



SINGAPORE  
INSTITUTE OF  
DIRECTORS

# SGX RegCo Regulatory Updates

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SINGAPORE  
INSTITUTE OF  
DIRECTORS

- 1. Board Diversity Disclosures**
- 2. Climate Reporting**
- 3. Assessing Financial Indicators**
- 4. Case Studies**

## Listing Rule 710A(1)

An issuer must maintain a board diversity policy that addresses gender, skills and experience and any other relevant aspects of diversity.

## Listing Rule 710A(2)

An issuer must describe in its annual report its board diversity policy, including the following:

- (a) The issuer's targets to achieve diversity on its board;
- (b) The issuer's accompanying plans and timelines for achieving the targets;
- (c) The issuer's progress towards achieving targets within the timelines; and
- (d) A description of how the combination of skills, talents, experience and diversity of its directors serves the needs and plans of the issuer.

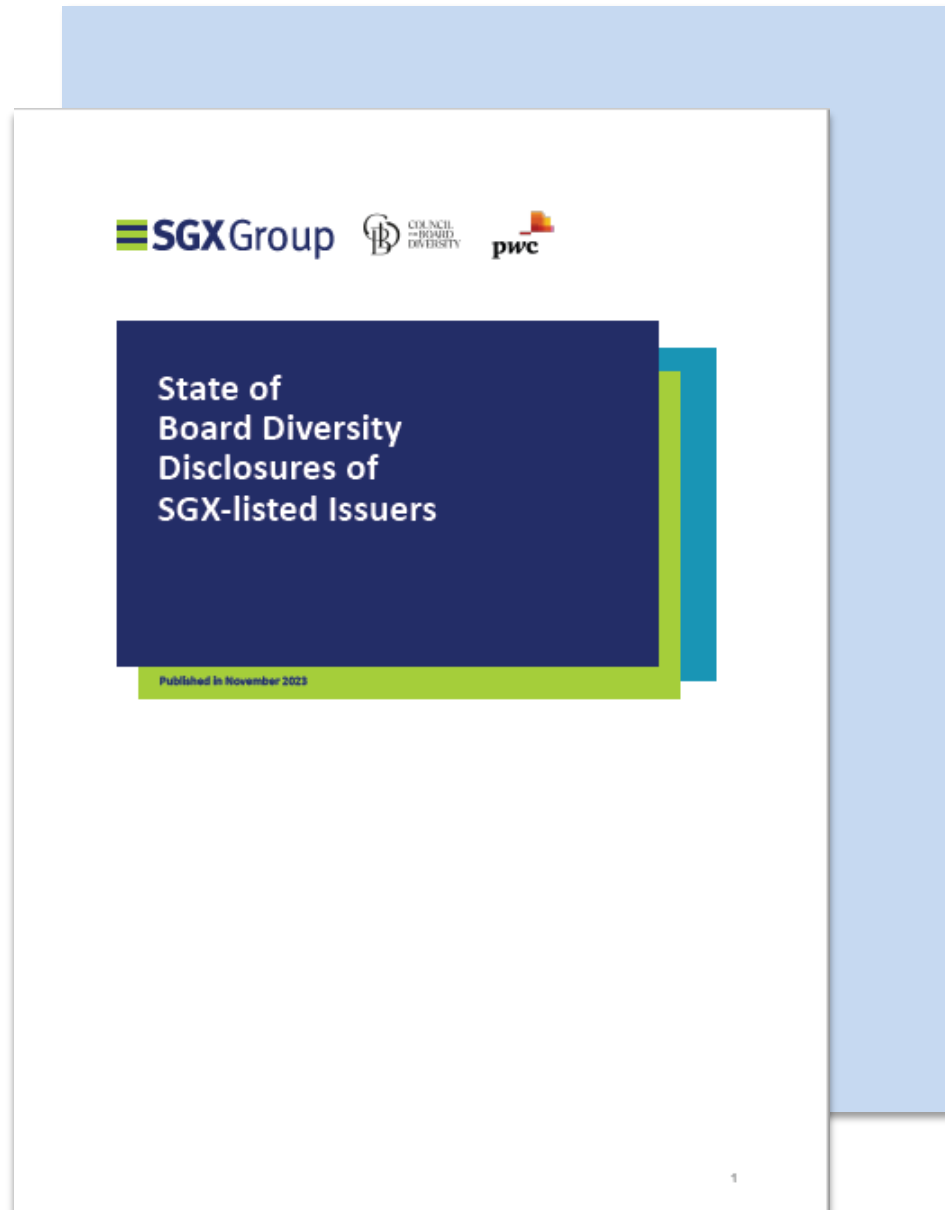
## Key Recommendations:

- Board diversity disclosures should be **contextualised** to the business strategy and needs, which include presenting the **rationale behind the aspects of diversity** included in the board diversity policy.
- Having more transparency and effective communication of the listed issuers' existing board make-up through a **skills matrix**, tying back to the areas of focus within the board diversity policy, will be beneficial for listed issuers.
- Furthermore, listed issuers should **disclose the proactive steps being taken** to address gaps in the board mix.



