

# ANNUAL REPORT 2021





# CONTENTS

<b>ABOUT US</b>	<b>4</b>
Establishment	4
Objectives	5
<b>CORPORATE INFORMATION</b>	<b>6</b>
<b>THE MALAYSIAN CODE FOR INSTITUTIONAL INVESTORS COUNCIL (MCII)</b>	<b>7</b>
Signatories to the MCII Membership	8
Current Members	9
Value Proposition for Members	10
<b>MEMBERS OF THE COUNCIL BOARD</b>	<b>11 - 13</b>
<b>MEMBERS OF THE WORKING COMMITTEE</b>	<b>14 - 15</b>
<b>CHAIRMAN'S STATEMENT</b>	<b>16 - 17</b>
<b>REPORT OF THE COUNCIL BOARD MEMBERS</b>	<b>18</b>
Engagement with Companies	18 - 19
Other IIC Engagements/Dialogue	20 - 21
Other Advocacy Activities	22 - 24
IIC Third Annual General Meeting	25
<b>MOVING FORWARD</b>	<b>26</b>
<b>REPORT OF THE TREASURER FOR THE FINANCIAL YEAR 2021</b>	<b>27</b>
Financial Statements	27
Financial Performance	27
Audited Financial Statements	28 - 49

## ABOUT US

**INSTITUTIONAL INVESTORS COUNCIL MALAYSIA**

(REGISTRATION NO: PPM-006-14-29122017)

**ESTABLISHMENT**

**THE** Institutional Investors Council Malaysia (IIC) was formed on 3 July 2015 as an investor-led organisation following the launch of the Malaysian Code for Institutional Investors (MCII) on 27 June 2014.

The role played by the institutional investors has been recognised as critical in the governance ecosystem by the Securities Commission Malaysia (SC) and was encapsulated as one of the recommendations in the Corporate Governance Blueprint 2011.

The IIC is envisaged to play an important role to represent the common interests of institutional investors in Malaysia. This industry-led initiative will be a platform to shape and influence a wider sphere of corporate governance culture through, among others, the effective adoption of the MCII.

The IIC was formally established under the Societies Act 1966 on 29 December 2017.





## OBJECTIVES

**IT** is the mission of the IIC to promote effective investors stewardship by influencing higher standards of corporate governance within institutional investors themselves and their investee companies through the implementation of the following objectives:

- To represent the interests of institutional investors on matters affecting them and to act as a conduit between policymakers, regulators and institutional investors in relation to broader corporate governance issues;
- To provide vision and strategic direction in relation to the development of the Institutional Investors Council Malaysia (IIC) and future enhancement to the Malaysian Code for Institutional Investors (MCII);
  - To advocate, provide guidance and monitor the adoption of the MCII among institutional investors and encouraging institutional investors to become signatories of the MCII; and
  - To be the platform to influence good corporate governance culture by public listed companies as envisaged in the Corporate Governance Blueprint 2011.



## CORPORATE INFORMATION

## COUNCIL BOARD MEMBERS

**ROHAYA MOHAMMAD YUSOF***Chairman***NIK AMLIZAN MOHAMED***Vice-Chairman***LYA RAHMAN***Secretary**(Demise on 27 December 2022)***HUSAINI HUSSIN***Treasurer***RIZAL RICKMAN RAMLI***Council Member***SUHANA DEWI SELAMAT***Council Member***MOHAMAD DAMSHAL AWANG DAMIT***Council Member***MUHAMMAD FITRI OTHMAN***Council Member***FONG CHOON LIAN***Council Member***GERALD MICHAEL AMBROSE***Council Member***RAYMOND TANG CHEE KIN***Council Member***ISMITZ MATTHEW DE ALWIS***Council Member***SYHIFUL ZAMRI ABDUL AZID***Council Member***MUNIRAH KHAIRUDDIN***Council Member***MOHD FARID KAMARUDIN***Council Member* AUDITORS**PricewaterhouseCoopers PLT, Malaysia**

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Website: <http://www.iicm.org.my/> SECRETARIAT

Minority Shareholders Watch Group

Contact Person: Noraida Maria Mohd Hatta

Email: [noraida@mswg.org.my](mailto:noraida@mswg.org.my) BANKER

Malayan Banking Berhad

Kuala Lumpur Main Branch

1st Floor Menara Maybank

100, Jalan Tun Perak

50050 Kuala Lumpur

## THE MALAYSIAN CODE FOR INSTITUTIONAL INVESTORS COUNCIL (MCII)

**THE** Malaysian Code for Institutional Investors Council (MCII) published by the Securities Commission Malaysia (SC) and launched jointly by the SC and the Minority Shareholder Watchdog Group (MSWG) on 27 June 2014 is one of the deliverables of the Corporate Governance (CG) Blueprint 2011.



This initiative was one of the recommendations of the CG Blueprint for the formulation of an industry-driven code that is expected to strengthen the accountability of institutional investors to their own members and investors.

Additionally, institutional investors being major players in the global economy have significant influence over their investee companies due to the substantial stake they hold. This clout can provide them the ability to encourage both good governance and appropriate behaviour by their investee companies to ensure delivery of sustainable long-term value for their beneficiaries or clients.

The development of the MCII was undertaken through the Steering Committee assisted by Working Groups comprising CEOs and key representatives from the institutional investors fraternity in Malaysia, namely Kumpulan Wang Simpanan Pekerja (KWSP), Kumpulan Wang Persaraan (Diperbadankan) (KWAP), Lembaga Tabung Angkatan Tentera (LTAT), Lembaga Tabung Haji (LTH), Permodalan Nasional Bhd (PNB), Pertubuhan Keselamatan Sosial (PERKESO), Malaysian Association of Asset Managers (MAAM), Malaysian Takaful Association (MTA), Private Pension Administrator Malaysia (PPAM) and MSWG.

The Expert and Observer Groups were formed to provide input and expert opinion on the Code. Members of the Expert Group were PricewaterhouseCoopers Malaysia (PwC), Financial Reporting Council United Kingdom (FRC), International Corporate Governance Network (ICGN) and Governance for Owners UK, while the Observer Group consisted of Securities Commission Malaysia (SC), Bursa Malaysia Bhd and Organisation for Economic Co-operation and Development (OECD).

Prior to the launch of the MCII, a Joint Consultation Paper with the SC on the Malaysian Code for Institutional Investors was issued in early 2014 to seek public feedback on the MCII. Various focus groups were engaged such as fund managers as well as unit trust and insurance companies to obtain feedback on the MCII.

The MCII was a significant milestone for the country as being the first of such code in the ASEAN region.

The Code which is voluntary in nature sets out six key broad principles of effective stewardship by institutional investors, followed by guidance to help institutional investors understand and implement the principles.

In addition to economic considerations, the MCII advocates institutional investors to ensure that they invest in a responsible manner by having regard for corporate governance and by ensuring that they emphasise sustainability in the course of their operations.

This Code requires institutional investors to explain how corporate governance has been adopted as an investment criteria and the measures that they have taken to influence, guide and monitor their investee companies.

Under the six key principles, institutional investors are expected to:

- Disclose the policies on their stewardship responsibilities;
- Monitor their investee companies;
- Engage with investee companies as appropriate;
- Adopt a robust policy on managing conflicts of interest which should be publicly disclosed;
- Incorporate corporate governance and sustainability considerations into the investment decision-making process; and
- Publish a voting policy.

All Institutional investors are encouraged to be signatories of the MCII.

IIC is currently looking into revising the MCII to enhance the recommended principles so as to promote better transparency and more effective stewardship responsibilities by creating a stronger baseline to be applied by the MCII signatories especially in the areas of active engagements with investee companies, ESG (environmental, social and governance) considerations into the investment decision-making process, managing conflicts of interest, and voting policy and guidelines.

