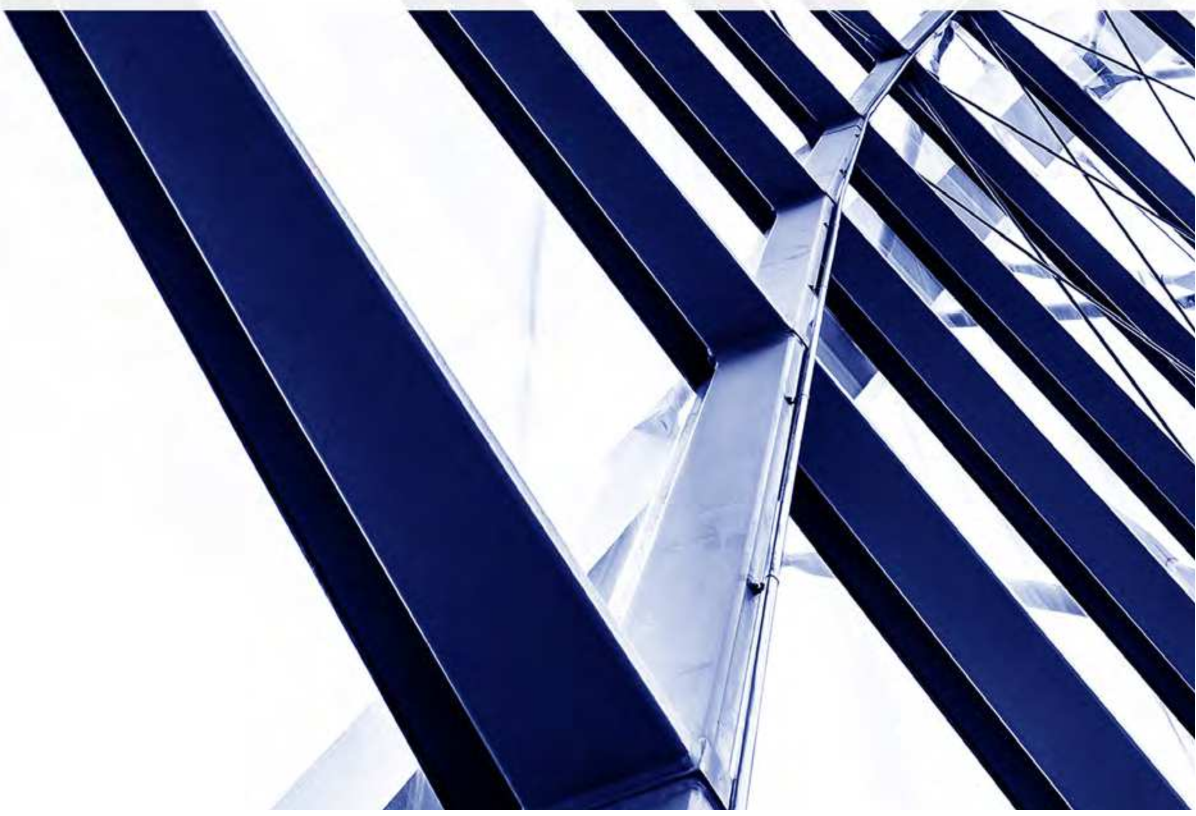
Suruhanjaya Sekuriti
Securities Commission
Malaysia

Corporate Governance Monitor 2020



CORPORATE GOVERNANCE MONITOR 2020

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DISCLAIMER

This book aims to provide a general understanding of the subject and is not an exhaustive write-up. It is not intended to be a substitute for legal advice and nor does it disminish any duty (statutory or otherwise) that may be applicable to any person under existing laws.

Published in October 2020.

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EXECUTIVE SUMMARY

The release of the *Corporate Governance Monitor 2020* (CG Monitor 2020) takes place at a time when countries across the globe are facing the COVID-19 pandemic, that has changed the normal course of life and tested the resilience of people and businesses.

To ensure that markets continue to operate in an orderly manner, the Securities Commission Malaysia (SC) took several proactive measures, including temporary relief efforts to support companies as they face the challenges brought on by the pandemic. In light of the nationwide restriction on movement to curb the spread of COVID-19, one of the immediate measures undertaken was to allow greater flexibility in the timing of annual general meetings (AGMs) and the issuance of quarterly and annual reports by listed companies. In addition, the SC issued a guidance note to facilitate the conduct of fully virtual general meetings. A closer look at the conduct of these meetings is presented in Chapter 4 of this report.

In 2020, the SC continued to implement the initiatives identified in the SC's *Corporate Governance Strategic Priorities (2017-2020)* including–

- Establishment of a **Corporate Governance Council** (Council) in January to co-ordinate and align initiatives among members of the Council and relevant stakeholders to drive good corporate governance. The Council is chaired by the SC, and members comprise representatives from Bursa Malaysia, Institute of Corporate Directors Malaysia, Institutional Investors Council, Malaysian Institute of Corporate Governance and the Minority Shareholders Watch Group. The inaugural meeting of the Council was held in April to identify the Council's priorities for 2020/2021.

- The ***Annual General Meeting Corporate Governance Checklist for Shareholders*** (Checklist) was introduced in April to promote meaningful dialogue between shareholders and boards at AGMs. It serves to guide shareholders on key issues they need to consider or raise at AGMs before exercising their voting rights. The Checklist is available on the SC's website.

- The ***Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries*** was issued in July to strengthen board governance and oversight in listed companies and their subsidiaries.

To present the overall state of play in relation to the adoption of the *Malaysian Code on Corporate Governance* (MCCG) in 2019, the SC has put together this year's edition of the *Corporate Governance Monitor* featuring the following content:

- **Key Highlights** present statistics on the landscape of listed companies, boards, directors, the adoption of the MCCG and thematic reviews selected for the year. The statistics are as at 31 August 2020;

- **Adoption of the MCCG** provides an overview of the adoption of the MCCG by listed companies in 2019, including Step Up practices and practices identified for Large Companies;

- **Quality of Disclosures** maps the quality of disclosures provided in the CG Reports, followed by observations on the quality of disclosures of selected practices; and

- **Thematic Reviews** presents observations and analysis on the following:

  - Conduct of fully virtual general meetings – *a new normal*;
  - Two-tier voting – *outcomes and observations*; and
  - Board remuneration and performance – *design, deliver, disclose*.

This year's CG Monitor also highlights two feature articles by the Institute of Corporate Directors Malaysia and the Integrated Reporting Steering Committee of the Malaysian Institute of Accountants.

Some of the main observations from the 2019 review are:

- Positive levels of adoption observed across a majority of the best practices, with the following practices recording the top 3 highest increase in the level of adoption in 2019 as compared to 2018:

  - Practice 8.2 – *The Audit Committee has a policy that requires a former key audit partner*[1] *to observe a cooling-off period of at least 2 years before being appointed as a member of the Audit Committee.* (↑11.6%).

  - Practice 6.1 – *The board has in place policies and procedures to determine the remuneration of directors and senior management. The policies and procedures are periodically reviewed and made available on the company's website.* (↑9.8%).

  - Practice 4.5 – *The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.* (↑9.1%).

- New adopters of Step Up practices in 2019–

  - 78% (2018: 74%) of listed companies adopted at least one Step Up practice.

  - 112 listed companies adopted their first Step Up practice in 2019.

  - 37 (2018:12) listed companies adopted at least three Step Up practices.

[1] The engagement partner, the individual responsible for the engagement of quality control review, and other audit partners, if any, on the engagement team who make key decisions or judgments on significant matters with respect to the audit and financial statements, which the auditor will express an opinion.

- Greater transparency in relation to remuneration of senior management–
  - 37 (2018: 32) listed companies disclosed the detailed senior management remuneration on a named basis. Out of the 5 new adopters, 3 are mid-cap and small-cap companies.
  - 737 (2018: 711) listed companies have formalised a remuneration policy to guide the determination of remuneration for the board and senior management.
- Gender diversity on boards continue to improve–
  - 165 (2018: 145) listed companies have 30% or more women directors on the board.
  - A number of mid-cap and small-cap companies have formally adopted the 30% women on board target in their board diversity policies.
  - The trend of appointing younger women directors continue. In 2019, women accounted for 21% of new board appointments–
    - 41% (2018: 41%) of the women directors were below 50 years old; and
    - 11% (2018: 10%) were below 40 years old.
- New adopters of the two-tier voting process in 2019–
  - 41 listed companies used the two-tier voting process for the first time in 2019.
  - 4 listed companies used the two-tier voting process to decide on retention of independent directors with tenure between 9 and 11 years.
- More than 250 fully virtual general meetings have been conducted since 18 April 2020, and according to findings from the SC survey, majority of shareholders[2] would like to maintain having the option to participate in general meetings remotely (online).
- The total board remuneration of companies in the FTSE Bursa Malaysia Top 100 Index (FBM 100) declined by 11.7%.

Data coverage

A total of 901 CG Reports were scheduled to be issued by companies for their financial year ending 2019. A total of 868 CG Reports were issued between May 2019 to July 2020. The remaining 63 CG Reports were not issued due to change in the companies' financial year or the delisting of the company.

The statistics and observations on the level of adoption of the MCCG is based on disclosures made in 868 CG Reports 2019.

The release of the CG Monitor 2020 in the fourth quarter of the year enables the analysis of MCCG adoption for the entire year under review, 2019. The same approach will be adopted for future editions of the report.

[2] A total of 309 shareholders responded to the SC's Survey on the Conduct of Fully Virtual General Meetings.

01 KEY HIGHLIGHTS

Landscape of listed issuers*

937
(2018: 930)
Total number of listed issuers

Excluding LEAP market

Market Year	Main	ACE	ETF
2020	784	133	20
2018	801	119	10

Size Year	Large-cap	Mid-cap	Small-cap
2020	121	51	765
2018	106	54	770

Landscape of boards and directors*

5,117
(2018: 5,231)
number of individual directors

Breakdown of director population by gender

Men	Women
4,223 (82.53%)	894 (17.47%)

5,117 individual directors holding 6,421 board positions

Executive	INED	NINED
2,105	3,276	1,040

Directors – Nationality

Malaysia	Singapore	Taiwan	China	Australia	Others
4,670	154	49	46	34	164

Gender diversity on boards*

682
(2018: 634)
listed issuers have at least one woman director on the board

Percentage of women on board

24.82%
(2018: 23.68%)
Top 100 listed issuers

16.96%
(2018: 15.69%)
All listed issuers

Percentage of women on board	less than 30%	between 30% and 50%	more than 50%
Number of listed companies	772 (2018: 791)	150 (2018: 129)	15 (2018: 16)

Number of listed companies with all-male boards

Overall	248 (2018: 296)
Top 100	5# (2018: 0)

Comfort Glove Bhd, Focus Dynamics Group Bhd, Frontken Corporation Bhd, Guan Chong Bhd, Pentamaster Corporation Bhd

MCCG adoption

27
(2018: 27)
MCCG best practices had an adoption level of above 70%

78%
(2018: 74%)
of listed companies adopted at least one Step Up practice

37
(2018: 12)
listed companies have adopted at least 3 Step Up practices

Best practices with the most improved level of adoption

Practice 8.2	↑ 11.6%
Practice 6.1	↑ 9.8%
Practice 4.5	↑ 9.1%

* Data as at 31 August 2020

THEMATIC REVIEW – HIGHLIGHTS

Virtual general meetings

Number of general meetings held during

MCO[1]	CMCO[2]	RMCO*[3]		
3	29	214	1	175

- Fully virtual – Only essential individuals are present at the broadcast venue with all shareholders participating online
- Hybrid – Shareholders have the option to be physically present at the meeting venue or to participate online
- Physical – All participants are physically present at the meeting venue

* As at 31 July 2020

74%
of shareholders would like to continue having the option to participate online*

* Based on the SC's survey – feedback from 309 shareholders

Two-tier voting

498*
(2018: 391)
Independent directors with tenure of more than 12 years

* As at 1 January 2019

Tenure	Number of directors	Reappointment using: Two-tier	Reappointment using: Simple majority
between 13 to 20 years	416	218	148
between 21 to 30 years	77	50	20
between 31 to 40 years	3	0	2
more than 40 years	2	0	2

41
(Total 2018: 164; 2019: 181)
listed companies used the two-tier voting process for the first time in 2019

268
(2018: 242)
resolutions were voted using the two-tier voting process

Board remuneration of FTSE Bursa Malaysia Top 100 Index (FBM 100) companies

Total board remuneration decreased by ↓ 11.7%

Total remuneration received by

Executive directors	Non-executive directors
↓ 14.5%	↑ 6.2%

Median board remuneration

Overall	Industrial products & services	Telecommunications & media	Property and Plantation
RM7.4 million	RM11.0 million	RM10.8 million	RM8.5 million

[1] MCO – Movement Control Order (18 March – 3 May 2020).
[2] CMCO – Conditional Movement Control Order (4 May – 9 June 2020).
[3] RMCO – Recovery Movement Control Order (10 June – 31 December 2020).

02 ADOPTION OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

OPENING

Positive levels of adoption across majority of best practices

The SC continues to observe positive levels of adoption across majority of the best practices in the MCCG. This includes the adoption of the best practices by small and mid-cap companies, for example establishing a 9-year tenure limit for independent directors, disclosing the detailed remuneration of senior management and setting a target to have at least 30% women on their boards. There is also an increase in the adoption of the Step Up practices, with 37 listed companies adopting at least 3 Step Up practices (2018: 12), and 112 listed companies adopting their first Step Up practice in 2019.

This chapter presents a status update and observations on the following:

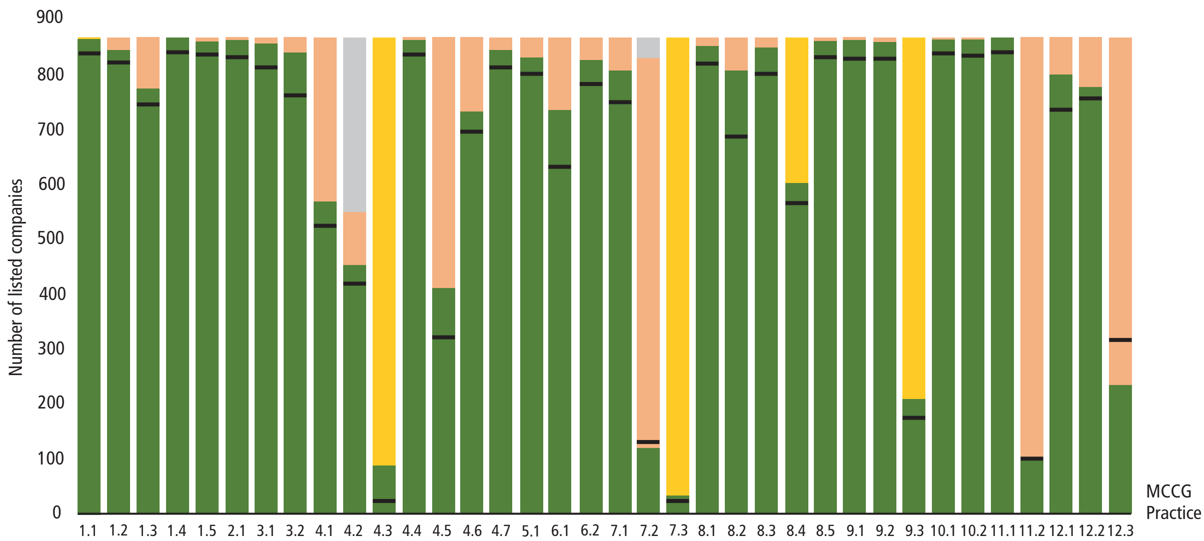
A. Overall adoption of the MCCG;
B. Best practices with the most improved level of adoption;
C. Best practices with the highest and lowest level of adoption;
D. Step-Up practices; and
E. Practices identified for Large Companies.