## Key Recommendations:

- The ambitions of the board diversity policy should be made concrete through **clear targets, plans, and timelines**, as well as the communication of year-on-year **progress made towards achieving these goals**.
- The **setting of plans and timelines** are closely linked to targets, and should be carried out sooner rather than later in order to enable progress towards better board diversity. Doing so makes a listed issuer's commitments more **tangible** and demonstrates to investors and stakeholders that board diversity is being taken seriously.
- In addition, the expectations of investors should be considered as a signal for even further acceleration in these areas.



Contextualise board diversity disclosures to the business strategy and needs

## Example:

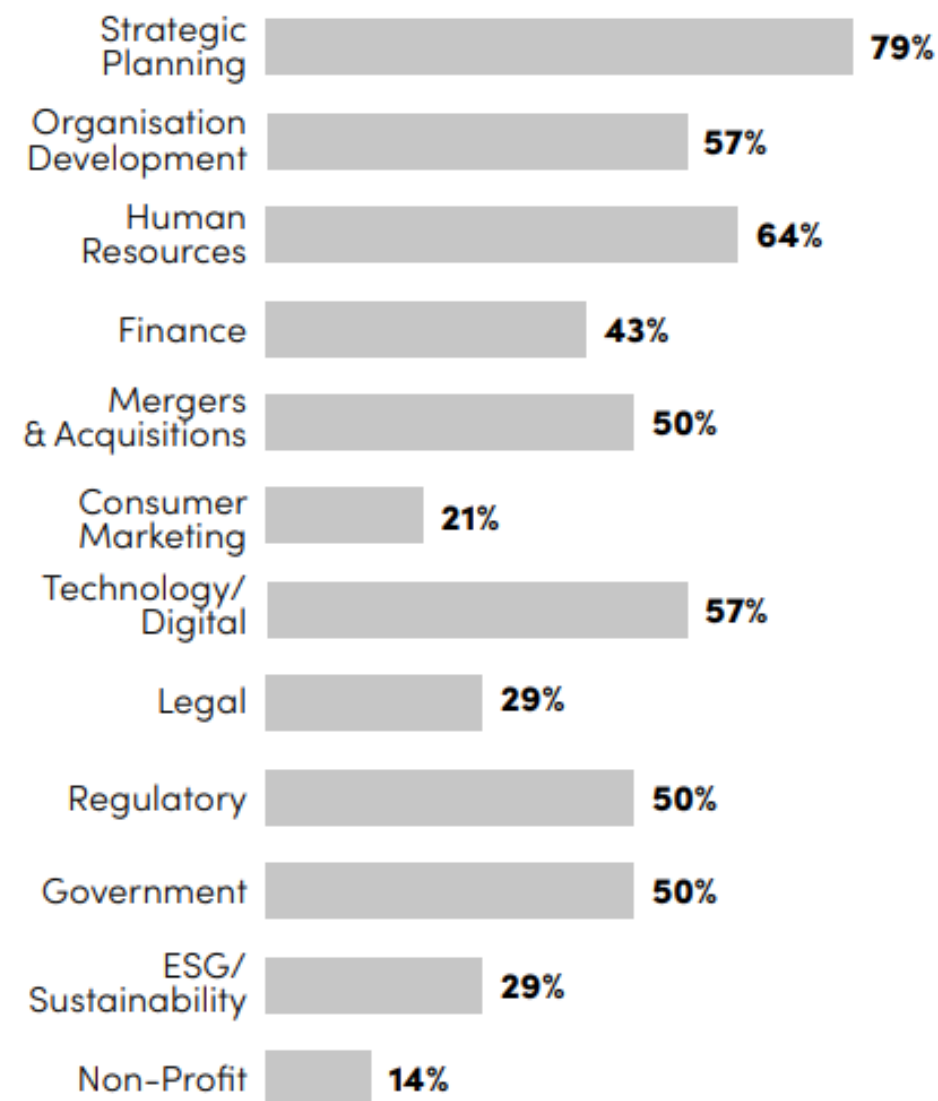
*The Directors are individuals with **leadership experiences in business, government and the labour movement** and with a broad diversity of expertise and experience including **accounting, finance, legal, engineering, internal security, media, regulatory and business management**, which are important to the Group as the Group is in the public transport services business and has to deal with various stakeholders including members of the public (being its customers), trade associations and professional bodies and regulators. Each Director provides a **valuable network of industry contacts** and brings in **different perspectives and ideas at Board discussions**.*

