Suruhanjaya Sekuriti
Securities Commission
Malaysia

Discussion Paper: Corporate Governance Framework

Strengthening Governance Practices and Driving Behavioural Shifts for Sustainable Value Creation

December 2025

This Discussion Paper outlines proposals for which the Securities Commission Malaysia (SC) seeks feedback to inform enhancements of the Malaysia's corporate governance framework, and to elevate standards of conduct in Corporate Malaysia. The proposals are not exhaustive and are not intended to be a substitute for legal advice or opinion on the topics. The Discussion Paper also seeks to set out key global developments as well as current and emerging corporate governance trends and practices as observed by the SC which may be relevant towards further development of corporate governance in Malaysia. By presenting these insights, this Paper aims to provide and enhance better understanding and perspectives of broader trends shaping governance expectations and how these developments may influence reforms in the Malaysian context.

The SC invites feedback on the proposals set out in this Discussion Paper. Comments are due by 6 February 2026 and will only be received when submitted at https://www.sc.com.my/discussion-paper-on-cg-frameworks.

Relevant stakeholders including listed companies, directors, company secretaries, investors, professional bodies and industry associations are encouraged to provide their views and suggestions.

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GLOSSARY OF TERMS

Term	Definition
AGM	Annual General Meeting
AI	Artificial Intelligence
CEO	Chief Executive Officer
CG Monitor	*Corporate Governance Monitor*
CMP4	*Capital Market Masterplan 4*
EGM	Extraordinary General Meeting
ESG	Environment, Social and Governance
GenAI	Generative Artificial Intelligence
GRI	Global Reporting Initiative
ILO	International Labour Organization
INED	Independent, Non-Executive Director
IR	Investor Relations
KPIs	Key Performance Indicators
Large Shareholders	Under Practice 5.3 of the *Malaysian Code on Corporate Governance 2021*, Large Shareholders mean a person who: • is entitled to exercise, or control the exercise of, not less than 33% of the voting shares in the company; • is the largest shareholder of voting shares in the company; • has the power to appoint or cause to be appointed a majority of the directors of the company; or • has the power to make or cause to be made, decisions in respect of the business or administration of the company, and to give effect to such decisions or cause them to be given effect to.
LR	Collectively the MAIN Market and ACE Market Listing Requirements
MCCG or Code	*Malaysian Code on Corporate Governance*
NC	Nomination / Nominating Committee
NINED	Non-Independent, Non-Executive Director
PDPA	Personal Data Protection Act 2010
PIE	Public Interest Entity
PLCs	Public-Listed Companies
SC	Securities Commission Malaysia
SID	Senior Independent Director
UN	United Nations

INTRODUCTION

Corporate governance is the foundation of resilient and investable capital markets. It sets the standards of behaviour, accountability and transparency by which boards and management steward companies over the long term.

The Securities Commission Malaysia (SC) recognises that the effectiveness of Malaysia's corporate governance framework rests on the interplay between **self-discipline**, **market discipline** and **regulatory discipline**. While regulatory discipline through rules and enforcement can shape behaviour, enduring impact ultimately depends on behavioural and cultural shifts. These are driven by self-discipline by boards and management, the choices they make, the tone they set, and the accountability they demonstrate to investors and stakeholders. Market discipline by investors and stakeholders is also critical to achieving lasting impact and driving meaningful, sustained improvements in standards of conduct.

Beyond guiding companies, the corporate governance framework, comprising the *Malaysian Code on Corporate Governance* (MCCG, or Code), Bursa Malaysia's Main Market and ACE Market Listing Requirements (LR) as well as relevant laws, rules, regulations and guidelines are recognised and used by a wide range of stakeholders, including investors and minority shareholders in assessing corporate conduct. Within this framework, the MCCG sets out principles and best practices that are aligned with internationally recognised standards which are above and beyond the minimum required by statute, regulations or those prescribed by Bursa Malaysia, on an apply-or-explain basis. Complementing this, the SC has issued various Guidelines including the *Guidelines on Directors' Conduct of Listed Corporations and Their Subsidiaries*[1], that sets out clear expectations on the standards of behaviour and ethical conduct required of directors in carrying out their fiduciary and statutory duties. In addition, the LR set out mandatory obligations that public-listed companies (PLCs) must adhere to, including those relating to corporate governance. Collectively, they provide a framework that strengthens the governance of PLCs and their subsidiaries, while safeguarding investor confidence and the integrity of the capital market.

Building on these foundations, this Discussion Paper considers enhancements to Malaysia's corporate governance framework to ensure it remains fit-for-purpose in a rapidly evolving market. The proposals respond to observed trends and developments, taking into account:

(i) lessons from the implementation of MCCG 2021, including areas with persistently low adoption;

(ii) pertinent conduct issues observed in Corporate Malaysia;

(iii) emerging developments such as digital transformation and the governance of technology, AI, cybersecurity, data and digital ethics; and

(iv) rising investor expectations for decision-useful disclosures and credible board accountability.

[1] Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries

The enhancement is also timely, as it aligns with the SC's *Capital Market Masterplan 4* (CMP4) which sets out the long-term strategy and priorities for the Malaysian capital market. Scheduled for release in 2026, the CMP4 positions corporate governance as a key enabler of a resilient, inclusive and sustainable capital market. In addition to this strategic alignment, the Malaysia's corporate governance framework, specifically the principles of the MCCG, also resonate with the principles under the *Maqasid al-Shariah Guidance*, issued by the SC in 2023. Rooted in six aspirations - humanity, justice and benevolence, clarity and transparency, flexibility and innovation, fiduciary and accountability and; accessibility and inclusivity, the *Maqasid al-Shariah* principles encourage decision-makers to act with integrity, self-discipline, and a sense of shared responsibility. Reflecting this, the SC intends to feature the alignment between the MCCG and *Maqasid al-Shariah* principles in the upcoming revision of the Code.

This Discussion Paper is anchored on a data-driven approach. The SC's *Corporate Governance Monitor* (CG Monitor), an annual evidence-based publication tracking the adoption of MCCG practices, quality of disclosures, and findings from thematic reviews provides the empirical foundation for the proposals.

The aim is not to add more detailed rules or 'box-ticking' requirements. Instead, it is about clarifying the outcomes that boards and companies are expected to achieve. The SC recognises that Malaysian companies vary in size and complexity, therefore expectations should be flexible enough to avoid imposing unnecessary compliance burden. At the same time, where stricter intervention is warranted, the SC may make certain practices mandatory through its Guidelines or Bursa Malaysia's LR to ensure higher governance standards and shape better corporate culture in Malaysia.

Looking ahead, the SC aims to reinforce the emphasis on long-term and sustainable value creation in board stewardship and management accountability. In simple terms, sustainable value creation means building lasting outcomes, generating benefits that extend beyond financial returns to include lasting value for people, society, and the environment. This contrasts with unsustainable practices that prioritise short-term gains, such as cutting costs at the expense of employee wellbeing, harming the environment, or taking on excessive risk. It is intended for the enhanced framework to reiterate and strengthen the boards' roles in setting and stewarding a coherent long-term direction, aligning capital and capabilities with strategy, treating risk and technology as sources of advantage, and engaging investors and stakeholders with purpose. Management, in turn, is expected to work alongside the board to translate these goals into actions. These enhancements seek to anchor Corporate Malaysia on a path of sustainable performance, reinforcing investor confidence and the resilience of the capital market.

PURPOSE AND STRUCTURE OF THE DISCUSSION PAPER

This Discussion Paper sets out the areas on which the SC seeks feedback on the proposed enhancements to Malaysia's corporate governance framework. Certain proposals are exploratory in nature and are intended to facilitate discussion and gather perspectives rather than represent final positions. The objective is to assess the feasibility and market readiness of Corporate Malaysia to adopt higher standards of conduct, and to identify the behavioural shifts required to ensure these standards are effective in practice. In doing so, global developments as well as current and emerging corporate governance trends and practices have been considered by the SC in its identification and formulation of its proposals.

