

## SGX-ST Listing Rules

### Transitional Practice Note 2

#### Transitional Arrangements Regarding Code of Corporate Governance 2018

Details	Cross References
<b>Issue Date: 28 November 2018</b> <b>Effective Date: 1 January 2019</b> <b><u>1 January 2022</u></b>	<b>Rules 108(2), 406(3)(a), <del>406(3)(c)</del>, 406(3)(d)(i), 406(3)(d)(ii), <del>406(3)(d)(iii)</del>, 710, 720(4) and 1204(10)</b>

#### 1. Introduction

- 1.1. On 6 August 2018, the Exchange amended the SGX-ST Listing Rules (Catalist) following the publication of the Code of Corporate Governance 2018 by the Monetary Authority of Singapore (“MAS”). The Code of Corporate Governance 2018 applies to annual reports covering financial years commencing from 1 January 2019.
- 1.2. As part of the amendments to the Code of Corporate Governance 2018, certain guidelines from the Code of Corporate Governance 2012 were shifted into the SGX-ST Listing Rules (Catalist) for mandatory compliance.
- 1.3. This Transitional Practice Note is published to establish transitional arrangements for certain of the guidelines shifted into the SGX-ST Listing Rules (Catalist).

#### 2. Arrangements

- 2.1. The following transitional arrangements will apply:-

Listing Rule	Subject	Effective Date	Transitional Arrangement
710	Issuer to describe in its annual report its corporate governance practices with specific reference to the principles and provisions of the Code of Corporate Governance 2018	Financial year commencing on or after 1 January 2019	<p>For any financial year commencing on or after 1 January 2019, an issuer must describe its corporate governance practices with specific reference to the principles and provisions of the Code of Corporate Governance 2018, in accordance with the amendments to Rule 710 (“Amended Rule 710”). The first batch of annual reports which would have to comply with Amended Rule 710 will likely be issued in 2020 or thereafter.</p> <p>For a financial year commencing prior to 1 January 2019, an issuer may describe its corporate</p>

			<p>governance practices with specific reference to the principles of the Code of Corporate Governance 2012, in accordance with Rule 710 prior to the relevant amendments.</p> <p>Alternatively, an issuer may elect to adopt Amended Rule 710 early, by describing its corporate governance practices with specific reference to the principles and provisions of the Code of Corporate Governance 2018, in accordance with Amended Rule 710. In this scenario, the issuer should state in its annual report that it is adopting Amended Rule 710 in advance, and would not need to make reference to the Code of Corporate Governance 2012.</p>
1204(10)	The annual report must contain the board's comment on the adequacy and effectiveness of the issuer's internal controls (including financial, operational, compliance and information technology controls ) and risk management systems	Financial year commencing on or after 1 January 2019	As the issuer may require time to establish its internal controls and risk management systems in accordance with the amendments to Rule 1204(10) ("Amended Rule 1204(10)"), the disclosures required in Amended Rule 1204(10) need only be provided in the annual report for financial years commencing on or after 1 January 2019. The first batch of annual reports which would have to comply with Amended Rule 1204(10) will likely be issued in 2020 or thereafter.
720(4)	All directors must submit themselves for re-nomination and re-appointment at least once every three years	1 January 2019	<p>With effect from 1 January 2019, all directors, including executive directors, must submit themselves for re-nomination and re-appointment at least once every three years.</p> <p>(a) Existing directors appointed or re-appointed before 1 January 2019</p> <p>Within three years of the effective date of this rule, a director appointed or re-appointed before 1 January 2019 must submit himself for re-nomination and re-</p>

			<p>appointment to the board at a general meeting (i.e. no later than 31 December 2021).</p> <p>As an illustration, if a director was appointed or re-appointed on 30 April 2017, he will have to submit himself for re-nomination and re-appointment to the board by 31 December 2021. As another illustration, if a director has not been subject to re-nomination and re-appointment at least once every three years for any reason prior to 1 January 2019, he will have to submit himself for re-nomination and re-appointment to the board by 31 December 2021.</p> <p>(b) Directors appointed or re-appointed on or after 1 January 2019</p> <p>A director appointed or re-appointed to the board on or after 1 January 2019 must submit himself for re-nomination and re-appointment to the board at a general meeting by the end of the calendar year of the third anniversary of his appointment or re-appointment.</p> <p>As an illustration, if a director was appointed or re-appointed on 30 April 2019, he will have to submit himself for re-nomination and re-appointment to the board at a general meeting in 2022.</p> <p>This rule will apply to any director appointed or re-appointed to the board including all executive directors.</p>
406(3)(a)	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	1 January 2019	A person with no prior experience as a director of an issuer listed on the Exchange (a "First-time Director") and whose date of appointment to the board of directors is on or after 1 January 2019, must undergo

