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March 21, 2018

The Secretariat, Corporate Governance Council
c/o Markets Policy & Infrastructure Department
Monetary Authority of Singapore
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Re: Public Comment on the Consultation Paper on Recommendations of the Corporate Governance Council

Glass, Lewis & Co. ("Glass Lewis") appreciates the opportunity to comment on the Consultation Paper (the "Paper") on Recommendations of the Corporate Governance Council (the "Council"). The Council seeks to improve Singaporean corporate governance through the adoption of a Revised Code of Corporate Governance (the "Revised Code"), amendments to the Listing Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") and Singapore Exchange Limited ("SGX") and by adopting a new Practice Guidance.

Founded in 2003, Glass Lewis is a leading, independent governance services firm that provides proxy research and vote management services to more than 1,300 clients throughout the world. While, for the most part, institutional investor clients use Glass Lewis research to help them make proxy voting decisions, they also use Glass Lewis research when engaging with companies before and after shareholder meetings.

Through Glass Lewis' Web-based vote management system, ViewPoint, Glass Lewis also provides investor clients with the means to receive, reconcile and vote ballots according to custom voting guidelines and record-keep, audit, report and disclose their proxy votes.

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The responses provided below are not meant to be exhaustive but are designed to address what Glass Lewis sees as the main issues and concerns raised in the Paper, Revised Code, Listing Rules and the Practice Guidance. Thank you in advance for your consideration and please do not hesitate to contact us if you would like to discuss any aspect of our submission in more detail.

Respectfully submitted,

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Enclosure

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RESPONSE TO CONSULTATION PAPER

Please note that all submissions received will be published and attributed to the respective respondents unless they expressly request Council not to do so. As such, if respondents would like (i) their whole submission or part of it, or (ii) their identity, or both, to be kept confidential, please expressly state so in the submission to MAS. In addition, Council reserves the right not to publish any submission received where MAS considers it not in the public interest to do so, such as where the submission appears to be libellous or offensive. Feedback pertaining to the SGX Listing Rules will be forwarded to SGX.

Consultation topic:	Consultation Paper on Recommendations of the Corporate Governance Council
Name[1]/Organisation: [1]if responding in a personal capacity	CGI Glass Lewis Pty. Ltd.
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Confidentiality	
I wish to keep the following confidential:	*(Please indicate any parts of your submission you would like to be kept confidential, or if you would like your identity to be kept confidential. Your contact information will not be published.)*

General comments:

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:

b. the 15 Provisions (or Guidelines) set out in Annex E, Table 2 to be removed from the Code; and

Key Management Personnel Remuneration (Guideline 9.3)

Glass Lewis believes that existing Guideline 9.3 should be included in the Revised Code. Among publicly-traded companies in Singapore and elsewhere in Southeast Asia region, the disclosure of executive compensation is often lacking, especially for the top five key management personnel ("KMP"). In a study that looked at overall remuneration practices and disclosure among 609 Singapore companies over a two-year period in 2016-17 found that only 13 companies were compliant with existing Code guidelines on remuneration disclosure. The more startling aspect of the lack of disclosure was that:

> *"Companies often cite fear of poaching for not fully disclosing remuneration. Fear of poaching would imply that companies are paying below the market. Our findings do not support this. On the contrary, they are consistent with companies that disclose less may be trying to avoid drawing attention to relatively higher remuneration."*[1]

The lack of disclosure precludes shareholder ability to consider if the remuneration appropriately links pay with company performance.

There are those who fear an increase in remuneration disclosure may lead to a ratcheting effect for KMP remuneration packages. However, private survey data collected by executive search firms could also contribute to potential increases without investors having the benefit of being able to evaluate the link between executive pay and company performance.

Glass Lewis notes that the removal of this proposal would push Singapore backward relative to other markets in the region. Instead, companies

[1] Mak Yuen Teen and Chew Yi Hong, The Singapore Report on Remuneration Practices, Volume 1, Avoiding the Apaycalypse. Singapore, January 2018. Page 13.

