

Disclaimer: KPMG Management & Risk Consulting Sdn Bhd (“KPMG”) is administering this public consultation on behalf of Bursa Malaysia Securities Berhad (“Bursa Securities”). Bursa Securities retains overall rights and responsibilities in relation to the issuance of this Consultation Paper including any data gathered pursuant to Bursa Securities’ Personal Data Notice outlined below.



CONSULTATION PAPER NO. 4/2017

PROPOSED REVAMPED CORPORATE GOVERNANCE GUIDE

Date of Issue: 9 October 2017

Bursa Malaysia Securities Berhad invites your written comments on the issues set out in this Consultation Paper by **23 October 2017 (Monday)**.

Respondents to this Consultation Paper are requested to use the **online consultation form** which is accessible at www.kpmg.com.my/cgguide.

For further queries in relation to this Consultation Paper, kindly email to bursacgguide_publicconsultation@kpmg.com.my.

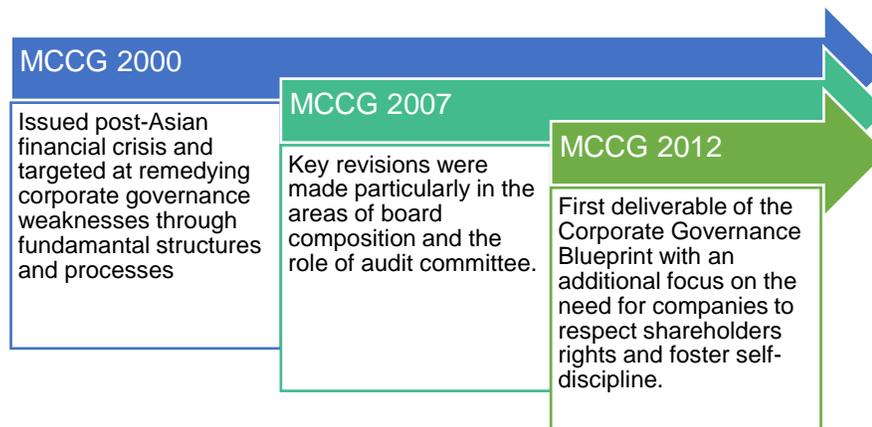
Additional copies of this document may be made without seeking permission from Bursa Malaysia Securities Berhad or downloaded from its website at www.bursamalaysia.com.

Confidentiality: Your responses may be made public by Bursa Malaysia Securities Berhad. If you do not want all or part of your response or name made public, please state this clearly in the response. Any confidentiality disclaimer that may be generated by your organisation’s information technology system will be taken to apply only if you request that the information remain confidential.

Please refer to Bursa Malaysia Securities Berhad’s Personal Data Notice as set out in the Appendix to this Consultation Paper.

A. Introduction

1. This Consultation Paper seeks to gather public feedback on the proposed Corporate Governance Guide issued by Bursa Malaysia Securities Berhad (“**the Exchange**”).
2. Over the years, consistent and structured measures have been introduced to strengthen the corporate governance framework and raise the governance standards of listed issuers in Malaysia. The aim is to achieve the broader objectives of maintaining public trust, investor confidence and business integrity which are integral to support the functioning of the capital market.
3. In April 2017, the Securities Commission released the **Malaysian Code of Corporate Governance (“MCCG”)** which is the fourth iteration of the document since its initial publication in 2000 (“MCCG 2000”).



4. As a tool for reform, the MCCG sets the tone for advancements in corporate governance standards. A key feature of the MCCG is its outcome-based approach which is underpinned by the “**CARE**” (i.e. C- Comprehend; A- Apply and Re- Report) approach. The CARE approach urges companies to exercise greater thought and consideration when adopting and reporting on their corporate governance practices.
5. The MCCG also features the graduated element of “**Step Up**”, whereby companies are encouraged to voluntarily adopt aspirational practices, in addition to their implementation of the prescribed practices (“**Practices**”). The Practices and Step Ups are supported by “**Intended Outcomes**” which provide companies with the line of sight on what they will achieve through the Practices and Step Ups. Each Practice is supplemented by **Guidance** which outlines relevant considerations relating to the Practice.
6. In addition, the MCCG adopts a shift from its predecessor “comply or explain” disclosure regime to a new model of “apply or explain an alternative”. This shift is designed to move away from a “box-ticking” mind-set to promote a more meaningful application of good corporate governance practices. Equipped with **3 Principles, 32 Practices** and **4 Step Ups**, the MCCG calls upon listed issuers to view corporate governance disclosures as an opportunity to demonstrate to stakeholders that they have holistic and effective corporate governance arrangements in place.
7. The MCCG took effect immediately upon its release in April 2017 and listed issuers are required by virtue of the Main Market Listing Requirements and ACE Market Listing Requirements (collectively, the “**LR**”) to report their application of the MCCG with effect from the financial year ending on or after 31 December 2017.
8. In recognising the need for a guide that can provide listed issuers with insights and practical resources to raise their corporate governance standards, the Exchange has previously issued the **Corporate Governance Guide – Towards Boardroom Excellence** in 2009 and the 2nd Edition Corporate Governance Guide in 2013. Pursuant to the release of the MCCG, the Exchange has embarked on a

review of its 2nd Edition Corporate Governance Guide and is proposing to produce a revamped Corporate Governance Guide (the “**proposed Guide**”). The Exchange is targeting to issue the proposed Guide by the end of 2017.