A Overall adoption

The level of adoption across all the MCCG best practices in 2019 is presented in Figure 1. The bars reflect the level of adoption and departures as at 31 December 2019, while the black indicators in each bar mark the level of adoption as at 31 December 2018 (reported in CG Monitor 2019).

Figure 1

Status of MCCG Adoption (2019, 2018)



Practice	1.1	1.2	1.3	1.4	1.5	2.1	3.1	3.2	4.1	4.2	4.3	4.4	4.5	4.6	4.7	5.1	6.1	6.2
Applied	866	846	776	868	862	865	858	840	570	417	90	863	412	733	846	831	737	826
Departure	2	22	92	0	6	3	10	28	298	117		5	456	135	22	37	131	42
Not applicable										334								
Not Adopted (for Step Up practices)											778							

Practice	7.1	7.2	7.3	8.1	8.2	8.3	8.4	8.5	9.1	9.2	9.3	10.1	10.2	11.1	11.2	12.1	12.2	12.3
Applied	808	122	37	853	809	849	603	861	863	860	210	865	865	868	105	802	777	235
Departure	60	709		15	59	19		7	5	8		3	3	0	763	66	91	633
Not applicable		37																
Not Adopted (for Step Up practices)			831				265				658							

Level of 'Applied' as reported in CG Monitor 2019

As seen in Figure 1, majority of the best practices recorded an increase in the level of adoption with the exception of–

- **Practice 7.2** – Disclosure of the top 5 senior management remuneration in bands of RM50,000; and
- **Practice 12.3** – Use of technology to facilitate voting including voting in absentia and remote shareholders' participation at general meetings.

Further observations on these practices are highlighted in Section D of this chapter.

B Best practices with the most improved level of adoption

The top 3 best practices with most improved level of adoption in 2019 compared to 2018 are highlighted in Table 1. While Practice 4.5 recorded significant improvements in the level of adoption; it remains one of the best practices with the lowest level of adoption. Further observations in relation to Practice 4.5 is highlighted in Section C of this chapter.

Table 1

Practices with the most improved level of adoption

Practice	2019	
	Improvement	Observations
Practice 8.2 – *The Audit Committee has a policy that requires, a former key audit partner[1] to observe a cooling-off period of at least 2 years before being appointed as a member of the Audit Committee.*	↑ 11.6%	A number of companies reviewed their board charter and/or the terms of reference of the Audit Committee and formalised a policy to explicitly require a former key audit partner to serve the recommended cooling-off period of at least 2 years before being appointed as a member of the Audit Committee. Most companies also stated in their disclosures that no former key audit partners have been appointed to the board, but if such circumstances arise, the cooling-off requirement will apply.
Practice 6.1 – *The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.*	↑ 9.8%	Most of the companies which reported departure from this practice in 2018 explained that directors' and senior management's remuneration were determined based on the company's performance and the prevailing remuneration rate in the market, without a remuneration policy to guide the process. However, the SC believes given the continuing focus by stakeholders including shareholders on ensuring that remuneration commensurate with individual and company performance; a number of these companies have formalised a remuneration policy to guide the determination of incentive structures and remuneration.
Practice 4.5 – *The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.*	↑ 9.1%	The SC observed that more listed companies have formalised gender diversity targets and measures in 2019. This includes voluntary target adoption by small and mid-cap companies.

More companies have formalised a remuneration policy to determine incentive structures and remuneration of directors and senior management

[1] The engagement partner, the individual responsible for the engagement of quality control review, and other audit partners, if any, on the engagement team who make key decisions or judgments on significant matters with respect to the audit and financial statements, which the auditor will express an opinion.

C Best practices with the highest and lowest level of adoption

Best practices with the highest level of adoption

Table 2 presents a status update of the practices with the highest level of adoption and less than 10 departures as reported in CG Monitor 2019. The SC took a closer look at the circumstances behind these few departures in the discussion that follows.

Table 2
Practices with the highest level of adoption and less than 10 departures

Practice	Number of departure(s)	
	2018	2019
1.4 – The board is supported by a suitably qualified and competent company secretary.	1	0
11.1 – The board ensures there is effective, transparent and regular communication with its stakeholders.	1	0
1.1 – The board should set the company's strategic aims, ensure the necessary resources are in place to meet the company's objectives and review management performance.	2	2
10.1 – The Audit Committee should ensure that the internal audit function is effective and able to function independently.	2	3
1.5 – Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.	6	6
4.4 – Appointment of the board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.	6	5
10.2 – The board should disclose among others whether the internal audit personnel are free from any relationships or conflicts of interest and whether the internal audit function is carried out in accordance with a recognised framework.	8	3

Practice 1.4 The board is supported by a suitably qualified and competent company secretary

The listed company, which reported departure from Practice 1.4 in 2018, has since appointed a company secretary to support the board. Prior to the appointment, the role and functions of a company secretary was temporarily performed by a member of management.

Practice 1.1 The board should set the company's strategic aims, ensure the necessary resources are in place to meet the company's objectives and review management performance

One of the listed companies which reported departure from Practice 1.1 in 2019, was also in the same position in 2018. The company explained that the independent directors on its board are not involved with the business operation and all the executive directors are actively dealing with the day to day business operations, therefore the business strategies and objectives are set by the executive directors.

In the CG Monitor 2019, it was emphasised that all directors have fiduciary duties to act in the best interest of the company. Directors should not absolve completely its duties to management, and compromise on its oversight function. Independent directors should not completely delegate the responsibility of setting the business strategies and plans for the company to the non-executive directors. As members of the board, independent directors have a fiduciary duty to be involved in among others, formulation of strategies and plans for the company. The SC and Bursa Malaysia will be engaging the company in relation to its corporate governance practices. The other listed company which reported a departure is a PN17 company.

All directors have fiduciary duties to act in the best interest of the company

Practice 10.1 The Audit Committee should ensure that the internal audit function is effective and able to function independently

The three departures were reported by a newly listed company that has internal control mechanisms in place and as at the issuance-date of its *Corporate Governance Report*, was in the midst of shortlisting candidates to perform the internal audit function. The remaining two companies were a PN17 company, which at the point of preparing this report was seeking approval for its Regularisation Plan, and a listed company that had just completed a liquidation exercise and resumed operations 3 months before its financial year-end.

Practice 1.5 Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner

Generally listed companies issue notices for board meetings between 5 to 7 days prior to the meeting. For some companies, both the notices and the meeting materials are issued together while for others, the notices are issued first, followed by the meeting materials. There is also variation in terms of the use of business or calendar days; the MCCG recommends using the former. Further, the MCCG highlights that the Chairman together with the Company Secretary should ensure directors are provided with sufficient information and that meeting materials are circulated at least five business days prior to the meeting to facilitate meeting preparation.

Circulation of board meeting materials 3 to 4 days prior to the meeting is too late

Four of the listed companies that reported departures from this practice highlighted that circumstances prevented them from circulating the meeting materials five business days prior to the meeting. However, two companies disclosed that circulating the meeting materials four and three days respectively, prior to the meeting was sufficient. This is a short timeframe to prepare for a meeting, considering the complexity of matters tabled at board meetings and information that directors need to review.

Directors and boards are reminded of the requirements under the *Guidelines on Conduct of Directors of Listed Corporation and Their Subsidiaries* which require a director to among others prepare for board meetings, contribute constructively to board discussions and decision-making, and conduct due inquiry before approving a matter (paragraph 3.04). The Chairman of the board should review the board's processes and implement measures to ensure board members are able to prepare for board meetings.

Late circulation reduces the time directors have to review meeting materials and seek clarification if required. This may lead to directors missing critical considerations or facts on the matter being tabled – affecting the challenge process during the board meeting itself.

Practice 4.4

Appointment of the board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender

From the explanation provided by the listed companies for departures from Practice 4.4, it appears that board and senior management appointments are guided by a set of criteria, and takes into consideration certain aspects of diversity. However, in response to gender diversity, companies argue that they do not practice discrimination nor biases in appointments, and appointments are made purely based on merit.

The SC would like to emphasise that boards are expected to ensure that merit is at the front and center of any appointment process. Individuals appointed must possess the qualification, skills and experience required for the position.

Gender diversity measures must be driven by the board's commitment to ensure objective challenge on the board

To avoid being misconstrued as a form of discrimination, gender diversity measures must be driven by the board's commitment to maintain board diversity and ensure there is diverse, contrasting views and objective challenge on the board.

Practice 10.2

The board should disclose among others whether the internal audit personnel are free from any relationships or conflicts of interest and whether the internal audit function is carried out in accordance with a recognised framework

The three listed companies, which reported departures from Practice 10.1, also had departures from Practice 10.2 as these practices are related.

Best practices with the lowest level of adoption

The three best practices, which recorded the lowest number of adoption in 2018, remained the lowest in 2019. These are Practice 7.2, 4.5 and 12.3 as highlighted in Table 3.

Table 3

Practices with lowest levels of adoption

Practice	Number of adoption				
	CG Monitor 2019			CG Monitor 2020	
	Total	Breakdown		2018 (full)	2019 (full)
		2017 (partial)[2]	2018 (partial)[3]		
7.2 – The board discloses on a named basis the top 5 senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.	131	*79*	*52*	112	122
12.3 – Listed companies with a large number of shareholders, or which have meetings in remote locations should leverage technology to facilitate 1) voting including voting in absentia; and 2) remote shareholders' participation at general meetings.	317	*206*	*111*	268	235
4.5 – The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.	323	*181*	*142*	369	412

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors

In relation to Practice 4.5, the SC observed that more listed companies have formalised gender diversity targets and measures in 2019, recording a significant improvement in the level of adoption of this practice. The practice also recommends that Large Companies have at least 30% women directors on their boards, and the SC would like to highlight that there are small-cap and mid-cap companies, which have adopted the 30% target. They have raised the bar for themselves, which is indeed commendable. Several small-cap and mid-cap companies have also formalised policies to have at least one woman director on the board or a target of 20%. These companies have indeed taken steps in the right direction and should continue to strengthen board leadership and effectiveness through diversity on the board.

Mid-cap and small-cap companies have formally adopted the 30% target

As highlighted in *The Female FTSE Board Report 2020* by the Cranfield School of Management, the targets are tools for cultural change. When implemented thoroughly and ambitiously, the targets can unroot biases across key talent management process.

Targets are tools for cultural change and can unroot biases in key talent management process

2 Based on the CG Reports 2017 of 483 listed companies with FYE 31 Dec 2017.

3 Based on the CG Reports 2018 of 358 listed companies which were issued by 31 Dec 2018.

Other measures and interventions to drive gender diversity on boards is being considered to accelerate progress

The data shows that we continue to record progress in relation to gender diversity on the boards of the top 100 listed companies, at 24.82% and overall (all listed companies) at 16.96%. However it appears unlikely that we will achieve the 30% target by 31 December 2020. While the SC, together with other relevant stakeholders will continue to drive greater gender diversity on boards, other measures and interventions are also being considered to accelerate progress.

Practice 7.2

The board discloses on a named basis the top 5 senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000

In 2019, 10 additional listed companies began disclosing the top 5 senior management remuneration in bands of RM50,000 on a named basis (total: 122 listed companies). However as highlighted earlier, a number of companies, which made such disclosures in 2018, opted not to do so in 2019. This is largely because the remuneration disclosures in 2017 were of the companies' executive directors. Under the Listing Requirements, detailed disclosure of directors' remuneration is mandatory. In 2019, these companies continued to disclose the senior management remuneration in bands, however, not on a named basis.

The adoption of this practice remains a challenge, and the SC would like to emphasise that the disclosure of board and senior management remuneration is important to facilitate stakeholders in understanding how those tasked with leadership and management of the company is being compensated, whether the current incentives structures commensurate with company and individual performance, aligned with the long-term strategies of the company and promote responsible business conduct by the board and members of senior management.

Information on remuneration must be forthcoming to enable stakeholders to form a view on pay and performance

The financial position of many companies have been hit hard by the COVID-19 pandemic, and measures that companies have taken to stay afloat have included pay cuts. In the US, at least 634 companies listed on the Russell 3000 have made pay adjustments for the board and senior management, largely as they can no longer afford to maintain the pre-pandemic remuneration packages[4]. As the mid and long-term economic impact continue to unfold, we can expect to see re-evaluation of the remuneration policies and packages. The required information on remuneration must be forthcoming to enable stakeholders, in particular shareholders to have an informed view on pay and performance, and alignment with long-term strategies of the company.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate 1) voting, including voting in absentia; and 2) remote shareholders' participation at general meetings

In the CG Monitor 2019, the SC highlighted that a majority of companies, which reported departures from Practice 12.3, explained that the companies' general meeting was held in accessible locations and/or the company did not have large number of shareholders. There were also a number of companies, which used the same explanation to justify 'adoption' of Practice 12.3; however, in 2019, these companies reported departures from the practice. This is reflected in the drop in overall level of adoption for Practice 12.3.

[4] 'The Pandemic and Executive Pay', Harvard Law School Forum on Corporate Governance, 21 August 2020.

The need for companies and shareholders to use digital tools for corporate communication and engagement is paramount as evident in the developments which took place during the COVID-19 pandemic, where the digitalisation strategy and measures of listed companies were expedited. This is regardless of the size and location of the general meeting. A closer look at this development is presented in Thematic Review 1 of this report.

D Step Up Practices

There is a continuous increase in the adoption of Step Up practices, although marginally, based on a yearly comparison. Step Up practices as highlighted in the MCCG, is meant to encourage companies to go a step further in strengthening their governance practices and processes. The adoption status of the Step Up practices in 2019 is presented in Table 4, and the following paragraphs re-emphasise the imperatives of adopting these practices.

