IIC
INSTITUTIONAL INVESTORS COUNCIL MALAYSIA

THE MALAYSIAN CODE FOR INSTITUTIONAL INVESTORS 2022

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foreword

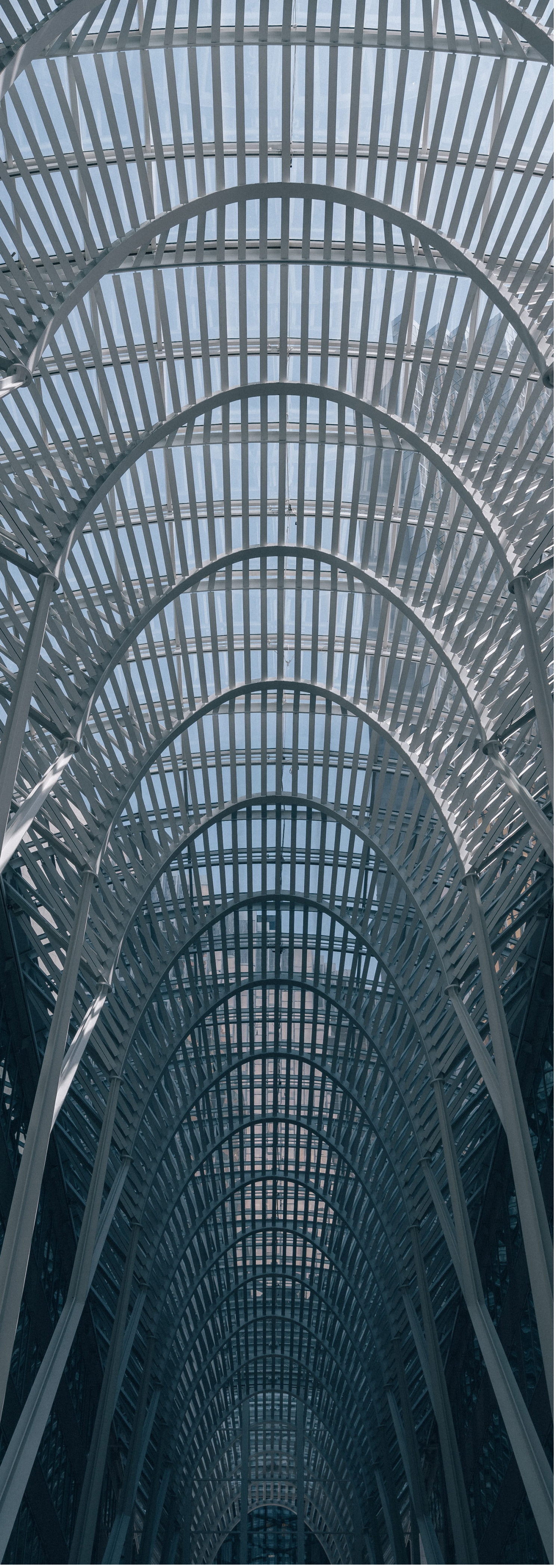
The concept of "stewardship" as embedded in the Malaysian Code for Institutional Investors 2022 ("MCII 2022" or "the Code") emphasises the role of institutional investors leveraging their influence over current or potential investee companies, policymakers, service providers and other stakeholders – often collaboratively – to maximise the overall long-term value.

In recent times, institutional investors are expected to play a more proactive and effective stewardship role in shaping, influencing and championing the ESG (environmental, social and governance) agenda within the Malaysian capital market.

Active engagement is certainly one of the most important stewardship tools available to investors, either individually or collaboratively alongside escalation of engagement activities through voting decisions at general meetings. This primarily refers to an investor communicating with current or potential investee companies to improve the latter's practices, sustainability outcomes or public disclosure. In essence, a good engagement identifies relevant ESG issues, objectives, tracks results, maps escalation strategies and incorporates findings into investment decision making.

In all likelihood, how the engagement pans out is obviously the determining factor in realising the seven-principle code embedded in the MCII 2022. For the record, the revised MCII 2022 comprises six of the original principles with one new principle which is to foster collaborative response on corporate governance and sustainability issues.

