

# PLCS SHOW PROGRESS IN ADOPTING MCGG BEST PRACTICES

## *CG Monitor 2024 urges improvements in board refreshment, stakeholder engagement, and sustainability governance*

Kuala Lumpur, 4 November 2024

Malaysian public listed companies (PLCs) showed progress in the adoption of the Malaysian Code on Corporate Governance (MCGG), according to the Securities Commission Malaysia's (SC) Corporate Governance Monitor (CG Monitor) 2024.

The CG Monitor, released today, measures the adoption of the MCGG best practices, based on Corporate Governance reports issued by PLCs for financial years ending 2022 and 2023.

Encouragingly, 30 out of the 48 best practices recorded adoption levels of above 90%, highlighting the commitment of many PLCs to sound corporate governance.

The 2024 report, however, underscores three critical areas that require further improvement: refreshing board composition, enhancing shareholder participation through physical/hybrid AGMs, and deeper integration of sustainability governance practices.

The SC Chairman Dato' Mohammad Faiz Azmi emphasised the importance of corporate governance in driving resilient markets.

"Corporate Governance must evolve to meet new challenges and drive long-term resilience. Companies should align their governance with strategic priorities by integrating sustainability, enhancing stakeholder engagement, and renewing leadership to stay agile."

"As Malaysia strives towards a more inclusive and sustainable economy, the SC will continue to support companies in adopting practices that deliver long-term value for both businesses and the wider community," he said.

The report showed that only 18% of PLCs have adopted the nine-year tenure limit for Independent Non-Executive Directors, highlighting the need for more proactive measures in refreshing board composition.

The retention of long-serving directors for up to 12 years through the two-tier voting process remains prevalent.

PLCs are encouraged to leverage the resources from the Institute of Corporate Directors Malaysia (ICDM), whose Directors Registry now lists 1,007 board-ready individuals. This offers PLCs a valuable pool of qualified candidates with fresh perspectives, ensuring boards remain dynamic and capable of addressing evolving governance challenges.

The CG Monitor 2024 also found that over 50% of PLCs continued to conduct virtual or hybrid AGMs this year.

However, as announced by the SC in August<sup>1</sup>, all PLCs must conduct physical or hybrid general meetings starting 1 March 2025. This shift is expected to enhance shareholder engagement, enabling more meaningful participation and interaction at AGMs.

Notably, sustainability governance has seen a significant uplift, with more than 96% of PLCs now adopting practices that focus on board and management oversight of sustainability issues.

These include clearer communication of sustainability strategies and targets, and ensuring boards remain informed about relevant sustainability developments.

There remain areas for improvement, such as incorporating sustainability into performance evaluations of boards and senior management and appointing a dedicated person to manage sustainability efforts strategically.

The recently launched National Sustainability Reporting Framework (NSRF)<sup>2</sup> will further strengthen these practices, while the PACE initiative will provide resources such as policy guidance and capacity-building programmes to help PLCs meet sustainability reporting requirements effectively.

This year's CG Monitor also features insights from Professor Mak Yuen Teen on Malaysia's improving corporate governance landscape, as well as from the Institute of Corporate Directors Malaysia on the importance of improving disclosure of board and senior management remuneration.

For more details and to download the CG Monitor 2024, visit [here](#).

## SECURITIES COMMISSION MALAYSIA

<sup>1</sup> All PLCs Must Conduct Hybrid or Physical General Meetings From 1 March 2025

<sup>2</sup> National Sustainability Reporting Framework to Enhance Sustainability Disclosures

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The Securities Commission Malaysia (SC) was established on 1 March 1993 under the Securities Commission Act 1993 (SCA). We are a self-funded statutory body entrusted with the responsibility to regulate and develop the Malaysian capital market.

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