9. The proposed Guide will serve to promote understanding of corporate governance and build the case for applying the Practices and Step Ups within the MCCG, taking into account of the Intended Outcomes and Guidance outlined in the MCCG. In addition, the proposed Guide seeks to provide additional perspectives on the current corporate governance environment and the relevant challenges as well as the opportunities that are surrounding listed issuers.

B. Details of the proposed Guide

1. The proposed Guide has been developed based on a thematic approach to provide readers with a focused view of the MCCG, beginning with the board and its responsibilities before addressing audit and risk management and then closing off with corporate reporting and relationship with stakeholders. The proposed Guide is divided into **three individual Pull-outs** which correspond to the respective Principles of MCCG:
 - a) *Board leadership and effectiveness (Pull-out I)*: Leadership of a company begins with the board and to be effective, boards need to consider the dimensions of responsibilities, composition, and remuneration.
 - b) *Effective audit and risk management (Pull-out II)*: A robust audit process, prudent risk-taking and strong internal controls have always been key safeguards of a business. Risk management helps boards to preserve and grow the value of their companies.
 - c) *Integrity in corporate reporting and meaningful relationship with stakeholders (Pull-out III)*: In order to build trust with stakeholders, companies need to be forthcoming and reliable in their reporting and facilitate greater shareholder participation at general meetings.
2. Each Pull-out of the proposed Guide is structured in the following manner:
 - a) **Introduction**: A lead-in that articulates the context, introduces the concepts and key areas which are covered in the Pull-out. The Introduction also provides direction and broad guidance for companies to make suitable arrangements in applying the Practices and Step Ups of MCCG.
 - b) **Write-ups to the Practices and Step Ups of MCCG**: Narrative on the reasoning, application as well as the international developments relating to the Practices and Step Ups (features contained are explained in detail below).
 - c) **Appendices**: Sample policies and instruments that are designed for the utility and further customisation of companies based on their circumstances and nuances.
3. A number of key features showcased in each write-up to the Practice and Step Up are as follows:
 - a) **Case for change**: The reasoning and value proposition for each Practice and Step Up are laid out for companies to appreciate the drivers of good corporate governance. This is particularly pertinent for Practices and Step Ups that are generally not well understood or new concepts introduced by the latest iteration of the MCCG.
 - b) **What could go wrong**: The possible outcomes of poor corporate governance practices are described.
 - c) **The practice in substance**: Key considerations relating to the application of the Practices and Step Ups are explored.
 - d) **Dos and Don'ts**: A quick and bite-sized list of actions items that the company should undertake and actions that the company should avoid, are included.

- e) **International perspectives:** International and regional developments as well as higher-order practices in selected jurisdictions are highlighted.
4. In addition, the write-ups to selected Practices and Step Up contain the following:
- a) **Investors' perspectives:** Views of institutional investors on key matters are shared. In recent times, a number of well-known institutional investors have begun to exert their influence over investee companies through their voting policies on a range of issues including board diversity, directors' remuneration and tenure of independent directors.
 - b) **Point for reflection:** The proposed Guide pauses regularly to highlight insights into selected Practices and Step Ups and how misconceptions or lack of understanding can prevent meaningful application of corporate governance practices.
 - c) **Hot button issues:** Contemporary and contentious issues are examined and the lessons drawn are reflected upon.
 - d) **Case studies:** Analyses of prominent cases and their corporate governance implications are expounded.
 - e) **Illustrative disclosures:** Sample disclosures are provided to assist companies in their reporting and communication to stakeholders.
 - f) **Red flags:** An outline of symptoms indicating broader corporate governance issues that companies should be wary of. These red flags are marked as symbols in selected Practices and Step-Ups.

Attachments



Pull-out I.pdf



Pull-out II.pdf



Pull-out III.pdf

Respondent details

Kindly complete the form below.

Name	
Entity type	<input type="checkbox"/> public listed company <input type="checkbox"/> public interest entity <input type="checkbox"/> institutional investor <input type="checkbox"/> local <input type="checkbox"/> foreign <input type="checkbox"/> professional body <input type="checkbox"/> academia <input type="checkbox"/> not-for-profit organisation <input type="checkbox"/> others
Company/organisation	
Designation	
Email address	

Issues for consultation

Note: In the event that you do not have any comment on the issues for consultation, kindly indicate “no comment” in the boxes provided below (under the “Comment” heading) before proceeding.

1. Is the proposed Guide well-structured (i.e. developed based on a thematic approach with three individual Pull-outs and the features contained therein as discussed in Section B above) to provide users with guidance in a clear, holistic and user friendly manner. If not, how could it be improved?

Yes <input type="checkbox"/>	No <input type="checkbox"/>
Comment:	

2. Are the explanations and insights in the write-ups to the Practices and Step Ups appropriate, adequate and sufficiently clear to facilitate corporate governance application in reality? If not, how could they be improved?

