

## Proposed Amendments to SGX Listing Rules

Legend: Deletions are struck-through and insertions are underlined.

Requirement	Proposed Listing Rule Amendments				
<p>(a) First-time directors should receive comprehensive and tailored induction on joining the board.</p>	<p><b>Mainboard Rule 210(5)(a) / <a href="#">Catalist Rule 406(3)(a)</a></b></p> <p>The directors and executive officers should have appropriate experience and expertise to manage the group's business. <u>A director who has no prior experience as a director of an issuer listed on the Exchange and who does not have other relevant experience, must undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</u> As a pre-quotations disclosure requirement, an issuer must release a statement via SGXNET or in the prospectus, offering memorandum or introductory document identifying for each director, whether the person has prior experience <del>(and what) or, as a director of an issuer listed on the Exchange or if he has other relevant experience, and if so, provide details of his directorships and other relevant experience.</del> <u>If the director has no prior experience as a director of a listed company, whether an issuer listed on the Exchange and has no other relevant experience, the issuer must confirm that the person has undertaken training in the roles and responsibilities of a director of a listed company as prescribed by the Exchange.</u></p> <p><b>Mainboard Rules Appendix 7.4 / <a href="#">Catalist Rules Appendix 7F</a></b></p> <p><b>Information required</b></p> <p><b>Disclosure applicable to the appointment of Director only.</b></p> <table border="1" data-bbox="639 1659 1385 2033"> <tr> <td data-bbox="639 1659 1110 1877"> <u>Attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange?</u> </td> <td data-bbox="1110 1659 1385 1877"> <input type="radio"/> Yes <input type="radio"/> No         </td> </tr> <tr> <td data-bbox="639 1877 1110 2033"> <u>If yes, please provide details of training attended or will be attending.</u> </td> <td data-bbox="1110 1877 1385 2033"></td> </tr> </table>	<u>Attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange?</u>	<input type="radio"/> Yes <input type="radio"/> No	<u>If yes, please provide details of training attended or will be attending.</u>	
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		<p><u>If no, please provide details of relevant experience (e.g. directorships on companies not listed on the Exchange).</u></p>
(b)	<p>Independent directors should make up at least one-third of the board.</p>	<p><b>Mainboard Rule 210(5)(c)</b></p> <p>The issuer's board must have at least two non-executive directors who are independent and free of any material business or financial connection with the issuer. <u>Independent directors must comprise at least one-third of the issuer's board.</u></p> <p><b>Catalist Rule 406(3)(c)</b></p> <p>The issuer's board must have at least two non-executive directors who are independent and free of any material business or financial connection with the issuer. <u>Independent directors must comprise at least one-third of the issuer's board.</u> If the listing applicant is a foreign listing applicant, at least one of these directors must be resident in Singapore.</p>
(c)	<p>The board should identify in the company's Annual Report each director it considers to be independent.</p>	<p><b><u>Proposed Mainboard Rule 1207(10B) / Proposed Catalist Rule 1204(10B)</u></b></p> <p><u>All directors, including their designations (i.e. independent, non-executive, executive, etc.) and roles (as members or chairmen of boards or board committees), must be identified in the annual report.</u></p>
(d) and (e)	<p>The following tests of independence where directors will not be regarded independent:</p> <ul style="list-style-type: none"> <li>• A director being employed by the company or any of its related corporations for the current or any of the past three financial years</li> <li>• A director who has an immediate</li> </ul>	<p><b><u>Proposed Mainboard Rule 210(5)(d) / Proposed Catalist Rule 406(3)(d)</u></b></p> <p><u>A director will not be independent under any of the following circumstances:</u></p> <p><u>(i) _____ if he is employed by the issuer or any of its related corporations for the current or any of the past three financial years;</u></p> <p><u>(ii) _____ if he has an immediate family member who is employed or has been employed by the issuer or any of its related corporations for the past three financial years, and whose remuneration is determined by the remuneration committee of the issuer;</u></p>

