

Background:

In January 2018, SGX launched a public consult seeking feedback on listing rule changes and revisions of the Code of Corporate Governance issued in May 2012 (“Current Code”).

The Code of Corporate Governance (“Code”) was first issued by the Corporate Governance Committee (“CGC”) on [21 March 2001](#). The Code was subsequently revised on [14 July 2005](#), and again on [2 May 2012](#). Listed companies are required under the SGX-ST Listing Rules to disclose their corporate governance practices and give explanations for deviations from the Code in their annual reports.

On 28 February 2017, the Corporate Governance Council (“Council”) was established to conduct a comprehensive review of the Code. On [6 Aug 2018](#), the Council submitted its recommendations to MAS. MAS has accepted all the recommendations and issued a [revised Code](#) (“Revised Code”) and accompanying [Practice Guidance](#). Accordingly SGX has made amendments to its Listing Rules following the MAS acceptance of the Revised Code, this is further discussed in Paragraph 2 of this Regulatory Update.

1. REVISED CODE OF CORPORATE GOVERNANCE

Key Features of the Revised Code

The Revised Code is intended to be more concise and less prescriptive, so as to encourage thoughtful application. Key changes to the Current Code include encouraging board renewal, strengthening director independence and enhance board diversity to reinforce board competencies.

Other changes to the Revised Code includes disclosures of the relationship between remuneration and value creation and consideration of the interests of groups other than shareholders to encourage better engagement between companies and all stakeholders.

Timeline

The Revised Code will take effect for companies in respect of annual reports covering financial years that commence from 1 January 2019.

Structure of the Code

Introduction

A 2-page introduction is provided in the Revised Code to explain the intent of the revision and clarifies how companies should apply the comply-or-explain regime. It provides greater clarity on how the Revised Code and the Practice Guidance will apply to companies and directors.

Comply-or-Explain Regime

The Comply-or-Explain Regime and components of the Revised Code are as follows:

- a) **Principles.** Sets out broadly accepted characteristics of good corporate governance. Compliance with the Principles is mandatory (as required in the revised Catalyst Rule 710).
- b) **Provisions.** Replaces the current Guidelines from the Current Code and its drafted in a simple and direct manner to support compliance with the Principles.
 - Companies are required to describe their corporate governance practices with reference to both the Principles and the Provisions underpinning each Principle; and
 - Variations from the Provisions are acceptable to the extent that companies explicitly state and explain the reasons and how their practices are consistent with the intent of the relevant Principle.
- c) **Practice Guidance.** These are best practices, which are not binding that provides guidance on the Principles and Provisions of the Revised Code.

The original 16 Principles in the Current Code have been condensed into 13 mandatory Principles for the Revised Code.

No.	Current Code (2 May 2012) 16 Principles	No.	Revised Code (6 August 2018) 13 Principles <i>(Effective for Companies with annual reports covering financial years that commence from 1 January 2019)</i>
1	Board’s Conduct of Affairs	1	Board’s Conduct of Affairs
2	Board Composition and Guidance	2	Board Composition and Guidance
3	Chairman and CEO	3	Chairman and CEO
4	Board Membership	4	Board Membership
5	Board Performance	5	Board Performance
6	Access to Information		
7	Procedures for Developing Remuneration Policies	6	Procedures for Developing Remuneration Policies
8	Level and Mix of Remuneration	7	Level and Mix of Remuneration
9	Disclosure on Remuneration	8	Disclosure on Remuneration
10	Accountability		
11	Risk Management and Internal Controls	9	Risk Management and Internal Controls
12	Audit Committee	10	Audit Committee
13	Internal Audit		
14	Shareholder Rights	11	Shareholder Rights and Conduct of General Meetings
15	Communication with Shareholders	12	Engagement with Shareholders
16	Conduct of Shareholder Meetings		
		13	Engagement with Stakeholders

OUR SERVICES



FINANCIAL ADVISORY

- Acquisition/ Disposal
- Restructuring
- Rights Issue
- Corporate Transactions
- Privatisation



CAPITAL MARKETS

- Underwriting for IPOs and Rights Issues
- Private Fund Raising
- Public Share Placement
- Mergers and Acquisitions
- Buyout Initiatives
- Vendor Sales



LISTINGS

- Initial Public Offerings
- Reverse Takeovers
- Dual and Secondary Listings
- Spin-off of Subsidiaries



RESEARCH

- Equity Research for SMEs listed on SGX
- Industry-specific Research
- Corporate Flash Note
- Singapore Weekly Report
- Initiation Report
- Non-rated Report



CATALIST SPONSORSHIP

- Advising on Compliance to Listing Obligations and Corporate Governance Code
- Monitoring Share Trading Activities
- Review and Approve Announcements, Annual Reports and Circulars prior to release
- Perform an intermediary role between the Company and SGX

Testimonials

With SAC, we have a partnership that is built on common values and understanding - one that is instrumental in shaping us into an organisation that upholds high standard of governance and transparency.

