
**QUESTIONS AND ANSWERS IN RELATION TO
BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS
(As at 1 July 2023)**

CHAPTER 15 – CORPORATE GOVERNANCE

Directors

- 15.1 To calculate the number of independent directors required under paragraph 15.02(1)(a) of the Main LR, should the listed issuer take into account alternate directors?**

No. The listed issuer must not take into account alternate directors for the purpose of calculating the requisite number of independent directors in order to comply with paragraph 15.02(1)(a) of the Main LR.

- 15.2 Can an independent director appoint a person who is not independent to be his alternate director?**

No, if an independent director wishes to appoint another person to be his alternate director, such person must also satisfy the definition of "independent director" under paragraph 1.01 of the Main LR.

- 15.3 A listed issuer has 10 directors on board. However, there are only 3 independent directors. Does the listed issuer comply with paragraph 15.02(1)(a) of the Main LR or does the listed issuer have to appoint another independent director?**

Yes, the listed issuer would be in compliance with paragraph 15.02(1)(a) of the Main LR as the number nearest to 1/3rd shall apply, which in this scenario would be 3 independent directors.

- 15.4 Would a director who sits on the boards of directors of a few listed issuers be required to provide a separate undertaking in respect of each listed issuer?**

No. Such director may provide one undertaking to Bursa Securities in respect of all his directorships in various listed issuers. However, if after filing the undertaking, such director becomes a director of another listed issuer which is not indicated in the undertaking, he must provide another undertaking in respect of that listed issuer.

- 15.5 Is the requirement to provide Bursa Securities with the requisite undertaking in Annexure PN21-C and Annexure PN21-D pursuant to paragraph 15.03 of the Main LR applicable to alternate directors?**

Yes, alternate directors must also provide to Bursa Securities the undertaking in the form of Annexure PN21-C and/or Annexure PN21-D, as the case may be.

- 15.6 Paragraph 15.05(3)(c) of the Main LR states that the office of a director shall become vacant if the director is absent from more than 50% of the total board of directors' meetings held during a financial year. If *Mr A* is appointed as a director of *B Bhd*, a listed issuer, mid-way through a financial year, how does *Mr A* compute the minimum number of board meetings that he must attend for that financial year?**

The computation of the minimum number of board meetings to be attended in the financial year will take into account only the meetings that were held on or after the appointment of the director in question. Therefore, if *B Bhd's* financial year end is December 2009, *Mr A* is appointed on 15 August 2009 and the number of board meetings held after his appointment is 6, *Mr A* must attend at least 3 of the board meetings.

- 15.7 Can the attendance of an alternate director be taken into account for the purpose of computation of the 50% of the total number of board meetings attended?**

No. The director himself (and not his alternate director) must personally attend at least 50% of the total number of board meetings held during a financial year.

- 15.8 Can a board of directors' meeting that is conducted via teleconferencing, video conferencing or other electronic, audio or audio-visual means which allows simultaneous or instantaneous transmission be considered as a board of directors' meeting of a listed issuer for the purposes of paragraph 15.05(3)(c) of the Main LR?**

Yes, provided that such mode of meeting is valid under the relevant laws and/or constitution of the listed issuer concerned.

- 15.9 It is noted that a director of a listed issuer must attend at least 50% of the total board meetings held during a financial year pursuant to paragraph 15.05(3)(c) of the Main LR ("50% Requirement"). What happens if a director fails to comply with the 50% Requirement? Will that particular director be deemed to have automatically vacated his office?**

Pursuant to the Main LR, the office of the director shall become vacant if the director fails to comply with the 50% Requirement. In this regard, the vacation of the office would be automatic and the listed issuer must make an immediate announcement of the vacation of office pursuant to paragraph 15.05(3)(c) of the Main LR.

- 15.10 Paragraph 15.06(1) of the Main LR states that a director of an applicant or a listed issuer must not hold more than 5 directorships in listed issuers.**

- (a) Does the restriction apply to directorships held in corporations listed overseas?**

No. The restriction is only applicable to directorships held in listed issuers on Bursa Securities. Hence, in computing the number of directorships that may be held pursuant to the restriction, a director should take into account his directorships held in –

- (i) listed corporations (which include locally incorporated companies listed on Bursa Securities or corporations incorporated outside Malaysia but listed on Bursa Securities);

- (ii) management companies of the collective investment schemes which are listed on Bursa Securities;
- (iii) trustee-managers of the business trusts which are listed on Bursa Securities; or
- (iv) issuers of any other listed securities on Bursa Securities.