Table 4

Adoption of Step Up practices

Step Up practice	Year[5]	Total number of companies	Large companies	Mid-cap companies	Small-cap companies
4.3 – 9 year tenure limit for independent directors, without further extension	**2018**	84	*28*	*5*	*51*
	2019	90	*33*	*7*	*50*
7.3 – Disclosure of detailed senior management remuneration on a named basis	**2018**	32	*6*	*1*	*25*
	2019	37	*8*	*2*	*27*
8.4 – Audit Committee comprises solely of independent directors	**2018**	604	*82*	*36*	*486*
	2019	603	*71*	*39*	*493*
9.3 – Board establishes a Risk Management Committee	**2018**	209	*47*	*14*	*148*
	2019	210	*46*	*17*	*147*

Step Up 4.3

Recent developments such as the COVID-19 pandemic have strengthened the need for boards to be fit for purpose, able to pivot and navigate the company through unexpected and challenging circumstances. High performing boards require a group of directors with the right mix of skills, experience and background. Setting a tenure limit of 9 years for independent directors supports board renewal by allowing new independent directors to bring fresh perspectives and expertise to the boardroom. In the event, boards consider the expertise of a long-serving independent director as valuable; the director can be retained as a non-independent director on the board. In 2019, 89 companies established a 9-year tenure limit for independent directors, without further extension. Out of which 56 are mid-cap and small-cap companies.

Tenure limit of 9 years for independent directors supports board renewal

5 The level of adoption for 2018 is based on 879 CG Reports 2018. The CG Monitor 2019 reported adoption based on the CG Reports disclosed as at 31 December 2018, which included only 358 CG Reports 2018.

Incentive structures – designed to drive responsible business conduct

Step Up 7.3

It is encouraging to observe more companies adopting this practice and disclosing the detailed remuneration of all members of senior management. As presented earlier in Section C, providing stakeholders with information on the incentive structure and remuneration of senior management enables them to evaluate if the remuneration is fair, able to attract as well as retain talent, and to review the link between pay and performance. The incentive structures must be designed to drive responsible business conduct as well as resilience and the long-term sustainable growth of the company. Furthermore, the incentive structures should also discourage behaviour or conduct that is contrary to the company's values.

Step Up 8.4

A total of 67 listed companies that adopted this practice in 2018, reported departures in 2019, due to changes in the composition of the board and the Audit Committee. However, an additional 66 listed companies adopted this practice in 2019.

The role of the Audit Committee is pivotal to provide oversight of financial reporting and internal controls including identifying early signs of financial stress, going concern considerations, and other financial reporting implications. During the COVID-19 pandemic crisis, the SC issued a circular to auditors and Audit Committees on the importance of ensuring high quality audits on financial reports of public interest entities (PIEs) in light of the challenges posed by the pandemic. Notwithstanding this, having the Audit Committee comprised solely of independent directors will strengthen independent judgement and oversight of the financial management of the company.

COVID-19 pandemic – drove home imperative for robust risk management and recovery framework

Step Up 9.3

The need for effective risk management is more pronounced with the COVID-19 pandemic driving home the imperatives of robust risk management and recovery frameworks. Boards should seriously consider establishing a dedicated Risk Management Committee to ensure there is adequate oversight on the identification and mitigation of risks, including material sustainability risks.

The SC's *Annual General Meeting Corporate Governance Checklist* reminds shareholders to review the company's adoption of MCCG, including the Step Up practices, and engage the board on its adoption or departures from the best practices, with a view to strengthen the corporate governance culture and practices of the company.

E Practices Identified for Large Companies

The MCCG identifies best practices that Large Companies are encouraged to adopt, and these practices continue to be adopted not just by Large Companies but also by mid-cap and small-cap companies as highlighted in Table 5.

Mid-cap and small-cap companies continue to adopt practices identified for Large companies

Table 5

Level of adoption for practices identified for Large Companies

Practice	Year	Total	Large companies	Mid-cap companies	Small-cap companies
4.1 – The board comprises a majority independent directors	**2018**	570	77	28	465
	2019	570	70	33	467
4.5 – The board has 30% or more women directors on the board	**2018**	369	42	25	302
	2019	412	42	28	342
11.2 – Adoption of integrated reporting based on a globally recognised framework	**2018**	97	33	7	57
	2019	105	40	9	56

The CG Monitor 2019 highlighted that the SC will review the adoption of integrated reporting by listed companies. The review was undertaken in 2019/2020 through a collaboration between the SC and the Integrated Reporting Steering Committee (IRSC) of the Malaysian Institute of Accountants. The IRSC was established in 2015, in line with a recommendation under the SC's *Corporate Governance Blueprint*, a 5-year corporate governance action plan for 2011-2015. The IRSC is responsible to advocate the adoption of integrated reporting and its members comprise industry representatives including those from the accounting and auditing fraternity.

The IRSC reviewed a sample of the annual reports of listed companies, which reported adoption of Practice 11.2 i.e adoption of integrated reporting based on a globally recognised framework. The purpose of the review was to identify best practices and opportunities to improve the quality of these integrated reports. The sample selected for review comprised a mix of annual reports issued by Large Companies, mid-cap and small-cap companies. The observations and recommendations of the IRSC is presented in the following feature article, *Integrated Reporting: A Review and Recommendations Moving Forward*.

The IRSC reviewed adoption of integrated reporting by listed companies

FEATURE ARTICLE

INTEGRATED REPORTING: A REVIEW AND RECOMMENDATIONS MOVING FORWARD

by the Integrated Reporting Steering Committee of the Malaysian Institute of Accountants

Paragraph 1.2 of the *MCCG* highlights the premise that corporate governance is not only concerned with shareholder interests but requires balancing the needs of other stakeholders such as employees, customers, suppliers, society and the communities, which the companies conduct their business. This aligns to the International Integrated Reporting Framework (IR Framework) issued by the International Integrated Reporting Council (IIRC) that promulgates a more cohesive and efficient approach to corporate reporting that enhances accountability and stewardship of a broad base of capitals, addresses multiple stakeholders and that tells the value creation story of an organisation.

In Malaysia, the Integrated Reporting Steering Committee (IRSC) of the Malaysian Institute of Accountants has been actively advocating the adoption of integrated reporting <IR> since 2015. The IRSC in collaboration with the SC reviewed a selection of 2018 annual reports of listed companies, which reported adoption of Practice 11.2 of MCCG (on adoption of integrated reporting). The review encompassed the application of the Guiding Principles and Content Elements of the IR Framework. The IR Framework is currently undergoing a revision process to enhance the usage of the IR Framework and facilitate the increase in adoption of <IR> globally.

Based on the review, some of the best practices observed are as follows:

- Exemplary disclosures of the value creation model that showcased the significance of six capitals, namely, financial, manufactured, intellectual, human, social and relationship and natural capitals.

- Appropriate balance in the usage of diagrams, visuals, and narrative to clearly demonstrate the relationships among capitals, stakeholders, risks and opportunities, strategy and performance.

- Good disclosures of quantitative and qualitative outcomes in addition to outputs and the impact on the capitals.

- Clear and succinct commentaries of organisational overview, external environment and business model.

- Appropriate disclosures of each organisation’s reporting boundary and reporting frameworks used.

- Exemplary disclosures of the impact of identified key risks and the organisation’s response.

The IRSC would also like to highlight the areas that present opportunities for improvement to enhance the informational value of future reports and achieve better reporting are as follows:

- More transparent and balanced reporting that addresses not only value creation and preservation but also value erosion as a result of negative outputs and outcomes.
- Forward-looking information should also cover the medium and longer term instead of focusing mainly on the short term.
- Greater linkage of the organisation's governance structure, background and diversity to value creation.
- Better connectivity between financial and non-financial information that demonstrates integrated thinking.
- Enhanced disclosure of stakeholder relationships to feature the mode of engagement with stakeholders, stakeholders' legitimate needs and interests, and the organisation's response to those needs.

The IRSC commends companies that have embarked on their <IR> journey, and encourages greater adoption of <IR> among listed companies. The IRSC will continue to engage the relevant stakeholders, including directors and investors, on the benefits of <IR> and the required capacity building.

MOVING FORWARD

There is a role for all stakeholders, particularly shareholders in shaping the corporate governance culture and practices of companies. The principles and best practices espoused in the MCCG should guide the board, management and stakeholders in their discussion and efforts to ensure the corporate governance culture and practices of the company is exemplary.

Moving forward, the SC will be reviewing the best practices in the MCCG, to among others, place greater emphasis on addressing sustainability issues, and support the holistic adoption of corporate governance by listed companies and their subsidiaries.

MCCG emphasis – sustainability and holistic adoption of corporate governance in company groups

03 QUALITY OF DISCLOSURE

OPENING

The overall quality of disclosures to explain adoption and departures from the MCCG best practices recorded some improvements in 2019, as presented in Figure 1. Generally, listed companies were found to provide more elaboration, which is reflected in the disclosures of several best practices.

This chapter presents a status update and observations on the following:

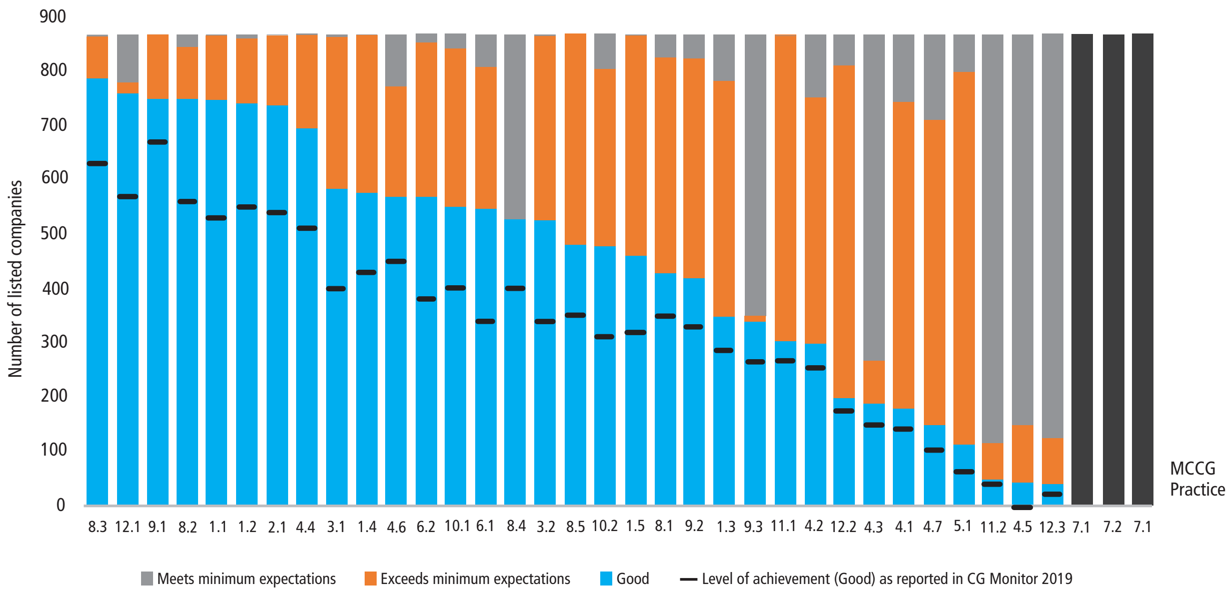
A. The overall quality of disclosures.
B. Observations on the disclosures of selected best practices (according to the Principles in the MCCG).

A Overall quality of disclosures

The evaluation of disclosure is guided by a matrix that considers among others, the information disclosed, depth of explanation, strength of alternative practices and timeframe for adoption (in the case of departures).

The overall quality of disclosures in 2019 is presented in Figure 1, where the bars reflect the quality of disclosures in CG Reports 2019 starting from 'Meet Minimum Expectations', 'Exceeds Minimum Expectations' to 'Good'. The black indicators in each bar, mark the level of disclosures categorised as 'Good' in CG Monitor 2019.

Figure 1
Quality of Disclosures in CG Reports 2019



As stated earlier, the SC observed overall improvements in the quality of disclosures with the best practices recording significant improvements in 2019 as highlighted in Table 1.

Table 1

Practices with significant improvements in quality of disclosures

Practice	Improvement[1]	Observations
3.1 – *The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.*	↑13%	More companies have adopted Practice 3.1 in 2019 and disclosures emphasised on the anti-corruption framework and measures that are in place. The details include the company's gift policy, description of whistleblowing procedures and initiatives to promote awareness on anti-corruption measures among employees. We believe the focus on anti-corruption measures by listed companies was due to the corporate liability provision[2] in the *Malaysian Anti-Corruption Commission Act 2009* that came into effect on 1 June 2020. In November 2019, the Listing Requirements were amended to require all listed companies to establish and maintain policies and procedures on anti-corruption and whistleblowing.[3]
6.1 – *The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.*	↑16%	In addition to disclosing key features of the remuneration policy, a number of companies went a step further by elaborating on the board's processes to determine remuneration for example reviewing changes in the role and responsibilities of the board as well as management and undertaking periodic benchmarking of remuneration levels and incentives structures among peer-companies. Some companies also disclosed that directors who were shareholders abstained from voting on the resolution to approve their remuneration while executive directors were not involved in deciding their own remuneration, which is in line with corporate governance best practices.
10.2 – *The board should disclose–* • *whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;* • *the number of resources in the internal audit department;* • *name and qualification of the person responsible for internal audit; and* • *whether the internal audit function is carried out in accordance with a recognised framework.*	↑12%	The SC observed that listed companies have provided more details to explain the adoption of Practice 10.2, including how the independence and objectivity of the internal audit function are maintained, for example through the reporting line and ensuring that the internal audit function is not involved nor undertake any operational responsibilities. The cost incurred for the internal audit function were also disclosed by several companies to provide an indication of the adequacy of the function *vis-a-vis* the scope of audit and operations of the company. A number of companies also disclosed the professional development measures that are undertaken by the company to ensure the internal audit personnel have the required proficiency and knowledge to undertake their roles effectively. Companies highlighted that the personnel were required to undergo training and provided details on the trainings that were attended by the personnel during the year.

1 Increase in the percentage of companies, which had disclosures categorised as 'Good'.
2 Section 17A *Malaysian Anti-Corruption Commission Act 2009*.
3 Part H, Chapter 15, *Bursa Malaysia Main Market Listing Requirements*.

B Observations on the quality of disclosures of selected best practices

This section highlights observations on the quality of disclosures of selected best practices under each principle of the MCCG:

- **Principle A**
  Board leadership and effectiveness
- **Principle B**
  Effective audit and risk management
- **Principle C**
  Integrity in corporate reporting and meaningful relationship with stakeholders.

Principle A – Board leadership and effectiveness

One of the intended outcomes under Principle A (Intended Outcome – 3) is for the board to promote good business conduct and maintain a healthy corporate culture, which engenders integrity, transparency and fairness. The board, management, employees and other stakeholders should be clear on what is considered acceptable behavior and practice in the company.

Companies providing more information on anti-corruption measures

As highlighted in Table 1, the SC observed improvements in the quality of disclosures related to the anti-corruption policies and measures, likely driven by the corporate liability provision. In July 2019, the SC also highlighted findings from its review of listed companies' anti-corruption policies which found that as at 31 May 2019, only 59% of listed companies had anti-corruption policies, in place and there were gaps in majority of these policies when compared against the *Guidelines on Adequate Procedures*[4] issued by the Prime Minister's Department. In November 2019, the Listing Requirements were amended to require all listed companies to have anti-corruption and whistleblowing policies in place.

