

A decorative horizontal bar with a blue segment on the left and a yellow segment on the right.

## SGX Twenty-Second Annual General Meeting 2021

4 October 2021

### Responses to Shareholders' Questions

Singapore Exchange Limited (SGX) would like to thank shareholders for submitting their questions in advance of our Twenty-Second Annual General Meeting (AGM) to be convened and held by electronic means on Thursday, 7 October 2021 at 10.00 a.m. (Singapore time).

We have grouped the questions according to topics and set out our responses below:

- A. [Growth Strategy](#)
- B. [M&A Strategy](#)
- C. [Competition](#)
- D. [Equity Listings](#)
- E. [Securities Market](#)
- F. [Dividends](#)
- G. [Directors' Remuneration](#)
- H. [Appointment of Auditor](#)
- I. [Proposed Scrip Dividend Scheme](#)
- J. [Others](#)

#### A. Growth Strategy

##### 1. What is SGX's growth outlook for the next five years? What are the growth factors for SGX moving forward?

Over the last five years, SGX pivoted towards building a multi-asset exchange. As Asia's most international multi-asset exchange that connects Asia and the world, we are now taking our multi-asset business to the next level by building on our strengths and partnerships, acquiring where appropriate.

SGX is in a strong position for growth. We have a well-diversified multi-asset business across three core pillars – Equities; Fixed Income, Currencies & Commodities (FICC); and Data, Connectivity and Indices (DCI) – which enables us to deliver consistent financial returns through economic cycles. These core businesses are paired with exciting growth engines.

We have bolstered our FICC and DCI pillars with recent acquisitions of BidFX and Scientific Beta, which are fast-growing companies in their respective fields. We expect these two companies to grow faster than the rest of the businesses, and increase their current 7% revenue contribution to SGX's overall revenue. We also announced the acquisition of FX trading platform, MaxxTrader, which is expected to be completed by this year.

#### Singapore Exchange Limited

Company Reg No. 199904940D

2 Shenton Way, #02-02 SGX Centre 1, Singapore 068804

main: +65 6236 8888 fax: +65 6535 6994

[sgx.com](http://sgx.com)

FICC is one of our fastest growing business lines. Building upon our leading market position in Asian FX futures, our expansion into the much larger global OTC FX market offers significant growth opportunities. As Asia's largest and most international debt securities platform, we are also transforming and digitalising our fixed income business in both the primary and secondary markets in Asia.

In the area of DCI, our index business – Scientific Beta and SGX iEdge – is in a good position to meet the changing needs of global clients. Scientific Beta, for example, has innovated beyond smart factor strategies and its pure climate index offerings will cater to the growing demand from asset owners to meet their net-zero emission commitments.

The strong foundation and deep ecosystem of our Equities business, together with Singapore's reputation as a trusted, neutral and internationally recognised jurisdiction for global players, ensures SGX will remain the exchange of choice for international investors. In FY2021, turnover in our cash equities was at its highest since FY2013, driven by broader market participation. Our equity derivatives business, known for its depth, quality and round-the-clock liquidity, also delivered a strong performance in a year of transition.

Overall, our multi-asset strategy gears us well for cyclical trends such as a low-interest rate environment and possible inflation, while we pursue emerging opportunities in areas such as digitalisation, sustainability and passive investing.

We are in a strong position to advance our leadership as a multi-asset exchange, expand our network as a best-in-class partner, and enhance our support for customers globally with our refreshed pan-Asia product shelf and stronger international presence. We believe our strategies will bring SGX to new levels of growth in the long run.

## **2. Given the declining number of IPOs and derivatives trading volume, what are the challenges to SGX's growth strategies?**

We operate in a competitive environment and are constantly working hard to stay ahead while mitigating the challenges that come our way.

As global investors expand their investments in Asia, exchanges around the world are increasingly looking to expand their Asian access and risk management solutions. We are confident that we can compete favourably, given our strengths in our diversified multi-asset exchange model, our reliable platform for capital raising, our robust regulatory system, and our unique value proposition as the leading exchange offering single-point access into key Asian markets. We also operate two well-capitalised clearing houses that meet the highest global regulatory standards, earning trust and confidence from our participants.