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should be improving their disclosure of remuneration practices. For example, in Malaysia's 2017 Code, companies under Step Up Practice 7.3 "are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis."[2] Similarly, in the NZX Corporate Governance Code 2017, companies are encouraged to provide disclosure of the remuneration policies for executives and officers, including discussions on: (i) fixed remuneration, reflective of a person's role; (ii) performance-based remuneration that is linked to clear targets that are aligned with performance objectives appropriate to a company's risk profile; and (iii) equity-based remuneration that is designed to support a long-term approach without undue risk-taking.[3] Glass Lewis does not see any harm from maintaining a comply-or-explain expectation for this matter.

To be clear, Glass Lewis does not see a current need for votes on executive remuneration similar to that of "say-on-pay" in the United States, or advisory votes on remuneration akin to that in Australia, which could have potential repercussions for boards.[4]

Guideline 10.3

The board should be kept abreast of the company's financial accounting on a periodic basis. There is a risk that without at least monthly reporting, the board might not be properly informed if the company is facing financial challenges.

Audit Committee Functions (Guidelines 12.4(d) and 12.8)

Glass Lewis believes that Guideline 12.4(d) should remain in the Code as they relate in part to the central role of the Audit Committee ("AC") as "gatekeeper" to a company's financial statements. Under Guidelines 12.4(d), the AC should be responsible for reviewing the scope and results of the external audit. As the audit of a company is vital for understanding the financial health of a company, Glass Lewis believes it to be a best practice

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[2] Practice 7.3. Malaysian Code on Corporate Governance. Page 32.
[3] New Zealand Stock Exchange. NZX Corporate Governance Code 2017. Wellington, May 2017. Page 22.
[4] Under Australian law, shareholders may cast an advisory vote on executive remuneration at a company's AGM. If 25% of shareholders do not support the remuneration, a company may receive a "strike". If a company were to receive two consecutive strikes, that could lead to a "spill motion" which would see the entire board stand for election within 90 days of receiving the second strike. Sections 250U-250Y. Corporations Act, 2001.

for AC members to know and have reviewed and results of an external audit. This is especially the case if members of the audit committee are to appear and take questions at a general meeting. Were this aspect of the existing Code to become a Listing Rule, then Glass Lewis could support the elimination of this practice from the Code.

Guideline 16.3

Annual meetings are frequently the only opportunity for shareholders to ask questions of directors—the chairs of key committees should front shareholders to answer any relevant questions.

c. **the 24 Provisions (or Guidelines) set out in Annex E, Table 3 to be shifted to the Practice Guidance.**

Glass Lewis views the development of a Practice Guidance as having two main benefits in supporting a formal Code. First, Practice Guidance can support intentionally vague provisions in the Code by clarifying how the Code could be implemented yet avoiding a prescriptive approach where there is significant variance in existing company practice. Alternatively, Practice Guidance can also be an effective means to introduce new governance trends that could potentially make their way into the Code at a future date, but which are premature to introduce on a comply-or-explain basis.

By contrast, we view the shift of provisions from the Code to the Practice Guidance as a reduction of expectations. This may have no practical effect for those areas of the Code that relate to high-level principles but may have a significant impact on other, more precise areas. At a minimum, Glass Lewis believes the following existing Code provisions should be included in the Revised Code, though we question the need to demote any of the Code provisions that are subject to being shifted to the Practice Guidance.

Tests of director independence (Guideline 2.3(c), (d) and (f))

We acknowledge that some of the tests of director independence will move from the Code to the SGX Listing Rules. However, we note that the test assessing related party transactions has been demoted to the Practice Guidance. We believe that related party transactions, if not properly managed, could result in the significant destruction of shareholder value.

Additionally, we believe the involvement of a director (or a related party of a director) in a related party transaction could create conflicts of interest that could compromise the independence of that director. Accordingly, we believe the weakening of best practice in this area sends an inappropriate signal to the market about the importance of this issue. If anything, we believe the Practice Guidance (if not the Revised Code itself) should set expectations on minimum thresholds for when a related party transaction involving a director (or their affiliate) should be disclosed to the market (e.g. S$200,000).

