Suruhanjaya Sekuriti
Securities Commission
Malaysia

CORPORATE GOVERNANCE MONITOR

2024

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CONTENTS

2 INTRODUCTION

The ***Corporate Governance Monitor 2024* (CG Monitor 2024)** provides an update on the adoption of the *Malaysian Code on Corporate Governance 2021* (MCCG 2021)[1] by public-listed companies (PLCs) based on disclosures in their Corporate Governance reports. The 2024 edition of the CG Monitor looks at adoption of the MCCG, based on information in CG reports issued for financial year ending 2022 and 2023, and are available as of 30 June 2024.

In addition to the data and adoption of the MCCG 2021, the CG Monitor 2024 also provides more detailed observations on selected best practices in the MCCG 2021, including the best practices which were introduced in the 2021 update of the MCCG particularly those related to sustainability, the Step-Up practices, and best practices which are adopted by 60% or less of PLCs - categorised as practices with ‘Low adoption’. These best practices are as follows:

- **Practice 1.4** - Recommends that the Chairman should not be a member of the Audit, Nomination, or Remuneration Committees to ensure independence and objectivity in board functions.
- **Practice 5.3 and Step Up Practice 5.4** - Recommends limiting independent directors’ tenure to nine years, with the Step-Up practice recommending a formal policy to enforce this limit.
- **Practice 8.2 and Step Up Practice 8.3** - Boards are recommended to disclose the top five senior management’s remuneration in detail, with the Step-Up practice encouraging detailed disclosure on remuneration for all members of senior management.
- **Step Up Practice 9.4** - Recommends that the Audit Committee comprise solely of independent directors.
- **Step Up Practice 10.3** - Recommends that boards establish a Risk Management Committee which primarily comprise independent directors to oversee risk management.
- **Practice 13.5** - Recommends that boards ensure the conduct of virtual general meetings (fully virtual or hybrid) support meaningful engagement between the board, senior management and shareholders.

This year’s report also includes two feature articles; by Professor Mak Yuen Teen[2] titled ‘Corporate Governance Practices in Malaysia Continue to Improve’ and by the Institute of Corporate Directors Malaysia (ICDM) on ‘Improving Disclosure of Board and Senior Management Remuneration’.

[1] The MCCG 2021 is a set of recommended corporate governance best practices for PLCs. The Bursa Malaysia Listing Requirements (Listing Requirements) requires a PLC to explain its adoption or departure for each best practice in a prescribed format annually.
[2] The writer is Professor (Practice) of Accounting and Founding Director of the Centre for Investor Protection at the NUS Business School, National University of Singapore, and Visiting Professor at Asia School of Business. He has been actively involved in corporate governance developments in the region for 25 years. He regularly conducts corporate governance training for directors and other professionals in the region, including in Malaysia.

2 INTRODUCTION

Data Coverage

1. **Board Data** *(source: Securities Commission Malaysia (SC))*

   The number of PLCs covered in each data cut off are:
   - As of 1 Oct 2024: 1,010 PLCs
   - As of 31 Dec 2023: 982 PLCs
   - As of 31 Dec 2022: 964 PLCs

2. **MCCG Adoption** *(source: Collaboration between SC and Minority Shareholders Watch Group (MSWG))*

   The data and observations on the adoption of the MCCG are based on information in CG Reports of the following PLCs:
   - For FYE 2023: 926 PLCs that announced their CG reports by 30 June 2024.
   - For FYE 2022: 883 PLCs.

Table 1: Breakdown of PLCs by size (market capitalisation)

	2023		2022	
PLC Size*	**Total PLCs**			
Large-Cap	729	79%	723	82%
Mid-Cap	63	7%	46	5%
Small-Cap	134	14%	114	13%

** Description of PLC size categorisation is in the glossary section*

3 BOARD DATA

TABLE 2: NUMBER OF PLCs[3]

YEAR	Total PLCs
2024[4]	**1,010**
2023	982
2022	964

TABLE 3: BOARD OF DIRECTORS

	2024[4]		2023		2022	
Individual Directors	**5,762**		**5,611**		**5,349**	
Male	4,267	74%	4,217	75%	4,201	79%
Female	1,495	26%	1,394	25%	1,148	21%

TABLE 4: BOARD POSITIONS

	2024[4]		2023		2022	
Board Positions	**7,270**		**7,032**		**6,747**	
Executive	2,291	32%	2,211	31%	2,152	32%
INED*	3,756	51%	3,595	51%	3,516	52%
NINED**	1,223	17%	1,226	17%	1,079	16%

** Independent Non Executive Director ** Non Independent Non Executive Director*

[3] Main Market listed companies and ACE Market listed companies.
[4] As of 1 October 2024.
[5] New appointees are directors that are appointed to the board for the first time and have not previously held board positions in other PLCs.

TABLE 5: APPOINTMENT AND RE-ELECTION OF DIRECTORS

	2024[4]					
	Total	Male	Female	**New Appointees[5]**	Male	Female
Executive	**199**	157	42	**172**	131	41
INED*	**482**	290	192	**307**	186	121
NINED**	**109**	95	14	**72**	61	11
TOTAL	**790**	542	248	**551**	378	173
	2023					
	Total	Male	Female	**New Appointees[5]**	Male	Female
Executive	**236**	193	43	**205**	163	42
INED*	**886**	483	403	**618**	320	298
NINED**	**154**	116	38	**114**	81	33
TOTAL	**1,276**	792	484	**937**	564	373

** Independent Non Executive Director ** Non Independent Non Executive Director*

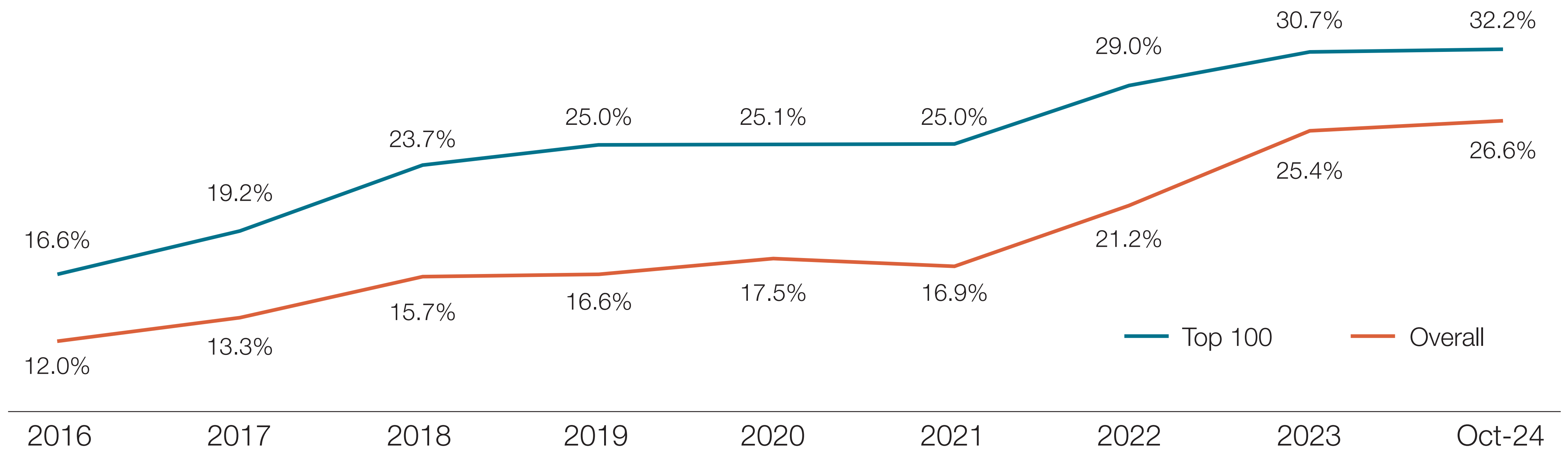
61% (482) of board appointments in 2024 were INEDs. Of the appointed INEDs in 2024, 64% (307) were new appointees. The significant number of new appointees are due to several factors including:

1. a number of INEDs reached the tenure limit of 12 years, hence there was opportunity on the board to refresh the board composition.