	<p>family member who is, or has been in any of the past three financial years, employed by the company or any of its related corporations and whose remuneration is determined by the remuneration committee</p> <ul style="list-style-type: none"> <li>• A director who is a 10% shareholder or an immediate family member of a 10% shareholder of the company (Modified to substantial shareholder; please refer to Paragraphs 4.4 to 4.7 on Council's recommendation on the shareholder threshold)</li> <li>• 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</li> </ul>	<p><u>(iii) if he is a substantial shareholder of the issuer or he has an immediate family member who is a substantial shareholder of the issuer; or</u></p> <p><i>Option (i) – Incorporate the nine-year rule as a hard limit</i></p> <p><u>(iv) if he has been a member of the board for an aggregate period of more than 9 years before or after listing.</u></p> <p><i>Option (ii) – Subject independent directors who would like to serve more than nine-years to a two-tier vote</i></p> <p><u>(iv) if he has been a member of the board for an aggregate period of more than 9 years before or after listing and his continued appointment as an independent director has not been sought and approved in separate resolutions from (A) all shareholders; and (B) shareholders excluding any controlling shareholder and associate of the controlling shareholder, that the director will continue to be an independent director of the issuer. For the purpose of the resolution referred to in (B), any controlling shareholder and any associate of the controlling shareholder must not accept appointment as proxies unless specific instructions as to voting are given. Such resolutions may remain in force until the conclusion of the first annual general meeting of the issuer following the passing of the resolutions.</u></p>
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	<p>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.</p> <p>(Two options for change: Option (i) is to incorporate a hard nine year limit on tenure of IDs; option (ii) is to subject IDs who would like to serve more than nine years to a two-tier voting process. Please refer to Paragraphs 4.8 to 4.16 on Council's recommendation on the 9 year limit on directors' independence)</p>	
(f)	<p>The board should disclose the relationship between the Chairman and the CEO if they are immediate family members</p>	<p><b><u><a href="#">Proposed Mainboard Rule 1207(10)(A) / Proposed Catalyst Rule1204(10)(A)</a></u></b></p> <p><u>The relationship between the chairman and chief executive officer of the issuer must be disclosed if they are immediate family members.</u></p>
(g)	<p>The board should establish a Nominating Committee, Remuneration Committee and Audit Committee, with written terms of reference</p>	<p><b><u><a href="#">Proposed Mainboard Rule 210(5)(f) / Proposed Catalyst Rule 406(3)(f)</a></u></b></p> <p><u>The issuer must establish one or more committees as may be necessary to perform the functions of an audit committee, a nominating committee and a remuneration</u></p>

	<p>which clearly sets out the authority and duties.</p>	<p><u>committee, with written terms of reference which clearly set out the authority and duties of the committees.</u></p>
(h)	<p>All directors should submit themselves for re-nomination and re-election at least once every three years.</p>	<p><b><u><a href="#">Proposed Mainboard Rule 720(4) / Proposed Catalyst Rule 720(4)</a></u></b></p> <p><u>An issuer must have all directors submit themselves for re-nomination and re-appointment at least once every three years.</u></p> <p><b><u><a href="#">Proposed Mainboard Rule 720(5) / Proposed Catalyst Rule 720(5)</a></u></b></p> <p><u>When a candidate is proposed to be appointed or re-elected to the board, the issuer shall provide the information relating to the candidate as set out in Appendix 7.4.1 / <a href="#">Appendix 7F</a>.</u></p>
(i)	<p>Key information regarding directors, such as qualifications, shareholding in the company and its related corporations, board committees served on (as a member or chairman), date of first appointment as a director, date of last re-appointment as a director, directorships or chairmanships both present and those held over the preceding three years in other listed companies, and other principal commitments, should be disclosed in the company's Annual Report. (Modified such that disclosure does not need to be in the Annual Report)</p>	<p><b><u><a href="#">Proposed Amendments to Mainboard Rules Appendix 7.4.1/ Catalyst Rules Appendix 7F</a></u></b></p> <p>Date of Appointment</p> <p><u>Date of last re-appointment (if applicable)</u></p> <p>Name of person</p> <p>Age</p> <p>Country of principal residence</p> <p>The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)</p> <p>Whether appointment is executive, and if so, the area of responsibility</p> <p>Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)</p> <p>Working experience and occupation(s) during the past 10 years</p>

Professional Qualifications

Shareholding interest in the listed issuer and its subsidiaries

~~Family~~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

Conflict of interest (including any competing business)

Undertaking (in the format set out in Appendix 7.7 / [Appendix 7H](#)) under Rule 720(1) has been submitted to the listed issuer

 Yes No

**Other Principal Commitments Including Directorships#**

# These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9) / [Listing Rule 704\(8\)](#)

Past (for the last 5 years)

Present

(No change to "Information Required")

**Disclosure applicable to the appointment of Director only.**

Any prior experience as a director of an issuer listed on the Exchange?

