



# **SGX CORPORATE GOVERNANCE FRAMEWORK**

**1 SGX Corporate Governance Framework**

The management of SGX's corporate governance is broadly divided into two (2) main categories as follows:-

**1.1. SGX Corporate Governance as a listed company**

**1.1a independence of the board;**

**1.1b transparency and disclosure; and**

**1.2. SGX Self-Regulatory Organisation Governance (SRO Governance).**

## 1.1. SGX Corporate Governance as a Listed Company

### 1.1a Independence of the Board

#### (i) SGX Board Independence

- 7 out of our 13 directors are independent. The chief executive officer (CEO) is the only executive director.
- All committees are staffed entirely by non-executive directors (NEDs).
- All directors are independent of any substantial shareholder.
- In addition, we are required to, and comply with the Securities and Futures (Corporate Governance of Approved Exchanges, Designated Clearing Houses and Approved Holding Companies) Regulations 2005 (SFR 2005).
- The SFR 2005 has a more stringent definition of independence than the Code of Corporate Governance 2012 (2012 Code).
- Under the more stringent requirements of the SFR 2005, persons who are employed or non-executive directors of a broking firm or a related company of a broking firm are considered to be non-independent.
- Even under these more stringent definitions, 7 of our 13 directors are considered independent.
- Our “Assessment of Independence of Individual Directors” is set out in our Annual Report and provides details of independence in tabular form, with a breakdown of independence of each director under the 2012 Code and SFR 2005.

#### (ii) Independence of SGX Board Committees

- All the board committees comply with the composition and independence requirements of the 2012 Code.
- They also comply with the more stringent independence requirements of the SFR 2005.
- The Chairmen of the Audit Committee, Regulatory Conflicts Committee, Nominating Committee and Remuneration Committee are independent directors.
- Under the SFR 2005, it is mandatory for the Nominating Committee (NC) to determine if a director is independent. If the NC considers a director independent notwithstanding that he is presumed non-independent under the SFR 2005, the NC must write to the

Monetary Authority of Singapore (MAS) with an explanation of its decision to rebut the presumption of non-independence.

- MAS may object to the NC's determination of a director's independence and may require a change in the composition of the board or relevant board committee. To date, MAS has not objected to the NC's findings of independence of directors.

(iii) **Independence of Mind and Business Judgment of the SGX Directors**

- Notwithstanding the external markers of independence set out in (i) and (ii) above, the most important marker, which is independence of mind and business judgment of the directors, is exhibited in the board and board committee meetings, where proposals by management are vigorously scrutinized and considered.
- The high calibre of the directors on our board, comprising CEOs and captains of industry, is a critical success factor for the high quality of the board's decision-making process.

(iv) **Executive Session for SGX NEDs**

- Once a year, a formal executive session is arranged for the NEDs to meet without the presence of management or executive directors to review any matters that must be raised privately. The session is chaired by the Chairman of the NC.

(v) **SGX Board's Independent Access to Management**

- Board interaction with, and independent access to, senior management is encouraged.
- Executive committee (EMCO) members are invited to attend board meetings. In addition, board members have the contact details of each EMCO member.

(vi) **Separation of SGX Chairman and SGX CEO**

There is a clear separation between the roles of Chairman and CEO.

Chairman

- The Chairman manages the business of the board and the board committees, and monitors the translation of the board's decisions and wishes into executive action. He approves the agendas for board and board committees meetings, and exercises control over the quality, quantity and timeliness of information flow between the board and management.

- The Chairman plays a key role in the development and maintenance of strategic relations with SGX's business partners. In addition, he provides close oversight, guidance, advice and leadership to the CEO and management.

## CEO

- The CEO manages the businesses of the company and implements the board's decisions. He has appointed an EMCO, comprising senior management executives, to assist him. The CEO is chairman of the EMCO. The CEO and the EMCO are responsible for the day-to-day operation and administration of the company.
- The clear separation of roles of Chairman and CEO ensures independence between the executive duties of the CEO and the performance of the board's duties of oversight.

### (vii) SGX Non-Executive and Non-Independent Chairman

- Our Chairman, Mr Chew Choon Seng, was appointed as Non-Executive and Independent Chairman with effect from 1 January 2011 in place of Mr J Y Pillay.
- Mr Chew was first appointed to the board on 1 December 2004. He served as an RC member since 22 September 2005 and as RC Chairman from 6 October 2011 to 20 September 2013. He has also been serving as an RCC member since 1 Apr 2012.
- Mr Chew, was deemed a non-independent director upon his completing nine years of service on the Board with effect from 1 December 2013.

### (viii) SGX Lead Independent Director

- SGX appointed a Lead Independent Director (LID) on 1 December 2013 in accordance with the 2012 Code.
- The LID is appointed by the independent directors of the Board and has the authority to call and lead meetings of the independent directors when necessary and appropriate, and to preside at all meetings of the Board at which the Chairman is not present or has to recuse himself, including closed sessions of the non-executive directors.
- The Charter of the LID is available on the SGX Website.

### (ix) Policy on Selection and Appointment of SGX Directors

- SGX believes that the necessary qualities of independence of mind and business judgment can be found in candidates of the highest caliber. SGX has put in place a formal policy on the selection and appointment of directors which complements our

procedures for the search and nomination process. This process can be found on our website.

- Our articles provide that at each Annual General Meeting, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation.

## 1.1b Transparency and Disclosure

As a regulator and listed company, SGX has responsibility to a variety of stakeholders. Transparency and disclosure are of utmost importance, as they allow our stakeholders to raise relevant issues and, particularly, allow our shareholders to make decisions with all the necessary information.

### (i) Full Disclosure of SGX Top Five (5) Earners

- Since FY2007, SGX's Remuneration Report sets out all the details of the remuneration of key executives and directors.
- The remuneration of the five (5) top-earning executives is now set out in actual figures, with a breakdown in terms of fixed pay, bonus, long-term incentive and benefits-in-kind.

### (ii) Disclosure of SGX Performance Targets

- SGX discloses its actual performance targets for the award of long-term incentives in the Remuneration Report section of the Annual Report.
- This allows our stakeholders to judge the reasonableness of our internal performance targets and the basis of rewarding senior management and staff.

### (iii) Policy on Disclosure of SGX Proxy Votes

- We have in place a Policy on Disclosure of Proxy Votes.
- Under this policy, we announce the number of proxy votes received for and against each resolution moved at a general meeting, after voting by electronic polling.
- The number of proxy votes received is also published via SGXNet as a part of the announcement of the results of general meetings.
- Disclosure of results of proxy votes acknowledges the views of shareholders and enhances the quality of disclosure to shareholders.

(iv) **Improved Format of SGX Corporate Governance Report**

- Our Corporate Governance Report is structured to clearly demonstrate how the specific principles of the 2012 Code have been complied with.
- The report begins with an introductory section positively affirming our compliance with the principles and recommendations of the 2012 Code, followed by a section highlighting the various steps SGX has taken to improve corporate governance over the year.
- The various principles of the code are separated into different sections of the report, and the specific guidelines have been integrated to improve the flow and readability of the entire report.

**1.2 SGX Self-Regulatory Organisation Governance (SRO Governance)**

SGX is required to meet certain regulatory objectives as an approved exchange and a designated clearing house. At the same time, as a listed company, SGX is obliged to advance its shareholders' interests through its commercial activities. The management of this dual role is referred to as SRO Governance.

In SGX, we believe that these two roles are complementary – high quality regulation sustains an enduring marketplace, which is in the interests of our shareholders.

Our SRO Governance Report, as set out in our Annual Report, is an integral and continuing part of our corporate governance.