The SC also observed improvements in the disclosures for Practice 4.6, which advises boards against relying solely on the recommendations from existing board members, the management, or major shareholders when identifying candidates for appointment of directors. Instead, boards should use a variety of approaches and sources to ensure that it can identify the most suitable candidates.

If independent sources were not used, the Nominating Committee should explain why

Previously, several companies replicated the policy on board diversity to explain the adoption of Practice 4.4[5]. However, in 2019, the SC observed more companies specifying how board candidates are identified, for example through search firms and directors' registry. The SC would like to emphasise that in addition to the source of candidates, boards must also ensure that it is guided by a set of criteria to identify and evaluate the suitability of candidates for board positions. Further, if the selection of candidates was solely based on recommendations made by existing board members, the management, or major shareholders, the Nominating Committee should explain why other sources were not used.

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4 The *Guidelines on Adequate Procedures* was issued by the Prime Minister's Department to assist commercial organisations in understanding what are the adequate procedures that should be implemented to prevent occurrence of corrupt practices in relation to their business activities.

5 Practice 4.4 – Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age and cultural background.

In CG Monitor 2019, the SC highlighted gaps in the disclosures on outcomes of board evaluations (Practice 5.1[6]), in particular lack of discussion on key strengths and/or weaknesses that were identified from the evaluation and measures that have or will be taken by the board to address them. There were some improvements in the disclosure in 2019 but there is still room to further enhance the quality of discussions. The following feature article by the Institute of Corporate Directors Malaysia highlights best practices when communicating board evaluation outcomes.

Disclosure on board evaluation outcomes saw some improvement but more can be done

FEATURE ARTICLE

COMMUNICATING BOARD EVALUATION OUTCOMES – BEST PRACTICES

by the Institute of Corporate Directors Malaysia

1 Provide sufficient details with specific examples

Avoid sparse or vague disclosures on the evaluation methodology and outcomes. Elaborate on the most recent evaluation with specific examples of outcomes and what the process entails, not just by stating the facts. The intended purpose of the evaluation must always be clear. Highlight the evaluation parameter that are specific to the organisation, as they may differ from the standard parameters as prescribed in the local and regulatory guidelines.

2 Describe the evaluation method – How it works? What's new?

Whether it was an internal evaluation or conducted externally; the format, methodology, findings and responses should be explained – including the purposes of each format e.g. self and peer evaluation, one-to-one interviews or discussions, questionnaires: why they were used and the intended outcomes. Any enhancements to the process should also be highlighted.

3 Share how evaluation outcomes are addressed

It is important to describe the process on how the evaluation results are discussed and by whom to demonstrate that the outcomes and takeaways formulated will lead to appropriate follow-up actions by all relevant parties – the board, committees and the individual directors.

4 Communicate the evaluation outcomes and takeaways

Disclosure on evaluation outcomes should highlight strengths and any areas requiring further upskilling or development in order for the board to meet current and anticipated needs of the business. Explanation on how individual evaluation results affect upcoming decisions on the re-election of directors is also useful and supports shareholders in making an informed assessment of individual director and board performance. It is also important for boards to demonstrate their commitment and disclosure efforts in relation to succession planning and board refreshment.

5 What are the next steps?

Board evaluations should not focus entirely on historical assessment of directors' performance but should include forward looking considerations including mapping current board competencies against those required to drive the company's future strategies.

The disclosure should also describe the board's response plan to the evaluation outcomes, including steps that the board will take to ensure gaps are addressed and board composition remains optimal.

To avoid falling into a perfunctory and box-ticking exercise, boards should actively work towards improving their evaluation approach and methodology. Involving shareholders or other stakeholders to enhance the effectiveness of board evaluations should also be considered to ensure the board evaluation is a meaningful exercise and able to support board leadership.

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6 Practice 5.1 – The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committee and individual director. The board should disclose how the assessment was carried out and its outcome. For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Principle B – Effective Audit and Risk Management

Better disclosure on criteria used to evaluate suitability, objectivity and independence of external auditors

Principle B emphasises the responsibilities of the board to ensure effective risk management and internal controls are implemented. Disclosures for best practices in Principle B have improved with a number of companies providing more details and discussion on how the Audit Committee undertakes its role and the implementation of the companies' internal control framework. In relation to Practice 8.3 that recommends the Audit Committee to establish policies to assess suitability, objectivity and independence of external auditors – more companies are highlighting the criteria used by the Audit Committee to evaluate the external auditor including the experience and resources of the auditor, ability to meet deadlines and the safeguards in place to mitigate any risks to objectivity and independence of the audit.

For Practice 9.2 on disclosing the features of the company's risk management and internal control framework as well as adequacy and effectiveness of the framework – companies are providing more details on the companies' risk management framework including the adoption of a globally recognised framework such as the *Committee of Sponsoring Organisation of the Treadway Commission* (COSO) and *ISO 31000 – Risk Management Principles and Guidelines*. Companies also highlighted the role of board committees to oversee the implementation of the framework and necessary measures to manage and mitigate risk.

Principle C – Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

The SC commends companies, which consider a broader set of stakeholders when discussing its communication approach and measures

The main focus of Principle C is to promote ongoing engagement and communication between the company and its stakeholders to facilitate mutual understanding of each other's objectives and expectations. Companies often state that general meetings are platforms used to engage shareholders, and the dissemination of corporate information is done through the company and Bursa's website as well as the annual report. These are established platforms and mediums for communication that companies are expected to use, with shareholders as the primary audience.

The SC would like to highlight and commend companies that consider a broader set of stakeholders when discussing its communication approach and measures. Stakeholders are not confined to shareholders, but include among others, the company's employees, suppliers, the media and community in which the business operates. It is encouraging to note that several companies have also highlighted their engagements with employees, suppliers and members of the media. Measures included regular townhalls for employees and press conferences or briefings for members of the media.

There needs to be more discussion on the role of independent directors in engagements with shareholders

In relation to shareholder engagements; there needs to be more discussion on how independent directors, in particular the Senior Independent Director play a role in the engagement to provide unbiased views on matters such as executive remuneration and succession planning.

Companies should also take the opportunity to highlight measures that have or will be taken to improve timeliness and access to information through online platforms or channels. A description of how the communication approach and channels are periodically evaluated in terms of effectiveness are also useful and demonstrates that the board is committed to maintain effective and regular communications with its stakeholders.

MOVING FORWARD

Meaningful reporting and transparency is a core element of corporate governance as reflected in the **CARE** (Comprehend, Apply, Report) principle of the MCCG. Companies should ensure that the disclosures provide the explanation, discussion and data required for readers to understand and assess their corporate governance policies and practices. Disclosures should also be viewed as an opportunity to demonstrate the company's commitment to good corporate governance and the values as well as practices it subscribes and adopts.

Stakeholders, including shareholders require access to regular, reliable, comparable and integrated information, and should there be gaps in the disclosures, stakeholders should engage the company and its board accordingly to ensure the information required is forthcoming.

04 THEMATIC REVIEW 1
CONDUCT OF FULLY VIRTUAL GENERAL MEETINGS – A NEW NORMAL

On 18 March 2020, the Malaysian Government enforced the Movement Control Order (MCO) to curb the spread of COVID-19. The MCO placed several restrictions including movement of persons and gatherings for business, cultural, religious, sports or social purposes. All business premises except those that were identified as essential services were also directed to close.

With it being the first quarter of the year, several listed companies on Bursa Malaysia were due to conduct their annual general meetings (AGM). However, the prohibition of the MCO on movement and gatherings required listed companies to consider alternative modes of conducting their general meetings.

To facilitate listed companies, the SC issued the *Guidance and FAQs on the Conduct of General Meetings for Listed Issuers* (Guidance Note), which addressed common questions and concerns of listed companies on the conduct of general meetings during the MCO, including:

Is a small gathering of individuals allowed to facilitate the conduct of a general meeting?

Must the constitution of a listed company explicitly allow the use of digital tools to conduct a general meeting?

Can the Chairperson of the general meeting participate in the meeting remotely?

The main feature of the Guidance Note was the clarification and guidance on the conduct of a fully virtual general meeting, which was the only mode allowed during the MCO. In a fully virtual general meeting, only a limited number of essential individuals were allowed to gather at a broadcast venue to conduct the meeting. All other meeting participants, including shareholders, participated in the meeting remotely (online).

The Guidance Note was revised accordingly to align with the Government's directives during the Conditional Movement Control Order (CMCO), followed by the Recovery Movement Control Order (RMCO). This included the option for listed companies to conduct hybrid and physical general meetings, in addition to fully virtual general meetings. A snapshot of key elements under the Guidance Note during these periods are presented in Table 1.

Table 1

Highlights from the Guidance and FAQs on the Conduct of General Meeting for Listed Issuers

<table>
<tr><th></th><th>MCO
(18 March – 3 May 2020)</th><th>CMCO
(4 May – 9 June 2020)</th><th colspan="2">RMCO
(10 June – 31 December 2020)</th></tr>
<tr><td>Effective Date of Revision</td><td>18 April 2020</td><td>14 May 2020</td><td>18 June 2020</td><td>15 July 2020</td></tr>
<tr><td>Fully virtual – all shareholders participate in the meeting remotely (online).</td><td>• Only 8 essential individuals were allowed to be physically present at a single broadcast venue.

• All essential individuals required an authorisation letter from the SC to travel to and gather at the broadcast venue.</td><td>• Only 20 essential individuals were allowed to be physically present at a single broadcast venue.

• A listed companies had to seek authorisation from the SC for the essential individuals to be physically present at the broadcast venue.</td><td rowspan="3">• The number of individuals physically present at the meeting venue will depend on the size of the venue and the ability of meeting participants to maintain a physical distance of at least one meter between each other at all times. However, the total shall not exceed 250 individuals.

• Authorisation letter from the SC is no longer required.</td><td rowspan="3">The limit on the total number of individuals physically present at the meeting venue is removed in line with the SOP Am Pelaksanaan Majlis Kerajaan dan Swasta issued by the Malaysia National Security Council.</td></tr>
<tr><td>Hybrid – shareholders have the option to be present at a physical meeting venue or participate in the meeting remotely (online).</td><td colspan="2" rowspan="2">During MCO and CMCO, listed companies were only allowed to conduct fully virtual general meetings.</td></tr>
<tr><td>Physical – all shareholders are present at a physical meeting venue.</td></tr>
</table>

246 fully virtual general meetings were conducted between 18 March 2020-31 July 2020

A total of 384 listed companies conducted 422 general meetings since the issuance of the Guidance Note on 18 March 2020 until 31 July 2020. Out of which, 357 were Annual General Meetings (AGMs), 64 were Extraordinary General Meetings (EGMs) and one meeting of unitholders. A total of 246 of these meetings were fully virtual, 175 were physical and one was hybrid. The latter were conducted during the RMCO when restrictions on gatherings were lifted.

Figure 1

Conduct of general meetings

- Fully virtual – Only essential individuals are present at the broadcast venue with all shareholders participating online
- Hybrid – Shareholders have the option to be physically present at the meeting venue or to participate online
- Physical – All participants are physically present at the meeting venue

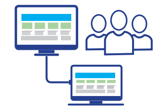
* As at 31 July 2020

The crisis had expedited the need to use digital tools for corporate communication and engagement. For a majority of the listed companies, it was the first time that their general meetings were conducted in a fully virtual manner, and for shareholders, to participate in such meetings remotely (online). This brought about a valuable opportunity to learn and improve the conduct of general meetings in the future, including the conduct of fully virtual or hybrid general meetings. A survey was conducted by the SC to seek feedback from listed companies and shareholders on the conduct of the fully virtual general meetings, and among the questions included in the survey were:

- If shareholders were provided with clear and easy-to-follow instructions to participate in the fully virtual general meeting, and whether they experienced any glitches during the broadcast of the meeting.
- If a listed company would continue to offer remote shareholders' participation in the future.
- Number of questions posed by shareholders during the virtual general meeting – whether the number of questions posed were more or less compared to a physical general meeting.
- Visibility of questions posed by the shareholders to all meeting participants.
- Shareholders' preferred mode (online or physically present at a meeting venue) to participate in general meetings.

OBSERVATIONS ON THE CONDUCT OF FULLY VIRTUAL GENERAL MEETINGS

The observations presented below were derived from the responses of–



29 listed companies, which conducted 32 fully virtual general meetings during the MCO and CMCO period; and

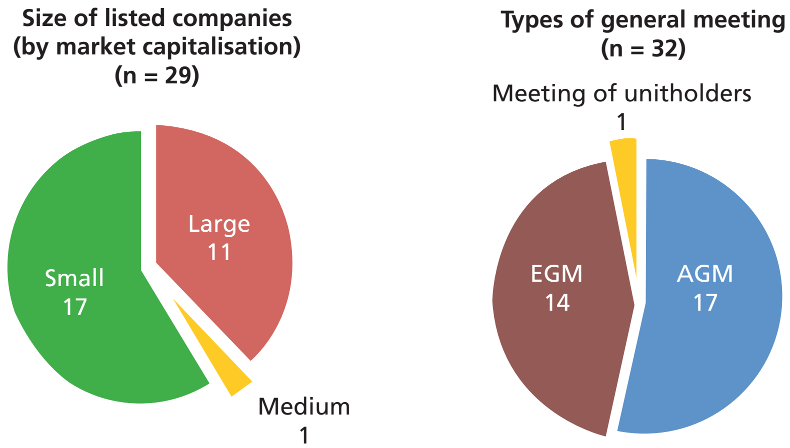
309 individual shareholders.

From the listed companies' perspective

This section presents observations derived from the responses of 29 listed companies, which conducted 32 fully virtual general meetings during the MCO and CMCO period.

Figure 2

Demography of listed companies and types of general meetings



Size is not a barrier to leverage digital tools

The SC is encouraged to note that a significant number of mid-cap and small-cap companies were able to leverage digital tools and conduct fully virtual general meetings; an indication that size is not a barrier to digitalisation. These companies conducted their meetings during CMCO with a maximum of 20 essential individuals physically present at the broadcast venue and some with more than 200 shareholders participating in the meeting remotely.

Some general meetings had more than 200 shareholders participating in the meeting remotely (online)

Board and shareholder engagement continue, despite relatively lower number of meeting participants

Several fully virtual AGMs recorded lower number of meeting participants when compared to the companies' most recent physical AGMs. The largest difference recorded was from 1,325 meeting participants at a physical general meeting to 108 at a fully virtual general meeting. From the SC's engagements with several stakeholders, one of the likely reasons for the decrease in participation was due to the absence of door gifts, meals or refreshments, which are common features of AGMs in Malaysia.

Shareholders posed more questions at fully virtual general meetings

However, despite the relatively smaller number of meeting participants, 31% of listed companies responded that shareholders posed more questions during the fully virtual AGMs compared to the physical AGMs. While 48% of listed companies responded that the number of questions posed by shareholders were more or less the same. Using the number of questions posed by shareholders as a gauge, we can conclude that the level of engagement between the board and shareholders at fully virtual AGMs is still positive. One of the likely reasons is the ease of posing questions using the chatbox in a fully virtual meeting, compared to a physical meeting where shareholders will have to wait their turn to pose questions.

