

Our Ref: SR/TAC(ro)/LD24/15 [Sustainability]

8 October 2015

**The Company Secretary**  
(Listed Issuers)

**Via email**

**Dear Sir/Madam,**

- (1) **AMENDMENTS TO BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS (“MAIN LR”) RELATING TO SUSTAINABILITY STATEMENT IN ANNUAL REPORTS OF LISTED ISSUERS (“SUSTAINABILITY AMENDMENTS”); AND**
  - (2) **THE SUSTAINABILITY REPORTING GUIDE AND TOOLKITS**
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## **1. INTRODUCTION**

- 1.1 Pursuant to section 9 of the Capital Markets and Services Act 2007 (“**CMSA**”), Bursa Malaysia Securities Berhad (“**the Exchange**”) has amended the Main LR to require disclosure of a listed issuer’s management of material economic, environmental and social risks and opportunities in its annual report (“**Sustainability Amendments**”) and make consequential changes clarifying the application of a related party transaction exemption (“**Other Amendments**”).
- 1.2 In tandem with the issuance of the Sustainability Amendments, the Exchange has also issued a Sustainability Reporting Guide (“**Guide**”) and 6 Toolkits (“**Toolkits**”) containing guidance to listed issuers on embedding sustainability in their organisations and reporting on it.

## **2. BACKGROUND & OBJECTIVES**

- 2.1 It is increasingly recognised that both financial and non-financial information are important to enable informed investment decisions. There is greater demand and expectation for non-financial information to be provided alongside financial information to enable investors and other stakeholders to take a more comprehensive view of corporations’ performance and value, especially their long term prospects.

Our Ref: SR/TAC(ro)/LD24/15 [Sustainability]

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- 

- 2.2 Hence, the Exchange has put in place a disclosure framework that requires disclosure of both financial and non-financial information. On 14 December 2006, the Exchange mandated the requirement for listed issuers to disclose in their annual reports, the corporate social responsibility (“**CSR**”) activities or practices undertaken by the listed issuers and their subsidiaries, or if there is none, to make a statement to that effect.
- 2.3 Globally however, many leading companies have moved beyond CSR to sustainability as it was perceived that the emphasis in CSR tends to be on the social aspects of the business which has limited impact on value creation. In fact, stakeholders are increasingly interested in understanding the approach and performance of corporations in managing the economic, environmental and social (“**EES**”) issues related to their businesses. Accordingly, there is also greater expectation on corporations to communicate to stakeholders on how they respond to these EES issues affecting them.
- 2.4 In light of this, the Exchange introduced the Business Sustainability Program in 2010 as part of our ongoing efforts to raise listed issuers’ awareness and understanding of sustainability. As part of this Program we also published a sustainability guide for company directors entitled “Powering Business Sustainability – A Guide for Directors” to assist directors in understanding the growing relevance of sustainability and how companies can embed sustainability within the organization.
- 2.5 It has been observed that while there were several good CSR disclosures made by listed issuers (with some listed issuers even reporting in accordance with international reporting guidelines), many still seemed to focus on their philanthropic activities or community investments. Thus, the Exchange believes that it is timely now to reinforce the importance of sustainability by shifting the focus of our requirements and reporting by listed issuers from CSR to sustainability and requiring listed issuers to report on their material EES risks and opportunities (“**material sustainability matters**”).
- 2.6 The Exchange considers that the Sustainability Amendments are not advocating a concept that is new to the market, but merely re-emphasising the need for listed issuers to be more holistic and strategic in their approach when disclosing non-financial information, in particular the information relating to their material sustainability matters.
- 2.7 In view of the above, the Exchange had, on 27 July 2015, published a public consultation paper (“**Consultation Paper**”) to seek views from stakeholders and the public on the proposed Sustainability Amendments, as well as the draft Guide. Generally, the market welcomes the Sustainability Amendments and the Guide.



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- 

- 2.8 In finalising both the Sustainability Amendments and the Guide, the Exchange has considered the feedback or comments received on the Consultation Paper, and reviewed our proposals accordingly.
- 2.9 The Exchange believes that the Sustainability Amendments would, among others:
- (a) improve the quality of sustainability-related practices and reporting of listed issuers;
  - (b) aid listed issuers to meet sustainability expectations of their stakeholders;
  - (c) attract funds with a sustainability focus into the Malaysian capital market; and
  - (d) facilitate more listed issuers to qualify for FTSE4Good Bursa Malaysia Index and other international sustainability indices.