2. Part of the board's effort to improve board diversity, specifically the participation of women on boards. Based on the data, 39% of the new appointees were women as INEDs.

PARTICIPATION OF WOMEN ON BOARDS

As of 1 October 2024, the Participation of women on boards (WOB) for the top 100 PLCs and across all PLCs increased by 15.6% and 14.6% respectively from 2016.



Click here for the latest information on the participation of women on boards

TABLE 6: STATISTICS ON WOMEN ON BOARDS

	PLCs with one woman director on the board[6]	PLCs with all-male boards		≥30% WOB		≥50% WOB	
		All PLCs	Top 100	All PLCs	Top 100	All PLCs	Top 100
2024[4]	**996**	8	1	377	61	57	10
2023	975	7	0	317	57	52	10
2022	801	163	1	253	53	36	6

There are still **39 - Top 100 PLCs** that have yet to reach the 30% WOB target. These companies need to take proactive steps in achieving this target to ensure greater board diversity.

[6] 15.02(1(b)) of the Listing Requirements requires a PLC to have at least one woman director on its board.
[7] 15.02(3) of the Listing Requirements requires PLCs to fill the vacancy in the board of directors, resulting in non-compliance within three months.

TABLE 7: BOARD POSITIONS HELD BY WOMEN DIRECTORS

	2024[4]		2023		2022	
Board Positions	**1,936**		**1,795**		**1,471**	
Executive	383	20%	349	19%	316	21%
INED*	1,339	69%	1,230	69%	962	65%
NINED**	214	11%	216	12%	193	13%

** Independent Non Executive Director ** Non Independent Non Executive Director*

'Singles' boards

We observe that there are a number of boards which have only one woman director, which is classified as 'Singles' board. While a single woman director on a smaller board may meet the 30% target, it is crucial for boards to evaluate whether its current composition has the right mix, diverse and able to provide the level of discussion and challenge required for effective board leadership.

PLCs with all-male boards

There are currently eight PLCs with all-male boards due to recent resignations of women directors. Of these, three have been in this position for less than three months. Under the Listing Requirements, a listed issuer has three months to fill the vacancy on the board of directors to ensure compliance with gender diversity requirements[7]. Bursa Malaysia will continue to monitor the remaining five PLCs and appropriate action will be taken for non compliance.

Board Positions Held by Women

As of 1 October 2024, women held 1,936 board positions, accounting for 27% of all board positions across PLCs. Of these, 20% (383) were executive positions. The majority of female board members, however, were appointed as INEDs, comprising 69% (1,339) of women-held board positions. NINEDs accounted for 11% (214) of the positions. The high proportion of women serving as INEDs indicates that their appointments are not merely symbolic or tokenism, but can be meaningful contributions to board oversight and governance, addressing some concerns over appointments based on family ties or other affiliations.

BOARD CHAIRMAN

TABLE 8: STATISTICS ON CHAIRMAN

	2024[4]		2023		2022	
PLCs with named Chairmen	892[8]		867[8]		840[8]	
Chairmen	895		870		843	
Male	829	93%	808	93%	794	94%
Female	66	7%	62	7%	49	6%

TABLE 9: DIRECTORATE OF CHAIRMAN

	2024[4]		2023		2022	
Executive	261	29%	251	29%	236	28%
INED*	420	47%	407	46%	431	51%
NINED**	214	24%	212	24%	176	21%

* *Independent Non Executive Director* ** *Non Independent Non Executive Director*

TABLE 10: TENURE OF CHAIRMAN

	2024[4]	2023	2022
Average	**10 years**	10 years	10 years
Longest[9]	**53 years**	52 years	51 years

TABLE 11: CHAIRMAN WHO ARE ALSO CEO

2024[4]	2023	2022
28	29	29

TABLE 12: COMPOSITION OF INDEPENDENT DIRECTORS ON THE BOARD

	2024[4]		2023		2022	
PLCs with 50% or more INEDs	673	67%	648	66%	659	68%
PLCs with 50% or more INEDs in Boards with Executive Chairman	156	60%	153	61%	156	66%

[8] Three PLCs have co-Chairmen.
[9] The individual is the founder of the company and has been serving as the Executive Chairman for 53 years as of 2024, having assumed the role prior to the company's listing on Bursa Malaysia in 1993.

The Role of the Chairman

The Chairman plays a pivotal role in fostering good governance, providing leadership, and ensuring board effectiveness, as highlighted in Practice 1.2 of the MCCG. Adoption of this practice remains high, with 97% of PLCs adopting the practice in both 2022 and 2023. There has also been an increase in the number of women serving as Chairmen of boards, at 66, up from 49 in 2022.

Tenure and Leadership Renewal

Based on the data, the average tenure of a Chairman is 10 years. Like other board positions, assessing the effectiveness of directors in their respective roles including as Chairman is important. Likewise, the need to refresh the board, to mitigate the risk of groupthink, familiarity which impedes frank and objective challenge.

Separation of Chairman and CEO Roles

Practice 1.3 of the MCCG recommends the role of Chairman and CEO be held by different individuals to promote check and balance and mitigate the risk of concentration of power. Today it is uncommon among PLCs for these roles to be assumed by the same individual. However, this is still the case for 28 PLCs, and the SC strongly encourages these PLCs to take steps to align with the best practice.

Board Independence

As of 1 October 2024, 67% of PLCs (673) have boards which comprise at least 50% of INEDs. We also note that there are 261 PLCs with an Executive Chairman, of which 60% of these PLCs (156 PLCs) have at least 50% INEDs, providing some balance as the board is being led by an Executive Chairman.

It is crucial for the remaining boards to look at the board composition to ensure that the board is able to discharge its role effectively, including providing the constructive challenge and guidance to senior management. This could be a challenge, when the board comprise primarily of executive directors.

The G20/OECD Principles of Corporate Governance recommends that boards must maintain "sufficient independence from management" to effectively supervise corporate strategy. Ensuring a majority of independent directors strengthens oversight, balances power, and leads to better decision-making.

PLCs that do not meet the 50% independent director threshold may face governance risks and should restructure their boards to achieve a balanced composition. Strengthening board independence is not only a regulatory requirement but also a strategic necessity for fostering accountability and ensuring long-term sustainability.

LONG-SERVING INDEPENDENT DIRECTORS

TABLE 13: INDEPENDENT DIRECTORS WITH TENURE OF MORE THAN NINE YEARS

	2024[4]	2023	2022
Directors	**305**	297	635
PLCs	**238**	227	372

Long-serving independent directors are directors who have served as independent board members of a company for more than nine years. Under the Bursa Malaysia Listing Requirements, the tenure of an independent director is limited to no more than a cumulative tenure of 12 years in the listed issuer and its group of corporations. All long-serving independent directors impacted by this requirement must resign or be re-designated as non-independent directors by 1 June 2023, as per the requirement issued by Bursa Malaysia on 19 January 2022.

Tenure Limit

- As a best practice, since 2017, the MCCG has recommended that boards set a nine-year tenure limit for independent directors (Step Up Practice 5.4). Currently, only 18% of PLCs (165 PLCs) have set such a limit (2022: 153 PLCs).
- "Maxing Out" the Tenure - Some directors appear to stay on the board until the 12-year limit, reflected by the reduction in the use of the annual two-tier voting process.
- Some independent directors who were retained in 2022 through two-tier voting process, were reappointed in 2023, via a simple majority vote.