 Yes No

If yes, please provide details of prior experience.

~~If no, please provide details of any training undertaken in the roles and responsibilities of a director of a listed company.~~

Attended or will be attending training on the roles and responsibilities of a director of a

 Yes No

		<p><u>listed issuer as prescribed by the Exchange?</u></p> <p><u>If yes, please provide details of training attended or will be attending.</u></p> <p><u>If no, please provide details of relevant experience (e.g. directorships on companies not listed on the Exchange).</u></p>			
		<p><b><u>Disclosure applicable to appointment of Independent Director only</u></b></p> <table border="1" data-bbox="644 790 1385 936"> <tr> <td data-bbox="644 790 1110 936"> <p><u>Are the requirements in Rule 210(5)(d) / <a href="#">Rule 406(3)(d)</a> complied with?</u></p> </td> <td data-bbox="1110 790 1385 936"> <p><input type="radio"/> Yes <input type="radio"/> No</p> </td> </tr> </table>		<p><u>Are the requirements in Rule 210(5)(d) / <a href="#">Rule 406(3)(d)</a> complied with?</u></p>	<p><input type="radio"/> Yes <input type="radio"/> No</p>
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(j)	<p>The board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's Annual Report. The board's commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems. (Modified to include additional requirement for disclosure of company's weaknesses and steps to address these)</p>	<p><b><u>Mainboard Rule 610(5) / <a href="#">Catalist Rule 407(4)(b)</a></u></b></p> <p><del>An opinion of the board, with the concurrence of the audit committee</del> <u>The board must comment on the adequacy and effectiveness of the issuer's internal controls, addressing (including financial, operational and compliance risks, compliance and information technology risks) and risk management systems. A statement on whether the audit committee (or such other committee responsible) concurs with the board's comment must also be provided. Where weaknesses are identified by the board or the relevant committee, they must be disclosed together with the steps taken to address them.</u></p> <p><b><u>Mainboard Rule 719(1) / <a href="#">Catalist Rule 719(1)</a></u></b></p> <p><del>An issuer should have a robust</del> <u>adequate and effective systems of internal controls, addressing (including financial, operational and compliance risks and information technology controls).</u> The audit committee (or such other committee responsible) may commission an independent audit on internal controls for its assurance, or where it is not satisfied with the systems of internal control <del>controls</del>. <u>Where weaknesses are identified by the board or the relevant committee, they must be disclosed together with the steps taken to address them.</u></p>			

**Mainboard Rule 1207(10) / Catalyst Rule 1204(10)**

~~Opinion of the~~The board with the concurrence of the audit committee must comment on the adequacy and effectiveness of the issuer's internal controls, addressing financial, operational and compliance risks (including financial, operational, compliance and information technology controls) and risk management systems. A statement on whether the audit committee (or such other committee responsible) concurs with the board's comment must also be provided. Where weaknesses are identified by the board or relevant committee, they must be disclosed together with the steps taken to address them.

**Mainboard Practice Note 12.2 / Catalyst Practice Note 12B**

**INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS**

**1. Introduction**

1.1 This Practice Note provides guidance on the application of Rules 610(5) and 1207(10) / [Rules 407\(4\)\(b\) and 1204\(10\)](#).

1.2 ~~Issuers are required to disclose the following in their~~In its prospectuses and annual reports: "Opinion of the Board with the concurrence of the audit committee, the issuer's board must comment on the adequacy and effectiveness of the internal controls, addressing (including financial, operational and compliance risks," compliance and information technology controls) and risk management systems. A statement on whether the audit committee (or such other committee responsible) concurs with the board's comments must also be provided.