Remuneration Committee Function and Remuneration Practices (Guidelines 9.1, 9.2, 9.3, 9.4 and 9.5)

Glass Lewis believes that moving several provisions – Guidelines 9.1, 9.2, 9.3, 9.4 and 9.5 - from the Code to the Practice Guidance may be counterproductive to ensuring meaningful disclosure of how remuneration is decided, let alone paid. In this case, the Council is seeking to reduce the length of proposed Revised Code, by eliminating specific details of the remuneration report, breakdown of director and executive remuneration, and details and terms of equity compensation schemes for the CEO, directors, and KMP. Instead, the Revised Code lists in-part the remuneration disclosure being "all forms of remuneration, other payments, and benefits, for directors and key management personnel from itself and its subsidiaries. It also discloses details of employee share schemes." Glass Lewis is concerned that without specificity to details like: "remuneration earned through 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", remuneration disclosure can be left up to companies to interpret which will make comparisons impractical if not impossible. More importantly, as the Practice Guidance is non-binding, companies could choose to not disclose pertinent details of remuneration practices to shareholders, or disclose remuneration amounts and practices in a non-specific manner.

Furthermore, as is often the case, where companies are seeking approval to issue awards under equity-based plans, there generally is a lack of disclosure as to what they intend to grant. For many companies, shareholders are left to analyze scheme rules found in old meeting circulars that can date back nearly 10 years. Where shareholders are asked to vote

to authorize companies to make equity grants under plans that are up to 10% of a company's share capital at any time, Glass Lewis believes steps should be taken by companies to provide clearer disclosure as to the intent to issue a general or specific number of awards. In this instance, it is common for Singaporean companies to seek to issue shares up to a Scheme's limit, which is generally not set a specific number of shares from when a scheme was initially approved, but instead is a percent of a company's share capital which can be granted at any given time. Similarly, where equity compensation plans are performance-based, those targets should be known in advance of awards being granted, instead of learning about performance targets after awards are granted.

Audit Committee Function (Guideline 12.6)

In the Revised Code, the stated functions of the audit committee would not include reviewing the fees paid by external auditors, along with reviewing the appropriateness of non-audit fees paid to external auditors in a company's annual report. By removing the reviewing of auditor remuneration in Guideline 12.6 of the Existing Code to the Practice Guidance, Glass Lewis is concerned that companies may choose to omit important details of the relationship between a company and its auditor. As the auditor and audit committee important for all companies, where there are significant non-audit fees, shareholders should know the reasons for the non-audit services and what comprised such services. We believe the audit committee should provide a discussion of auditor remuneration in the annual report, or explain why it believes such a discussion is not warranted.

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.

Multiple Directorships

Glass Lewis supports the proposed guidance on multiple directorships. However, as markets within the Southeast Asia region and in Europe are moving toward setting directorship limits either as either a practice within a code of best practice or as a listing rule requirement, Singapore may want

to consider doing the same.[5] In this case, by including directorship limits within the Revised Code, companies would have to explain how or why they believe a director can serve on a multitude of boards, especially if there are attendance issues involving a director. As to the proposed guidance, we believe the limits on directorships, based on executive director, non-executive director, and board chair, are sufficient and reflect realistic time commitments of directors, which may exceed 250 hours per year.[6]

Level and Mix of Remuneration – Clawback Provisions

Glass Lewis supports measures that hold accountable an executive for repaying compensation in instances of material fraud, misconduct or other instances which result in material restatements of financial statements. Clawback provisions are now a matter of law in the United States under the Dodd-Frank Act and the Sarbanes-Oxley Act, in India,[7] and are a best