The SC strongly discourages companies from back-pedalling in adopting the MCCG best practices. It may not reflect well on the company's commitment to good governance.

		Number of Directors			Two-Tier			Simple Majority		
		2024[4]	2023	2022	2024[4]	2023	2022	2024[4]	2023	2022
Between 10 to 12 Years	Directors	**233**	218	243	**37**	96	93	**31**	76	107
	PLCs	**179**	162	177	**30**	69	66	**25**	62	79
Between 13 to 20 Years	Directors	**16**	48	269	**4**	6	112	**7**	19	116
	PLCs	**15**	45	185	**4**	6	83	**6**	18	81
Between 21 to 30 Years	Directors	**11**	23	111	**3**	3	54	**4**	4	49
	PLCs	**11**	21	79	**3**	3	40	**3**	4	35
Between 31 to 40 Years	Directors	**0**	1	4	**0**	0	1	**0**	0	2
	PLCs	**0**	1	4	**0**	0	1	**0**	0	2

Board Independence and Investor Expectations

As of 1 Oct 2024, there are still 26 PLCs which have independent directors with tenure of more than 12 years. Bursa Malaysia is taking the necessary action on this matter.

Board independence is a crucial element of governance, an important consideration for investors. The Institutional Investors Council Malaysia (IIC)[10] chaired by Kumpulan Wang Persaraan (Diperbadankan) (KWAP), through its *Malaysian Code for Institutional Investors* (MCII), recommends that investee companies set a nine-year tenure limit for independent directors and discourages the re-appointment of the director even after serving a cooling-off period[11]. The Code also recommends its signatories[12] to abstain or vote against resolutions of their investee companies to retain independent directors with tenure of more than nine years.

The voting policies of some government-linked investment companies (GLICs) include:

- Permodalan Nasional Bhd (PNB) votes against re-election of an independent director who has served for more than nine years.
- Employees Provident Fund (EPF) abstains from voting for the re-appointment of independent directors who have served for more than eight years. However, if the board deems the director can still contribute positively, EPF will support their re-election as a non-independent director, provided the board ensures its independence is not compromised.
- KWAP recommends a nine-year cumulative term limit for independent directors. Upon completing this term, directors should be re-designated as non-independent if they wish to continue serving on the board.

[10] The IIC was formed on 3 July 2015 following the launch of the MCII in 2014 to promote good corporate governance, responsible ownership, and sustainable investment practices among PLCs.
[11] Part A (g) of Appendix 9A of the Listing Requirements requires PLCs to provide a statement justifying the appointment of the person as an independent director, and explaining why there is no other eligible candidate, if such person had cumulatively served as an independent director of the PLC or any one or more of its related corporations for more than 12 years before and observed the requisite three-year cooling off period.
[12] As of 1 October 2024, there are 38 signatories to the MCII. The list of signatories is available here [https://www.iicm.org.my/list-of-signatories/].

FEATURE ARTICLE: **CORPORATE GOVERNANCE PRACTICES IN MALAYSIA CONTINUE TO IMPROVE**

BY PROFESSOR MAK YUEN TEEN

Malaysia last revised its *Malaysian Code on Corporate Governance* (MCCG) in April 2021 and in doing so, became one of the first countries in the world to integrate sustainability governance and management practices into the corporate governance code.

The 2021 revision of the MCCG also saw a number of other enhancements, including extending the recommendation for the boards of large listed issuer[1] to comprise at least 30% female directors to all listed issuers; an annual two-tier vote for independent directors serving beyond nine years; and discouraging the Chairman from being a member of the Audit, Nomination or Remuneration Committees. This continues the trend of Malaysia leading many of its regional peers in corporate governance reforms.

Malaysia has formulated rules that are not only aligned with those in developed markets but in some cases have gone beyond, in order to address issues that it sees as pertinent to its listed issuers. The recommendation that the Chairman should not be a member of the three key board committees is a case in point. It is one of the few countries, if not the only one, that has incorporated such a recommendation in its Code. This was introduced to reduce the risk of dominance of the Chairman in committee deliberations and to improve independence and objectivity in such deliberations. While smaller boards may find it difficult to comply, the recommendation is aimed at addressing a real risk not only in Malaysian companies, but in companies everywhere. It is good to see the adoption levels for this recommendation improving across companies of different sizes. It is important that companies that do not comply take steps to ensure that committee deliberations and recommendations are not hindered by a dominant Chairman.

Malaysia is also one of the few countries where the regulators publish regular reports on compliance with their code of corporate governance. This is important not only for identifying gaps in compliance and where further targeted actions by regulators and other stakeholders may be necessary, but can also point the way to future reforms.

[1] Large listed issuer is defined under the MCCG as companies on the FTSE Bursa Malaysia Top 100 Index or companies with a market capitalisation of RM2 billion and above, at the start of the companies' financial year.

Greater board independence can be further encouraged

The *Corporate Governance Monitor 2024* shows that the percentage of independent directors has settled at just over 50% over the past few years, with the percentage of executive directors remaining at just over 30%. While the percentage of independent directors is at a healthy level, what is more important is to ensure that these directors are truly independent.

Although only 28 PLCs have a board Chairman who is also the CEO, there are still 29% of PLCs with an Executive Director serving as the Chairman. In the latter cases, the Executive Chairman may also be effectively acting as the CEO, even if there is another individual holding the CEO position. This means that the recommended practice of the positions of Chairman and CEO being held by different individuals may be followed in form rather than in substance.

The independence of the board will be further compromised if companies with an Executive Chairman also have a relatively high percentage of executive directors. Listed issuers should consider reducing the presence of executive directors on their boards.

Gender diversity continues to improve

Malaysia has been a flag bearer for gender diversity on boards in the region, and we continue to see the percentage of female directors improving not only for the Top 100 PLCs, but all PLCs. All-male boards are becoming nearly extinct, with only eight PLCs and 1 Top 100 PLC, having such boards, due to resignations. With the Listing Requirements now mandating all PLCs to have at least one female director, all-male boards will be a thing of the past.

The percentage of PLCs with at least 30% female directors now stands at about 37%. More can be done by PLCs to achieve the 30% target, and even surpassing it. What is encouraging is that we are seeing women accounting for more than 40% of all new appointment of independent directors as of October 2024.

Beyond numbers and percentages, it is important that boards ensure that female directors appointed to boards are given sufficient support and encouragement to contribute to board deliberations and decisions. In this regard, the Board Chairman plays a crucial role. More female directors holding key board positions such as board and committee chairs would be a further sign of progress.

Improving the search and nomination process

Efforts to improve gender diversity and other forms of diversity should be underpinned by a robust search and nomination process, which involves boards casting the net wide to identify candidates who bring skills and competencies needed by the board, together with a diversity of perspectives. It is good to see around 85% of PLCs complying with Practice 5.6 on not solely relying on recommendations from existing directors, management or major shareholders in identifying candidates for board appointments, or to explain why these sources suffice and other sources were not used. However, it is unclear what percentage of companies did not use independent sources and explained why they were not used.

PLCs should be encouraged to ensure that their search and nomination process supports the board in having an appropriate mix of skills and experience and diversity of perspectives, and the appointment of directors who are fit and proper, do not have conflicts or potential conflicts of interest, and are truly independent.

Healthy signs of board renewal and new blood

It is encouraging that the latest statistics show that nearly two-thirds of independent directors appointed as of October 2024 are first-time directors. In 2023, that percentage was nearly 70%. This is important not only from the perspective of continuing to increase the pool of independent directors, but it also helps mitigate the risk of overboarding as there would be more choices available to companies. It also helps support board renewal and companies to implement term limits for independent directors.

The fact that more than 40% of first-time directors are women also augurs well for continuing improvement in diversity.

