

Company Policies & Procedures

RELATED PARTY TRANSACTIONS POLICY

This policy is established for purposes of identifying, monitoring, evaluating, reporting and approving transactions involving related parties (hereinafter referred to as “**related party transaction**” or “**RPT**”).

POLICY STATEMENT

The Institute of Corporate Directors Malaysia (ICDM) advocates and upholds Anti-Corruption Principles in Malaysia in promoting integrity, good governance and transparency in all aspects of ICDM operations and to be in line with the Malaysian Anti-Corruption Commission Act 2009 (“MACC Act 2009”) as well as all applicable anti-bribery and anti-corruption laws. It aims to achieve and maintain high standards with regard to behaviour in all its working practices.

ICDM adopts a zero tolerance approach against all forms of bribery and corruption, and recognises that a clear and transparent anti-bribery and anti-corruption policy is critical in creating a strong corporate culture of ethics that drives proper conduct and awareness that all forms of bribery and corruption are unacceptable. This policy is adopted to prevent corruption, bribery and avoid conflicts of interest or the appearance of such conflicts for any party involved. ICDM is committed to establishing an ethical work environment for all employees, members, directors and officers. This policy underpins the standards of conduct expected from all ICDM employees, members, directors and officers.

OBJECTIVE

The objectives of this policy are to:

- (i) Specify the policies to be adopted in relation to the conduct of RPT between the ICDM with a related party or parties;
- (ii) To standardize the practices and procedures relating to the conduct of RPT;
- (iii) Ensure any RPT entered into by ICDM is fair and reasonable, undertaken on an arm’s length basis, on terms not more favourable to the related party than those generally available to the public;
- (iv) Establish procedures and guidelines for review and approval of RPT; and
- (v) Promote good corporate governance in the conduct of the business of ICDM.

DEFINITION

1. "**RPT**" means a transaction entered into by ICDM which involves the interest, direct or indirect, of a related party.
2. A "**related party**" or "**related parties**" means
 - (i) a director
 - (ii) a person connected with such director.
3. A "**director**" shall have the meaning assigned to it in the Companies Act 2016 ("**CA**") and the Capital Markets and Services Act 2007 ("**CMSA**"), and includes a reference to:
 - (i) any person occupying or acting in the position of director of a corporation, by whatever name called and whether or not validly appointed to occupy, or duly authorized to act in, the position;
 - (ii) a person in accordance with whose directions or instructions the directors of a corporation are accustomed to act;
 - (iii) an alternate or substitute director; or
 - (iv) in the case of a corporation formed or incorporated or existing outside Malaysia:-
 - a member of the corporation's board of directors or governing body;
 - 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 authorized to act in the position; or
 - a person in accordance with whose directions or instructions the members of the corporation's board are accustomed to act;and;
 - (v) includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director or a chief executive of ICDM.
4. A "**person connected**" shall be deemed to be connected with a director if the person is:
 - (i) a member of the director's family which include the director's spouse, parent, child (including adopted child and stepchild), brother, sister and the spouse of the director's child, brother or sister;
 - (ii) a body corporate which is associated with that director¹;
 - (iii) a trustee of a trust, other than a trustee for an employee share scheme or pension scheme, under which that director, or a member of the director's family, is a beneficiary; or

¹ The body corporate is associated with a director if –

- (i) the body corporate is accustomed or is under an obligation, whether formal or informal, or the majority of directors of the body corporate is accustomed, to act in accordance with the directions, instructions or wishes of that director;
- (ii) that director has a controlling interest in the body corporate; or
- (iii) that director, or persons connected with that director, or that director and persons connected with him, are entitled to exercise, or control the exercise of, not less than 20% of the votes attached to voting shares in the body corporate.

- (iv) a partner of that director, or a partner of a person connected with that director.

"Related", in relation to a corporation, means related within the meaning of section 7 of the CA, i.e. a corporation is deemed to be related to each other if:-

- (a) it is the holding company of another corporation;
- (b) it is a subsidiary of another corporation; or
- (c) it is a subsidiary of the holding company of another corporation.

TYPES OF TRANSACTIONS

"Transaction" may include but is not limited to:-

- (i) the acquisition, disposal or leasing of assets;
- (ii) the establishment of joint ventures;
- (iii) the provision of financial assistance;
- (iv) the provision or receipt of services; or
- (v) any business transaction or arrangement entered into,

by ICDM.

"Acquisition or disposal of assets" includes an option to acquire or dispose of assets.

"Asset" means all types of assets including securities and business undertakings.

"Financial Assistance" includes:

- (i) lending or advancing of money;
- (ii) guaranteeing, indemnifying or providing collateral for a debt; or
- (iii) forgiving a debt, releasing, neglecting to enforce a financial obligation of another, or assuming the financial obligations of another.

"Joint Venture" means a contractual arrangement between two or more parties to undertake a specific business project subject to joint control in which the parties meet the costs of the project and receive a share of any resulting output.