[5] Bursa Malaysia limits a director to serving on five boards. Bursa Malaysia Securities Berhad. Listing Requirements. Chapter 15.06. Thai best practice is for companies to limit directorships at five listed companies. The Corporate Governance Code for Listed Companies 2017. Section 3.5.2. For Indonesian companies, directors and commissioners may be limited to serving on two to four boards. Financial Services Authority, Republic of Indonesia. Number 33/POJK.04/2014. Articles 6 and 24. It is a best practice in Thailand to serve on the boards of no more than five listed companies. Corporate Governance Code for Listed Companies 2017. For non-executive directors in the Philippines, they should serve on a maximum of five publicly-traded board. Recommendation 4.2, Code of Corporate Governance for Publicly-listed Companies. Independent directors in Bangladesh are limited to serving on a maximum of three boards. BSEC Notification No. 7. Section 1.2(ii)(g). Moreover, for many European companies, directorships for executive and non-executive directorships for management boards are limited to two or four boards, respectively. Article 91 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.
[6] Korn Ferry. *Corporate Board Governance and Director Compensation in Canada, a Review of 2014*. January 2015. Pages 9 and 10. According to a survey of Canadian directors and a survey of American directors, Canadian directors committed an average of 304 hours per board they served on. American directors committed an average of 236 hours per directorship. For Canadian companies, board chairs spent an average of 332 hours, committee chairs spent an average of 319 hours and committee members spent an average of 259 hours as part of their time commitment.
[7] Where a company is required to restate financial statements due to fraud or non-compliance, companies may recover from any past or present executive director, remuneration paid to that executive, in excess of what could have been paid from restated financial statements. Section 199, Companies Act, 2013.

practice in Australia.[8] As there is greater attention being paid to executive remuneration, Glass Lewis views the inclusion of clawback provisions in the Practice Guidance as important, but Glass Lewis suggests the Council look at adding clawback provisions as a feature within Code.

Shareholder Rights and Engagement with Shareholders

Glass Lewis supports methods to improve engagement between shareholders and stakeholders with issuers. As noted in the Practice Guidance, it is proposed to enhance meeting disclosure practices and for companies to avoid bunching their general meetings. To this end, the Council should look at extending the meeting notice period from the current minimum notice period of 14 calendar days or 21 calendar days for meeting to pass a special resolution.[9] Instead, Glass Lewis believes that meeting notice periods should be uniform in the length of time to provide at least 21 calendar days or look to Australia's requirement[10] or Thailand's best practice[11] for a notice period of 28 days. To further the objective of providing improved, advance disclosure of general meetings, Glass Lewis supports the inclusion of a revised general meeting notice period into the SGX Listing Rules to ensure market-wide compliance. The lengthened notice period would benefit both domestic and foreign investors of Singaporean companies as the AGM season in the month of April is particularly clustered with meetings. This stands in contrast to short notice periods that may lead to shareholders not being afforded sufficient time to make fully informed voting decisions in an otherwise very short period.

In conjunction with an extended meeting notice period, Glass Lewis supports initiatives to "de-cluster" AGMs such initiatives should be elevated from the Practice Guidance to the Revised Code. As noted in a study that looked at general meeting dates in the month of April 2016, it found that a total of 433 general meetings were held, comprising 428 AGMs and 5 EGMS. However, between April 22 and 25-29, 335 meetings, or

[8] ASX-listed companies are supposed to disclose as part of remuneration policies, the "reduction, cancellation or clawback of performance-based remuneration in the event of serious misconduct or a material misstatement in the entity's financial statements." ASX Corporate Governance Council. Corporate Governance Principles and Recommendations – 3rd Edition. Recommendation 8.2. Page 33.
[9] SGX Mainboard Listing Rules. Chapter 7 Continuing Obligations. Section 704(15).
[10] Section 249HA, Corporations Act, 2001.
[11] Section 8.1.4, The Corporate Governance Code for Listed Companies 2017.

approximately 77.4% of total April's total meetings were held, while April 28 and 29 saw 195 meetings held, which accounted for 45% of April's total meetings.[12] As markets like India are also contending with how to de-cluster general meetings,[13] Glass Lewis encourages the Council to consider working with SGX to explore a lottery system on AGM dates or put a cap on the percent of listed companies that can have their AGM on a given day, in order to avoid bunching of AGMs. We recognize, however, that limiting the number of AGMs in any given day could necessitate extending the period in which an issuer would need to hold their AGM from four to five months, following the completion of their financial year.

