

The Government of the Republic of the Union of Myanmar

Ministry of Planning, Finance and Industry

The Securities and Exchange Commission

Instruction No. (3 / 2020)

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

(3rd December, 2020)

Instruction on Material Related Party Transactions for Listed Companies and Public Companies with More than One Hundred Shareholders

1. In exercise of the power conferred by Section 7l (b) of the Securities Exchange Law the Securities and Exchange Commission of Myanmar (SECM) hereby adopts the following Instruction on Material Related Party Transactions for Listed Companies and Public Companies with More than One Hundred Shareholders (Instruction on Material RPTs).
2. This Instruction shall come into effect from April 1,2021.
3. The following expressions contained in this Instruction shall have the meanings given hereunder:
 - (a) Related Parties mean the following in accordance with the clause (xxxii) and (xxxiii) of Section 1 of the Myanmar Companies Law and Related Party Definitions under Myanmar and International Financial Reporting Standards:
 - i) Board members of the company and related body corporate;
 - ii) Executive Officers of the company and its parent company;
 - iii) Substantial shareholders of the company and related body corporate;
 - iv) Related body corporate or any entity related through joint venture;
 - v) Family members of any natural person listed in (i), (ii) and (iii);

- vi) Any business, and the directors, Executive Officers of any business, in which the natural persons listed in paragraphs (i), (ii), (iiD and (v) own jointly or severally and directly or indirectly at least 20Yo of the voting rights;
 - vii) A person or class of persons who has been designated by SECM as a related party because of its past or present interest in or relationship with the company.
- (b) Substantial/significant Shareholder of a company is a legal entity or natural person who, jointly or severally, owns 20Yo or more of the voting rights of the company.
- (c) Related Body Corporate means the following:
 - i) The parent company of the company;
 - ii) Subsidiaries of the parent company;
 - iii) Subsidiaries and the associate companies of the company.
- (d) Subsidiary has the same meaning as defined under the clause (xli) of sub-section(c) of Section I of Myanmar Companies Law.
- (e) Associate Company has the same meaning as defined under the clause (mm) of Section 2 of Financial Institution Law.
- (f) Executive Officer means an officer prescribed under clause (xvii) of sub-section (c) of Section I of the Myanmar Companies Law 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, who directly reports to the Board of directors or the Chief Executive Officer (CEO).
- (g) Family Members of a Natural Person refer to:
 - i) spouse, brother or sister of the person;
 - ii) brother or sister of the spouse of the person;

- iii) any lineal ascendant and descendant of the person or his/her spouse and their dependents; and
 - iv) any such relationship created through adoption by law.
- (h) Related Party Transaction means a transfer of resources, loans, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.
- (i) Materiality Threshold means the level of transaction that can create significant risk to the company and can influence the decisions of its Board of directors, Executive Officers and shareholders.
- (j) Material Related Party Transactions mean any related party transaction/s, either each transaction or total of all transactions over a twelve (12) month period, amounting to or more of five percent (.5 %) of a company's total assets as per the last audited annual financial statements of the company or one hundred (100) million Kyats, whichever is higher.
4. When RPTs meet materiality threshold, they shall be considered material related party transactions subject to requirements of this Instruction.
 5. Any material RPTs should be approved by Board of directors. Related parties interested in the transaction shall not participate in any discussions about whether or not to approve the related party transaction, decision making regarding the transaction and deliberations on how the company should manage the transaction after a decision.
 6. The Board of directors shall have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner with integrity, at arm's length and are reasonable in the circumstances, and in compliance with applicable laws and regulations to protect the interests of company's shareholders and other stakeholders. To this end, the Board shall:

- i) Approve material related party transactions. For aggregate RPT transactions within a twelve (12)-month period that breaches the materiality threshold, Board approval would be required for the transaction(s) that meets and exceeds the materiality threshold;
 - ii) Ensure that management and relevant employees are adequately trained so that they can identify and report the related party transactions to the Board and authorized Executive Officers;
 - iii) To develop a properly articulated and transparent delegation of authority framework for the review and approval of RPTs below the materiality threshold mandated by SECM in section 3 (i) of this Instruction;
 - iv) Appoint and oversee the authorized officer responsible for identification and disclosure, if required, of related party transactions.
7. The Board of directors shall adopt a material RPT policy. The material RPT policy shall include the following:
- i) Identification of related parties: The policy shall clearly identify persons and companies that are considered as the company's related parties.
 - ii) Materiality thresholds: The policy shall include a materiality threshold that shall in no case exceed the threshold mandated by SECM in section 3 fi) of this Instruction.
 - iii) Approval of transactions below the materiality threshold: Each company shall set up a procedure on how the transactions below materiality threshold are reviewed and approved.
 - iv) Identification of conflicts of interest: The policy shall cover the identification and prevention or management of potential or actual conflicts of interest which may arise out of or in connection with the RPTs. Directors, Executive Officers and substantial shareholders with

personal interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting the company;

- v) Disclosure requirements: The members of the Board, Executive Officers and substantial shareholders shall fully disclose to the Board of directors all material facts related to material RPTs as well as their direct and indirect financial interest in any transaction or matter that may affect or is affecting the company.
8. Each company shall maintain the register of related party transactions at its registered office in the form specified in Annex 1 to this Instruction.
 9. Each company shall publish the material related party policy at its website.
 10. Each company shall submit Material RPT Disclosure Report (as stated in Annex 2) to SECM within 5 (five) business days after closure of the relevant material RPT. In addition, listed companies shall publicly disclose this Material RPT Disclosure Report within 3 (three) calendar days after the closure of the transaction.
 11. Each company shall report to its shareholders in its annual report on its material related party transactions. At a minimum, the annual reports should include:
 - i) Complete name of the related party;
 - ii) Relationship between the company and the party;
 - iii) Transaction date;
 - iv) Type and nature of transaction as well as a description of the assets involved;
 - v) Amount or contract price;
 - vi) Terms and conditions of the transaction;
 - vii) Rationale for entering into the transaction; and

- viii) The required approvals (i.e., names of the Board of directors' approving/ abstaining/voting against).
12. If a company fails to comply with any provision of this instruction. SECM may impose one or more of the following sanctions against this company:
- (i) Reprimand;
 - (ii) Public announcement of the reprimand and company's violation of requirements under this Instruction;
 - (iii) other sanctions available under applicable legislation.
13. No requirements of the Instruction should be interpreted to relieve companies from their obligations to comply with applicable Myanmar accounting standards.

(Maung Maung Win)
Chairman
Securities and Exchange Commission

Letter No. Commission/Policy1826/ 2020

Dated: December 3rd, 2020

Circulation to:

Yangon Stock Exchange

Listed Companies

Public companies with more than one hundred shareholders

Copy to:

Ministry of Planning, Finance and Industry

Ministry of Investment and Foreign Economic Relations

Central Bank of Myanmar

Directorate of Investment and Company Administration

Internal Revenue Department

Advisory committee for corporate Governance Reform in Myanmar

Union of Myanmar Federation of chambers of commerce and Industry

Myanmar Institute of Certified Public Accountants

Office Copy/ Float