	of a director of a listed issuer as prescribed by the Exchange.		<p>training in the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</p> <p>Prior to 1 January 2019, Guideline 1.6 of the Code of Corporate Governance 2012 will operate on a comply-or-explain basis.</p> <p>Guideline 1.6 of the Code of Corporate Governance 2012 states that the issuer should provide training for first-time directors in areas such as accounting, legal and industry-specific knowledge as appropriate.</p>
406(3)(c)	<u>Independent directors must comprise at least one-third of the issuer's board</u>	<u>1 January 2022</u>	<p><u>The number of independent directors must comprise at least one-third of the issuer's board at any time on or after 1 January 2022.</u></p> <p><u>To ensure compliance with this requirement, the issuer must ensure that the requisite number of independent directors are appointed prior to 1 January 2022. For example, the issuer may do so at the issuer's annual general meeting in 2021.</u></p> <p><u>Issuers should also note the independence tests set out in Rule 406(3)(d) and for which transitional arrangements are set out in this Transitional Practice Note.</u></p> <p><u>Prior to 1 January 2022, Guideline 2.1 of the Code of Corporate Governance 2012 will operate on a comply-or-explain basis.</u></p> <p><u>Guideline 2.1 of the Code of Corporate Governance 2012 states that there should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board.</u></p>

406(3)(d)(i)	Director will not be independent if he is employed by the issuer or any of its related corporations for the current or any of the past three financial years	1 January 2019	On or after 1 January 2019, a director will not be independent under the circumstances set out in Rule 406(3)(d)(i).
406(3)(d)(ii)	Director will not be independent 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	1 January 2019	On or after 1 January 2019, a director will not be independent under the circumstances set out in Rule 406(3)(d)(ii).
406(3)(d)(iii)	<u>Continued appointment as independent director, after an aggregate period of more than 9 years on the board, must be sought and approved in separate resolutions by (A) all shareholders and (B) shareholders excluding directors, chief executive officer, and their associates</u>	<u>1 January 2022</u>	<p><u>On or after 1 January 2022, a director who has served on the board for a cumulative period of 9 years will no longer be eligible to be designated as an independent director unless a resolution from shareholders present and voting at the general meeting is sought and approved in the manner described in Rule 406(3)(d)(iii).</u></p> <p><u>The issuer must, prior to 1 January 2022, consider if a director will not be considered independent against the circumstances set out in Rule 406(3)(d)(iii) at any time on and from 1 January 2022.</u></p> <p><u>For example, if a person has been a director (whether independent, executive or non-executive) for an aggregate period of more than 9 years as at 1 January 2022, then he will not be independent as at 1 January 2022, unless his continued appointment as an independent director has been sought and approved in separate resolutions (as</u></p>

		<p><u>required in Rule 406(3)(d)(iii)) prior to 1 January 2022.</u></p> <p><u>If a person had been a director (whether independent, executive or non-executive) for an aggregate period of more than 9 years and had retired from the board prior to 1 January 2022, he will not be eligible to be appointed as an independent director on or after 1 January 2022, unless his appointment as an independent director has been sought and approved in separate resolutions (as required in Rule 406(3)(d)(iii)). This is because he has already served on the board of the issuer for an aggregate period of more than 9 years prior to the proposed appointment.</u></p> <p><u>To ensure that the independence designation of a director who has served for more than 9 years as at and from 1 January 2022 is not affected, an issuer should seek and obtain approvals for his continued appointment as an independent director prior to 1 January 2022. For example, the issuer may do so at the issuer’s annual general meeting in calendar year 2021. In accordance with Rule 406(3)(d)(iii), such approvals will remain valid until the conclusion of 3<sup>rd</sup> AGM from such approvals.</u></p> <p><u>Prior to 1 January 2022, Guideline 2.4 of the Code of Corporate Governance 2012 will operate on a comply-or explain basis.</u></p> <p><u>Guideline 2.4 of the Code of Corporate Governance 2012 states that “[t]he 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</u></p>
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			<u>need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent.”</u>
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3. SGX may amend, modify or supplement the above transitional arrangements.