The proposals in this Discussion Paper are structured into the following key principles:

- Board Leadership and Effectiveness
- Effective Audit and Risk Management
- Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

Each theme sets out background for context setting, proposals and targeted questions.

It is important to note that the proposals presented in this Discussion Paper is for consultation purposes only and does not represent any final position by the SC.

BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

1. Value Creation: Board Accountability and Capital Oversight

1.1 In today's markets, investors are looking beyond quarterly results. They now seek to understand how companies are positioning themselves to create sustainable value over the long term. This means paying closer attention to how boards oversee strategy, manage risks, invest in growth opportunities, and exercise capital discipline in a manner that strengthens resilience.

1.2 For Corporate Malaysia, this presents both a challenge and an opportunity. The challenge lies in moving beyond mere compliance towards demonstrating how governance and strategy are aligned with long-term value creation. Value creation takes many forms. It includes delivering returns to shareholders and maintaining a value-reflective share price, as well as enhancing employee welfare, and contributing to broader societal well-being. Companies that can articulate and execute this clearly are more likely to attract capital, build stakeholder trust, and compete effectively on the global stage.

1.3 Globally, regulators and policymakers are also stepping up efforts in this area. A number of jurisdictions, notably Japan and Korea, have introduced structured programmes to encourage PLCs to focus on long-term value creation. These programmes are largely shareholder-centric, focusing more on addressing specific issues such as improving company valuation.

1.4 Similarly, value-creation has received greater attention from investor groups, including the Asian Corporate Governance Association (ACGA). According to a special report issued by the ACGA[2] showcasing the different versions of shareholder value programmes across selected jurisdictions, several factors have been identified to contribute to a successful shareholder value programme. These include, among other things, boards' roles and competencies in providing strategic direction, the establishment of sound capital management policies and frameworks, the setting and monitoring of measurable targets (including the linkage to management's KPIs), and the provision of appropriate incentives to encourage adoption by corporates.

1.5 In Malaysia, Bursa Malaysia introduced the PLC Transformation Programme (Programme) in 2022, as part of efforts to support PLCs in strengthening performance and restoring momentum as markets emerged from the pandemic, with the objective of enhancing the performance and attractiveness of PLCs. The Programme's voluntary, principles-based design provides flexibility for companies, but its effectiveness ultimately depends on sustained ownership across the organisation, supported by board oversight and management execution. As the Programme approaches its conclusion at the end of

[2] ACGA special report: Value Up, Asia

2025, there is an opportunity to reflect on how future efforts can be strengthened through clearer objectives, more consistent monitoring and more timely communication to the market.

1.6 The effective management and deployment of capital is an important element of long-term value creation and encompasses the following:

- **Capital management** refers to how a company plans, structures, and maintains its financial resources, including equity, debt, and reserves to ensure long-term stability and flexibility.
- **Capital allocation** refers to how these resources are deployed across competing priorities such as business expansion, innovation, dividends, or debt repayment to achieve strategic objectives.
- **Capital discipline** refers to the governance processes and decision-making rigour that ensure capital is deployed efficiently, aligned with strategy, and regularly tested against outcomes.

1.7 Boards may be expected to demonstrate how they balance near-term performance with longer-term investment. This includes how capital allocation decisions, such as investments in innovation, technology and research and development (R&D) align with strategy, and how future-oriented priorities such as people, culture, sustainability and innovation are integrated into oversight.

1.8 The SC is exploring ways to encourage boards to adopt more structured approaches to capital management, for example through frameworks that balance investment priorities, balance-sheet strength and shareholder returns. Strengthening board oversight of post-investment outcomes by periodically testing assumptions and milestones against actual performance will also be an area of focus.

1.9 Alongside internal practices, transparency to the market is equally important. While companies are not expected to disclose commercially sensitive details, boards may be expected to articulate, at a principles-based level, how capital allocation decisions are made and how these align with stated strategic priorities. Clearer communication of this nature would help reinforce investors' confidence in how companies are managing their long-term value.

1.10 Against this backdrop, the SC is seeking feedback on how Malaysia can further strengthen the conditions for long-term value creation among PLCs. This includes measures to reinforce board accountability for long-term value creation and capital discipline, support more value-reflective market valuations through stronger strategic clarity and capital efficiency, and improve the quality of decision-useful disclosures. The feedback will also inform how existing initiatives may be further strengthened or refreshed to better embed accountability, measurable outcomes and effective market communication.

For Feedback

1) Should boards be expected to place greater emphasis on overseeing long-term value creation and capital discipline, including capital management, capital allocation, and monitoring of post-investment outcomes? Please provide reasons for your answer.

2) In your view, should companies be mandated to disclose and articulate how their purpose, values and strategies collectively contribute to long-term value creation, including;

   a. how they balance near-term performance with long-term value;
   b. key long-term strategic priorities and how progress against these priorities and targets is monitored; and
   c. how shareholders' feedback informs board deliberations on strategy, capital and governance?

   Please share your views on the potential usefulness, feasibility and level of guidance that would be helpful for such disclosures.

3) What measures, incentives or programmes would best support boards and management in prioritising long-term value creation? Please provide reasons for your answer.

4) Should there be a differentiated regulatory approach (including disclosure obligation) which takes into consideration the PLC's size, financial or market performance? If so, what parameters should be considered to determine such differentiation?

2. Board Oversight and Competency in Technology

Technology Oversight

2.1 Digital transformation has increasingly blurred the lines between technology, data, and risk. The rapid growth of Artificial Intelligence (AI) and other emerging technologies is reshaping how companies operate, creating new opportunities, while also introducing new and unfamiliar risks. For instance, AI systems may embed assumptions, biases, and model behaviours that are not always transparent to decision-makers, making it essential that companies put in place appropriate AI governance and assurance mechanisms.

2.2 In line with the *13th Malaysia Plan*, Malaysia has set the aspiration to become an AI nation by 2030. To support this transition, various initiatives have been introduced including the establishment of the National AI Office, the launch of the *Malaysia National AI Roadmap 2021-2025* as well as the *National Guidelines on AI Governance and Ethics*. At the same time, the national digital trust and data security strategies are being developed to ensure safe and ethical usage of AI technology. Together, these initiatives highlight the growing importance of responsible digital adoption, and the potential disruptions that may arise if technology is not properly governed.

2.3 As these national initiatives take shape, companies must strengthen their own governance to manage the opportunities and risks that come with rapid digitalisation, including AI deployment. Companies that proactively strengthen their digital readiness and AI governance capabilities will be better positioned to harness technology responsibly, drive innovation, and create lasting value for shareholders and stakeholders.

2.4 Boards therefore have a key role in overseeing technology and digital matters, including the implications of AI, data governance, cyber security, and other emerging digital risks. Without sufficient literacy and competence, board oversight risks becoming superficial and overly dependent on management or external service providers.

2.5 Boards should set clear principles for the development, procurement and use of AI, cyber resilience, and responsible data management, aligned with the company's strategy and relevant national frameworks. These principles should be embedded in the company's risk and compliance processes, rather than treated in isolation.

2.6 IT security, digital and AI risks should be standing items on the board agenda. Reporting to the board should be clear and concise, highlighting key threats, readiness, and lessons learned. Boards may also benefit from periodic scenario exercises to test the organisation's response and readiness, including situations where AI-driven decisions or system failures may lead to operational and ethical consequences.

2.7 Oversight can be exercised by the full board or a designated committee, if governance responsibilities are clear, information flows are reliable, and the necessary skills are in place. Boards should also invest in continuous upskilling on technology-related and AI governance matters to enable informed challenge, avoid over-reliance on management or external experts, and support timely decision making.