Malaysia is showing the rest of the region that there are many candidates, including women, who are qualified and available to serve as independent directors. With the appropriate professional development and support, these newer directors can contribute to more effective and future-ready boards for Malaysian PLCs. Improving other aspects of diversity, such as age diversity, is also important for building more effective boards.

What next for Malaysian boards?

Going forward, Malaysian boards should continue to focus on improving corporate culture to enhance both compliance and performance. While the MCCG states that the board should work together with senior management to promote a good corporate governance culture within the company which reinforces ethical, prudent and professional behaviour, poor corporate culture continues to be the root of many corporate governance scandals around the world. Boards should seek more information from management that can provide insights into corporate culture, such as turnover and absenteeism rates; how employees are recruited, rewarded and promoted; and whistleblowing, grievance and “speak-up” data. Boards should assess whether indicators of a good corporate culture such as honesty, openness and respect exist in their companies and be alert to indicators of poor corporate culture, such as silo thinking, dominant/arrogant leadership and pressure to meet numbers and overambitious targets.

In terms of performance, initiatives in various countries such as Japan and South Korea to push companies and boards to implement measures to increase corporate value are prompted by lackluster value creation in many companies. As the high-level finance committee report published in Malaysia 25 years ago states, the purpose of corporate governance is to promote business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value while taking into account the interests of other stakeholders. Many boards may have lost sight of their responsibility to promote business prosperity, focusing predominantly on compliance, which whilst important, is not the ultimate purpose of corporate governance. To encourage boards to focus more on long-term value creation, regulators can consider requiring better disclosures of appropriate metrics related to value creation and steps that companies and boards will take to improve such metrics. While improving transparency in remuneration policies and packages for senior executives is important, what is just as important is that these remuneration policies support the creation of long-term value. Boards should review whether there is an appropriate balance between fixed salary, short-term incentives and long-term incentives that are aligned to developing an appropriate corporate culture and encouraging a focus on value creation.

Finally, boards should review the processes they have in place for ensuring that the board has the appropriate composition to properly oversee the integration of sustainability considerations into the business and deal with current and emerging risks their companies are likely to face. The recent proposed revision of the corporate governance recommendations in Australia has focused on the need for an accurate assessment of the skills and competencies on the board, in particular, what it takes for a director to be considered to have a particular skill or competency. Current board skills matrices used by many companies as part of the search and nomination process may not adequately assess the current and required skills and competencies required. This will undermine the ability of companies to build truly effective boards.

Mak Yuen Teen is Professor (Practice) of Accounting and Founding Director of the Centre for Investor Protection at the NUS Business School, National University of Singapore, and Visiting Professor at Asia School of Business. He has been actively involved in corporate governance developments in the region for 25 years. He regularly conducts corporate governance training for directors and other professionals in the region, including in Malaysia.

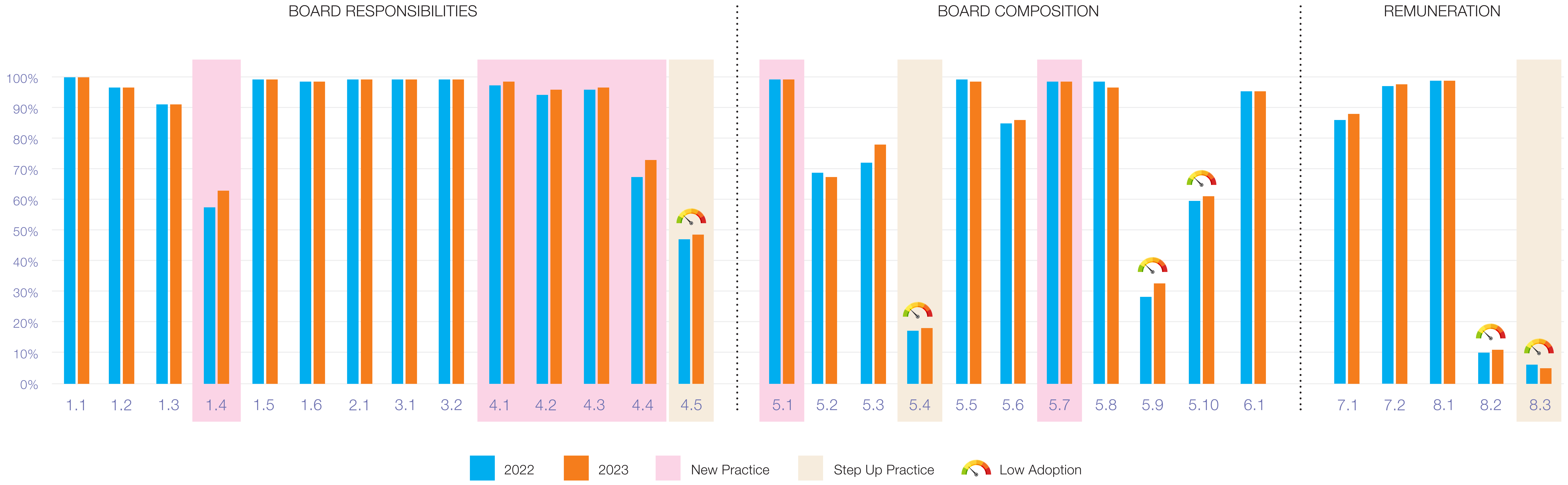
ADOPTION OF THE MCCG

4 PRINCIPLE A

BOARD LEADERSHIP AND EFFECTIVENESS

Chart 1 provides the adoption level of practices outlined in **Principle A: Board Leadership and Effectiveness** for 2022 and 2023. Principle A encompasses three key elements: **Board Responsibilities, Board Composition, and Remuneration.** There are eight new practices introduced in MCCG 2021 and three Step Up practices under this principle. Overall, practices related to Board Responsibilities show high adoption levels. In contrast, adoption levels for Board Composition practices vary, with particularly low adoption for practices concerning the tenure limit of INEDs, women on boards, and gender diversity disclosures. Similarly, practices under Remuneration exhibit low adoption levels, especially those related to the transparency and disclosure of senior management remuneration.

CHART 1 - BOARD LEADERSHIP AND EFFECTIVENESS – OVERALL ADOPTION IN 2022 AND 2023



* Adoption level below 60% is regarded as "Low Adoption"

PRACTICE 1.4 - CHAIRMAN’S ROLE AND COMMITTEE MEMBERSHIP

ADOPTION LEVEL		
PLCs	**2023**	**2024**
Large-Cap	104	80
Mid-Cap	46	32
Small-Cap	435	396

***Practice 1.4** recommends that the Chairman of the board should not be a member of the Audit, Nomination, or Remuneration Committees to ensure independence and objectivity in board operations.*

The adoption of this best practice has seen an improvement in 2023 with 108 new adopters, predominantly among small-cap companies. The primary reasons for adoption include enhancing the objectivity and impartiality of board deliberations, ensuring checks and balances, promoting independent committee discussions, adhering to best practices in corporate governance, preventing the concentration of power, and aligning with specific board structures and policies that prohibit the Chairman’s involvement in key committees.

Some of the common reasons cited by companies which depart from this practice, include the challenge of transitioning the Chairman out of these roles and the need for gradual adjustment to maintain continuity. The PLCs highlight the Chairman’s expertise and significant contributions to committee discussions and argue that this enhances decision-making without compromising objectivity.

Companies are pursuing different timelines for adopting Practice 1.4, with some aiming for compliance within one year and others opting for a phased approach over three years. This phased approach is meant to allow for the necessary adjustments in committee structures and board compositions.

