Corporate Governance: Moving from Aspiration to Actualisation

Corporate Governance Guide

Executive Summary

3rd Edition
www.bursamalaysia.com
This Corporate Governance Guide (“Guide”) is issued by Bursa Malaysia Berhad for users to gain an understanding and appreciation on the application of corporate governance practices especially in relation to those set out in the Malaysian Code on Corporate Governance.

This Guide is provided for reference purposes only and is not exhaustive in its coverage. Users must exercise discernment and diligence in the use of this Guide. It is the boards’ and company officers’ responsibility to obtain independent, professional advice regarding any specific set of facts or issues before using or relying on it.

All applicable laws, regulations and existing Bursa Securities Listing Requirements should be referred to in conjunction with this Guide.

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Corporate Governance Guide:
Moving from Aspiration to Actualisation

Corporate governance defines a company’s commitment to values and ethical business conduct. Good corporate governance serves to enhance the effective deployment of capital and ultimately contributes towards growth and positive sustainable performance. Poor governance, on the other hand, detracts the company from fulfilling its potential as well as its ability to attract capital investment with severe ramifications on trust and confidence in the company and capital market as a whole.

In this regard, a strong understanding on the principles of good governance and responsible conduct is needed before it can be successfully embedded within a company’s culture and DNA. This will support the company in achieving its goals whilst safeguarding stakeholders’ interests.

I hope this Corporate Governance Guide (“Guide”) will serve as a frame of reference as well as guidance that will foster greater appreciation and promote constructive actions within the realm of corporate governance. This Guide is intended to support board members and management in raising the bar on corporate governance standards as well as getting key parties involved in corporate governance to play their part.

In addition, this Guide reinforces the Exchange’s commitment to inculcate better corporate governance practices amongst listed corporations, aligning their governance practices with stakeholders’ expectations and thereby promoting investor confidence. In developing this Guide, the views of all stakeholders were sought to ensure all needs were considered. We would like to thank all our stakeholders for providing invaluable input and feedback to this Guide.

The architecture of a robust corporate governance framework will only be sustainable if it is supported by a culture that promotes ethical conduct, transparency and sustainable value creation. Hence, good corporate governance must be a mindset, and not an afterthought. Let us therefore work together to actualise our aspirations and chart the contours of change that will lead to a capital market that is distinguished by the quality of its corporate governance practices.

Tan Sri Amirsham A Aziz
Chairman
Bursa Malaysia Berhad
Bursa Malaysia would like to acknowledge the invaluable input and expertise towards the development of this Guide, in particular to Ms. Kasturi Nathan and Mr. Krishman Varges of KPMG Management & Risk Consulting Sdn. Bhd.

We would also like to accord a very special word of thanks to the Securities Commission Malaysia, Bank Negara Malaysia, Companies Commission of Malaysia, Malaysian Institute of Accountants (MIA), Malaysian Institute of Certified Public Accountants (MICPA), Institutional Investor Council Malaysia (IIC), Minority Shareholder Watchdog Group (MSWG), Malaysian Institute of Chartered Secretaries and Administrators (MAICSA), Malaysian Directors Academy (MINDA), Malaysian Institute of Corporate Governance (MICG), directors and company secretaries of listed issuers as well as participants of the focus group sessions and public consultation for their contribution in the development of this Guide.
Executive Summary

Preamble

The actualisation of corporate governance aspirations largely hinges on the collective effort of all stakeholders who stand to gain from higher standards of corporate governance. The wider stakeholder participation will go a long way in ensuring that those helming the companies continuously direct their efforts towards the best interest of the companies and stakeholders.

In this regard, it is imperative for all players in the corporate ecosystem to recognise that the growth of the capital market can only be sustainable if it is underpinned by a proper system that promotes and incentivises accountability, transparency as well as integrity and ethics. Such a system reinforces market integrity and confidence. In fact, the value of good corporate governance is well-codified by an ever-growing body of research. For example, a review by Credit Lyonnais Securities Asia and the Asian Corporate Governance Association across 12 Asia Pacific countries including Malaysia in the year 2016 revealed that companies with stronger corporate governance deliver superior fundamental outcomes (e.g. higher earnings quality risk scores and higher balance sheet quality risk scores)\(^1\).