## SIGNATORIES TO THE MALAYSIAN CODE FOR INSTITUTIONAL INVESTORS (MCII)

AS of 31 December 2021, there are 38 signatories to the Code compared to 27 signatories in 2020. The signatories are made up of the following institutions:

1	<b>ABERDEEN STANDARD INVESTMENTS (MALAYSIA) SDN BHD</b> (August 2014)
2	<b>AFFIN HWANG ASSET MANAGEMENT BERHAD</b> (March 2017)
3	<b>AIIMAN ASSET MANAGEMENT SDN BHD</b> (March 2017)
4	<b>AMANAHRAYA INVESTMENT MANAGEMENT SDN BHD</b> (January 2021)
5	<b>AMFUNDS MANAGEMENT BHD</b> (April 2021)
6	<b>AMISLAMIC FUNDS MANAGEMENT SDN BHD</b> (April 2021)
7	<b>AMUNDI AALAM SDN BHD</b> (March 2021)
8	<b>AMUNDI MALAYSIA SDN BHD</b> (March 2021)
9	<b>BNP PARIBAS ASSET MANAGEMENT MALAYSIA SDN BHD</b> (December 2014)
10	<b>BNP PARIBAS ASSET MANAGEMENT NAJMAH MALAYSIA SDN BHD</b> (December 2014)
11	<b>EASTSPRING AL-WARA' INVESTMENTS BHD</b> (March 2021)
12	<b>EASTSPRING INVESTMENTS BHD</b> (January 2021)
13	<b>EMPLOYEES PROVIDENT FUND</b> (January 2017)
14	<b>FRANKLIN TEMPLETON ASSET MANAGEMENT (MALAYSIA) SDN BHD</b> (July 2020)
15	<b>FRANKLIN TEMPLETON GSC ASSET MANAGEMENT SDN BHD</b> (July 2020)
16	<b>KENANGA INVESTORS BERHAD</b> (October 2017)
17	<b>KENANGA ISLAMIC INVESTORS BERHAD</b> (October 2017)
18	<b>KHAZANAH NASIONAL BERHAD</b> (January 2017)
19	<b>KUMPULAN WANG PERSARAAN (DIPERBADANKAN)</b> (October 2015)
20	<b>LEMBAGA TABUNG ANGKATAN TENTERA</b> (July 2020)
21	<b>LEMBAGA TABUNG HAJI</b> (August 2020)
22	<b>MAYBANK ASSET MANAGEMENT SDN BHD</b> (November 2021)
23	<b>MAYBANK ISLAMIC ASSET MANAGEMENT SDN BHD</b> (November 2021)
24	<b>NOMURA ASSET MANAGEMENT MALAYSIA SDN BHD</b> (April 2017)
25	<b>NOMURA ISLAMIC ASSET MANAGEMENT SDN BHD</b> (April 2017)
26	<b>PERMODALAN NASIONAL BERHAD</b> (September 2019)
27	<b>PERTUBUHAN KESELAMATAN SOSIAL (PERKESO)</b> (June 2017)

28	<b>PHEIM ASSET MANAGEMENT SDN BHD</b> <i>(February 2021)</i>
29	<b>PRINCIPAL ASSET MANAGEMENT BERHAD</b> <i>(May 2018)</i>
30	<b>PRINCIPAL ISLAMIC ASSET MANAGEMENT SDN BHD</b> <i>(May 2018)</i>
31	<b>PUBLIC MUTUAL BERHAD</b> <i>(December 2021)</i>
32	<b>RHB ASSET MANAGEMENT SDN BHD</b> <i>(August 2020)</i>
33	<b>RHB ISLAMIC INTERNATIONAL ASSET MANAGEMENT BHD</b> <i>(August 2020)</i>
34	<b>SATURNA SDN BHD</b> <i>(October 2020)</i>
35	<b>SINGULAR ASSET MANAGEMENT SDN BHD</b> <i>(August 2019)</i>
36	<b>HERMES EQUITY OWNERSHIP SERVICES</b> <i>(July 2014)</i>
37	<b>HERMES FUND MANAGERS</b> <i>(July 2014)</i>
38	<b>LEGAL &amp; GENERAL INVESTMENT MANAGEMENT</b> <i>(November 2014)</i>

All signatories are expected to report annually their application of the principles of the Code on their respective websites, annual reports or other accessible forms. Nevertheless, the signatories to the MCII are given a timeframe of one year from the date of them becoming signatories to publish their Compliance Statements.

To-date, 17 signatories have published their Compliance Statements which can be accessed on IIC website <http://www.iicm.org.my/compliance-statements/>.

## MEMBERSHIP

Currently, IIC has 30 members, an increase of seven members from 23 in 2020. The members are made up of the following institutions:

1	<b>ABRDN MALAYSIA SDN BHD</b> <i>[formerly Aberdeen Standard Investments (M) Sdn Bhd]</i>
2	<b>AFFIN HWANG ASSET MANAGEMENT BHD</b>
3	<b>AIIMAN ASSET MANAGEMENT BHD</b>
4	<b>AMANAHRAYA INVESTMENT MANAGEMENT SDN BHD</b>
5	<b>AMFUNDS MANAGEMENT BHD</b>
6	<b>AMISLAMIC FUNDS MANAGEMENT SDN BHD</b>
7	<b>AMUNDI MALAYSIA SDN BHD</b>
8	<b>BNP PARIBAS ASSET MANAGEMENT MALAYSIA SDN BHD</b>
9	<b>EASTSPRING AL WARAH INVESTMENTS BHD</b>
10	<b>EASTSPRING INVESTMENTS BHD</b>
11	<b>EMPLOYEES PROVIDENT FUND</b>
12	<b>FRANKLIN TEMPLETON ASSET MANAGEMENT (MALAYSIA) SDN BHD</b>
13	<b>KENANGA INVESTORS BHD</b>
14	<b>KHAZANAH NASIONAL BHD</b>
15	<b>KUMPULAN WANG PERSARAAN (DIPERBADANKAN)</b>
16	<b>LEMBAGA TABUNG ANGKATAN TENTERA</b>
17	<b>LEMBAGA TABUNG HAJI</b>
18	<b>LIFE INSURANCE ASSOCIATION OF MALAYSIA</b>
19	<b>MAYBANK ASSET MANAGEMENT SDN BHD</b>
20	<b>MAYBANK ISLAMIC ASSET MANAGEMENT SDN BHD</b>
21	<b>MINORITY SHAREHOLDERS WATCH GROUP</b>
22	<b>NOMURA ASSET MANAGEMENT MALAYSIA SDN BHD</b>
23	<b>PERMODALAN NASIONAL BHD</b>
24	<b>PHEIM ASSET MANAGEMENT SDN BHD</b>
25	<b>PRINCIPAL ASSET MANAGEMENT BERHAD</b>

26	PRINCIPAL ISLAMIC ASSET MANAGEMENT SDN BHD
27	PRIVATE PENSION ADMINISTRATOR MALAYSIA
28	RHB ASSET MANAGEMENT SDN BHD
29	SATURNA SDN BHD
30	SOCIAL SECURITY ORGANISATION

## VALUE PROPOSITION FOR MEMBERS

Members of IIC are entitled to the following benefits and privileges:

### Opportunity to participate in IIC-led engagements

- Jointly engage with public listed companies (PLCs)/investee companies in purposeful dialogue on the oversight of strategy, performance, relations with stakeholders, the management of risk, including shaping and influencing good CG practices in PLCs.
- Participate in engagements with regulators on market/industry issues.

### Opportunity to jointly promote common objectives, i.e. Environmental, Social and Corporate Governance (ESG) agenda/corporate governance (CG)

- Exert influence on other institutional investors and asset managers to inculcate similar CG practices across the board in one platform.

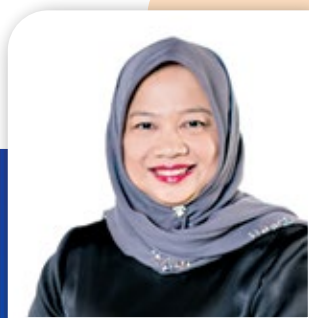
### Platform for institutional investors

- Access to knowledge sharing sessions conducted by institutional investors.
- Invitation to participate in conference/events organised by IIC/institutional investors at a special member rate.
- Access to networking opportunities with institutional investors from other countries as well as international CG bodies.

