

Amendments to Practice Guidance 2 and 8 of the Code of Corporate Governance

In light of (i) the amendment to Rule 210(5)(d) of the SGX Listing Rules (Mainboard) / Rule 406(3)(d) of the SGX Listing Rules (Catalist), and (ii) the introduction of Rule 1207(10D) of the SGX Listing Rules (Mainboard) / Rule 1204(10D) of the SGX Listing Rules (Catalist), the following consequential amendments have been made to Practice Guidance 2 and 8 of the Code of Corporate Governance (Code):

Practice Guidance 2

1. The guidance on Director Independence has been amended to reflect the changes to Rule 210(5)(d) of the SGX Listing Rules (Mainboard) / Rule 406(3)(d) of the SGX Listing Rules (Catalist).

Practice Guidance 8

2. Footnote 6 has been added to reflect the new requirement under the SGX Listing Rules for issuers to disclose the exact remuneration for directors and the CEO.

The changes to Practice Guidance 2 and 8 are set out in the Appendix.

-End-

Appendix

Legend: Insertions are underlined; deletions are struck through.

Practice Guidance 2: Board Composition and Guidance

Director Independence

There should be a strong and independent element on the Board.

An independent director (ID) should have no relationship (whether familial, business, financial, employment, or otherwise) with the company, its related corporations, substantial shareholder¹ or officers, which could interfere or be perceived to interfere with the director's independent judgment.

Rule 210(5)(d) of the SGX Listing Rules (Mainboard) / Rule 406(3)(d) of the SGX Listing Rules (Catalist) sets out the following specific circumstances in which a director should be deemed to be non-independent:

- (a) a director who is ~~being or has been~~ employed by the company or any of its related corporations for the current or any of the past three financial years;
- (b) a director who has an immediate family member who is, or has been in any of the past three financial years, employed by the company or any of its related corporations and whose remuneration is determined by the Remuneration Committee (RC);
- (c) ~~a director who has been a director on the Board for an aggregate period of more than nine years (whether before or after listing) and whose continued appointment as an independent director has not been sought and approved in separate resolutions by (i) all shareholders and (ii) all shareholders excluding shareholders who also serve as the directors or chief executive officer (and their associates);~~ a director who has been a director of the company 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 company.²

In addition to these, the Nominating Committee (NC) and Board should consider the following circumstances in which a director should also be deemed to be non-independent:

- (a) a director, or a director 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 (which may include auditing, banking, consulting and legal services), other than compensation for board service. The amount and nature of the service, and whether it is provided on a one-off or recurring basis, are relevant in determining whether the

¹ A "substantial shareholder" is a shareholder who has an interest or interests in one or more voting shares (excluding treasury shares) in the company and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all voting shares (excluding treasury shares) in the company, in line with the definition set out in section 2 of the Securities and Futures Act (Chapter 289) of Singapore.

² Rule 210(5)(d)(iv) of the SGX Listing Rules (Mainboard) / Rule 406(3)(d)(iv) of the SGX Listing Rules (Catalist) takes effect at an issuer's annual general meeting held for the financial year ending on or after 31 December 2023. For further details on transitional arrangements, please refer to Transitional Practice Note 4 of the SGX Listing Rules (Mainboard) and Transitional Practice Note 3 of the SGX Listing Rules (Catalist).

- service provided is material. As a guide, payments aggregated over any financial year in excess of S\$50,000 should generally be deemed significant;
- (b) a director, or a director whose immediate family member, in the current or immediate past financial year, is or was, a substantial shareholder or a partner in (with 5% or more stake), or an executive officer of, or a director of, any organisation which provided to or received from the company or any of its subsidiaries any significant payments or material services (which may include auditing, banking, consulting and legal services). The amount and nature of the service, and whether it is provided on a one-off or recurring basis, are relevant in determining whether the service provided is material. As a guide, payments³ aggregated over any financial year in excess of S\$200,000 should generally be deemed significant irrespective of whether they constitute a significant portion of the revenue of the organisation in question; or
 - (c) a director who is or has been directly associated⁴ with a substantial shareholder of the company, in the current or immediate past financial year.

The above examples are not exhaustive and the NC and Board should determine whether there is any circumstance or relationship which might impact a director's independence, or the perception of his or her independence. Other than the circumstances set out in the SGX Listing Rules, these examples are meant to illustrate situations of likely non-independence and the NC and Board can still consider a director to be independent notwithstanding the existence of any of the above-mentioned situations. However, if the Board, having taking into account the view of the NC, does so, it has to fully disclose the nature of the director's relationship, and why the Board has determined the director to be independent.

Proportion of Non-Executive Directors

A key duty of the Board is to set objectives and goals for Management, monitor the results, and assess and remunerate Management on its performance. Executive directors who are part of Management may face conflicts of interest in these areas. To avoid undue influence of Management over the Board and ensure that appropriate checks and balances are in place, non-executive directors should comprise at least a majority of the Board.

Role of the Lead Independent Director

The lead independent director (Lead ID) plays an additional facilitative role within the Board, and where necessary, he or she may also facilitate communication between the Board and shareholders or other stakeholders of the company. The company should clearly communicate to shareholders and other stakeholders on how the Lead ID can be contacted.