2.8 To complement the board's oversight role, management is responsible for executing the company's digital and AI strategy in line with business objectives. This includes ensuring that digital initiatives support growth and resilience, managing technology and cyber risks, and maintaining compliance with relevant laws and standards. Management should also build digital capabilities across the organisation, promote the responsible and ethical use of technology and data, and provide the board with clear, timely and decision-useful reporting on key developments, risks, and performance.

Technology Competency

2.9 In many cases, boards possess general digital literacy but are not sufficiently equipped to oversee areas such as AI, IT security, and other technology-related matters. This limits the board's ability to assess risk appetite, evaluate trade-offs, and test the effectiveness of controls in areas that are increasingly strategic.

2.10 Addressing this gap requires recognising that the level of competency needed will vary across sectors and business models. For digital-intensive sectors, the inclusion of directors with meaningful experience in technology, AI or data governance would be ideal and should be considered in the board skills matrix. Alternatively, boards may consider having access to external advisors with relevant experience and competencies or have a clear plan to access or build this expertise as part of their future readiness.

2.11 Against this backdrop, the SC seeks feedback on whether clearer expectations should be articulated for board oversight and competency on technology, digital and AI matters, for example, ensuring directors stay abreast of emerging technologies through regular upskilling, particularly in IT security and AI governance. The aim is to ensure boards are able to ask the right questions, challenge management effectively, and evaluate whether the necessary controls are in place.

For Feedback

5) What are the concerns and challenges faced by companies when dealing with oversight of emerging technologies such as AI? Please elaborate your answer.

6) What are the key areas in which expectations and guidance can be provided by the SC that would be most useful in assisting boards in overseeing emerging technologies, including AI? Please elaborate your answer.

7) Should there be a distinction or difference in expectation for boards across various industries, such as higher expectations for boards in digital-intensive sector (as compared to other sectors) vis-à-vis utilisation of technology, governance structure in managing technology, and competencies including AI or data-governance experience, whether in board composition or external advisory arrangements? Please provide reasons for your answer.

3. Board Oversight of Social Practices

3.1 Within the MCCG, the board is already expected to take responsibility for the company's long-term sustainability, including attention to stakeholder interests that encompass employees, suppliers, and the wider community. The Code also highlights the board's role in ensuring that the company's strategic plan supports long-term value creation and integrates economic, environmental and social considerations. These social considerations extend beyond compliance with labour standards to include how companies promote fairness, inclusivity, equal opportunity, and respect for health and safety and diversity in their workforce and value chain.

3.2 Globally, investors and stakeholders are placing greater emphasis on how companies manage their 'social' considerations, spanning workplace practices, safe working conditions, equality and non-discrimination, human rights, labour standards, community relations, and supply chain integrity. For Malaysian PLCs, these expectations have taken on added urgency considering international scrutiny in recent years over labour and social practices, particularly in export-oriented sectors such as plantations and manufacturing. Reports and regulatory actions abroad, including import restrictions linked to forced labour findings, have underscored how weaknesses in social practices can expose companies to material financial, reputational and regulatory risks.

3.3 While companies are expected to disclose sustainability-related risks and opportunities, current practice leaves the determination of material issues to each company's assessment. However, recent international developments, coupled with Malaysia's own experience of heightened scrutiny over labour and social practices, suggest that certain social factors such as fair wages, safe and healthy working conditions, equal treatment and opportunities, inclusivity, and respect for human rights, may in practice be material to all companies. International best practices and guidelines including the International Labour Organization (ILO) core conventions, the UN Guiding Principles on Business and Human Rights (UNGP), the GRI Universal Standards and the Sustainability Accounting Standards Board (SASB) Standards increasingly recognise social considerations as matters of cross-sectoral materiality.

3.4 Given these developments, the SC is seeking to understand whether existing board practices provide sufficient oversight of social risks and opportunities, and how such oversight could be strengthened in practice. The objective is to gather market perspectives on what constitutes effective board involvement in this area, identify practical challenges faced by companies, and explore whether further clarification or guidance would add value. Feedback received will provide insights to support broader policy decisions concerning governance of social matters.

For Feedback

8) What forms of board oversight on social risks would be most practical, and what key challenges could companies face in enhancing oversight of these matters?

9) How feasible would it be for companies to undertake due diligence on human rights and other social risks within their operations and supply chains? Please share your perspectives on the potential benefits, challenges, and resource implications of implementing such processes.

10) What approaches could companies adopt to identify and address workforce or supply chain-related concerns effectively? Do you see value in disclosing these mechanisms publicly, and what factors should be considered to ensure the disclosures are meaningful yet practical?

11) In your view, should these expectations apply to all sectors, or be adapted according to industry's exposure to social risks? Please provide your views on how such expectations could be framed to remain practical and proportionate for companies of varying sizes and sectors.

4. Strengthening Governance Expectations of Company Secretaries

4.1 Company secretaries play a pivotal role in supporting the board in discharging its governance and compliance responsibilities. In Malaysia, their statutory obligations are provided for under the *Companies Act 2016*, including ensuring compliance with regulatory requirements, maintaining proper records, and facilitating board and shareholder processes.

4.2 While company secretaries do not owe fiduciary duties in the same manner as directors, their statutory and professional responsibilities, coupled with their advisory role, give rise to expectations for them to act honestly, with due care and in the best interests of the company. Company secretaries are expected to exercise independent judgement in advising the board on its legal and governance obligations, ensure compliance with applicable laws and standards, and escalate concerns where appropriate.

4.3 Given their unique position at the intersection of governance, compliance and board decision-making, company secretaries serve as an important line of defence against governance failures. Their access to board deliberations and privileged information places them in a critical position to support sound governance and safeguard stakeholder confidence.

4.4 In many jurisdictions including the United Kingdom, Australia, Singapore and Hong Kong, company secretaries are recognised as 'governance gatekeepers'. India has gone a step further by acknowledging company secretary as key managerial personnel under the *Companies Act 2013*, placing the role on par with Managing Directors, Chief Executive Officers, and Chief Financial Officers. India is also distinct from the other jurisdictions in its enactment of the *Companies Secretary Act 1980*, that regulates the profession of company secretaries in India.

4.5 However, in some instances, company secretaries continue to be viewed primarily through a compliance lens, rather than as strategic partners in governance. Against this backdrop, the SC is exploring measures to strengthen the role of company secretaries, including reinforcing their function as governance professionals and key advisers to the board.

For Feedback

12) Do you agree that the role of company secretaries as 'governance gatekeepers' should be strengthened? If yes, in what ways could this be achieved? Please provide elaboration for your answer.

13) What are the challenges currently faced by company secretaries, including those that may arise when taking on such an enhanced role in governance, and what are your suggestions as to how these can be addressed?

5. Minute-taking Practices of Board and Committee Meetings

5.1 Board and committee meetings are central to the effective discharge of directors' duties. They are the primary forum where strategic direction, risk oversight, and governance matters are discussed and decided. Effective minute-taking is therefore critical, not only for accountability and continuity, but also as documentary evidence that the board has exercised due care, diligence and skill in its decision-making.

5.2 As an official written record of events and decisions, minutes provide essential evidence of corporate compliance and can be critical in resolving internal disputes or supporting the company's position in legal proceedings. In addition, minutes help track the company's progress, guide future decision-making, and ensure accountability among all parties for their assigned responsibilities. Well-maintained minutes also provide an objective basis for assessing the quality and effectiveness of board deliberations. The evidentiary value of minutes was affirmed in Tengku Dato' Ibrahim Petra v Petra Perdana Bhd [2018], where the Federal Court underscored their role in determining whether directors had acted in accordance with the 'business judgement rule'.