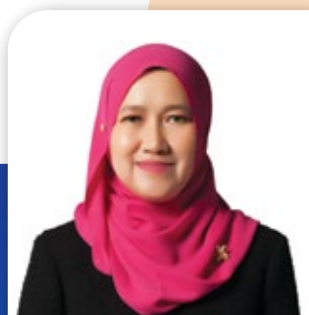


## MEMBERS OF THE COUNCIL BOARD

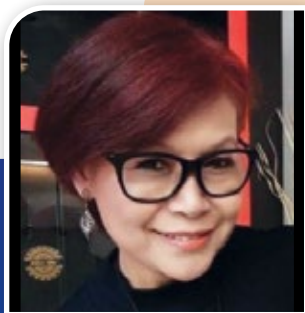
(As of 31 December 2022)



**ROHAYA MOHAMMAD YUSOF**  
 (Representing Employees Provident Fund)  
**Chairman**  
 (Appointed on 4 February 2020)



**NIK AMLIZAN MOHAMED**  
 [Representing Kumpulan Wang Persaraan  
 (Diperbadankan)]  
**Vice-Chairman**  
 (Appointed on XXX)



**LYA RAHMAN**  
 (Adviser)  
**Secretary**  
 (Demise on 27 December 2022)



**HUSAINI HUSSIN**  
 (Representing Private Pension  
 Administrator Malaysia)  
**Treasurer**



**RIZAL RICKMAN RAMLI**  
(Representing Permodalan Nasional Bhd)  
**Council Member**



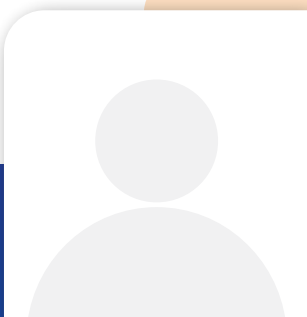
**GERALD MICHAEL AMBROSE**  
(Representing abrdn Islamic Malaysia  
Sdn Bhd)  
**Council Member**



**MOHAMAD DAMSHAL AWANG DAMIT**  
(Representing Lembaga Tabung Haji)  
**Council Member**



**MUHAMMAD FITRI OTHMAN**  
(Representing Lembaga Tabung Angkatan  
Tentera)  
**Council Member**



**FONG CHOON LIAN**  
(Representing Social Security Organisation)  
**Council Member**



**SUHANA DEWI SELAMAT**  
(Representing Khazanah Nasional Bhd)  
**Council Member**





**RAYMOND TANG CHEE KIN**  
(Representing Eastspring Investments Bhd)  
**Council Member**



**ISMITZ MATTHEW DE ALWIS**  
(Representing Kenanga Investors Bhd)  
**Council Member**



**SYHIFUL ZAMRI ABDUL AZID**  
(Representing Maybank Asset Management  
Sdn Bhd)  
**Council Member**



**MUNIRAH KHAIRUDDIN**  
(Representing Principal Asset Management  
Bhd)  
**Council Member**



**MOHD FARID KAMARUDIN**  
(Representing RHB Islamic International Asset  
Management Bhd)  
**Council Member**

## MEMBERS OF THE WORKING COMMITTEE

**THE** Working Committee was established to undertake special tasks and/or projects under the instructions of the Members of the Council Board.

The current members of the Working Committee are as follows:



**LYA RAHMAN**  
(Representative of Institutional Investors  
Council Malaysia)  
**Chairperson**  
(Demise on 27 December 2022)



**GERALD MICHAEL AMBROSE**  
(Representative of abrdn Malaysia  
Sdn Bhd)



**NOR AZAM YAHYA**  
(Representative of Employees  
Provident Fund)



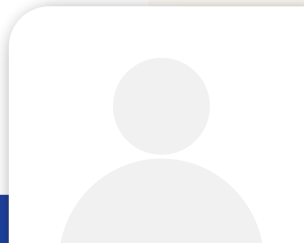
**AZHAR ABDUL LATIF**  
(Representative of Employees  
Provident Fund)



**DR ESMA NIZAM ABDUL SAMAD**  
(Representative of Khazanah  
Nasional Bhd)



**RIZAL MOHAMED ALI**  
[Representative of Kumpulan Wang  
Persaraan (Diperbadankan)]



**ELSA ATIRA NORIZAMSHAH**  
[Representative of Kumpulan Wang  
Persaraan (Diperbadankan)]



**SAIRA BANU CHARA DIN**  
(Representative of Lembaga Tabung  
Angkatan Tentera)



**ROSLIN SHAH HARIP SHAH**  
(Representative of Lembaga Tabung  
Angkatan Tentera)



**MADON MOHD JANI**  
(Representative of Lembaga Tabung Haji)



**KOH HUAT SOON**  
(Representative of Maybank Asset  
Management Sdn Bhd)



**MUAZZAM MOHAMAD**  
(Representative of Permodalan Nasional Bhd)



**AZRINA SULAIMAN**  
(Representative of Permodalan Nasional Bhd)



**IKMALUL AMANI ABDUL AZIZ**  
(Representative of Social Security  
Organisation)



**AHMAD NABIL NAZRI**  
(Representative of Social Security  
Organisation)

## CHAIRMAN'S STATEMENT



ROHAYA MOHAMMAD YUSOF

**ON** behalf of the members of Council Board, it gives me great pleasure to present the fourth Annual Report for the Institutional Investors Council Malaysia (IIC).

2021 marked the year of gradual recovery for Malaysia from the COVID-19 pandemic with economy re-opening having commenced on the final quarter of the year as the country embarked on its transition journey to endemicity with almost the entire population (95%) of its adults' population having been fully vaccinated by early November 2021.

Evan as the COVID-19 virus remains a threat, the country is emerging from this public health emergency with 70% of Malaysians already received their third dose by end-April 2022.

A World Bank findings showed that employment had gradually improved as of late 2021 following re-opening of the Malaysian economy and relaxation of movement restrictions in August that year.

Almost 80% of pre-pandemic workers (those who worked in February 2020) retained their employment. However, one-third of them still worked with less income. Employment fluctuations had also reduced since June 2021 with fewer people having changed their employment status or switched jobs.

Delighted with such development, IIC resumed its activities after a quiet spell spanning 18 months with a knowledge sharing agenda in the form of an inaugural engagement alongside Malaysia's Sustainable Investment Platform on the topic of Crafting an ESG Investment Strategy on Sept 30, 2021.

Supported by Capital Markets Malaysia, IIC and the Principles for Responsible Investments, this workshop was the first in a series of engagements to build the capacity of Malaysian asset owners and asset managers in the area of sustainable investing.

A sequel to this is an IIC members' knowledge Sharing Session: EPF Sustainability Journey which subsequently culminated in the IIC-SIDC (Securities Industry Development Corporation) Corporate Governance Conference 2022 on 23 September 2022.

Themed Investment Stewardship in Times of Heightened Sustainability Demands, the one-day event the programme which aimed to explore and analyse contemporary corporate governance issues from the lens of institutional investors culminated in the launch of the Malaysian Code for Institutional Investors 2022.

Officiated by the then Finance Minister Senator Tengku Datuk Seri Utama Zafrul Abdul Aziz, the conference featured numerous panel sessions which addressed the following areas:

- Corporate Governance Post Pandemic: Redefining Malaysia's Corporate Purpose;
- Meeting Net Zero By 2050;
- Global Developments in Stewardship Codes & the Role of Institutional Investors;
- Resilient and Agile Workforce in the Face of Environmental and Social Challenges; and
- Transparency and Accountability to Counter Cancel Culture.

Moving forward, concerted efforts among investors, especially institutional investors, regulators, government and companies to improve reporting and transparency on sustainable investing are important as the information on companies' exposures to investment risks are vital for investors to make informed investment decisions.

In closing, on behalf of the Council Board Members, I would like to extend my sincere appreciation to the regulators, media and other stakeholders for their continued support. My gratitude also goes to members of the Council Board and Working Committee for their commitment and insights in driving and pushing IIC to meet its objectives.

In particular, I would like to take this opportunity to record my deepest condolences on the demise of our adviser Lya Rahman.



Lya was known for her advocacy of corporate governance (CG) and shareholder activism matters where she had on numerous occasions raised pertinent issues related to the rights of minority shareholders. Throughout her tenure as IIC's adviser and Council Member, she had written articles on the corporate governance and had frequently spoken and participated as panellists at several platforms – both locally and internationally.

**ROHAYA MOHAMMAD YUSOF**

Chairman

Institutional Investors Council Malaysia (IIC)



# REPORT OF THE COUNCIL BOARD MEMBERS

IN line with one of its strategic priorities to enhance corporate governance in the capital market, the IIC undertakes collective engagements with public listed companies (PLCs) via purposeful dialogue on the oversight of strategy, performance, governance, relations with stakeholders and risk management.

The company engagements are led by the Council Members whereby IIC engages with the board members of the PLCs, including the senior management. The first engagement took place in November 2017, with future company engagements being planned as part of IIC’s activities.