Premised on the proposition of good corporate governance, in Malaysia, a range of reform measures has been put in place over the years to strengthen the corporate governance ecosystem as a whole. The introduction of the new Companies Act 2016, the release of the Malaysian Code on Corporate Governance in April 2017 ("MCCG") as well as the enhancements to the corporate governance disclosure framework under Bursa Malaysia Securities Berhad Listing Requirements ("Bursa Securities Listing Requirements")\(^2\) subsequent to the release of the MCCG amongst others, serve as a testimony to these efforts. These reform measures have been designed to promote more meaningful application of good governance practices and more transparent disclosures that can be relied upon by stakeholders to have effective engagements with the company.

In tandem with these developments, this Corporate Governance Guide ("Guide") by Bursa Malaysia Berhad ("Bursa") seeks to enrich the application and actualisation of corporate governance practices by providing practical guidance to listed issuers. It is also hoped that the Guide will cultivate listed issuers’ appreciation on the drivers of sound corporate governance. Over the years, the Guide has served as an organic document – a publication that has adapted to the issues in the Malaysian market with the ultimate objective of bringing about a deep comprehension on corporate governance matters. This latest iteration of the Guide is part of the evolution with extensive analysis and articulation of the corporate governance tapestry including the regulations and best practices that form the domestic corporate governance architecture.

As a prelude to the Guide, this Executive Summary serves to provide an overview that articulates the context of the Guide. This Executive Summary is set out over two sections. **Section I** provides an overview on the content of the Guide. **Section II** serves to shed light on the corporate governance disclosure regime in Malaysia.

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\(^1\) Corporate Governance Watch 2016, Credit Lyonnais Securities Asia & Asian Corporate Governance Association ("ACGA")

\(^2\) Bursa Securities Listing Requirements collectively refer to the Main Market Listing Requirements and the ACE Market Listing Requirements. Where reference is made to a particular paragraph or Practice Note of the Main Market Listing Requirements, the corresponding Rule or Guidance Note of the ACE Market Listing Requirements also applies accordingly.
Understanding the Guide

In recognising the need for a contemporaneous guide that can provide companies, particularly listed issuers with insights and practical resources to raise their corporate governance standards, Bursa revamped its 2nd Edition Guide which culminated in this Guide.

This latest incarnation of the Guide which supersedes its earlier editions takes on a new approach to promote greater internalisation of corporate governance culture. This Guide has been developed to reflect the new modes of thinking as well as the “CARE” (i.e. C – Comprehend; A – Apply and Re – Report) concept that underpins the MCCG.

The CARE concept urges companies to give effect to the spirit behind the practices whilst appreciating the significance of the principles in supporting long-term value creation. The salient features of the MCCG are summarised below:

- The Comprehend, Apply and Report approach – CARE
- The shift from comply or explain to apply or explain an alternative
- Greater focus and clarity on the Intended Outcomes for each Practice
- Guidance to assist companies in applying the Practices
- Identify exemplary practices which support companies in moving towards greater excellence – Step Ups

Equipped with 3 Principles, 32 Practices and 4 Step Ups, the MCCG calls upon companies to view corporate governance disclosures as an opportunity to demonstrate to stakeholders that they have a holistic and an effective corporate governance system which governs their processes, people and practices in their achievement of corporate excellence.
Taking into account these developments, this Guide has been designed to instil a greater appreciation and promote constructive actions on corporate governance. This Guide contains examples and illustrations to call upon companies to undertake ongoing self-reflection and evaluation of their corporate governance practices. These content elements are solely for the purpose of providing guidance only and should not be rigidly adopted by companies in isolation of their circumstances. The Guide does not attempt to establish a model or pattern for the optimum conduct of companies and should not be regarded as a “silver bullet” for good corporate governance.

