

SINGAPORE INSTITUTE OF DIRECTORS
STATEMENT OF GOOD PRACTICE
DISCLOSURES AND SGX ANNOUNCEMENTS

1. Introduction

Timely disclosure is the cornerstone of SGX's disclosure-based regulatory regime. To ensure that information is released to the market on a timely basis, listed companies are obliged to comply with the legislation and regulations relating to corporate disclosure and announcements on SGXNet ("**SGX Announcements**"). The obligations imposed by such legislation and regulations aim to provide fair and equitable treatment to all shareholders by ensuring full and timely disclosure of information that would have a material effect on the price of the traded securities.

It is essential that the directors of issuers have an understanding of the disclosure requirements imposed on issuers and the processes that should be put in place to ensure that these obligations are complied with. Hence, this Statement of Good Practice provides suggested best practices to be included in an issuer's disclosure policy based on the relevant legislation and regulations and the guidelines on disclosure in the Listing Manual. However, as disclosure requirements are constantly changing, directors should continue to keep abreast of any changes to the disclosure requirements that may be implemented from time to time to remain updated and ensure the continued relevance of the issuer's policies and processes.

2. Regime on Disclosure in Singapore

The regime in Singapore relating to SGX Announcements comprises legislation and regulations mainly found in the Securities and Futures Act (Cap. 289) (the "**SFA**") and the SGX-ST Listing Manual (the "**Listing Manual**").

Under Rule 703(1) of the Listing Manual, an issuer must announce any information concerning it or any of its subsidiaries or associated companies which is necessary to avoid the establishment of a false market in its securities or would be likely to materially affect the price or value of its securities. Under Appendix 7.1 of the Listing Manual (the "**Corporate Disclosure Policy**"), the fact that information is generally available does not exempt disclosure under this Rule (for example, if material information is released to the media but not on SGXNet, the issuer would be in breach of Rule 703). In addition to the general rule set out in Rule 703, Rule 704 of the Listing Manual also requires specific information to be announced under certain circumstances, regardless of materiality. Specific disclosure requirements also apply in relation to interested person transactions (under Chapter 9 of the Listing Manual) and acquisitions and realisations (under Chapter 10 of the Listing Manual).

Section 203 of the SFA makes the intentional, reckless or negligent failure to notify the SGX of any information that is required to be disclosed under the Listing Manual, a criminal offence. Under the Corporate Disclosure Policy, disclosure of information is vital as it is fundamental to the operation of a fair and efficient market for the trading of securities.

The accuracy of such announcements is also crucial in ensuring that investors are placed in a position that enables them to make properly-informed investment decisions. Section 199 of the SFA prohibits the making of a statement, or dissemination of information, that is false or misleading in a material particular and is likely (a) to induce other persons to subscribe for securities; (b) to induce the sale or purchase of securities by other persons; or (c) to have the effect of raising, lowering, maintaining or stabilising the market price of securities if the person making the statement did not care about the truth of the statement or information or if he knew or ought to reasonably have known that the statement or information is false or misleading.

Under Practice Note 1.2 of the Listing Manual, the directors of an issuer have the primary responsibility for the timeliness, accuracy and completeness of SGX Announcements. Guidelines are given under Paragraph 26 of the Corporate Disclosure Policy to ensure proper and accurate disclosure by issuers. First, every announcement should be prepared or reviewed by an official of an issuer familiar with the matters to be disclosed, and an official of an issuer familiar with the requirements of the relevant laws. Second, a limited group of individuals within an issuer should be given this assignment on a continuing basis. Lastly, the review of the announcements by legal counsel is often desirable or necessary, depending on the importance and complexity of the announcement.

3. Foundational Requirements of a Disclosure Policy

In order for a disclosure policy to be effective, the following requirements should be considered.

3.1. Clear Written Policy

Issuers should adopt a clear written disclosure policy setting out the process of approval and release of SGX Announcements that is consistent with the applicable laws and regulations.

3.2. Clear Delegation and Scope of Responsibilities

A clear delegation of responsibilities in drafting, preparation, approval and release of SGX Announcements is necessary to ensure that information contained in the SGX Announcements is accurate while minimising inconsistencies and errors. A disclosure policy should include the following elements:

- (i) an elaborate timetable and checklist setting out when an announcement has to be prepared, reviewed, and approved, and the different stages of review and approval that are required before the release of the announcement;
- (ii) application of a board-approved announcement approval matrix (as elaborated in Paragraph 4.1) in the checklist;
- (iii) within the checklist, the identification of the relevant responsible parties amongst management who will be the focal points primarily responsible for identifying and initiating action with respect to the announcement and who will execute the various steps in the checklist, including the drafting of the announcement, verification of the information contained therein, and approval of the final form of announcement to be released; and
- (iv) identification of the situations in which there is a need to consult external parties or where such external counsel would add substantially to the discussion at hand, and the parties responsible for ensuring that such consultation is made.

3.3. Market Disclosure Committee

Issuers may also consider establishing a Market Disclosure Committee (the “**MDC**”) to administer and oversee their disclosure policy and ensure that the issuer complies with its own disclosure obligations. The composition of the MDC can include members of an issuer’s management team such as the chief executive officer, chief financial officer, chief legal officer, company secretary and representatives from investor relations and corporate communications.