In the area of derivatives, SGX's competitive advantage remains the network and portfolio effects that we have developed over years. Besides possessing the intellectual capital to develop new platform solutions to meet customer needs, our customers enjoy cross-margining benefits from our multi-asset portfolio that result in lower cost of capital. In FY2021, our successful implementation of the world's first liquidity switch from one index licence provider to another demonstrates the strengths of our exchange franchise, and the resilience of our ecosystem.

### **Singapore Exchange Limited**

Company Reg No. 199904940D

2 Shenton Way, #02-02 SGX Centre 1, Singapore 068804

main: +65 6236 8888 fax: +65 6535 6994

[sgx.com](http://sgx.com)

We have elaborated on our plans to strengthen our capital raising platform in Question 6.

Another challenge we face is in technology, which is both a key enabler as well as a potential source of disruption to our business. For this reason, innovation is key for SGX and we are focused on engineering innovation, adopting and embracing emerging technologies, and establishing key partnerships to remain at the forefront as a centre for risk management, price formation and capital raising.

As innovators in Asia's capital markets infrastructure, we have to invest in digitalisation efforts in private and public markets, across asset classes, in order to scale and grow and further advance Singapore's standing as an international financial centre.

### **3. What are SGX's product plans to increase revenue?**

Besides focusing on platform innovation, SGX works closely with our customers and stakeholders to develop new products to meet their evolving investment, risk management and capital raising needs.

With the rising trend of passive investing, we have expanded our ETF product shelf with several firsts, including the world's largest pure Chinese government bond ETF, our maiden SGD money market ETF in Southeast Asia, a dual-fund class ETF and a China tech-focused ETF. We have now positioned ourselves as one of Asia's largest international trading venues for Chinese fixed income ETFs. We will continue to widen the range of ETFs for investors to efficiently manage their portfolios.

Capitalising on the strengths of our cash equities and equity derivatives businesses, we also pioneered new products such as Asia's first international REIT futures and the world's first ESG REIT derivatives, entrenching Singapore's position as the most international REIT hub in the world. We also plan to broaden our Singapore Single Stock Futures suite.

Notably, we have refreshed our product shelf with the launch of 35 new regional and thematic futures contracts. This included the FTSE China H50 derivatives, expanding our China waterfront and becoming the world's first exchange to offer both our flagship FTSE China A50 futures and H-share derivatives on a single platform. We will build on this in the coming year in collaboration with our network.

In line with our sustainability strategy, we are also capitalising on our multi-asset expertise and capabilities, to design and develop ESG-centric products and services for our customers' investment and risk management needs.

## **B. M&A Strategy**

### **4. Please share SGX's M&A strategy, including your criteria and plans. How does the management measure M&A performance post-acquisition? What is the performance record of your past acquisitions?**

We remain focused on organic growth while keeping open to investment opportunities that complement our business priorities. Our focus is on initiatives that grow our multi-asset exchange business, with the aim of adding value to our stakeholders.

#### **Singapore Exchange Limited**

Company Reg No. 199904940D

2 Shenton Way, #02-02 SGX Centre 1, Singapore 068804

main: +65 6236 8888 fax: +65 6535 6994

[sgx.com](http://sgx.com)

Strategic fit is one of our key considerations in acquisitions, including gaining capabilities to augment our current offering, expanding and deepening customer relationships, and positioning SGX for fast growing business segments. Our acquisition of Baltic Exchange, Scientific Beta, BidFX and MaxxTrader are examples of this strategy.

We carry out our acquisitions in a disciplined manner. There is a rigorous review post acquisition on certain financial metrics including three-year revenue growth rate, an expected internal rate of return (IRR), and cash earnings per share (EPS) accretion within three years. Where possible, we expect to harness key synergies within the same period. Our acquisitions of Baltic Exchange, Scientific Beta and BidFX either meet or are on track to meet our acquisition considerations mentioned above.