**What is the objective of the Guide?**

Premised on the objective of bringing about cultural and behavioural change, this Guide serves to provide insights into best practices of corporate governance, including how such practices can be applied and actualised in substance rather than in form, so as to help businesses in building sustainable value.

**Who should use the Guide?**

Whilst this Guide is primarily targeted at listed issuers and their related corporations, non-listed companies including state-owned enterprises, small and medium enterprises (SMEs) and licensed intermediaries are encouraged to draw perspectives from this Guide.

The Guide particularly seeks to help directors to understand their duties towards the company and its stakeholders. It also seeks to guide the broader cross-section of players in the corporate governance ecosystem (particularly, management, gatekeepers and other custodians of corporate governance) to perform their responsibilities and drive the conduct of companies.

**How to use the Guide?**

This Guide should be read together with the MCCG.

In addition, this Guide has, amongst others, made references to Bursa Securities Listing Requirements, Capital Markets and Services Act 2007 (“CMSA”), Bank Negara Malaysia’s Policy Document on Corporate Governance and other relevant regulatory provisions. The enumerations cited in this Guide may not be a verbatim extract from the relevant source documents and as such, users should refer to the source documents for greater details on the references made.

**What are the caveats that should be acknowledged in using the Guide?**

This Guide is not:

- a “one-stop” solution to all corporate governance needs.
- an expression of opinion by any enforcement agency or regulator.
- exhaustive to cover all the various possible scenarios concerning corporate governance.
Structure of the Guide

The Guide has been developed based on a thematic approach to provide readers with a focused view of the MCCG, beginning with the board and its responsibilities before addressing audit and risk management and then closing off with corporate reporting and relationship with stakeholders. The Guide is divided into three individual Pull-outs which correspond to the respective Principles of MCCG. Each Pull-out comprises write-ups on the Practices and Step Ups of MCCG.

Pull-out I explains how the leadership of a company is driven by the board; and to be effective, boards need to consider the dimensions of responsibilities, composition and remuneration. A number of write-ups delve on how a board should be constituted and what it should look like. It should be noted that constituting a board is merely the first step in building a successful company, as much also depends on how the board discharges its responsibilities on an ongoing basis. The board cannot thrive in isolation; and for it to function successfully, a good support system should be put in place including the provision of timely and accurate information as well as counsel from the company secretary. In order for directors to be incentivised to contribute to the long-term success of the company, it is also essential to ensure that their remuneration packages are well-structured, transparent and clearly linked to the strategic objectives of the company.

Pull-out II explores how a robust audit committee and strong risk management and internal control framework can lead to the development of a healthy corporate governance culture. It should be noted that independence and financial literacy are the cornerstones of a well-functioning audit committee. The ability of its members to exercise their judgments in an informed and impartial manner is important for the fulfilment of the audit committee’s mandate. The write-ups also recognise that successful companies integrate effective governance structures and processes with performance-focused risk management and internal control at every level of the company and across all operations. There is also a focus on greater disclosures on the company’s risk management and internal control framework as well as the conduct of the internal audit function to stakeholders.

Pull-out III discusses how communication and engagement can help to foster meaningful relationship with stakeholders. The key to better relationship with stakeholders is firstly to recognise that stakeholders have a legitimate right in knowing how the company is faring, followed by ongoing efforts to keep open that channel of engagement with stakeholders. A trustworthy relationship can be maintained through a system of corporate reporting that is not only accurate, but also balanced and meaningful. Providing stakeholders with a comprehensive and closely-knitted picture of the company’s business will allow them to better appreciate the company’s objectives and the quality of its management. As general meetings are important platforms for directors and senior management to engage shareholders to facilitate greater understanding of the company’s affairs, the write-ups also explain how companies can undertake proactive measures to bring about greater participation of shareholders at general meetings.
Each Pull-out of the Guide is structured in the following manner:

a) **Introduction**: A lead-in that articulates and introduces the concepts and key areas which are covered in the Pull-out.

b) **Write-ups to the Practices and Step Ups of MCCG**: Narrative on the reasoning, facilitation for companies to internalise and apply the Practices and Step Ups of MCCG as well as regional/international developments (features contained are explained below).

c) **Appendices**: Sample policies and instruments that are designed for the utility and further customisation of companies based on their circumstances and nuances.