Currently, 63% of companies have ensured that the Chairman is not a member of the specified committee. Companies which depart from this practice are in the minority. There is a risk of self-review when the Chairman of the board is a member of the board committee or chairs the committee. At the board, the Chairman would be reviewing and/or deciding on matters which he had earlier already agreed to at the committee-level. This can impair objectivity of the board as it can dilute the review process. As such, **the remaining 341 companies are urged to address this requirement, to ensure the governance structure enables the board and individual directors to discharge their duties effectively.**

SUSTAINABILITY-RELATED PRACTICES

	ADOPTION LEVEL									
Practice	**4.1**		**4.2**		**4.3**		**4.4**		**4.5**	
PLCs	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Large-Cap	134	114	133	112	134	114	117	99	115	103
Mid-Cap	63	45	62	44	61	45	41	32	40	29
Small-Cap	714	700	695	676	703	693	517	464	297	285

Sustainability-related best practices were introduced in MCCG 2021, and since then, there has been a significant increase in the adoption of these practices. More than 96% of companies have adopted the first three practices in 2023, which focus on the responsibility of the board and management in the oversight of sustainability, communication on sustainability strategies and targets with stakeholders, and ensuring that the board remains informed about relevant sustainability developments.

Practice 4.1 *recommends that the board, along with management, take responsibility for the governance of sustainability, including setting sustainability strategies, priorities, and targets, and integrating them into the company's overall strategies and risk management.*

Practice 4.2 *recommends the board to communicate the company's sustainability strategies, priorities, targets, and performance to both internal and external stakeholders, ensuring transparency and accountability.*

Practice 4.3 *recommends that the board stays informed about relevant sustainability issues, including climate-related risks and opportunities.*

The introduction of the **National Sustainability Reporting Framework (NSRF)** further strengthens these practices, requiring disclosure of sustainability-related information by companies pursuant to IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* issued by the International Sustainability Standards Board (collectively referred to as the ISSB Standards). Governance is one of the main pillars of the ISSB Standards and under the IFRS S1, among the governance disclosures required include company's governance structure overseeing sustainability-related risks and opportunities, the processes and policies in place for identifying and managing these risks, the role of the board in sustainability oversight, and how sustainability performance is integrated into board and senior management's remuneration.

Practice 4.4 *which recommends that the performance evaluations of both the board and senior management should include a review of their performance in addressing the company's material sustainability risks and opportunities.*

Adoption of this practice has remained low, but has shown significant improvement in 2023, with 107 new adopters, the majority of which are small-cap companies. These companies are enhancing their performance evaluation processes to incorporate sustainability matters, supported by annual reviews and the development of specific sustainability KPIs.

Among the reasons highlighted by companies which depart from this practice are the complexity of integrating sustainability metrics into performance evaluations due to a lack of expertise and resources. To address these challenges, the **PACE** initiative, designed to support the implementation of the NSRF, offers comprehensive resources to assist companies. PACE provides among others, policy guidance, emissions calculators, and **capacity-building programs** to help companies, regardless of their size, navigate sustainability reporting requirements.

By focusing on capacity building, PACE ensures that companies are well-equipped to develop measurable sustainability KPIs, improving their sustainability competencies and enhancing the quality of their sustainability reporting.

SUSTAINABILITY-RELATED PRACTICES

Sustainability is increasingly reshaping how boards and companies operate, and this transformation should be reflected in performance evaluations and management compensation. With the NSRF now in place, **there is an expectation that investors will demand greater transparency on how measurable sustainability targets and KPIs are considered when evaluating the performance of both the board and senior management.**

Step-Up Practice 4.5 *recommends appointing a dedicated person within management to focus on managing sustainability strategically.*

In 2023, 452 companies adopted this practice, where the dedicated person is often the Chief Sustainability Officer or the member of senior management. There appears to be a confusion that this Step Up practice only applies to Large Companies, as some companies have stated this as a reason for departing from the practice. This is not the case. **The SC encourages all companies to consider and adopt this practice, as it can provide better focus, accountability on sustainability goals, and strategic integration of sustainability matters across the company's operations. Adoption of this practice also ties in squarely with the requirements of IFRS S1 which requires the disclosure of information on whether there is a dedicated role delegated to a specific management-level position.**

The NSRF addresses the use of the IFRS® Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB), specifically the IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*, and IFRS S2 *Climate-related Disclosures* (collectively referred to as the ISSB Standards), as the baseline sustainability disclosure standards for companies in Malaysia, as well as the assurance requirements for sustainability reporting.

The NSRF is meant to ensure corporate Malaysia provides consistent, comparable and reliable sustainability information to enhance Malaysia's competitiveness and attractiveness to investors.

PACE

Policy | Assumptions | Calculators | Education

PACE is an initiative designed to help companies successfully adopt the NSRF. It offers a wide range of resources, including policy guidance, emissions calculators, and capacity-building programmes, to ensure companies of all sizes can meet the sustainability reporting requirements.

Further information on the NSRF and PACE available at www.sc.com.my/nsrf

PRACTICE 5.3 & 5.4 - TENURE OF INDEPENDENT DIRECTORS

	ADOPTION LEVEL			
Practice	**5.3**		**5.4**	
PLCs	**2023**	**2022**	**2023**	**2022**
Large-Cap	72	53	67	54
Mid-Cap	49	33	13	12
Small-Cap	601	551	85	87

Practice 5.3 *recommends limiting the tenure of independent directors to nine years.* We note that there are 125 new adopters in 2023, primarily small-cap companies.

Companies which have not set a nine-year tenure limit argue that retaining these directors are crucial for continuity, and emphasise the institutional knowledge and stability provided by long-serving independent directors. We understand these considerations, and the director can still remain on the board as a non-independent director. It is important for the board to proactively review its composition, to ensure that there is the right mix of not just expertise, but viewpoints to ensure that management and the business is getting the right steer and direction to navigate an increasingly complex, demanding and challenging business environment.

In this regard, ***Step Up Practice 5.4*** *recommends that boards set a policy within the company, limiting the tenure of independent directors to a maximum of nine years* – as one of the measures for board refreshment. Adoption level for this Step Up practice remains low, with companies citing difficulty in finding suitable candidates as replacements.

In relation to the search for board candidates - the SC led the establishment of the ICDM in 2018 to enhance the professionalism and effectiveness of boards. One important way ICDM supports board leadership is through its director sourcing and placement services. ICDM currently maintains Directors Registry with over 1,000 board-ready candidates. As recommended in the MCCG Practice 5.6, boards expand their director search process, and complement the reliance on recommendations from existing directors, management, or major shareholders when identifying candidates for appointment of directors. Boards must access independent sources in the search for qualified candidates.

PRACTICE 8.2 & 8.3 - REMUNERATION DISCLOSURE

	ADOPTION LEVEL			
Practice	**8.2**		**8.3**	
PLCs	**2023**	**2022**	**2023**	**2022**
Large-Cap	19	15	14	12
Mid-Cap	7	4	2	2
Small-Cap	78	72	32	35

Practice 5.3 *recommends that the boards disclose, on a named basis, the top five senior management's remuneration components, including salary, bonus, benefits in-kind, and other emoluments, in bands of RM50,000.*

We observe a marginal increase in the adoption of this best practice, some companies have reverted to previous practices of not disclosing this information, or delayed implementation, essentially back-paddling in their commitment. Many companies cite confidentiality concerns as a primary reason for not disclosing senior managements' remuneration. In competitive industries, there is apprehension that such disclosures could lead to talent poaching and internal discord. However, we note that some companies have committed to disclosing the information in the next one to three years. We would like to highlight that despite such concerns there are 19 large companies including those with businesses in multiple sectors, and with regional or global footprint which have adopted this practice with 48 companies going further by adopting **Step Up 8.3** and disclosing the detailed remuneration of all members of senior management.

Transparency on remuneration will facilitate shareholders in evaluating whether management's compensation aligns with company performance, which increasingly includes how material sustainability risks and opportunities are managed. The MCCG provides a step approach with the disclosure i.e. starting with bands of RM50,000 for the top five senior management and should companies want to meet the higher standards of best practice, then to adopt Step Up 8.3.