Francis Yau- CFO, Megachem Limited

SAC Capital has been our trusted partner in our journey as a listed company, guiding us through our IPO exercise, and being our Continuing Sponsor. Operating as a listed company comes with immense responsibilities, such as upholding the highest standards of corporate transparency and governance, executing corporate actions, fulfilling regulatory obligations, and reaching out to investors and shareholders. We greatly appreciate SAC Capital for always being there to help us navigate through our plethora of responsibilities, and being readily available to hand-hold and advise us as we steer United Global to higher levels of growth.

Jacky Tan – Executive Director and CEO, United Global Limited

Contact us:

SAC Capital Private Limited
1 Robinson Road
#21-00 AIA Tower
Singapore 048542
Telephone: (65) 6532 3829
Fax: (65) 6221 5597
www.saccapital.com.sg

Principle 2 - Board Composition and Guidance

(a) Director Independence

Provision 2.1. Under the revised Provision, “An “independent” director is one who is independent in conduct, character and judgement, and has no relationship with the issuer, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgement in the best interests of the issuer.”

- The baseline tests relating to employment have been shifted to the Catalist Rule- CR406(3)(d)*, for issuer’s compliance without any exceptions. Whilst, the non-binding tests of director independence can be found in the Practice Guidance.
CR406(3)(d): Please refer to Paragraph 2(c) of “Revised Catalist Rules”-Tests of Director Independence, for more details.*
- The shareholding threshold for independent directors (“IDs”) has been revised from 10% to 5%, to align with the definition of “substantial shareholders” in the Companies Act and Securities and Futures Act.

Practice Guidance. Provides other circumstances that a director is deemed non-independent:

- where in the current or immediate past financial year, a director or his/her immediate family member has provided or receives payments or services from the issuer of (i) S\$50,000 individually, or (ii) S\$200,000 through companies which the individual is being employed.
- A director has been directly associated with a substantial shareholder of the issuer.

To Note

NC and Board

(b) Board Composition

The current 2.1 Guideline to have at least 1/3 board consisting of IDs will be shifted to CR406(3)(c), which will take effect on 1 January 2022.

Provision 2.2. This revised Provision provides that IDs are to comprise a majority of the board (from “at least half” in the Current Code) where the Chairman is not independent.

Provision 2.3. This new Provision provides that the board should comprise a majority of non-executive directors.

NC and Board

(c) Board Diversity

Provision 2.4. This revised Provision requires the issuer to disclose in the annual report on its board diversity policy and progress made in achieving the board diversity policy and objectives.

Practice Guidance. Contains suggestions for board diversity policies which includes qualitative and measurable objectives.

NC and Board

Principle 4 – Board Membership

Under the amended Principle 4, the Board has to take into account the need for the Board’s progressive renewal (this is in addition to the Board having a formal and transparent process for the appointment and re-appointment of directors, which is similar to Current Code’s Principle 4)

Provision 4.5. Under this revised Provision, where a director holds a significant number of directorships and Principal Commitments, the NC and Board should disclose in the annual report, their reasoned assessment of the director’s ability to diligently discharge his or her duties (this is in addition to the disclosure in the annual report of the directors’ listed company directorship and principal commitments, stated in the current Guideline 4.7).

Practice Guidance. Provides more details on (i) Selection, Appointment, Reappointment of Directors, (ii) appointment of Alternative Directors, and (iii) Multiple Directorships.

NC and Board

Principle 8 – Disclosure on Remuneration

Under Principle 8, companies are required to disclose the relationship between remuneration, performance and value creation.

Provision 8.2. This revised Provision requires disclosure of names and remuneration of employees who are substantial shareholders or immediate family of substantial shareholders (this is in addition to employees who are immediate family members of a director or the CEO, in the current Guideline 9.4), where such remuneration exceeds S\$100,000 during the year (revised from S\$50,000), in bands no wider than S\$100,000 (revised from S\$50,000).

Practice Guidance. Provides more details on remuneration, performance and value creation disclosures.

