

RESPONSE TO CONSULTATION PAPER

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Consultation topic:	Consultation Paper on Recommendations of the Corporate Governance Council
Name¹/Organisation: <small>¹if responding in a personal capacity</small>	Singapore International Chamber of Commerce (SICC)
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Confidentiality	
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General comments: Nil

Question 1: The Council seeks comments on the draft Introduction

Members are agreeable to the proposed draft Introduction.

Question 2: The Council seeks comments on its proposed approach to streamline the Code as outlined in Paragraph 3.4. In particular, the Council would like to seek views on:

- a. the 12 Provisions (or Guidelines) set out in Annex E, Table 1 to be shifted to the SGX LR;
- b. the 15 Provisions (or Guidelines) set out in Annex E, Table 2 to be removed from the Code; and
- c. the 24 Provisions (or Guidelines) set out in Annex E, Table 3 to be shifted to the Practice Guidance.

In general, members agree with these recommendations.

Question 3. The Council seeks views on whether the Practice Guidance provides useful guidance, albeit non-binding, to help companies comply with the Code and adopt best practices. The Council also welcomes suggestions on the topics to be covered by the Practice Guidance.

Members feel that the topics and information covered by the Practice Guidance provides useful guidance, albeit non-binding, for companies.

Question 4. The Council seeks comments on its proposed approach to rationalise the tests of director independence as outlined in Paragraph 4.3.

Members are of the view that in addition to the recommended baseline tests that are moved into the Listing Rules, a condition that prohibits a former partner or director of the company's audit firm or audit corporation from being an independent director of the company for a period of up to 3 years from the date he/she ceases to be a partner or director of the audit firm or audit corporation (much like the existing Guideline 12.9 of the current Code), should be included.

Question 5. The Council seeks comments on the recommendation to lower the shareholding threshold for assessing director independence from 10% to 5%, and the adequacy of a three-year transition period.

In general, members agree with this recommendation.

Question 6. The Council seeks comments on the two options: (i) to incorporate the nine-year rule as a hard limit, or (ii) to subject IDs who would like to serve more than nine years to a two-tier vote – all shareholders and non-controlling shareholders (as defined in the SGX LR). Both options will be SGX LR requirements. The Council also seeks views on the adequacy of a three-year transition period.

Between the 2 options that were presented in the Council's recommendations, members generally preferred option 2, which entails an annual 2-tier vote. It was agreed that option 1 would have been a viable alternative if the 9-year hard limit comes with the possibility of being extended to 12 years.

Question 7. The Council seeks comments on the recommendation for companies to separately disclose non-controlling shareholders' votes on appointments and re-appointments of IDs who serve less than nine years.

In general, members agree with this recommendation.

Question 8. The Council seeks views on any operational issues with the separate disclosure of non-controlling shareholders' votes on ID appointments, and suggestions on how such issues could be addressed.

Members have no comments on these issues.

Question 9. The Council seeks comments on the recommendation to shift the baseline requirement for at least one-third of the board to comprise IDs to the SGX LR.

Members have no comments on this recommendation.

Question 10. The Council seeks comments on the recommendation for a majority of the board to comprise IDs, if the Chairman of the board is not independent.

The committee feels that a transition period of at least 3 years should be given in such instances.

Question 11. The Council seeks comments on the recommendation for a majority of the board to comprise directors with no management or business relationships.

In general, members agree with this recommendation.

Question 12. The Council seeks comments on the recommendations for companies to disclose their board diversity policy and progress made in achieving the board diversity policy (including any objectives set by the companies).

Besides new provisions that provide for age and the need to disclose board diversity policy and progress in achieving objectives, the Code could also specify Singapore's desired quota for gender diversity in Boards. This could encourage greater compliance amongst companies in achieving the quota.

Question 13. The Council seeks comments on the recommendations for companies to disclose:

- a. the relationship between remuneration and value creation; and**
- b. 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), in bands no wider than S\$100,000 (revised from S\$50,000).**

Members feel that more guidance is required for the term "value creation". For example, how is value creation measured?

Question 14. The Council seeks comments on the new Principle and Provisions relating to stakeholder engagement as set out in Paragraph 7.3, and whether there will be practical challenges in implementing them.

Members have no comments on the new Principle and Provisions.

Question 15. The Council seeks comments on the expectations of companies under the comply-or-explain regime as set out in Paragraph 8.5.

In general, members agree with the recommendations laid out in this regime.

Question 16. The Council seeks comments on the proposed establishment of the CGAC, and the functions and composition of the CGAC as set out in Paragraphs 9.3 to 9.5.

Members have no comments on the proposed establishment, functions and composition of the CGAC.

Question 17. SGX seeks comments on the proposed amendments to the SGX LR described in paragraph 10.2.

It is suggested that a 6-month grace period be given for companies to find a replacement for an exiting Independent Director if he ceases to be independent because he either hits 9 years or is not voted by shareholders to be independent under the two options being considered. This is because the Listing Rules are mandatory and if the AGM votes the ID as being non-independent, there will be immediate non-compliance unless a grace period is given to allow the company to reconstitute the board.