(b) When a management company of an ETF manages 5 listed ETFs, how many directorships does a director of such management company hold?

For purposes of paragraph 15.06(1), all the 5 directorships in the listed ETFs will be considered as one.

15.11 Can a director aggregate a directorship that is held in a listed subsidiary with directorship in the listed holding company?

No. A directorship in a listed issuer is to be counted as 1 directorship in a listed issuer and cannot be aggregated with a directorship in any other company, including a listed subsidiary.

15.12 Would a director of a listed issuer who lives overseas be required to attend the Mandatory Accreditation Programme (“MAP”)?

Yes. Every director of a listed issuer must attend the MAP, regardless of his place of residence.

15.13 Would an alternate or substitute director of a listed issuer be required to attend the MAP?

Yes, an alternate or substitute director of a listed issuer must also attend the MAP.

15.14 What happens if a director does not attend the MAP within the timeframes specified under Practice Note 5?

A director that does not attend the MAP within the timeframes specified under Practice Note 5 is in breach of the Main LR and enforcement action may be taken against him by Bursa Securities.

15.15 Pursuant to paragraph 15.08(2) of the Main LR, the board of directors must on a continuous basis, evaluate and determine the “training” needs of its directors. What would constitute “training” for the purposes of paragraph 15.08(2) of the Main LR?

Pursuant to paragraph 15.08(2) of the Main LR, the board of directors of the listed issuer is given the discretion to determine what constitutes “training” for its directors. In this respect, “training” could include, for example, the following:

- in-house training programmes organised by listed issuers for their directors;
- courses attended by directors as members of professional bodies which require mandatory training for their members;

- diploma/degree/post graduate courses; or
- courses/workshops conducted within or outside Malaysia.

15.16 Can the “training” prescribed by the board of directors for its directors relate to any topic at all, as may be determined at the absolute discretion of the board?

Under paragraph 15.08(2) of the Main LR, the training that is determined by the board of directors for its directors must be on a subject matter that aids the directors in the discharge of their duties as directors. Thus, the board must exercise its discretion within the confines of that requirement.

In this regard, the findings from annual performance assessment of directors are useful as they provide valuable insights into the training and development needs of directors. The board or nominating committee will be able to prescribe the training required by its directors based on the areas for improvement identified in the findings. In addition, the board may also regularly request each director to identify appropriate training that he believes will enhance his contribution to the board.

Broadly, the training should include key developments in the legal and regulatory framework, as well as the industry within which the listed issuer operates. The training could also cover areas such as financial literacy, technical know-how, business and industry specific trends, business strategies, risk management and internal control.

15.17 Under paragraph 15.08(3)(b) and item (28) of Part A, Appendix 9C of the Main LR, a brief description of the type of training attended by the directors for the financial year is required to be disclosed in the annual report. What are examples of the type of information that is required to be included in the brief description?

Examples of the types of information that should be disclosed in the brief description are the mode of training i.e. via seminar, workshops or courses; the title of the seminar, workshop or courses and the number of hours/days spent.

15.18 Under paragraph 15.08(3)(c) and item (28) of Part A, Appendix 9C of the Main LR, a listed issuer must provide valid justifications if, in exceptional circumstances, its directors are unable to attend any training during the financial year. What are some of the “exceptional circumstances” envisaged under paragraph 15.08(3)(c) of the Main LR?

Generally, a director is expected to attend continuous training to update and enhance his skills and knowledge. This is important for the director to ensure that he continues to carry out his role effectively. It is also recognized that there may be exceptional circumstances where a director may not be able attend any training. However, these circumstances should be **rare and uncommon**, such as if a director is suffering from a long term illness or is bedridden over a prolonged period.

Generally, it **will not be** considered as an exceptional circumstance if a director is unable to attend any training because he does not have the time due to business commitment or tight schedule for instance, or there are no suitable programmes or courses available.