RC and Board

RC and Board

Principle 9 – Risk Management and Internal Controls

Provision 9.2. This revised provision, states that the Board requires and to disclose in the company’s annual report that it has received assurance from:

- (a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the company’s operations and finances (this is similar to current Guideline 11.3); and
- (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company’s risk management and internal control systems. (the term ‘CFO’ has been replaced by ‘key management personnel’ in the Revised Code).

Practice Guidance. Provides more details on suggestions for the Board’s commentary in the annual report.

Board/ CEO/CFO/Key Management Personnel

Principle 10 – Audit Committee

Provision 10.1. Provides the following new/revised duties of the AC.

New/Revised	AC duties
-	(a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the issuer and any announcements relating to the issuer’s financial performance;
-	(b) reviewing at least annually the adequacy and effectiveness of the issuer’s internal controls and risk management systems;
New	(c) reviewing the assurance from the CEO and the CFO on the financial records and financial statements;
-	(d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;
Revised	(e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the issuer’s internal audit function; and
New	(f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The issuer publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.

AC

Provision 10.3 This revised provision provides that the AC should not comprise former partners or directors of the issuer’s existing auditing firm or auditing corporation: (a) within a period of two years (instead of the current 12 months) commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

Principle 11 – Shareholder Rights and Conduct of General Meetings

Provision 11.2. This revised Provision states that the company should table separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal (which is similar to the current Guideline 16.2). Additionally, the Revised Code has newly included, where the resolutions are “bundled”, the company should explain the reasons and material implications in the notice of meeting.

Board/ Issuer/ Company Secretary

Provision 11.3. This revised Provision that states that all directors attend general meetings of shareholders, and the external auditors are also present to address shareholders’ queries about the conduct of audit and the preparation and content of the auditors’ report (which is similar to the current Guideline 16.3). Additionally, the Revised Code required the directors’ attendance at such meetings held during the financial year to be disclosed in the company’s annual report.

Board/External Auditors

Provision 11.5. This revised Provision, requires the company to publish minutes of general meetings of shareholders on its corporate website as soon as practicable (which is different from providing the minutes upon shareholder request under the current Guideline 16.4).

Board/ Company Secretary

Practice Guidance. Provides best practices for conducting general meetings.

Principle 13 – Engagement with Stakeholders

Engagement with Stakeholders is a new Principle with accompanying new Provisions introduced for companies to consider the balancing of the needs and interests of material stakeholders.

Provision 13.1 The issuer has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.

Provision 13.2 The issuer discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.

Provision 13.3. The issuer maintains a current corporate website to communicate and engage with stakeholders.

Practice Guidance. Contains recommendations that the board should determine the issuer’s relevant stakeholders and set policies and practices in relation to such stakeholders.

Board/ Issuer

2. REVISED CATALIST RULES (“CR”)

The following tables provides the key topics that SGX has made amendments to its Listing Rules following the MAS acceptance of the Revised Code. The amendments to the CR will take effect on 1 January 2019, except for revisions relating to (b) IDs to make up at least one-third of the board, and (d) Term of an ID to be limited to 9-years, which will take effect on 1 January 2022.

(a) Training for First-Time Directors	(g) Re-nomination and re-appointment of directors at least once every three years
(b) IDs to make up at least one-third of the Board (Effective 1 January 2022)	(h) Key information regarding directors
(c) Tests of Director Independence	(i) Adequacy and effectiveness of internal controls and risk management systems
(d) Term of an ID to be limited to 9-years (Effective 1 January 2022)	(j) Internal audit function
(e) Disclosure of relationship between Chairman and CEO	(k) Disclosure on reasons for not paying dividends
(f) Establishment of board committees	(l) Comply-or-explain regime

(a) Training for First-Time Directors

CR406(3)(a). The revised CR requires directors who has no prior experience as a director of a listed issuer on SGX (a “**First-Time Director**”) to undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX. The issuer must confirm that the First-Time Director has undertaken trainings prescribed by the SGX.

First-Time Directors / Issuer

Practice Note 4D (Paragraph 3.2 and 3.3). If the nominating committee (NC) is of the view that training is not required because the director has other relevant experience, the basis of its assessment must be disclosed. Notwithstanding this, SGX has the discretion to direct a First-time Director to attend Mandatory Training.

NC

Practice Note 4D. SGX has provided a schedule on trainings for the First-Time Director and expects all First-Time Directors to undergo the [prescribed trainings](#) from Singapore Institute of Directors (SID) within one year from the date of appointment to the board or listing.

