

Singapore Exchange Regulation

11 North Buona Vista Drive
#06-07, The Metropolis Tower 2
Singapore 138589
(Attn: Listing Policy & Product Admission)

Re: BlackRock's response to the SGX's "Consultation Paper on Board Renewal and Remuneration Disclosures"

BlackRock¹ is pleased to have the opportunity to respond to the "Consultation Paper on Board Renewal and Remuneration Disclosures," issued by the Singapore Exchange Regulation (SGX).²

BlackRock supports a regulatory regime that increases transparency, protects investors, and facilitates responsible growth of capital markets while preserving consumer choice and assessing regulatory benefits versus implementation costs.

We welcome the opportunity to comment on the issues raised by this consultation paper and will continue to contribute to the thinking of SGX on any issues that may assist in the final outcome.

Executive Summary

BlackRock welcomes SGX's proposals to impose a hard tenure limit for independent directors (IDs), as well as to mandate disclosure of the exact amount and breakdown of remuneration paid to directors and the CEO in companies' annual reports.

We agree that a hard tenure limit could be a useful, decisive mechanism to accelerate orderly board renewal and address the issue of long-tenured IDs in the Singapore market. That said, we do not have a firm view on whether nine years would be an ideal tenure limit for IDs - provided that there is a mix of directors with accumulated experience and new members that refresh the board's thinking to ensure that the board has directors with the most relevant skills and experience given the company's strategy and business model.

We are also supportive of the requirement for companies to disclose the exact amount and breakdown of remuneration paid to directors and the CEO in their annual reports. We believe that shareholders will benefit from greater transparency on companies' remuneration practices that would enable us to evaluate existing and proposed compensation structures to examine if executives and directors are incentivized and rewarded appropriately.

We welcome further discussion on any of the points that we have raised.

¹ BlackRock is one of the world's leading asset management firms. We manage assets on behalf of institutional and individual clients worldwide, across equity, fixed income, liquidity, real estate, alternatives, and multi-asset strategies. Our client base includes pension plans, endowments, foundations, charities, official institutions, insurers and other financial institutions, as well as individuals around the world.

² Singapore Exchange Limited (SGX). "[Consultation Paper on Board Renewal and Remuneration Disclosures](#)." 27 October 2022.

Yours faithfully,

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RESPONSE TO THE CONSULTATION ON BOARD RENEWAL AND REMUNERATION DISCLOSURES

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:

We believe that shareholders are best served when there is orderly renewal of the board, resulting in directors with accumulated experience while at the same time introducing fresh minds and experience to the board. We feel that if used sparingly, SGX's "nine-year rule" and two-tier voting system could be a useful mechanism to provide companies with some flexibility to retain capable and experienced independent directors beyond nine years, whilst still promoting board independence and succession planning.

However, in BlackRock's experience with our Singaporean investee companies, we observe that long-tenured independent directors remains an issue in the market despite the "nine-year rule". Although companies are required to subject independent directors with tenure in excess of nine years to rigorous review and provide a cogent explanation justifying the retention of the director, we find that companies' disclosures are often ambiguous or boilerplate in nature. This does not provide shareholders with meaningful information to assess the directors' independence or the board's renewal process.

As such, we agree that a hard tenure limit could be a useful, decisive mechanism to accelerate orderly board renewal and address the issue of long-tenured independent directors in the market.

- (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:

For companies in the Asia ex Japan region, BlackRock generally reclassifies independent directors who have been on the board in excess of 12 years as non-independent directors. However, we do not have a firm view on whether 9 years or 12 years would be the ideal tenure limit for the market – provided that there is a mix of directors with accumulated experience and new members that refresh the board’s thinking to ensure that the board has directors with the most relevant skills and experience given the company’s strategy and business model.

We also recognize that this proposed tenure limit will be aligned with the nine-year tenure limit imposed by the MAS for IDs of Singapore-incorporated banks, insurers and for real estate investment trust managers. This could also potentially reduce confusion for companies as they would have already been accustomed to SGX’s “nine-year rule” and two-tier voting system.

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 that there was a three-year transition period between the announcement of the “nine-year rule” and two-tier voting system when it came into effect on 1 January 2022, we believe that companies had adequate time to plan for an orderly renewal of their boards. Companies with robust board renewal and succession planning policies and procedures would be adequately equipped to comply with any hard tenure limits.

- (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 believe that independent directors who have served beyond the hard tenure limit must either resign from the board or be redesignated as non-independent at the effective date of the hard limit. This would encourage an effective board renewal and succession planning process.

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 the exact amount and breakdown of remuneration paid to directors and the CEO be disclosed in the annual report. We believe that shareholders will benefit from greater transparency on companies' remuneration practices that would enable us to evaluate existing and proposed compensation structures to examine if executives and directors are incentivized and rewarded appropriately.

The current practice of requiring companies to disclose the amounts and breakdown of remuneration of each individual director and CEO, as well as key management personnel on a "comply or explain" basis results in high level disclosure on wide bands of S\$250,000 and boilerplate justifications for non-compliance. This inhibits shareholders from analyzing if remuneration is aligned with long-term value creation – for instance, if there is a clear link between executives' variable pay and a company's operational and financial performance, or if performance metrics are sufficiently challenging and aligned with a company's strategy and business model.

Furthermore, despite commonly cited "competitive concerns", we observe from our investee companies from other markets in the region that the disclosure of CEO and directors' remuneration with detailed breakdown on a named basis to be a common practice, especially amongst larger market-cap companies. As such, we believe that Singapore-listed companies should also be held to a higher standard to encourage greater transparency and accountability to shareholders.