

APPENDIX 2

ACE Market Listing Requirements

Proposal 1: Mandating poll voting for related party transactions

10.08 Related party transactions

(1) – (6) ...

(7) In a meeting to obtain shareholder approval -

- (a) the interested director, major shareholder or person connected with a director or major shareholder with any interest, direct or indirect (“**interested major shareholder**” or “**interested person connected with a director or major shareholder**”); and
- (b) where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder,

must not vote on the resolution approving the transaction. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transaction.

(7A) A listed corporation must ensure that any vote of shareholders taken at the general meeting on the resolution approving the transaction is taken on a poll.

(8) – (11) ...

10.09 Recurrent Related Party Transactions

(1) Notwithstanding Rule 10.08(1)(b) above, a listed corporation must immediately announce a Recurrent Related Party Transaction as follows:

- (a) in relation to a listed corporation with an issued and paid-up capital of RM60 million and above -
 - (i) the consideration, value of the assets, capital outlay or costs of the Recurrent Related Party Transactions is RM1 million or more; or
 - (ii) the percentage ratio of such Recurrent Related Party Transaction is 1% or more, whichever is the higher; or
- (b) in relation to a listed corporation with an issued and paid-up capital which is less than RM60 million –
 - (i) the consideration, value of the assets, capital outlay or costs of the Recurrent Related Party Transaction is RM1 million or more; or

PROPOSED ACE LR AMENDMENTS
In relation to Corporate Governance Requirements
Consultation - 30 July 2012

- (ii) the percentage ratio of such Recurrent Related Party Transaction is 1% or more, whichever is the lower.
- (2) A listed corporation may seek a mandate from its shareholders for Recurrent Related Party Transactions subject to the following:
- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
 - (b) the shareholder mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholder mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under sub-Rule (1) above;
 - (c) the listed corporation's circular to shareholders for the shareholder mandate includes the information as may be prescribed by the Exchange. The circular must be submitted to the Exchange together with a checklist showing compliance with such information;
 - (d) in a meeting to obtain a shareholder mandate:
 - (i) ~~the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution to approve the transactions;~~
 - (ii) ~~An~~the interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
 - (iii) the listed corporation must ensure that any vote of shareholders taken at the general meeting on the resolution approving the transaction is taken on a poll; and
 - (e) the listed corporation immediately announces to the Exchange when the actual value of a Recurrent Related Party Transaction entered into by the listed corporation, exceeds the estimated value of the Recurrent Related Party Transaction disclosed in the circular by 10% or more and must include the information as may be prescribed by the Exchange in its announcement.

[Cross reference: Guidance Note 8]

PROPOSED ACE LR AMENDMENTS
In relation to Corporate Governance Requirements
Consultation - 30 July 2012

Proposal 2: Limiting the number of directorship in listed companies and removing restriction on number of directorships in non-listed companies

15.06 Restriction on directorships in listed companies

- (1) A director of an applicant or a listed corporation must not hold more than 255 directorships in listed companies, ~~of which-~~
- ~~(a) — the number of directorships in listed companies must not be more than 10; and~~
- ~~(b) — the number of directorships in companies other than listed companies must not be more than 15.~~
- (2) ~~For the purposes of this Rule, “companies” means companies incorporated under or corporations registered as foreign companies under the Companies Act 1965, regardless of whether such companies are public or private companies or whether they are listed companies or not~~~~[Deleted]~~.

~~[Cross-reference: Guidance Note 9]~~

15.07 Method of computation

~~For the purposes of Rule 15.06, a director of an applicant or a listed corporation must comply with the method of calculation of number of directorships prescribed by the Exchange~~~~[Deleted]~~.

~~[Cross-reference: Guidance Note 9]~~

GUIDANCE NOTE 9 - REQUIREMENTS FOR DIRECTORS AND SIGNATORY OF STATUTORY DECLARATION FOR ACCOUNTS

1.0 Introduction

1.1 – 1.3 ...

1.4 ~~Pursuant to Rule 15.06 of the Listing Requirements, a director of an applicant or a listed corporation may only hold not more than 10 directorships in listed companies and not more than 15 directorships in companies other than listed companies (“non-listed companies”).~~~~[Deleted]~~

1.5 ~~Rule 15.07 of the Listing Requirements sets out the method of computing the number of directorships that may be held by a director as stipulated under Rule 15.06 of the Listing Requirements.~~~~[Deleted]~~

1.6 This Guidance Note clarifies the following:

- (a) certain aspects of the said definition; and
- (b) the requisite qualifications in relation to the signatory and the said audit committee member; ~~and~~

PROPOSED ACE LR AMENDMENTS
In relation to Corporate Governance Requirements
Consultation - 30 July 2012

- (c) ~~the method of calculation of number of directorships held by a director of an applicant or a listed corporation[deleted].~~

III RESTRICTION IN NUMBER OF DIRECTORSHIPS

Paragraphs 8.0 – 10.0 [Deleted]

Proposal 3: Mandating establishment of Nominating Committee

PART B(A) – NOMINATING COMMITTEE

15.08A Nominating committee

A listed corporation must establish a nominating committee which comprises exclusively of non-executive directors, a majority of whom must be independent.

