

## ANNEXURE B

## PROPOSED AMENDMENTS RELATING TO THE CORPORATE GOVERNANCE REQUIREMENTS

ACE Market Listing Requirements

## CHAPTER 1 DEFINITIONS AND INTERPRETATION

## PART A – DEFINITIONS

## 1.01 Definitions

In these Requirements, unless the context otherwise requires

MCCG means the Malaysian Code on Corporate Governance

## CHAPTER 9 CONTINUING DISCLOSURE

## APPENDIX 9C

## Part A

## Contents of annual report

(Rule 9.25)

(1) – (8) [No change].

(9) ~~A statement relating to corporate governance~~An overview of the application of the Principles set out in the MCCG in respect of the financial year required under Rule 15.25(1).

(10) – (31)[No change].

## CHAPTER 15 CORPORATE GOVERNANCE

## PART C – AUDIT COMMITTEE

## 15.12 Functions of the audit committee

Without limiting the generality of Rule 15.11 above, a listed corporation must ensure an audit committee, amongst others, discharges the following functions:

(1) review the following and report the same to the board of directors of the listed corporation:

(a) – (d) [no change];

(e) the adequacy of the scope, ~~functions,~~ competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;

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- (f) the internal audit ~~programme~~plan, processes, the ~~results of the~~ internal audit ~~reports, recommendations raised, programme, processes or~~ investigation undertaken and whether or not appropriate action is taken on the recommendations ~~of the internal audit function~~;
- (g) – (j) [no change]; and
- (2) [no change].

## PART E – CORPORATE GOVERNANCE DISCLOSURE

### 15.25 Disclosure ~~pursuant to the Code~~of corporate governance related information

- (1) A listed corporation must ensure that its board of directors provides ~~a narrative statement of its corporate governance practices (“Corporate Governance Statement”) with reference to an overview of the application of the Principles set out in the Malaysian Code on Corporate Governance 2012 (“Code”)~~MCCG, in its annual report.
- (2) ~~In making the Corporate Governance Statement, the listed corporation must include the following information:~~
- (a) ~~how the listed corporation has applied the Principles set out in the Code (“Principles”) to its particular circumstances, having regard to the Recommendations stated under each Principle (“Recommendations”); and~~
- (b) ~~any Recommendation which the listed corporation has not followed, together with the reasons for not following it and the alternatives adopted by the listed corporation, if any.~~

~~In addition, the listed corporation must disclose the application of each Practice set out in the MCCG during the financial year, to the Exchange in a prescribed format. The listed corporation must make available such disclosure to its shareholders together with its annual report.~~

[Cross reference: Guidance Note 11]

## BURSA MALAYSIA SECURITIES BERHAD

## GUIDANCE NOTE 11

RISK MANAGEMENT AND INTERNAL CONTROL, AND CORPORATE  
GOVERNANCE STATEMENT

Details		Cross References
Effective date:	3 July 2006	Rules 15.25 and 15.26
Revision date:	3 August 2009, 29 November 2012, 3 May 2016, 31 December 2016, [ ]	

**1.0 Introduction**

1.1 ~~Rule 15.25 of the Listing Requirements provides that a listed corporation must include in its annual report, a narrative statement of its corporate governance practices (“**Corporate Governance Statement**”) with reference to the Malaysian Code on Corporate Governance 2012 (“**Code**”). In making the Corporate Governance Statement, the listed corporation must include the following information:~~

- ~~(a) how the listed corporation has applied the Principles set out in the Code (“**Principles**”) to its particular circumstances, having regard to the Recommendations stated under each Principle (“**Recommendations**”); and~~
- ~~(b) any Recommendation which the listed corporation has not followed, together with the reasons for not following it and the alternatives adopted by the listed corporation, if any.~~

~~Rule 15.25 of the Listing Requirements states that a listed corporation must make the following corporate governance disclosures:~~

- ~~(a) an overview of the application of the Principles set out in the MCCG (“**Principle**”) by its board of directors to be included in its annual report (“**CG Overview Statement**”); and~~
- ~~(b) the application of each Practice set out in the MCCG (“**Practice**”) during the financial year to be disclosed to the Exchange in a prescribed format (“**CG Report**”).~~

~~The listed corporation must ensure that the CG Report is made available to its shareholders together with its annual report.~~