*Fit and proper policy***15.18A Is there any guidance to assist a listed issuer in formulating a fit and proper policy for the appointment and re-election of directors of the listed issuer and its subsidiaries?**

A listed issuer may refer to the Corporate Governance Guide (4th Edition) for guidance on the criteria and considerations that underpin a fit and proper policy for directors. A copy of the said Corporate Governance Guide is available at <https://bursasustain.bursamalaysia.com/droplet-details/resources/corporate-governance-guide-4th-edition>.

*Nominating committee***15.19 Paragraph 15.08A(3) of the Main LR states that a listed issuer must provide in its annual report, a statement about the activities of its nominating committee in the discharge of its duties for the financial year. Such statement must include the application of the listed issuer’s fit and proper policy in the nomination and election of its directors, how the requirements set out in paragraph 2.20A of the Main LR are met and contain the following information:**

- (a) the policy on board composition having regard to the mix of skills, independence and diversity (including gender diversity) required to meet the needs of the listed issuer;
- (b) the board nomination and election process of directors; and
- (c) the assessment undertaken by the nominating committee in respect of the performance of its board, committees and individual directors together with the criteria used for such assessment.
 - (i) **What is a listed issuer expected to disclose in the “application of the listed issuer’s fit and proper policy in the nomination and election of its directors”?**

In disclosing the “application of the listed issuer’s fit and proper policy in the nomination and election of its directors”, the listed issuer must ensure that the disclosure is sufficiently detailed and informative so that shareholders and investors have clarity and insights as to why the directors are selected and appointed to the board. In this regard, the listed issuer is expected to discuss –

- the overall desired board composition covering, among others, the combination of skill sets, diversity, tenure etc as reflected in its fit and proper policy;
- the specific justifications for appointing or re-electing each individual director during the financial year by taking into account the desired board composition above, as well as factors justifying the nomination or re-election of a director, including the qualification and relevant work experience (in the case of a nomination) or the past contribution or performance of the director (in the case of re-election).

The listed issuer must avoid providing generic, boilerplate or process-centric statements that do not add much value to shareholders. For example, “each director appointed or re-elected are in line with the listed issuer’s fit and proper policy” or “in nominating a candidate, the nominating committee has taken into account the listed issuer’s fit and proper policy and is satisfied that the candidate is suitable for the company”.

(ii) Can a listed issuer publish the information required under sub-paragraph (a), (b) and (c) above on its website instead of the annual report?

A listed issuer must publish the statement about the activities of its nominating committee containing the prescribed information under paragraph 15.08A(3) of the Main LR, in its first annual report. In respect of the subsequent financial years, while the listed issuer may publish the information under sub-paragraphs (a) and (b) on its website provided that the requirements under paragraph 9.25(1)¹ of the Main LR are complied with, information on the application of the fit and proper policy as well as the assessment of performance of the board, committee and individual directors undertaken by the nominating committee during the financial year, must be disclosed in annual report.

15.20 Must a listed issuer disclose the targets and measures taken to meet the targets in relation to its gender diversity policy when it provides its statement on the activities of its nominating committee pursuant to paragraph 15.08A(3) of the Main LR?

Although paragraph 15.08A(3) of the Main LR does not explicitly require such disclosure, a listed issuer is strongly encouraged to disclose the targets and measures taken to meet the targets in relation to its gender diversity policy as recommended in the MCGG.

In this regard, we wish to draw the listed issuer’s attention to the announcement made by the Prime Minister Datuk Seri Najib Tun Razak on 27 June 2011 on the Government’s policy approved by the Cabinet that women must comprise at least 30% of those in decision-making positions in the corporate sector within 5 years (i.e. by 2016).

Audit committee

15.21 Would a person with a degree in accounting and who possesses 3 years’ post qualification experience in finance but who is currently not a member of Malaysian Institute of Accountants meet the requirements of paragraphs 9.27 and 15.09(1)(c) of the Main LR?

Yes, pursuant to paragraph 7.1 of Practice Note 13, such person would be acceptable for the purposes of paragraphs 9.27 and 15.09(1)(c) of the Main LR.