Proposal 4: Requiring disclosure of gender diversity policies and targets and the measures taken to meet those targets

APPENDIX 9C

Contents of annual report
(Rule 9.25)

- (9) A statement relating to corporate governance in respect of the financial year required under Rule 15.25.
- (9A) A statement of the listed corporation's policy on gender diversity for the board of directors, together with the targets for achieving gender diversity and measures taken to meet those targets.

PROPOSED ACE LR AMENDMENTS
In relation to Corporate Governance Requirements
Consultation - 30 July 2012

Proposal 5: Enhancing disclosure on directors' training

15.08 Directors' training

- (1) A director of a listed corporation must ensure that he attends such training programmes as may be prescribed by the Exchange from time to time.
- (2) The Exchange considers continuous training for directors of listed corporations as important to enable the directors to effectively discharge their duties. In this respect, the board of directors of a listed corporation must on a continuous basis, evaluate and determine the training needs of its directors. The subject matter of training must be one that aids the director in the discharge of his duties as a director.
- ~~(3) The board of directors must disclose in the annual report of the listed corporation, whether its directors have attended training for the financial year, a statement on the training attended by its directors which includes the following information:~~
- ~~(a) the board has undertaken an assessment of the training needs of each director;~~
- ~~(b) a brief description on the type of training that the directors have attended for the financial year; and~~
- ~~(c) in exceptional circumstances, Where any of its directors have~~as~~ not attended any training during the financial year, the board of directors must state the reasons valid justifications for the non-attendance in the annual report for each director of such director.~~

[Cross reference: Guidance Note 10]

APPENDIX 9C

Contents of annual report
 (Rule 9.25)

- (29) A statement by the board of directors ~~containing a brief description on the type of training that the directors have attended for the financial year. Where any of the directors have not attended any training during the financial year, to state the reasons for each director relating to the training attended by directors in respect of the financial year required under Rule 15.08(3).~~

PROPOSED ACE LR AMENDMENTS
In relation to Corporate Governance Requirements
Consultation - 30 July 2012

Proposal 6: Aligning the disclosure requirements in annual reports in relation to the Corporate Governance Statements with the new Malaysian Code on Corporate Governance 2012

PART E – CORPORATE GOVERNANCE DISCLOSURE

15.25 Disclosure pursuant to the Code

- (1) ~~A listed corporation must ensure that its board of directors makes the following statements in relation to its compliance with~~ provides a narrative statement of its corporate governance practices (**“Corporate Governance Statement”**) with reference to the Malaysian Code on Corporate Governance 2012 (**“Code”**), 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 pPrinciples set out in Part 1 of the Malaysian Code on Corporate Governancethe Code (“Principles”) to theirits particular circumstances, having regard to the Recommendations stated under each Principle (“Recommendations”); and~~
 - (b) ~~a statement on the extent of compliance with the Best Practices in Corporate Governance set out in Part 2 of the Malaysian Code on Corporate Governance which statement must specifically identify and give reasons for any areas of non-compliance with Part 2any Recommendation which the listed corporation has not followed, together with the reasons for not following it and the alternatives to the Best Practices adopted by the listed corporation, if any.~~

[Cross reference: Guidance Note 11]

GUIDANCE NOTE 11 – INTERNAL CONTROL AND CORPORATE GOVERNANCE STATEMENT

1.0 Introduction

- 1.1 Rule 15.25 of the Listing Requirements provides that a listed corporation must include ~~the following statements (“Corporate Governance Statement”)~~ in its annual report, a narrative statement of its corporate governance practices (**“Corporate Governance Statement”**) with reference to ~~in relation to its compliance with~~ 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 pPrinciples set out in Part 1 of the Malaysian Code on Corporate Governancethe Code (“Principles”) to theirits particular circumstances, having regard to the Recommendations stated under each Principle (“Recommendations”); and~~

PROPOSED ACE LR AMENDMENTS
In relation to Corporate Governance Requirements
Consultation - 30 July 2012

