

## AMENDMENTS TO CATALIST RULES

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

### Board Matters

#### Chapter 4 Equity Securities

**406** A listing applicant seeking admission to Catalist need not meet any minimum operating track record, profit or share capital requirement but is expected to meet the following conditions:

(3) **Directors and Management**

(a) The directors and executive officers should have appropriate experience and expertise to manage the group's business. A director who has no prior experience as a director of an issuer listed on the Exchange must undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. If the nominating committee is of the view that training is not required because the director has other relevant experience, the basis of its assessment must be disclosed. As a pre-quotation disclosure requirement, a listing applicant must release a statement (via SGXNET or in the offer document) identifying for each director, whether the person has prior experience 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. ~~(and what) or, 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 listing applicant 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.~~

(d) A director will not be independent under any of the following circumstances:

(i) if he is employed by the listing applicant or any of its related corporations for the current or any of the past three financial years;

(ii) if he has an immediate family member who is employed or has been employed by the listing applicant or any of its related corporations for the past three financial years, and whose remuneration is determined by the remuneration committee of the listing applicant; or

(e) The listing applicant must establish one or more committees as may be necessary to perform the functions of an audit committee, a nominating committee and a remuneration committee, with written terms of reference which clearly set out the authority and duties of the committees.

#### Chapter 7 Continuing Obligations

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(4) An issuer must have all directors submit themselves for re-nomination and re-appointment at least once every three years.

(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 in the notice of meeting, annual report or relevant circular distributed to shareholders prior to the general meeting. The issuer must announce the outcome of the shareholder vote in accordance with Rule 704(15).

**Chapter 12 Circulars, Annual Reports and Electronic Communications**

1204 The annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including at least the following:—

(10A) The relationship between the chairman and chief executive officer of the issuer must be disclosed if they are immediate family members.

(10B) 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.

(10C) Audit committee’s comment on whether the internal audit function is independent, effective and adequately resourced.

**Appendix 7F Announcement of Appointment**

**Cross referenced from Rule 406(3)(d) and Rule 704(6)**

Date of last re-appointment (if applicable)

Professional qualifications

Familial 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

**Other Principal Commitments\* Including Directorships#**

\* “Principal Commitments” has the same meaning as defined in the Code.

# These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8) Past (for the last 5 years)

Present

**Information required**

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

Any prior experience as a director of <del>a listed company</del> <u>an issuer listed on the Exchange?</u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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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~~ state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.

Please provide details of relevant experience and the nominating committee’s reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).

## **Practice Note 4D Training for Directors with No Prior Experience**

### **1 Introduction**

1.1 Rule 406(3)(a) provides that a director who has no prior experience as a director of a listing applicant listed on the Exchange (a “First-time Director”) must undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.

1.2 This Practice Note prescribes the training that a First-time Director must undergo within one year from the date of his appointment to the board (“Mandatory Training”). If any director of an issuer which is newly listed on the Exchange has not attended any training as prescribed in paragraph 2 below, such director must attend Mandatory Training by the end of the first year of the issuer’s listing.

### **2 Mandatory Training**

2.1 To fulfil the Mandatory Training requirements, First-time Directors must attend the training programmes conducted by a training provider as specified in Schedule 1 to this Practice Note.

### **3 Persons with Relevant Experience**

3.1 The Exchange expects all First-time Directors to attend Mandatory Training.

3.2 In exceptional circumstances, First-time Directors assessed by the issuer’s Nominating Committee to possess relevant experience need not attend Mandatory Training. In assessing the relevant experience, the Nominating Committee must have regard to whether the experience is comparable to the experience of a person who has served as a director of an issuer listed on the Exchange. The issuer’s Nominating Committee must disclose its reasons for its assessment that the First-time Director possesses relevant experience. Such reasons shall be disclosed in the announcement of the appointment of the First-time Director as director of the issuer or in the offer document.

3.3 Notwithstanding paragraph 3.2 above, the Exchange has the discretion to direct a First-time Director to attend Mandatory Training.

#### Schedule 1

<u>Training Provider</u>	<u>Mandatory Training</u>
<u>Singapore Institute of Directors</u>	<u>Listed Entity Directors Programme</u> <u>LED 1 – Listed Entity Director Essentials</u> <u>LED 2 – Board Dynamics</u> <u>LED 3 – Board Performance</u> <u>LED 4 – Stakeholder Engagement</u>  <u>The First-Time Director must also attend the modules relevant to his appointment on the board of the Issuer. The modules are:</u>

	<u>LED 5 – Audit Committee Essentials</u> <u>LED 6 – Board Risk Committee Essentials</u> <u>LED 7 – Nominating Committee Essentials</u> <u>LED 8 – Remuneration Committee Essentials</u>
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## Accountability and Audit

