

Singapore Policy – Share Repurchase Pricing Limit Proposals

Background and Overview

Under Singapore Exchange rules, the premium at which market share repurchases can be made is limited to a price not more than 5 percent above the average closing market price over the five trading days before the repurchase. However, there are no rules regarding the premium allowed for off-market share repurchases.

While the current ISS Proxy Voting Guidelines for Singapore address the number of shares that can be repurchased (10 percent of its own shares), the permitted premium is not addressed.

Key Changes Under Consideration

ISS proposes to update the policy for share repurchase plans to take into consideration the premium paid on repurchases. The proposal is to limit the premium, for both on-market and off-market share repurchase mandates, such that the maximum price paid will be limited to 5 percent over the average trading price.

Intent and Impact

The proposed adoption of share price limits would generally align the ISS Singapore policy with the viewpoints expressed by institutional investors during the ISS policy development process.

Share repurchases at excessive premiums could prove costly to the company and lead to the deterioration of shareholder value. The introduction of price ceilings for share repurchases would limit potential abuses of the mandate, such as the buyback of shares from a related-party shareholder at an above-market price.

The proposed policy will only apply to on-market and/or off-market share repurchase mandates. Repurchases under exceptional circumstances, such as one-off company specific events, would be assessed case-by-case based on the merits.

The proposed policy update would likely result in an increase in the number of ISS recommendations against share repurchase mandate proposals.

Request for Comment

While we appreciate any comments on this topic, ISS specifically seeks feedback on the following:

- Should the same premium ceiling be applied to off-market repurchases as market repurchases? If no, please explain.