A "Stewardship Spotlight" has been introduced as part of the revised MCII 2022 to show a serious commitment by institutional investors in pursuing certain key corporate governance and sustainability matters while undertaking their monitoring and engagement activities with their investee companies.



Towards this end, the collective voice of institutional investors is an important lever in promoting good corporate governance and sustainability practices by investee companies. Institutional investors are expected to collaborate with regulators and other stakeholders to address corporate governance and sustainability concerns or risks associated with emerging issues such as sustainability reporting and investing.

With increased demand to incorporate ESG considerations into investment strategies and decision-making, institutional investors are now expected to demonstrate effective stewardship that promotes responsible business and value creation.

Having this in mind, the revised MCII 2022 aims to further strengthen reporting by the signatories by providing sufficient information for better understanding on the application of the Code. It is hoped that the enhanced expectations in respect of the adoption of the principles of the Code will be able to raise the bar on how the stewardship activities are proactively managed and reported by the signatories.

Even though it has been recognised that institutional investors are not homogenous, in the spirit of greater transparency and accountability as well as in line with effective stewardship, signatories regardless of their size are expected to adopt the principles of the Code by highlighting areas of departure as well as measures that will or have been taken, and the time frame required for full adoption of the Code.

In closing, I would like to express my appreciation to members of the Council Board and members of the Working Group for their commitment and contributions to this revised MCII 2022. My sincere thanks also go to the Securities Commission Malaysia (SC) and members of the PERKUKUH Working Group Initiative 12 for their support and feedback on the revised Code.

ROHAYA MOHAMMAD YUSOF
Chairman
Institutional Investors
Council Malaysia (IIC)

introduction

BACKGROUND

1. The first Malaysian Code for Institutional Investors published in 2014 (MCII 2014) was developed following a recommendation of the Securities Commission Malaysia's Corporate Governance Blueprint (2011-2015). The publication of the MCII 2014 was undertaken by a Steering Committee spearheaded by the Minority Shareholders Watch Group (MSWG) comprising Chief Executive Officers and key representatives from the institutional investors fraternity in Malaysia, namely the Employees Provident Fund, Permodalan Nasional Bhd, Kumpulan Wang Persaraan (Diperbadankan), Lembaga Tabung Angkatan Tentera, Lembaga Tabung Haji, Pertubuhan Keselamatan Sosial, Malaysian Association of Asset Managers, Malaysian Takaful Association and the Private Pension Administrator.

2. The Code is intended to provide guidance to institutional investors on effective exercise of stewardship responsibilities to ensure delivery of sustainable long-term value to their ultimate beneficiaries or clients.

3. With increasing demand to incorporate sustainability considerations, in particular climate change (environment) and treatment of workers (social) into investment strategies and decision-making, institutional investors are now expected to both focus on and place serious commitment to undertake their stewardship responsibilities.

4. Having this in mind, the revised MCII 2022 covers the areas relating to good corporate governance practices and sustainability which institutional investors should focus on to discharge their stewardship responsibility effectively, mainly through their monitoring and engagement activities. The revised MCII 2022 also strengthens the reporting expectations on signatories in order to enhance transparency and facilitate deeper understanding of their stewardship actions and outcomes. It allows the asset owners and asset managers to report on their stewardship activities in a manner that is aligned with their own business model and strategy.

5. It is hoped that the revised MCII 2022 is able to raise the bar on signatories to proactively manage and report on their stewardship activities. The Code recognises the important role played by both asset owners and asset managers as guardians of market integrity and stewards of their investment in their portfolios.

6. Formed on 3 July 2015 and formally established under the Societies Act 1966 on 29 December 2017, the Institutional Investors Council Malaysia (IIC) is the custodian of the Code and is responsible for monitoring the application of the Code, including future enhancements to the Code.

ROLE OF INSTITUTIONAL INVESTORS

1. As major players in the capital market, institutional investors are able to exert significant influence over their investee companies due to the substantial stake they hold. This clout provides them with the opportunity and ability to encourage good governance and appropriate behaviour by their investee companies to ensure delivery of sustainable long-term value for their beneficiaries/ clients.