Rule 610(5) requires the disclosure to be made in the prospectus whereas Rule 1207(10) requires the disclosure to be in the annual reports.

**2. Intent of Rules 610(5) and 1207(10) / [Rules 407\(4\)\(b\) and 1204\(10\)](#)**

		<p>2.1 Internal controls, <u>(including financial, operational and compliance and information technology controls,) and risk management systems</u> serve to safeguard shareholders' investments and company's assets.</p> <p>2.2 <del>The</del> <u>A board committee, for example, the</u> audit committee is usually responsible for overseeing internal controls <u>and risk management</u>. The <del>Board</del><u>board</u>, which includes executive directors, is also responsible for assessing the adequacy <u>and effectiveness</u> of these internal controls <u>and risk management systems</u>.</p> <p>2.3 The objective of Rules 610(5) and 1207(10) / <u>Rules 407(4)(b) and 1204(10)</u> is to increase transparency and accountability. In providing this <del>opinion</del><u>comment</u>, the <del>Board</del><u>board</u> and the audit committee <u>(or such other committee responsible)</u> are required to demonstrate that they have rigorously assessed the <u>(i) internal controls in relation to all three areas of risk, namely (including financial, operational—and, compliance and information technology controls) and (ii) risk management systems</u>.</p> <p><b>3. Compliance with Rules 610(5) and 1207(10) / Rules 407(4)(b) and 1204(10)</b></p> <p>3.1 In satisfying Rules 610(5) and 1207(10)/ <u>Rules 407(4)(b) and 1204(10)</u>, the <del>Board</del><u>board</u> and the audit committee <u>(or such other committee responsible)</u> may ask for an independent audit on internal controls <u>or risk management systems</u> to assure themselves on the adequacy <u>and effectiveness</u> of the <u>systems of internal controls and risk management</u>, or if they are not satisfied with the systems of internal controls <u>or risk management</u>.</p> <p>3.2 The issuer should maintain proper record of the discussions and decisions of the <del>Board</del><u>board</u> and</p>
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		<p>the audit committee <u>(or such other committee responsible)</u>.</p> <p>3.3 Compliance with Rules 610(5) and 1207(10)/ <a href="#">Rules 407(4)(b) and 1204(10)</a> involves the following disclosures:-</p> <p>(i) Where the <del>Board</del><u>board</u> and the audit committee <u>(or such other committee responsible)</u> are satisfied that the issuer has a <del>robust</del><u>adequate</u> and effective <del>systems</del><u>systems</u> of internal controls <u>and risk management</u>, the disclosure must include the basis for such <del>an opinion</del><u>comment</u>.</p> <p>To avoid doubt, under Rule 246(9), all listing applicants are required to provide, for the Exchange’s assessment, the auditor’s report to management on the internal controls and accounting systems. Where weaknesses exist in a potential issuer’s internal controls and accounting systems, the Exchange may seek a confirmation from the auditors of the potential issuer that the material weaknesses were addressed. This is in addition to Rule 610(5) which requires the <del>Board</del><u>board</u> and audit committee <u>(or such other committee responsible)</u> to disclose the basis for their <del>views</del><u>comments</u> on the <del>robustness</del><u>adequacy</u> and effectiveness of the issuer’s <del>systems</del><u>systems</u> of internal controls <u>and risk management</u>.</p> <p>To avoid doubt, under Rule 225(1)(e), a full sponsor, in preparing a listing applicant for admission or advising an issuer in a very substantial acquisition or reverse takeover, must satisfy itself that the listing applicant or enlarged group has sufficient systems, procedures, controls and resources to comply with the Rules and that its directors understand and intend to fulfil their obligations at all times for as long as the securities of the issuer remain listed on Catalist. This is in addition to Rule 407(4)(b) which requires the <del>Board</del><u>board</u> and audit committee <u>or such other committee</u> to disclose their <del>views</del> <u>comments</u> on the <del>robustness</del> <u>adequacy</u> and effectiveness of the issuer's system of internal controls <u>and risk management</u>.</p> <p>(ii) In relation to Rule 1207(10) / <a href="#">Rule 1204(10)</a>, where the <del>Board</del><u>board</u> and/or the audit committee <del>is of the view</del> <u>(or such other committee responsible)</u> has</p>
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commented that internal controls or risk management systems need to be strengthened, or has concerns that internal controls or risk management systems are inadequate, the Board would have to board must disclose the issues and how it seeks to address and monitor the areas of concerns.