- (b) ~~a statement on the extent of compliance with the Best Practices in Corporate Governance set out in Part 2 of the Malaysian Code on Corporate Governance which statement must specifically identify and give reasons for any areas of non-compliance with Part 2 any Recommendation which the listed corporation has not followed, together with the reasons for not following it~~ and the alternatives ~~to the Best Practices~~ adopted by the listed corporation, if any.
- 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 internal control of the listed corporation as a group (**“Internal Control Statement”**).
- 1.3 This Guidance Note clarifies the obligation of the listed corporations in making the Corporate Governance Statement and the Internal Control Statement.
- 2.0 Location of the Corporate Governance Statement and the Internal Control Statement in the annual report**
- 2.1 A listed corporation may combine both the Corporate Governance Statement and the Internal Control Statement (both statements are collectively referred to as **“said Statements”**).
- 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 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**
- General
- 3.1 ~~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.~~
- 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.
- 3.2 In this connection, Aa listed corporation must ensure that in disclosing the application of each Principle, the narrative statement on application of each Principle contains adequate information to enable an informed assessment of the application of each Principle by the listed corporation the listed corporation must have regard to the Recommendations stated under each Principle. Although it need not comment separately on each Recommendation, the listed corporation must nevertheless provide adequate information to enable an informed assessment of its corporate governance practices.

PROPOSED ACE LR AMENDMENTS
In relation to Corporate Governance Requirements
Consultation - 30 July 2012

- 3.3 ~~In making the statement on the extent of compliance with the Best Practices, a listed 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 corporation must nevertheless provide adequate information to enable an informed assessment of its corporate governance practices; and~~
- ~~(b) — in respect of Best Practices which~~ If the listed corporation ~~does~~ has not comply with followed any of the Recommendations, it must deal with them individually, give reasons for ~~the non-compliance~~ not following them and state the alternatives ~~to the Best Practices~~ adopted, if any.
- 3.4 A listed corporation must also 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 corporation must state so and the period during which it had been in place.
- 3.5 If a listed corporation has not ~~complied with~~ followed any Best Practice Recommendation for a certain part of the financial year, but —
- (a) intends to take steps or has taken steps to ~~be compliant with~~ follow such Best Practice Recommendation; or
- (b) intends to establish or has established an alternative approach,
- such listed corporation should make a statement to that effect.
- 3.6 There are certain Best Practices Recommendations that form the subject matter of provisions in the Listing Requirements. If a listed corporation does ~~not comply with~~ follow a Best Practice Recommendation but complies with a Listing Requirement dealing with the same issue, it must still explain the reasons for departing from the Best Practice Recommendation. Compliance with a Listing Requirement dealing with an issue also covered by a Best Practice Recommendation must not be used by a listed corporation as a circumstance justifying departure from a Best Practice Recommendation.

Additional considerations

- ~~3.7 In making the Corporate Governance Statement, 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 tell the governance story in a coherent and concise manner, whilst ensuring adherence to the spirit of the Code.~~

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?

PROPOSED ACE LR AMENDMENTS
In relation to Corporate Governance Requirements
Consultation - 30 July 2012

- (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 Corporate Governance Statement. For example, the listed corporation should not merely -
- (i) list down those Principles which have been applied or Recommendations which have been followed; or
 - (ii) state the process and procedures without further elaboration on how such processes and procedures have been applied during the financial year.
- (c) Report how the Principles have been applied, based on the listed corporation's actual corporate governance practices having regard to its particular circumstances and business. The listed corporation must avoid -
- (i) creating the impression that a particular practice is in place when it is not as this will mislead the shareholders and result in 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. Avoid telling good stories only.
- (e) Ensure that the information is easy to understand. This can be achieved by -
- (i) using simple, plain everyday language and avoiding legalistic or technical terms;
 - (ii) communicating complicated information in simple terms without leaving out essential details; and
 - (iii) making cross-references to similar information which is disclosed elsewhere in the annual report or posted on the corporate website, instead of duplicating disclosures. For easy reference, a summary of the information may be provided in the Corporate Governance Statement with specific cross-references to the source in the annual report or on the corporate website.
- (f) Use the corporate website to add depth to the governance reporting and keep shareholders updated throughout the year. Avoid cluttering the Corporate Governance Statement 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 corporate website.

PROPOSED ACE LR AMENDMENTS
In relation to Corporate Governance Requirements
Consultation - 30 July 2012

4.0 Contents of the Internal Control Statement

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

(a) Principle ~~D-II in Part 16~~ of the Code on recognizing and managing risks which reads as follows:

~~“The board should maintain a sound system of internal control to safeguard shareholders’ investment and the company’s assets.”~~ “The board should establish a sound risk management framework and internal control system.”

(b) ~~Best Practice AAI in Part 2~~ Recommendation 6.1 read together with the Commentary of the Code which ~~reads, inter alia, 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.
- The board should disclose in the annual report the main features of the company’s risk management framework and internal controls system.”

~~“The board should explicitly assume the following specific responsibilities, which facilitate the discharge of the board’s stewardship responsibilities –~~

- ◆ ~~Identifying principal risks and ensuring the 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 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 corporation must ensure that the Internal Control Statement contains adequate information to enable an informed assessment of its state of internal control.

PROPOSED ACE LR AMENDMENTS
In relation to Corporate Governance Requirements
Consultation - 30 July 2012

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.

[End]