Throughout the year 2021, two collective engagements were carried out with board members and senior management of the following PLCs:

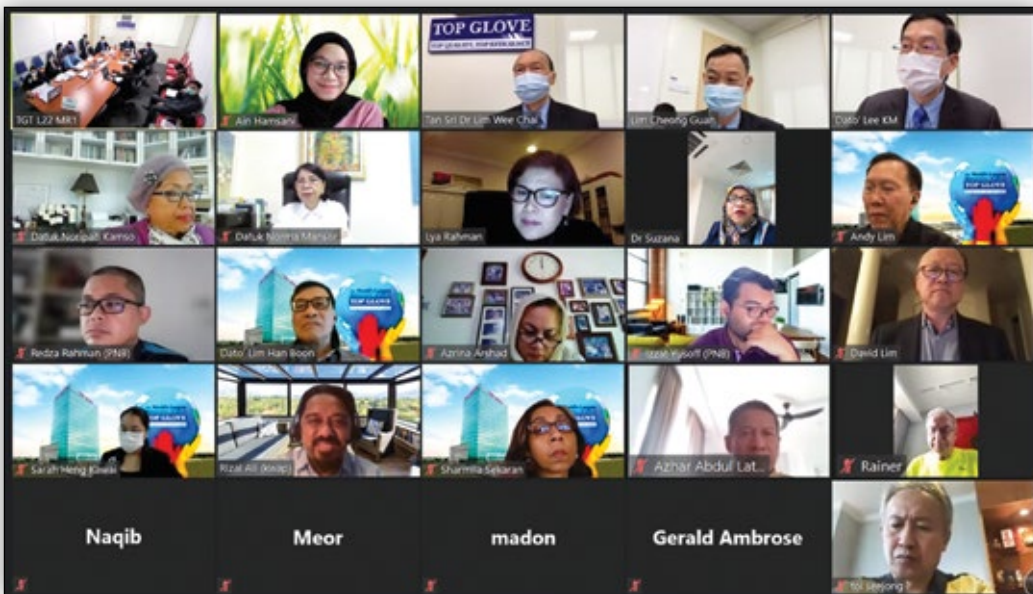
## TOP GLOVE CORPORATION BHD

**Date of engagement: 15 April 2021**

**THE** virtually-held engagement was attended by Top Glove’s board of directors, including its executive chairman Tan Sri Dr Lim Wee Chai and managing director Datuk Lee Kim Meow.

A wide ranging issues were discussed, notably that related to financial performance and track records; the company’s proposed dual primary listing on the Hong Kong Exchanges; and Clearing Ltd (HKEX), and its progress update on the US Customs and Border Protection’s (CBP) Withhold Release Order (WRO) status.

Other matters touched were that pertaining to workers’ hostels improvement; corporate governance; independent directors’ commitment; and future direction & prospects of the group.





## AMMB HOLDINGS BHD

**Date of engagement: 2 April 2021 & 26 March 2021**

**THE** virtually-held engagement was attended by AMMB Holdings’ board of directors, including its Group CEO Dato’ Sulaiman Mohd Tahir, chief financial officer Jamie Ling Fou-Tsong and investor relations head Yeoh Ru Hann.

Two engagements were held of which the first engagement (that of 26 March 2021) centred on matters such as global settlement with the Finance Ministry (MOF); operations overview post the Bank Negara Malaysia’s (BNM) moratorium period; the AmBank Group transformation programme; remediation projects and outcome; group financials and future direction & prospects of the AMMB Group.

Meanwhile, the second engagement on 2 April 2021 entailed issues such as Bursa Malaysia’s announcement briefing on the AMMB Group’s proposed private placement; goodwill for impairment; rationale for private placement; and key considerations of stakeholders.





## OTHER ENGAGEMENTS/DIALOGUES

### IIC-CGM WEBINAR ON “UNDERSTANDING INVESTOR EXPECTATIONS FOR CLIMATE GOVERNANCE”

*Date of engagement: 11 February 2021*

**CURATED** by Climate Governance Malaysia (CGM), the virtual webinar was organised in collaboration with IIC to raise awareness about the fiduciary duty of all directors in addressing physical and transition risks arising from the climate crisis which are material financial risks that represent a critical business challenge and opportunity.

Increasingly, corporations are expected to disclose the material physical, economic transition and litigation-related risks associated with climate change on their financial position, performance and prospects – in a consistent form – that would be useful for decision-making of investors, lenders and insurance underwriters.

This webinar is intended to embolden directors and boards to embark on the climate-related financial risk reporting journey sooner than later by understanding the national commitments which have been made, increasing expectations from institutional investors and how values can be invoked for action beyond the compelling science and data.

**Understanding Increasing Investor Expectations for Climate Governance**  
 What We Need To Know and What We Need To Do  
 2:30pm - 5:30pm Thursday 11 February 2021

**Contributors**  
 Dr Gary Theseira, MGTC Consultant Technical Advisor  
 Amar Singh Gill, APAC Head of Investment Stewardship at BlackRock  
 Per Grankvist, Chief Storyteller for Viable Cities, Sweden  
 Karina Litvack, WEF Contributor & Founder of Climate Governance Initiative

**Climate Governance Malaysia** **IIC**  
 RSVP at [www.cgmalaysia.com](http://www.cgmalaysia.com)



## IIC-CGM WEBINAR ON “MAKING INFORMED DECISIONS ABOUT CLIMATE RISK”

*Date of engagement: 3 September 2021*

**TWO** speakers from S&P Global, Micheal Salvatico and Sannya Joseph shared insights on the following at the virtual webinar conference organised by IIC in collaboration with Climate Governance Malaysia (CGM). Topics touched during the event included:

- What is climate change scenario analysis?
- How to measure portfolio exposure to climate change related risks both transition and physical risk?
- How to measure portfolio alignment to Paris Agreement and a 1.5-degree world”
- How do investors manage portfolio climate risk exposure?
- Why ESG and climate resilient indices are more sustainable benchmarks?

This was followed by a panel discussion with panellists EPF’s chief strategy officer Nurhisham Hussein and KWAP’s director/head of equity Azlan Hussein.



## IIC-CAPITAL MARKETS MALAYSIA WORKSHOP ON “LISTED EQUITIES: CRAFTING AN ESG INVESTMENT STRATEGY”

*Date of engagement: 30 September 2021*

THE Sustainable Investment Platform (SIP), a collaboration between IIC and Capital Markets Malaysia, hosted its first in a series of engagements to build the capacity of Malaysian asset owners and asset managers in the area of sustainable investing.

Supported by the SIP’s knowledge partner, the Principles for Responsible Investment, this virtual workshop was the first in a series of engagements to build the capacity of Malaysian asset owners and asset managers in the area of sustainable investing.

## ADVOCACY ACTIVITIES

AS part of its on-going involvement in the capital market activities, IIC provided feedback and comments on the following Consultation Papers issued during the year:

THE Institutional Investors Council (IIC) views with concern the issues surrounding Serba Dinamik Holdings Bhd, in particular the call by its non-independent non-executive director Datuk Abdul Kadier Sahib, who holds a 15.96% stake in the global oil and gas integrated engineering services provider, to remove KPMG PLT as the company's external auditors.

In a Bursa Malaysia filing late last Friday, the board of Serba Dinamik said an EGM would be convened to seek shareholders' approval pursuant to Section 311 of the Companies Act 2016 to replace KPMG with BDO PLT as the company's new auditors for its financial year ending June 30, 2021.

The crux of the matter is obviously not about the right of the company or shareholder to convene an EGM but one of transparency and governance, i.e. what is the justification and rationale to remove KPMG or is the justification given by management acceptable?

Issues raised by KPMG should be seen as a red flag with wide and far-reaching consequences. The issue surrounding financial transactions is itself a serious matter which warrants an in-depth independent investigation.

But as per response to the Bursa Malaysia query (also on May 28) as to whether any independent committee will be established internally by the board of directors to manage matters in relation to the independent review

that the company has mooted, one cannot help wondering why members of the company's management must be part of the integral investigation committee.

In a filing to answer Bursa Malaysia's query, Serba Dinamik said the composition of the committee will mainly comprise non-executive directors, legal advisors, internal auditors, company secretary and representative of the management.

The involvement of management representatives on the investigation committee is not encouraged as this would definitely undermine the independence of the committee.

### Intervention by regulators

Every seasoned investor would have wondered what is the urgency or rationale for Serba

## Institutional investors against ousting of Serba Dinamik's external auditor



By LYA RAHMAN

CORPORATE NEWS

Wednesday, 02 Jun 2021



THE Institutional Investors Council (IIC) views with concern the issues surrounding Serba Dinamik Holdings Bhd, in particular the call by its non-independent non-executive director Datuk Abdul Kadier Sahib, who holds a 15.96% stake in the global oil and gas integrated engineering services provider, to remove KPMG PLT as the company's external auditors.

