

Our Ref: JH/TAC/RO/nca/LD02/22 [Director Appointment & Independence]

19 January 2022

The Company Secretary
(ACE Market Listed Corporations)

Via email

Dear Sir/Madam,

AMENDMENTS TO THE ACE MARKET LISTING REQUIREMENTS IN RELATION TO DIRECTOR APPOINTMENT, INDEPENDENCE AND MISCELLANEOUS CHANGES

(A) INTRODUCTION

1. Pursuant to section 9 of the Capital Markets and Services Act 2007, Bursa Malaysia Securities Berhad (“the Exchange”) has made amendments to the ACE Market Listing Requirements (“ACE LR”) in relation to director appointment and independence as set out in Part C below (“Enhanced Director Amendments”), as well as other miscellaneous changes.

(B) BACKGROUND

2. A high performing and effective board are essential for a well-functioning and well-governed listed corporation. Hence, board quality and independence continue to be a key focus of regulators as these underpin board integrity and shareholder confidence.
3. In this regard, the Exchange had, in August 2020, enhanced the requirements and eligibility of independent directors (“ID”) in the ACE LR by lengthening the cooling-off period from 2 years to 3 years for an officer, adviser or transacting party of prescribed transactions, of a listed corporation or its related corporation, and extending such prescribed cooling-off period to a non-independent non-executive director.
4. The Enhanced Director Amendments this time continues to focus on strengthening board independence, quality and diversity.
5. In finalising the Enhanced Director Amendments, the Exchange has considered various feedback and comments received in response to the public consultation paper issued on 21 July 2021, as well as the benchmarked exchanges’ practices and requirements relating to director appointment and independence.

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(C) KEY ENHANCED DIRECTOR AMENDMENTS & MISCELLANEOUS CHANGES

6. The key Enhanced Director Amendments are as follows:
- (a) limiting the tenure of an ID to not more than a cumulative period of 12 years from the date of such person's first appointment as an ID in the applicant, listed corporation or in any one or more of its related corporations;
 - (b) requiring justification for the appointment of an individual as an ID, and explanation why there is no other eligible candidate, if such individual had cumulatively served as an ID of the listed corporation or in any one or more of its related corporations for more than 12 years before and observed the requisite 3-year cooling off period, in the statement accompanying a notice of annual general meeting and the immediate announcement in relation to the appointment of such ID;
 - (c) requiring a listed corporation to have and publish on its website, a fit and proper policy for the appointment and re-election of directors of the listed corporation and its subsidiaries ("**Directors' Fit and Proper Policy**"), and disclose the application of the Directors' Fit and Proper Policy during the financial year in the nominating committee statement in the annual report ("**NC Statement**");
 - (d) mandating a listed corporation to have at least 1 woman director on its board; and
 - (e) making other changes consequential to the enhancements above such as the following:
 - (i) in relation to the definition of ID -
 - (aa) removing the criterion that an ID is one who is not an executive director of the applicant, listed corporation or related corporation since such requirement is already covered in Rule 1.01(b) of the definition of ID in the ACE LR under the definition of "officer";
 - (bb) clarifying that an "officer" in sub-Rule (b) of the definition of "independent director" in Rule 1.01 of the ACE LR excludes an ID who has served for less than 12 years cumulatively; and
 - (ii) in relation to the NC Statement -
 - (aa) deleting the disclosure of criteria used in the nomination and election process since the criteria would have been disclosed in the application of the Directors' Fit and Proper Policy; and