We have and will remain financially disciplined as we scale up our multi-asset business. This also means maintaining a robust capital structure, which has been validated by the recent Aa2 investment grade rating from Moody's.

## C. Competition

### 5. China has announced the setting up a new stock exchange in Beijing, while other Asian exchanges are also planning to list SPACs. How will such competition impact SGX?

The announcement of the new Beijing Stock Exchange signals further development of China's financial markets and is positive news for all market participants. As an international multi-asset exchange and fundraising platform, SGX supports China's internationalisation efforts and global investors' desire to tap the growing opportunities in China. Chinese enterprises need growth capital at different stages of development – SGX plays a complementary role by helping them tap global capital via equities and bonds when they are ready to expand internationally.

SGX is also well-placed to capitalise on the worldwide trend of SPACs listings with the launch of our Asian SPAC for Asian targets model. More details are in our response to Question 6.

## D. Equity Listings

### 6. How does SGX plan to attract more companies to list on its exchange, particularly those from the high growth sectors?

The [interagency initiatives](#) announced in September reinforce the strong public-private collaboration that distinguishes Singapore as a capital markets hub. Singapore has the benefits of a successful financial hub and ecosystem that is well-regarded globally. Bringing together everyone's goals and actions, including aligning investor expectations, will be pivotal – and powerful – in forging a new chapter for our capital markets.

As one of the first Asian exchanges to launch a Special Purpose Acquisition Companies (SPACs) framework, we expect SPACs to attract a new profile of issuers and investors. The market has responded positively to the release of our SPACs framework. This is heartening as we continue active engagements with potential sponsors drawn by our SPACs model.

As a public listing platform, we are focused on supporting our listed companies in their fundraising and profiling efforts, at various stages of their business growth. We will continue with our strategy to attract both primary and secondary listings and are working hard to generate

#### Singapore Exchange Limited

Company Reg No. 199904940D

2 Shenton Way, #02-02 SGX Centre 1, Singapore 068804

main: +65 6236 8888 fax: +65 6535 6994

[sgx.com](http://sgx.com)

more international deal flow and greater institutional interest, leveraging on our value proposition as Asia's most international exchange.

As we progress, we will collectively ensure we are fit-for-purpose for global market evolution. We will continue to engage and work closely with the various stakeholders in the ecosystem including government agencies, to build a conducive environment that allows everyone to thrive.

Beyond IPOs, it is important to look at SGX as a platform for on-going fund-raising, including our debt capital market. It is not just about bringing companies here to list, but also about facilitating their fundraising activities, as and when there is a need for it.

## **7. How will SGX manage the risks of SPACs listings so as not to damage SGX's reputation of a credible exchange?**

We have had the benefit and experience of observing other jurisdictions that have listed SPACs over the last decade. We believe we have put in place an appropriate SPACs framework that can offer alternative listing vehicles for companies, while balancing and aligning the interests of investors, companies and sponsors. This will help ensure that SGX will continue to be a trusted marketplace for both investors and issuers.

The measures that SGX RegCo has put in place to align the interest of sponsors and shareholders include:

- i. Moratorium on Sponsors' shares from IPO to de-SPAC, a 6-month moratorium after de-SPAC and for applicable resulting issuers, a further 6-month moratorium thereafter on 50% of shareholdings.
- ii. Sponsors must subscribe to at least 2.5% to 3.5% of the IPO shares/units/warrants depending on the market capitalisation of the SPAC
- iii. Sponsor's promote limit of up to 20% of issued shares at IPO
- iv. Practice Note on SPAC requirements including suitability factors (<http://rulebook.sgx.com/rulebook/practice-note-64-requirements-special-purpose-acquisition-companies>)
- v. Prospectus-level disclosures in De-SPAC circular to shareholders

At the same time, shareholders will enjoy the flexibility of redemption rights on their shares while retaining their detachable warrants. This means investors can vote with their pocketbook and SPAC sponsors must do their utmost to convince shareholders to stay and vote for the De-SPAC transaction.