In 2022, ICDM undertook a review of board and senior management remuneration policies and practices across Malaysian companies. The study aimed to analyse existing remuneration frameworks and practices, identify gaps and challenges, and establish benchmark data to recommend best practices. The following article are observations and recommendations to improve disclosure in relation to remuneration.

FEATURE ARTICLE:
IMPROVING DISCLOSURE OF BOARD AND SENIOR MANAGEMENT REMUNERATION

STUDY OVERVIEW

Companies struggle with crafting a fair board remuneration package due to the availability of in-depth benchmarking data. This is mainly due to the lack of disclosure and transparency by companies in a standardised or consistent format.

ICDM, in collaboration with Bursa Malaysia & Willis Towers Watson conducted a review of the remuneration practices of board and senior management (Chief Executive Officer / Managing Director / Executive Director) in 2022 and 2023 to understand the prevailing industry practices, remuneration levels and quality of disclosure in greater detail.

This was done through a review of the Corporate Governance Report and Annual Report of 176 Main Market PLCs (out of Top 300 Main Market PLCs by market capitalisation as of 31 December 2021) and 193 completed survey responses.

OBSERVATIONS

Terms of Reference (TOR)

- All respondents have TORs for Board Remuneration Committee (RC) or Board Nomination and Remuneration Committee (NRC) but only 94% disclosed this on their website
- 27% of respondents reviewed their TORs annually, 30% every two to three years, and 35% reviewed them only as needed

Policies & Procedures (P&Ps)

- 89% of respondents have remuneration P&Ps, but lacked details and transparency in the remuneration component
- 26% of respondents reviewed their P&Ps annually, 30% every two to three years, 35% only when required

Practices

- All respondents have either a RC or NRC to implement its remuneration P&Ps
- Only 33% of respondents tabled separate resolutions on the fees for each NED for shareholders' approval at their AGM as recommended in MCCG Guidance 7.2.

Disclosures

- Disclosures lacked detailed breakdown and information on remuneration component paid
- No standardisation in remuneration component items.

ENHANCED REMUNERATION DISCLOSURES

PLCs are encouraged to adopt the enhanced remuneration disclosures in their upcoming reporting cycles. It is recommended that the components for board and senior management remuneration disclosure in the CG Report (under Practice 8.1 table) and Annual Report are aligned with the descriptions provided by ICDM, in consultation with the SC, Bursa Malaysia, Institutional Investors Council Malaysia, and Minority Shareholders Watch Group as per below.

Fee

Being the fixed/retainer fee for director sitting on the:
a) Main Board
b) Board Committee(s)

To breakdown by board committees e.g., the RC, board audit committee, board risk management committee etc

Benefits-in-kind (BIK)

- Itemise each BIK accorded to the board members and senior management in the P&Ps document.
- Put a note in the CG Report and Annual Report on what these consist of.
- These should be items that are generally of a fixed value amount or terms.

The more common BIK are directors' liability insurance, car allowance, office & secretarial support, life & medical insurance coverage, leave passage, & provision of devices like mobile phone/tablet or notebook up to certain fixed value. The CEO/MD/ED, and Chairperson, may also enjoy additional privilege of a company car and dedicated driver.

Salary & Bonus

- Clearly indicate the salary and bonus component in both the CG Report and Annual Report on a named basis.
- Include the conditions for salary and bonus to be accorded to directors (if applicable) in the remuneration P&Ps. Usually applies only to executive directors.

Allowance

Keep this to mainly meeting allowance per meeting for:
a) Main Board
b) Board Committee(s)

To breakdown by board committees e.g., the RC, board audit committee, board risk management committee etc

Other emoluments

- Itemise and explain the nature of other emoluments in the P&Ps document.
- Put a note in the CG Report and Annual Report on what these consist of.
- These could be items that are variable in amount and occurrence. The amount claimable should be per the P&Ps document.

These could be entertainment allowance, out-of-pocket expenses, travelling allowances, petrol allowance, farewell gifts upon NED's retirement/ exit or professional membership/club(s) subscription, director's training (training fee, accommodation, travel fare, stipend etc).

Share grants/options/ESOS

Any share options/ESOS provided to the board or CEO/MD/ED should be itemised and disclosed both in terms of number of shares allocated and its value (in Ringgit Malaysia), coupled with disclosure of vesting period and conditions, if applicable, under Practice 8.1 CG Report in a separate table for better transparency.

Total remuneration

To ensure the total remuneration for each director and total for all directors stated in the CG Report and Annual Report tallies.

BEST PRACTICES

TOR for RC/NRC

- Make available in the organisation's website
- Provide hyperlink in the organisation's CG Report
- Review within fixed timeframe of two to three years

Board Remuneration Policies & Procedures

- Reflects the different roles and responsibilities, takes into account the demands, complexities, skills and experience required and performance of the organisation (MCCG Guidance 7.1)
- Explicitly list down the remuneration components as recommended in Enhanced Remuneration Disclosures
- Provide hyperlink in the organisation's CG Report
- Review within fixed timeframe of two to three years

Standardised Components for Disclosure

- Detailed disclosure on named basis for individual directors, CEO and top senior management (MCCG Practice 8.1 and 8.2)
- Follow the categorisation and description per Enhanced Remuneration Disclosure to ensure consistency and standardisation of data across organisations for better comparison

Explanatory Notes

- Explanatory notes in Annual Report and CG Report for any departure or treatment for the year from the P&Ps

Shareholders Resolutions

- Table separate resolutions on the approval of the fees of each NED at the AGM (MCCG Guidance 7.2)
- Controlling and major shareholders should voluntarily abstain from voting on the resolution to approve directors' remuneration (MCCG Guidance 7.2)

IMPERATIVES FOR TRANSPARENCY & DISCLOSURE STANDARDISATION

Consistent categorisation and transparency of items which goes into each components such as board fees, allowances, BIKs, and other emoluments for boards, plus salary, bonus, other allowances or equity for senior management will enable data availability and more precise benchmarking with peer organisations and industry.

Scheduled reviews ensure fair remuneration, alignment with industry & market standards, and better governance.

Leads to a more equitable compensation for directors.

Better manage stakeholders' expectations and facilitate informed decision-making - markets, shareholders, institutional investors, regulators, analysts etc.

Attracts better quality board talent for improved board performance.

