

STRENGTHEN BOARD LEADERSHIP FOR AGILE AND RESPONSIBLE BUSINESS

The composition of the board is a critical determinant of board leadership. Responding effectively to emerging imperatives and disruptive forces requires board diversity in terms of skills, gender, age, and nationality, among others.

For companies to survive and thrive, boards must also learn to adapt. Boards that adopt a proactive and forward-thinking approach to board refreshment and continuous professional development will be more resilient, innovative, and in a stronger position to implement new strategies and methods in response to changing market conditions.

Thus, in the next three years, the SC will focus on encouraging boards to review and refresh their composition to ensure there is diversity and the right mix of expertise on the board, as well as enhance the continuous professional development framework for boards.

STRATEGIC
INITIATIVE

1.1



Emphasise on board refreshment

The SC will work closely with the Institutional Investors Council (IIC) and the Minority Shareholders Watch Group (MSWG) to engage boards on their refreshment policies and practices. This is to ensure that boards have the right mix of directors to respond to present challenges and anticipate future risks as well as opportunities.

A change in the skills profile and composition of the board is required to meet the growing demand for businesses to evolve beyond the traditional emphasis on shareholders and profit maximisation towards greater consideration of broader stakeholders interest.

STRATEGIC
INITIATIVE

1.2



Introduction of a mandatory 12 years tenure limit for independent directors

As of 31 October 2021, 46% of listed companies have at least one long-serving independent director on the board (tenure of 9 years or more), with 500 board positions held by the same independent director for more than 12 years, out of which, 89 are for more than 20 years. On some boards, the challenge is more acute as they have two or three independent directors with tenure as long as 30 years.

The SC has taken progressive steps to address this issue, including the introduction of the two-tier voting process¹ in 2017. The take up was positive with 164 listed companies using two-tier process within the first year of it being introduced. However, based on the SC's review, 98% of the two-tier resolutions were passed, raising concerns that shareholders may not fully appreciate the issues related to long tenure and the need for board refreshment. As the latter is an urgent imperative, a mandatory 12 years tenure limit for independent directors will be introduced in *The Listing Requirements* in 2022.

STRATEGIC INITIATIVE
1.3

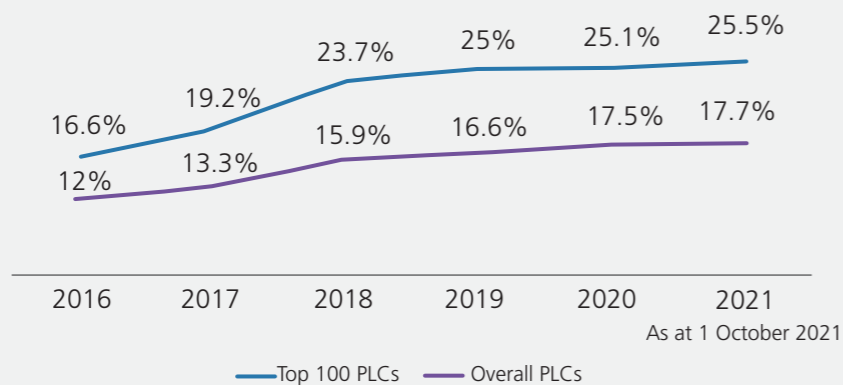
Accelerate the participation of women on boards through a Public-Private Partnership



The SC has been a long proponent of gender diversity on boards and implemented several measures to drive this agenda. There is progress in the level of participation of women on boards of listed companies. As of 1 October 2021, women hold 17.7% of board positions, which is an increase compared to 10 years ago when the level of women participation on boards was only 7.7%.

However, progress has been marginal over the past three years, hovering around 25% for the top 100 listed companies and 17% overall (all listed companies). Furthermore, only 162 listed companies (18%) have achieved the 30% target. There also appears to be inertia that keeps gender diversity in the 'nice to have category' for 252 listed companies which still have all-male boards.

Chart 1
PARTICIPATION OF WOMEN ON BOARDS OF PUBLIC-LISTED COMPANIES



¹ The two-tier voting process is recommended in the MCCG to decide on the retention of a long serving independent director with tenure of more than 9 years. Under the two-tier voting process, shareholders' votes will be cast in two tiers; Tier 1 where only the Large Shareholder(s) of the company votes, and Tier 2 where shareholders other than Large Shareholder votes. The outcome of the resolution is determined based on the vote of Tier 1 and a simple majority of Tier 2. If there is more than one Large Shareholder, a simple majority will determine the outcome of the Tier 1 vote. The resolution is passed if both Tier 1 and Tier 2 votes support the resolution. However, the resolution is deemed to be defeated if the vote between the two tiers differ or where Tier 1 voter(s) abstained from voting.

The SC will pursue the establishment of a Public-Private Partnership (PPP) to support the implementation of the requirement for boards of listed companies to comprise at least one woman director², and accelerate progress in achieving the 30% target. The PPP will facilitate collective action between the public and private sector to expand the existing talent pool with the inclusion of more qualified women, as well as periodic progress reporting on of the 30% target, among others.

STRATEGIC INITIATIVE
1.4



Enhance the Mandatory Accreditation Programme

The Mandatory Accreditation Programme (MAP) is an onboarding programme for newly appointed directors of listed companies on Bursa Malaysia. Directors are required to complete the MAP within four months of being appointed to the board or from the company's listing date (for a newly listed company).

The existing MAP will be enhanced to incorporate content on emerging issues such as the shift to a stakeholder economy as well as reputation and crisis management. The MAP 2.0 will be delivered by the ICDM.

² Recognising the role of women in decision-making process and to strengthen the governance and effectiveness of boards, the Government, through the SC, will make it mandatory to have at least one woman Board member for all public-listed companies. This initiative will take effect from 1 September 2022 for large-cap companies and from 1 June 2023 for the remaining listed companies. *Paragraph 96, Budget 2022 Speech, 29 October 2021.*