- SBS Transit Ltd

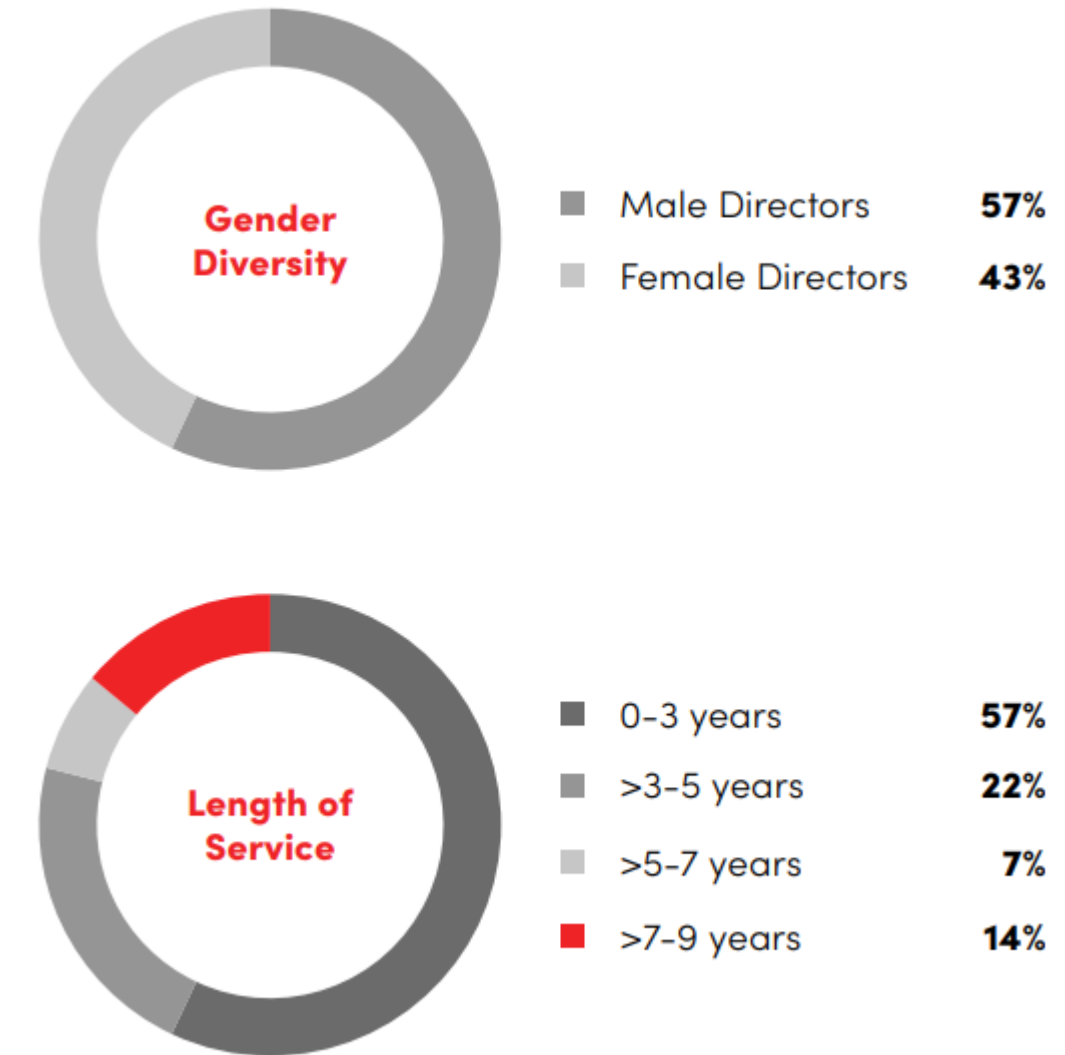
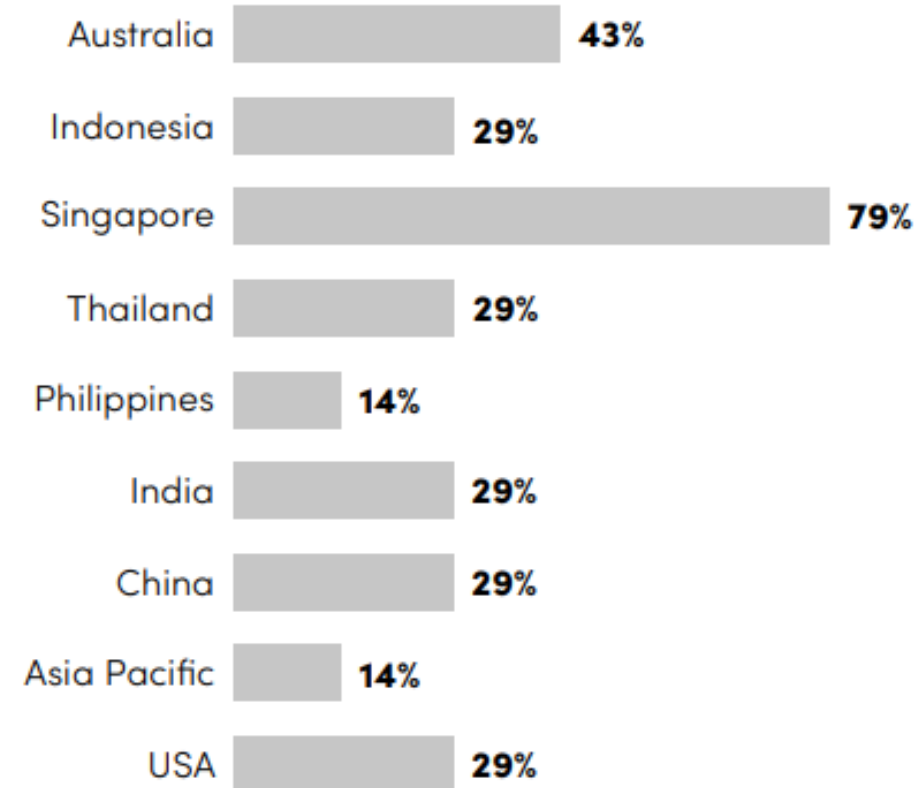
Use a skills matrix to communicate the existing board make-up, tying back to the areas of focus within the board diversity policy

