MALAYSIAN CODE ON CORPORATE GOVERNANCE 2021

The Malaysian Code on Corporate Governance ("MCCG") introduced in 2000 has been a significant tool for corporate governance reform, and has influenced corporate governance practices of companies positively. The MCCG reflects globally accepted principles practices of corporate governance which are above and beyond the minimum required by statute, regulations or those prescribed by Bursa Malaysia. The MCCG was reviewed in 2007, 2012, 2017 and 2021 to ensure that it remains relevant and supports the inculcation of good corporate governance culture and practices.

The 2021 update of the MCCG introduces best practices and guidance to :

- improve board policies and processes including those related to director selection, nomination and appointment;
- strengthen board oversight and the integration of sustainability considerations in the strategy and operations of companies; and
- encourage the adoption of the best practices, particularly those found to have relatively lower levels of adoption, as highlighted in the SC's Corporate Governance Monitor report.

Summary of major updates :

PRINCIPAL A : BOARD LEADERSHIP & EFFECTIVENESS	
I. Board Responsibilities	
Practice 1.4	The Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee.
Practice 4.1	The board together with management takes responsibility for the governance of sustainability in the company including setting the company's sustainability strategies, priorities and targets. The board takes into account sustainability considerations when exercising its duties including among others the development and implementation of company strategies, business plans, major plans of action and risk management. Strategic management of material sustainability matters should be driven by senior management.
Practice 4.2	The board ensures that the company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders.

PRINCIPAL A : BOARD LEADERSHIP & EFFECTIVENESS	
I. Board Responsibilities	
Practice 4.3	The board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.
Practice 4.4	Performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities.
Practice 4.5 (Step Up)	The board identifies a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company.
II. Board Composition	
Practice 5.1	The Nomination Committee should ensure that the composition of the board is refreshed periodically. The tenure of each director should be reviewed by the Nomination Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to the board.
Practice 5.3	The tenure of an independent director does not exceed a term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director. If the board intends to retain an independent director beyond nine years, it should provide justification and seek annual shareholders' approval through a two-tier voting process.
Practice 5.7	The board should ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a directors. This includes details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the listed company as a whole. The board should also provide a statement as to whether it supports the appointment or reappointment of the candidate and the reasons why.

PRINCIPAL A : BOARD LEADERSHIP & EFFECTIVENESS	
II. Board Composition	
Practice 5.9	The board comprises at least 30% women directors.
Practice 5.10	The board discloses in its annual report the company's policy on gender diversity for the board and senior management.
III. Remuneration	
Practice 7.1	The board has remuneration 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 remuneration policies and practices should appropriately reflect the different roles and responsibilities of non-executive directors, executive directors and senior management. The policies and procedures are periodically reviewed and made available on the company's website.
PRINCIPAL B : EFFECTIVE AUDIT & RISK MANAGEMENT	
I. Audit Committee	
Practice 9.2	The Audit Committee has a policy that requires a former partner of the external audit firm of the listed company to observe a cooling-off period of at least three years before being appointed as a member of the Audit Committee.
PRINCIPAL C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS	
II. Conduct of General Meetings	
Practice 13.4	The Chairman of the board should ensure that general meetings support meaningful engagement between the board, senior management and shareholders. The engagement should be interactive and include robust discussion on among others the company's financial and non-financial performance as well as the company's long-term strategies. Shareholders should also be provided with sufficient opportunity to pose questions during the general meeting and all the questions should receive a meaningful response.

PRINCIPAL C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS	
II. Conduct of General Meetings	
Practice 13.5	The board must ensure that the conduct of a virtual general meeting (fully virtual or hybrid) support meaningful engagement between the board, senior management and shareholders. This includes having in place the required infrastructure and tools to support among others, a smooth broadcast of the general meeting and interactive participation by shareholders. Questions posed by shareholders should be made visible to all meeting participants during the meeting itself.
Practice 13.6	Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

Note :

The full text of the MCCG 2021 together with the Frequently Asked Questions can be downloaded from the following website :

https://www.sc.com.my/regulation/corporate-governance