Dinamik to remove its external auditors even before the commencement of the company's internal investigation vis-a-vis the setting up of its independent committee.

Was the proposal to remove KPMG deliberated and agreed on by members of the audit committee? Has due process on the removal of KPMG and appointment of BDO taken place?

If it is the decision by the audit committee, why is it that a non-independent non-executive director who is also a shareholder is making the call?

In what capacity is he making the announcement? As this involves the removal of external auditors, why is the audit committee chairman not making such call?

This is given the term of reference of Serba Dinamik's audit committee – as published on its website – clearly states that the audit committee is responsible for recommending to the board the nomination of external auditors and deal with any question of dismissal of external auditors.

We hope that market regulators, namely the Securities Commission (SC) and Bursa Malaysia would swiftly look into this situation whereby a shareholder who is also a non-executive director moves a motion or initiates the removal of an external auditor prior to the commencement of an investigation and even before the company's board having deliberated findings by its independent investigation committee.

This is to prevent such development from setting a bad precedent especially given the decision to remove an auditor is not a matter that can be taken lightly.

Beyond that, it is strange for Serba Dinamik's management to feel that it is inappropriate for KPMG to raise the audit issues to the company's independent directors before discussing with the management considering that external auditors are duty-bound to raise any issue of concern to the company's audit committee.

Moreover, external auditors are also obliged to act as independent gatekeepers to ensure that the interest of the company and other shareholders are protected at all times.

Similarly, the company's board – especially the independent directors – should ensure that the company's governance process is not compromised at any time.

At the time of writing, however, Serba Dinamik is still unable to provide a strong basis and rationale for the removal of KPMG and the proposed appointment of BDO as replacement.

Neither were there any comments from the independent directors or audit committee chairman.

Shareholders expect the independent directors to discharge their fiduciary duties in the best interests of the company and other minority shareholders without any obligation to any substantial shareholders or management.

### **On the flip side**

Serba Dinamik owes shareholders – many of whom are in the dark – as to what are the reasons behind the company requesting an independent review and/or what is the scope of the review?

Very much connected to this is, have there been efforts on the part of the company's board of directors to conduct an internal enquiry to review the issues raised by KPMG?

In all fairness, this should be a better proposition than merely to call for the removal of KPMG which has served the company since 2013.

In ensuring that the best interest of the company and the interest of other shareholders are protected and not jeopardised, the members of IIC together with the Minority Shareholders Watch Group (MSWG) wish to state



that they are not in favour of the removal of KPMG at this juncture as there are still many issues that are not properly clarified and addressed.

Moreover, shareholders would expect a more transparent and credible approach in managing the issues raised by KPMG which have raised so many eyebrows.

MSWG had earlier issued a statement urging all minority shareholders to vote against the removal of KPMG.

In playing its stewardship role – led by the Employees Provident Fund (EPF) which holds a 10.16% interest in the company, Kumpulan Wang Persaraan DiPerbadankan (KWAP) and Permodalan Nasional Bhd with 5.2% and 5.34% respectively – IIC urges its members to vote against the resolution on the removal of KPMG at the company's EGM.

All-in-all, IIC calls on shareholders at every level – both institutional and retail – to join hands to stop this undesirable practice which undermines the process of good governance among Malaysian public listed companies.

It is important to restore confidence on how companies treat the external auditors in executing their role as gatekeepers to ensure that they are able to carry out their functions effectively and to whistle blow any undesirable or questionable conduct that can be detrimental to the company's interest.

***Lya Rahman is the adviser to the Institutional Investors Council Malaysia (IICM). The views expressed here are the writer's own.***

THURSDAY JUNE 24, 2021 **15** THEEDGE CEO MORNING BRIEF  
HOME

## Serba Dinamik's EY appointment could be a baby step to many unforeseen discoveries



BY LYA RAHMAN  
Adviser to the Institutional Investors Council (IIC)

**The board has to be more transparent on the nomination process of these three new INEDs, especially in light of them being connected as both Datuk Mohammed Ilyas Pakeer Mohamed and Masleena Zaid sit on the same board in AP Holdings Bhd, while Johan is the managing director of a company that is part of AP's group of companies. Their appointments have definitely raised many eyebrows on who actually decided on their appointments, and how the trio were identified.**

**Frustrations of sorts**  
The Institutional Investors Council (IIC) has thrice attempted to request for engagement with the Serba Dinamik INEDs, but to no avail. It is quite a disappointment that the request for engagement was declined. Isn't this against the principle of encouraging engagement with shareholders? The proposed engagement is intended to seek answers to a host of queries on behalf of the IIC members, who are currently institutional investors in the company. In terms of numbers, the Employees Provident Fund (EPF) presently holds a 9.89% stake in Serba Dinamik, while the Kumpulan Wang Persaraan (Diperbadankan) (KWAP) has 4.53%, and Permodalan Nasional Bhd (PNB) — through its unit