- 1.2 Rule 15.26(b) of the Listing Requirements requires a listed corporation to ensure that its board of directors make a statement in its annual report about the state of risk management and internal control of the listed corporation as a group ( “**Risk Management and Internal Control Statement**”).
- 1.3 This Guidance Note clarifies the obligation of the listed corporations in making the CG Overview Statement, Corporate Governance Statementthe CG Report and the Risk Management and Internal Control Statement.
- 1.4 [Deleted].
- 2.0 ~~Location of the Corporate Governance Statement and the Risk Management and Internal Control Statement in the annual report~~General principles**
- 2.1 ~~A listed corporation may combine both the Corporate Governance Statement and the Risk Management and Internal Control Statement (both statements are collectively referred to as “said Statements”).~~[Deleted]
- 2.2 ~~A listed corporation must set out the said Statements prominently and clearly in its annual report. The said Statements must not be incorporated into the management discussion and analysis’ statement in the annual report as referred to in paragraph 8 of Appendix 9C of the Listing Requirements.~~[Deleted]
- 2.2A If a subject matter is required to be disclosed in both the CG Report and the annual report, a listed corporation may provide the disclosures in the CG Report only as long as such disclosure complies with the requirements prescribed for the annual report.
- 2.3 A listed corporation must ensure that the CG Overview Statement, the CG Report and the Risk Management and Internal Control Statement are approved by the board of directors of the listed corporation.

## **PART I – CORPORATE GOVERNANCE ~~STATEMENT~~DISCLOSURES**

- 3.0 Contents of the ~~Corporate Governance Statement~~corporate governance disclosures**
- 3.1 ~~A listed corporation must be mindful that the purpose of the Corporate Governance Statement is to give shareholders a meaningful description or discussion of its corporate governance practices, rather than just complying with provisions of the Listing Requirements. Therefore, a listed corporation must ensure that the Corporate Governance Statement contains adequate information to enable an informed assessment by shareholders of its corporate governance practices.~~[Deleted]
- CG Overview Statement
- 3.1A In making the CG Overview Statement, a listed corporation must provide a summary of its corporate governance practices during the financial year with reference to the 3 Principles, which are -
- (a) board leadership and effectiveness;
- (b) effective audit and risk management; and

(c) ~~integrity in corporate reporting and meaningful relationship with stakeholders.~~

3.1B ~~A listed corporation should highlight its key focus areas and future priorities in relation to its corporate governance practices through the CG Overview Statement.~~

#### CG Report

3.2 ~~A listed corporation must provide specific disclosures on its application of each Practice in the CG Report. The listed corporation must ensure that the CG report provides a fair and meaningful disclosure of the company's corporate governance practices.~~

3.2A ~~In disclosing the application of each PrinciplePractice in the CG Report, a listed corporation must ensure that it has regard to the Recommendations stated under the Principle-provide meaningful explanation on how it has applied the Practice. If the listed corporation has not followed-departed from any of thea RecommendationsPractice, it must –~~

(a) ~~deal with them individually, give reasons for not following themprovide an explanation for the departure; and~~

(b) ~~statedisclose the alternatives practice it has adopted, if any and how such alternative practice achieves the Intended Outcome as set out in the MCCG (“Intended Outcome”).~~

3.2AB ~~In explaining the reasons for not following any of the Recommendationsdeparture from a Practice, a listed corporation must not use compliance with the requirements under the Listing Requirements as a reason justifying the departure from the Recommendationsmerely state that it has complied with the requirements under the Listing Requirements as the reason for the departure (in areas where both the Listing Requirements and the Code-MCCG govern the same subject matter). The listed corporation must still explain the reasons for not following the Recommendations, and state the alternatives adopted, if anydisclose how it has achieved the Intended Outcome by merely complying with the requirements under the Listing Requirements.~~

3.3 ~~In assessing whether a Recommendation is followed, a listed corporation must have regard to the commentaries set out in the Code which provide guidance to the listed corporation in implementing the Recommendation (“Commentaries”).In making the disclosures in the CG Report, a listed corporation must carefully consider and be closely guided by the Guidance set out in the MCCG (“Guidance”).~~

3.4 ~~A listed corporation must also ensure that the Corporate Governance Statement-CG Report covers its corporate governance-the practices for the whole financial year. If a practice had been in place for only part of the financial year, the listed corporation must state so and the period during which it had been in place.~~

3.5 ~~If a listed corporation has not followed any Recommendation for a certain part of the financial year, but –~~

(a) ~~intends to take steps or has taken steps to follow such Recommendation; or~~

(b) ~~intends to establish or has established an alternative approach,~~

~~such listed corporation should make a statement to that effect.[Deleted]~~

3.6 [Deleted].