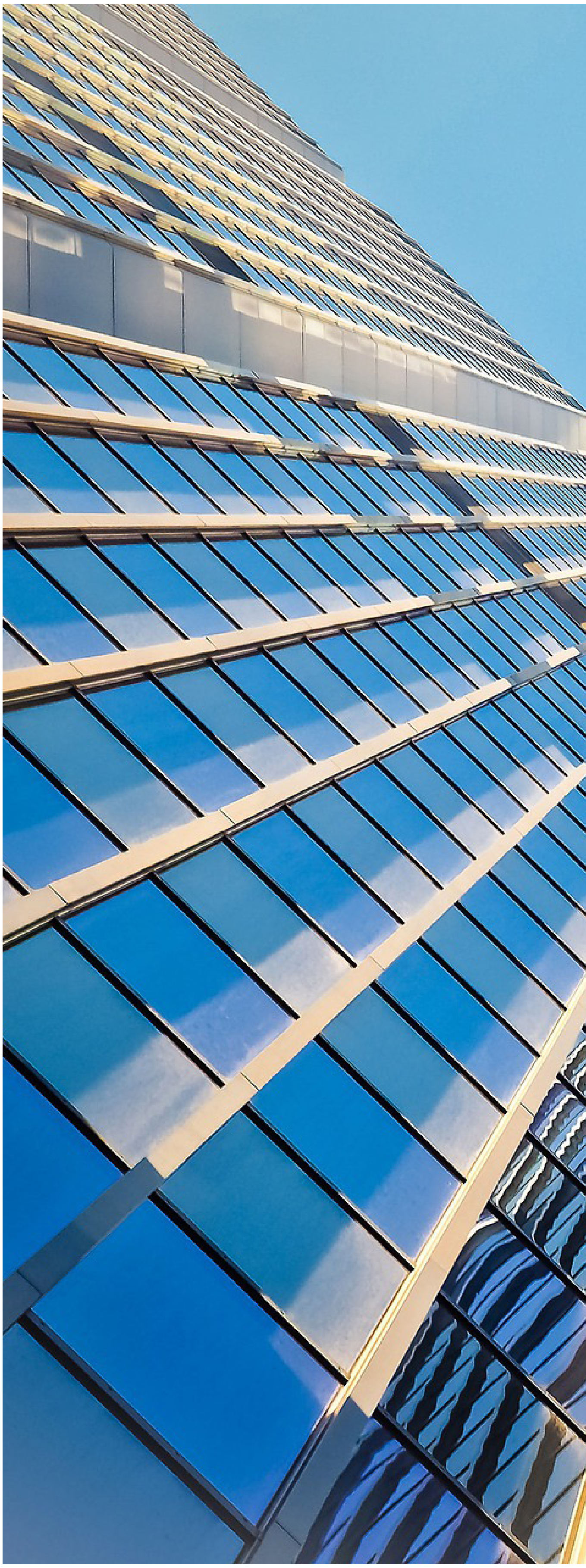
2. The activities of institutional investors can range from managing and allocating funds, designing investment policies and strategies to awarding investment mandates, and monitoring investment activities.

3. It is recognised that good internal governance is a critical pre-requisite for effective stewardship. As such, institutional investors should ensure internal governance policies and practices are put in place to enable them to discharge their duties and responsibilities effectively in the best interest of their beneficiaries/ clients. Where appropriate, institutional investors should publish the internal policies and practices on their websites. Further, asset owners that are government-linked investment companies (GLICs) are also guided by the Principles on Good Governance for Government-Linked Investment Companies issued by the Ministry of Finance (MOF) in April 2022 that aims to enhance the corporate governance and sustainability practices of GLICs.

4. Institutional investors should be led by capable board and management with the right skills and experience to effectively discharge their stewardship duties. The board is ultimately accountable for the discharge of these duties and should set the tone by providing the required oversight and strategic guidance.

5. Institutional investors should consider acting collectively with other investors where appropriate in areas aimed at promoting good corporate governance. When working with other parties, institutional investors should be cognisant of market regulations, in particular when dealing with rules relating to acting in concert and market manipulation.

6. Institutional investors are also encouraged to engage in the development of relevant policies and best practices with regulators and other relevant stakeholders. This engagement facilitates the inclusion of institutional investors as an important stakeholder group in the design of policies. More broadly, this may even be an efficient and effective way to influence or raise awareness on issues affecting beneficiary or client interest such as matters relating to investee companies or the investment chain.