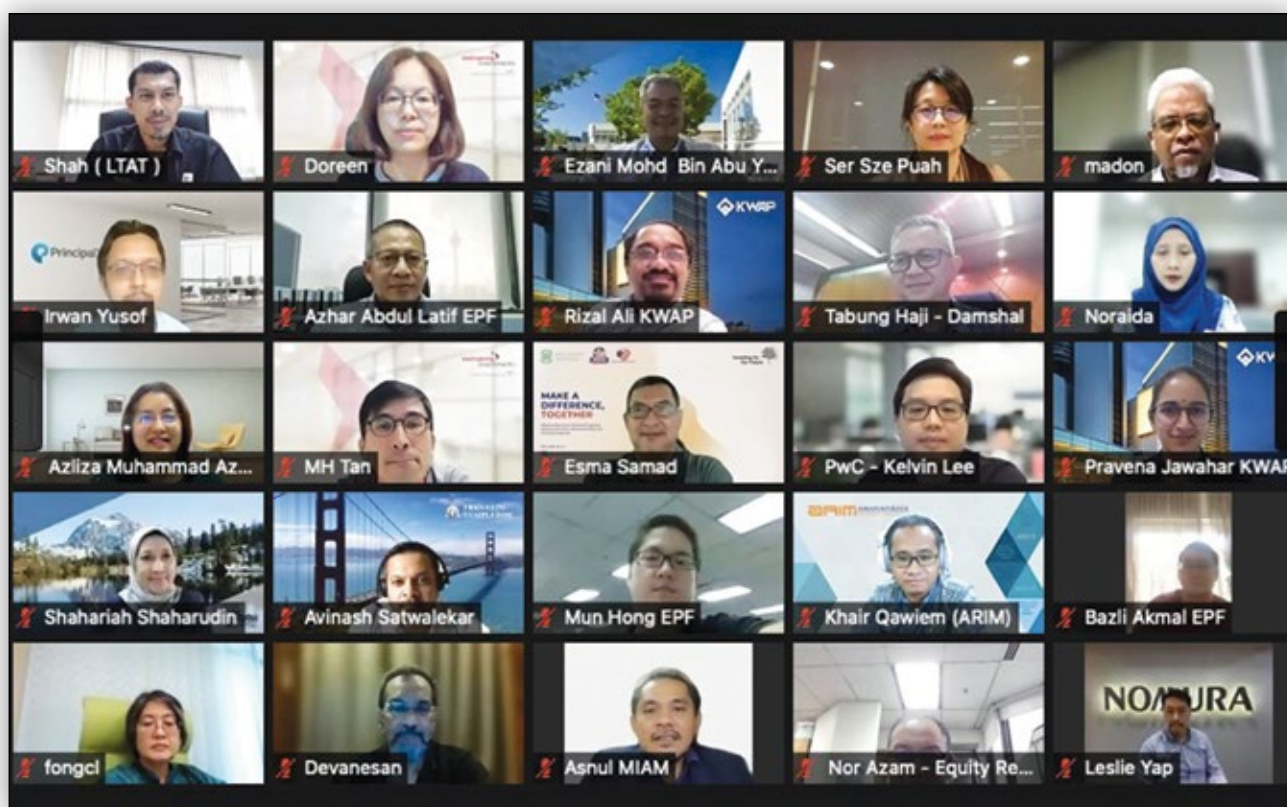
CONTINUES ON PAGE 14

**KUALA LUMPUR (June 24):** On June 14, Serba Dinamik Holdings Bhd took the maiden step to resolve its accounting woes by agreeing in principle to appoint Ernst & Young Advisory Services Sdn Bhd (EY) as an independent reviewer to assess the veracity and accuracy of the issues highlighted by its external auditors KPMG PLLC with regard to its FY2020 financials. This is seen as a praiseworthy move by the market, as evident in the stock of the global integrated oil & gas (O&G) service provider, which climbed 38% from an intraday low of 54 sen (prior to the announcement at the close of the morning trading session) to close the day's trading at 74.5 sen. However, the 'joyride' only lasted for one trading session, as investors began to absorb — or rather come to their senses — that the ordeal facing Serba Dinamik is far from over. What this means is that this is merely 'a baby step' to the so-called 'far-away' ultimate solution. After all, the company is expected to furnish an updated announcement upon finalisation of the terms and conditions of the said appointment (as per Serba Dinamik's Bursa Malaysia filing dated June 14). In the name of transparency, which is an important pillar of corporate governance, Serba Dinamik is widely expected to make known the job scope to ensure completeness and comprehensiveness in carrying out the task in a timely manner. Moving away from that, the onus is on Serba Dinamik to iron out all complications to ensure that the findings, which shall ultimately be made public, are comprehensive and that the review adheres to the given timeline. Most importantly is that accountability is preserved, with actions taken without fear or favour — and that the review leaves no stone unturned. However, at the recent media conference, Serba Dinamik announced it has initiated legal action against KPMG, as its board is of the view that the audit issues raised by its external auditor are insignificant to be deemed as red flags. It was also mentioned that the board will be reviewing whether it would be necessary to appoint EY to look at the various issues independently. (INEDs), which coincidentally took place on the same day that Serba Dinamik announced the board's decision in principle to appoint EY as the independent firm. Without questioning their qualification and experience, the concern is more on the nature of their appointments. The Edge has recently revealed that the three INEDs seem to be connected, thus raising the question of who actually nominated them. The board has to be more transparent on the nomination process of these three new INEDs, especially in light of them being connected as both Datuk Mohammed Ilyas Pakeer Mohamed and Masleena Zaid sit on the same board in AP Holdings Bhd, while Johan is the managing director of a company that is part of AP's group of companies. Their appointments have definitely raised many eyebrows on who actually decided on their appointments, and how the trio were identified. Looking at the background of these new INEDs and probably the nature of the appointment, would they be able to handle issues surrounding Serba Dinamik with an objective and independent mind? Interestingly, the company also made one of the three INED appointees, namely Datuk Mohammed Ilyas, 65, as its new non-executive chairman with effect from June 15, while re-designating its former chairman Datuk Mohammed Nor Abu Bakar, 71, to the position of INED. Datuk Mohammed Nor subsequently resigned on June 19, citing personal reasons.

# IIC THIRD ANNUAL GENERAL MEETING

(18 December 2020)

THE Third Annual General Meeting (AGM) of IICM was held virtually on 15 December 2021 and was attended by all IIC members. All Council Board Members were present at the AGM.



## MOVING FORWARD

**MOVING** forward, IIC members regardless of size will be focussing on making ESG an important criteria in their investment-decision making especially in the area of climate related matters.

More efforts would be put to engage with investee companies to encourage them to seriously focus on climate-related matters into their operations and businesses apart from being more transparent in disclosing their climate risks.

Additionally, IIC also encourages its members to be more vocal in raising ESG issues especially those relating to the environment and social matters at general meetings and/or to vote against recalcitrant companies.

It is hoped that institutional investors would further strengthen their collaboration under the umbrella of IIC to make their voices heard collectively and where appropriate, to also collectively vote against resolutions at AGMs which are not in the best interest of the company and minority shareholders as well as not in line with good corporate governance practices or not in the spirit of the Malaysian Code on Corporate Governance 2011.

The signatories to the Malaysian Code for Institutional Investors (MCII) which is currently under review would be expected to further strengthen their reporting on their stewardship activities within their organisation as well as their investee companies.

IIC would not hesitate to publish their strong views or comments via regular articles in the mainstream media to create more awareness on negative issues that would be detrimental to the companies and best interest of their shareholders while creating an impact in enhancing shareholder activism and promoting best practices in the capital market.

## REPORT OF THE TREASURER FOR THE FINANCIAL YEAR 2020

### FINANCIAL STATEMENTS

**THE** Council Board is responsible for the preparation and fair presentation of the financial statements of the Institutional Investors Council Malaysia (IIC) in accordance with the provisions of the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Societies Act 1966.

### FINANCIAL PERFORMANCE

**FOR** financial year (FY) 2021, IIC recorded the total revenue of RM146,000 contributed from joining and membership fees from its members.

Due to the ongoing COVID-19 pandemic, no income-generating activities were organised for 2021.

During the financial year, IIC incurred operating expenditure amounting to RM188,258, which was mainly made up of professional fees, particularly the adviser's fee, expenses on secretarial services, external audit fees and tax compliance service fees.

On the whole, IIC generated a net deficit of RM42,258 with a cash balance at year end of RM106,731, during its fourth year of operation.

To further broaden its revenue base and to ensure IIC's long-term sustainability of its operations, the Council Board will intensify its effort to increase the number of members through membership drive programme as well as through organising events on governance-related matters.

As part of its primary objective, the Council Board intends to continuously drive the governance agenda by promoting the adoption of strong governance culture among public listed companies, which is fundamental in preparing corporate Malaysia for greater challenges ahead.



Society No.

PPM-006-14-29122017

**INSTITUTIONAL INVESTORS COUNCIL MALAYSIA**  
(Registered under the Societies Act, 1966)

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

CONTENTS	PAGE(S)
COUNCIL BOARD MEMBERS' REPORT	29-31
STATEMENT OF COMPREHENSIVE INCOME	32
STATEMENT OF FINANCIAL POSITION	33
STATEMENT OF CHANGES IN ACCUMULATED FUNDS	34
STATEMENT OF CASH FLOWS	35
NOTES TO THE FINANCIAL STATEMENTS	36-44
STATEMENT BY COUNCIL BOARD MEMBERS	45
STATUTORY DECLARATION	46
INDEPENDENT AUDITORS' REPORT	47-49



Society No.

PPM-006-14-29122017

**INSTITUTIONAL INVESTORS COUNCIL MALAYSIA**

(Registered under the Societies Act, 1966)

**COUNCIL BOARD MEMBERS' REPORT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

The Council Board Members hereby submit the report and the audited financial statements of the Institutional Investors Council Malaysia (the "Council") for the financial year ended 31 December 2021.

**PRINCIPAL ACTIVITIES**

The principal activities of the Council, which was formed on 3 July 2015, is to represent the interests of institutional investors on matters affecting them and to act as a conduit between policy makers, regulators and institutional investors in relation to broader corporate governance issues by providing vision and strategic direction in relation to the development of the Institutional Investors Council and future enhancement to the Malaysian Code for Institutional Investors ("MCII"). The Council also advocates, provides guidance and monitors the adoption of the MCII among institutional investors, encourages institutional investors to become signatories of the MCII as well as to be the platform to influence good corporate governance culture by public listed companies. The Council was formally established under the Societies Act 1966 on 29 December 2017.

**FINANCIAL RESULTS**

	RM
Net deficit for the financial year	(42,258)

**COUNCIL BOARD MEMBERS**

The Council Board Members who served the Council during the financial year and during the period from the end of the financial year to the date of the report are:

Rohaya Mohammad Yusof	Chairman
Nik Amlizan Mohamed	Vice Chairman
Lya Rahman	Secretary
Husaini Bin Hussin	Treasurer
Rizal Rickman Ramli	Council Member
Mohamad Damshal bin Awang Damit	Council Member
Fong Choon Lian	Council Member
Muhammad Fitri bin Othman	Council Member
Suhana Dewi Selamat	Council Member
Raymond Tang Chee Kin	Council Member
Gerald Michael Ambrose	Council Member
Ismitz Matthew De Alwis	Council Member
Syhiful Zamri Abdul Azid	Council Member
Munirah Khairuddin	Council Member
Mohd Farid Kamarudin	Council Member

Society No.

PPM-006-14-29122017

## INSTITUTIONAL INVESTORS COUNCIL MALAYSIA

(Registered under the Societies Act, 1966)

### COUNCIL BOARD MEMBERS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

#### OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Council were prepared, the Council Board Members took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Council had been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Council Board Members are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Council misleading; or
  - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Council misleading or inappropriate.
- (c) At the date of this report:
- (i) there are no charges on the assets of the Council which have arisen since the end of the financial year which secures the liabilities of any other person; and
  - (ii) there are no contingent liabilities in the Council which have arisen since the end of the financial year.
- (d) No contingent or other liability of the Council has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Council Board Members, will or may affect the ability of the Council to meet its obligations when they fall due.
- (e) At the date of this report, the Council Board Members are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Council which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the Council Board Members:
- (i) the results of the operations of the Council during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
  - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Council for the financial year in which this report is made.

