

The Government of the Republic of the Union of Myanmar

Ministry of Planning, Finance and Industry

The Securities and Exchange Commission

Notification No. (2 / 2020)

The 4th, Waning of Tazaungmone, 1382 M.E.

(3rd December ,2020')

Notification on Requirements for Effective Corporate Governance

Under sub-section (b) of Section 71 of the Securities Exchange Law, the Securities and Exchange Commission of Myanmar (SECM), hereby issue the "Notification on Requirements for Effective Corporate Governance".

Chapter I

EFFECTIVE DATE, APPLICABILITY, AND DEFINITION

- i. This notification shall come into effect from January 1st, 2021. And the following provisions shall take effect from April 1st. 2021:
 - (i) Clause (ii) of sub-section (a) of Section 7
 - (ii) Section 11
 - (iii) Section 12
 - (iv) Clause (iii) and clause (xiv) of sub-section (a) and sub-section (b) of Section 13
 - (v) Section 14
2. This notification shall apply to the listed companies and public companies with more than 100 shareholders.
3. In this notification, unless the context otherwise implies;
 - (a) "Conflicts of interest" mean that a Director or an Executive Officer is placed in a position where their duty to the company and their personal interests conflict.

- (b) "Director" means a director prescribed under clause (x) of sub-section (c) of Section I of the Myanmar Companies Law (MCL).
- (c) "Directors' report" means a directors' report prescribed under Section 261 of the MCL.
- (d) "Executive Officer" means an officer prescribed under clause (xvii) of sub-section (c) of Section I of the MCL, as the case may be, including the company's chief executive officer (or his or her deputy), chief financial officer, chief operating officer and any other individual, regardless of their title, who performs or has the capacity to perform any function or responsibility equivalent to that of the foregoing person.
- (e) "Family member" means:
 - (i) a person's spouse, brother or sister;
 - (ii) any lineal ascendant and descendant of the individual; and
 - (iii) any persons having foregoing relationships created through adoption
- (f) "Independent Director" means a Director prescribed under the Notification No.9012020 issued by the registrar, Directorate of Investment and Company Administration dated on October 14th in accordance with sub-section (h) of Section 175 of the MCL.
- (g) "Listed company" means a public company which has listed on a stock exchange prescribed under sub-section fi) of Section 2 of the Securities Exchange Law.
- (h) "Managing director" means a managing director prescribed under sub-section (c) of Section 160 of the MCL.
- (i) "Public company" means a company prescribed under clause (xxviii) of sub-section (c) of Section 1 of the MCL.

- (j) "Related body corporate" means a related body corporate (which includes a company) prescribed under clause (xxxii) of sub-section (c) of Section I of the MCL.
- (k) "Related party transaction" means a related party transaction which is in accordance with the relevant Myanmar accounting standards and instructions issued by relevant organizations.
- (l) "Risk management policy" means a policy that contains the following items:
 - (i) extent and nature of risk facing the company;
 - (ii) levels of risks that the company can accept;
 - (iii) risk management organization and responsibilities;
 - (iv) risk control mechanisms; and
 - (v) risk monitoring process

Chapter II

OBJECTIVES

- 4. The objectives of this notification are:
 - (a) to enhance the effective corporate governance practices and clarify the corporate governance requirement for the listed companies and public companies with more than 100 shareholders; and
 - (b) to provide Directors, Executive Officers and shareholders with the right incentives to perform their roles within a framework of checks and balances.

Chapter III

SHAREHOLDERS' RIGHTS

- 5. A company shall:

- (a) facilitate exercise of voting rights by all the shareholders including foreign investors, if any;
- (b) ensure that all the shareholders access accurate and sufficient information in a timely manner so that they can effectively exercise their rights; and
- (c) establish and disclose a policy on dividends.

Chapter IV

BOARD OF DIRECTORS

Composition of the Board of Directors

- 6. A listed company must have at least one Independent Director at the Board of Directors.
- 7. (a) The Board of Directors of a listed company and a public company with more than 100 shareholders has the following responsibilities:
 - (i) to review and guide corporate strategy, annual budget and business plan with consideration for long-term sustainable business growth;
 - (ii) to oversee an internal control system including risk management policies and procedures to monitor and manage potential conflicts of interest;
 - (iii) to ensure the integrity of the company's accounting and financial reporting systems and compliance with the law and relevant standards;
 - (iv) to ensure timely and accurate disclosure on all material events regarding the company; and
 - (v) to oversee the process of communications to engage with stakeholders.

- (b) Directors with multiple board representations shall give their sufficient time and attention to the affairs of each company.

Board of Directors' Meeting

- 8. The Board of Directors shall meet at least four times a year.