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

Glass Lewis appreciates the concern that some companies may have adopted a checklist mindset towards the director independence tests and, in principle, supports an overarching principle-based definition of director independence. However, we are concerned that the proposed approach waters down the tests without reducing the risk for a checklist mindset to director independence. There is a risk that the tests that would be shifted to the non-binding Practice Guidance would be largely ignored by companies.

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.

The Existing Code provides that companies should provide an explanation for how boards may consider a director to be independent after nine years of service, while Singaporean banks and insurance companies must limit

[12] Mak Yuen Teen and Chew Yi Hong. The Singapore Report on Shareholder Meetings – Dawn of Activism, Volume 3. March 2017. Pages V and VI.
[13] The Uday Kotak Committee made recommendations to SEBI to phase in an approach to avoid the bunching of AGMs, along with reducing the AGM meeting deadline from six months to five. Report on the Committee on Corporate Governance. Page 91.

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independent director tenure to nine years.[14] As independent director board tenure is gaining traction in many markets, Glass Lewis believes there should be specific additions to the SGX Listing Rules that ultimately sets a cap on tenure, instead of leaving open to interpretation whether a director is independent, for instance after nine years of continuous service. Where the Council may be indecisive on a specific hard cap on years, Glass Lewis supports the Council looking at board tenure practices within other regional markets. Specifically, markets including Pakistan,[15] India,[16] Sri Lanka,[17] Bangladesh,[18] and the Philippines[19] have already enacted caps on independent director tenure which range anywhere between six and ten years.

If a hard cap is not chosen and instead, a two-tier voting system to allow shareholders to vote on director's independence is chosen, there should be a limited time frame for use of a two-tier voting system. While the proposed two-tier system would be similar to Malaysia's two-tier voting under its 2017 Code on Corporate Governance,[20] there may be some

[14] Section 2, Banking (Corporate Governance) Regulations 2005. Section 3, Insurance (Corporate Governance) Regulations 2013.
[15] Independent director tenure in Pakistan is limited to nine years. Specifically, an independent director may serve up to a maximum of three consecutive terms, while each term may not exceed three years. Sections 161 and 166(2)(g), the Companies Act, 2017.
[16] Independent director in India tenure is limited to 10 years, comprising a maximum of two terms of up to five years, from the date of appointment. Sections 149(10) and (11), the Companies Act, 2013. For Banks, tenure is further for directors other than a chairman or whole-time director is limited to eight years. Section 10A(2A)(i), the Banking Regulation Act, 1949.
[17] Independent directors in Sri Lanka may continuously serve up to nine years on a board, but may be reappointed as an independent director following a two-year cooling off period. Section 7.10.4(e), Colombo Stock Exchange Listing Rules.
[18] For independent directors in Bangladesh is limited to two terms of service, with each term being three years. Bangladesh Securities and Exchange Commission. BSEC Notification No. 7. August 2012. Section 1.2(vi).
[19] Independent directors in the Philippines should be limited to serve a maximum cumulative term of nine years, thereafter, they should be perpetually barred from re-election to the same company unless a rigorous review is undertaken of their independence and a "meritorious" explanation of a director's independence is provided. Securities and Exchange Commission Philippines. Code of Corporate Governance for Publicly-listed Companies. November 2016. Recommendation 5.3.
[20] Practice 4.2. Malaysian Code on Corporate Governance. Page 25. Under this practice, an independent director serving between 9-12 years would have their independence voted on by all shareholders. After 12 years, the two-tier voting system would have shareholders who own or control 33% of a company's issued share capital and all other shareholders vote on a director's independence. Both groups of shareholders would have to vote in the affirmative to retain the director as an independent director.