Society No.

PPM-006-14-29122017

**INSTITUTIONAL INVESTORS COUNCIL MALAYSIA**  
(Registered under the Societies Act, 1966)**COUNCIL BOARD MEMBERS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)****AUDITORS' REMUNERATION**

Details of auditors' remuneration are set out in Note 3 to the financial statements.

**AUDITORS**

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept the appointment as auditors.

This report was approved by the Council Board Members on 28 December 2022. Signed on behalf of the Council Board Members:



ROHAYA MOHAMMAD YUSOF  
COUNCIL BOARD MEMBER



HUSAINI BIN HUSSIN  
COUNCIL BOARD MEMBER

Kuala Lumpur

Society No.

PPM-006-14-29122017

**INSTITUTIONAL INVESTORS COUNCIL MALAYSIA**  
(Registered under the Societies Act, 1966)

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	<u>Note</u>	<u>2021</u> RM	<u>2020</u> RM
<b>REVENUE</b>			
Joining fees		21,000	30,000
Membership fees		125,000	60,834
Total revenue		<u>146,000</u>	<u>90,834</u>
<b>LESS: EXPENSES</b>			
Operating expenses	3	(188,258)	(160,043)
Total expenses		<u>(188,258)</u>	<u>(160,043)</u>
(Deficit)/Surplus before taxation		(42,258)	(69,209)
Tax expense	4	-	428
Net (deficit)/surplus for the financial year		<u>(42,258)</u>	<u>(68,781)</u>

Society No.

PPM-006-14-29122017

**INSTITUTIONAL INVESTORS COUNCIL MALAYSIA**  
(Registered under the Societies Act, 1966)

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021**

	<u>Note</u>	<u>2021</u> RM	<u>2020</u> RM
<b>CURRENT ASSET</b>			
Cash and cash equivalents		106,731	150,253
Receivables	5	-	4,250
		<u>106,731</u>	<u>154,503</u>
<b>LESS: CURRENT LIABILITIES</b>			
Payables	6	27,667	33,181
Provision for taxation	4	-	-
		<u>27,667</u>	<u>33,181</u>
<b>NET ASSETS</b>		<u><u>79,064</u></u>	<u><u>121,322</u></u>
<b>FINANCED BY:</b>			
Accumulated funds		<u><u>79,064</u></u>	<u><u>121,322</u></u>

Society No.

PPM-006-14-29122017

**INSTITUTIONAL INVESTORS COUNCIL MALAYSIA**  
(Registered under the Societies Act, 1966)

**STATEMENT OF CHANGES IN ACCUMULATED FUNDS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	<u>Total</u> RM
As at 1 January 2021	121,322
Net deficit for the financial year	<u>(42,258)</u>
As at 31 December 2021	<u><u>79,064</u></u>
As at 1 January 2020	190,103
Net deficit for the financial year	<u>(68,781)</u>
As at 31 December 2020	<u><u>121,322</u></u>

Society No.

PPM-006-14-29122017

**INSTITUTIONAL INVESTORS COUNCIL MALAYSIA**  
(Registered under the Societies Act, 1966)

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	<u>2021</u> RM	<u>2020</u> RM
Cash flows from operating activities		
Membership and Joining fees received	150,251	95,750
Contribution received from IIC-SIDC Governance Convention 2019	-	12,000
Payment for advisor fee	(76,500)	(65,000)
Payment for meeting expenses	(770)	(1,786)
Payment for professional expenses	(107,515)	(72,500)
Payment for IGCN membership	(3,237)	(2,363)
Payment for website maintenance	(2,800)	(2,800)
Payment for material and supplies	(2,888)	(4,048)
Payment for event management	-	(51,701)
Tax paid	-	(3,399)
Bank charges	(63)	(63)
Net cash flows used in from operating activities	<u>(43,522)</u>	<u>(95,910)</u>
Net decrease in cash and cash equivalents	(43,522)	(95,910)
Cash and cash equivalents at the beginning of the financial year	<u>150,253</u>	<u>246,163</u>
Cash and cash equivalents at the end of the financial year	<u><u>106,731</u></u>	<u><u>150,253</u></u>

Society No.

PPM-006-14-29122017

**INSTITUTIONAL INVESTORS COUNCIL MALAYSIA**

(Registered under the Societies Act, 1966)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021****1 GENERAL INFORMATION**

The Council is incorporated and domiciled in Malaysia under the Societies Act 1966 on 29 December 2017.

The principal activities of the Council are to represent the interests of institutional investors on matters affecting them and to act as a conduit between policy makers, regulators and institutional investors in relation to broader corporate governance issues by providing vision and strategic direction in relation to the development of the Institutional Investors Council and future enhancement to the Malaysian Code for Institutional Investors (“MCII”). The Council also advocates, provides guidance and monitors the adoption of the MCII among institutional investors, encourages institutional investors to become signatories of the MCII as well as to be the platform to influence good corporate governance culture by public listed companies.

The address of the registered office of the Council is 11th Floor, Bangunan KWSP, No.3 Changkat Raja Chulan, Off Jalan Raja Chulan, 50200 Kuala Lumpur.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements.

**(a) Basis of preparation of the financial statements**

The financial statements of the Council have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

The financial statements have been prepared under the historical cost convention, as modified by financial assets at fair value through profit or loss.

The financial statements are presented in Ringgit Malaysia (“RM”), unless otherwise stated.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period.



Society No.

PPM-006-14-29122017

**INSTITUTIONAL INVESTORS COUNCIL MALAYSIA**  
(Registered under the Societies Act, 1966)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(a) Basis of preparation of the financial statements (continued)

(i) Standards, amendments to published standards and interpretations that are effective

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark (IBOR) Reform – Phase 2' (effective 1 January 2021) provide practical expedient allowing entities to update the effective interest rate for instruments measured at amortised cost to account for any required changes in contractual cash flows that is a direct consequence of IBOR reform. This results in no immediate gain or loss recognised in profit or loss.

The amendments require entities to update the hedge documentation to reflect the changes required by the IBOR replacement. The amendments also provide reliefs that enable and require entities to continue hedge accounting in circumstances when changes in hedged items and hedging instruments are solely due to IBOR reform.

The amendments shall be applied retrospectively but comparatives are not restated.

The adoption of the above standards, amendments to standards or interpretations did not have a material effect on the financial statements of the Council.

(ii) Standards and amendments that have been issued but not yet effective

- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

- Amendments to MFRS 137 'Onerous Contracts—Cost of Fulfilling a Contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

Society No.

PPM-006-14-29122017

**INSTITUTIONAL INVESTORS COUNCIL MALAYSIA**

(Registered under the Societies Act, 1966)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**
**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**
**(a) Basis of preparation of the financial statements (continued)**
**(ii) Standards and amendments that have been issued but not yet effective (continued)**

- Amendments to MFRS 101 'Classification of Liabilities as Current or Non-current' (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The adoption of the above standards, amendments to standards or interpretations is not expected to have a material effect on the financial statements of the Council.

**(b) Financial instruments**
**(i) Classification**

The Council classifies its financial assets as those to be measured at amortised cost.

The Council classifies its financial assets based on both the Council's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

The Council classifies cash and cash equivalents and receivables as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Council classifies payables and provision of taxation as financial liabilities measured at amortised cost.

Society No.

PPM-006-14-29122017

**INSTITUTIONAL INVESTORS COUNCIL MALAYSIA**  
(Registered under the Societies Act, 1966)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(b) Financial instruments (continued)

(ii) Recognition and measurement

Financial liabilities, within the scope of MFRS 9, are recognised in the statement of financial position when, and only when, the Council becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Council has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

Financial assets at amortised cost and other financial liabilities are subsequently carried at amortised cost using the effective interest method.

(iii) Impairment

The Council measures credit risk and expected credit losses using probability of default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month expected credit losses as any such impairment would be wholly insignificant to the Council.

Significant increase in credit risk

A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due or a counterparty credit rating which has fallen below BBB/Baa.

Society No.