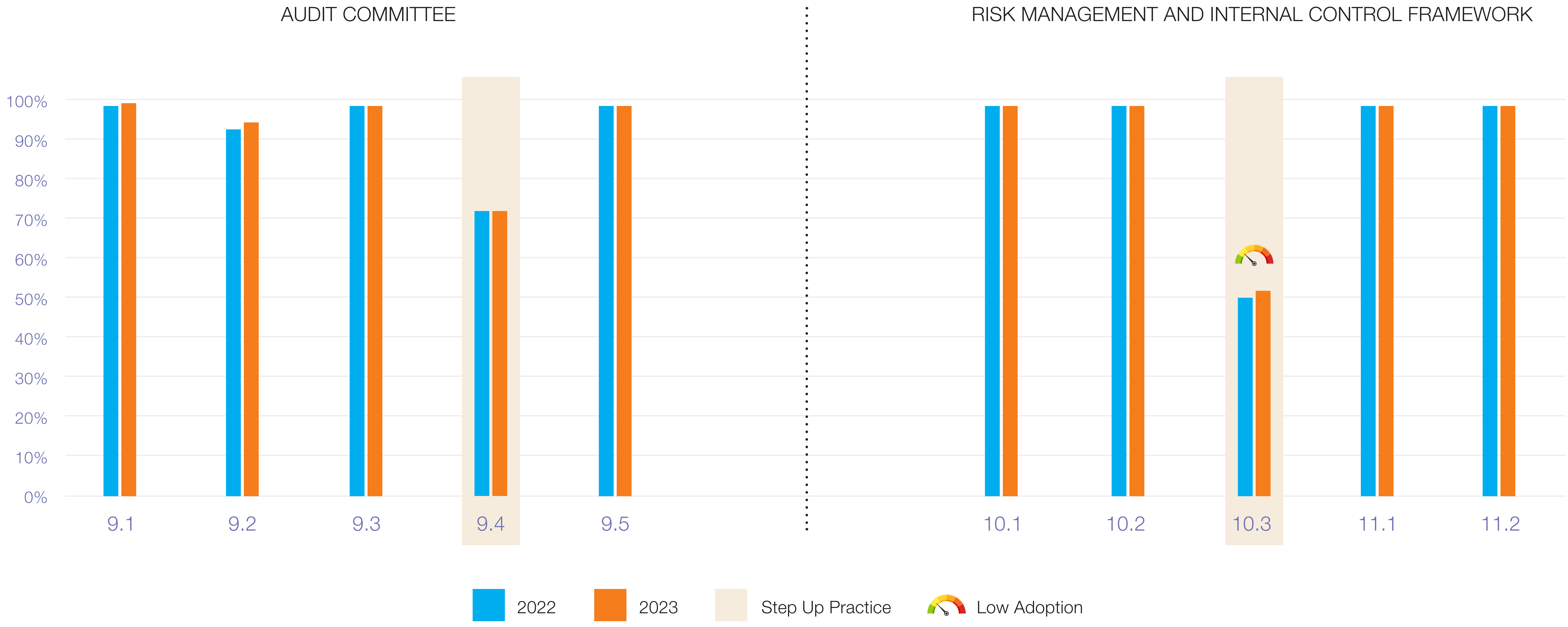
Click here to download the Executive Report

5 PRINCIPLE B

EFFECTIVE AUDIT AND RISK MANAGEMENT

Chart 2 shows the adoption levels of practices specified in **Principle B: Effective Audit and Risk Management** for 2022 and 2023. This principle includes two main elements: **Audit Committee** and **Risk Management and Internal Control Framework**. There are two Step Up practices prescribed under this principle. In general, practices related to the Audit Committee exhibit high adoption levels. A similar pattern is seen for the Risk Management and Internal Control Framework practices, except for the Step Up practice concerning the independence of the Risk Management Committee.

CHART 2: EFFECTIVE AUDIT AND RISK MANAGEMENT – OVERALL ADOPTION IN 2022 AND 2023



* Adoption level below 60% is regarded as "Low Adoption"

PRACTICE 9.4 - STRENGTHENING AUDIT COMMITTEE INDEPENDENCE

	ADOPTION LEVEL	
PLCs	**2023**	**2022**
Large Cap	98	82
Mid Cap	40	33
Small Cap	530	522

Step Up Practice 9.4 *recommends that the Audit Committee should consist solely of independent directors, aiming to ensure unbiased oversight and enhance the integrity of financial reporting.*

Despite this recommendation, adoption levels remained low in 2022 and 2023. Companies have cited various challenges for non-adoption.

For instance, some companies justify the inclusion of non-independent directors on the committee by highlighting their operational insights, which they believe can enhance decision-making while maintaining effective oversight. Others point to the perceived applicability of this best practice only to "Large Companies" and the ongoing challenges in identifying suitable independent directors. The non adoption can be attributed partly to the difficulty in transitioning existing structures and the perceived value of non-independent directors' insights into company operations.

An entirely independent Audit Committee improves the credibility of financial reporting and audit processes, thereby boosting investor trust. Moreover, independent oversight ensures comprehensive risk identification and management, safeguarding the company's interests.

Strengthening the independence of the Audit Committees is crucial for enhancing the transparency and accountability of financial reporting. Companies are encouraged to weigh these long-term benefits against the short-term challenges of restructuring their Audit Committees.

PRACTICE 10.3 - ESTABLISHMENT OF A RISK MANAGEMENT COMMITTEE

	ADOPTION LEVEL	
PLCs	**2023**	**2022**
Large Cap	92	83
Mid Cap	33	24
Small Cap	355	334

Step Up Practice 10.3 *recommends that companies establish a Risk Management Committee with a majority of independent directors to oversee the company's risk management framework and policies.*

Adoption levels in 2022 and 2023 have remained low. We find that companies often combine risk oversight with other functions, such as the Audit Committee.

The spectrum of risks that boards and companies have to address are broadened to encompass emerging challenges such as biodiversity loss, climate change, cybersecurity threats, geopolitical tensions, and social responsibility issues. These expanding risk factors require dedicated attention and specialised expertise.

Assigning risk oversight solely to the Audit Committee can lead to a dilution of focus, as these committees are traditionally concentrated on financial reporting and compliance, potentially overlooking or inadequately addressing the complex and evolving nature of non-financial risks. The inability to effectively identify and mitigate material risks - whether they be environmental, technological, or geopolitical - can have severe, even devastating, consequences for a company, ranging from financial losses and reputational damage to legal liabilities and operational disruptions. Therefore, establishing a dedicated Risk Management Committee, as recommended by Step Up Practice 10.3, is critical. This practice is also in line with the *G20/OECD Principles of Corporate Governance*, which emphasise the importance of independent board oversight in risk management to ensure that the company effectively addresses both financial and non-financial risks.

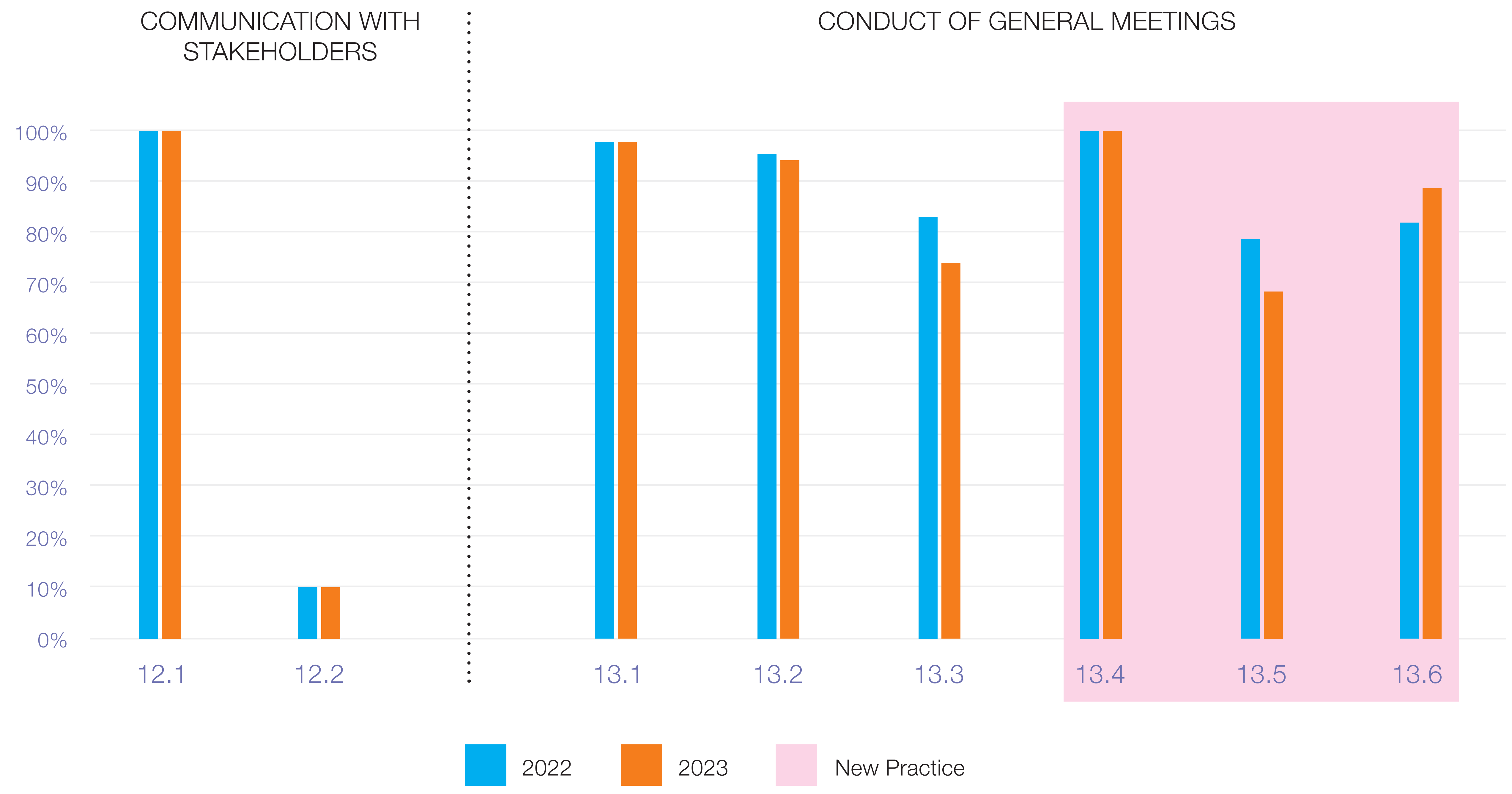
Currently, 52% of companies, including 69 out of the top 100 on Bursa Malaysia, have already established dedicated Risk Management Committee.