## Example:

### Expertise and Experience Matrix



### Expertise and Experience by Geography



- Singapore Telecommunications Limited

Disclose clear targets with accompanying plans and timelines, and the progress made towards achieving the targets within the timelines

### Example:

Diversity Targets, Plans and Timelines	Targets Achieved/Progress Towards Achieving Targets
<p>To have at least 2 female Directors on the Board during the period leading up to 2025.</p> <p>The Company believes in achieving an optimum mix of men and women on the Board to provide different approaches and perspectives.</p>	<p><b>Gender</b></p> <p><b>Achieved</b> – As at the end of FY 2022, 2 out of 9 Directors are female. This represents 22% of the Board.</p>

- Capitaland Investment Limited



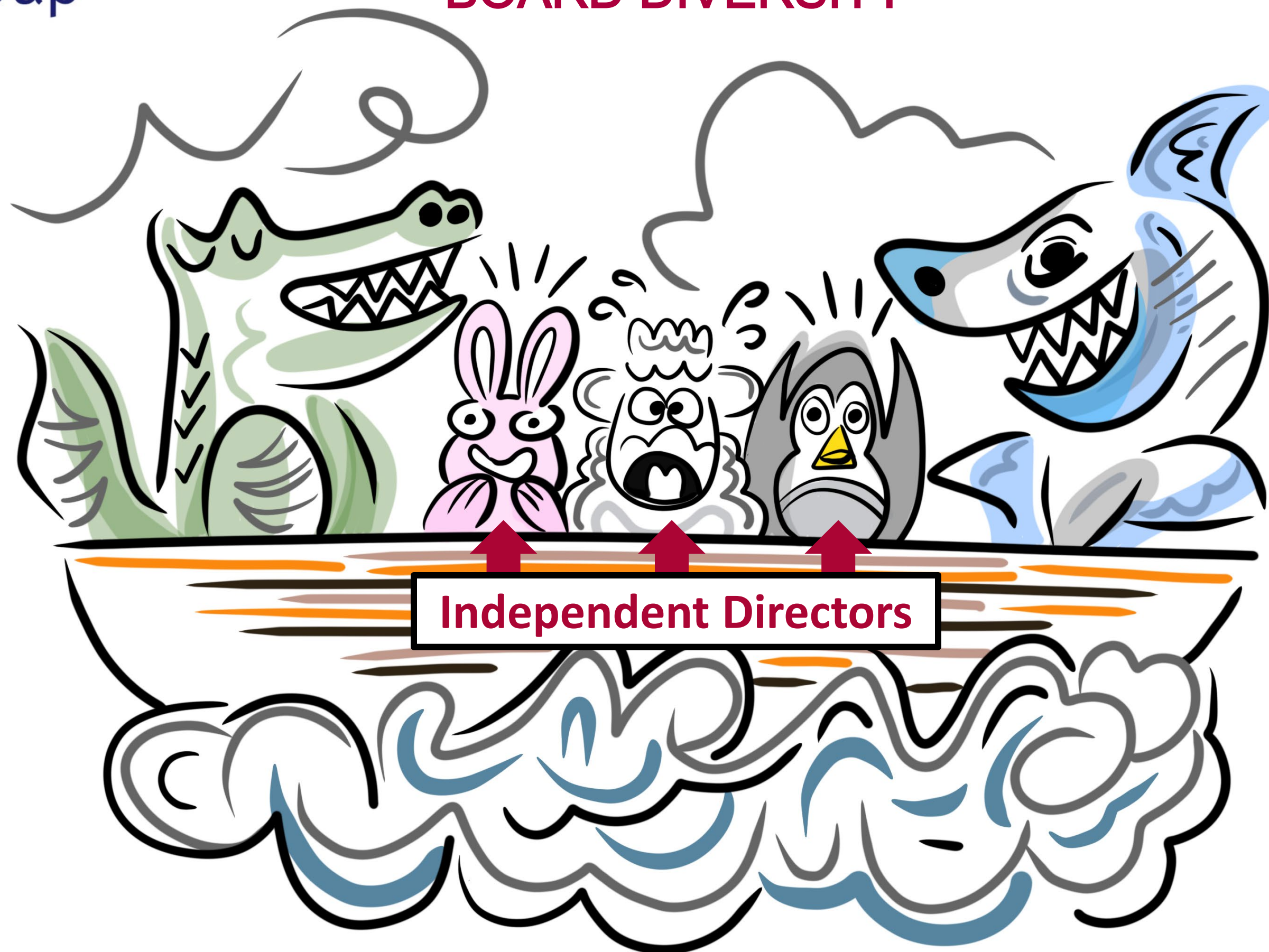
Disclose clear targets with accompanying plans and timelines, and the progress made towards achieving the targets within the timelines