A number of key features showcased in the write-ups to the Practices and Step Ups are as follows:

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="Why" /></td>
<td><strong>Case for change</strong></td>
<td>The reasoning and value proposition for each Practice and Step Up are laid out for companies to appreciate the drivers of good corporate governance. This is particularly pertinent for Practices and Step Ups which amongst others, contain new concepts and notions which may not be well understood.</td>
</tr>
<tr>
<td><img src="image" alt="What could go wrong" /></td>
<td><strong>What could go wrong</strong></td>
<td>The possible outcomes of poor corporate governance practices are described.</td>
</tr>
<tr>
<td><img src="image" alt="How" /></td>
<td><strong>The practice in substance</strong></td>
<td>Key considerations relating to the internalisation and application of the Practices and Step Ups are explored.</td>
</tr>
<tr>
<td><img src="image" alt="Dos and Don'ts" /></td>
<td><strong>Dos and Don'ts</strong></td>
<td>A quick and bite-sized list of actions items that the company should undertake and should avoid, are included.</td>
</tr>
<tr>
<td><img src="image" alt="Regional/ international perspectives" /></td>
<td><strong>Regional/ international perspectives</strong></td>
<td>A section on regional/international perspectives is provided for users to be apprised on corporate governance practices in selected jurisdictions (as at the date of the publication of this Guide). The enumerations outlined are only for information purpose. They did not take into account the context and application of the corporate governance practices as well as the legal frameworks in these jurisdictions which may differ from the Malaysian perspectives.</td>
</tr>
<tr>
<td><img src="image" alt="Point for reflection" /></td>
<td><strong>Point for reflection</strong></td>
<td>Insights into selected Practices and Step Ups, are highlighted. How misconceptions or lack of understanding can prevent meaningful application of corporate governance practices, are also discussed.</td>
</tr>
<tr>
<td><img src="image" alt="Investors’ perspectives" /></td>
<td><strong>Investors’ perspectives</strong></td>
<td>Views of institutional investors on key matters are shared. In recent times, a number of well-known institutional investors have begun to exert their influence over investee companies through their voting policies on a range of issues including board diversity, directors’ remuneration and tenure of independent directors.</td>
</tr>
<tr>
<td><img src="image" alt="Hot button issues" /></td>
<td><strong>Hot button issues</strong></td>
<td>Contemporary and contentious issues are examined and the lessons drawn are reflected upon.</td>
</tr>
<tr>
<td><img src="image" alt="Red flags" /></td>
<td><strong>Red flags</strong></td>
<td>Symptoms indicating broader corporate governance issues that companies should be wary of, are included. These red flags are marked as symbols in selected Practices and Step Ups.</td>
</tr>
<tr>
<td><img src="image" alt="Case studies" /></td>
<td><strong>Case studies</strong></td>
<td>Analyses of prominent cases and their corporate governance implications are expounded.</td>
</tr>
<tr>
<td><img src="image" alt="Illustrative disclosures" /></td>
<td><strong>Illustrative disclosures</strong></td>
<td>Sample disclosures are provided to assist companies in their reporting and communication to stakeholders.</td>
</tr>
</tbody>
</table>
Application of the Guide

It should be noted that the **MCCG** took effect immediately upon its release and listed issuers are required to report on the application of the **MCCG** as outlined in paragraph 15.25(1) and (2) of Bursa Securities Listing Requirements, with effect from the financial year ending on or after 31 December 2017.

In this regard, it is worth highlighting that whilst the Guide is not a regulatory document by itself, in providing disclosures on the adherence to **MCCG**, paragraph 3.7(a), Practice Note 9 of Bursa Securities Listing Requirements encourages listed issuers to refer to this Guide.