THE MALAYSIAN CODE FOR INSTITUTIONAL INVESTORS 2022

1. Institutional investors are encouraged to be signatories of the Code which sets out the broad principles of effective stewardship by institutional investors, followed by guidance to help institutional investors understand and implement the said principles.

2. The 2022 edition of the Code supersedes the first edition of the Code which was issued on 27 June 2014.

3. The revised Code adopts the "apply and explain" approach over two sections. The first section which is the main part of the Code comprises seven principles including one new principle and a second section, the "Stewardship Spotlight". Additional and further enhanced guidance is provided for each principle for better understanding and to keep pace with changes in the marketplace and regulatory measures.

4. The new section "Stewardship Spotlight" which is introduced in this 2022 edition of the Code highlights key corporate governance and sustainability matters which should be on the agenda when institutional investors engage their investee companies – and where relevant – for institutional investors to consider when exercising their voting rights.

5. The commitment of asset owners to the Code may be directly applied to their investee companies or indirectly through the mandates given to asset managers. Asset owners should clearly communicate their stewardship policies to their asset managers. In addition, institutional investors may also choose to outsource to external service providers some of their stewardship activities without abdicating their stewardship responsibilities. Institutional investors should ensure that those activities are carried out in a manner consistent with their own approach to stewardship.

6. While corporate governance matters should be a key consideration in the investment decision-making process, sustainability should also be equally considered. In addition to economic considerations, the Code advocates institutional investors to ensure that they invest in a responsible manner by having regard to the corporate governance and sustainability practices of investee companies. Such an approach is expected to be in the interest of the ultimate beneficiaries in the longer term as part of the delivery of enhanced risk-adjusted returns on investment.

7. Adoption of the Code does not constitute an invitation to manage the affairs of a company or preclude a decision to sell a holding, but only as a consideration in the best interest of beneficiaries/clients.

APPLICATION

1. The Code advocates the adoption of standards that go beyond the minimum prescribed by regulations.

2. Institutional investors are encouraged to be signatories to the Code and should explain how they have applied the principles of the Code by taking into account the guidance provided under each principle. The guidance is set out in the form of best practice recommendations. Institutional investors may determine the best approach to adopt the principles as there is no 'one-size-fits-all' approach to stewardship.

3. Where appropriate, signatories are expected to highlight departures from the Code along with the measures that will or have been taken, and the time frame required to be aligned with the recommendations of the Code.

4. Institutional investors are expected to encourage their service providers to apply the principles of the Code where relevant as well as to conduct their investment activities in line with the institutional investors' approach to stewardship. Accordingly, service providers are also encouraged to be signatories to the Code.

5. Institutional investors with several types of funds or products need to make only one statement but are encouraged to explain which of their funds and products are covered by the approach described in their statement.

REPORTING

1. Signatories are expected to issue an annual Stewardship Statement which provides meaningful information and discussion on the adoption of the Code and the latest developments in relation to the signatories' stewardship activities, actions and outcomes.