## Example:

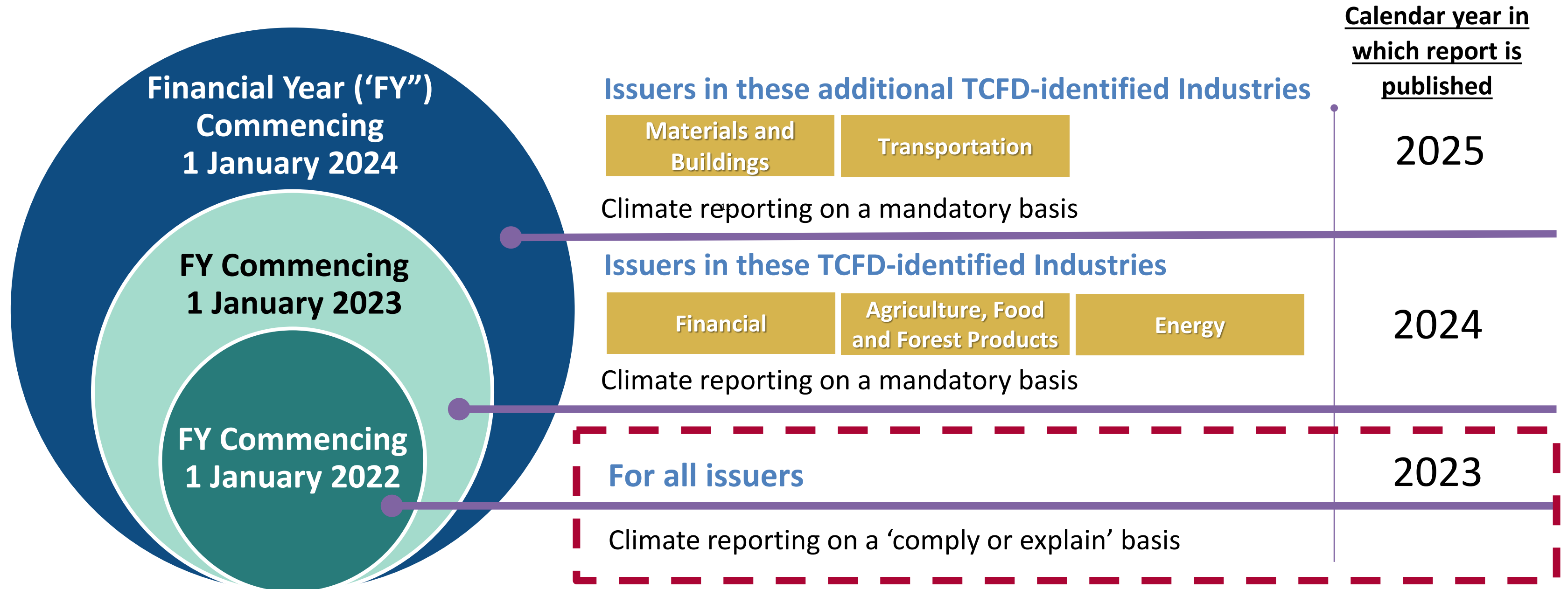
Diversity Targets, Plans and Timelines	Targets Achieved/Progress Towards Achieving Targets
<b>Skills &amp; Experience</b>	
<p>To ensure that the Directors, as a group, possess:</p> <ul style="list-style-type: none"> <li>(a) a variety of skill sets, including in core competencies, domain knowledge and other fields of expertise, such as finance, banking, real estate, fund and investment management and technology; and</li> <li>(b) a mix of industry experience, management experience, business acumen and listed company board experience, in particular on organisational development, sustainability matters and ESG matters,</li> </ul> <p>by 2025, or (if applicable) to maintain such level of diversity in skill sets and experience during the period leading up to 2025.</p>	<p><b>In Progress</b> – As at the end of FY 2022, the Board comprises Directors who, as a group, possess a significant majority of the identified core skills and experience. There are opportunities to strengthen certain skill sets including fund and investment management and technology.</p>