<table>
<thead>
<tr>
<th>Paragraph 3.7(a), Practice Note 9 of Bursa Securities Listing Requirements</th>
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<tr>
<td>In making the <strong>Corporate Governance Overview Statement</strong> and the <strong>Corporate Governance Report</strong>, a listed issuer must also consider the following:</td>
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</table>

Ensure that the Corporate Governance Overview Statement and the Corporate Governance Report -

i. contain adequate information to enable an informed assessment by shareholders and potential investors of its corporate governance practices; and

ii. align with the spirit and **Intended Outcome** of the **MCCG**.

For this purpose, a listed issuer should refer to the **Corporate Governance Guide** issued by the Exchange.
Introduction
An overview on board leadership and effectiveness is provided.

Write-up to Practice 1.1
The roles and responsibilities of the board are addressed.

Write-up to Practice 1.2
The responsibilities of the chairman in leading the board are discussed.

Write-up to Practice 1.3
Coverage is provided on the separation of roles between the chairman and the chief executive officer.

Write-up to Practice 1.4
The roles and responsibilities of the company secretary are explored.

Write-up to Practice 1.5
The importance of proper and timely dissemination of information to directors is outlined.

Write-up to Practice 2.1
The establishment and implementation of a board charter are discussed.

Write-up to Practice 3.1
The establishment and implementation of a code of conduct and ethics are examined.

Write-up to Practice 3.2
The establishment and implementation of whistleblowing policy and procedures are covered.

Write-up to Practice 4.1
The need for at least half of the board to comprise independent directors is explored.

Write-up to Practice 4.2 and Step Up 4.3
Tenure limit of independent directors is discussed.

Write-up to Practices 4.4 and 4.5
Diversity of the board and senior management and the attendant disclosures are covered.

Write-up to Practice 4.6
Sourcing and nomination of board members are considered in detail.

Write-up to Practice 4.7
Commentary is provided on the chairmanship of the nominating committee.

Write-up to Practice 5.1
The assessment of board, board committees, individual directors as well as the attendant disclosures is covered.

Write-up to Practice 6.1
The formulation of remuneration policy and procedures for directors and senior management is examined.

Write-up to Practice 6.2
The establishment of a remuneration committee is discussed.

Write-up to Practices 7.1, 7.2 and Step Up 7.3
Disclosure considerations of directors and senior management’s remuneration are detailed.

Appendices
Sample policies and instruments relating to Pull-out I are provided.

Pull-out III
Introduction
The Introduction provides an overview on corporate reporting and relationship with stakeholders.

Write-up to Practice 11.1
The implementation of effective, transparent and regular communication between a company and its stakeholders is discussed.

Write-up to Practice 11.2
Considerations relating to integrated reporting are detailed.

Write-up to Practice 12.1
Coverage is provided on the timely dissemination of notice to annual general meeting.

Write-up to Practice 12.2
Commentary is provided on the attendance of directors during general meetings.

Write-up to Practice 12.3
The deployment of technology to facilitate greater participation of shareholders at general meetings is explored.

Appendices
Sample policies and instruments relating to Pull-out III are provided.
Corporate governance disclosures

Disclosure requirements on MCCG

Reliable and high quality information is the driver behind a conducive and active capital market. Stakeholders require access to regular, reliable and comparable corporate governance information in sufficient detail for them to assess the stewardship of the board as well as leadership of the management, and ultimately make informed decisions after ascertaining how their rights are protected.

Recognising the need to equip stakeholders with adequate information on how the affairs of the company are directed and managed with a view of promoting business prosperity and corporate accountability, paragraph 15.25 of Bursa Securities Listing Requirements requires listed issuers to disclose their application to the MCCG.

