Corporate Governance Advisory Committee statement

The Corporate Governance Advisory Committee (CGAC) has reviewed Singapore Exchange Regulation’s (SGX RegCo) policy of a risk-based approach for quarterly reporting (QR).

The CGAC supports the risk-based approach to QR.

The CGAC notes that semi-annual financial reporting remains mandatory and that companies must adhere to the continuous disclosure regime. Financial reporting operates in a continuous disclosure regime where material information is to be immediately disclosed as required under the SGX listing rules. Additionally, SGX is making enhancements to strengthen the regime.

In line with and to buttress this risk-based reporting approach, the CGAC will be enhancing the Practice Guidance of the Code of Corporate Governance to strengthen accountability and reporting to shareholders.

- The first recommendation is for companies to consider providing voluntary interim updates to keep shareholders informed on various matters considered useful and relevant. These may include market trends that could materially affect the performance and progress of its strategic and long-term goals. Companies should engage their shareholders on whether such voluntary interim updates will be useful.

- The second recommendation is for Audit Committees to strengthen oversight on the company’s financial reporting as a whole. If material issues with year-end reports are raised by the external auditors, the AC should review if these issues could have impacted previously announced interim financial statements. The AC should consider the appropriate corrective measures, including disclosure of the matter.

Please refer to the changes to the Practice Guidance of the Code of Corporate Governance in the Appendix. The changes will be effective on 7 February 2020.

-End-
Appendix

Legend: Insertions are underlined.

Practice Guidance 10: Audit Committees

There should be written terms of reference which clearly spell out the authority and duties of the Audit Committee. The Board should disclose in the company's annual report the names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board.

The AC should have explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management, full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions.

In respect of appointments and re-appointments of external auditors, the AC should evaluate the performance of the external auditor, taking into consideration the Audit Quality Indicators Disclosure Framework published by the Accounting and Corporate Regulatory Authority (ACRA).

The AC should make recommendations to the Board on establishing an adequate, effective and independent internal audit function. For the avoidance of doubt, the internal audit function can be in-house, outsourced to a reputable accounting/auditing firm or corporation, or performed by a major shareholder, holding company or controlling enterprise with an internal audit staff.

The AC should ensure that the internal audit function is adequately resourced and staffed with persons with the relevant qualifications and experience. The AC should also ensure that the internal auditors comply with the standards set by nationally or internationally recognised professional bodies.

The AC should report to the Board how it has discharged its responsibilities and whether it was able to discharge its duties independently. The activities the ACs should report to the Board include:

(a) the significant issues and judgements that the AC considered in relation to the financial statements, and how these issues were addressed. Where the external auditors, in their review or audit of the company’s year-end financial statements, raise any significant issues (e.g. significant adjustments) which have a material impact on the interim financial statements or financial updates previously announced by the company, the AC should bring this to the Board’s attention immediately\(^1\). The AC should also advise the Board if changes are needed to improve the quality of future interim financial statements or financial updates\(^2\), and;

\(^1\) The Board should then consider whether an immediate announcement is required under Rule 703 of the SGX Listing Rules (Mainboard) / Rule 703 of the SGX Listing Rules (Catalist).

\(^2\) Such changes (if any) should be disclosed in the company's annual report.
(b) the AC’s assessment of the adequacy and effectiveness of internal controls and risk management systems;

(c) the AC’s assessment of the adequacy, effectiveness and independence of the internal audit function;

(d) the AC’s assessment of the independence and objectivity of the external auditors, taking into consideration the requirements under the Accountants Act (Chapter 2) of Singapore, including but not limited to, the aggregate and respective fees paid for audit and non-audit services and the cooperation extended by Management to allow an effective audit;

(e) the AC’s assessment of the quality of the work carried out by the external auditors, and the basis of such assessment, such as the use of ACRA’s Audit Quality Indicators Disclosure Framework;

(f) the significant matters raised through the whistle-blowing channel.

**Practice Guidance 12: Engagement with Shareholders**

Companies should engage the shareholders on whether the company should voluntarily announce interim updates on useful and relevant information in addition to the mandatory financial statements. Information which shareholders would find useful include: a discussion of the significant factors that affected the company’s interim performance, relevant market trends including the risks and opportunities that may have a material impact on the company’s prospects. Such information provides shareholders a better understanding of the company’s performance in the context of the current business environment. The Board should then consider whether interim updates should be provided to shareholders, and the appropriate frequency of the updates.

Companies should provide a specific investor relations contact, such as an online submission form, email address or contact number, through which shareholders are able to ask questions and receive responses in a timely manner. Where the company has a lead independent director (Lead ID), the company should provide information as to how shareholders can contact the Lead ID directly, rather than having to go through the company.