### 3. **AMENDMENTS TO THE MAIN LR**

#### **Sustainability Amendments**

- 3.1 The key Sustainability Amendments as mentioned above are as follows:
- (a) requiring disclosure of a narrative statement of the listed issuer's management of material sustainability matters ("**Sustainability Statement**") [*paragraph 29 in Part A of Appendix 9C*];
  - (b) encouraging a listed issuer to refer to the Guide as a **best practice** when preparing the Sustainability Statements and in identifying material sustainability matters [*paragraph 6.1 of Practice Note 9*];
  - (c) requiring the inclusion of certain prescribed information such as the governance structure, the scope of the Sustainability Statement and the management of material sustainability matters ("**detailed disclosures**"), in the Sustainability Statement [*paragraph 6.2 of Practice Note 9*];
  - (d) providing the definition of material sustainability matters [*paragraph 6.3 of Practice Note 9*]; and
  - (e) clarifying that a listed issuer is not required to include the detailed disclosures in paragraph 3.1(c) above if the listed issuer is already preparing its Sustainability Statement in accordance with the GRI Sustainability Reporting Guidelines [*paragraph 6.4 of Practice Note 9*].

Our Ref: SR/TAC(ro)/LD24/15 [Sustainability]

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- 

### **Other Amendments**

- 3.2 Separately, the Exchange has also made editorial and consequential amendments to the Main LR to clarify that the related party transaction exemption under paragraph 10.08(11)(a) of the Main LR does not apply to an issue of securities by a subsidiary for cash. This is an existing approach taken by the Exchange and the amendments are made for purposes of providing further clarification or avoidance of doubt to facilitate compliance by listed issuers.

## **4. FULL TEXT OF AMENDMENTS**

- 4.1 The full text of the Sustainability Amendments and the Other Amendments is attached in **Appendix 1** and **Appendix 2** respectively. For ease of reference, the amendments are reflected in the following manner:

- portions underlined are text newly inserted / added onto the existing rules; and
- portions struck through are text deleted.

## **5. IMPLEMENTATION**

### ***Sustainability Amendments***

- 5.1 The Exchange is mindful that listed issuers should be given sufficient grace period to comply with the Sustainability Amendments.
- 5.2 In this regard, the Exchange also recognises the fact that listed issuers are at varying stages of their sustainability journey. As mentioned, we noted that some larger listed issuers are already conducting materiality assessments and stakeholder engagements as well as reporting on sustainability. In view of this, we believe that they should be able to disclose the Sustainability Statement and include the detailed disclosures referred to in paragraph 3.1(c) above within a shorter timeframe given that they are more established and have access to more resources.



Our Ref: SR/TAC(ro)/LD24/15 [Sustainability]

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5.3 As for the mid-sized and smaller listed issuers, the Exchange is cognisant of the constraints they may face in terms of readiness, resources and costs. We noted that many of these listed issuers are still at the nascent stage of sustainability reporting and are likely to require a longer time to prepare themselves for the disclosure of the Sustainability Statement in the manner as required under the Main LR. In view of this, we will accord these listed issuers a longer grace period to prepare for compliance in a more meaningful manner. Notwithstanding this, the mid-sized and smaller listed issuers are strongly encouraged to make the detailed Sustainability Statement earlier if they are able to do so already.

5.4 Based on the above, the Sustainability Amendments as set out in **Appendix 1** will be implemented on a staggered basis as follows:

No.	Listed Issuers	Implementation Dates
<b>GENERAL SUSTAINABILITY STATEMENT</b>		
(a)	A listed issuer with market capitalisation (excluding treasury shares) of RM2 billion and above as at -	Annual reports issued for financial years ending on or after <b>31 December 2016</b> must contain a Sustainability Statement as described in paragraph 3.1(a) of this letter.
(i)	31 December 2015; or	
(ii)	the date of its admission to the Official List in 2016	
(b)	All other listed issuers	Annual reports issued for financial years ending on or after <b>31 December 2017</b> must contain a Sustainability Statement as described in paragraph 3.1(a) of this letter.
<b>DETAILED SUSTAINABILITY STATEMENT</b>		
(c)	A listed issuer with market capitalisation (excluding treasury shares) of RM2 billion and above as at -	Annual reports issued for financial years ending on or after <b>31 December 2016</b> must contain a Sustainability Statement which includes the detailed disclosures set out in paragraph 3.1(c) of this letter.
(i)	31 December 2015 or 31 December of any subsequent calendar year; or	