Audit Committee

- 9.
 - (a) A listed company must have an Audit Committee.
 - (b) The Audit Committee must be chaired by an Independent Director prescribed under Section 3(f).
 - (c) The Audit Committee shall be at least three Directors and shall not have an Executive Officer.
 - (d) The Audit Committee shall meet once every three months and whenever convened by the Board of Directors.
- 10. The Audit Committee has the responsibility to:
 - (a) oversee appropriate accounting procedures and accounting controls for the company and supervise compliance with such procedures;
 - (b) review the company's financial statements;
 - (c) monitor compliance with the laws and regulations applicable to the company and report to the Board of Directors thereon; and
 - (d) deliver opinions on any matters submitted to it by the Board of Directors.
- 11. A listed company shall establish a system in order for the Audit Committee to discharge the responsibilities prescribed under Section 10. Such a system includes:
 - (a) allocating adequate human resources to support the Audit Committee;
 - (b) setting forth the reporting process to the Audit Committee: and

- (c) other systems to ensure the effectiveness of the Audit Committee.

Chapter V

RELATED PARTY TRANSACTION

- 12. Concerning the related party transactions:
 - (a) The Board of Directors shall review a policy on the materiality of related party transactions.
 - (b) The Board of Directors shall ensure all material related party transactions be disclosed in a timely manner.
 - (c) All material related party transactions shall require approval of the Board of Directors and any directors who have a potential interest in the concerned related party transaction shall abstain from voting on the approval.

Chapter VI

DIRECTORS' REPORT AND DISCLOSURE

Directors' Report

- 13. (a) A listed company shall report in its directors' report:
 - (i) a policy on dividends;
 - (ii) a structure of the board of directors of the listed company;
 - (iii) its internal control system;
 - (iv) the number of meetings of the Board and specialized committees held in the year, as well as the attendance of every member;
 - (v) in case where an Independent Director has served on the Board for more than twelve years from the date of his or her first

appointment. the reasons and rationale for why the Board considers the Independent Director as independent;

- (vi) multiple board representation of each Director for companies other than the related body corporate;
- (vii) information regarding Directors, including which Directors are Executive Officers, non-Executive Officers or considered as Independent Directors;
- (viii) information regarding members of the Audit Committee and, if any. other specialized committees. including names of the members and whether members are Directors, Executive Officers, or employees who do not perform an Executive Officer role in the company;
- (ix) matters including the type of material transaction that requires board approval;
- (x) process for the selection, appointment and re-appointment of new Directors, if any;
- (xi) remuneration policies and procedure for setting remuneration, if any;
- (xii) total remuneration of Directors and Executive Officers including a breakdown in percentage of base/ fixed salary, variable or performance-related income, benefits in kind, and stock options granted;
- (xiii) total remuneration of employees who are family members of an Executive Officer but not an Executive Officer, and whose remuneration level is equivalent to or more than that of an Executive Officer; and
- (xiv) a policy on the materiality of related party transactions.

- (b) The provisions of clause (i) to (iv) and (vi) and (r,ii) and (ix) to (xiv) and, if applicable, (viii) of sub-section (a) shall mutatis mutandis apply to cases where a public company with more than 100 shareholders shall report in its directors' report.
- (c) The provision of sub-section (c) of Section 261 of the MCL shall apply to any person being a Director or Executive officer who is knowingly and willfully guilty of a default in complying with this section. And the provisions of Section 269, Section 270, clause (iii) of sub-section (a) of Section 271, clause (i) of sub-section (b) of Section 271, Section 272 to Section 218 of the MCL shall apply to this section.

Disclosure

- 14. (a) The provision of sub-section (a) of Section 13 shall mutatis mutandis apply to cases where a listed company discloses information in its annual report.
- (b) The provision of sub-section (b) of Section 13 shall mutatis mutandis apply to cases where a public company with more than 100 shareholders discloses in its annual report.
- (c) The provision of Section 66 of the Securities and Exchange Law shall apply to any person being a Director or Executive Officer who is knowingly and willfully guilty of a default in complying with this section.

Chapter VII

MISCELLANEOUS

- 15. (a) Without prejudice to Section 97 (b) of the MCL, the listed companies and public companies with more than 100 shareholders shall submit the directors' reports to the Directorate of Investment and Company

Administration (DICA) and those companies shall comply with the Notification No. (1/2016) of SECM.

- (b) The SECM and DICA, together with other relevant institutions, shall facilitate the implementation of this notification and where necessary, review and revise the notification.
- (c) Listed companies and public companies with more than 100 shareholders shall follow the requirements and conditions for corporate governance provided by the laws, including this notification, administered by the concerned ministries and organizations.
- (d) For the purpose of carrying out this notification, the SECM and the DICA may issue instructions, and the stock exchange may issue guidelines as necessary.

(Maung Maung Win)

Chairman

Securities and Exchange Commission of Myanmar

Letter No. Commission/Policy/1827/2020

Dated: December 3rd, 2020