advantages of affording companies the opportunity to explain a director's independence. Nevertheless, such a voting system should be limited in use upon a director reaching nine years of service, perhaps up to three years, given that institutional investors are becoming wary of how a director can remain independent after 12 years of consecutive service. This is particularly the case for Malaysia's Employees Provident Fund,[21] the California Public Employees' Retirement System ("CalPERS"),[22] and Daiwa Asset Management Co. Ltd.,[23] all of whom have adopted policies where they may vote against independent directors serving more than 12 years.

Given that companies may be reluctant to part with certain directors, if a hard cap or hybrid approach is taken, companies should allow directors to continue to serve on boards, albeit as a non-independent, non-executive director. In implementing tenure limits, and depending on the Council's decision, long-serving directors should be able to finish their current term as an independent director if a hard cap is chosen. However, if boards are not prepared for a transition and may otherwise need to find a new independent director, then a term of one year could be permitted to provide boards with time to find and nominate new independent directors.

Lastly, if the Council does impose a hard cap on years of service and a company wants to re-elect a director as an independent director, then the Council should adopt specific rules for a cooling off period if companies may seek to reappoint a person as an independent director. In this instance, Glass Lewis believes the Council ought to look to India as a guide, where they use a three-year cooling off period, where the former director may not be appointed to any position or have any direct or indirect association with a company for a period of three years.[24]

It is noted that Practice 4.2 of the Malaysian Code on Corporate Governance encourages boards to have "a policy which limits the tenure of its independent directors to nine years" while the Guidance 4.2 encourages large companies to not "retain an independent director for period of more than 12 years."
[21] Employees Provident Fund. "EPF Voting Guidelines at Shareholders' Meeting 2017."
[22] CalPERS. "Governance & Sustainability Principles." April 2017. Section 9(d).
[23] Daiwa Asset Management Co. Ltd. "Proxy Voting Policy." September 1, 2017. Chapter II, Section 2(3). It is noted that this voting policy for Daiwa is based on domestic voting for Japanese-based issuers, while voting on foreign markets takes into consideration local market practices and other resources, including proxy advisors. However, it is illustrative in that Daiwa has set board tenure voting rules in Japan, which does not have board tenure requirements.
[24] Section 149(11), Companies Act, 2013.

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.

Glass Lewis supports enhanced general meeting voting results disclosure for all proposals, not just for independent directors serving less than nine years. As proposed, it would be voluntary for "controlling shareholders" or those who (in)directly control 15% of a company's issued share capital to disclose how they vote, while the votes of non-controlling shareholders would be aggregated against those of controlling shareholders. Such disclosure can provide greater insight as to how non-controlling shareholders view the election of an independent director, or whether there are significant issues that may be reflective in a vote on a director. Further, if vote results show a disparity in support for a nominee between the shareholder groups, boards will have an indication of what shareholders may wish to discuss with companies during engagements, and vice versa.

From an operational standpoint, the Council will need to determine the specificity of how controlling shareholders may identify themselves as some controlling shareholders may not wish to have their identity revealed to preserve the secrecy of their ballot. Additionally, the Council would have to work with the SGX, companies who provide electronic voting, and data providers with unique ways for shareholders to identify themselves when voting either on paper or electronically. However, upon the completion of voting, the Council should consider having the outcome of the vote presented for the total for/against votes, then provide a breakdown by the shareholder group.

As to markets that present votes that are broken down by shareholder group, the Council may seek to look to India as an example of how to disclose vote results. Specifically, in India, all companies have to disclose a breakdown of shareholder voting by "Promoter and Promoter Group," "Public Institutions," and "Public Non Institutions".[25] As the Promoter or Promoter Group are akin to controlling shareholders, the Council can view how a market that is much larger than Singapore handles general meeting

[25] Securities and Exchange Board of India. "Circular CIR/CFD/CMD/8/2015". November 4, 2015.

vote disclosure broken down by different groups of investors. Lastly, Glass Lewis encourages the Council to explore how companies can provide clear disclosure of the controlling and non-controlling shareholders in company filings, as well as on the SGX website. In particular, the Council to view how shareholding patterns of Indian companies are disclosed in their filings and websites of the National Stock Exchange of India and the Bombay Stock Exchange, respectively.

