

Our Ref: SR/TAC(ro)/LD25/15 [Sustainability]

8 October 2015

The Company Secretary
(Listed Corporations)

Via email

Dear Sir/Madam,

- (1) **AMENDMENTS TO BURSA MALAYSIA SECURITIES BERHAD ACE MARKET LISTING REQUIREMENTS (“ACE LR”) RELATING TO SUSTAINABILITY STATEMENT IN ANNUAL REPORTS OF LISTED CORPORATIONS; 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 ACE LR to require disclosure of a listed corporation’s management of material economic, environmental and social risks and opportunities in its annual reports (“**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 corporations 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.

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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 corporations to disclose in their annual reports, the corporate social responsibility (“**CSR**”) activities or practices undertaken by the listed corporations 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 corporations’ 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 corporations, 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 corporations from CSR to sustainability and requiring listed corporations 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 corporations 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 application of the Sustainability Amendments will further inculcate the sustainability practices in the ACE Market listed corporations to better manage their risks and opportunities and ensure their business growth is sustainable and more enduring.
- 2.10 In addition to the above, the Exchange also expects that in the longer term, the Sustainability Amendments would, among others:
- (a) improve the quality of sustainability-related practices and reporting of listed corporations;
 - (b) aid listed corporations to meet sustainability expectations of their stakeholders;
 - (c) attract funds with a sustainability focus into the Malaysian capital market; and
 - (d) facilitate more listed corporations to qualify for FTSE4Good Bursa Malaysia Index and other international sustainability indices.

3. AMENDMENTS TO THE ACE 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 corporation's management of material sustainability matters ("**Sustainability Statement**") [paragraph 30 of Appendix 9C]; and
 - (b) encouraging a listed corporation to refer to the Guide as a **best practice** when preparing the Sustainability Statements and in identifying material sustainability matters [paragraph 6.1 of Guidance Note 11].

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Other Amendments

- 3.2 Separately, the Exchange has also made editorial and consequential amendments to the ACE LR to clarify that the related party transaction exemption under Rule 10.08(11)(a) of the ACE 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 corporations.

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 Given the size of the ACE Market listed corporations and the fact that most of them are still at the stage of building and growing their business, the Exchange is mindful of the need to ensure that our regulatory framework is proportionate and does not deter their growth nor unduly increase their cost of compliance.
- 5.2 As mentioned above, the Exchange also took cognisance of the fact that it is equally important for smaller companies such as the ACE Market listed corporations to embed sustainability in their business, in order to better manage their risks and opportunities and to ensure their business growth is sustainable and more enduring.
- 5.3 In view of the above, the Exchange will only require the ACE Market listed corporations to disclose the Sustainability Statement in their annual reports issued for financial year ending on or after **31 December 2018** ("**Implementation Date**"). We believe that with the grace period of 3 years accorded to them, the ACE Market listed corporations will have sufficient time to put in place the processes and resources required in making the Sustainability Statement. In addition to that, we have provided greater flexibility on the contents of the Sustainability Statement by not requiring the ACE Market listed corporations to comply with a set of prescribed

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or detailed disclosures. This will ensure that the framework in place for the ACE Market remains appropriate, flexible and facilitative.

- 5.4 Notwithstanding the Implementation Date, the Exchange strongly encourages listed corporations to make a Sustainability Statement in their annual reports prior to the Implementation Date, where possible. For the avoidance of doubt, listed corporations which have provided a Sustainability Statement in their annual reports earlier than the Implementation Date are no longer required to disclose their CSR activities and practices in their annual reports.

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 Toolkits which seek to provide guidance on how to embed sustainability, as well as help listed corporations identify, evaluate and manage their material sustainability matters. The Guide also aids listed corporations 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 corporations and provides example disclosures to aid listed corporations in the preparation of the Sustainability Statement. Additionally, the Guide also provides listed corporations 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 corporations 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 corporations on how to embed sustainability into their organisation. The Toolkits also provide best practice approaches, case studies, example disclosures and matrices for listed corporations 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.

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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.

7.2 In addition, we have also provided "Questions and Answers" as set out in **Appendix 4** to facilitate the listed corporation's better understanding of, and compliance with the Sustainability Amendments.

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 ACE 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 03-20347225.

Thank you.

Yours faithfully,



SELVARANY RASIAH
Chief Regulatory Officer

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