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No.	Listed Issuers	Implementation Dates
	(ii) the date of its admission to the Official List after 31 December 2015.	A listed issuer must comply with the detailed disclosures set out in paragraph 3.1(c) of this letter even if its market capitalisation subsequently decreases below the prescribed threshold.
	(d) A listed issuer with market capitalisation (excluding treasury shares) of RM1 billion and above, but below RM2 billion as at –  (i) 31 December 2015 or 31 December of any subsequent calendar year; or  (ii) the date of its admission to the Official List after 31 December 2015.	Annual reports issued for financial years ending on or after <b>31 December 2017</b> must contain a Sustainability Statement which includes the detailed disclosures set out in paragraph 3.1(c) of this letter.  A listed issuer must comply with the detailed disclosures set out in paragraph 3.1(c) of this letter even if its market capitalisation subsequently decreases below the prescribed threshold.
	(e) A listed issuer other than those stated above in paragraphs (c) and (d) of this table above.	Annual reports issued for financial years ending on or after <b>31 December 2018</b> must contain a Sustainability Statement which includes the detailed disclosures set out in paragraph 3.1(c) of this letter.

- 5.5 Notwithstanding the relevant implementation dates set out above, the Exchange strongly encourages listed issuers to make a Sustainability Statement in their annual reports, and give effect to the detailed disclosures as set out in paragraph 3.1(c) of this letter, prior to the relevant implementation dates, where possible. For the avoidance of doubt, listed issuers which have provided a Sustainability Statement in their annual reports earlier than the relevant implementation dates are no longer required to disclose their CSR activities and practices in their annual reports.



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- 

### ***Other Amendments***

5.6 The Other Amendments as set out in **Appendix 2** takes effect **immediately**.

## **6. THE SUSTAINABILITY REPORTING GUIDE AND TOOLKITS**

- 6.1 In tandem with the issuance of the Sustainability Amendments, the Exchange has also issued the Guide and the Toolkits which seek to provide guidance on how to embed sustainability, as well as help listed issuers identify, evaluate and manage their material sustainability matters. The Guide also aids listed issuers in the preparation of their Sustainability Statement.
- 6.2 In this regard, the Guide, among others, highlights the business case for sustainability, provides case studies to illustrate how sustainability may add value to listed issuers and provides example disclosures to aid listed issuers in the preparation of the Sustainability Statement. Additionally, the Guide also provides listed issuers with a list of sustainability-related themes and indicators to consider when managing and disclosing their sustainability risks and opportunities.
- 6.3 Whilst adherence to the Guide is voluntary, listed issuers are strongly encouraged to refer to the Guide, to the extent possible, when preparing their Sustainability Statement.
- 6.4 As for the Toolkits, they serve to complement the Guide by providing further guidance to listed issuers on how to embed sustainability into their organisation. The Toolkits also provide best practice approaches, case studies, example disclosures and matrices for listed issuers to refer to.
- 6.5 A copy of the Guide is attached as **Appendix 3** for your reference. The Toolkits, on the other hand, are available at Bursa Malaysia Berhad's website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

## **7. ADDITIONAL INFORMATION**

- 7.1 This letter and all the above documents are also available at Bursa Malaysia Berhad's website at [www.bursamalaysia.com](http://www.bursamalaysia.com).
- 7.2 In addition, we have also provided "Questions and Answers" as set out in **Appendix 4** to facilitate the listed issuer's better understanding of, and compliance with the Sustainability Amendments.

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- 

7.3 If you have any queries on the above, please do not hesitate to contact the following persons:

- (a) in relation to the amended Main LR, the following persons from Listing Advisory & Development, Listing Division at 03-2034 7766:
  - (i) Mr. Chee Kai Mun;
  - (ii) Ms. Tiffany Yan Wei Mee; or
  - (iii) Pn. Razalina Suriati Abdullah.
- (b) in relation to the Guide and the Toolkits, the following persons from the Corporate Surveillance & Governance Division:
  - (i) Dr. Elsa Satkunasingam at 03-2034 7274;
  - (ii) Ms. Charmaine Chee Pek Li at 03-2034 7717; or
  - (iii) Ms. Lim Sui Lian at 03-2034 7225.

Thank you.

Yours faithfully,



**SELVARANY RASIAH**  
Chief Regulatory Officer

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