

Listing-rule changes a 'bigger step' to board renewal

With tenure cap, firms need to cast net wider to consider fresh faces: Expert

Grace Leong

The latest amendments to the Singapore Exchange's (SGX) listing rules are the result of a "bigger step" that the Corporate Governance Council felt should be taken to strengthen director independence and encourage board renewal and diversity for listed companies, a corporate governance expert said.

The concept of independent directors was introduced with the Code of Corporate Governance in 2001. But in this latest revision of the code, the council felt a somewhat bigger step needed to be taken, Associate Professor Mak Yuen Teen of the National University of Singapore Business School told *The Straits Times*.

The SGX on Monday said it will make amendments to its listing rules, following the Monetary Authority of Singapore's acceptance

of recommendations by the Corporate Governance Council to amend the Code of Corporate Governance and listing rules.

The rule changes include limiting the tenure for an independent director (ID) to nine years. Beyond nine years, the ID's appointment will be subject to a two-tier vote by all shareholders, excluding directors, chief executives and associates.

If the ID is not voted in, he can continue to serve on the board as a non-independent director.

Industry observers say this rule will likely have the most impact as many companies have at least one long-tenure ID and will need to ei-

ther replace them or subject them to the two-tier vote. These companies have until Jan 1, 2022, to implement the change, which should give them enough time, they say.

"(The rule) reflects the view that more needs to be done to renew boards and address the risks of entrenched IDs," Prof Mak said.

The latest Singapore Governance and Transparency Index shows that 278 companies out of its database of 659 companies have at least one ID who has served more than nine years, said NUS Business School Associate Professor Lawrence Loh, who is principal investigator of the study.



PREVENTING ENTRENCHMENT

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ASSOCIATE PROFESSOR MAK YUEN TEEN, of the National University of Singapore Business School.

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But those with multiple long tenure IDs, such as Bonvest Holdings, where all three have served well beyond nine years (between 23 and 27 years), will likely face the biggest challenge, Prof Mak said.

Of the 659 companies, 177 have more than one ID serving more than nine years on the board, Prof Loh said.

"Having multiple long-tenure IDs will add to the difficulty of compliance with the new requirements," he added.

When contacted yesterday, hospitality firm Bonvest was unable to respond.

While noting that the rules did

not prohibit an ID who has reached the nine-year cap from joining another board, Gibson Dunn partner Robson Lee cautioned that a large number of IDs suddenly departing listed companies may result in vacancies that may not be filled up in time.

Fewer IDs may want to step forward to serve, with the tightening of the regulatory landscape and increasing responsibility shouldered by directors.

"We have to manage this dilemma very carefully," Prof Loh said.

But Prof Mak believes the challenges are overstated.

"There are many individuals who are qualified to be directors and are not being tapped. Companies need to cast their net wider and be prepared to consider different faces, not just the usual suspects," he said.

"They could approach organisations that help in searches, such as the Singapore Institute of Directors, and make it known that they are looking for directors.

"I think the issue is more companies being unwilling to reach out because they want IDs who will do their bidding," he added.

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