the nine-year rule are discussed in Section 3 above. SGX will proceed with all the proposed SGX LR amendments, with the modifications described below.

9.2 Training for first-time directors: Respondents were generally supportive and offered suggestions for implementation of this requirement. One respondent suggested that SGX specify the details of training required and suggested that a central body like the Singapore Institute of Directors could accredit directors to assist issuers with sourcing suitably qualified directors. Another respondent suggested that flexibility be accorded to the types of training that are required, in order to meet the specific needs of companies.

One respondent also suggested that the assessment of whether a director has relevant experience should be determined by the board.

SGX's Response: SGX will publish a Practice Note to set out the training requirement, beginning with the Singapore Institute of Directors as he first training provider in Schedule 1 of Practice Note 2.3 of the Listing Rules (Mainboard) and Practice Note 4D of the Listing Rules (Catalist). The NC and board have the responsibility to assess the suitability of a director upon appointment and on an on-going basis, taking into consideration his experience and competence, amongst other factors. If the NC assesses that a first-time director already has relevant experience and does not need to receive any training, it would have to disclose its reasons at the appointment of the director.

9.3 IDs to make up at least one-third of the board: Most respondents agreed with the proposal, with several suggesting that the number of IDs be higher (such as at least 50% or a majority of the board). One respondent highlighted that a grace period to fulfil this requirement should be provided.

SGX's Response: As indicated in the Council's responses in Section 4 on Board Composition above, a three-year transition period will be provided for companies to adjust to this new requirement.

After the new requirement takes effect, if an ID retires or resigns and the issuer is unable to meet the composition requirement, a grace period of no more than three months will be provided for the issuer to fill the vacancy. This grace period is consistent with that provided for filling of vacancies on the audit committee, as required under Rule 704(8) of the Listing Rules (Mainboard) and Rule 704(7) of the Listing Rules (Catalist).

9.4 Disclosure of relationship between Chairman and CEO: One respondent suggested including disclosure of in-law relationships and uncle/auntie/nephew/niece relationships that are not in the definition of "immediate family" in the SGX LR.

SGX's Response: There is no consensus on how far familial relationships under the term "immediate family" should extend. As such, SGX will apply the existing definition of "immediate family" within the SGX LR.

9.5 Re-nomination and re-appointment of directors at least once every three years: Some respondents suggested that information relating to the candidate proposed to be appointed or re-elected to the board should be provided in the annual report or relevant circular prior to the relevant general meeting. One respondent also suggested that executive directors who are under service contracts with the issuer should be excluded from rotation as they would have been appointed on a fixed term basis that may not be limited to three years. For example, Appendix 2.2 of the Listing Rules (Mainboard) and Appendix 4C of the Listing Rules (Catalist) suggest that a managing director may be appointed for a fixed term of five years. One respondent suggested that the chairman of the board or the board committees should be re-elected annually to increase their accountability.

9.6 Key information regarding directors: Some respondents asked if it is necessary to make a specific announcement after a director is reappointed, providing all key information relating to that director. Another respondent suggested that the term "principal commitments" refer to the Code's definition.

SGX's Response: The purpose of the requirement for re-nomination and re-appointment of directors at least once every three years is to encourage board renewal and rejuvenation. While companies' articles of association may permit a managing director to be appointed for a fixed term not exceeding five years for business continuity purposes, such persons will be required to stand for re-election to the board every three years.

On disclosure of key information regarding directors, proposed Rule 720(6) of the Listing Rules (Mainboard) and Listing Rules (Catalist) prescribes a baseline standard on the amount of information relating to (i) a candidate standing for election as a director of the company for the first time, or (ii) an existing director seeking re-election to the board. In the case of an existing director seeking re-election to the board, the company is required to provide updated information to enable shareholders to make an informed decision on whether to vote for the resolution. SGX will provide further clarification in Rule 720(5) of the Listing Rules (Mainboard) and Listing Rules (Catalist) that the information shall be contained in the annual report, notice of meeting or relevant circular sent to shareholders prior to the annual general meeting or any other general meeting of shareholders.

The intention is not for the company to issue an announcement which contains the information set out in Appendix 7.4.1 of the Listing Rules (Mainboard) and Appendix 7F of the Listing Rules (Catalist) after the re-election. Instead, companies are required

under Rule 704(16) of the Listing Rules (Mainboard) and Rule 704(15) of the Listing Rules (Catalist) to announce whether the resolutions put to a general meeting were passed by the commencement of the pre-opening session on the market day after the general meeting.