#### **4. Format of Disclosure**

4.1 ~~The provision of this opinion has~~ There is no prescribed format of disclosure.

4.2 As the ~~Board~~ board and audit committee (or such other committee responsible) are obliged by Rules 610(5) and 1207(10)/ [Rules 407\(4\)\(b\) and 1204\(10\)](#) to provide the specific disclosures in Paragraph 3.3 above, the Exchange recommends the ~~opinion~~ comment be provided in the following ways:-

Disclosure to be made in the section on “Audit Committee” ~~or~~ “Internal Controls” or “Risk Management” of the prospectus for compliance with Rule 610(5).

Disclosure to be made in the Directors’ Report or Corporate Governance section of the annual report for compliance with Rule 1207(10)/ [Rule 1204\(10\)](#).

#### **5. General Principle**

5.1 Good disclosures which comply with Rules 610(5) and 1207(10) / [Rules 407\(4\)\(b\) and 1204\(10\)](#) comprise the following:

The Directors’ ~~opinion~~ board’s comment on the Group’s internal controls addressing financial, operational and compliance risks (including financial, operational, compliance and information technology controls) and risk management systems. A statement on whether the audit committee (or such other committee responsible) concurs with the board’s comment must also be provided; and

		<p>The basis for the <del>Directors' opinion</del><u>board's comment</u> and <u>if the audit committee (or such other committee responsible) does not concur with the board, the basis for the audit committee's or such other committee's comment.</u></p> <p>5.2 Should the <del>Board with the concurrence of</del><u>board or</u> the audit committee, <del>disclose that in its opinion,</del> <u>(or such other committee responsible) comment that the Group's internal controls <del>has</del>or risk management systems have</u> weaknesses, then clear disclosure of these weaknesses and the steps taken to address them is necessary for investors to make an informed decision about the <del>Company</del><u>issuer</u>.</p>
(k)	<p>The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits. (Modified to include additional requirement for disclosure of Audit Committee's opinion)</p>	<p><b>Proposed Mainboard Rule 719(3) / Catalyst Rule 719(3)</b></p> <p><u>Internal Audit</u></p> <p><u>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.</u></p> <p><b>Proposed Mainboard Rule 1207(10C) / Catalyst Rule 1204(10C)</b></p> <p><u>Audit committee's comment on whether the internal audit function is independent, effective and adequately resourced.</u></p>
(l)	<p>Where dividends are not paid, companies should disclose their reasons.</p>	<p><b>Mainboard Rule 704(24) / Catalyst Rule 704(23)</b></p> <p>Any recommendation or declaration of a dividend (including a bonus or special dividend, if any), the rate and amount per share and date of payment. If dividends are not taxable in the hands of shareholders, this must be stated in the announcement and in the dividend advice to shareholders. If there is a material variation in the interim or final dividend rate compared to that for the previous corresponding period, the directors must state the reasons for the variation at the time the dividend is recommended or declared. If the directors decide not to declare or recommend a dividend, this must be announced <u>together with the reason(s) for such decision.</u></p> <p><b>Mainboard Appendix 7.2 / Catalyst Appendix 7C</b></p>

		12. If no dividend has been declared (recommended), a statement to that effect <u>and the reason(s) for the decision.</u>
(m)	Comply-or-explain regime	<p><b>Proposed amendments to Mainboard Rule 710 / Catalist Rule 710</b></p> <p>An issuer must describe <u>in its annual report</u> its corporate governance practices with specific reference to the principles <del>of the Code in its annual report.</del> <u>It must disclose any deviation from any guideline of the Code together with an appropriate explanation for such deviation in the annual report and the provisions of the Code. An issuer must comply with the principles in the Code. Where an issuer's practices vary from any provisions in 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.</u></p>