**Paragraph 15.25 of Bursa Securities Listing Requirements**

(1) A listed issuer must ensure that its board of directors provides an overview of the application of the Principles set out in the MCCG, in its annual report. *Note: This is referred to as the “CG Overview Statement”.*

(2) In addition, the listed issuer must disclose the application of each Practice set out in the MCCG during the financial year, to the Exchange in a prescribed format and announce the same together with the announcement of the annual report. The listed issuer must state in its annual report, the designated website link or address where such disclosure may be downloaded. *Note: This is referred to as the “CG Report”.*

“Apply or explain an alternative” disclosure approach

The MCCG adopts a novel approach of “apply or explain an alternative” to move away from a “box-ticking” approach and promote more meaningful application of corporate governance practices and disclosures. Under this approach, listed issuers must explain how they have applied the practices identified and where there is a departure; there must be clear and meaningful disclosure on why the practice was not applied and how the alternative practice achieves the Intended Outcome. The Intended Outcome is meant to provide listed issuers with the line of sight and intention of the practices.

In order for the “apply or explain an alternative” approach to work and be sustainable, listed issuers need to demonstrate genuine commitment to good governance and give proper consideration to the explanations. Stakeholders on the other hand, should engage listed issuers and scrutinise the disclosures made by them so as to ascertain if the explanations provide a meaningful representation of the listed issuers’ corporate governance practices. Communication by listed issuers on plans to adapt and improve corporate governance practices can serve to assure stakeholders that the business is being run for the long-term and in the interests of the stakeholders. Simply put, when there is a mutually reinforcing effort between listed issuers and stakeholders, particularly shareholders, the “apply or explain an alternative” model can be an effective tool in driving continuous improvement on corporate governance practices and disclosures.
Attributes of quality disclosures

In providing reliable and high quality disclosures on corporate governance, listed issuers should be guided by the following attributes which provide guidance on the desired qualitative characteristics of such reporting.

**Balanced** disclosures address the provision of an honest assessment of the listed issuer’s state of corporate governance for stakeholders to form an objective view. In this regard, listed issuers should seek to ensure that stakeholders are not misled as a result of the presentation of, or emphasis given to, information in the corporate governance disclosures or by the omission of material information from them. Disclosures which only offer a celebration of the positive elements, with limited details or a less than candid assessment of the negative aspects (e.g. regulatory actions imposed by regulators) may perpetuate mistrust. Key issues and incidences of failure should be explained alongside how the issues were managed, actions that were taken to remedy the failures as well as the lessons learnt. It is therefore important for listed issuers to provide balanced disclosures without fear of stigma.

Disclosing **meaningful** information entails providing complete information which is up-to-date, relevant and reflects the listed issuer’s ownership structure, governance model and specific circumstances (e.g. presence of special rights shareholder, existence of a franchisee agreement with the franchisor which impacts the corporate governance practices of the listed issuer). This will avoid distracting shareholders from the key information which can aid in their evaluation of the listed issuer’s state of corporate governance. In this context, it is important for listed issuers to illuminate stakeholders with insights on how a particular practice was applied. For example, in the case of disclosure on appointment of directors, there should be detailed disclosures on the sourcing and selection methods, process as well as the criteria used to select new directors. Moreover, in order to enhance the usefulness of disclosures, they should be made in a clear and simple manner, using plain language (i.e. avoiding legalistic, management-speak or technical terms). It is also important to ensure that disclosures are not cluttered with static information such as policies, charters and codes that have not changed, or long convoluted write-ups, so that the key information and messages are not lost in the volume of data presented. Where possible, such static information should be instead published on the listed issuer’s website.

**Comparable** corporate governance disclosures involve the provision of consistent information which enables and facilitates assessment and comparison of a listed issuer’s practices year on year as well as with that of other listed issuers. This will enable the listed issuer’s corporate governance practices to be measured and monitored in a consistent manner for effectiveness. In order to facilitate better comparability, it is important for the listed issuer to provide explanations on the factors that have led to a change in the application of a corporate governance practice (e.g. change in ownership structure).
CG Overview Statement

As stated in paragraph 15.25(1) of Bursa Securities Listing Requirements, a listed issuer is required to provide an overview of its application of the Principles set out in the MCCG in respect of the reporting financial year, in its annual report (“CG Overview Statement”). The obligations of the listed issuer in making the said statement are further clarified in Practice Note 9 of Bursa Securities Listing Requirements.