Additional considerations

3.7 In making the ~~Corporate Governance Statement~~ CG Overview Statement and the CG Report, a listed corporation must also consider the following:

- (a) ~~Treat the Corporate Governance Statement as a tool to communicate effectively with shareholders and the investing public, and describe the actual governance practices in a coherent and concise manner.~~ Ensure that the CG Overview Statement and the CG Report –
- (i) contain adequate information to enable an informed assessment by shareholders and potential investors of its corporate governance practices; and
  - (ii) whilst ensuring adherence ~~adhere~~ to the spirit and Intended Outcome of the Code ~~MCCG~~.

For this purpose, a listed corporation should refer to the Corporate Governance Guide issued by the Exchange.

~~Note: Ask the following questions:~~

- ~~(i) — Is the listed corporation addressing the right issues?~~
  - ~~(ii) — Is the listed corporation reporting the issues clearly?~~
  - ~~(iii) — Is the listed corporation linking the issues coherently?~~
  - ~~(iv) — Is there any information that has been missed out?~~
- (b) Ensure that key messages on governance are clearly set out and avoid compliance box-ticking or boilerplate statements. The listed corporation must avoid taking a mechanical or legalistic approach in making the disclosures in the ~~Corporate Governance Statement~~ CG Overview Statement and the CG Report. For example, the listed corporation should not merely provide bare statements that -
- (i) list down those Principles which have been applied or Recommendations which have been followed ~~it has adopted the Practices without further elaboration on how the Practices have been applied during the financial year;~~ or
  - (ii) state the process and procedures without further elaboration on how such processes and procedures have been applied during the financial year ~~the Intended Outcome has been achieved through adoption of the alternative practices by repeating the fact without explaining how such alternative practices meet the Intended Outcome.~~
- (c) Report how the Principles Practices have been applied, ~~based on the listed corporation's actual corporate governance practices~~ having regard to its ~~the listed corporation's~~ particular circumstances and business. The listed corporation must avoid -
- (i) reporting in form over substance; or

- (ii) vague or general statements without any real connection to the listed corporation's situation.
- (d) Provide a balanced report by describing key issues and incidences of failure, and explaining how the issues were managed, actions that were taken to remedy the failures and lessons learnt.
- (e) Ensure that the information is easy to understand. This can be achieved by using simple, plain everyday language and avoiding legalistic or technical terms.
- (f) Use the listed corporation's website to add depth to the governance reporting and keep shareholders updated throughout the year. Avoid cluttering the ~~Corporate Governance Statement~~ CG Overview Statement and the CG Report with static information such as policies, charters and codes that have not changed, or long convoluted write-ups, so that the key information and messages are not lost in the volume of data presented. Where possible, publish such static information on the listed corporation's website.

## PART II – RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

### 4.0 Contents of the Risk Management and Internal Control Statement

4.1 In making the Risk Management and Internal Control Statement, a listed corporation is required to address ~~the Part II of Principle B, Recommendation and Commentary~~ Intended Outcome 9.0, Practices 9.1 and 9.2 read together with Guidance 9.1 and 9.2 as set out in the CodeMCCG which relate to risk management and internal control framework, namely the following:

(a) ~~Principle 6 of the Code on recognizing and managing risks which reads as follows:~~

~~“The board should establish a sound risk management framework and internal control system.”~~

(b) ~~Recommendation 6.1 read together with the Commentary of the Code which states as follows:~~

~~“The board should establish a sound framework to manage risks.~~

~~Commentary:~~

- ~~• The board should determine the company's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' investments and the company's assets.~~
- ~~• Internal controls are important for risk management and the board should be committed to articulating, implementing and reviewing the company's internal controls system.~~
- ~~• Periodic testing of the effectiveness and efficiency of the internal controls procedures and processes must be conducted to ensure that the system is viable and robust.~~

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- ~~The board should disclose in the annual report the main features of the company's risk management framework and internal controls system."~~
- 4.2 ~~In making the Risk Management and Internal Control Statement, a~~The listed corporation should also be guided by the **Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers** which is issued by the Taskforce on Internal Control with the support and endorsement of the Exchange.
- 4.3 A listed corporation must ensure that the Risk Management and Internal Control Statement contains adequate information to enable an informed assessment of its state of internal control.
- 5.0 The said Statements**
- 5.1 ~~The said Statements must clearly identify the board of directors of the listed corporation as the party which is making the statements.~~~~[Deleted]~~

**[End of Annexure B]**