Companies continuing to offer remote shareholders' participation

Cost-saving from conducting fully virtual general meeting

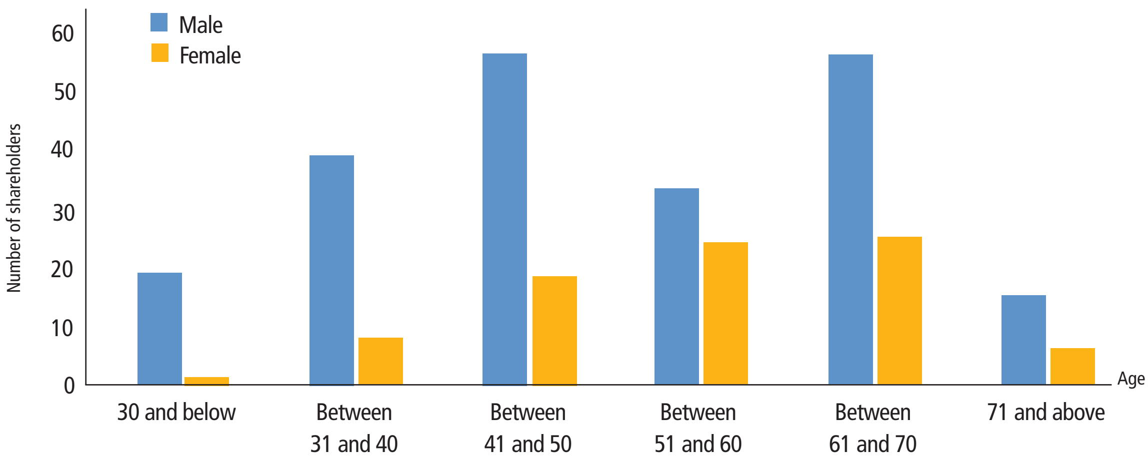
Out of the 29 listed companies, 17 responded that they will continue to offer remote shareholders' participation in future general meetings. Majority of the remaining companies, which responded that they would not provide such option in the future, cited cost as a factor. While cost was cited by some companies as an impediment to offering remote shareholders' participation, the SC did receive feedback from listed companies that there was considerable cost-saving from conducting a fully virtual general meeting compared to a physical meeting. Organising the latter requires among others, renting a meeting venue, which can be large depending on the number of shareholder participating in the meeting. The SC together with the relevant stakeholders will undertake a further review to determine the measures that can be taken to facilitate shareholders' participation and enhance the quality of general meetings through the use of digital tools.

From the shareholders' perspective

A total of 309 individuals / shareholders responded to the SC's survey. A snapshot of the demographics of these respondents is presented in Figure 3.

Figure 3

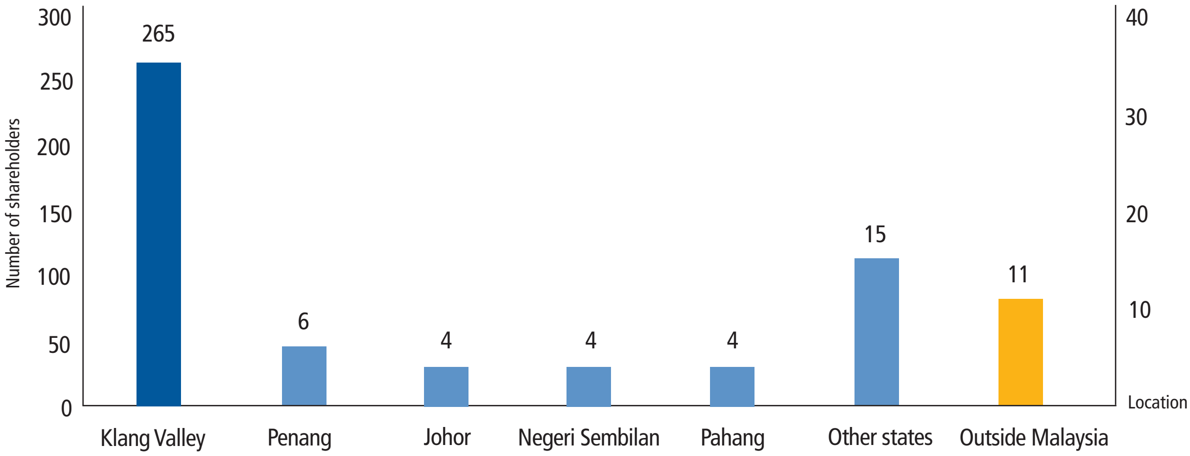
Demography of respondents by age group and gender



Majority of the respondents were between 61 to 70 years old, with those below 30 years old and above 71 years old constituting the two smallest groups. The respondents were also predominantly male. In terms of location, most shareholders were from within Klang Valley, and a small number of respondents were from outside Malaysia – Singapore (7), followed by Australia (1), Indonesia (1), Taipei (1) and Taiwan (1). The breakdown of respondents by location is presented in Figure 4.

Figure 4

Demography of respondents by location



Ease of participating in a fully virtual general meeting

An important part of conducting a fully virtual general meeting is to ensure shareholders are provided with clear and easy-to-follow instructions to register and participate in the meeting. This was emphasised in the Guidance Note; listed companies were advised to provide shareholders with the assistance required including a dedicated contact for technical support.

Majority of the shareholders (88%) responded that they were provided with clear and easy-to-follow instructions to register and participate in the meeting. However, despite the instructions, 19% of the respondents faced issues logging onto the platform, including having to make several login attempts, which may be caused by several factors including poor connection or bandwidth in their respective locations. The latter also may be the reason behind broadcast interruptions faced by 34% of respondents.

Listed companies are advised to identify and address issues that surfaced during the conduct of their fully virtual general meetings and to act on areas for improvement. This may include the need to provide shareholders with a trouble-shooting guide for common glitches during login or broadcast and explore using tools that can improve the ability of meeting participants to interact with one another on the platform. Service providers should also consider means to improve the user-friendliness of the virtual meeting platforms without compromising on confidentiality and security.

Listed companies should explore using tools to improve interactions in fully virtual general meetings

Shareholder – board engagement

Unlike a physical general meeting, where all meeting participants are able to hear the questions posed by shareholders and the responses to those questions, this may not be the case in a fully virtual meeting. Based on the responses, in fully virtual general meetings, questions are posed by shareholders using real-time submission of typed text (chat box). Shareholders are only able to view their own questions but not those posed by other shareholders. To ensure transparency and improve the quality of shareholder–board engagements during general meetings as highlighted in the Guidance Note, the SC advises listed companies to make the questions and remarks posed by shareholders visible to all meeting participants.

Questions and remarks posed by shareholders should be visible to all meeting participants

Preferred mode of participation in an AGM

A significant number of shareholders would like to have the option to participate in the meeting remotely (online)

The COVID-19 pandemic had accelerated the need for listed companies and shareholders to adapt to the use of digital tools for communication and engagement, which also raised concerns of a digital divide particularly among shareholders in the silver population. With this in mind, the feedback and responses were also analysed based on age demographics, which revealed that the preference for remote participation is higher among the younger group, while shareholders in the more senior age category preferred physical participation. Despite the preference for physical participation, it is encouraging to note that a significant number of the shareholders would still like to have the option to participate in the meeting remotely (online). A breakdown of shareholders' preferred mode of participation in a general meeting is presented in Table 2.

Table 2

Preferred mode of participation in a general meeting

Participation preference / Age	30 and below	Between 31 and 40	Between 41 and 50	Between 51 and 60	Between 61 and 70	71 and above
Online	48%	45%	38%	40%	21%	30%
Physical	52%	55%	62%	60%	79%	70%
• **Would like to also have the option to participate in the meeting remotely (online)**	82%	65%	69%	71%	56%	43%

MOVING FORWARD

Digital tools are no longer a 'nice to have', but integral

The COVID-19 pandemic tested the readiness of companies and their stakeholders to respond and adjust to a crisis. In relation to conducting fully virtual general meetings, some listed companies were able to adjust and organise the meetings with greater ease compared to others. A number of listed companies were unable to conduct fully virtual meetings due to provisions in their constitutions. Listed companies and their shareholders must ensure an appropriate framework is in place to enable effective engagement and communication between the company and its stakeholders. Leveraging digital tools for corporate communication and engagement is no longer optional or `a nice to have', but is integral.

05 THEMATIC REVIEW 2
TWO-TIER VOTING: OUTCOMES AND OBSERVATIONS

Malaysia's corporate governance framework consists of several requirements and measures to support shareholders in exercising their rights. The shareholders' right to speak, vote and participate in general meetings is provided for under the *Companies Act 2016*. To facilitate shareholders in forming a view or decision on a matter, the regulatory framework mandates the disclosure of information to shareholders, including in notices of general meetings, annual reports, financial statements and corporate governance reports.

Further, the MCCG recommends best practices to encourage and facilitate shareholders' participation through the use of technology for remote shareholders' participation in general meetings and for listed companies to maintain effective, transparent and regular communication with its stakeholders.

In 2017, the SC also introduced the two-tier voting process through the MCCG to strengthen the decision-making process on the retention of an independent director with tenure of more than 12 years. The two-tier voting process acts as a 'speed bump' reminding the director, board and shareholders to carefully evaluate the retention of the said director and any impairment in the objectivity of the director due to among others, familiarity as well as to consider refreshing the board's composition.

ADOPTION OF THE TWO-TIER VOTING PROCESS IN 2019

As of 1 January 2019, there were 498 (2018: 391) independent directors with tenure of 13 years or more on the boards of 312 listed companies (2018: 273). Throughout 2019, 52 of these directors resigned from the board and one director was redesignated as a non-independent director.

A total of 284 resolutions were tabled by 181 listed companies to decide on the retention of long-serving independent directors. Forty-one of these listed companies were first time adopters of the two-tier voting process, with 4 listed companies using this process to decide on the retention of independent directors with tenure between 9 and 11 years.

41 listed companies were first time adopters of the two-tier voting process in 2019

Out of the 284 resolutions tabled using the two-tier voting process, 268 were for the remaining 445 independent directors with tenure of 13 years or more, while 16 resolutions were for independent directors with tenure of less than 13 years. Table 1 presents a comparison of the voting methods used in 2018 and 2019.

Table 1
Application of voting methods in 2018 and 2019

	2018	2019
Retention of Independent directors with tenure between 9 and 12 years through annual shareholders' approval (simple majority)	316	351
Retention of Independent directors with tenure of 13 years or more through annual shareholders' approval (simple majority)	155	172
Retention of Independent directors with tenure of 13 years or more through the two-tier voting process	242	268

SHAREHOLDERS EXERCISING THEIR VOTING RIGHTS

On average only half of shareholders excercised their votes to decide on the retention of long-serving independent directors

On average, the total votes cast for the two-tier resolutions accounted for only 53% of total shareholdings of listed companies. This indicates that on average only half of shareholders exercised their votes to decide on the retention of long-serving independent directors. The highest were votes accounting for 85% of total shareholdings; 58% in Tier 1 and 27% in Tier 2 while the lowest was a mere 8% of total shareholdings with 6% in Tier 1 and 2% in Tier 2.

The participation of non-large shareholders in Tier 2 were also low. On average, only 40% of non-large shareholders cast their votes. Some of the non-large shareholders may have been of the view that their individual shareholdings are small and thus their votes will not significantly affect the outcome of the resolutions. While the percentage of individual shareholdings may be relatively small, non-large shareholders should be mindful that collectively, they could account for more than 50% of total shareholdings. Thus, their votes can affect the outcome of the resolution.

Shareholders are accorded with voting rights under the *Companies Act 2016*, to decide on matters including the appointment of directors. As shareholders are aware, the board plays a critical role in ensuring the long-term success of a company. Thus, shareholders should carefully review and exercise their rights to decide on board appointments as the directors who they appoint to the board will have an impact on the long-term success of the company.

VOTING OUTCOMES

98% of two-tier resolutions tabled in 2019 were passed

The SC observed that 98% of the two-tier resolutions tabled throughout 2019 were passed, with Tier 1 recording 99% votes in favour. Out of 268 two-tier resolutions, 263 (98%) of the resolutions were successfully passed. Almost all of the large shareholders in Tier 1 (99%) voted for the retention of the long-serving independent director. In Tier 2, 247 resolutions recorded 80% or more votes in favour of retention. Out of which, 206 resolutions recorded no dissenting votes at all (100% votes in favour).

Five two-tier resolutions, tabled by three listed companies were defeated in 2019 as listed in Table 2. Three of the independent directors were redesignated as non-independent directors, while two resigned from the board.

Table 2

Resolutions using two-tier voting process – defeated

Resolution	Tenure (years)	Shares voted	Dissenting votes (Tier 1)	Dissenting votes (Tier 2)
1	13	68%	0	97%
2	16	33%	0	74%
3	23	44%	0	61%
4	18	44%	0	61%
5	15	44%	0	61%

As stated earlier, 98% of the two-tier resolutions tabled in 2019 were passed, 19% were to retain independent directors with tenure of more than 20 years. As highlighted in the MCCG, stakeholders are increasingly concerned about the potential negative impact that long tenure may have on a director's independence. Familiarity brought about by long tenure may erode the objectivity of the directors and the board. Due to long or close relationship with board and management, an independent director may be too sympathetic to managements' interests or too accepting of their work. Independent directors may also become 'dependent' directors due to among other, prolonged insular recruitment processes, attractive remuneration packages and material benefits. Thematic Review 3 highlights observations on non-executive directors' remuneration including some of the benefits received by these directors.

It is also a matter of board refreshment. As a company and its strategy changes, there must be a mechanism to bring in fresh perspectives to the board, and provide the opportunity to improve diversity on the board. Several companies have set a tenure limit of 9 years for independent directors, which facilitates board refreshment. Further, institutional investors such as the Employee Provident Fund (EPF)[1] and Retirement Fund Incorporated (Kumpulan Wang Amanah Persaraan Diperbadankan (KWAP)[2] have set a policy to vote against the reappointment of an independent director with tenure of more than 12 years on the same board.

EPF and KWAP will vote against the reappointment of an independent director with tenure of more than 12 years

The SC also found nine listed companies, which did not seek annual shareholders' approval to decide on the retention of independent directors with tenure of more than 9 years, as recommended in the MCCG, but instead continue to use the one-third rotation rule. Further, a company included the following statement in its *Corporate Governance Report* to explain its departure from Practice 4.2 – that *'directors themselves are the best persons to determine whether they can continue to bring independent and objective judgment to the board deliberations'*. While directors will have a view on their abilities, the board must not solely rely on these views to evaluate independence. The board must undertake its own assessment, which goes beyond satisfying the definition of 'independent director' in the *Bursa Malaysia Listing Requirements*.