The role of the Lead ID may include chairing Board meetings in the absence of the Chairman, working with the Chairman in leading the Board, and providing a channel to non-executive directors for confidential discussions on any concerns and to resolve conflicts of interest as and when necessary. In addition, the

³ Payments for transactions involving standard services with published rates or routine and retail transactions and relationships (for instance credit card or bank or brokerage or mortgage or insurance accounts or transactions) will not be taken into account, unless special or favourable treatment is accorded.

⁴ A director is considered "directly associated" with a substantial shareholder when he is accustomed or under the obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder in relation to the corporate affairs of the company. A director will not be considered "directly associated" with a substantial shareholder by reason only of his or her appointment having been proposed by that substantial shareholder.

Lead ID may also help the NC conduct annual performance evaluation and develop succession plans for the Chairman and CEO and help the RC design and assess the Chairman's remuneration.

Board Diversity Policy

Principle 2 requires a board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Provision 2.4 expands on the concepts of independence and diversity in Principle 2 by stating that the Board and board committees should be of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate.

With effect from 1 January 2022, Rule 710A(1) of the SGX Listing Rules (Mainboard) / Rule 710A(1) of the SGX Listing Rules (Catalist) requires issuers to maintain a board diversity policy. The rules take reference from the elements of Provision 2.4, and state that a board diversity policy must address gender, skills and experience, and any other relevant aspects of diversity.

It is recognised that diversity is multi-dimensional in nature, encompassing various aspects. Certain aspects of diversity are widely tracked by investors and other stakeholders globally. The SGX Listing Rules ask that issuers maintain a board diversity policy that minimally addresses gender, skills and experience. Boards may incorporate other aspects of diversity as are relevant for the company.

To provide investors and other stakeholders with relevant information, Rule 710A(2) of the SGX Listing Rules (Mainboard) / Rule 710A(2) of the SGX Listing Rules (Catalist) also requires an issuer to include in the disclosure of its board diversity policy, the following:

- (a) the issuer's targets to achieve diversity on its Board;
- (b) the issuer's accompanying plans and timelines for achieving the targets;
- (c) the issuer's progress towards achieving the targets within the timelines; and
- (d) a description of how the combination of skills, talents, experience and diversity of its directors serves the needs and plans of the issuer.

The NC is responsible for setting the board diversity policy, including the targets, plans and timelines, for the Board's approval. The NC should review the progress towards meeting the policy targets and keep the Board updated.

The board diversity policy should have measurable targets that are numerical or quantitative, to be achieved within an appropriate timeline (for example, achieving specific numerical targets for female representation on its board within a specified time period). The accompanying plans for achieving the targets should describe the concrete steps that the company will undertake. Aspirational or qualitative targets (for example, 'creating an inclusive culture') may also be included, but these should also be accompanied with a description of the initiatives to be undertaken to translate the aspiration into results.

Companies should provide updates on their progress toward their targets by stating what they achieved within the year under report and what is to be achieved beyond the year under report. If companies face challenges in meeting their stated targets within the relevant timelines, they should provide an explanation and describe their plans to overcome these challenges. Companies should strive to build on

their achievements each year, and may consider disclosing how their performance relative to their targets has changed over the years.

The description of how the Board's combination of skills, talents, experience and diversity serves the needs and plans of the company should be made in the context of the company's current plans and future strategy.

Practice Guidance 8: Disclosure on Remuneration

A company's annual remuneration report should form part of, or be annexed to, the company's annual report. It should be the main means through which the company reports to shareholders on all forms of remuneration and other payments and benefits, for directors and key management personnel (KMP), from itself and its subsidiaries, in respect of the financial year reported on. Companies should make the disclosure regardless of whether shareholder approval has been obtained.

Remuneration disclosures for individual directors and the Chief Executive Officer (CEO) should specify the names, amounts and breakdown of remuneration⁶.

Remuneration disclosures for at least the top five KMP (who are not directors or the CEO) should specify the names, amounts and breakdown of remuneration in bands no wider than S\$250,000 (refer to illustrative examples below).

A breakdown (in percentage terms) of the remuneration earned by each director, the CEO and each of at least the top five KMP (who are not directors or the CEO) should include base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. 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.

In addition to the disclosure in aggregate of the total remuneration paid to at least the top five KMP (who are not directors or the CEO), the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and at least the top five KMP (who are not directors or the CEO) should be separately disclosed. In the case of a company with less than five KMP (who are not directors or the CEO), it is acceptable for the company to make the disclosure in respect of all KMP, with the appropriate explanation.

For administrative convenience, the company may round off the disclosed figures to the nearest thousand dollars. The disclosure of remuneration may be in bands no wider than S\$250,000 for at least top five

⁶ For the financial years ending on or after 31 December 2024, Rule 1207(10D) of the SGX Listing Rules (Mainboard) / Rule 1204(10D) of the SGX Listing Rules (Catalist) requires issuers to disclose in their annual reports, the names, exact amounts and breakdown of remuneration paid to each individual director and the CEO 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.

KMPs; and no wider than S\$100,000 for employees who are substantial shareholders, or are immediate family members of a director, the CEO or a substantial shareholder.