

BACKGROUND

SGX RegCo has announced on 11 January 2023 on 2 new rule changes on (1) 9-years limit of Independent Directors’ (“IDs”) tenure, and (2) Mandatory disclosure of remuneration for directors and CEO.

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(1) 9-years limit on ID’s tenure

- 1 year transition period (for 2023)
- ID’s tenure that exceeds the 9-year limit must either step down or be redesignated as non-independent, **no later than their AGM held for the financial year ending on or after 31 December 2023.**

(2) Mandatory disclosure of remuneration for Directors & CEO

- In accordance with CG 8.1(a), SGX RegCo has mandated the disclosure of exact amount and breakdown of remuneration paid to (a) each individual director and (b) CEO in issuers’ annual reports commencing from **financial year ending on or after 31 December 2024.**

RELEVANT RULES

(1) 9-years limit on ID’s tenure

Removal of Mainboard Rule 210(5)(d)(iii) / Catalyst Rule 406(3)(d)(iii)

- Immediate removal of 2-tier voting mechanism for companies to retain long-serving IDs who have served for more than 9 years.
- Effective 11 January 2023

Implementation of Mainboard Rule 210(5)(d)(iv) / Catalyst Rule 406(3)(d)(iv)

- A director will not be independent if he/she has been a director of the issuer for an aggregate period of more than 9 years (whether before or after listing).
- As a transition period of 1 year (for 2023), IDs whose tenure exceeds the 9-year limit may continue to be considered independent until the conclusion of the **next annual general meeting (“AGM”) held for the financial year (“FY”) ending on or after 31 December 2023.**

(2) Mandatory disclosure of remuneration for directors and CEO

Implementation of Mainboard Rule 1207(10D) / Catalyst Rule 1204(10D)

- Effective for annual reports prepared for financial years ending on or after 31 December 2024.
- The annual report must contain the following remuneration disclosure:
 - Names;
 - Amounts; and
 - Breakdown of remuneration* paid to each individual director and the CEO by the issuer and its subsidiaries.

- * Breakdown of remuneration 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.

Illustration for 9 years limit on tenure of Independent Directors:

An issuer with financial year ended on 31 December 2022 (“FY2022”) and has a long-serving ID serving on the board of the issuer for more than 9 years as of 11 January 2023 (“LSID”).



11 January 2023
(Effective date of
MB 210(5)(d)(iv) /
CR 406(3)(d)(iv))



31 Dec 2023
(Financial year-
FY2023)



End April 2023

(AGM to be held
for FY2022)



LSID
(> 9 years)

As transition, LSID with term expiring in April 2023 may be re-elected and deemed as an ID at the issuer's FY2022 AGM to be held in April 2023. The 2-tier vote will not apply as it has been removed with immediate effect.

End April 2024

(AGM to be held
for FY2023)

LSID must either step down or be redesignated as non-independent, no later than the issuer's AGM held in April 2024



Useful References:

- Regulator's Column: SGX RegCo caps independent directors' tenure, enhances remuneration disclosures (Please click [here](#))
- Responses to Comments on Consultation Paper: Board Renewal and Remuneration Disclosures (Please click [here](#))
- Code of Corporate Governance 2018: Practice Guidance (Please click [here](#))

Please Contact or Find us at:

SAC Capital Private Limited
1 Robinson Road
#21-00 AIA Tower
Singapore 048542
Telephone: (65) 6232 3210
Fax: (65) 6232 3244
www.saccapital.com.sg

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