First-Time Directors

- LED 1- Listed Entity Director Essentials
- LED 2- Board Dynamics
- LED 3- Board Performance
- LED 4- Stakeholder Engagement

First-Time Director must also attend modules relevant to his/her appointment on the Board.

- LED 5- AC Essentials
- LED 6- Board Risk Committee Essentials
- LED 7- NC Essentials
- LED 8- RC Essentials

(b) IDs to make up at least one-third of the Board

CR406(3)(c). The revised CR requires the IDs are to make up at least one-third of the board, which is effective on 1 January 2022*. This requirement will apply for listing aspirants and listed companies on an on-going basis (as required under CR720(1))

Board

After the new requirement takes effect, SGX has clarified that if an ID retires or resigns and the issuer is unable to meet the Board composition requirement, a grace period of no more than 3-months will be provided for the issuer to fill the vacancy.

**Prior to 1 January 2022, the corresponding Guideline 2.1 from the current CG Code (2012) will continue to apply, which similarly requires IDs making up at least 1/3 of the Board.*

(c) Tests of Director Independence

Test of director independence has been rationalised in the Code and Listing Rules by:

- **CR406(3)(d)¹**. Shifting objective and baseline test relating to employment to the Listing Rules, CR406(3)(d), to reflect that companies should apply these without exceptions.
- **Revised Code (Provision 2.1)²**. Setting out an overarching principle-based definition of director independence in the Code and placing the onus on the NC to determine if a director is independent bearing in mind this definition and any other salient factors.
- **Non-binding Practice Guidance³**. Shifting the remaining tests of director independence, to provide companies with flexibility in applying these tests while adhering to the overarching principle-based test in the Code.

CR406(3)(d)¹

The baseline test for director independence has been shifted to CR406(3)(d), in order for issuers to apply such tests without any exceptions. These tests deem directors as non-independent:

- (i) a director who was employed by the issuer or its related corporations for the current or any of the past 3 financial years; and
- (ii) a director whose family member was employed by the issuer or its related corporations for the current or any of the past 3 financial years, with the family member's remuneration determined by the remuneration committee.

Revised Code (Provision 2.1)²

Under the revised CG Code, "An "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the issuer, its related corporations, its substantial shareholders[@] or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the issuer."

[@]Shareholding threshold for IDs (5%)

The shareholding threshold in relation to determining director independence has been lowered from 10% to 5%, to align with the definition of "substantial shareholders" in the Companies Act and Securities and Futures Act.

Non-binding Practice Guidance³

These tests deem directors as non-independent:

- (i) a director who, or whose immediate family member, in the current or immediate past financial year, provided to or received from the issuer or any of its subsidiaries any significant payments or material services, other than compensation for board service of an excess of S\$50,000 (aggregated over any financial year);
- (ii) a director who, or whose immediate family member, in the current or immediate past financial year, is or was a substantial shareholder, partner, executive officer or director of any organisation which provided to or received from the issuer or any of its subsidiaries any significant payments or material services of an excess of S\$200,000 (aggregated over any financial year); and
- (iii) a director who is or has been directly associated with a substantial shareholder of the issuer in the current or immediate past financial year.

Issuer/NC/ Board

Issuer/NC/ Board

Issuer/NC/ Board

(d) Term of an ID to be limited to 9-years (effective 1 Jan 2022)

CR406(3)(d)(iii). IDs who have served beyond nine years are subjected to a two-tier vote to be approved by the majority of:

- (i) all shareholders; and
 - (ii) all shareholders excluding shareholders who also serve as directors or the CEO (and their associates).
- The approved resolution remains in force until the earlier of (X) retirement or resignation of the director; or (Y) conclusion of the 3rd AGM following the passing of the resolutions. This will take effect on 1 Jan 2022*.
- SGX has clarified that the two-tier vote has to be carried out before 1 Jan 2022. Carrying out of the two-tier vote after 1 Jan 2022, would be a breach of the Listing Rules.*

Issuer/ IDs/ Board

**Prior to 1 Jan 2022, the corresponding Guideline 2.4 from the current CG Code (2012) will apply- "The independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent."*

(e) Disclosure of relationship between Chairman and CEO

CR1204(10A). The relationship between the chairman and chief executive officer of the issuer must be disclosed if they are “immediate family[@]” members in the annual report.