The SC and Bursa Malaysia will be engaging the company in relation to this practice. The SC strongly urges shareholders to evaluate and engage the board in relation to the company's policy and practices for board refreshment, tenure of independent directors and board diversity to ensure the board is fit to undertake its duties and responsibilities effectively. While the annual shareholders' approval and two-tier voting process is not mandatory, shareholders should demand that companies adopt this practice as it strengthens the review and reappointment process for long-serving independent directors.

MOVING FORWARD

The SC will continue to monitor the adoption and outcomes of the two-tier voting process, and strongly encourages boards and shareholders to review carefully the retention of these independent directors. The retention should be supported by strong justification and evidence including outcomes from board evaluations. There has been several calls for the SC to mandate the two-tier voting process in the Listing Requirements. Bursa Malaysia will be reviewing the feasibility of this proposal.

There has been several calls to mandate the two-tier voting process in the Listing Requirement

1 EPF Voting Policy at Annual Shareholders' Meetings.

2 *Principles and Voting Guidelines* (2nd edition).

06 THEMATIC REVIEW 3
BOARD REMUNERATION: DESIGN, DELIVER, DISCLOSE

Well-designed and appropriate levels of directors' remuneration is a critical factor in delivering good corporate governance and long-term value creation of listed companies. It provides a mechanism to motivate directors' behaviour towards becoming responsible and effective stewards. The MCCG emphasises that directors' remuneration, which is well-structured and clearly linked to the strategic objectives of a company are important to promote business stability, growth and contributes to the long-term success of the company.[1]

The disclosure of directors' remuneration allows shareholders and other stakeholders to evaluate whether the remuneration is aligned with the performance of the company and commensurate with the responsibilities of the director. As director fees and benefits need to be approved annually[2], the disclosure of board remuneration will help shareholders make an informed decision when voting on the approval of board remuneration at general meetings.

The CG Monitor 2020 shifts its focus from CEO remuneration, which was reported in the CG Monitor 2019 to board remuneration of the constituents of the FTSE Bursa Malaysia Top 100 Index (FBM 100) as of December 2019[3]. A complete list of the board remuneration of these listed companies is also presented (by sector) in Appendix 2.

OVERALL FINDINGS

Total board remuneration of FBM 100 companies declined by 11.7% in 2019.

Compared to 2018, the total board remuneration in 2019 of companies in the FBM 100 declined by 11.7%. The remuneration of executive directors (EDs) and remuneration of non-executive directors (NEDs) moved in opposite directions with the former declining by 14.5% while the latter increasing by 6.2%.

The sector with the highest median board remuneration is Industrial products & services (RM11.0 million), while Transportation & logistics recorded the lowest median board remuneration (RM 4.2 million).

In 2019, the top 10 highest paid boards were mainly family-controlled companies (7 out of 10), which is similar to the findings in the CG Monitor 2019 – where the top 10 highest paid CEOs were also mainly from family-controlled companies. The top 10 boards with the highest total NED remuneration were mostly government-linked companies (GLCs) (6 out of 10). This is in contrast to the CEO remuneration of GLCs which were found to be relatively lower than other CEOs in the top 100; as highlighted in CG Monitor 2019.

Notwithstanding an increase, NED remuneration still receives overwhelming approval from shareholders, including major institutional funds which collectively hold substantial proportion of shareholdings.

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1 Securities Commission Malaysia (2017). *Malaysian Code on Corporate Governance*. pp.30.
2 Section 230, *Companies Act 2016*.
3 This refers to the constituents of the FBM 100 index as at 23 December 2019 index rebalancing (refer to the Explanatory Notes to the Appendices).

A SECTORAL PERSPECTIVE

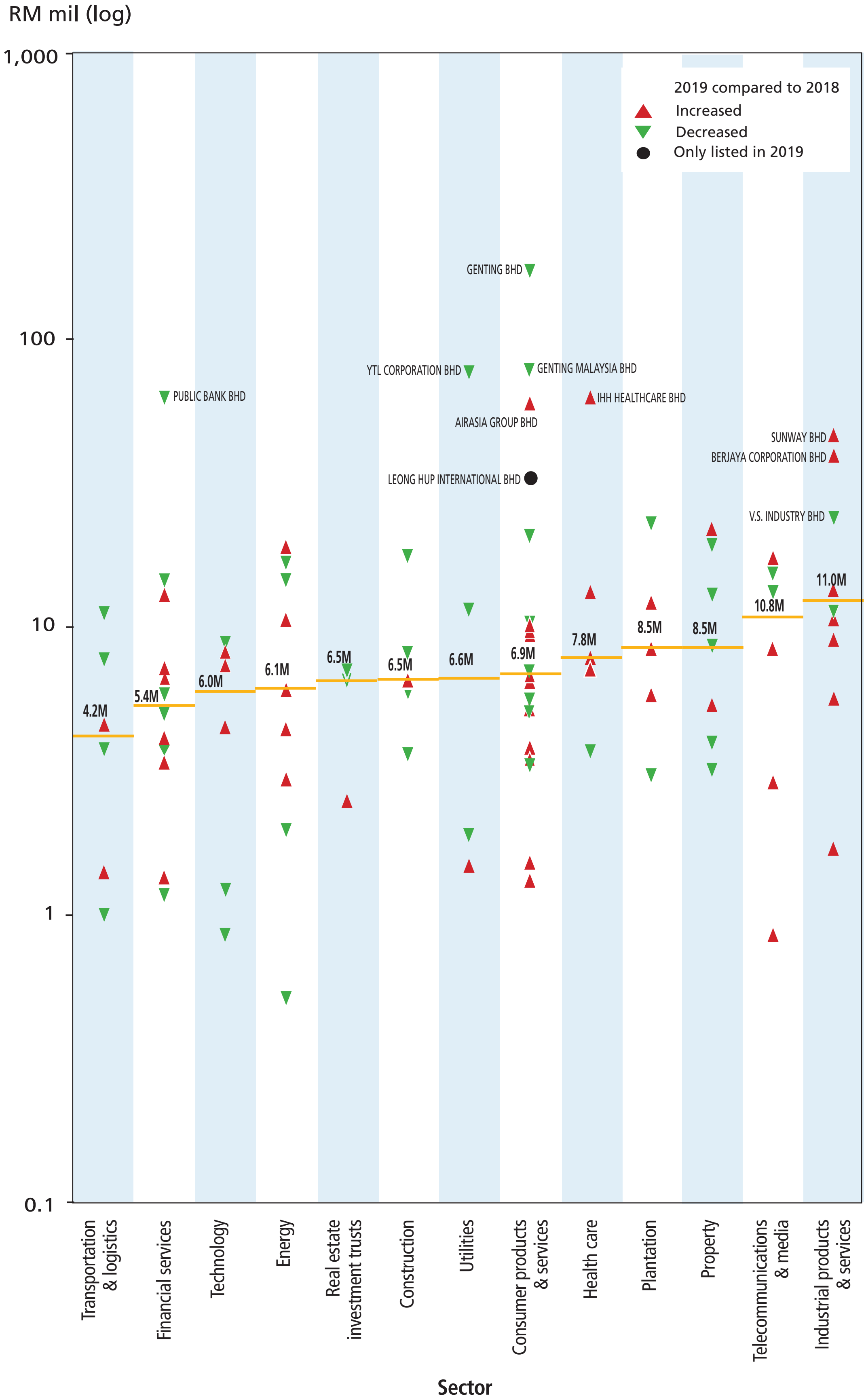
Figure 1 shows the total board remuneration of listed companies on the FBM 100 in 2019 by sector as well as the median board remuneration for each sector. The total remuneration of each company is marked as an 'increase' or 'decrease' based on the changes in remuneration level from 2018 to 2019. The listed companies with the highest total board remuneration are also identified and labelled in Figure 1.

- The top 20 highest paid boards (Appendix 1) received significantly higher remuneration than their respective sector median's remuneration.
- The overall median board remuneration for listed companies on the FBM 100 is RM7.4mil.
- The top 4 sectors with the highest median total board remuneration are Industrial products & services (RM11.0 million), Telecommunications & media (RM10.8 million) followed by Property (RM8.5 million) and Plantation (RM8.5 million). Meanwhile, Transportation & logistics marked the lowest median total board remuneration at RM4.2 million.
- When comparing the level of remuneration in 2018 and 2019, 52 boards recorded an increase in total remuneration while 46 boards recorded a decrease in total remuneration in 2019[4].
- From the 10 listed companies with the highest total board remuneration, 6 were also on the top 10 listed companies with the highest paid CEOs which was reported in CG Monitor 2019 (Appendix 3). This suggests that a significant portion of total board remuneration of these companies can be attributed to the CEO's remuneration.
- Appendix 2 shows the details of the total board remuneration for each company on the FBM 100.

[4] Based on data for 98 listed companies (refer to Explanatory Notes to the Appendices).

Figure 1

Total board remuneration by sector for financial year end 2019 (RM mil)



YEAR-ON-YEAR COMPARISON OF BOARD REMUNERATION

- There has been a decline (-11.7%) in the total board remuneration of the FBM 100 companies in 2019 (RM1,342 million) compared to 2018 (RM1,519 million).

- The median board remuneration also declined by 2.6% from RM7.6 million in 2018 to RM7.4 million in 2019.

- The decline in the level of remuneration is largely driven by a fall in the remuneration of EDs, which fell by 14.5% from RM1,309 million in 2018 to RM1,119 million in 2019.

- In contrast, the remuneration received by NEDs increased by 6.2%, from RM210 million in 2018 to RM223 million in 2019.

- Similarly, the median remuneration of EDs declined by 11.0% (2018: RM7.3 million; 2019: RM6.5 million), while median remuneration of NEDs saw an increase of 18.2% (2018: RM1.1 million; 2019: RM1.3 million).

- Further observations on total ED and NED remunerations are presented in the following section.

Figure 2
Total board remuneration of FBM 100 (2018 vs 2019)

Total
2019: RM1,342 mil | 2018: RM1,519 mil
-11.7%

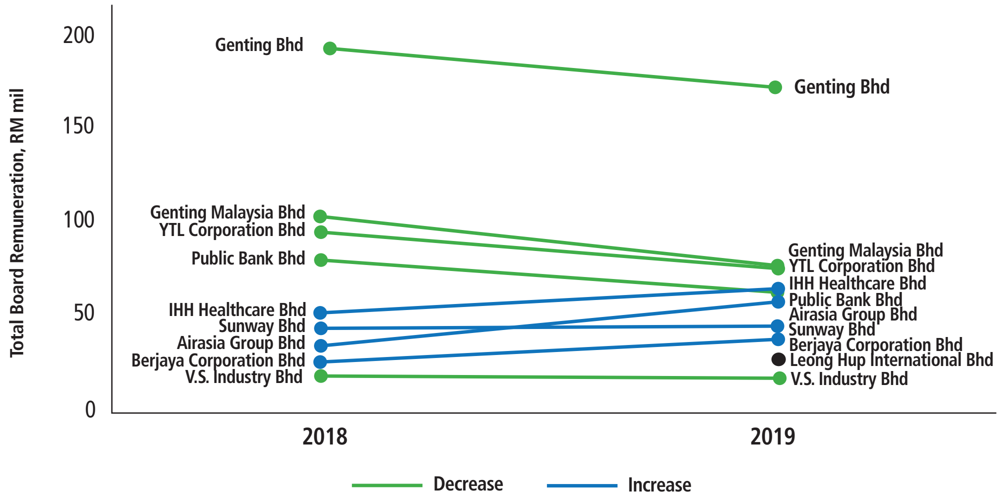
Executive directors
2019: RM1,119 mil | 2018: RM1,309 mil
-14.5%

Non-executive directors
2019: RM223 mil | 2018: RM210 mil
+ 6.2%

It is also worth noting that among the 10 highest paid boards in 2019, 5 of the boards recorded a decline in total board remuneration from 2018 with a decrease of up to 23% (Figure 3).[5]

Figure 3

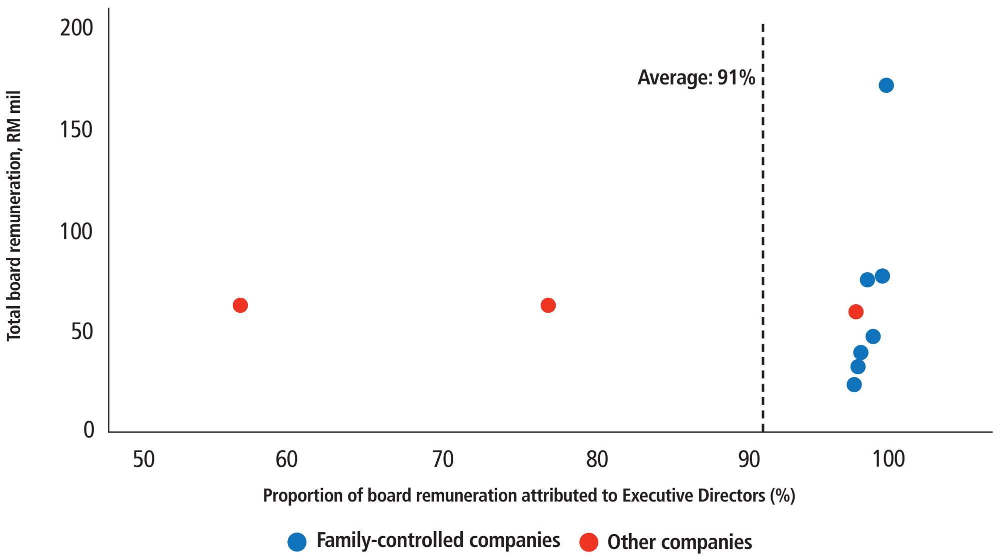
Changes in total board remuneration from 2018 to 2019



The remuneration of EDs on these boards accounted for an average of 91% of total board remuneration (Figure 4). The changes in total board remuneration for these listed companies are largely driven by changes in EDs' remuneration. This is consistent with the fact that 7 out of 10 of these companies are family-controlled companies which tend to have boards with a larger proportion of EDs.

Figure 4

EDs' remuneration as a proportion of total board remuneration



[5] It should be noted the board remuneration of Genting Bhd form a part of board remuneration of Genting Malaysia Bhd and Genting Plantations Bhd.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

As presented in Figure 2, despite the decrease in the total board remuneration from 2018 to 2019, there was an increase in the level of NEDs remuneration.