6 PRINCIPLE C

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Chart 3 highlights the adoption levels of practices outlined in **Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.** This principle includes two elements: **Communication with Stakeholders** and **Conduct of General Meetings.** The MCCG 2021 introduced three new practices under this principle. Overall, practices under this principle have high adoption levels. However, the practice of adopting integrated reporting by 'Large companies' shows a lower adoption rate, this may be due to the developments in relation to sustainability reporting standards. The ISSB in developing the ISSB Standards consolidated the Value Reporting Foundation (VRF), which includes the Integrated Reporting Framework. The assessment encompasses all companies, including small-cap, mid-cap and large companies, with the majority of large companies having adopted this practice. The adoption level for practice related to the conduct of virtual general meetings declined in 2023.

CHART 3: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS – OVERALL ADOPTION IN 2022 AND 2023



* Adoption level below 60% is regarded as "Low Adoption"

PRACTICE 13.5 - VIRTUAL GENERAL MEETINGS

	ADOPTION LEVEL	
PLCs	**2023**	**2022**
Large Cap	111	107
Mid Cap	48	35
Small Cap	473	554

Practice 13.5 *recommends that boards ensure the conduct of virtual general meetings whether fully virtual or hybrid, supports meaningful engagement between the board, senior management, and shareholders. This includes having the necessary infrastructure and tools to facilitate a smooth broadcast of the meeting and interactive participation by shareholders. Ensuring that questions posed by shareholders are visible to all participants during the meeting can enhance transparency and inclusiveness.*

Adoption levels decreased in 2023, as many PLCs shifted back to physical general meetings after the movement control order was lifted in April 2022. Upon review of Annual General Meetings (AGMs) conducted between 2022 and 2024, the following trends were observed:

a) There was a reduction in fully virtual AGMs from 2022 to 2023; however, over 50% of PLCs continued to conduct their AGMs virtually in 2023 and into the first half of 2024.

	2H 2024	2023	2022
% Virtual (hybrid / fully virtual)	56%	55%	61%

b) Among FBM KLCI constituents (the Top 30 PLCs on Bursa Malaysia's Main Market), a majority of them still conduct their AGMs fully virtually, with only a handful holding hybrid or fully physical meetings.

	2H 2024	2023	2022
Fully Virtual	18	24	26
Hybrid	2	2	1
Physical	2	4	3

With the **new mandate requiring all PLCs to conduct either hybrid or physical general meetings from 1 March 2025**, the use of fully virtual meetings will be phased out. This change addresses concerns from shareholders and regulators regarding the limitations of fully virtual meetings, particularly in terms of meaningful engagement and transparency. While fully virtual meetings served a crucial purpose during the pandemic, the transition back to hybrid or physical meetings is seen as a necessary step to preserve shareholder rights and ensure effective engagement.

One reason for this shift is the belief that physical meetings offer more direct interaction between shareholders and management, leading to better accountability. Hybrid meetings are viewed as the best of both worlds, combining the accessibility of virtual participation with the benefits of in-person engagement, ensuring no one is excluded due to technological barriers.

International bodies such as the International Corporate Governance Network (ICGN) and the Asian Corporate Governance Association (ACGA) have both highlighted the importance of hybrid meetings, advocating for their ability to balance inclusivity with meaningful shareholder interaction. By adopting hybrid or physical formats, PLCs will be able to uphold governance standards, foster transparency, and promote accountability.

GLOSSARY

Corporate Governance Report
Under Paragraph 15.25(2) of the Bursa Malaysia Listing Requirements, a listed issuer is required to disclose the application of each practice set out in the MCCG during the financial year. The report must be announced together with the announcement of the company's annual report.

Company / Public-listed company (PLC)
Refers to a listed issuer on the Main Market and ACE Market of Bursa Malaysia.

Independent director
As defined under the Bursa Malaysia Listing Requirements, an independent director is a director who is independent of the management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the listed company.

Large companies / Issuers
Companies or issuers on the FTSE Bursa Malaysia Top 100 Index or companies with market capitalisation of RM2 billion and above at the start of the companies' financial year.

Large shareholder
Means a person who -

- is entitled to exercise, or control the exercise of, not less than 33% of the voting shares in the company;
- is the largest shareholder of voting shares in the company;
- has the power to appoint or cause to be appointed a majority of the directors of the company; or
- has the power to make or cause to be made, decisions in respect of the business or administration of the company, and to give effect to such decisions or cause them to be given effect to.

Listing Requirements
Refers to Bursa Malaysia Listing Requirements.

Mid-cap companies / Issuers
Companies or issuers with market capitalisation of between RM1 billion to RM2 billion.

National Sustainability Reporting Framework (NSRF)
The National Sustainability Reporting Framework (NSRF) addresses the use of the IFRS® Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB), specifically the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2 Climate-related Disclosures (collectively referred to as the ISSB Standards), as the baseline sustainability disclosure standards for companies in Malaysia, as well as the assurance requirements for sustainability reporting.

Small-cap companies / Issuers
Companies or issuers with market capitalisation of below RM1 billion.

Step Up practice
A Step Up practice is meant to encourage companies to go a step further in strengthening their corporate governance practices. For example, the MCCG recommends boards to disclose the top five senior management remuneration in bands of RM50,000 (Practice 8.2) but if companies would like to excel further, the MCCG also recommends Step Up Practice 8.3 which encourages companies to fully disclose the detailed remuneration of each member of senior management on a named basis.

Two-tier voting
Refers to a voting process to decide on the retention of a long-serving independent director with tenure of more than nine years. Under the two-tier voting process, shareholders' votes will be cast in two tiers: Tier 1 where only the Large Shareholder(s) of the company vote, and Tier 2 where shareholders other than Large Shareholders vote. The outcome of the resolution is determined based on the vote of Tier 1 and a simple majority of Tier 2. If there is more than one Large Shareholder, a simple majority will determine the outcome of the Tier 1 vote. The resolution is passed if both Tier 1 and Tier 2 votes support the resolution. However, the resolution is deemed to be defeated if the vote between the two tiers differs or where Tier 1 voter(s) abstained from voting.

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