5.3 In Malaysia, the requirement to record minutes is set out under the *Companies Act 2016*, with additional expectations outlined, to some extent, in Bursa Malaysia's LR, Bank Negara Malaysia's Corporate Governance Policy Document, the SC's guidelines and the MCCG. While some of these frameworks require minutes to capture deliberations, decisions, dissenting views and abstentions, they do not prescribe the appropriate level of detail or style of recording. In practice, companies adopt differing approaches, from detailed transcripts to concise, resolution-based records, each carrying its own risks and implications for transparency and accountability.

5.4 When it comes to minute-taking, there is no one-size-fits-all approach. There are different schools of thought on what constitutes effective minute-taking. Some believe minutes should be sufficiently detailed to capture the substance of discussions, reflecting the breadth of deliberations, yet not so exhaustive as to stifle open dialogue. However, many boards may opt for more concise, decision-focused format of minutes. They believe the primary purpose of minutes is to record key decisions, agreed actions and the rationale. Excessive information can be deemed as unbeneficial, as providing too little information. Capturing discussions in detail may inadvertently distort the relative importance of issues, discourage open conversation, or introduce unnecessary legal risk.

5.5 The approach to minute-taking also often varies based on the nature of the entity. Systemically important entities, such as banks and capital market intermediaries, are generally subject to more rigorous minute-taking practices due to their higher risk profiles and the need for stronger governance oversight.

5.6 Ultimately, the style of minute-taking is shaped by the board's culture, risk appetite, and regulatory environment. Practicality is also key, given that some board and committee meetings may run for several hours, and minutes should be sufficiently clear for absentees to follow the discussions and decisions made.

5.7 Against this backdrop, the SC is seeking feedback on whether clearer guidance on minute-taking practices could help companies maintain more consistent and comprehensive records of board and committee deliberations.

For Feedback

14) In your view, should board minutes reflect deliberations in a verbatim manner, or should they capture the substance of discussions and decisions made? Please provide reasons for your answer.

15) What level of detail would best balance accountability with the need to maintain a practical record that facilitates open discussion? Please provide reasons for your answer.

16) Would the use of audio recordings as a supplementary tool to minute-taking support or discourage open and candid discussions among directors? Please provide reasons for your answer.

II. Board Composition

6. Board Skills Matrix

6.1 Globally, jurisdictions such as Australia and Hong Kong recommend that boards establish and disclose a board skills matrix in their respective *Corporate Governance Codes*. In contrast, India goes further by requiring listed companies to disclose board skills matrix as part of their listing obligations.

6.2 A company-specific board skills matrix demonstrates how board composition and committee structures align with strategy, risk profile and business environment. While Bursa Malaysia's LR and the MCCG encourage merit-based appointments that reflect diversity of skills and experience, many disclosures remain broad and generic. Typically, skills matrix of boards often list broad categories without explaining how competencies are assessed, how they map to individual directors and committees, or how gaps inform succession and development. This can make it harder for stakeholders to judge whether the board collectively possesses the right mix of competencies, and for Nomination Committees (NCs) to prioritise recruitment, rotation and upskilling effectively.

6.3 Clearer guidance and expectations may assist boards (through the NC) in maintaining an annually updated, strategy-linked board skills matrix. The matrix should guide nominations, committee assignments and director development. At a minimum, the board skills matrix should:

- identify the core and company-specific skills;
- map each director to those skills; and
- highlight gaps along with corresponding actions and timelines.

6.4 Disclosures should provide decision-useful information without revealing sensitive details and explain how the matrix links to the company's strategic priorities and describe any material gaps and planned actions to address them.

6.5 The skills matrix should also feed into other relevant governance processes, including fit and proper assessments, board effectiveness evaluations, and succession planning. Collectively, these processes should reflect how each director fits the required role and skills, assess whether capabilities inform decision-making, and track gaps to support targeted recruitment, mentoring, or upskilling in the boardroom.

6.6 Against this backdrop, the SC seeks feedback on the proposed expectations for maintaining a company-specific, strategy-linked board skills matrix.

For Feedback

17) Do you agree with the expectation for boards (through NC) to maintain a company-specific, strategy-linked skills matrix? If so, what minimum elements and review frequency should apply? Please provide reasons for your answer.

18) Should the skills matrix be publicly disclosed in the annual report or Corporate Governance Report, or served as an internal document guiding the NC? Please provide reasons for your answer.

19) What challenges do boards face in assessing and disclosing emerging skills and what forms of guidance would help produce transparent, decision-useful matrices? Please provide reasons for your answer.

7. Director Fitness and Propriety

Quality of Fit and Proper Policy

7.1 Bursa Malaysia's LR requires PLCs to establish and publish a Fit and Proper policy for the appointment and reappointment of directors on their website. The policy aims to ensure that directors are demonstrably fit to serve.

7.2 However, the SC's review shows wide variability in the quality and application of these policies. Many policies remain generic and lack clarity on the assessment criteria, documentation, review frequency, and exclusionary grounds, raising questions about whether the process consistently ensures that directors meet the required standards.

7.3 At a minimum, an effective Fit & Proper policy should define clear criteria covering competence, integrity, financial soundness, independence, and time commitment. The policy should also describe how the company assesses directors against these criteria, how potential conflicts of interest or other concerns are identified and managed, and the need for periodic reassessments of directors' fitness and propriety to reflect evolving roles, strategy, and risk profile.

Multiple Executive Directorship

7.4 Building on the discussion of directors' fitness and propriety, particular attention is warranted for time commitment and potential role conflicts in cases where individual directors concurrently hold multiple executive directorships.

7.5 The SC's review identified 112 individuals holding multiple executive roles across 186 PLCs. This includes 14 individuals holding more than one CEO or Managing Director role and 13 with more than one Executive Chairmanships. While some of these directors are serving as executive directors in a group structure (i.e. parent-subsidiary relationship), the SC noted a handful number of directors serving up to four or five executive directorships across unrelated companies, raising concerns on how these directors are discharging their duties effectively, particularly in respect of time commitment and potential risks of conflicts of interest.

7.6 Executive roles are demanding. When such roles are held across different listed entities (particularly those with unrelated business models and risk profiles), the risks of diluted attention, slower decision-making, conflicted priorities and potential information leakage increase.

7.7 Across the different jurisdictions reviewed, only UK and France have set explicit limits on the number of directorships an executive director can hold at a given time.

- The UK's *Corporate Governance Code* recommends that an executive director should not take on more than one non-executive role in a FTSE100 company, or other significant appointment.

- In France, the *Corporate Governance Code* recommends that an executive director should not hold more than two other directorships in listed corporations, including foreign corporations, outside of the group. It also limits the number of directorships a director can hold at five, at a given time.
- Hong Kong limits the number of directorships to six, irrespective of the type (similar to Bursa Malaysia's five directorship limit). IPO applicants are also discouraged from appointing directors who are overcommitted with external roles, to avoid making the offering less attractive to investors.
- Other jurisdictions such as Singapore, Japan and Australia do not set any specific limits on the number of directorships. Instead, NC is expected to assess whether directors can effectively discharge their duties.

7.8 While most jurisdictions do not impose a limit on executive directorships an individual director may hold, such occurrence is relatively uncommon in other parts of the world, and may be unique to certain corporate landscapes, such as in Malaysia.

7.9 Against this backdrop, the SC is seeking feedback on:

(i) the introduction of a limit on the number of executive directorships an individual may hold at a given time (with consideration for group vs. non-group structures); and

(ii) the need for NCs to disclose their assessment of time commitment, responsibilities, and mitigation measures when recommending appointments or reappointments of directors with multiple executive roles.

For Feedback

20) Should clearer expectations on the content of Fit & Proper policies be set? If so, what minimum elements should be required? Please provide reasons for your answer.

21) Should a limit on concurrent executive directorships be introduced, particularly for the roles of CEOs, Managing Directors and Executive Chairs? If so, how should the limit be framed? Please provide reasons for your answer.