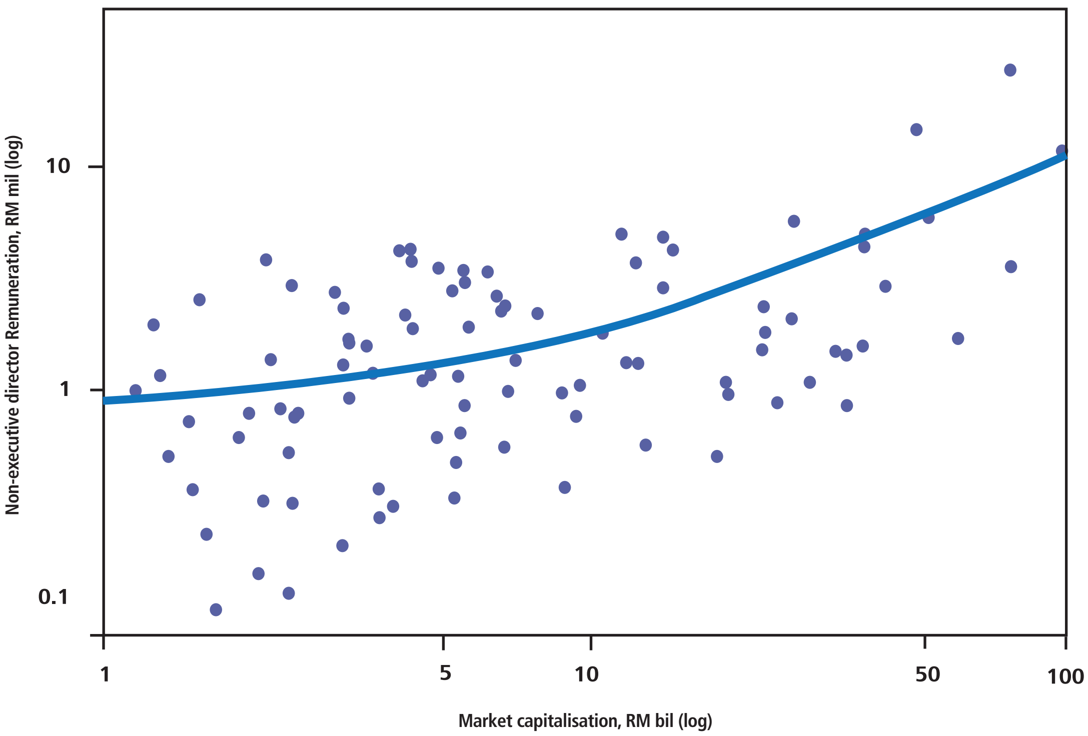
Figure 5 presents a plot of the NEDs' remuneration against the market capitalisation of the FBM 100 companies. The plot shows that companies with higher market capitalisation have higher NED remuneration compared to those with lower market capitalisation.

Companies with higher market capitalisation have a higher NED remuneration

However, the SC observes that companies which are of relatively the same size (by market capitalisation) also record large variation in the remuneration received by their NEDs. These variations suggest that there may be other factors driving the differences in NED remuneration which provides an opportunity for future research.

Figure 5

NED remuneration and market capitalisation



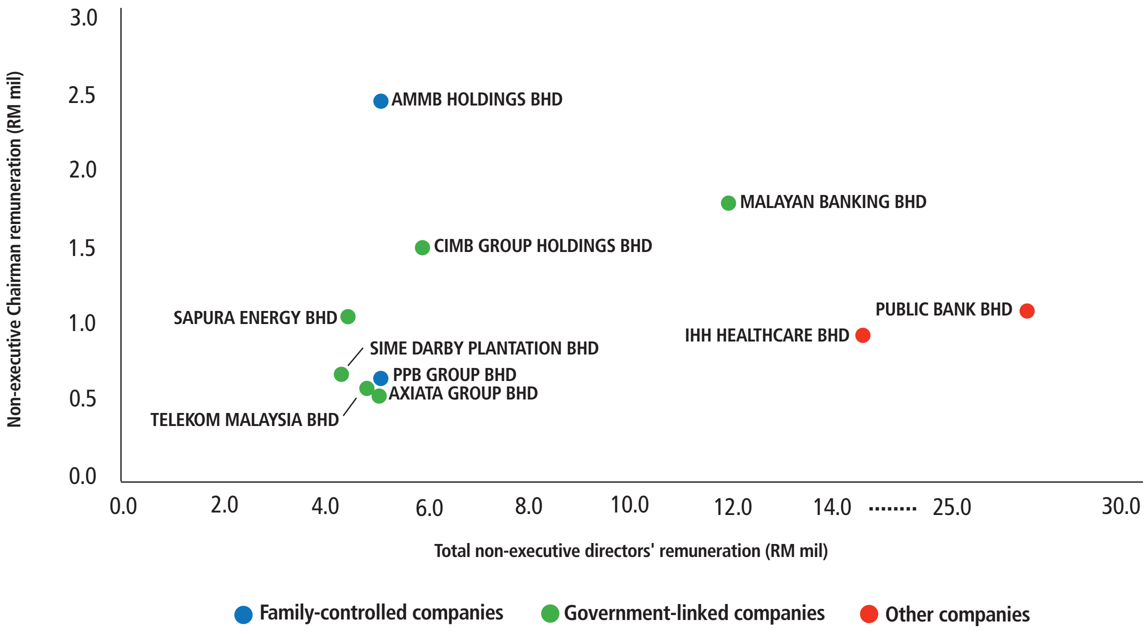
In the next section, we look at the top 10 companies with the highest total NED remuneration. A majority of these listed companies (6 out of 10) are GLCs and the average remuneration received by the NEDs of these companies is RM8.9 million with one of the companies recording a total remuneration exceeding RM20 million.[6]

Components of the NED remuneration based on the companies' disclosures, in addition to fees, may include:

A. Company car and driver;
B. Medical and insurance coverage;
C. Golf club membership;
D. Leave passage;
E. Overseas business development trips; and
F. Telecommunication bills.

Figure 6 plots the top 10 listed companies by the total NED remuneration against the remuneration received by their non-executive Chairman.

Figure 6
Top 10 companies by total NEDs remuneration and corresponding remuneration of the Chairman



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6 The Chairman Emeritus and founder of Public Bank Berhad sits on the board as a non-executive director.

Observations in relation to the remuneration of the non-executive Chairmen of these companies are as follows:

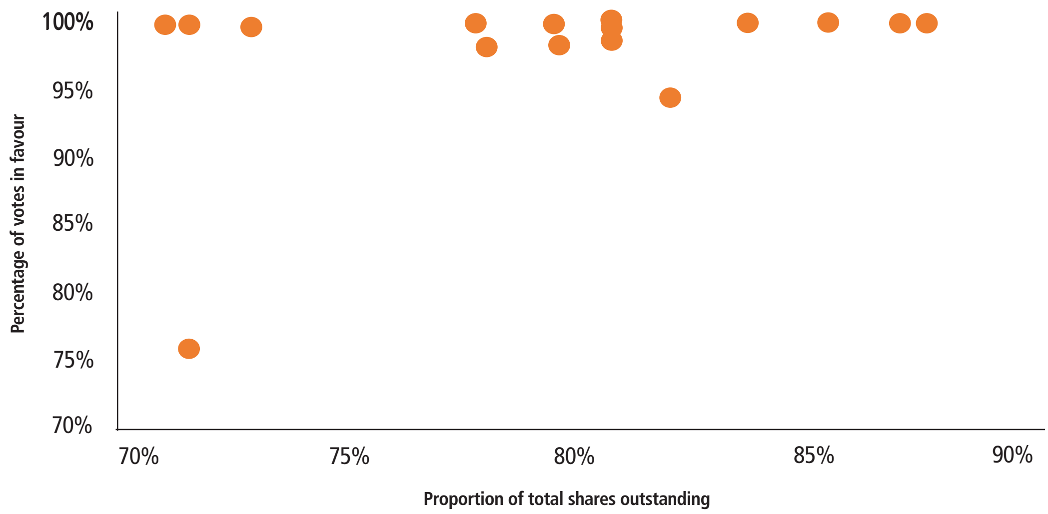
- Remunerations received by the non-executive chairman of these listed companies range widely, from RM0.5 to RM2.5 million with an average of RM1.2 million.
- The Chairman of AMMB Holdings Bhd, the highest paid non-executive Chairman, received a remuneration amounting to RM2.5 million, which represents 50% of remuneration received by all NEDs of the company.
- This is followed by the Chairman of Malayan Banking Bhd who received a remuneration of RM1.8 million.

VOTING ON NEDs' REMUNERATION

In relation to the approval of remuneration by shareholders, the top 10 listed companies by total NEDs' remuneration recorded high percentage of votes in favour, as presented in Figure 7. Out of 18 resolutions [7] analysed, 15 received more than 95% votes in favour. The shareholders who voted on these resolutions represented an average of 80% of total number of shares outstanding.

Figure 7

Resolutions on remuneration: Votes in favour (%)



Based on the disclosure of the top 30 shareholdings of these companies, institutional investors held an average of more than 50% of total shareholdings. This indicates that institutional investors collectively, are in a position to ensure that the remuneration is fair and commensurates with the role and performance of the director. Thus, institutional investors in exercising their stewardship role, should continue to engage the board in relation to remuneration, review the link between pay and performance, and exercise their votes accordingly.

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[7] Some companies have more than one resolution on remuneration either because they have separate resolutions for fees and benefits or separate resolutions for company and subsidiary remuneration.

EXPLANATORY NOTES TO THE APPENDICES

NOTE

1. Appendix 1 and 2 present the board of directors' remuneration and financial indicators of companies listed on the FBM 100 index (constituents as at 23 December 2019), except for 1 listed issuer which did not disclose details of the board remuneration.

2. The directors' remuneration data include–

   - the total remuneration of (1) the board of directors, (2) NED(s) and (3) ED(s) received at the group level (listed company and its subsidiaries) for the financial year ending 2019; and

   - the remuneration of directors who are currently serving on the board and those who have retired, but excludes the remuneration paid to Alternate Directors.

3. The remuneration data were extracted from the listed company's *Corporate Governance Report* or *Annual Report* (if the listed company referenced the financial statement in their *Corporate Governance Report* disclosures) for financial year end 2019.

4. Where directors were paid in a foreign currency, the amount paid was converted to Malaysian Ringgit using the exchange rate on the last day of the listed company's financial year end.

5. The information on market capitalisation was extracted from the SC's database.

6. Further details on the directors' remuneration can be found in the listed companies' *Corporate Governance Report* or *Annual Report*.

APPENDIX 1: The Top 20 FBM 100 Companies with the Highest Board Remuneration (Financial year ending 2019)

This section presents the top 20 FBM 100 companies with the highest board remuneration and their respective financial indicators (constituents as at 23 December 2019).

Stock Code	Company Name	Sector	Market Capitalisation (RM billion)	Total Board Remuneration (RM million)	Non-Executive Director Remuneration (RM million)	Executive Director Remuneration (RM million)
3182	GENTING BHD	CONSUMER PRODUCTS & SERVICES	23.46	172.24	1.81	170.43
4715	GENTING MALAYSIA BHD	CONSUMER PRODUCTS & SERVICES	19.54	77.80	0.96	76.85
4677	YTL CORPORATION BHD	UTILITIES	10.80	76.09	1.80	74.29
5225	IHH HEALTHCARE BHD	HEALTH CARE	47.99	63.03	14.60	48.44
1295	PUBLIC BANK BHD	FINANCIAL SERVICES	75.47	62.77	27.13	35.64
5099	AIRASIA GROUP BHD	CONSUMER PRODUCTS & SERVICES	5.68	60.50	1.70	58.80
5211	SUNWAY BHD	INDUSTRIAL PRODUCTS & SERVICES	8.88	46.83	0.97	45.86
3395	BERJAYA CORPORATION BHD	INDUSTRIAL PRODUCTS & SERVICES	1.30	39.50	1.16	38.34
6633	LEONG HUP INTERNATIONAL BHD	CONSUMER PRODUCTS & SERVICES	3.21	32.56	0.93	31.64
6963	V.S. INDUSTRY BHD	INDUSTRIAL PRODUCTS & SERVICES	2.50	23.68	0.78	22.90
1961	IOI CORPORATION BHD	PLANTATION	28.97	22.64	1.08	21.55
5236	MATRIX CONCEPTS HOLDINGS BHD	PROPERTY	1.57	22.06	2.57	19.50
5102	GUAN CHONG BHD	CONSUMER PRODUCTS & SERVICES	3.11	20.56	0.20	20.36
1155	MALAYAN BANKING BHD	FINANCIAL SERVICES	97.13	20.29	11.86	8.43
5249	IOI PROPERTIES GROUP BHD	PROPERTY	6.83	19.16	1.00	18.16
7277	DIALOG GROUP BHD	ENERGY	19.46	19.09	1.09	18.00
5398	GAMUDA BHD	CONSTRUCTION	9.66	17.49	1.04	16.44
5031	TIME DOTCOM BHD	TELECOMMUNICATIONS & MEDIA	5.40	17.48	1.15	16.33
5218	SAPURA ENERGY BHD	ENERGY	4.31	17.29	4.26	13.03
6888	AXIATA GROUP BHD	TELECOMMUNICATIONS & MEDIA	37.94	15.15	5.02	10.13

[1] The amount received by the executive director of Genting Bhd includes remuneration received from Genting Malaysia Bhd and Genting Plantations Bhd.

APPENDIX 2: Total board remuneration of listed companies on the FBM 100 (for financial year ending 2019) (by sector)

Table 1

CONSUMER PRODUCTS & SERVICES

Stock Code	Company Name	Market Capitalisation (RM billion)	Total Board Remuneration (RM million)	Non-Executive Director Remuneration (RM million)	Executive Director Remuneration (RM million)
3182	GENTING BHD[1]	23.46	172.24	1.81	170.43
4715	GENTING MALAYSIA BHD	19.54	77.80	0.96	76.85
5099	AIRASIA GROUP BHD	5.68	60.50	1.70	58.80
6633	LEONG HUP INTERNATIONAL BHD	3.21	32.56	0.93	31.64
5102	GUAN CHONG BHD	3.11	20.56	0.20	20.36
4162	BRITISH AMERICAN TOBACCO (MALAYSIA) BHD	4.31	10.25	3.78	6.47
7084	QL RESOURCES BHD	13.19	10.24	0.56	9.68
4197	SIME DARBY BHD	15.10	9.74	4.22	5.52
4065	PPB GROUP BHD	26.80	9.46	5.74	3.71
4707	NESTLE (MALAYSIA) BHD	34.47	6.92	1.43	5.49
5248	BERMAZ AUTO BHD	2.44	6.86	0.31	6.55
7052	PADINI HOLDINGS BHD	2.13	6.51	0.32	6.19
1562	BERJAYA SPORTS TOTO BHD	3.49	5.53	1.57	3.96
4588	UMW HOLDINGS BHD	5.25	5.20	2.78	2.42
2836	CARLSBERG BREWERY MALAYSIA BHD	8.99	4.99	0.37	4.62
6599	AEON CO. (M) BHD	1.99	3.83	0.78	3.05
3859	MAGNUM BHD	3.70	3.51	0.36	3.15
1619	DRB-HICOM BHD	4.60	3.28	1.10	2.18
5681	PETRONAS DAGANGAN BHD	22.95	1.53	1.53	–
3689	FRASER & NEAVE HOLDINGS BHD	12.78	1.32	1.32	–

[1] The amount received by the executive director of Genting Bhd includes remuneration received from Genting Malaysia Bhd and Genting Plantations Bhd.