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# BOARD DIVERSITY



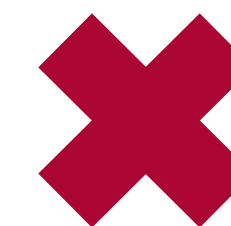
- Roadmap for issuers to provide climate-related disclosures based on the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”):



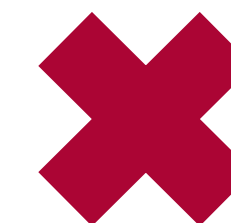
## Sustainability Report

TCFD Disclosure 1 – **nil**  
TCFD Disclosure 2 – **nil**  
TCFD Disclosure 3 – **nil**  
TCFD Disclosure 4 – **nil**  
TCFD Disclosure 5 – **nil**  
TCFD Disclosure 6 – **nil**  
TCFD Disclosure 7 – **nil**  
TCFD Disclosure 8 – **nil**  
TCFD Disclosure 9 – **nil**  
TCFD Disclosure 10 – **nil**  
TCFD Disclosure 11 – **nil**

*“As we are currently lacking in qualitative and quantitative information related to climate-related disclosures, we endeavour to incrementally incorporate the TCFD recommendations into our report for future reporting periods.”*



*“As the Company falls under the classification of Materials and Buildings, it is required to perform the climate reporting on a mandatory basis from the financial year commencing 1 January 2024. The Company intends to commence the climate reporting from the financial year commencing 1 January 2024.”*



*“As the Company does not fall within the TCFD-identified industries, we have yet to include climate-related disclosures in this report. We are still in the process of setting up our process for collecting and analysing data on our climate-related risks and opportunities and our emissions data, and will continue to monitor and periodically assess the need to include climate-related disclosures in future sustainability reports.”*



*Next steps for issuers which continue to be eligible  
for climate reporting on a 'comply or explain' basis  
for the FY commencing 1 January 2023*

If the issuer has not provided any climate-related disclosures for the FY commencing 1 January 2022:



- It **must** provide TCFD recommended disclosures on a 'comply or explain' basis in its next sustainability report for the FY commencing 1 January 2023 (which will be published in calendar year 2024).
- 'Comply or explain' means issuers should attempt the TCFD recommended disclosures. Issuers should then provide an explanation for the remaining TCFD recommended disclosure(s) that it is unable to comply with.

If the issuer has started climate-related disclosures on a 'comply or explain' basis for the FY commencing 1 January 2022:



- It is **strongly encouraged** to demonstrate progression, for example, in the **number** (e.g. from 5 to 9 TCFD recommended disclosures) and **quality** of TCFD recommended disclosures in its next sustainability report for the FY commencing 1 January 2023 (which will be published calendar year 2024).

*Note: 'Comply or explain' will not apply to issuers which are required to do mandatory climate reporting for all financial years commencing 1 January 2023. These issuers have to disclose all 11 TCFD recommended disclosures.*



## Liquidity Ratios

- **Establish effective internal controls to monitor and assess on-going liquidity requirements** (including a mandatory periodic assessment of liquidity risk and sensitivity analysis)
- **Monitor operational indicators** (e.g. loss of major customers)
- **Monitor financial covenants**
  - Undertake an assessment of the ability to operate as a going concern, where there is a breach of financial covenant which may trigger cross defaults



**Non-Current  
Trade and  
Other  
Receivables**

- **Establish effective collection systems (e.g. periodic credit review of counterparties)**
- **Employ other methods to safeguard receivables (e.g. taking security or obtaining corporate guarantees)**