22) Should NCs be required to provide detailed, case-specific disclosures when recommending appointments or reappointments involving multiple executive roles (e.g. time-commitment analysis, leadership responsibilities and mitigation measures)? Please provide reasons for your answer.

23) In your view, what exclusionary or high-risk factors should be included in Fit & Proper policies (e.g. ongoing criminal proceedings)? How should boards disclose their consideration of such factors while safeguarding privacy? Please provide reasons for your answer.

8. Independent Directors: Appointment, Tenure and Designation of Senior/Lead Independent Director

Appointment of Independent Director

8.1 Independent directors (INEDs) are expected to provide checks and balances and bring diverse perspectives to the boardroom. They are also expected to challenge management's decision and act in the best interests of all shareholders, particularly minority shareholders. This expectation is especially critical in settings with concentrated ownership such as founder-led or family-owned companies, state-owned enterprises or government-linked companies.

8.2 To strengthen directors' independence, the SC and Bursa have introduced the following safeguards:

(i) a two-tier voting mechanism for retaining an INED beyond nine years (a best practice under the MCCG); and

(ii) a maximum cumulative term limit of 12 years, after which a director should be redesignated as non-independent (mandatory under Bursa Malaysia's LR).

8.3 While these measures have helped mitigate, to some extent, the risks of diminished independence, concerns remain that some directors may appear independent in form but not in substance.

8.4 This is where the NC plays a critical role in the sourcing and selection of INEDs. A robust process starts with an empowered, independent NC that applies a board skills matrix to match the company's specific needs. Good practices include engaging independent search firms for candidate sourcing, assessing time-commitment (particularly for candidates holding multiple roles), and evaluating potential conflicts of interest.

8.5 The NCs are also expected to provide transparent disclosures to shareholders, setting out the basis for the candidate's suitability, including assessments of independence, time commitment and alignment with the company's needs.

8.6 In companies with a Large Shareholder[3], minority protection can be strengthened through the two-tier voting mechanism. The SC is exploring whether this safeguard should also apply to the initial appointment of INEDs, consistent with the approach for the retention of INEDs serving beyond nine years.

Tenure of Independent Directors

8.7 The SC's review from the CG Monitor 2025 observed that, as at 1 October 2025, 134 INEDs across 116 PLCs had served for more than nine years. These directors are now serving entirely within the 10-12-year range. Within this group, only 67 reappointments went through the two-tier voting process, while the remaining INEDs were reappointed through a simple majority vote. Companies that undertake the two-tier voting

[3] The definition of Large Shareholder is as specified in MCCG 2021.

mechanism to retain their INEDs beyond nine years typically disclose that the board, through the NC has assessed the independence of the said INEDs against the prescribed criteria under the Bursa Malaysia's LR and concluded that the independence of said INEDs are not compromised or impaired. In some cases, companies further disclose that, in assessing the independence of INEDs, the NC also considered the outcomes of board effectiveness evaluation, the fit and proper assessment, the director's contribution to board deliberations, and their diligent observance of fiduciary duties.

8.8 While the retention of INEDs beyond a certain period does not automatically imply a loss of independence, prolonged tenure poses risks of familiarity, reduced objectivity, and diminished capacity for self-review, particularly when deliberating on matters in which they were previously involved.

8.9 With the requirements under the Bursa Malaysia's LR for INEDs to not serve beyond a cumulative tenure limit of 12 years, boards are also expected to ensure that the identification of potential and qualified candidates is made in a timely manner.

8.10 To align practice with policy intent and bolster investor confidence, the SC is seeking feedback on:

(i) making the two-tier mechanism mandatory for any reappointment of INEDs beyond nine years (up to the 12-year cumulative term limit); and

(ii) whether the tenure of INEDs should be limited to a cumulative term of nine years, instead of the current 12-year limit.

Designation of Senior/Lead Independent Director

8.11 Strengthening board independence requires not only robust safeguards on INED appointments, but also clear structures that enable independent voices to be effective. While the MCCG provides guidance on the role of the Senior Independent Director (SID) or Lead INED, this guidance applies only if the board chooses to designate one. In practice, SIDs are expected to serve as a sounding board to the Chairman, act as an intermediary for other directors, and provide shareholders and stakeholders with a direct channel of engagement. However, the absence of an explicit requirement on the role has led to inconsistent adoption, as compared to the 2012 revision of the MCCG which recommended that the Chair of the NC be an SID.

8.12 Globally, investors, particularly foreign institutional investors, regard the SID or Lead INED as a critical safeguard, providing a clear and accessible channel for candid engagement with the board. A separate channel from management allows the SID or Lead INED to provide independent insights and clarify matters that may not be fully addressed in management-led discussions. The absence of a designated SID or Lead INED may undermine investor confidence in the board's independence and responsiveness.

8.13 Beyond serving as a shareholder engagement channel, the SID or Lead INED also plays a key role in board refreshment and succession planning, particularly through leadership

of the NC. This function ensures independence in sourcing and evaluating new directors and helps challenge entrenched practices that may impede board renewal.

8.14 Against this backdrop, the SC is seeking feedback on the need for large PLCs and PLCs with a Non-Independent Chairman to designate an SID or Lead INED. Alternatively, where an SID or Lead INED is not appointed, the SC seeks feedback on whether boards should identify an INED to serve as the primary contact for investor engagements.

8.15 It is important to note that the presence or designation of an SID or Lead INED does not diminish or replace the responsibilities of other INEDs. While an SID or Lead INED serves as a coordinating role, leading discussions among INEDs, acting as a sounding board, and providing an avenue for shareholder concerns, all directors remain equally responsible for discharging their fiduciary duties and acting in the best interests of the company.

For Feedback

24) Should the two-tier voting mechanism be made mandatory for the reappointment of INEDs beyond nine years (up to the 12-year cumulative term limit)? Please provide reasons for your answer.

25) Should the two-tier voting mechanism be extended to the first-time appointment of INEDs to strengthen minority protection? Please provide reasons for your answer.

26) Should the tenure of INEDs be limited to a cumulative term of nine years, instead of the current 12-year limit? Please provide reasons for your answer.

27) Should NCs be required to disclose, at a minimum, the rationale for the appointment of INEDs, including how the candidate meets the company's needs, the basis for independence and time commitment? Please provide reasons for your answer.

28) Do you agree that large PLCs and those with a Non-Independent Chairman should be required to designate an SID or Lead INED? If an SID or Lead INED is not appointed, should boards instead identify an INED to serve as the primary contact for investor engagements? Please provide reasons for your answer.

9. Board Effectiveness

Age Diversity for Board Renewal and Succession Planning

9.1 Board effectiveness depends not only on the range of skills, independence of judgment, and cognitive diversity but also on the ability to adapt to changing business environments. Age diversity supports this adaptability.

9.2 A board comprised of directors at varying career stages is better positioned to balance long-term perspective with sensitivity to emerging trends, while avoiding the blind spots that may arise from a narrow age range. Broader age representation expands the lens through which boards evaluate risks, stakeholder expectations and opportunities linked to digitalisation, sustainability and evolving business models.

9.3 The SC's data indicate that directors in Malaysian PLCs are concentrated in higher age ranges, with fewer directors represented at earlier career stages. This highlights the need for deliberate renewal strategies to avoid over-reliance on a single generation of leadership and minimise succession gaps arising from multiple retirements.