¹ Paragraph 9.25(1) of the Main LR stipulates that a listed issuer may publish information set out in Part A of Appendix 9C on its website if such information has been previously announced or disclosed to shareholders pursuant to the Main LR, or remains substantially unchanged from year to year provided that the listed issuer discloses in the annual report, the address of its website and the place on its website where the information can be accessed.

15.22 What are some of the examples of persons who have “experience in accounting or finance” as referred to in paragraph 7.1 of Practice Note 13?

Some of the examples of persons who have “experience in accounting or finance” are accountants, auditors in an audit firm, financial controllers, finance executives, finance managers or finance directors.

15.23 *Mr A* started as a clerk in a company and gradually worked his way up to being a finance director. He has in total 20 years’ experience in finance related work. In the last 8 years, he was the finance director of a family-owned company where he was primarily responsible for the management of the financial affairs of the company. However, he only has a diploma in accounting. Does *Mr A* meet the requirements of paragraphs 9.27 and 15.09(1)(c) of the Main LR?

Yes, pursuant to paragraph 7.1 of Practice Note 13, *Mr A*’s qualifications will be acceptable for the purposes of paragraphs 9.27 and 15.09(1)(c) of the Main LR.

15.24 Who will be the signatory to the statutory declaration pursuant to section 251(1)(b) of the Companies Act 2016, who may be approved by Bursa Securities as referred to under paragraph 9.27(c) of the Main LR? Similarly, what are the other requirements as may be approved by Bursa Securities under paragraph 15.09(1)(c)(iii) of the Main LR, pertaining to the audit committee?

The approval will be given on the basis of an application made by a listed issuer. Bursa Securities will examine the merits of each application and the approval of such signatory or requirements pertaining to audit committee member will be given on a case by case basis.

15.25 In relation to the requisite qualifications for the signatory under paragraph 9.27 of the Main LR and a member of the audit committee under paragraph 15.09 of the Main LR, if the person concerned fulfils the requirements set out in the said provisions or paragraph 7.1 of Practice Note 13 (“Said Qualifications”), does he still have to submit an application to Bursa Securities for approval?

No. He does not have to submit any application to Bursa Securities for approval. The requirement to seek Bursa Securities’ approval is only necessary if the person concerned does not fulfill the Said Qualifications but is nonetheless considered by the listed issuer to have the requisite knowledge and experience that will enable him to discharge his obligations as a signatory or audit committee as if he had the Said Qualifications.

15.26 In relation to paragraph 9.27 of the Main LR where it is stated that the “signatory” must satisfy such other requirements as approved by Bursa Securities, what are the specific requirements that may be approved by Bursa Securities?

The “signatory” must provide justification to Bursa Securities that the knowledge and experience that he has are adequate to enable him to discharge his role effectively as a signatory to the statutory declaration even though he does have the Said Qualifications. This justification will be considered by Bursa Securities on a case-by-case basis.

15.27 To whom should the application for approval under paragraphs 9.27 and 15.09 of the Main LR as referred to in Question 15.25 above be made?

Any application should be made in writing to the Listing Division of Bursa Securities, addressed to the Head, Listing together with the necessary documents to support the application.

15.27A Under paragraph 15.12(1)(j) of the Main LR, an audit committee is required to review whether there is reason (supported by grounds) to believe that the listed issuer's external auditor is not suitable for re-appointment, and make the relevant recommendation to the board.

What are some of the key factors that may assist the audit committee in determining whether such reason exists where the external auditor is not suitable for re-appointment?

In making the determination, the audit committee should, in addition to the suitability factors as set out in paragraph 15.21 of the Main LR², also consider the performance of the external auditor and its independence such as -

- the external auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
- the nature of the non-audit services provided by the external auditor and fees paid for such services relative to the audit fee; and
- whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditor.

15.27B Pursuant to paragraph 15.15(3)(d) of the Main LR, a listed issuer must disclose in the audit committee report, a summary of work of the audit committee in the discharge of its functions and duties for the financial year, and how the audit committee has met its responsibilities. What is the information that a listed issuer is expected to disclose under this requirement?

When describing the summary of work of the audit committee in the discharge of its functions and duties, and how the audit committee has met its responsibilities, a listed issuer must be mindful that the purpose is to provide shareholders with an insight on how the audit committee performed its functions during the financial year, to, among others, safeguard the integrity of financial reporting.