Table 2

FINANCIAL SERVICES

Stock Code	Company Name	Market Capitalisation (RM billion)	Total Board Remuneration[2] (RM million)	Non-Executive Director Remuneration (RM million)	Executive Director Remuneration (RM million)
1295	PUBLIC BANK BHD	75.47	62.77	27.13	35.64
1155	MALAYAN BANKING BHD	97.13	20.29	11.86	8.43
1023	CIMB GROUP HOLDINGS BHD	51.10	14.44	5.90	8.54
1082	HONG LEONG FINANCIAL GROUP BHD	19.39	13.11	1.06	12.05
1066	RHB BANK BHD	23.18	9.02	4.12	4.89
1818	BURSA MALAYSIA BHD	4.92	5.85	3.53	2.32
1015	AMMB HOLDINGS BHD	11.79	5.00	5.00	-
2488	ALLIANCE BANK MALAYSIA BHD	4.07	4.18	4.18	-
5139	AEON CREDIT SERVICE (M) BHD	3.59	3.78	1.19	2.59
1171	MALAYSIA BUILDING SOCIETY BHD	5.57	3.44	3.44	-
5819	HONG LEONG BANK BHD	37.50	1.25	1.25	-
6139	SYARIKAT TAKAFUL MALAYSIA KELUARGA BHD	4.71	1.17	1.17	-

[2] Directors remuneration refers to the amount received at group level and not just received from the Bank.

Table 3

INDUSTRIAL PRODUCTS & SERVICES

Stock Code	Company Name	Market Capitalisation (RM billion)	Total Board Remuneration (RM million)	Non-Executive Director Remuneration (RM million)	Executive Director Remuneration (RM million)
5211	SUNWAY BHD[3]	8.88	46.83	0.97	45.86
3395	BERJAYA CORPORATION BHD	1.30	39.50	1.16	38.34
6963	V.S. INDUSTRY BHD	2.50	23.68	0.78	22.90
2852	SKP RESOURCES BHD	1.70	13.54	0.11	13.44
7155	SCIENTEX BHD	4.88	11.20	0.61	10.59
4731	PRESS METAL ALUMINIUM HOLDINGS BHD	18.78	10.72	0.50	10.22
8869	HAP SENG CONSOLIDATED BHD	24.85	9.07	0.89	8.19
3034	CAHYA MATA SARAWAK BHD	2.44	8.70	2.56	6.13
5284	LOTTE CHEMICAL TITAN HOLDING BHD	5.56	5.67	0.86	4.81
5183	PETRONAS CHEMICALS GROUP BHD	58.80	1.71	1.71	N/A

[3] The amount received by the directors of Sunway Bhd includes remuneration received from Sunway Construction Group Bhd and Sunway Real Estate Investment Trust.

Table 4

ENERGY

Stock Code	Company Name	Market Capitalisation (RM billion)	Total Board Remuneration (RM million)	Non-Executive Director Remuneration (RM million)	Executive Director Remuneration (RM million)
7277	DIALOG GROUP BHD	19.46	19.09	1.09	18.00
5218	SAPURA ENERGY BHD	4.31	17.29	4.26	13.03
5210	BUMI ARMADA BHD	3.11	14.41	2.31	12.09
7293	YINSON HOLDINGS BHD	7.09	10.62	1.35	9.27
5199	HIBISCUS PETROLEUM BHD	1.49	6.07	0.72	5.36
5279	SERBA DINAMIK HOLDINGS BHD	6.78	4.45	2.41	2.05
5243	VELESTO ENERGY BHD	3.12	2.98	1.30	1.68
4324	HENGYUAN REFINING COMPANY BHD	1.27	1.96	1.96	–
3042	PETRON MALAYSIA REFINING & MARKETING BHD	1.36	0.51	0.51	–

Table 5

PROPERTY

Stock Code	Company Name	Market Capitalisation (RM billion)	Total Board Remuneration (RM million)	Non-Executive Director Remuneration (RM million)	Executive Director Remuneration (RM million)
5236	MATRIX CONCEPTS HOLDINGS BHD	1.57	22.06	2.57	19.50
5249	IOI PROPERTIES GROUP BHD	6.83	19.16	1.00	18.16
5283	ECO WORLD INTERNATIONAL BHD	2.21	12.83	1.37	11.46
8664	S P SETIA BHD	6.47	8.49	2.65	5.84
5288	SIME DARBY PROPERTY BHD	6.22	5.40	3.39	2.01
1651	MALAYSIAN RESOURCES CORPORATION BHD	3.22	3.94	1.64	2.31
5148	UEM SUNRISE BHD	3.20	3.16	1.69	1.47

Table 6

TRANSPORTATION & LOGISTICS

Stock Code	Company Name	Market Capitalisation (RM billion)	Total Board Remuneration (RM million)	Non-Executive Director Remuneration (RM million)	Executive Director Remuneration (RM million)
5246	WESTPORTS HOLDINGS BHD	14.36	11.02	2.89	8.13
2194	MMC CORPORATION BHD	3.00	7.66	2.76	4.90
3816	MISC BHD	37.27	4.87	1.82	3.05
5014	MALAYSIA AIRPORTS HOLDINGS BHD	12.61	3.73	3.72	0.01
78	GD EXPRESS CARRIER BHD	1.52	1.42	0.36	1.06
4634	POS MALAYSIA BHD	1.16	0.71	0.71	–

Table 7

TELECOMMUNICATIONS & MEDIA

Stock Code	Company Name	Market Capitalisation (RM billion)	Total Board Remuneration (RM million)	Non-Executive Director Remuneration (RM million)	Executive Director Remuneration (RM million)
5031	TIME DOTCOM BHD	5.40	17.48	1.15	16.33
6888	AXIATA GROUP BHD	37.94	15.15	5.02	10.13
6399	ASTRO MALAYSIA HOLDINGS BHD	6.62	13.24	2.43	10.81
4863	TELEKOM MALAYSIA BHD	14.38	8.74	5.05	3.68
6012	MAXIS BHD	41.61	2.92	2.92	–
6947	DIGI.COM BHD	34.68	0.85	0.85	–

Table 8

TECHNOLOGY

Stock Code	Company Name	Market Capitalisation (RM billion)	Total Board Remuneration (RM million)	Non-Executive Director Remuneration (RM million)	Executive Director Remuneration (RM million)
166	INARI AMERTRON BHD	5.45	8.70	0.65	8.05
128	FRONTKEN CORPORATION BHD	2.41	8.24	0.12	8.12
3867	MALAYSIAN PACIFIC INDUSTRIES BHD	2.40	7.40	0.53	6.87
7160	PENTAMASTER CORPORATION BHD	2.16	4.51	3.84	0.67
97	VITROX CORPORATION BHD	3.73	1.21	0.27	0.94
138	MY E.G. SERVICES BHD	3.97	0.84	0.30	0.54

Table 9

HEALTH CARE

Stock Code	Company Name	Market Capitalisation (RM billion)	Total Board Remuneration (RM million)	Non-Executive Director Remuneration (RM million)	Executive Director Remuneration (RM million)
5225	IHH HEALTHCARE BHD	47.99	63.03	14.60	48.44
7153	KOSSAN RUBBER INDUSTRIES BHD	5.32	13.34	0.33	13.01
7113	TOP GLOVE CORPORATION BHD	12.04	7.78	1.32	6.46
5168	HARTALEGA HOLDINGS BHD	18.48	7.78	0.50	7.27
5878	KPJ HEALTHCARE BHD	4.20	7.15	2.17	4.98
7106	SUPERMAX CORPORATION BHD	1.89	3.69	0.62	3.07

Table 10

PLANTATION

Stock Code	Company Name	Market Capitalisation (RM billion)	Total Board Remuneration (RM million)	Non-Executive Director Remuneration (RM million)	Executive Director Remuneration (RM million)
1961	IOI CORPORATION BHD	28.97	22.64	1.08	21.55
2445	KUALA LUMPUR KEPONG BHD	26.47	12.24	2.07	10.17
5285	SIME DARBY PLANTATION BHD	37.52	8.46	4.43	4.03
2291	GENTING PLANTATIONS BHD	9.49	5.84	0.76	5.08
5222	FGV HOLDINGS BHD	5.55	3.03	3.03	–

Table 11

CONSTRUCTION

Stock Code	Company Name	Market Capitalisation (RM billion)	Total Board Remuneration (RM million)	Non-Executive Director Remuneration (RM million)	Executive Director Remuneration (RM million)
5398	GAMUDA BHD	9.66	17.49	1.04	16.44
3336	IJM CORPORATION BHD	7.90	8.05	2.22	5.84
7161	KERJAYA PROSPEK GROUP BHD	1.63	6.54	0.23	6.31
8877	EKOVEST BHD	2.08	5.94	0.15	5.79
5263	SUNWAY CONSTRUCTION GROUP BHD	2.47	3.59	0.75	2.83

Table 12

UTILITIES

Stock Code	Company Name	Market Capitalisation (RM billion)	Total Board Remuneration (RM million)	Non-Executive Director Remuneration (RM million)	Executive Director Remuneration (RM million)
4677	YTL CORPORATION BHD[4]	10.80	76.09	1.80	74.29
5347	TENAGA NASIONAL BHD	75.41	11.38	3.55	7.83
5264	MALAKOFF CORPORATION BHD	4.35	1.88	1.88	–
6033	PETRONAS GAS BHD	32.89	1.49	1.49	–

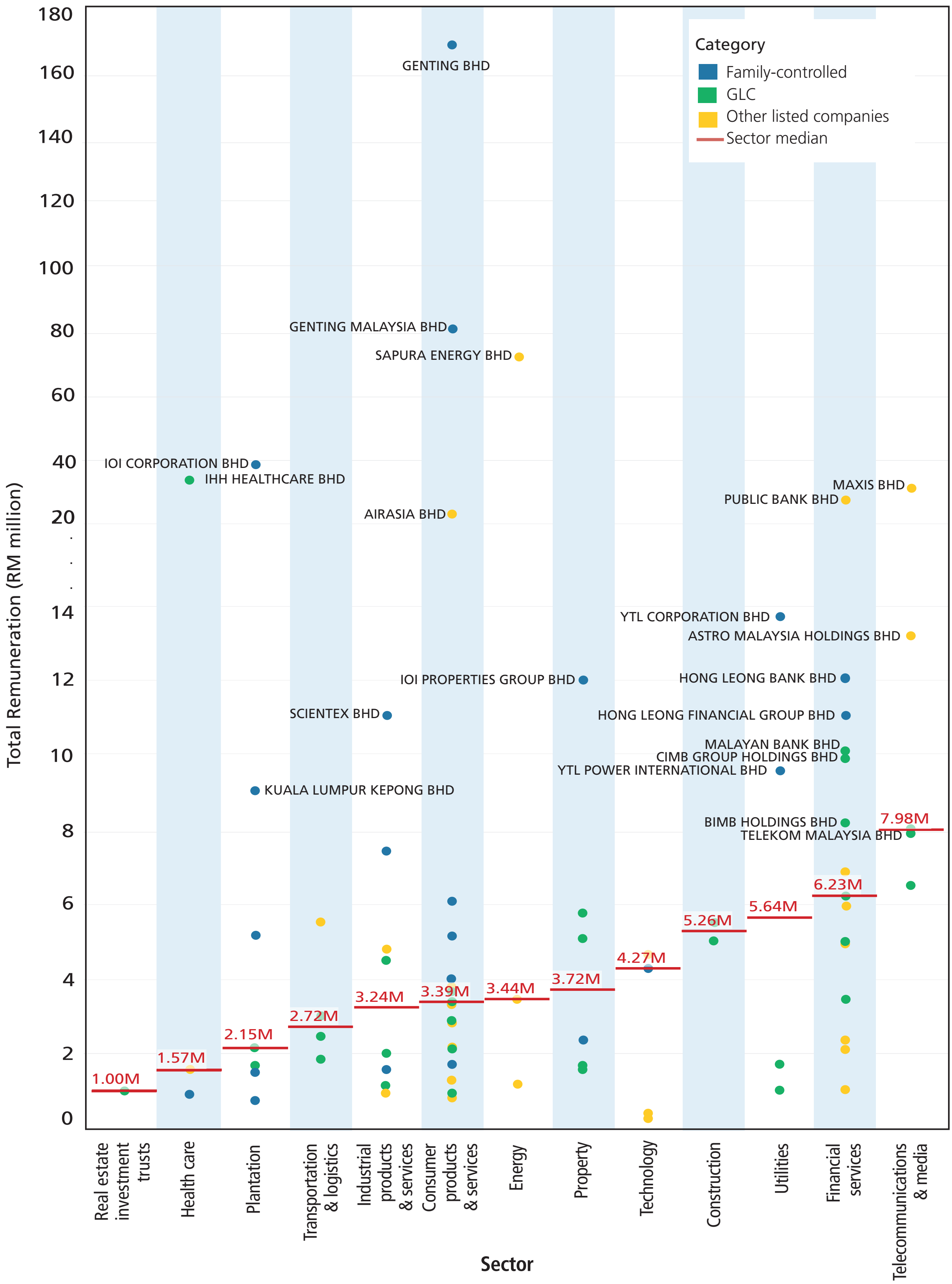
[4] The amount received by the directors of YTL Corporation Berhad includes remuneration received from YTL Hospitality REITs.

Table 13

REAL ESTATE INVESTMENT TRUSTS

Stock Code	Company Name	Market Capitalisation (RM billion)	Total Board Remuneration (RM million)	Non-Executive Director Remuneration (RM million)	Executive Director Remuneration (RM million)
5109	YTL HOSPITALITY REIT	2.32	6.99	0.82	6.17
5227	IGB REAL ESTATE INVESTMENT TRUST	6.71	6.48	0.56	5.93
5176	SUNWAY REAL ESTATE INVESTMENT TRUST	5.36	2.49	0.48	2.02

APPENDIX 3: CEOs total remuneration by sector for financial year end 2018 (from CG Monitor 2019)



GLOSSARY

Family-controlled companies	listed companies where the largest shareholder consists of family members based on: i. disclosures in the annual report; or ii. reliable public sources of information. Family members has the same meaning as assigned to it under the *Bursa Malaysia Listing Requirements.* The definition excludes companies where persons other than the controlling family members can appoint the Chief Executive Officer, Chairman or majority of the board.
Government-linked companies	companies that the Government of Malaysia controls directly through Khazanah Nasional, Ministry of Finance Incorporated, Kumpulan Wang Amanah Persaraan Diperbadankan (KWAP), Bank Negara Malaysia; or where government-linked investment companies (GLICs) and/or other federal government-linked agencies collectively have a controlling stake; or where GLCs themselves have a controlling stake i.e. subsidiaries and affiliates of GLCs.
Institutional investors	refers to the definition of institutional investors in the *Malaysian Code for Institutional Investors.*
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.
Listing Requirements	*Bursa Malaysia Listing Requirements*.
Mid-cap companies/Issuers	companies or issuers with market capitalisation of between RM1 billion to RM2 billion.
Small-cap companies/Issuers	companies or issuers with market capitalisation of below RM1 billion.

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