



ICGN

International Corporate Governance Network

Regulatory Policy & Advisory
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By email: norlailamohamad@bursamalaysia.com

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Dear Bursa Malaysia,

Re: Consultation on the review of Bursa Malaysia Securities Berhad Main Market and Ace Market Listing Requirements Relating to the Corporate Governance Requirements

The International Corporate Governance Network (ICGN) welcomes the opportunity to comment on the consultation on the proposed amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements and ACE Market Listing Requirements.

Established in 1995, ICGN Members include institutional investors with global assets under management in excess of US\$26 trillion present in over 45 countries. Our mission is to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies world-wide. As such, ICGN offers an important investor perspective on corporate governance to help inform public policy development and encourage of good practices by capital market participants. For more information on the ICGN, please visit www.icgn.org. Our policy positions are guided by the ICGN Global Governance Principles and Global Stewardship Principles, both of which have been developed in consultation with ICGN Members and as part of a wider peer review.¹

ICGN's institutional investment members have significant investment holdings in Malaysia, and we have supported positive developments in Malaysian corporate governance, including the new Malaysian Code on Corporate Governance (MCCG) in early 2017. We applaud the Securities Commission Malaysia (SC) for issuing this updated code, and we are also encouraged that the Bursa Malaysia (the Exchange) is seeking to harmonise its own listing requirements in alignment with the latest developments in the MCCG.

Consultation Questions

Proposal 1.1 Separate corporate governance report

1. Do you have any comment on using a prescribed format for disclosure on the application of each Practice pursuant to MCCG

¹ ICGN Global Governance Principles: <http://icgn.flpbks.com/icgn-global-stewardship-principles/#p=1>

ICGN supports the usage of a prescribed format for disclosure on the application of each Practice pursuant to the MCCG. A key benefit of this approach is to enhance transparency with regard to a company's corporate governance arrangements, with a prescribed format to allow for greater comparative consistency in monitoring and to make it more difficult for companies to hide less publicly attractive aspects of their corporate governance. It would also allow analysts and others monitoring corporate governance to take a "deeper dive" in to more data points and metrics relating to a company's governance practices.

At the same time a prescribed format can be a weakness as well as a strength. Between companies, not all aspects of corporate governance have the same relevance or materiality, and there is a risk of a standardised CR report resulting in a mechanistic boilerplate document that does not change significantly on a year to year basis. Under such a scenario, the CR report is less likely to be actively read by investors or other stakeholders; the Exchange therefore needs to focus on encouraging meaningful content in CR reporting.

2. Do you have any comment on the proposed disclosures required in the prescribed format for the CG Report as set out in Annexure C?

We also support the prescribed format for the proposed disclosures in paragraph 7 because all issuers must confirm they have applied or departed from a Practice.

3. Do you agree with the proposal to require the listed issuers to prepare the CG Report separately from their annual reports but make available the CG report to its shareholders together with its annual report?

As the global financial reporting environment moves towards an integrated business reporting model ICGN recommends that issuers combine the traditional annual report with the CG report into an integrated business report. Given that the proposal requires issuers to make available a copy of the CG report together with its annual report, essentially on the same day, issuers should have no problem issuing an integrated business report.

Proposal 1.2 Corporate governance overview statement in annual report

5. Do you agree with our proposal to require a listed issuer to disclose the CG Overview Statement in its annual report, in addition to the CG Report?

ICGN is generally supportive of both integrated reporting and "integrated thinking". If a company issues an integrated business report (annual report + CG report) then a CG Overview Statement may not be necessary. If issuers disclose a separate annual report and CG report then a CG Overview Statement is appropriate.

An Overview Statement should build from the same information set that would form the basis of the prescribed CG Report, so it should not be duplicative in terms of data and content collected by the company. But this Overview Statement should ideally

weave a concise account of a company's governance arrangements into its overall strategic, operational and financial reporting.

6. Do you agree with the proposed information that should be included in the disclosure of the CG Overview Statement

ICGN believes that having issuers highlight their CG practices key focus areas and future priorities would be informative for investors. However, why limit the CG Overview Statement to only the three topics listed in paragraph 15 of the consultation?

Proposal 1.3 Enhanced corporate governance disclosures

8. Do you agree with the proposal to allow a listed issuer to provide the disclosures in the CG Report only as long as such disclosure complies with the requirements prescribed for the annual report, in the event a subject matter is required to be disclosed in both the CG Report and the annual report?

We agree with the Exchange that while governance and transparency in Malaysia have improved, there is still scope for improvement, particularly with regard to corporate governance disclosures. As a general principle, particularly to avoid unnecessary and inefficient duplication of effort, it may make sense to provide many of the more detailed disclosures in the CG Report only. But in cases where governance factors are relevant to overall strategy and management, there would seem to scope for some duplication of particularly material factors in the annual report.

Proposal 2.1 Enhancing audit committee oversight of the internal audit function

10. Do you agree with the proposed enhancements to the role of the audit committee to review and report on the internal audit plan instead of the internal audit programme?

ICGN agrees that an internal audit plan is probably a more robust better understood descriptor than an internal audit programme. The ICGN supports increased disclosure from Audit Committees on their work and oversight of the company's audit, accounting practices and financial disclosures.

11. Instead of the results of the internal audit programme, do you agree that the audit committee is required to review and report to the board of directors of a listed issuer on internal audit reports and recommendations raised?

ICGN is supportive of audit committees being required to review and report to the board of directors on internal audit reports and recommendations raised. Establishing a reporting requirement by the audit committee to the board as a whole may prove to be an effective tactic in underscoring the audit committee's responsibility to provide

robust oversight over internal audit issues. However, a report alone cannot ensure audit committee effectiveness. The audit committee's overall interaction with the board of directors would appear to be more substantive than a report on the results of the internal audit programme. If this aspect is introduced to the Listing Rules the Exchange should monitor the effectiveness of this requirement, and ensure that it does not evolve into a "tick the box" boilerplate report that might provide little incremental impact.

We would be pleased to elaborate on any of the points raised in this letter should that be helpful and do not hesitate to contact me or George Dallas, ICGN's Policy Director, by email at george.dallas@icgn.org for more information.

Yours faithfully,



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