## Significant Prepayments and Advances

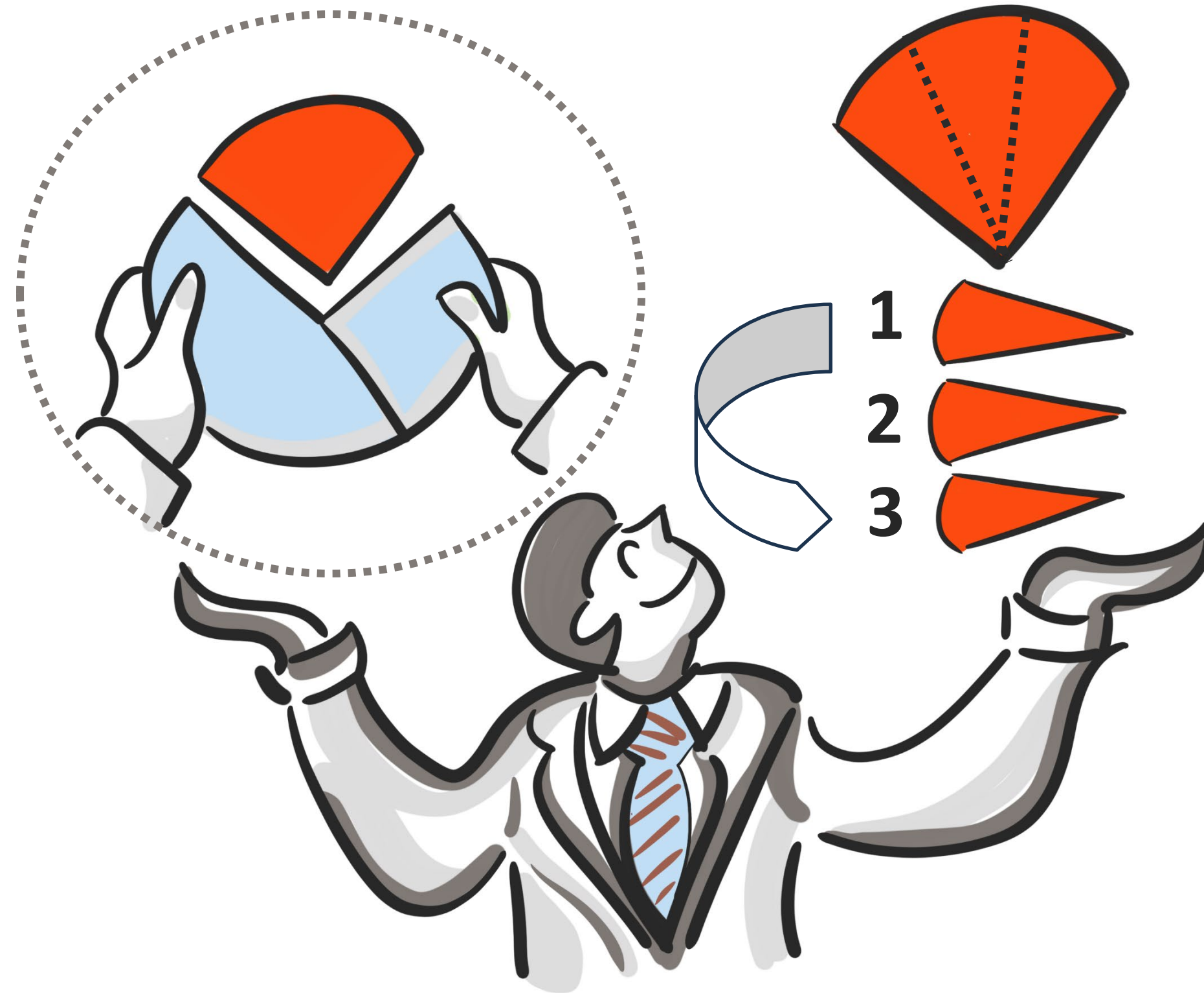
- **Boards and Audit Committees to take proactive role to satisfy themselves on the veracity and reasonableness of such prepayments and advances**
- **Establish effective governance and controls**
  - Proper authorisation for cash disbursements
  - Proper due diligence conducted on transactions and counterparties
- **Conduct periodic reviews of prepayments and advances**



# DEPENDENCE ON PARENT COMPANY / SPONSOR



# CASE STUDY: ALLOCATION OF EXCESS RIGHTS SHARES



# CASE STUDY: ALLOCATION OF EXCESS RIGHTS SHARES

- **Company A** announced a renounceable non-underwritten rights issue exercise to raise net proceeds of approximately S\$100 million (“**Rights Issue**”).
- Company A subsequently announced the allocation of rights shares for excess applications. In allocating the excess rights shares, preference was given to minority shareholders over directors and substantial shareholders.
- **Not all the applications by the minority shareholders were fully satisfied** before allocating excess rights shares to the directors and substantial shareholders.