Age band	Share of directors
20 - 30	0.59%
31 - 40	6.67%
41 - 50	15.68%
51 - 60	26.84%
61 - 70	33.63%
71 - 80	14.81%
81 - 90	1.74%
91 - 100	0.05%

Note: *Figures are based on available data on directors' ages disclosed in Bursa filings. Directors with unavailable or unverifiable age information are excluded from the denominator; percentages therefore reflect only those with age data. Ages are calculated as at 1 October 2025 and grouped into the bands shown. Board changes after the cut-off date are not reflected.*

9.4 For family-controlled or founder-led companies, this issue is particularly pronounced, as succession planning often extends beyond board composition to include leadership continuity within both management and ownership structures. Strengthening succession planning in these companies is crucial to ensure stability, preserve institutional knowledge, and manage the risks associated with generational transition.

9.5 In this regard, the SC invites feedback on whether age diversity should feature more prominently in discussions on board diversity, within the context of an outcomes-based approach to board composition. This approach focuses on whether the board demonstrates:

- a composition that supports the necessary competence, continuity and renewal;
- succession planning that anticipates natural retirements; and
- transparent disclosure of how the board's age profile aligns with its strategic needs.

For Feedback

29) Do you agree that discussions on board diversity, and the NC's decisions on board appointments should give greater consideration to age diversity within the context of an outcomes-based approach? Please provide reasons for your answer.

30) Should boards disclose how their composition, including age profile and succession planning, supports continuity, renewal and alignment with the company's strategic objectives? Please provide reasons for your answer.

Gender Diversity

9.6 The drive to enhance gender diversity in corporate leadership has been a central pillar of Malaysia's corporate governance reforms over the past decade. In 2011, the SC's *Corporate Governance Blueprint* sets a clear vision to increase female participation at the board level. This commitment was reinforced in the MCCG 2017, that recommended large PLCs to have at least 30% women directors on their boards. In 2021, this recommendation was extended to all PLCs, signalling an expectation of broader and more sustained progress.

9.7 Regulatory expectations were further strengthened in 2022 with amendments to Bursa Malaysia's LR, requiring all PLCs to appoint at least one woman director to their boards. The requirement was implemented in phases: effective 1 September 2022 for PLCs with a market capitalisation of RM2 billion and above, and from 1 June 2023 for all remaining PLCs. This marked a significant shift from voluntary targets to enforceable minimum requirements.

9.8 While these measures have catalysed meaningful progress, the broader challenge is ensuring that gender diversity becomes a deeply embedded governance and cultural norm rather than a compliance obligation. The key policy question is whether further regulatory action is required to accelerate progress toward the 30% women on board target in each PLC, or whether sustained emphasis on voluntary adoption, leadership commitment, and market-driven incentives can deliver more durable and meaningful change.

9.9 Encouragingly, women's representation on boards has continued to improve. Among the top 100 PLCs, representation rose from 17% in 2016 to 34% as at 1 October 2025, while for all PLCs it increased from 12% to 29% over the same period. This reflects the combined effect of regulatory measures, market expectations and increased investor attention to board composition. To sustain and deepen this progress, continued regulatory oversight should be complemented by active investor stewardship. Institutional investors, in particular, are expected to exercise their voting rights and engagement responsibilities to hold boards accountable and reinforce gender diversity as a standard governance expectation.

9.10 Ultimately, the goal is to ensure that boards possess the right mix of skills, experience, and perspectives to support effective decision-making and long-term value creation. Gender diversity contributes to this balance by enhancing cognitive diversity, reducing the risk of groupthink, and strengthening the board's ability to understand and respond to a wider range of stakeholder interests.

For Feedback

31) In your view, should Malaysia move towards mandatory quotas to accelerate change, or continue promoting voluntary adoption and market-driven incentives?

32) What are the main challenges companies face in identifying and appointing qualified women directors?

33) What has been the impact of increased female representation on board effectiveness and governance outcomes?

Board Effectiveness Evaluation

9.11 The MCCG recommends that boards undertake a formal and objective annual evaluation to determine effectiveness of the board, its committees and each individual director. Boards are expected to disclose how the evaluation was carried out, its outcome, actions taken, and how the results influence board composition. For large companies, the MCCG further recommends engaging independent experts at least once every three years to facilitate candid and objective evaluations. The MCCG also outlines key considerations for board evaluation, including potential scope, coverage, and the proposed content of NC disclosures of evaluation outcomes.

9.12 Board evaluation should not only focus on historical assessments, but also include forward-looking considerations linked, among other things, to the company's strategic priorities, skills matrix, and board composition.

9.13 The SC, through the CG Monitor, in particular those issued in 2019[4], 2020[5] and 2021[6], has consistently highlighted the gaps in the disclosures on outcomes of board effectiveness evaluation. These include communicating how good and unsatisfactory disclosures look like in practice. Further, a dedicated feature article by the Institute of Corporate Directors Malaysia (ICDM) was incorporated in the 2020 edition of the CG Monitor to highlight the best practices for companies to consider in communicating the outcome of board effectiveness evaluations.

[4] Corporate Governance Monitor 2019
[5] Corporate Governance Monitor 2020
[6] Corporate Governance Monitor 2021

9.14 The SC's review found varying degrees of disclosure on the quality of board effectiveness evaluations. Many reports provide limited detail on the evaluation scope, criteria, and outcomes, making it difficult for stakeholders to gauge board effectiveness or follow-through on action plans. Questions also arise regarding the independence and reliability of internal evaluations, particularly whether directors feel able to provide candid feedback as compared to having the evaluation conducted by an external independent party.

9.15 Notwithstanding these recommendations, similar observations have been raised by local institutional investors, noting that disclosures by Malaysian PLCs are generally weaker than in some developed markets. Beyond the evaluation, the real question lies in how boards act on its outcomes. Transparency around action plans to address underperformance is also critical for accountability and investor confidence.

9.16 While companies cite confidentiality concerns such as protecting sensitive commercial or strategic information, there remains a risk that disclosures are compliance-driven and provide limited value to investors and other information users.

9.17 Against this backdrop, the SC seeks feedback on the proposal to mandate disclosure of board effectiveness evaluation outcomes, together with minimum content expectations such as evaluation scope and criteria, key findings, and proposed follow-up actions. Further, feedback is sought on the practical ways to balance transparency, comparability, and investor confidence with the need to protect sensitive information and support candid internal deliberations.

For Feedback

34) How effective is an internal board evaluation approach in ensuring objectivity while encouraging frank and open discussion? Please provide reasons for your answer, including the factors impeding and/or enhancing effectiveness.

35) Do you agree that, at a minimum, the disclosure of the outcomes of board effectiveness evaluation should cover the following:

    a. whether the evaluation was conducted internally or by an external independent party;
    b. the scope of the evaluation;
    c. the criteria used; and
    d. the outcome of the evaluation, including actions taken to address recommendations.

    Please provide reasons for your answer.

III. Board Composition

10. Linking Value-Creation Key Performance Indicators to Executive Remuneration

10.1 Traditionally, companies assess the performance of executive personnel (e.g. the management team) using financial indicators such as revenue and profits, in line with corporate objectives. While these measures demonstrate how executives deliver short-term financial outcomes, Key Performance Indicators (KPIs) should also incorporate targets that drive long-term shareholder value. These targets should be assessed annually and form a key component of executive remuneration.

10.2 Assessing long-term value creation requires a balanced mix of financial and non-financial indicators. Financial indicators such as Relative Total Shareholder Return (TSR), Return on Equity (ROE) and Price-to-Earnings (P/E) ratio can provide insights into how companies are creating sustainable value beyond near-term profitability. These should be complemented by non-financial indicators such as progress on sustainability targets (existing recommendation under Practice 4.4 of MCCG), customer and employee engagement and innovation outcomes. Together, these metrics provide a holistic view of performance and should inform executive remuneration.

10.3 Internationally, TSR and ROE are among the common metrics in executive pay plans. For instance, UK FTSE 350 and Australian listed companies typically use TSR as a dominant long-term incentive metric, often alongside ROE or Earnings Per Share (EPS) growth. In the US, S&P 500 companies favour TSR, ROE and EPS as key performance indicators.

