

# Singapore Corporate Governance Changes

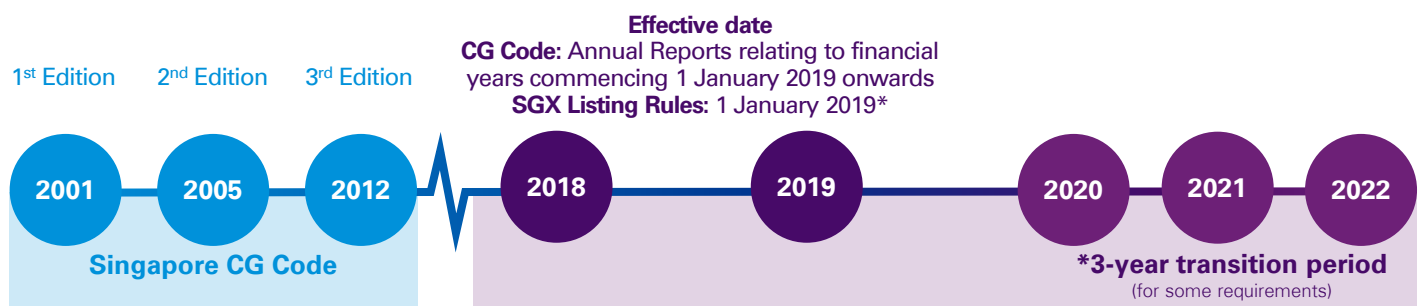
August 2018

The Monetary Authority of Singapore and the Singapore Exchange changes to the SGX Listing Manual (Mainboard and Catalist) and the Singapore Code of Corporate Governance ("Code") on 6 August 2018. This fact sheet provides a summary of the key changes to assist listed companies in identifying key areas where they may be impacted.

## To what extent are the changes mandatory to implement?

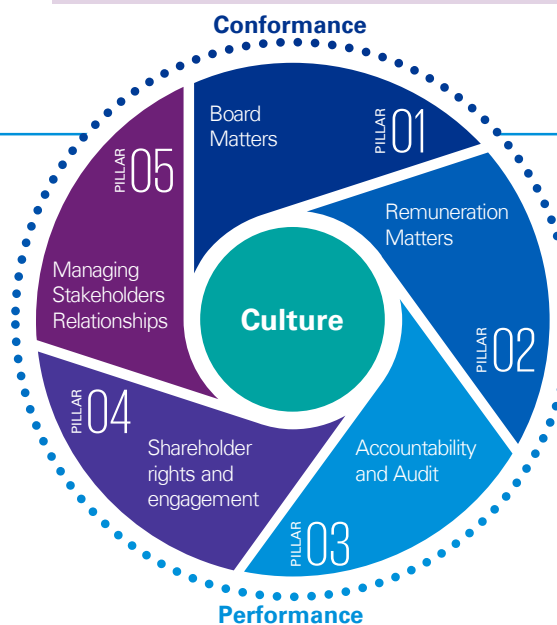
| "Mandatory"  |  | "Comply or Explain"   | "Non-binding"  |
|--|--|---|--|
| <b>SGX LISTING RULES (LR)</b><br>Shift of important requirements of the Code to the SGX LR for mandatory compliance. | <b>CODE PRINCIPLES</b><br>Over-arching, non-disputable statements which embody the fundamentals of good corporate governance and are expected to be complied with. | <b>CODE PROVISIONS</b><br>Actionable steps guiding compliance with the substance of the Principles. | <b>PRACTICE GUIDANCE</b><br>Non-binding supplement to the Code providing guidance and best practices examples. |

## When would the changes become effective?



## How significant are the changes?

Overall the Code has been significantly streamlined to strengthen core tenets of good governance and to clarify and align certain aspects.



| 2012 Code     | 2018 Code                  |
|---------------|----------------------------|
| 4 Pillars     | 5 Pillars                  |
| 16 Principles | 13 Principles              |
| 82 Guidelines | 51 Provisions              |
| -             | 13 Practice Guidance Notes |

# What are the key changes?

**CG** = Corporate Governance Code   **LR** = Listing Rule   **A** = Amendment   **N** = New   **3** = 3 year transition period

## Director Independence & Board Composition

### Definition of independence

- 3** **N** **LR** → Two-tiered shareholder vote to approve Independent Directors (IDs) who have served beyond 9-years. Requires majority:
  - i) All shareholders
  - ii) All shareholders (excluding shareholders who serve as directors or the CEO (and their associates))
- A** **LR** → Substantial shareholder from 10% to 5%
- N** **LR** → Mandating core tests of independence:
  - Director employed by company (or related corporations) during past 3 years
  - Director's family member employed by company (or related corporations) during past 3 years (with family member remuneration determined by Remuneration Committee (RC))

### Board composition

- 3** **N** **LR** → At least one-third IDs
- A** **CG** → Majority IDs (where Chairman is not independent) – up from at least half
- N** **CG** → Majority of Non-Executive Directors (NEDs)

### Chairman & CEO

- N** **LR** → Disclose if Chair and CEO related
- A** **CG** → Chair and CEO are separate persons
- A** **CG** → Definition of Chairman independence to include 'close family ties'

### Diversity

- A** **CG** → Disclose board diversity policy, including measureable objectives and progress made)

## Board Structure & Protocols

### Board Committees

- N** **LR** → Establish Audit Committee (AC), Nominating Committee and RC with terms of reference (ToR)
- N** **LR** → Disclose names, ToR, authority and activities

### Culture and Ethics

- N** **CG** → Board puts in place a code of conduct and ethics, sets the tone-from-the-top and desired organisational culture

### Director Information

- N** **LR** → Disclose key information on directors (appointment or re-appointment of directors)

### Training

- A** **LR** → Directors with no prior experience of a listed issuer on the Exchange must undergo training

## Audit Committee

### Internal Audit (IA)

- N** **LR** → Establish independent and adequately resourced IA function
- A** **CG** → Review adequacy, effectiveness, independence of IA

### External Audit (EA)

- A** **CG** → Review adequacy, effectiveness and independence, scope and results of EA
- A** **CG** → 2-year cooling-off period for partners/directors of audit firms to serve on AC

### Whistleblowing

- A** **CG** → Publicly disclose whistleblowing policy, ensure matters are 'safely raised' and communicate to employees

## Risk Management and Internal Controls

### Board's comment

- A** **LR** → Board to comment on adequacy and effectiveness of internal controls and risk management systems
- A** **LR** → Disclose material weaknesses

### Assurances

- A** **CG** → Assurances from CEO and other 'key management personnel' who may be responsible on the adequacy and effectiveness of internal controls and risk management systems

## Shareholders & Stakeholders

### Shareholders

- N** **CG** → Disclose director AGM attendance
- N** **CG** → Publish minutes of AGM on website

### Dividends

- A** **CG** → Establish and communicate dividend policy
- N** **LR** → Disclose reason not to declare a dividend

### Stakeholders

- N** **CG** → Identify, engage with and manage material stakeholder groups
- N** **CG** → Disclose strategy and key areas of focus in managing stakeholder relationships
- N** **CG** → Maintain a current corporate website

## Remuneration

### Value creation

- N** **CG** → Companies to disclose link between remuneration and value creation

### Employee remuneration

- A** **CG** → Disclose employee remuneration in bands of \$100k (immediate family members of director or CEO) – up from \$50k
- N** **CG** → Disclose employee remuneration in bands of \$100k (substantial shareholder links)

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