We also clarify in Appendix 7.4.1 of the Listing Rules (Mainboard) and Appendix 7F of the Listing Rules (Catalist) that "principal commitments" has the same meaning as ascribed in the Code.

9.7 Adequacy and effectiveness of internal controls and risk management systems: Several respondents suggested that only material weaknesses need to be disclosed and not all weaknesses. It was also suggested that such disclosure be provided in the annual report. One respondent opined that requiring weaknesses to be disclosed may lead to strong pressure exerted on the internal audit team to give a clean report.

SGX's Response: SGX did not intend issuers to have to disclose immaterial weaknesses. Rule 610(5) and Rule 1207(1) of the Listing Rules (Mainboard) and Rule 407(a) and Rule 1204(10) of the Listing Rules (Catalist) specify that only material weaknesses need to be identified and disclosed. The disclosures on material weaknesses are required to be provided in the prospectus, offering memorandum, introductory document and annual report.

9.8 Internal audit function: A few respondents asked if the internal audit function could be outsourced to third party firms. If so, it was suggested that the internal audit function should be independent of the external auditor.

SGX's Response: The SGX LR does not restrict the internal audit function from being outsourced to third party firms. There are existing prescriptions in the Accountants (Public Accountant) Rules to ensure that the outsourced internal audit function is independent of external auditors.

9.9 Disclosure on reasons for not paying dividends: One respondent felt that the requirement could lead to boilerplate reasons being given, while another felt that the requirement may inadvertently create an expectation that dividend payment is compulsory.

SGX's Response: The disclosure is a starting point for companies to communicate with their shareholders on their strategy and performance, which would align expectations.

Annex A

LIST OF RESPONDENTS TO THE CONSULTATION PAPER ON

RECOMMENDATIONS OF THE CORPORATE GOVERNANCE COUNCIL

1. 100 Women in Finance
2. APG Asset Management
3. Asian Corporate Governance Association
4. Association of Chartered Certified Accountants
5. Aviva Investors Global Services Limited
6. Black Sun Pte. Ltd.
7. BlackRock
8. BMO Global Asset Management
9. BoardAgender
10. British Columbia Investment Management Corporation
11. California State Teachers' Retirement System
12. CapitaLand Limited*
13. Capital Markets Department of DBS Bank Ltd
14. Cartica Management LLC
15. Centre for Governance, Institutions & Organisations, National University of Singapore Business School
16. CGI Glass Lewis Pty. Ltd.
17. Chartered Accountants Australia and New Zealand
18. Diversity Action Committee, Singapore
19. EdenTree Investment Management Ltd.
20. Fidelity International
21. Institute of Singapore Chartered Accountants
22. International Corporate Governance Network
23. Investment Management Association of Singapore
24. Investor Relations Professionals Association (Singapore)

25. KPMG Singapore
26. Law Society of Singapore
27. Legal and General Investment Management
28. Mercer Singapore Pte Ltd
29. Nominating Committee of Keppel Corporation Limited
30. Pensions Investments Research Consultants Ltd.
31. Philip Benoy
32. PricewaterhouseCoopers LLP
33. Prime Partners Corporate Finance*
34. Rajah & Tann Singapore LLP*
35. REIT Association of Singapore*
36. RHTLaw Taylor Wessing LLP
37. Securities Investors Association Singapore
38. Sembcorp Industries Ltd
39. Singapore Institute of Directors
40. Singapore International Chamber of Commerce
41. Singapore Technologies Engineering Ltd*
42. Singapore Telecommunications Limited
43. StarHub Group
44. Temasek*
45. The Council of Institutional Investors
46. The Institute of Internal Auditors Singapore
47. Thirty Percent Coalition
48. WongPartnership LLP
49. World Wide Fund for Nature Singapore
50. Respondent A
51. Respondent B
52. Respondent C
53. Respondent D

54. 10 respondents requested confidentiality of their identity and submission

Note: The list above only includes the names of respondents who did not request that their identity be kept confidential.

Please refer to Annex I for the submissions.

**Respondents who requested confidentiality for their submitted response*

Annex B

FINAL RECOMMENDATIONS OF THE CORPORATE GOVERNANCE COUNCIL SUBMITTED TO MAS

Structure of Code

1 Include an *Introduction* to explain the broad intent of the Code and clarify how companies should apply the comply-or-explain regime.