[@]*Definition of immediate family will remain the same under the Listing Rules, which states: in relation to a person, meaning the person's spouse, child, adopted child, step-child, sibling and parent.*

Issuer/ CEO/
Chairman

(f) Establishment of Board Committees

CR406(3)(e). Issuers are required to establish committees to perform the functions of an AC, NC and RC, with clear terms of reference which clearly set out the authority and duties of the committees. This obligation is required on an on-going basis (under CR720(1))

Issuer/ AC/NC/RC

(g) Re-nomination and re-appointment of directors at least once every three years

CR720(4). Issuers are required to have all directors submit themselves for re-nomination and re-appointment at least once every 3 years.

Issuer/ Directors

CR720(5). When a candidate is proposed to be appointed for the first time or re-elected to the board at a general meeting, the issuer shall provide the information relating to the candidate as set out in Appendix 7F of the Catalist Rules in the Notice of meeting, Annual report or relevant Circular distributed to shareholders prior to the general meeting.

Issuer/ Directors

Then after, the issuer must announce the outcome of the shareholder vote in accordance with CR704(15).

(h) Key information regarding Directors

CR720(5) and Appendix 7F-Announcement of Appointment.

CR720(5) prescribes a baseline of information prescribed in Appendix 7F to be announced in the notice of meeting, annual report or relevant circular (which are distributed prior to the general meeting) for (i) candidates proposed to be appointed for the first time, or (ii) directors re-elected to the board, at a general meeting.

Issuer/ Directors

Under the new Appendix 7F, new insertions include:

- (i) Date of last re-appointment (if applicable)
 - (ii) Professional qualifications
 - (iii) Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries
 - (iv) Other Principal Commitments* including Directorships
- * Principal Commitments which is defined under the CG Code: includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed issuer board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.*

Subsequent to the re-election, issuers are required under CR704(15) to announce whether the resolutions put to a general meeting were passed by the commencement of the pre-opening session on the market day after the general meeting.

Issuer/ Board

(i) Adequacy and effectiveness of internal controls and risk management systems

CR407(4)(b) and CR1204(10). CR407(4)(b) requires the disclosure to be made in the offer document whereas Rule 1204(10) requires the disclosure to be in the annual reports. Under the new amendments, both rules require the following:

Issuer/Board/AC

The Board must comment on the adequacy and effectiveness of the issuer's internal controls (including financial, operation, compliance and information technology controls) and risk management systems. A statement is required from the AC on whether it concurs with the Board's comment.

Where material weaknesses are identified by the board or audit committee, they must be disclosed together with the steps to address them.

It is further noted that,

- *SGX has included additional terms such as "effectiveness", "information technology controls" and "risk management systems" and replaced the "Opinion of the Board [...]" with the "Board must comment [...]".*
- *The material weaknesses to be identified and steps to be taken is a new requirement to be complied by either the board or AC.*
- *Amendments have been made to CR719-Issuers should have adequate and effective Internal Control systems (including financial, operational, compliance and information technology controls) and Risk Management systems.*
- *Further guidance is provided in the amended Practice Note 12B- Internal Controls and Risk Management Systems.*

(j) Internal Audit Function

CR719(3). An issuer must establish and maintain on an ongoing basis, an effective internal audit function that is adequately resourced and independent of the activities it audits.

Issuer/ Board/ AC

SGX has clarified that issuers are not restricted to internal auditors from being outsourced to third party firms.

CR1204(10C). The AC must comment on whether the internal audit function is independent, effective and adequately resourced.

(k) Disclosure on reasons for not paying dividends

CR704(23) and Appendix 7C. The issuer is required to disclose reasons where directors decide not to declare or recommend a dividend.

Issuer/ Board

SGX has clarified that dividend payment is not compulsory and the disclosure requirement serves as a starting point for companies to communicate with their shareholders on their strategy and performance to align expectations.

(l) Comply-or-explain regime

CR710. An issuer must describe in its annual report its corporate governance practices with specific reference to the principles and provisions of the Code. An issuer must comply with the principles of the Code.

Issuer/ Board

Where an issuer's practices vary from any provisions of the Code, it must explicitly state, in its annual report, the provision from which it has varied, explain the reason for variation, and explain how the practices it had adopted are consistent with the intent of the relevant principle.

(End)

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Contact us:

SAC Capital Private Limited
1 Robinson Road
#21-00 AIA Tower
Singapore 048542
Telephone: (65) 6532 3829
Fax: (65) 6221 5597
www.saccapital.com.sg