

## **RESPONSE TO CONSULTATION PAPER ON BOARD RENEWAL AND REMUNERATION DISCLOSURES**

Singapore Exchange Regulation invites comments on this Consultation Paper. Please send your responses through any of the following means:

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

Please include your full name and, where relevant, the organisation you are representing, as well as your email address or contact number so that we may contact you for clarification. Anonymous responses may be disregarded.

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

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

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

Please refer to the Consultation Paper for more details on the proposals.

## Respondent's Information

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<b>Statement of Interest</b>	Please refer to our introductory paragraphs below

## Disclosure of Identity

Please check the box if you do not wish to be specifically identified as a respondent:

I/We do not wish to be specifically identified as a respondent.

*On behalf of the Asset Management Group (AAMG)<sup>1</sup> of Asia Securities Industry & Financial Markets Association (ASIFMA)<sup>2</sup>, we would like to submit our responses to the Singapore Exchange Regulation Pte Ltd (SGX) Consultation Paper on Board Renewal and Remuneration Disclosures.*

*Our members which are predominantly global asset managers and owners, are pleased to have the opportunity to present our views during this consultation. As stewards and owners of capital, we welcome initiatives that strengthen the frameworks that uphold the integrity and thus viability of capital markets. To this end, our members are generally supportive of the proposed enhancements to the SGX's listing rules on board renewal and remuneration disclosures, proposed by the SGX. We request SGX to refer to our responses to individual questions for more details.*

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<sup>1</sup> ASIFMA Asset Management Group (AAMG) is a separate division of ASIFMA set up to represent the interest of asset managers. AAMG currently has 43 members, most of which are among the world's largest asset managers. A list of the AAMG members can be found in <https://www.asifma.org/membership/members/>

<sup>2</sup> ASIFMA is an independent, regional trade association with over 150 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative, competitive and efficient Asian capital markets that are necessary to support the region's economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the [GFMA](#) alliance with [SIFMA](#) in the United States and [AFME](#) in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

## Consultation Questions

### 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?

Please select one option:

- Yes  
 No

Please give reasons for your view:

*Our members believe that shareholders are best served when there is an orderly renewal or refreshment of the board, which results in a mix of directors with accumulated experience whilst concurrently introducing fresh approaches and experience to the board. We have observed that despite the introduction of the “nine-year rule” in 2018, long-tenured IDs remain prevalent in the market. As such, we agree that a hard tenure limit for IDs is a useful and decisive mechanism to accelerate orderly board renewal and address the issue of long-tenured IDs in the market. It is hard to argue the full independence of IDs after multiple years of interacting with and building strong personal relationships with fellow board members and management of an issuer, especially in relatively small or concentrated markets where there are also overlaps of professional and social circles.*

*As boards look towards renewal, we believe issuers should also be mindful of IDs and ID candidates’ ties to the issuer and other directors (e.g. family or business relationships) as these dynamics evolve, and also consider other less apparent potential conflicts of interest (e.g. issuer’s donations to the university of an ID who is an academic).*

- (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?

Please select one option:

- Yes  
 No  
 I do not agree to (a)

Please give reasons for your view:

*Our members do not have a firm view on whether 9 years (or 12 years as discussed later) would be the optimal tenure limit for the Singapore market. As the market is already accustomed to the “nine-year rule”, the adoption of a 9-year tenure limit may well reduce potential confusion.*

*Some members believe that 12 years should be the hard tenure limit. Given a typical 3-year term, 12 years represent 4 terms. We would expect that at any one time, there should be a range of tenures of directors, from seasoned members with 15+ years on the board to provide organisational memory and context, and new members as part of transition and succession planning who have 1 to 3 years on the board and are getting to know the issuer and board; the bulk of the contributing members would then*

*have tenures of around 6 to 12 years (i.e. within two to four terms). A 12-year limit for IDs is broadly consistent with this kind of structure and allows a more meaningful contribution from IDs before they are cycled.*

*We would also recommend raising the number of IDs from 1/3 to majority of the board. We believe this is as important as imposing a limit on tenure. Both these considerations are factors in improving the diversity of boards, which should also consider diversity of gender, ethnicity, skills and experience.*

*Our members welcomed updates to the Listing Rules in December 2021 which now require issuers to have in place a board diversity policy, including targets, timelines and progress updates. Issuers should also bear in mind other disclosures which are important to investors, including:*

- details of the director appointment or nomination process; how unconscious biases may be addressed, and safeguards made to ensure the robustness of the selection process and that directors are not just appointed to fill quotas*
- if search firms or recruitment consultants are used to identify candidates, whether the Nomination Committee (or equivalent) assessed the consultant's abilities to identify and place diverse directors, especially first-time directors*
- how the board integrates the differing perspectives of members to facilitate inclusive leadership*
- the approach and policy in relation to gender pay gaps*
- the approach and policy for an issuer's suppliers on diversity and inclusion*

## **Question 2: Transition**

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

Please select one option:

- Yes  
 No

Please give reasons for your view:

*Given there has been a 3-year transition period between the announcement of the "nine-year rule" and two-tier voting system which came into effect on 1 January 2022, we agree that a one-year transition period provides sufficient time for issuers to plan for an orderly renewal of their boards.*

(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?

Please select one option:

- Yes  
 No

Please give reasons for your view:

*We agree that IDs who have served beyond the hard tenure limit must be redesignated as non-independent or resign, in order to encourage orderly board renewal and effective succession planning.*

*In fact, some asset managers will already, for their own assessment purposes across the region, reclassify any IDs as non-IDs if they have been on the board in excess of 12 years.*

**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.

Please select one option:

Yes

No

Please give reasons for your view:

*We agree that SGX should require mandatory disclosure of the exact amount and breakdown of remuneration paid to directors and the CEO in the annual report; the provision of remuneration data in ranges does not provide sufficient transparency. We note that despite oft-cited competitive concerns, the disclosure of CEO and director remuneration on a named basis is a common practice in the region, and Singaporean issuers should also be held to these higher standards. Greater transparency on remuneration practices enables asset managers to evaluate existing and proposed compensation structures, the appropriateness of incentives rewarded to directors and the CEO, and to inform voting decisions.*

*On the other hand, diversity, equity and inclusion (“DEI”) has its ultimate aim of treating everyone fairly in a diverse and inclusive environment and allowing contributions from all members of an organisation at their full potential, and this should be reflected in pay structures. From such a DEI perspective, investors and other stakeholders would also like to see the disclosure of relative remuneration, such as gender or ethnicity pay gaps across an issuer, and CEO-to-employee pay ratios, in conjunction with the abovementioned absolute remuneration disclosures to ensure they have transparency around the effectiveness of an issuer’s DEI policy.*