2 Streamline the Code to focus on key tenets of corporate governance by:

(a) Shifting important requirements or baseline market practices to the SGX LR;

(b) Removing overly-prescriptive or duplicative requirements already in SGX LR from the Code; and

(c) Introducing a voluntary Practice Guidance to provide guidance on compliance with the Code and set out best practices[3].

These recommendations result in a net reduction of 3 Principles and 31 Provisions – a more concise and less prescriptive Code to encourage thoughtful application and a shift away from a box-ticking mindset.

Director Independence

3 Rationalise tests of director independence in the Code by:

(a) Setting out an overarching principle-based definition of director independence in the Code[4] and placing the onus on the Nominating Committee to determine if a director is independent bearing in mind this definition and any other salient factors;

[3] See Annex E for list of guidelines recommended to be shifted to the SGX LR, Practice Guidance or removed from the Code.

[4] Provision 2.1 of the Code states "An "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company."

(b) Shifting objective and baseline tests relating to employment to the SGX LR, to reflect that companies should apply these without any exceptions[5].

(c) Shifting the remaining tests of director independence[6] to the non-binding Practice Guidance, to provide companies with flexibility in applying these tests while adhering to the overarching principle-based test in the Code.

4 Revise the shareholding threshold in relation to determining director independence from 10% to 5% in the Code[7], to align with the definition of "substantial shareholders" in the Companies Act and Securities and Futures Act.

5 Amend the SGX LR to subject appointment of independent directors who have served beyond nine years to a two-tier vote to be approved by the majority of (i) all shareholders; and (ii) all shareholders excluding shareholders who also serve as directors or the CEO (and their associates).

Board Composition

6 Shift the current Guideline for one-third of the board to comprise IDs from the Code to the SGX LR.

7 Revise the Code[8] for IDs to comprise a majority of the board (from "at least half" in the current Code) where the Chairman is not independent.

8 Introduce a new Provision[9] in the Code for the board to comprise a majority of non-executive directors.

[5] These tests deem as non-independent: (i) a director who was employed by the company or its related corporations for the current or any of the past three financial years; and (ii) a director whose family member was employed by the company or its related corporations for the current or any of the past three financial years, with the family member's remuneration determined by the remuneration committee.

[6] These tests deem as non-independent: (i) a director who, or whose immediate family member, in the current or immediate past financial year, provided to or received from the company or any of its subsidiaries any significant payments or material services, other than compensation for board service; (ii) a director who, or whose immediate family member, in the current or immediate past financial year, is or was a substantial shareholder, partner, executive officer or director of any organisation which provided to or received from the company or any of its subsidiaries any significant payments or material services; and (iii) a director who is or has been directly associated with a substantial shareholder of the company in the current or immediate past financial year.

[7] Provision 2.1

[8] Provision 2.2

[9] Provision 2.3

9 Enhance the Code[10] for companies to disclose their board diversity policy and progress made in achieving the board diversity policy (including any objectives set by the companies).

Remuneration

10 Revise the Code for companies to:

(a) disclose the relationship between remuneration and value creation[11], and

(b) disclose the names and remuneration of employees who are substantial shareholders or immediate family of substantial shareholders (in addition to employees who are immediate family members of a director or the CEO, as in the current Code), where such remuneration exceeds S$100,000 during the year (revised from S$50,000 currently), in bands no wider than S$100,000 (revised from S$50,000 currently)[12].

Stakeholder Engagement

11 Introduce a new Principle[13] and accompanying Provisions[14] in the Code for companies to consider and balance the needs and interests of material stakeholders.

Comply-or-Explain Regime

12 Amend the SGX LR to clarify expectations under the comply-or-explain regime, with the intent to strengthen the emphasis on thoughtful and meaningful communication between companies and their stakeholders, as follows:

(a) compliance with the Code Principles is mandatory;

(b) companies are required to describe their corporate governance practices with reference to both the Principles and the Provisions underpinning each Principle; and

[10] Provision 2.4

[11] Principle 8

[12] Provision 8.2

[13] Principle 13

[14] Provisions 13.1 to 13.3

(c) variations from the Provisions are acceptable to the extent that companies explicitly state and explain how their practices are consistent with the intent of the relevant Principle.

Corporate Governance Advisory Committee

13 Establish a standing industry-led Corporate Governance Advisory Committee to promote good corporate governance practices.