

# **GUIDELINES ON CONDUCT OF DIRECTORS OF LISTED CORPORATIONS AND THEIR SUBSIDIARIES**

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**GUIDELINES ON CONDUCT OF DIRECTORS OF LISTED CORPORATIONS  
AND THEIR SUBSIDIARIES**

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## **Chapter 1**

### **INTRODUCTION**

- 1.01 The *Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries* (Guidelines) are issued pursuant to section 158 and subsection 15(1)(q) of the *Securities Commission Malaysia Act 1993* (SCMA).
- 1.02 These Guidelines apply to directors of a listed corporation and directors of subsidiaries of a listed corporation whether incorporated in Malaysia or otherwise.
- 1.03 These Guidelines are in addition to and not in derogation of the requirements under the securities laws or other written law, guidelines issued by the SC or requirements imposed by the stock exchange.

## Chapter 2

### DEFINITIONS

2.01 Unless otherwise defined, all words used in these Guidelines have the same meaning as defined in the *Capital Markets and Services Act 2007* (CMSA) or SCMA. In these Guidelines, unless the context otherwise requires–

approved accounting standards has the meaning assigned to it in the *Financial Reporting Act 1997*;

corporation means–  
  
(a) a listed corporation; or  
  
(b) a subsidiary of a listed corporation;

director has the meaning assigned to it in the *Companies Act 2016* and includes–

- (a) the chief executive, the chief financial officer and any other person primarily responsible for the operations or financial management of a corporation, by whatever name called; and
- (b) in the case of a corporation formed or incorporated or existing outside Malaysia–
  - (i) a member of the corporation's board of directors or governing body; or
  - (ii) a person occupying or acting in the position of a member of the corporation's board, by whatever name called and whether or not validly appointed to occupy, or duly authorised to act in, the position;

group means a listed corporation and its subsidiaries;

third party means a person other than the listed corporation, a subsidiary of the listed corporation or associated body corporate of the listed corporation;

SC means Securities Commission Malaysia; and

subsidiary has the meaning assigned to it in section 4 of the *Companies Act 2016* and shall include all other entities whose financial statements are consolidated into the financial statements of the listed corporation.

## **Chapter 3**

### **CONDUCT REQUIREMENTS FOR DIRECTORS**

#### **Conduct of directors**

- 3.01 A director of a corporation must exercise his powers for a proper purpose and in good faith in the best interest of the corporation in which he sits as a board member.
- 3.02 A director who is appointed by virtue of his position as a representative of a shareholder, must act in the best interest of the corporation in which he sits as a board member. In the event of any conflict between his duty to act in the best interest of the corporation and his duty to his nominator, he must not subordinate his duty to act in the best interest of the corporation to his nominator.
- 3.03 In directing or managing the business and affairs of the corporation, a director must exercise reasonable care, skill and diligence by–
- (a) applying the knowledge, skill and experience which may reasonably be expected of a director having the same responsibilities; and
  - (b) applying any additional knowledge, skill and experience which the director has.
- 3.04 A director is required to among others–
- (a) maintain a sound understanding of the business, and keep abreast of relevant developments to ensure he is able to discharge his duties and responsibilities effectively;
  - (b) prepare for board meetings, contribute constructively to board discussions and decision-making, and conduct due inquiry before approving a matter;
  - (c) ensure key transactions or critical decisions are deliberated and decided on by the board in a meeting; and
  - (d) ensure his decisions and the basis for those decisions, including any dissenting views are made known and properly minuted.

#### **Managing conflict of interest**

- 3.05 A listed corporation and its directors must establish policies and procedures to manage potential conflict of interest situations including potential conflict of interest between–

- (a) any director and the corporation; and
- (b) the listed corporation and its subsidiaries.

3.06 A director of a corporation must not accept a benefit from or provide a benefit to a third party by reason only of—

- (a) him being a director; or
- (b) him doing something or refraining from doing anything as a director;

unless he is permitted to do so by the corporation's constitution or the corporation's code of conduct and it is not contrary to any written law.



## Chapter 4

### MAINTAINING PROPER RECORDS AND ACCOUNTS

- 4.01 A listed corporation and its directors must cause to be kept the accounting records and other records to—
- (a) sufficiently explain the business, transactions and financial position of the listed corporation and its subsidiaries;
  - (b) enable the preparation of true and fair financial statements; and
  - (c) enable the accounting and other records of the listed corporation and its subsidiaries to be conveniently and properly audited.
- 4.02 A subsidiary of a listed corporation and its directors must cause to be kept the accounting and other records to—
- (a) sufficiently explain its business, transactions and financial position;
  - (b) enable the preparation of true and fair financial statements; and
  - (c) enable the accounting and other records to be conveniently and properly audited.
- 4.03 Where the financial statements of a subsidiary are required to be consolidated into the financial statements of a listed corporation, the subsidiary and its directors must provide the listed corporation with all information and record necessary to enable the preparation of the consolidated financial statements in accordance with the approved accounting standards.
- 4.04 A corporation must ensure that it retains all records referred to in paragraph 4.01 and paragraph 4.02 above for not less than seven years from the completion of the transactions or operations to which the entries or records relate.
- 4.05 If any accounting and other records referred to in paragraph 4.01 and paragraph 4.02 above are kept at a place outside Malaysia, the SC may direct the directors of a corporation to produce any of those records at a place in Malaysia and how those records are to be kept in Malaysia. The directors of a corporation must comply with the direction issued under this paragraph.

## **Chapter 5**

### **GROUP GOVERNANCE**

- 5.01 A listed corporation and its directors must ensure there is an adequate group wide framework for co-operation and communication between the listed corporation and its subsidiaries to enable it to discharge its responsibilities including oversight of group financial and non-financial performance, business strategy and priorities, risk management including material sustainability risks, and corporate governance policies and practices.
- 5.02 A listed corporation and its directors must establish and ensure the group wide framework on corporate governance include a code of conduct and ethics, policies and procedures on anti-corruption, whistleblowing, managing conflict of interest, managing material sustainability risks, and board diversity including gender diversity.
- 5.03 A subsidiary of a listed corporation and its directors must provide the listed corporation with any information requested by the listed corporation to enable the board of the listed corporation to oversee the performance of its subsidiaries effectively, including assessing non-financial performance of the group.