

SGX RegCo and CGAC Statements on KPMG Review Report Regarding Corporate Governance Practices

On 13 September 2022, findings from an independent review of listed companies' disclosures undertaken by KPMG in Singapore ("KPMG") for the Singapore Exchange ("SGX") were released. KPMG's report evaluated disclosures in annual reports and companies' websites based on the Code of Corporate Governance 2018.

On that day, Singapore Exchange Regulation ("SGX RegCo") released a statement that referred to board renewal and remuneration matters being areas where improvement is still needed. The Corporate Governance Advisory Committee ("CGAC") also released a statement on the KPMG review.

The KPMG report can be found [here](#).

The SGX RegCo statement can be found [here](#).

The CGAC statement can be found [here](#).

While the SGX RegCo and CGAC statements noted other findings in the comprehensive KPMG report, of particular interest are their observations on board renewal and remuneration disclosures, which indicate that there may be rule changes following public consultation.

Board Renewal

SGX RegCo Chief Executive Officer ("CEO") Mr Tan Boon Gin observed that the findings showed, despite SGX RegCo having cautioned against this, that there had been a rush to use the two-tier vote to retain long-serving independent directors ("IDs"), instead of using it sparingly to retain quality IDs beyond nine years. It is thus ***"timely for SGX RegCo to consult on hard-coding the 9-year limit for"*** IDs.

The CGAC noted the significant number of boards having IDs serving beyond nine years, and that tenure restrictions on IDs have been imposed in other jurisdictions (e.g., the United Kingdom, France, India and Malaysia). Besides safeguarding board independence, which is extremely important, the CGAC highlighted that a tenure limit also creates opportunities for board refreshment and diversity. It recommended that ***"SGX consider amending the Listing Rules for a hard tenure limit to be applied to IDs"***, and suggested that ***"the market be consulted on an appropriate length of tenure, and transition period before the limit takes effect"***.

Remuneration Disclosures

SGX RegCo CEO Mr Tan noted that remuneration disclosures remain poor. While companies argue that remuneration details should be kept vague for competitive reasons, such information is key to understanding the link between business performance and financial rewards, and SGX RegCo is of the view that remuneration details of directors and CEOs should be transparent as they have a fiduciary duty and competition is less of a concern. SGX will therefore ***"be consulting on requiring the actual remuneration of directors and CEOs to be disclosed"***.

The CGAC pointed out that the minority of companies provided full disclosure of the actual remuneration of directors and the CEO, and that the explanations given for non-compliance mainly related to competitive and confidentiality concerns. The CGAC noted that shareholders are increasingly demanding more transparency and accountability regarding remuneration.

The CGAC took the view that companies “need to make both qualitative and quantitative disclosures”. Shareholders require insight into how companies determine director and executive remuneration to understand the link between compensation and performance and to assess the appropriateness of remuneration practices. The CGAC will look at ways to provide more guidance to companies to enhance their qualitative disclosures.

As regards quantitative disclosures, the CGAC flagged the current inadequate disclosure practices on director and CEO remuneration and recommended that “**SGX consider making the remuneration disclosures of each individual director and the CEO mandatory under the Listing Rules**”, which would be in line with requirements in other jurisdictions (e.g., the United Kingdom, Australia, Hong Kong and Malaysia).

If you would like information or assistance on the above or any other area of law, you may wish to contact the Partner at WongPartnership whom you normally work with or any of the following Partners:

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