

11 January 2023

Closing speech by Tan Boon Gin, CEO of SGX RegCo, at the Audit and Risk Committee Seminar 2023

Good morning everyone.

1. As June mentioned earlier, we are introducing as part of the Listing Rules, a requirement that directors can no longer be deemed independent when their tenure is 9 years or more as well as greater detail of how directors and CEOs are rewarded.
2. I have been told that the changes we are introducing to the 9-year rule are going to result in the next Great Resignation. My response was that it is okay. Provided, at the same time, we also see the great recruitment and many new joiners to the board.
3. The last three years have seen greater scrutiny of the independence, preparedness, and composition of the board, as companies have weathered a pandemic, witnessed a series of high-profile cases, experienced digital and other business transformations, and the ESG movement.
4. If the great recruitment results in many great recruits to the boards of our listed companies, I believe we can initiate a great reboot in how our IDs perform and how they are perceived. Every movie buff knows that a successful reboot needs to pay homage to the original. So let me explain why I see this great opportunity, using the words of Sidney Weinberg, the longtime head of Goldman Sachs and a board member of America's biggest companies, in his seminal speech on directors' duties to the Harvard Business School Club of Cleveland in 1949.
5. First, new IDs reset the clock in terms of the relationship with management. Indeed, Mr Weinberg went so far as to refer to IDs as always being "outside directors". The lack of familiarity with management is positive if it opens the way for greater independence manifested in the form of more and sharper questions posed by directors and more fact finding required of management. New IDs are also less likely to simply go with the flow and vote in favor of the matter at hand, if they are not getting the answers that they want or not understanding the answers they are getting.
6. Second, new IDs refresh the board. In the words of Mr Weinberg, they can "bring perspective and a fresh point of view to the board's deliberations". Indeed, the ID "stands in a sense as an interpreter between the outside world and the internal operations of the company". And if in fact, we are now living in a poly crisis world, we need a polyglot board more than ever to interpret fresh challenges and propose fresh ideas.
7. Finally, new IDs can redefine the role of the board if they are more open to or well versed in ESG. As Mr Weinberg said, "I consider being a director a semi-public service and directors should look at it that way or not serve." Companies are not just names affixed to grand buildings. They produce externalities and are also entities in which investors put their savings, staff draw their

wages and customers buy goods and services to better their lives. In short, the outside director also has “broad social responsibilities... to the general public and to the country”.

8. Before I conclude, I thought it interesting to share with you that the illustrious Mr Sidney Weinberg had started out as an assistant janitor at Goldman Sachs, responsible for brushing hats and cleaning spittoons. He then went on to work in their mailroom, before becoming a broker and so on, eventually becoming an outside director of companies such as Ford, General Electric and General Foods. Perhaps our new rules will create opportunities for directors as insightful and groundbreaking as Mr Weinberg to emerge.
9. Thank you and wishing all of you a successful and exciting 2023!

- End -