### Chapter 4 Equity Securities

**407** An offer document must meet the following requirements:

- (4) It must include the following:
- (b) ~~An opinion by the board, with the concurrence of the audit committee~~ 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 controls) and risk management systems. A statement on whether the audit committee concurs with the board’s comment must also be provided. Where material weaknesses are identified by the board or the audit committee, they must be disclosed together with the steps taken to address them

### Chapter 7 Continuing Obligations

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(1) **Internal Controls and Risk Management Systems**

An issuer should have a ~~robust adequate~~ and effective system systems of internal controls, ~~addressing (including financial, operational and, compliance risks and information technology controls) and risk management systems~~. The audit committee ~~(or such other committee responsible)~~ may commission an independent audit on internal controls and risk management systems for its assurance, or where it is not satisfied with the systems of internal ~~control~~ controls and risk management. In arriving at the decision, the audit committee should consider the recommendation of the continuing sponsor.

(3) **Internal Audit**

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.

### Chapter 12 Circulars, Annual Reports and Electronic Communications

1204 The annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including at least the following:—

- (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 concurs with the board’s comment must also be provided. Where material weaknesses are

identified by the board or audit committee, they must be disclosed together with the steps taken to address them.

## **Practice Note 12B Adequacy of Internal Controls and Risk Management Systems**

### **1. Introduction**

1.1 This Practice Note provides guidance on the application of Rules 407(4)(b) and 1204(10).

1.2 ~~Issuers are required to disclose the following in In their its prospectuses offer document 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." and information technology controls) and risk management systems. A statement on whether the audit committee concurs with the board's comments must also be provided.

Rule 407(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.

### **2. Intent of Rules 407(4)(b) and 1204(10)**

2.1 Internal controls, (including financial, operational, ~~and compliance~~ and information technology controls,) and risk management systems serve to safeguard shareholders' investments and company's assets.

2.2 ~~The A board committee, for example, the~~ audit committee is usually responsible for overseeing internal controls and risk management. The ~~Board board~~, which includes executive directors, is also responsible for assessing the adequacy and effectiveness of these internal controls and risk management systems.

2.3 The objective of Rules 407(4)(b) and 1204(10) is to increase transparency and accountability. In providing this ~~opinion comment~~, the ~~Board board~~ and the audit committee are required to demonstrate that they have rigorously assessed the (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.

### **3. Compliance with Rules 407(4)(b) and 1204(10)**

3.1 In satisfying Rules 407(4)(b) and 1204(10), the ~~Board board~~ and the audit committee may ask for an independent audit on internal controls or risk management systems to assure themselves on the adequacy and effectiveness of the systems of internal controls and risk management, or if they are not satisfied with the systems of internal controls or risk management.

3.2 The issuer should maintain proper record of the discussions and decisions of the ~~Board board~~ and the audit committee.

3.3 Compliance with Rules 407(4)(b) and 1204(10) involves the following disclosures:-

(i) Where the ~~Board board~~ and the audit committee are satisfied that the issuer has ~~a robust~~ adequate and effective systems of internal controls and risk management, the disclosure must include the basis for such an ~~opinion~~ comment.

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 Board board and audit committee to disclose the basis for their views comments on the robustness adequacy and effectiveness of the issuer's systems of internal controls and risk management.

(ii) In relation to Rule 1204(10), where the Board board and/or the audit committee ~~is of the view that~~ has 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 board ~~would have to~~ 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 are obliged by 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:-

(i) Disclosure to be made in the section on "Audit Committee" ~~or~~, "Internal Controls" or "Risk Management" of the offer document for compliance with Rule 407(4)(b).

(ii) Disclosure to be made in the Directors' Report or Corporate Governance section of the annual report for compliance with Rule 1204(10).

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

5.1 Good disclosures which comply with Rules 407(4)(b) and 1204(10) comprise the following:

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

(ii) The basis for the ~~Directors' opinion~~ board's comment and if the audit committee does not concur with the board, the basis for the audit committee's comment.

5.2 Should the Board board ~~with the concurrence of~~ or the audit committee ~~disclose that in its opinion,~~ comment that the Group's internal controls ~~has~~ or risk management systems have material 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 ~~Company~~ issuer.

### **Shareholder Rights and Engagement**

#### **Chapter 7 Continuing Obligations**

704 In addition to Rule 703, an issuer must immediately announce the following:-

##### **Announcement of Results, Dividends, etc**

- (23) 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 together with the reason(s) for such decision.

## **Appendix 7C**

### **Part I Information Required for Quarterly (Q1, Q2 & Q3), Half-Year and Full Year Announcements**

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

## **Comply-or-Explain Regime**

### **Chapter 7 Continuing Obligation**

#### **Annual Report**

710 An issuer must describe in its annual report its corporate governance practices with specific reference to the principles ~~of the Code in its annual report. 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 of the Code. 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.~~