² Paragraph 15.21 of the Main LR provides that in appointing an external auditor, a listed issuer must consider, among others –

- (a) the adequacy of the experience and resources of the accounting firm;
- (b) the persons assigned to the audit;
- (c) the accounting firm's audit engagements;
- (d) the size and complexity of the listed issuer's group being audited; and
- (e) the number and experience of supervisory and professional staff assigned to the particular audit.

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Hence, the listed issuer is expected to discuss the areas over which the audit committee exercised its oversight, and explain with sufficient details what it did to execute its oversight responsibilities.

For example, the listed issuer should, in relation to the audit committee's role to oversee financial reporting, include details such as –

- the dates when the audit committee met with the external (and internal) auditors without the presence of management and the topics discussed;
- identified new financial reporting standards and other standards that were discussed and which may have had a significant impact on the listed issuer's financial statements;
- the review undertaken on matters relating to management judgments and estimates;
- the processes and controls that were in place for effective and efficient financial reporting and disclosures under the financial reporting standards.

With regards to the audit committee's role to review any related party transactions ("**RPTs**") and conflict of interest ("**COI**") situations that arose, persist or may arise within the listed issuer or group, the listed issuer should include –

- information on the framework in place for the purposes of identifying, evaluating, approving, reporting and monitoring such COI situations and RPTs; and
- the key considerations taken by the audit committee when it reviews the RPTs or COI situations.

The listed issuer must avoid providing a generic or boilerplate statement that fails to reflect the breadth and depth of the important activities undertaken by the audit committee. It should also avoid merely re-stating its terms of reference or charter, which is typically static information that should be made available on the listed issuer's website.

The listed issuer and its audit committee may be further guided in disclosing the summary of the audit committee's work as required under paragraph 15.15(3)(d) of the Main LR by referring to the **Corporate Governance Guide (4th Edition)**³.

15.27C What is a listed issuer expected to disclose in the summary of the work of the internal audit function under paragraph 15.15(3)(e) of the Main LR?

Similar to the above, a listed issuer should provide information which enables shareholders to have an insight into how the internal audit function discharged its roles and responsibilities during the financial year. With such information, shareholders are able to understand better the effectiveness and efficiency of the governance, risk management and internal control processes in place. The disclosure would also assist shareholders in assessing whether the audit committee has carried out its oversight duties over the internal audit, effectively.

³ This is available at:
<https://bursasustain.bursamalaysia.com/droplet-details/resources/corporate-governance-guide-4th-edition>

In this regard, the listed issuer should provide information on the key specific areas that were audited and other information such as the resources made available to the internal audit function as well as the internal audit reporting and communication flow i.e. what was done with the internal audit report and whether concerns, if any, identified by internal audit in its report were addressed, during the financial year. The listed issuer should avoid providing generic statements about the general responsibilities of the internal audit function or its terms of reference which do not inform shareholders of the actual work performed by the internal audit function.

The listed issuer and its audit committee may be further guided in disclosing the summary of the internal audit function's work as required under 15.15(3)(e) of the Main LR by referring to the **Corporate Governance Guide (4th Edition)**⁴.

15.28 In view of paragraph 15.17(f) of the Main LR, can the company secretary of a listed issuer still attend the audit committee meeting?

Yes, the company secretary may attend. The discretion lies with the audit committee, whether it wishes to also exclude the attendance of the company secretary.

Corporate Governance Disclosures

15.29 Are there any specific requirements pertaining to the disclosure to be made in the annual report in relation to the MCCG?

Practice Note 9 elaborates on the disclosure to be made in the annual report of a listed issuer in relation to this requirement.

15.29A Under paragraph 15.25(1) of the Main LR, a listed issuer's board of directors must provide an overview of the application of the Principles set out in the MCCG ("Principle") in its annual report ("CG Overview Statement"). In this regard, what are the information that must be disclosed in the CG Overview Statement?