The MDC should have clear terms of reference but should also allow room for flexibility to adapt to the changing business and regulatory climate. The members of the MDC should thus constantly stay abreast of changing disclosure requirements and periodically review and adjust an issuer’s disclosure policy to remain relevant with the latest business and legal developments. The MDC should also constantly notify or educate employees of an issuer involved in the preparation and review of SGX Announcements of such changes in disclosure requirements to ensure that all employees involved are kept updated to minimise errors and inconsistencies. For companies with existing executive committees (“**Excocs**”), the need for a separate MDC will need to be examined and, if a separate MDC is deemed necessary or desirable, the division of responsibilities between the Exco and the MDC will need to be clearly demarcated and addressed so as to eliminate unnecessary overlap and confusion.

4. Key Principles

Generally, all announcements must be circulated to the full board of directors (the “**Board**”) before release. A written disclosure policy should indicate that directors are encouraged to actively provide comments to the draft announcements that are circulated to them with the intention to improve the quality of the disclosure. The following information should be included in the notice to the Board when a draft announcement is circulated:

- (i) when the announcement is intended to be released and its level of urgency; and
- (ii) whether express approval is needed or whether the draft announcement circulated is for the Board’s information (further elaboration can be found under Paragraph 4.1 below), subject to any material comments given by any director.

All announcements, after having been released, should be circulated again to the Board for their reference and to facilitate review of the announcements for any errors or inaccuracies.

4.1. Announcement Approval Matrix

As there are often numerous announcements (whether ad-hoc or routine) that may be made by an issuer, it may be impractical for some companies to require express authorisation by the Board of every announcement before it is released. In those situations, an approval matrix is recommended to be adopted by the Board to allow for efficient approval and release of SGX Announcements in a timely manner. It is suggested that announcements may be classified into various categories based on certain factors like the type of announcement and pre-determined financial thresholds:

- (i) Routine announcements

Routine announcements would refer to announcements relating to events planned in advance based on a pre-set timetable. Examples would include announcements relating to the books closure date for dividends and the notice of Annual General Meetings.

Such announcements can be approved by the relevant working groups involving members of an issuer’s management and finalised before being circulated to the Board, which would be given a fixed notice period (e.g. at least half a day notice) to give comments before it is deemed to be approved for release.

The notice to the Board circulating the draft announcement may state that such announcement will be released by a certain time (e.g. upon close of market on the same day) if no material comments are received from the Board.

- (ii) Non-Material announcements

Non-material announcements would for example include announcements relating to the incorporation or winding-up of subsidiaries, non-material joint ventures, the opening of new offices or any non-major change in the shareholding interests of directors.

Such non-material announcements can be approved by the relevant working group or members of an issuer's management and finalised before being circulated to the Board.

The notice to the Board circulating the draft announcement may state that (i) a certain amount of time (e.g. one day) is given to the Board to provide any comments before the announcement is deemed to be approved by the Board for release; or (ii) the announcement will be released by a pre-determined time if a majority of the directors provide their express written consent.

(iii) Material announcements

Material announcements refer to announcements relating to matters that would be likely to materially affect the price or value of an issuer's securities, whether or not such matters are within the ordinary course of business of the issuer. Some examples of material announcements include announcements relating to interested person transactions, major mergers and acquisitions, significant borrowings and the financial results of an issuer and its subsidiaries.

Material announcements should require the review and express approval of every director before the release of such announcements unless that director cannot be reached or cannot communicate his approval.

The notice circulating the announcement to the Board should state that express written consent is required from every member of the Board before the announcement can be released. A written disclosure policy should include protocols to seek out every director's view on the announcement and obtain his/her express consent, especially in the situation where a particular director is unreachable.

Where a material announcement is released without express written consent of all members of the Board (but only after having been approved by a specified minimum number of directors, with such a threshold being stated in the written disclosure policy), directors who have not provided their express approval prior to the release of the material announcement should, subsequent to its release, review the material announcement and respond either by confirming the approval or advising if a further review needs to be conducted and if any clarification announcement is required to be made.

4.2. Errors or Inaccuracies in Announcements

As mentioned in paragraph 2 above, Practice Note 1.2 of the Listing Manual places on directors the primary responsibility for the timeliness, accuracy and completeness of SGX Announcements and stresses that the accuracy of such announcements is crucial in allowing investors to make properly-informed investment decisions.

In the event that any errors or inaccuracies are discovered in an SGX Announcement that has been released, a clarification announcement should be made to clarify or correct the error on a timely basis. Notwithstanding whether or not there is any obligation under law to correct such errors or inaccuracies or that it may be uncertain whether an error or inaccuracy is material enough to warrant making a clarification announcement, the balance of consideration should tilt in favour of the interest of the public in receiving accurate and truthful information over the interest of convenience. This is in line with a disclosure-based regulatory regime and SGX-ST's interest in ensuring that the public can rely on information contained in SGX Announcements.

In deciding when to make an SGX Announcement to clarify or correct an error, an issuer should be guided by the relevant laws, rules and guidelines.

5. Conclusion

In formulating its corporate disclosure policies and processes relating to SGX Announcements, issuers should be mindful that such policies or processes should not operate in isolation. Where relevant, the issuer's other internal policies or guidelines should also be consistent with and incorporate the policies relating to SGX Announcements and corporate disclosure so that the adopted approval matrix or processes are consistently followed.

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