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.

Please refer to the response to Question 7.

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.

Glass Lewis believes that markets should set a required minimum board independence threshold. To that end, we view codifying the board independence levels in Guideline 2.1 of the existing Code of Corporate Governance (the "2012 Code"), as being important to avoid any uncertainty as to the base levels for board independence for publicly-traded companies. However, both the 2012 Code and Revised Code provide for a best practice of boards being at least 50% where the chairman is not independent. Although the practice of varying board independence levels based on board chair is practiced among Singapore companies, as well as in Thailand[26] and Malaysia,[27] Glass Lewis believes that board independence requirements should be set to provide clarity of what companies must

[26] Stock Exchange of Thailand. "The Principles of Good Corporate Governance for Listed Companies 2012." Section 1.3. See also: Securities and Exchange Commission of Thailand. The Corporate Governance Code for Listed Companies 2017. Section 3.2.4.
[27] The minimum independence requirement is "at least 2 or 1/3 of the board of a listed issuer, whichever is the higher, are independent directors." Bursa Malaysia Securities Berhad. "Main Market Listing Requirements." Chapter 15.02. Under the 2012 Code of Corporate Governance, Recommendation 3.5 states that: "The board must comprise a majority of independent directors where the chairman of the board is not an independent director." Securities Commission Malaysia. "Malaysia Code on Corporate Governance 2012." March 2012. Under Malaysia's new code, Practice 4.1. states: "At least half of the board comprises independent directors. For Large Companies, the board comprises a majority of independent directors." Securities Commission Malaysia. "Malaysian Code on Corporate Governance." April 2017.

meet. This matters as not every company, despite explaining a lack of code compliance, may choose to not have a 50% independent board when the board chair is not independent. While Singapore is not alone in allowing varying independence levels, SGX could follow India's lead, which set specific rules for when board independence may be 33% or 50%, as based on the board chair.[28] Additionally, Glass Lewis believes the Council should consider lookback periods for independent directors that are based on a period of five financial years, instead of three financial years, in instances where a director is a former employee. In this case, a longer lookback period would provide greater assurances of the unwinding of conflicting relationships that may exist between former management and board members.

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.

Glass Lewis supports efforts to ensure effective checks and balances when board a board chairman is not independent. To the extent that the board independence changes from "at least half" to "a majority", Glass Lewis believes that board independence levels should be codified in the SGX Listing Rules, as discussed in Question 9.

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

Glass Lewis supports measures to ensure that the role of a board is to maintain sufficient oversight of management, not for management to control a board. As to the composition of a board's non-executive directors, their backgrounds should reflect directors who can think and act independently, along with having sufficient professional experience to evaluate and critique management's decisions when needed. Moreover, the non-executive directors should also be able to act independently from major or controlling shareholders to serve all shareholders. Should this

[28] Securities and Exchange Board of India. "Security and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015." Section 17.

provision be included in the new code, Singapore would join Thailand[29] and the Philippines[30] in having majority non-executive boards as a best practice.

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).

Although not included in the Existing Code or Revised Code, Glass Lewis supports and believes that companies should disclose their diversity policies. While diversity is limited to gender alone, it is inclusive of other factors such as director skills, background, age, a diverse board is helpful in bringing an array of perspectives to board discussions, decisions, and operations. To this end, shareholders and interested stakeholders should be able to know what a company's diversity policy and what steps it is taking to achieve the policy.