As stipulated under paragraph 3.1A of Practice Note 9 of the Main LR, the listed issuer must disclose a summary of its corporate governance practices during the financial year with reference to the 3 Principles set out in the MCCG which are -

- (a) board leadership and effectiveness;
- (b) effective audit and risk management; and
- (c) integrity in corporate reporting and meaningful relationship with stakeholders.

In addition, the listed issuer should also highlight the following in the CG Overview Statement:

⁴ This is available at:
<https://bursasustain.bursamalaysia.com/droplet-details/resources/corporate-governance-guide-4th-edition>

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- (i) its key focus areas in relation to its corporate governance practices for the reporting financial year; and
 - (ii) its future priorities or plans moving forward, in key areas for the forthcoming financial years.

Further guidance on the CG Overview Statement is available at the Executive Summary of the Corporate Governance Guide issued by the Exchange.

15.30 Paragraph 15.25(2) of the Main LR requires a listed issuer to disclose the application of each Practice set out in the MCCG during the financial year to the Exchange in a prescribed format (“CG Report”) and announce the same together with the announcement of the annual report.

If a shareholder requests for a hard copy of the annual report from a listed issuer, must the listed issuer send a hard copy of the CG Report together with the annual report to the shareholder?

No, there is no obligation for the listed issuer to forward a hard copy of the CG Report together with its annual report to its shareholder who has requested for a hard copy of the annual report. Under paragraph 15.25(2) of the Main LR, the listed issuer is only required to state in its annual report, the designated website link or address where the CG Report may be downloaded by its shareholders.

15.30A Can a listed issuer modify the prescribed format for the CG Report?

No. The listed issuer must strictly comply with the prescribed format of the CG Report with no exception whatsoever. In this regard, the listed issuer must ensure that each applicable field in the prescribed format relating to each Practice is completed before announcing the CG Report to the Exchange.

15.30B Can a listed issuer disclose the application of each Practice set out in the MCCG during the financial year in the annual report instead of in a prescribed format?

No, a listed issuer must disclose the application of each Practice set out in the MCCG during the financial year in a prescribed format.

15.30C If a listed issuer has adopted and disclosed Step Up practice 5.4 or 8.3 of the MCCG in its CG Report, is the listed issuer still required to disclose the application of Practice 5.3 or 8.2?

No. The listed issuer is only required to select the dropdown option “Not applicable – Step Up 5.4 adopted” for Practice 5.3 or “Not applicable – adopted Step Up 8.3” for Practice 8.2, as the case may be, in the CG Report.

15.30D In explaining the departure from a Practice and the adoption of an alternative practice for such departure as required under paragraph 3.2A in Practice Note 9 of the Main LR, can a listed issuer state the adoption of another Practice in the MCGG as the justification or its alternative practice?

No, the listed issuer must still provide an explanation for the departure and disclose its alternative practice (other than the adoption of another Practice in the MCGG) and how the alternative practice achieves the Intended Outcome as required under paragraph 3.2A of Practice Note 9.

15.31 Can a listed issuer insert the CG Overview Statement (as referred to Practice Note 9) in its directors' report in the annual report?

Yes, a listed issuer may insert the CG Overview Statement in its directors' report in the annual report. However, a listed issuer must ensure that the said statement is prominently and clearly set out.

15.32 Must the CG Overview Statement and CG Report be signed by the directors of a listed issuer in the same manner as the directors' report?

No. It is not the requirement of Bursa Securities that the CG Overview Statement and CG Report must be signed by the directors of a listed issuer. However, the listed issuer must ensure that the CG Overview Statement and CG Report are approved by its board of directors.

15.33 [Deleted]

15.33A Is it mandatory for a listed issuer to comply with the Corporate Governance Guide issued by the Exchange when it prepares its CG Overview Statement and CG Report?

Whilst it is not mandatory, a listed issuer is strongly **encouraged as a best practice** to refer to the Corporate Governance Guide when preparing its CG Overview Statement and CG Report.

Risk Management and Internal Control Statement

15.34 Is there any guidance to assist directors of listed issuers in making the statement on risk management and internal control?

In addition to Practice Note 9, directors should also refer to the guidance entitled "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" issued by the Taskforce on Internal Control. A copy of the said guidelines is available on Bursa Securities' website at www.bursamalaysia.com.