10.4 While executive remuneration is approved by the board rather than shareholders, disclosure on how KPIs are linked to pay is essential. This enables shareholders to assess whether executive remuneration aligns with long-term value creation and demonstrates board and management accountability.

10.5 To strengthen board and management accountability, the SC seeks feedback on the proposal to incorporate value-creation metrics (e.g. financial, sustainability, innovation and other relevant indicators) into executive KPI setting, and the disclosure of the linkages between these indicators and remuneration.

For Feedback

36) Do you agree with the proposal to link long-term value creation indicators with executive remuneration? Please provide reasons for your answer.

37) Should the linkage of value-creation indicators to executive remuneration apply to all PLCs, or to specific groups (for example, large PLCs)? Please provide reasons for your answer.

38) What challenges might companies face in linking value-creation indicators such as TSR and ROE to executive remuneration, and in disclosing this linkage? Please provide reasons for your answer.

EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

11. Enhanced Disclosure in the Appointment and Reappointment of External Auditors

11.1 Audit Committees play a critical role in safeguarding external auditors' independence. Their responsibility in the nomination process, including the appointment and reappointment of external auditors, is central to this function.

11.2 To demonstrate that the Audit Committee has given due consideration to external auditors' independence in the nomination process, it is essential to enhance transparency through comprehensive disclosures.

Such disclosures should include:

- the first date of appointment of the external auditor;
- the date of the last audit tender (if applicable);
- reasons for recommending the appointment or reappointment of the external auditors, with emphasis on audit quality rather than cost considerations;
- the tenure of the incumbent external auditors for both the audit firm and audit engagement partner, and the Audit Committee's consideration of this information when assessing the external auditor's independence; and
- audit fees, non-audit fees and details of non-audit services rendered by the external auditor including the Audit Committee's consideration of this information when assessing the external auditor's independence.

11.3 In circumstances where a new external auditor is appointed to replace an outgoing auditor who has resigned within three months of the company's financial year-end, the Audit Committee should consider disclosing its assessment of whether the incoming auditor has adequate time and resources to complete the audit effectively.

For Feedback

39) What are your views on the proposal to introduce enhanced disclosure requirements for the appointment and reappointment of external auditors? Please provide reasons for your answer.

12. Tendering of Audit Firms

12.1 The long association of external auditors with their Public Interest Entity (PIE)[7] clients may pose familiarity threats. Based on the observations of the SC's Audit Oversight Board, as of February 2025, 43% of PIEs had retained the same external auditor for 10 years or more.

12.2 Currently, the *By-Laws on Professional Ethics, Conduct and Practice of the Malaysian Institute of Accountants* stipulate that an audit engagement partner shall not serve the same client for more than seven cumulative years, to mitigate familiarity threats. A mandatory cooling-off period of five consecutive years is then required.

12.3 Globally, jurisdictions such as the European Union and the United Kingdom require PIEs to change their external auditors every 10 years, with an option to extend to 20 years if there is a tender at the 10-year point. This is in addition to the requirement for the rotation of audit engagement partners. In Singapore, the Monetary Authority of Singapore (MAS) requires banks, including designated financial holding companies that have a subsidiary that is a bank incorporated in Singapore, to carry out audit retendering every 10 years.

12.4 While the current MCCG does not include a recommendation on audit firm rotation, the SC recognises that certain industries require specialised expertise, which may only be available from a limited pool of audit firms.

12.5 Against this backdrop, the SC seeks feedback on the proposal for companies to conduct an audit re-tendering of audit firms serving beyond a period of 10 years. This approach aims to:

- discourage complacency among incumbent auditors and reinforce diligence in audit execution;
- enable new auditors to bring fresh perspectives that may enhance audit quality; and
- provide PLCs with the discretion to reappoint their existing auditor if deemed most suitable.

12.6 Further, the SC seeks feedback on the feasibility of timeline for PLCs to carry out the audit tender i.e. within three years after the 10-year period served by the incumbent external auditor.

[7] Entities specified in Part 1 of Schedule 1 of the Securities Commission Malaysia Act 1993, including PLCs or a corporation listed on the stock exchange.

For Feedback

40) What are your views on the proposal to recommend companies to conduct re-tendering of the current audit firms servicing them? Please provide reasons for your answer.

41) Do you agree that audit re-tendering would be an effective safeguard to enhance audit quality? Please provide reasons for your answer.

42) Do you agree with the proposed frequency for audit re-tendering i.e. for audit firms serving beyond 10 years? Please provide reasons for your answer.

43) Do you agree with the proposed timeline to carry out the audit tender i.e. within three years after the 10-year period served by the incumbent external auditor? Please provide reasons for your answer.

II. Risk Management and Internal Control Framework

13. Risk Management Committee

13.1 One of the Step-Up Practices under the current MCCG recommends that the board establish a Risk Management Committee, comprising a majority of independent directors, to oversee the company's risk management framework and policies.

13.2 Based on the SC's review, a total of 524 PLCs have established a dedicated Risk Management Committee. Companies without such a committee often combine risk management responsibilities with those of the Audit Committee. The SC also recognises that smaller PLCs may find it more practical to combine this oversight function with other existing committees.

13.3 In today's rapidly evolving environment, companies face a wide range of traditional and emerging risks, from business continuity and sustainability-related risks (including physical and transition risks) to technology-related risks such as cybersecurity, AI, and blockchain. This increasingly complex landscape places boards in a more challenging position to navigate risk oversight effectively. A combined Audit and Risk Committee, while practical, may lead to diluted discussions or gaps in oversight.

13.4 While there is no one-size-fits-all approach to risk management structures, a dedicated Risk Management Committee can provide greater focus and depth to board deliberations on risk matters. It allows the board to allocate sufficient time to consider key risks comprehensively, as well as to explore how such risks may be managed and converted into strategic opportunities.

13.5 Against this backdrop, the SC seeks feedback on whether a dedicated Risk Management Committee should be a minimum expectation for all PLCs, irrespective of their size.

For Feedback

44) In your view, should all PLCs be expected to establish a dedicated Risk Management Committee? Please provide reasons for your answer.

14. Competency of Internal Auditors in Emerging Areas

14.1 Rising expectations from investors and other information users means that boards must ensure emerging risks, including those arising from sustainability, technology and data, are embedded within the company's overall risk management and internal control framework and are adequately disclosed. The *Statement on Risk Management and Internal Control Guide 2025* for PLCs, issued by The Institute of Internal Auditors Malaysia sets out key considerations for internal auditors in assessing and managing both traditional and emerging risks. Companies should therefore strengthen risk competencies across relevant functions, including internal audit, to support accurate, reliable and meaningful disclosures on matters that could materially affect performance and resilience.

14.2 Companies should ensure that all three lines of defence remain attuned to key developments and emerging risks. Each line plays a distinct yet complementary role in strengthening the company's governance, risk management and internal control framework, from risk ownership and monitoring to independent assurance.

14.3 Within this structure, the role of internal auditors as the third line of defence has evolved in tandem with the changing risk landscape. Beyond financial and compliance matters, internal auditors are now expected to assess a wider range of risks, including sustainability and climate-related exposures, cybersecurity, data governance, and technology disruption. To remain effective, internal auditors must be equipped with the requisite knowledge and tools to evaluate processes that cut across multiple functions, from risk management to operations, finance, and beyond. This is in line with the *Global Internal Audit Standards*, which require internal auditors to possess or acquire competencies to perform their responsibilities effectively.

14.4 Given the growing prevalence of interconnected and cross-cutting risks, including physical and transition risks, cybersecurity threats, AI, and data integrity issues, internal auditors should be able to identify and review gaps or weaknesses in risk management, internal controls, and related reporting, and flag any anomalies. They should also ensure that emerging risks are included in the audit universe and considered when developing the company's internal audit plan.