Paragraph 3.1A, Practice Note 9 of Bursa Securities Listing Requirements

In making the CG Overview Statement, a listed issuer must provide a summary of its corporate governance practices during the financial year with reference to the 3 Principles, which are:

(a) board leadership and effectiveness;
(b) effective audit and risk management; and
(c) integrity in corporate reporting and meaningful relationship with stakeholders.

Paragraph 3.1B, Practice Note 9 of Bursa Securities Listing Requirements

A listed issuer should highlight its key focus areas and future priorities in relation to its corporate governance practices through the CG Overview Statement.

The CG Overview Statement serves to provide stakeholders with an understanding of a listed issuer’s commitment to corporate governance and how the listed issuer’s corporate governance practices support its ability to create long-term value for stakeholders.

In producing the CG Overview Statement, a listed issuer must disclose a summary of its corporate governance practices during the financial year with reference to the 3 Principles. Listed issuers should outline their approach to corporate governance and the key features of their corporate governance framework. There should be a statement on the extent to which the listed issuer has applied the Practices encapsulated in the Principles of MCCG during the financial year and the linkages to the information presented in the CG Report. The listed issuer should also discuss how the practices support its overall corporate governance objectives, taking into account amongst others, the following overarching considerations:

- Improving the listed issuer’s corporate governance practices by creating a healthy and dynamic corporate culture that is driven by the board together with management;
- Increasing the effectiveness of the board oversight function through the establishment of objective audit functions and committees charged with the oversight of internal control, risk and reporting; and
- Enhancing the listed issuer’s communication with shareholders and other stakeholders through transparent and timely communication.

In relation to highlights on key focus areas and future priorities, listed issuers should seek to identify the corporate governance plans, premised on the considerations of the current reporting year and future reporting years. In this regard, there should be a discussion on the main areas of its corporate governance activities and priorities during the financial year (i.e. focus areas) with a focus on the key corporate governance aspects that the listed issuer fared well and/or less favourably during the financial year. In addition, there should be disclosures on the improvement considerations that the listed issuer expects to achieve within a designated timeframe and the forward-looking strategies that will help it to achieve its corporate governance objectives (i.e. future priorities).

The inclusion of such disclosures forms a basis for stakeholder engagement as the information allows stakeholders to understand the direction that a listed issuer is heading towards and how the results
will be delivered. All in all, the **CG Overview Statement** accords listed issuers with the opportunity to profile their corporate governance agenda and showcase how they are attuned to the expectations of stakeholders.

**CG Report**

As stated in **paragraph 15.25(2) of Bursa Securities Listing Requirements**, a listed issuer is required to disclose the application of each **Practice** set out in the **MCCG** during the financial year to Bursa Malaysia Securities Berhad (“the Exchange”) in a prescribed format (“**CG Report**”) and announce the same together with the announcement of the annual report. The listed issuer must state in its annual report, the designated website link or address where the **CG Report** may be downloaded.

The obligations of the listed issuers in preparing the **CG Report** based on the prescribed format are further clarified in **paragraphs 3.2 to 3.4, Practice Note 9 of Bursa Securities Listing Requirements**. The prescribed format is made available on Bursa’s website.

Essentially, the **CG Report** provides a platform for listed issuers to better profile their strengths and corporate governance practices in a meaningful manner to stakeholders. The detailed disclosures encapsulated in the **CG Report** allow stakeholders to seamlessly assess the “corporate governance health” of listed issuers besides aiding regulators in monitoring the corporate governance practices of listed issuers to gain insights. In this regard, it is imperative for listed issuers to be cognisant that the prescribed format only serves as a structure and should not be treated as a “box-ticking tool”. Rather, listed issuers should internalise and exercise careful thought as well as consideration in providing disclosures that meaningfully represent their corporate governance practices.