PPM-006-14-29122017

**INSTITUTIONAL INVESTORS COUNCIL MALAYSIA**  
(Registered under the Societies Act, 1966)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(b) Financial instruments (continued)

(iii) Impairment (continued)

Definition of default and credit-impaired financial assets

The Council defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- (i) Quantitative criteria:  
Any contractual payment which is more than 90 days past due is considered credit impaired.
- (ii) Qualitative criteria:  
The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Fund considers the following instances:
- the debtor is in breach of financial covenants
  - concessions have been made by the lender relating to the debtor's financial difficulty
  - it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
  - the debtor is insolvent

Write-off

The Council writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Council may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains. There are no write-offs/recoveries during the financial year.

(c) Income Taxes

Current tax expense is determined according to Malaysian tax laws and includes all taxes based upon the taxable profits.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank.

Society No.

PPM-006-14-29122017

**INSTITUTIONAL INVESTORS COUNCIL MALAYSIA**  
(Registered under the Societies Act, 1966)**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(e) Payables**

Payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

**(f) Revenue Recognition**

The Council recognises revenue when the amount of revenue can be reliably measured, and when it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Council's activities as described below.

**(i) Joining fees**

Joining fees are recognised upon approval of admission to the Council by the Council Board of which the fees are based on the size of Asset Under Management ("AUM") of the approved member as stipulated in the Constitution.

**(ii) Membership fees**

Annual subscription on fees charged to all members are recognised on an accrual basis. Such fees are determined by the Council Board as stipulated in the Constitution.

**(iii) Contribution/Commission from event fees**

Income earned from contribution made by any of the members of the Council and income received from the Council's activities and events are recognised when such income received.

Society No.

PPM-006-14-29122017

## INSTITUTIONAL INVESTORS COUNCIL MALAYSIA

(Registered under the Societies Act, 1966)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

## 3 OPERATING EXPENSES

	<u>2021</u>	<u>2020</u>
	RM	RM
Tax agent fee	2,500	2,500
Audit fee	5,000	5,000
MSWG Secretariat Fee #	84,000	60,000
Material & Supplies	2,888	5,031
Adviser Fee *	77,000	70,500
Preparation of the IIC Annual Report 2021/2020	10,000	10,000
IGCN Membership	3,237	2,363
Other operating expenses	3,633	4,649
Event management	-	-
	<u>188,258</u>	<u>160,043</u>

# MSWG being one of the members of the Council, provides basic secretariat services to the Council at pre-agreed terms between both parties.

\* Adviser fee paid to the advisor of the Council who was re-appointed on 1 March 2021 which was approved by the Council Board Members.

## 4 TAXATION

	<u>2021</u>	<u>2020</u>
	RM	RM
Income tax		
- current year tax	-	-
- overprovision in the previous financial year	-	(428)
	<u>-</u>	<u>(428)</u>

Society No.

PPM-006-14-29122017

**INSTITUTIONAL INVESTORS COUNCIL MALAYSIA**  
(Registered under the Societies Act, 1966)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**4 TAXATION (CONTINUED)**

The numerical reconciliation between surplus before taxation multiplied by the Malaysian statutory tax rate and tax expense of the Council is as follows:

	<u>2021</u> RM	<u>2020</u> RM
(Deficit)/Surplus before taxation	<u>(42,258)</u>	<u>(69,209)</u>
Taxable Contribution	-	-
Less: Common Expenses	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Tax on the first RM50,000	-	-
Tax calculated for the remaining balance at Malaysia tax rate of 14%	<u>-</u>	<u>-</u>
Taxation	-	-
Overprovision in the previous financial year	<u>-</u>	<u>(428)</u>
	<u>-</u>	<u>(428)</u>

**5 RECEIVABLES**

	<u>2021</u> RM	<u>2020</u> RM
Joining fee receivable	-	3,000
Membership fee receivable	-	1,250
Contribution receivable	<u>-</u>	<u>-</u>
	<u>-</u>	<u>4,250</u>



Society No.

PPM-006-14-29122017

**INSTITUTIONAL INVESTORS COUNCIL MALAYSIA**  
(Registered under the Societies Act, 1966)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

6	PAYABLES	<u>2021</u> RM	<u>2020</u> RM
	Professional fees payable	18,500	23,000
	Other payable*	9,167	10,181
		<u>27,667</u>	<u>33,181</u>

\* Includes membership fees received in advance of RM 9,167 (2020: RM9,166).

7 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements have been authorised for issue in accordance with a resolution of the Council Board Members on 28 December 2022.

Society No.

PPM-006-14-29122017

**INSTITUTIONAL INVESTORS COUNCIL MALAYSIA**

(Registered under the Societies Act, 1966)

**STATEMENT BY COUNCIL BOARD MEMBERS**

We, Rohaya Mohammad Yusof and Husaini Bin Hussin, two of the Council Board Members of Institutional Investors Council Malaysia., do hereby state that, in the opinion of the Council Board Members, the accompanying financial statements set out on pages 4 to 16 are drawn up so as to give a true and fair view of the financial position of the Council as at 31 December 2021 and financial performance of the Council for the financial year ended 31 December 2021 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of the Societies Act, 1966 in Malaysia.

Signed on behalf of the Council Board Members in accordance with a resolution of the Council dated 28 December 2022.



ROHAYA MOHAMMAD YUSOF  
COUNCIL BOARD MEMBER



HUSAINI BIN HUSSIN  
COUNCIL BOARD MEMBER

Kuala Lumpur

**STATUTORY DECLARATION BY TREASURER**

I, Husaini Bin Hussin, being the Officer primarily responsible for the financial management of Institutional Investors Council Malaysia, do solemnly and sincerely declare that the financial statements set out on pages 4 to 16 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



HUSAINI BIN HUSSIN

Petaling Jaya Selangor



Subscribed and solemnly declared by the abovenamed at Kuala Lumpur, Malaysia on 28 December 2022.

Before me,



COMMISSIONER FOR OATHS

No. 21 A, 1st Floor,  
Jalan SS6/12,  
Kelana Jaya,  
47301 Petaling Jaya,  
Selangor Darul Ehsan



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF THE INSTITUTIONAL INVESTORS COUNCIL MALAYSIA  
(Registered under the Societies Act, 1966)  
(Society No. PPM-006-14-29122017)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Institutional Investors Council Malaysia (“the Council”) give a true and fair view of the financial position of the Council as at 31 December 2021, and of its financial performance and its cash flows for the financial year ended 31 December 2021 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Societies Act, 1966 in Malaysia.

What we have audited

We have audited the financial statements of the Council, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in accumulated funds and statement of cash flows for the financial year ended 31 December 2021, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 4 to 16.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the financial statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence and other ethical responsibilities*

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia  
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**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF THE INSTITUTIONAL INVESTORS COUNCIL MALAYSIA  
(CONTINUED)**  
(Registered under the Societies Act, 1966)  
(Society No. PPM-006-14-29122017)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

Information other than the financial statements and auditors' report thereon

The Council Board Members are responsible for the other information. The other information comprises Council Board Members' Report, but does not include the financial statements of the Council and our auditors' report thereon.

Our opinion on the financial statements of the Council does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Council, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Council or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Council Board Members for the financial statements

The Council Board Members are responsible for the preparation of the financial statements of the Council that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Societies Act, 1966 in Malaysia. The Council Board Members is also responsible for such internal control as the Council Board Members determine is necessary to enable the preparation of financial statements of the Council that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Council, the Council Board Members are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council Board Members either intend to liquidate the Council or to cease operations, or have no realistic alternative but to do so.



**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF THE INSTITUTIONAL INVESTORS COUNCIL MALAYSIA  
(CONTINUED)  
(Registered under the Societies Act, 1966)  
(Society No. PPM-006-14-29122017)**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Council as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Council, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council Board Members.
- (d) Conclude on the appropriateness of the Council Board Members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Council or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Council, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



INDEPENDENT AUDITORS' REPORT  
 TO THE MEMBERS OF THE INSTITUTIONAL INVESTORS COUNCIL MALAYSIA  
 (CONTINUED)  
 (Registered under the Societies Act, 1966)  
 (Society No. PPM-006-14-29122017)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

We communicate with the Council Board Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the members of the Council, as a body, in accordance with the Societies Act, 1966 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT  
 LLP0014401-LCA & AF 1146  
 Chartered Accountants

LEE TZE WOON KELVIN  
 03482/01/2024 J  
 Chartered Accountant

Kuala Lumpur  
 28 December 2022



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**INSTITUTIONAL INVESTORS COUNCIL MALAYSIA SECRETARIAT**

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