To assess the implementation of board diversity policies, Glass Lewis believes the Council should consider adding as part of director biographical information in an annual report, an overall skills matrix for all board directors. This would enable the board, and all other interested parties to assess how the individual directors are contributing to the overall achievement of board diversity. It would also allow shareholders to make informed voting decisions on election proposals when assessing a director's possible contribution to a board. The disclosure of a skills matrix is already in best practice among ASX-listed companies,[31] while the disclosure of a skills matrix may also become a required practice for listed companies in India.[32] This type of disclosure may appropriate to include in the Practice Guidance

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[29] Guideline 3.1.3(a), Corporate Governance Code for Listed Companies 2017.
[30] Recommendation 12, Code of Corporate Governance for Publicly-listed Companies.
[31] It is a recommended for ASX-listed companies to disclose a skills matrix of their board members, which sets out "the mix of skills and diversity that the board currently has or is looking to achieve in its membership." Corporate Governance Principles and Recommendations – 3rd Edition. Recommendation 2.2. Page 15.
[32] The Committee on Corporate Governance, chaired by Uday Kotak, recommended to the Securities and Exchange Board of India that listed companies be required to disclose a list of core skills/expertise/competencies as identified by boards for the context of a company's businesses or market segments, which would be expanded to include such skills/expertise/competencies by individual director. Securities and

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

a. the relationship between remuneration and value creation; and

When Glass Lewis evaluates executive remuneration policies, practices, and outcomes, we look for demonstrable evidence that executive remuneration supports and aligns with the long-term strategy of the business. It is incumbent upon companies to provide relevant disclosure in order for us and shareholders make an informed assessment. Key questions we are looking to answer include, but are not limited to: "how does this pay structure support the company's strategy"; "are the executives steered towards behaviour that is inconsistent with the company's stated strategy"; "how is performance actually measured"; "how much alignment has there actually been between executive remuneration outcomes and company performance across multiple indicators"; and "does the board exercise proper discretion if pro forma pay outcomes don't align with actual company performance". Disclosure of executive remuneration should aim to address these (and similar) questions.

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).

Glass Lewis generally views that the retention of the existing bands is sufficient, especially since companies generally do not provide specific amounts of remuneration to substantial shareholders or their immediate family members.

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.

As Glass Lewis encourages boards to develop methods for building and managing relationships with relevant stakeholders. This may include

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Exchange Board of India. Report of the Committee on Corporate Governance. October 5, 2017. Pages 15, 16, Annexure 4.

providing specific contact details for contacting investor relations departments, company secretaries or even board members.

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

Glass Lewis supports markets adopting clearly stated rules or best practices that companies, investors, and other interested stakeholders can clearly understand. While the Council is seeking to adopt a new code that may be significantly shorter in length than the Existing Code, the Council should exercise caution in that brevity of disclosure in a code will allow companies to interpret what they may or may not have to disclose, let alone practice. Moreover, by taking crucial details from the Existing Code and putting them into the Practice Guidance, which is non-binding, voluntary, and does not require an explanation for non-compliance, this may lead to weakened disclosure by companies. This is perhaps best exemplified by remuneration disclosure, which the Paper and this submission note, is problematic.

As to compliance, Glass Lewis believes that companies should comply as much as possible to Code principles and underlying provisions. Where compliance is not met, there must be a cogent explanation for any deviation and how alternative practices either meet or exceed the Code principles and provisions.

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.

Glass Lewis believes that as corporate governance norms and evolve, markets should continuously review rules and practices to ensure the advancement of good corporate governance. The proposed Corporate Governance Advisory Committee (“CGAC”) would be a welcome addition to reviewing corporate governance in Singapore. The ability for the CGAC to provide insight to companies and stakeholders on corporate governance practices may prove useful in all parties understanding the strengths and weakness of how companies practice corporate governance and how Singapore compares to other markets. Glass Lewis believes the CGAC and its activities should be made publicly known, particularly in its research or

publications on how companies are abiding by or failing to abide by good corporate governance practices.

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

Glass Lewis supports the proposed changes to the SGX Listing Rules, while we have made comments to specific rule changes in preceding questions.