DIRECTORS' AND MANAGEMENT'S RESPONSIBILITIES

1. To ensure that the RPT is:
 - in the best interest of ICDM;
 - fair, reasonable and on normal commercial terms; and
 - not detrimental to the interests of the ICDM members.
2. The ICDM Audit and Risk Management Committee ("ICDM ARMC") is to note that all RPT identified by certified Integrity Officer on a quarterly basis and to recommend the same to the ICDM Board for approval before the transaction is entered into.
3. The ICDM ARMC shall also keep and maintain the annual internal audit plan.

REGISTER OF RELATED PARTIES

1. The register of related parties shall be kept and maintained by the ICDM ARMC. As the register may change from time to time, the ICDM ARMC shall inform all ICDM departments on any updates to the register on a quarterly basis.
2. The relevant heads of department are required to report RPTs to the ICDM ARMC.

RESPONSIBILITIES OF A RELATED PARTY

1. All members, employees, officers of ICDM connected to a related party and/ or related corporation are required to disclose entities/companies in which they or their close family members is a director or has an interest to in the **form specified by ICDM ARMC**.
2. An updated list of related parties shall be circulated by the ICDM ARMC to all heads of department from time to time for reference to ensure that all RPTs are reported.
3. The related party must disclose the nature of his/her interest in the contemplated transaction and any other information as requested in relation to the said transaction before entering into negotiations with ICDM or before the terms of the transactions have been agreed, whichever is earlier.
4. In addition to the above, the directors of ICDM are required to disclose and abstain from deliberation and voting on transactions where they are conflicted.

PROCEDURES AND GUIDELINES

The procedures and guidelines for the review and approval of the RPT are as follows:

- (i) ICDM is to procure from transacting parties a declaration using the "**Declaration of Transacting Party**" as annexed herein and marked as **Appendix A** for new business contract(s) or new transaction(s) to be undertaken by ICDM.
- (ii) ICDM shall only enter into any RPT after taking into account the pricing and contract rate, terms and conditions, level of service and expertise required, quality of products and services provided to/by the related parties as compared to prevailing market prices and rates, industry norms and standards as well as general practices by the service providers of similar capacity and capability generally available in the open market and after the relevant approvals have been obtained pursuant to this policy.
- (iii) the annual internal audit plan shall incorporate a review of all RPT entered or to be entered into to ensure that relevant approvals for the RPT have been obtained and the review procedures in respect of such transactions are adhered to;

- (iv) the ICDM AC shall review on an annual basis the internal audit reports pertaining to the RPT to ascertain that the guidelines and procedures established to monitor the RPT have been complied with;
- (v) the declaration of any conflict of interests shall be made a permanent agenda item and such declaration be made at the start of every ICDM ARMC and ICDM Board Meeting.
- (vi) the ICDM ARMC and ICDM Board shall have the overall responsibility in determining whether the review procedures and guidelines on the RPT are appropriate and sufficient. If any of the ICDM Board or ICDM ARMC members has an interest in an RPT, he / she will abstain from any decision making in respect of that RPT;
- (vii) if the ICDM Board and ICDM ARMC are of the view that the review procedures are no longer sufficient to ensure that the RPT is made on an arm's length basis, on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the members, they shall have the discretion to discharge, vary and/or modify or implement new and/or additional procedures and guidelines set out in this policy;
- (viii) at least two (2) other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities.

Where quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be determined by reference to those offered by/to other unrelated third parties for the same or substantially similar type of transaction.

INFORMATION TO BE FURNISHED TO ICDM ARMC AND ICDM BOARD

The following is the list of matters to be tabled to the ICDM ARMC to assist the ICDM ARMC to arrive at its view. The list is not exhaustive and is intended to stimulate thought as to the type of matters that should be tabled to the ICDM ARMC and ICDM Board:

- (i) A description of the transaction;
- (ii) Parties to the transaction, including who the related party is and the relationship involved;
- (iii) Details of the transaction, including value;
- (iv) Rationale for the transaction and cost and benefit to ICDM;
- (v) Comparative quotes, if available, including sources, methods and procedures through which transaction prices are determined if applicable;

- (vi) Justification as to why the transaction must be undertaken with the related party, for example that the services provided by a related party cannot be obtained elsewhere or if need be, an independent valuation report annexed for that purpose if necessary;
- (vii) Appropriate documentation or records to justify the transaction;
- (viii) An explanation of how "arm's length" basis was maintained during negotiations and in ensuring terms were on a commercial basis;
- (ix) An explanation of why the terms are considered fair and reasonable;
- (x) An explanation of why the transaction is considered in the best interests of ICDM;
- (xi) An explanation of why the terms are not detrimental to the members;

APPLICATION

If at any one time, should the CA or any applicable legislation or regulation be amended for any reason whatsoever, the amendment of which affects the contents of this policy, the amended CA, legislation or regulation as the case may be shall take precedence over this policy and this policy shall be amended accordingly to reflect the said amendment.