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- (bb) clarifying that the disclosure on the assessment undertaken by the nominating committee and the criteria used for such assessment relates to the **performance** of the board, committees and individual directors.
7. Through the Enhanced Director Amendments, we seek to -
- (a) encourage board renewal and strengthen board independence;
 - (b) improve board quality and promote greater transparency in the appointment and re-election of directors; and
 - (c) promote greater diversity and inclusivity in listed corporations' boards of directors.
8. Apart from the above, we are also making miscellaneous editorial changes to Chapter 14 to provide greater clarity and facilitate compliance by listed corporations.
- (D) FULL TEXT OF THE ENHANCED DIRECTOR AMENDMENTS & MISCELLANEOUS CHANGES**
9. The full text of the Enhanced Director Amendments and miscellaneous changes set out above is attached in **Appendix 1**. For ease of reference, the amendments are reflected in the following manner:
- (a) portions underlined are text newly inserted / added onto the existing rules; and
 - (b) portions struck through are text deleted.
- (E) IMPLEMENTATION**
10. The Exchange recognises that listed corporations should be given adequate grace period to comply with the Enhanced Director Amendments. This will allow sufficient time for listed corporations to reorganise their board composition, as well as assess, review and formulate the appropriate Directors' Fit and Proper Policy for their group.
11. In view of this, the Enhanced Director Amendments and miscellaneous changes will be implemented in stages as follows:

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No.	Relevant Amendments	Implementation Dates
Requirement to have Directors' Fit and Proper Policy [paragraphs 6(c) and (e)(ii) above]		
(a)	Publication of the Directors' Fit and Proper Policy on the listed corporation's website. <i>[Rule 15.01A of the ACE LR]</i>	On or after 1 July 2022.
(b)	Disclosure of the application of the Directors' Fit and Proper Policy in the NC Statement and related consequential amendments. <i>[Rule 15.08A(3) of the ACE LR]</i>	Applicable to annual reports issued for financial year ending on or after 31 December 2022.
Requirement for at least 1 Woman Director on Boards [paragraph 6(d) above]		
(c)	Listed corporations with market capitalisation of RM2 billion and above as at 31 December 2021. <i>[Rule 15.02(1)(b) of the ACE LR]</i>	On or after 1 September 2022.
(d)	All listed corporations other than those in sub-paragraph (c) above. <i>[Rule 15.02(1)(b) of the ACE LR]</i>	On or after 1 June 2023.
12-Year Tenure Limit for IDs [paragraphs 6(a), (b) and (e)(i) above]		
(e)	Compliance with the amended definition of independent directors where all long-serving IDs of more than 12 years must resign or be re-designated as a non-ID, and related consequential amendments. <i>[Rule 1.01, paragraph 1(h) of Appendix 8A, paragraph (g) in Part A of Appendix 9A, and Guidance Note 13 of the ACE LR]</i>	On or after 1 June 2023.

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No.	Relevant Amendments	Implementation Dates
Other Miscellaneous Amendments		
(f)	All other miscellaneous amendments not specifically mentioned above. [Chapter 14 and Guidance Note 11 of the ACE LR]	On or after 19 January 2022.


12. Notwithstanding the implementation as set out in paragraph 11(e) above in relation to long-serving IDs, listed corporations with IDs of more than 20 years (“**affected long-serving IDs**”) are strongly encouraged to expedite the replacement or re-designation of the affected long-serving IDs as soon as possible **before 1 June 2023**. If the affected long-serving IDs are retained, such listed corporations must disclose in their annual reports issued for financial year ending on or after 31 December 2022, the justification for their retention and explanation why there is no other candidate apart from the affected long-serving ID who can be appointed as an ID. The listed corporations can cease making the disclosures once the affected long-serving IDs have been replaced or re-designated.

(F) ADDITIONAL INFORMATION

13. In addition, we have also provided “Questions and Answers” as set out in Appendix 2 to facilitate a listed corporation’s better understanding of, and compliance with the Enhanced Director Amendments.
14. This letter together with Appendices 1 and 2 above are also available at Bursa Malaysia Berhad’s website at https://www.bursamalaysia.com/regulation/listing_requirements/ace_market/amendments_to_listing_requirements.
15. In the meantime, if you have any queries on the Enhanced Director Amendments above, please contact the Listing Advisory & Development, Listing Division at 03-2034 7766 or submit your enquiry via <https://asklisting.bursamalaysia.com>.

Thank you.

Yours faithfully



REGULATION

Encls. (2)