Yes <input type="checkbox"/>	No <input type="checkbox"/>
Comment:	

3. Do the write-ups to the Practices and Step Up convincingly explain the “Case for change” for listed issuers to appreciate the need to apply the corporate governance considerations in a manner which best fits the listed issuer and in the context of achieving the Intended Outcome? If not, how could they be improved?

Yes <input type="checkbox"/>	No <input type="checkbox"/>
Comment:	

4. Do the hot button issues and case studies in the write-ups to selected Practices and Step Ups sufficiently draw out the corporate governance issues, lessons learnt and practical solutions to mitigate or avoid the same? If not, how could they be improved?

Yes <input type="checkbox"/>	No <input type="checkbox"/>
Comment:	

5. Please provide your views or comments in relation to the following matters:

- a) Are there any other aspects of guidance that could be included to help listed issuers operationalise the process of two-tier voting in relation to a resolution to retain a long-serving independent director?

Yes <input type="checkbox"/>	No <input type="checkbox"/>
Comment:	

- b) Does the guidance on board assessment clearly set out the methods of conducting an evaluation, criteria that can be deployed and disclosure elements? If not, how could it be improved?

Yes <input type="checkbox"/>	No <input type="checkbox"/>
Comment:	

- c) Is adequate guidance given on the key considerations that should be taken into account in formulating a fair, transparent and well-structured remuneration policy for directors and senior management? If not, how could it be improved?

Yes <input type="checkbox"/>	No <input type="checkbox"/>
Comment:	

- d) Is adequate guidance given to audit committees on how they can assess the suitability, objectivity and independence of the external auditor, taking into account relevant professional and regulatory requirements? If not, how could it be improved?

Yes <input type="checkbox"/>	No <input type="checkbox"/>
Comment:	

- e) Is clear guidance provided to clarify the disclosure expectations for a listed issuer that has an in-house internal audit function vis-à-vis a listed issuer that outsources its internal audit function? If not, how could it be improved?

Yes <input type="checkbox"/>	No <input type="checkbox"/>
Comment:	

- f) Is the guidance provided on the Integrated Reporting Framework clear in explaining how integrated reporting can be achieved regardless of the size of the listed issuer and with a focus on the business value across risks and opportunities? If not, how could it be improved?

Yes <input type="checkbox"/>	No <input type="checkbox"/>
Comment:	

6. Do the appendices for each Pull-out serve as a useful reference for listed issuer to design policies and instruments that are tailored to their individual circumstances and nuances? If not, how could they be improved?

Yes <input type="checkbox"/>	No <input type="checkbox"/>
Comment:	

7. Is there any other information or guidance that should be included in the proposed Guide?

Comment:

8. On the whole, how helpful is the proposed Guide in fostering understanding and providing guidance on corporate governance application to a wide cross section of stakeholders? If the rating is “neutral” or “not helpful”, please state your reasons and suggest areas for improvement.

Very helpful <input type="checkbox"/>	Helpful <input type="checkbox"/>	Neutral <input type="checkbox"/>	Not helpful <input type="checkbox"/>
Comment:			

9. How likely are you going to use the proposed Guide? If the rating is “neutral” or “not likely”, please state your reasons and suggest areas for improvement.

Very likely <input type="checkbox"/>	Likely <input type="checkbox"/>	Neutral <input type="checkbox"/>	Not likely <input type="checkbox"/>
Comment:			

– The rest of this page is left blank. –

APPENDIX BURSA MALAYSIA SECURITIES BERHAD'S PERSONAL DATA NOTICE

In relation to the Personal Data Protection Act 2010 and in connection with your personal data provided to us in the course of this consultation, please be informed that Bursa Securities' personal data notice ("**Notice**") is available at www.bursamalaysia.com. Kindly ensure that you read and are aware of the Notice.

If you are submitting personal data of an individual other than yourself ("**data subject**"), please ensure that prior to such submission, you have provided the data subject with written notice of the Notice unless section 41 of the Personal Data Protection Act 2010 ("**PDPA**") applies or Bursa Securities otherwise specifies in connection with the PDPA.

.....

Berhubung Akta Perlindungan Data Peribadi 2010 dan berkenaan semua data peribadi anda yang diberikan di dalam proses konsultasi ini, sila ambil maklum bahawa notis Bursa Securities mengenai data peribadi ("**Notis tersebut**") boleh didapati di www.bursamalaysia.com. Sila pastikan yang anda membaca dan memahami Notis tersebut.

Jika anda mengemukakan data peribadi individu pihak ketiga ("**Subjek Data**"), anda mesti memastikan bahawa Subjek Data telah diberi notis bertulis mengenai Notis tersebut terlebih dahulu kecuali seksyen 41 Akta Perlindungan Data Peribadi 2010 ("**APDP**") terpakai atau Bursa Securities sebaliknya menyatakan berkenaan dengan APDP.

– End of Consultation Paper –

Thank you for submitting your comments on the proposed Corporate Governance Guide by Bursa Malaysia Securities Berhad. Your views will be helpful in finalising the document.