

## BURSA MALAYSIA SECURITIES BERHAD

## GUIDANCE NOTE NO-11/2006

**DISCLOSURE IN RELATION TO THE MALAYSIAN CODE ON INTERNAL CONTROL AND CORPORATE GOVERNANCE STATEMENT AND THE STATE OF INTERNAL CONTROL**

<u>Details</u>	<u>Cross References</u>
<u>Effective date:</u> 3 July 2006	<u>Rules 15.25 and 15.26</u>
<u>Revision date:</u> 3 August 2009	

**~~Issued in relation to Rules 15.25 and 15.26 of the Listing Requirements;~~****~~And~~****~~Pursuant to Rule 2.09 of the Listing Requirements.~~****1.0 Introduction**

- 1.1 Rule 15.25 of the Listing Requirements provides that a listed ~~company~~ corporation must include the following statements (~~hereinafter referred to as "the Corporate Governance Statement"~~) in its annual report in relation to its compliance with the Malaysian Code on Corporate Governance (~~hereinafter referred to as "the Code"~~):
- (a) a narrative statement of how the listed ~~company~~ corporation has applied the ~~p~~Principles set out in Part 1 of the Code (~~hereinafter referred to as "the Principles"~~); and
  - (b) a statement on the extent of compliance with the Best Practices in Corporate Governance set out in Part 2 of the Code (~~hereinafter referred to as "the Best Practices"~~) which statement ~~shall~~ must specifically identify and give reasons for any areas of non-compliance with Part 2 and the alternatives to the Best Practices adopted by the listed ~~company~~ corporation, if any.
- 1.2 Rule 15.26(b) of the Listing Requirements requires a listed ~~company~~ corporation to ensure that its board of directors make a statement in its annual report about the state of internal control of the listed ~~company~~ corporation as a group (~~hereinafter referred to as "the Internal Control Statement"~~).
- 1.3 This Guidance Note clarifies the obligation of the listed ~~companies~~ corporations in making the Corporate Governance Statement and the Internal Control Statement.

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**2.0 Location of the Corporate Governance Statement and the Internal Control Statement in the annual report**

- 2.1 A listed ~~company~~corporation may combine both the Corporate Governance Statement and the Internal Control Statement (both statements are collectively referred to as "~~the said Statements~~").
- 2.2 A listed ~~company~~corporation must set out the said Statements prominently and clearly in its annual report. The said Statements must not be incorporated into ~~its management's discussion-the Chairman's statement~~ in the annual report as referred to in paragraph 8 of Part A in Appendix 9C of the Listing Requirements.

**3.0 Contents of the Corporate Governance Statement**

- 3.1 ~~A listed company must note that there~~There are 2 parts to the Corporate Governance Statement, namely:-
- (a) a narrative statement on application of the Principles; and
  - (b) a statement on extent of compliance with the Best Practices.
- 3.2 A listed ~~company~~corporation must ensure that the narrative statement on application of each Principle contains adequate information to enable an informed assessment of the application of ~~the each~~ Principles by the listed ~~company~~corporation.
- 3.3 In making the statement on the extent of compliance with the Best Practices, a listed ~~company~~corporation must:-
- (a) make a general statement stating whether it complies with the Best Practices. Although it need not comment separately on each Best Practice with which it complies, a listed ~~company~~corporation must nevertheless provide adequate information to enable an informed assessment of its corporate governance practices; and
  - (b) in respect of Best Practices which the listed ~~company~~corporation does not comply with, it must deal with them individually, give reasons for the non-compliance and alternatives to the Best Practices adopted, if any.
- 3.4 A listed ~~company~~corporation must ensure that the Corporate Governance Statement covers its corporate governance practices for the whole financial year. If a practice had been in place for only part of the financial year, the listed ~~company~~corporation must state so and the period during which it had been in place.
- 3.5 If a listed ~~company~~corporation has not complied with any Best Practice for a certain part of the financial year, but -
- (a)            intends to take steps or has taken steps to be compliant with such Best Practice; or
  - (b)            intends to establish or has established an alternative approach,
- such listed ~~company~~corporation should make a statement to that effect.

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- 3.6 ~~All listed companies are reminded that~~ There are certain Best Practices ~~are also~~ that form the subject matter of provisions in the Listing Requirements, particularly in Chapter 15 thereof. If a listed ~~company~~ corporation does not comply with a Best Practice but complies with a Listing Requirement dealing with the same issue, it must still explain the reasons for departing from the Best Practice. Compliance with a Listing Requirement dealing with an issue also covered by a Best Practice must not be used by a listed ~~company~~ corporation as a circumstance justifying departure from a Best Practice.

#### 4.0 Contents of the Internal Control Statement

- 4.1 In making the Internal Control Statement, a listed ~~company~~ corporation is required to address the Principle and Best Practices in the Code which relate to internal control, namely the following:-

- (a) Principle D II in Part 1 of the Code which reads as follows:-

*"The board should maintain a sound system of internal control to safeguard shareholders' investment and the company's assets."*

- (b) Best Practice AAI in Part 2 of the Code which reads, inter alia, as follows:-

*"The board should explicitly assume the following specific responsibilities, which facilitate the discharge of the board's stewardship responsibilities:-*

- ♦ *Identifying principal risks and ensure implementation of appropriate systems to manage these risks;*
- ♦ *Reviewing the adequacy and the integrity of the company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines."*

- 4.2 In making the Internal Control Statement, a listed ~~company~~ corporation should be guided by the **Statement on Internal Control: Guidance for Directors of Public Listed Companies** which is issued by the Taskforce on Internal Control with the support and endorsement of the Exchange.

- 4.3 A listed ~~company~~ corporation must ensure that the 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 ~~company~~ corporation as the party which is making the statements.

#### 6.0 ~~Implementation of requirements~~

- 6.1 ~~All listed companies with financial years ending after 30 June 2007 must ensure that their annual reports shall contain the Corporate Governance Statement.~~

- 6.2 ~~All listed companies with financial years ending on or after 30 June 2007 must ensure that their annual reports shall contain the Internal Control Statement.~~

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~~6.3 All listed companies are encouraged to make the said Statements on a voluntary basis, prior to the implementation dates stated in paragraphs 6.1 and 6.2 respectively.~~

**~~7.0 Effective Date~~**

~~7.1 This Practice Note takes effect on 3 July 2006.~~