14.5 By assessing the adequacy and effectiveness of risk management and internal controls in addressing emerging risks, and by verifying the accuracy and completeness of related disclosures, internal auditors provide independent and objective assurance, advice, insight and foresight to the board and management. This enhances the company's ability to anticipate disruptions, protect value and maintain shareholder confidence over the long term.

For Feedback

45) Do you agree that internal auditors should play a stronger role in supporting the board and management in assessing the effectiveness of the company's governance, risk management and internal control systems in relation to emerging areas? Please provide reasons for your answer.

46) To what extent should internal auditors be expected to integrate emerging risks and developments into their audit universe and audit plans? Please provide reasons for your answer.

47) How can internal audit function best leverage technology, including AI, to enhance the effectiveness of their audit work? What would be the key challenges they may face in doing so? Please provide reasons for your answer.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Engagement with Stakeholders

15. Investor Relations

15.1 While the existing governance framework sets expectations for active and regular stakeholder engagement, through among other channels, the investor relations (IR) function, many PLCs still primarily interact with shareholders, particularly the minority shareholders, through the annual general meetings (AGMs).

15.2 This limits opportunities for shareholders to be heard outside the AGM setting. While larger investors often have more direct access and a better reach to boards and management through alternative channels, this may not be the case for the minority shareholders.

15.3 Infrequent engagement reduces investors' access to the company and restricts boards' visibility into investor perspectives or concerns. It can also contribute to misalignment between board intent and market expectations. An effective IR function helps bridge this gap by enabling continuous and structured dialogue that goes beyond compliance-driven announcements.

15.4 In 2023, Bursa Malaysia launched the IR4U Programme to enhance the standards and practices of IR functions among Malaysian PLCs. A dedicated guidebook on investor relations was also issued under the PLC Transformation Programme. These initiatives are part of broader efforts to elevate engagements between companies and investors and align market practices with international expectations.

15.5 Despite these efforts, feedback received by the SC indicates that minority shareholders continue to face challenges in accessing companies through their IR function. This points to a concern not only about the existence of IR function, but also its effectiveness. The IR function should serve not merely as the public face of the company, but as a continuous feedback channel and an integral input into board deliberations and decision making.

15.6 Taken together, the roles of SID or Lead INED as well as IR functions would serve the collective interest of shareholders by acting as the primary engagement channels for institutional and retail investors, respectively.

15.7 Against this backdrop, feedback is sought on whether the establishment of an IR function should be set as a baseline requirement for all PLCs. The IR function would be expected to facilitate continuous engagement with shareholders and provide structured feedback to the board, while maintaining the board's discretion to make decisions in the long-term interests of the company.

For Feedback

48) Should the IR function be established as a baseline requirement for all PLCs to facilitate continuous engagement with shareholders beyond the AGM? Please provide reasons for your answer.

49) What are the main challenges or common barriers faced by PLCs in engaging with shareholders and other stakeholders beyond the AGM?

II. Conduct of General Meetings

16. Quality of Engagements and Conduct of Annual General Meetings

Quality of Engagements

16.1 The quality and conduct of AGMs in Malaysia remain a concern. Feedback from both minority and institutional investors highlights persistent challenges affecting the effectiveness and transparency of these meetings. The Minority Shareholders Watch Group (MSWG) has reported recurring issues that limit meaningful shareholder engagement with boards and senior management, while institutional investors have raised concerns on the adequacy and timeliness of pre-meeting information and related administrative processes.

16.2 Common challenges include limited or poorly managed opportunities for shareholders to ask questions, filtering of questions, and technical difficulties encountered by remote participants. Companies have also cited practical challenges in managing shareholder queries while ensuring fair and orderly participation. In some cases, questions raised may be unrelated to governance or business strategy, potentially detracting from substantive dialogue.

16.3 In addition, there are instances where company secretaries have taken a leading role in AGM proceedings, with limited visible involvement by the board and management. This raises questions as to whether AGMs are consistently fulfilling their intended purpose as platforms for accountability and constructive engagement between shareholders and the board and management.

For Feedback

50) What are the main factors that currently hinder meaningful engagement between shareholders, boards, and management at AGMs? Please provide reasons for your answer.

51) What practical measures could help ensure that shareholder questions are addressed fairly and transparently without disrupting meeting order?

Role of Scrutineer

16.4 Voting at general meetings is underpinned by validation from an independent scrutineer, as required under the Bursa Malaysia's LR. The *Best Practice Guide on AGMs for Listed Issuers*[8], jointly issued by MAICSA and Bursa Malaysia provides further guidance on the scope and responsibilities of scrutineers in safeguarding the integrity of the voting process.

[8] Best Practice Guide on AGMs for Listed Issuers

16.5 While most PLCs appoint independent third parties such as external firms or share registrars to act as scrutineers, there remains variability in how independence, competency, and reporting standards are interpreted and applied. This can lead to differing levels of assurance over the robustness of poll validation and transparency of results. To reinforce confidence in the fairness of voting outcomes and the credibility of AGMs as a decision-making forum, feedback is sought on whether clearer minimum expectations are needed to ensure scrutineers are consistently independent, qualified, and effective in carrying out their validation role.

For Feedback

52) In your view, does the current guidance adequately equip scrutineers to discharge their responsibilities effectively? Please provide reasons for your answer.

53) Should minimum expectations be set for scrutineers (e.g. in relation to their independence, competence, scope of responsibilities, and limits of involvement)? Please provide reasons for your answer.

17. Resolutions on Directors Appointments and Reappointments

17.1 Voting on the appointment and reappointment of directors is an important accountability mechanism for shareholders. However, disclosures in meeting notices and accompanying materials are often limited to brief biographical details and generic recommendations. This may not provide shareholders with sufficient information to assess whether a candidate's capabilities, time commitment and independence align with the company's strategy and the board's needs.

17.2 To guide companies, minimum disclosure expectations could be introduced for resolutions on directors' appointments and reappointments. These may include:

- Rationale for appointment or reappointment: how the candidate's skills and experience align with the company's strategy, the board's skills matrix, and succession planning considerations.
- Time commitment and conflicts: how the NC has assessed the candidate's capacity in light of other directorships or roles, as well as steps taken to manage potential conflicts of interest.
- Fit and Proper assessment: a summary of the assessment dimensions (e.g. integrity, competence, financial soundness, independence and time commitment), the verification approach (such as attestations and reference checks), and any conditions attached to the appointment.
- Reappointments: information on the director's contributions during the term, including attendance, committee work, leadership on specific priorities, and how development areas identified in board evaluations have been addressed.

17.3 The SC seeks views on whether such measures would enhance transparency and comparability of disclosures, facilitate more informed shareholder voting and stewardship dialogue, and strengthen the NC's gatekeeping role.

For Feedback

54) Do you agree that the NC should be expected to disclose its rationale for recommending a director, referencing the board skills matrix, succession needs and alternatives considered? If so, what level of specificity and format should apply? Please provide reasons for your answer.

55) For reappointments, do you agree that the NC should be expected to disclose decision-useful information on its assessment, including directors' time commitment, management of conflicts of interest, fit and proper considerations, and how the directors have performed their roles? Please provide reasons for your answer.

OVERALL FEEDBACK

18. Other Areas

18.1 Malaysia's corporate governance framework has played a central role in shaping board practice and market conduct. While practices have improved over time, questions remain regarding the extent to which these standards have translated into substantive changes in board behaviour and market discipline.

18.2 The SC seeks stakeholders' perspectives on areas where further enhancements may be warranted to guide improvements in practices and conduct across Corporate Malaysia.

For Feedback

56) Are there additional areas that should be included or strengthened within Malaysia's corporate governance framework to improve practices and conduct across Corporate Malaysia? Please elaborate your answer.

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