# CASE STUDY: ALLOCATION OF EXCESS RIGHTS SHARES

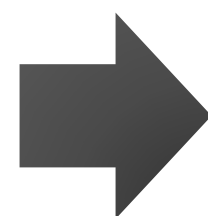
## Listing Rule 877(10)

In the allotment of any excess rights shares, a confirmation from the issuer that preference will be given to the rounding of odd lots, and that directors and substantial shareholders who have control or influence over the issuer in connection with the day-to-day affairs of the issuer or the terms of the rights issue, or have representation (direct or through a nominee) on the board of the issuer will rank last in priority for the rounding of odd lots and allotment of excess rights shares (“**Restricted Individuals**”).

- Listing Rule 877(10) seeks to prevent conflicts of interests by requiring persons who can influence the allocation of excess rights shares to be last in priority for receipt of these shares.
- Restricted Individuals are entitled to receive excess rights shares only after the excess rights applications by minority shareholders have been fully satisfied.

# CASE STUDY: ALLOCATION OF EXCESS RIGHTS SHARES

Minority Shareholders do not subscribe for any excess rights shares



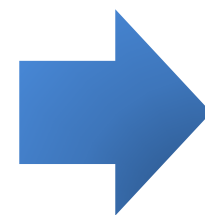
All excess rights shares are available for satisfaction of the applications by the Restricted Individuals, after the rounding of odd lots by minority shareholders.

Minority shareholders subscribe for **more than the available amount** of excess rights shares



Listed issuer has the discretion to determine an appropriate allocation methodology for allocation amongst all the minority shareholders, after the rounding of odd lots by minority shareholders followed by the Restricted Individuals.

Minority shareholders subscribe for **less than the full amount** of excess rights shares available



All valid applications of the minority shareholders **must be fully satisfied**, before excess rights shares can be allocated to the Restricted Individuals to satisfy their valid applications.

# CASE STUDY: ALLOCATION OF EXCESS RIGHTS SHARES

- **Company B** announced a renounceable non-underwritten rights issue exercise to raise net proceeds of approximately S\$100 million (“**Rights Issue**”).
- Prior to the Rights Issue, **Minority Shareholder B** purchased a small number of shares in Company B, intending to participate in the Rights Issue for the purposes of acquiring a large quantity of excess rights shares at a heavily discounted price.
- Company B subsequently announced the application results of the Rights Issue and the allocation of rights shares for excess applications. The excess rights applications were *undersubscribed*.
- Company B also noted that the application for excess rights shares was *vastly disproportionate* to the number of shares that Minority Shareholder B held.

**Consult SGX RegCo**

# CASE STUDY: DISCLOSURE OF INTERESTED PERSON TRANSACTIONS

- Company C has certain transactions with its controlling shareholder, as disclosed in its annual report for FY2022:

SIGNIFICANT RELATED PARTY TRANSACTIONS	Group 2022 \$'000	Name of Interested Person	Aggregate value of all IPTs entered into for FY2022 (excluding transactions less than S\$100,000 and conducted under shareholders' mandate) S\$'000	Aggregate value of all IPTs conducted in FY2022 under shareholders' mandate (excluding transactions less than S\$100,000) S\$'000
<b>Transactions with Parent Company:-</b>				
Sale of goods	600			
Corporate support cost	(150)			
Interest expense on loans	(100)			
		<b>Controlling Shareholder</b>	-	<b>Sale of goods - 600</b>

**Management and directors are to ensure consistency of the interested person transactions and related party transactions disclosures in the annual report.**

# CASE STUDY: HANDLING CONFIDENTIAL INFORMATION



## CONFIDENTIAL NEGOTIATIONS



# CASE STUDY: HANDLING CONFIDENTIAL INFORMATION



# CASE STUDY: HANDLING CONFIDENTIAL INFORMATION

- **Company D** received a voluntary cash offer (“**Offer**”) from an offeror.
- Whilst preparing for the release of its announcement on the Offer, this confidential information was shared with the following parties:

Party	No. of Pax
Company D	25
Offeror	50
Bank 1	40
Bank 2	30
Law Firm 1	35
Law Firm 2	10
Others (anonymous and/or unidentified)	15

# CASE STUDY: HANDLING CONFIDENTIAL INFORMATION



Adopt the “**need to know**” principle.



Disclosure of confidential information should be **permitted only if required** by people for the purpose of performing their duties or functions.



**Limiting the number of people privy to confidential information** minimizes the risk of **unauthorized access** as well as the changes of **information leakage**, which could impact market integrity.

**Thank You!**