In addition to the above, all listing applications including those under the SPACs framework, are subject to due diligence carried out in accordance with the Association of Banks in Singapore's Listings Due Diligence Guidelines. Issue Managers are responsible for the due diligence which is done with input from other market professionals including auditors and lawyers. SGX RegCo has been working closely with professional associations to raise standards and improve the quality of due diligence work done.

In addition, a SPAC must, on top of producing a prospectus at IPO, publish a circular to aid shareholders when they vote on the De-SPAC transaction. The circular must contain prospectus-like disclosures including risk factors of the De-SPAC business. A financial advisor must be appointed to evaluate the De-SPAC business which must meet the admission criteria for companies wanting to list on SGX's Mainboard.

### **Singapore Exchange Limited**

Company Reg No. 199904940D

2 Shenton Way, #02-02 SGX Centre 1, Singapore 068804

main: +65 6236 8888 fax: +65 6535 6994

[sgx.com](http://sgx.com)

## **E. Securities Market**

### **8. Would SGX consider improving access to or linkage by online brokers (e.g. Tiger Brokers) to the CDP to improve trading volume?**

We have a wide brokerage community, including online brokers such as Tiger Brokers, which offer SGX securities products on their platforms. Today, our securities market has 25 trading members and 25 clearing members, while CDP has 49 depository agents. We continue to actively increase our membership and client base.

### **9. Would SGX consider allowing options to be traded for its listed stocks?**

We continue to broaden our equities shelf and launched Singapore Single Stock Futures last year in response to the growing demand for a broader suite of Singapore-linked equity products. This adds to our growing product shelf of structured warrants and Daily Leverage Certificates based on selected Singapore-listed stocks, which provide alternatives for investors seeking more investment opportunities in single stocks.

We will look to bring more innovative products and solutions to the market, such as depository receipts (DR) to be launched under our Singapore-Thailand DR Linkage, and will explore the potential of an options market at an opportune time.

## **F. Dividends**

### **10. Will the Company consider paying shareholders a better dividend each year?**

We remain committed to pay a sustainable and growing dividend over time, consistent with the Company's long term growth prospects. The Board of Directors has proposed a final quarterly dividend of 8.0 cents per share, payable on 22 October 2021. If approved, this brings the total dividend in FY2021 to 32.0 cents per share – 5% higher than in FY2020.

SGX has not lowered its base dividend since listing, and in the last five years, we have raised our dividends twice.

While we recognise the importance of dividends to our shareholders, it is important to focus on total shareholder returns which is driven by dividend income and share price appreciation. We will continue to invest and drive sustainable earnings growth, which will create the capacity for dividend growth.

## **G. Directors' Remuneration**

### **11. With reference to the proposed Resolutions 5 and 6 on the payment of Chairman's and directors' fees:**

#### **i. How are directors' fees decided? What are the factors considered?**

In FY2018, the framework for determining the fees for Non-Executive Directors (including the fees payable to the Chairman) (collectively "NEDs") was reviewed by an independent consultant.

#### **Singapore Exchange Limited**

Company Reg No. 199904940D

2 Shenton Way, #02-02 SGX Centre 1, Singapore 068804

main: +65 6236 8888 fax: +65 6535 6994

[sgx.com](http://sgx.com)

The framework reflects an equitable and adequate remuneration to motivate the NEDs to provide good stewardship of the Company, taking into account: (a) the scope and extent of a Director's responsibilities and obligations; (b) benchmarking against Singapore-listed companies of similar size and to a lesser extent, global bourses; (c) the need for market competitive compensation levels to attract and retain talent; (d) market trends on a national level; and (e) best practices for corporate governance.

The framework for determining the fees for NEDs with respect to the financial year ending 30 June 2022 has remained the same, save for the introduction of a fee of S\$40,000 per annum for serving as Lead Independent Director.

**ii. Why should shareholders approve directors' remuneration for the financial year ended 30 June 2022 when shareholders do not know how the Company would perform in FY2022? Shareholders should approve directors' remuneration after considering the Company's performance for the year under review (FY2021).**

In line with good governance, shareholders' approval is sought at AGMs for the fees of Non-Executive Directors (NED) to be paid for the current financial year (i.e. FY2022 ending 30 June 2022). This is to allow for NED fees to be paid on a quarterly basis in arrears during the financial year in which the fees are incurred, so as to align more closely with the period of services.