Internal audit**15.35 What is meant by “an internal audit function which is independent of the activities it audits” as referred to under paragraph 15.27 of the Main LR?**

This means that the internal audit function of a listed issuer must be independent from the management and operations. A listed issuer must not allow or condone inter-management audit. For example, finance department performing audit on the other operation units within the group of a listed issuer. For the purposes of clarifying the phrase “independent of the activities of its audits”, reference may be made to the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and the Internal Auditing Guidelines issued by the Malaysian Institute of Accountants (collectively referred to as “the Internal Audit Standards & Guidelines”).

15.36 Can the internal audit function of a listed issuer be outsourced?

Yes. The internal audit function of listed issuer can either be performed in-house or outsourced.

15.37 Where the internal audit function of a listed issuer is outsourced, what is the key issue that must be taken into consideration?

The key issue is the independence and objectivity of the firm/person to whom the internal audit function is outsourced. Again, for the purposes of clarifying the issue of “independence and objectivity”, reference may be made to the Internal Audit Standards & Guidelines.

15.38 Can the internal audit function be outsourced to the firm/person performing the statutory audit for the listed issuer?

Pursuant to section 290.186A of the By-Laws (On Professional Ethics, Conduct And Practice) of the Malaysian Institute of Accountants (“Ethics By-Laws”), where a financial statement audit client is a listed entity or public interest entity, the firm or network of firm performing the financial statement audit should not accept an engagement to provide internal audit services.

As such, the internal audit function of a listed issuer should not be outsourced to the firm/person performing the statutory audit for the listed issuer.

15.39 Can the internal audit function be outsourced to a group internal auditor who may be the internal auditor of the holding company, the subsidiary or subsidiary of the holding company?

Yes, all these can be considered as outsourcing. The listed issuer, however, must always adhere to the requirements of “independence and objectivity”.

- 15.40 With reference to Questions 15.36, 15.37 and 15.38 above, what are the requirements that must be complied with by the external party to whom the internal audit function is outsourced?**

This depends on who the external party is. Such party must always comply with whatever legal requirements imposed on it by the relevant bodies or which it is subject to, in offering its services as an internal auditor. For example, in the case of a member of the Malaysian Institute of Accountants, it would have to comply with the Institute's requirements. This would include the Ethics By-Laws.

Anti-corruption and whistle-blowing

- 15.41 Pursuant to paragraph 15.29(1)(a)(i) of Main LR, a listed issuer and its board are required to be guided by the Guidelines on Adequate Procedures issued pursuant to section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009 ("GAP"), at a minimum, when establishing its group policies and procedures on anti-corruption. Besides GAP, can a listed issuer adopt other standards or systems on anti-corruption?**

Yes, a listed issuer may adopt other recognised standards or systems on anti-corruption such as the Anti-Bribery Management System (MS ISO 37001) when formulating its anti-corruption policies and procedures provided that the listed issuer ensures that its anti-corruption policies and procedures comply with the GAP as well.

- 15.42 Is a listed issuer in compliance with paragraph 15.29(1)(a) of the Main LR if it establishes and maintains policies and procedures on anti-corruption and whistle-blowing, on a group basis?**

Yes, the listed issuer complies with paragraph 15.29(1)(a) of the Main LR if the policies and procedures are established on a group basis and adopted by the listed issuer and all its subsidiaries within the group.

- 15.43 Paragraph 15.29(1)(b) of the Main LR stipulates that a listed issuer and its board of directors must ensure that the policies and procedures on anti-corruption and whistle-blowing are reviewed periodically to assess their effectiveness, and in any event, at least once every 3 years. In this regard, when should the listed issuer conduct the periodic review?**

To ensure that the listed issuer's policies and procedures remain effective, it is expected that a review would be carried out when -

- there is change in the law or circumstance in the listed issuer's business;
- there is a material change in the environment or circumstances in which the listed issuer is operating; or
- the current policies and procedures are found to be inadequate.

Such review is necessary to allow the listed issuer to analyse and assess whether the policies and procedures are still effective in addressing or mitigating corruption risks that the listed issuer group is exposed to, or whether improvements are required. In any event, the listed issuer must review its policies and procedures on anti-corruption and whistle-blowing at least once every 3 years.