**iii. The share price of SGX has not recovered since it peaked just before the 2008 financial crisis. How does the Company justify the directors' remuneration or benchmark the remuneration with other listed companies which have recovered or performed better after crises?**

NEDs are paid fees that are determined in accordance with a framework that was reviewed by an independent consultant in FY2018, the details of which are explained in Question 11(i). NED fees are not directly linked to the Company's share price.

## **H. Appointment of Auditor**

**12. Please explain how your Auditor, KPMG LLP, was chosen. Did the Board take into consideration the issues concerning KPMG's performance (e.g. 1MDB suit), when recommending to re-appoint them as Auditor of the Company and to authorise the Directors to fix its remuneration?**

All audit firms in Singapore, including KPMG, are subject to a robust regulatory regime administered by the Accounting and Corporate Regulatory Authority (ACRA). ACRA conducts regular inspections of audit firms as part of its Practice Monitoring Programme and KPMG Singapore has represented that it has passed its most recent ACRA inspection under this programme.

The audit of the SGX Group is led by KPMG in Singapore and none of the audit team members were involved in the 1MDB audit. We do not comment on the performance of KPMG, which are not related to the audit of the SGX Group.

SGX's management team conducts an annual evaluation on KPMG's performance based on a set of rigorous evaluation criteria. The criteria takes into consideration: (a) planning and conduct of audit; (b) scope of audit; (c) composition of audit team; (d) governance and independence; (e)

auditor's communication with our management; (f) collaboration with Internal Audit; and (g) quality of value-added services.

This set of evaluation criteria is derived from these three documents: (a) Checklist for Evaluation of External Auditors in the Guidebook for Audit Committees in Singapore; (b) Guidance to Audit Committees on ACRA's Audit Quality indicators; and (c) Audit Committee Guide.

Based on the above evaluation, our management team is satisfied with KPMG's performance and suitability. The Audit Committee and the Board have considered our management's evaluation of KPMG's performance and suitability and have concurred. Please be assured that the recommendation to the shareholders for the re-appointment of KPMG as Auditor of the Company has been made following a series of stringent reviews and due diligence.

## **I. Proposed Scrip Dividend Scheme**

### **13. Will the Company offer the Scrip Dividend Scheme to shareholders at a discounted share price?**

SGX is preparing a framework for the proposed Scrip Dividend Scheme (SDS). In laying the groundwork for the framework, we have tabled Resolution 8 to seek shareholders' approval to issue new shares for the purpose of a SDS, if we launch the scheme in the future.

Details of the scheme such as the discount rate, if any, will be announced once the framework is in place and the scheme is introduced. We are mindful of dilution concerns from shareholders that choose not to take up the scrip dividend and as such will take this into consideration in setting the issue discount, if any.

### **14. Scrip dividend schemes tend to result in retail shareholders having small odd lots, which make transactions more costly and inconvenient. Are there any plans to help address this?**

If SGX introduces a scrip dividend scheme, shareholders will have the option of receiving their dividends in cash or in SGX shares. For investors with small shareholdings, opting to receive their dividends in shares may result in the allotment of odd quantities of shares that is below the 100 shares board lot. The odd lots can be sold in the unit share market. If shareholders do not wish to receive odd lots, the default option of receiving their dividends in cash remains available to them.

## **J. Others**

### **15. As Singapore transitions to endemic living, when is SGX going to mandate listed companies' AGMs to allow live virtual Q&A by shareholders? Live Q&A will allow shareholders to seek further clarifications before voting. The Chairman and Directors tend to be more transparent and the management will be more responsive if the Q&A is live. If the Q&A is not live, listed companies may cherry-pick the questions to answer or provide vague answers to critical questions. The current virtual AGM format is curtailing shareholders' interest in AGMs and is disadvantageous for minority and retail investors.**

We have been carefully studying the feasibility of requiring live Q&A and live electronic voting during AGMs.

#### **Singapore Exchange Limited**

Company Reg No. 199904940D

2 Shenton Way, #02-02 SGX Centre 1, Singapore 068804

main: +65 6236 8888 fax: +65 6535 6994

[sgx.com](http://sgx.com)



ACRA, MAS and SGX RegCo have encouraged issuers to adopt real-time electronic communication facilities to enable questions to be raised and responded to at general meetings. Companies are presently able to hold meetings via electronic means because of the [COVID-19 \(Temporary Measures\) Meetings Order](#) which provides the option to hold virtual meetings to minimise physical interactions.

The COVID-19 Act is temporary and was passed urgently to allow companies to continue conducting their affairs while managing health and safety concerns during the pandemic. Together with the stakeholders concerned, we still have to address many areas not covered in the emergency legislation before such arrangements can be mandated for all of our listed companies, such as new operational processes to allow for electronic voting, contingency measures in the event that the voting system is unavailable and security measures to protect voting integrity. We will also need to calibrate the requirements so that the costs of execution do not discriminate smaller companies against larger ones.

The issues are complex and involve multiple stakeholders and authorities; SGX cannot unilaterally decide on these matters on our own. We are continuing to work with the relevant authorities and stakeholders to resolve these issues.

- 16. A company registered in other countries is also governed by Singapore Laws, when listed in Singapore.**
- 17. A company has to comply with Section 216 for compulsory acquisitions by getting court approval. There is substantial premium when listing and the Court should not allow compulsory acquisitions below NTA. SGX cannot give the shares of dissenting shareholders to them.**
- 18. A company taking over the shares from the minority shareholders should pay the other shareholders the same price, if the company reduces its capital before the completion of such a process.**

The privatisation of a listed company can take place through three ways:

- (a) under SGX rules;
- (b) by operation of law such as the Companies Act for Singapore-incorporated companies; or
- (c) via a court supervised process.

In respect of privatisations under SGX rules, SGX has made rules changes to secure better outcomes for investors. These include only allowing independent shareholders to vote and requiring the offer to be both fair and reasonable.

Where the privatisation is by operation of law under the respective Companies Act or court-supervised, then SGX is bound by the law and the decision of the court.

Where Section 215(1) of Singapore Companies Act is invoked, compulsory acquisition under the law will apply. This is the case even when that listed company is being taken over via SGX rules.

- 19. There is no Estate Duty in Singapore. Any person who is a Singapore citizen should be able to transfer his shares to his relative by signing the relevant documents in front of an SGX officer. The transfers should take effect from the time of payment of fees.**

**Singapore Exchange Limited**

Company Reg No. 199904940D

2 Shenton Way, #02-02 SGX Centre 1, Singapore 068804

main: +65 6236 8888 fax: +65 6535 6994

[sgx.com](http://sgx.com)

In the event of death, the successor must notify CDP of the death of the depositor and such notice in the relevant form must be accompanied by documentary evidence of probate of the will or grant of letters of administration of the estate of the deceased depositor having been granted to the successor. This requirement is prescribed by the Securities and Futures (Central Depository System) Regulations 2015.

## **20. Why are hard copies of the annual report not provided to shareholders?**

Following the introduction of the COVID-19 temporary measures for conducting general meetings and related matters last year, we have ceased printing and sending of hard copies of our annual report to shareholders, in order to minimise physical interactions between employees, service providers and shareholders during the ongoing pandemic.

All AGM-related documents are available on our website and we will also email soft copies to shareholders upon their request. Using electronic copies of annual report is also aligned with the nation's push towards sustainability and ongoing efforts to reduce our carbon footprint.

While we hope shareholders will embrace e-communications as normal practice, we will review our approach as circumstances continue to evolve, taking into consideration the needs of shareholders who may require hard copies.

## **21. It was so difficult to find the webpage to pre-register for the AGM. In future, please provide the complete URL.**

Thank you for the feedback and we will provide the full website address in future.

END