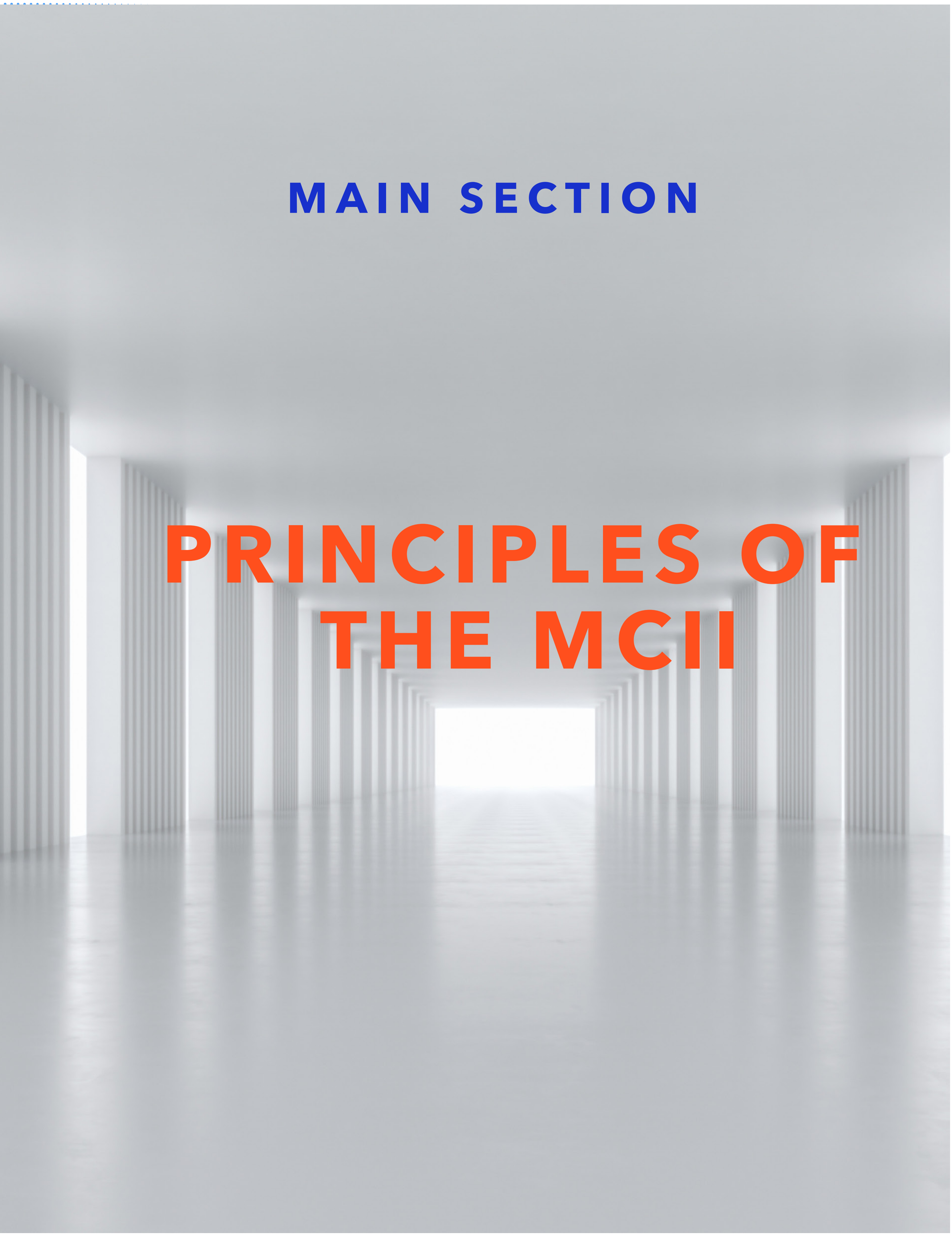
2. The Stewardship Statement should be made publicly available on the signatories' website, annual report or any other accessible forms in a timely manner. Contact details should also be provided should stakeholders require further information on the stewardship policies and practices of the signatory. The annual Stewardship Statement will also be made available on the IIC's website.

MONITORING AND REVIEW

1. The boards of the signatories are responsible to monitor and review the effectiveness of their own organisation's implementation and application of the Principles of the Code and where appropriate, to identify areas and measures adopted for improvement.

2. The Code will be reviewed and updated from time to time to ensure it remains relevant, fit for purpose and aligned with changes in the capital market and corporate governance landscape.

3. IIC will monitor the adoption of the Code including the Stewardship Statements of signatories. The IIC will also undertake the necessary measures to promote and support the adoption of the Code in both form and substance.



MAIN SECTION

PRINCIPLES OF THE MCII

PRINCIPLES OF THE CODE

PRINCIPLE 1

DISCLOSING POLICIES ON STEWARDSHIP

Institutional investors should disclose the policies on their stewardship responsibilities and review the effectiveness of their stewardship activities.

PRINCIPLE 2

MONITORING INVESTEE COMPANIES

Institutional investors should monitor their investee companies.

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Institutional investors should engage with investee companies as appropriate and collaborate with investors to enhance engagement outcomes.

PRINCIPLE 4

MANAGING CONFLICTS OF INTEREST

Institutional investors should adopt a policy on managing conflicts of interest which should be publicly disclosed.

PRINCIPLE 5

INCORPORATING SUSTAINABILITY CONSIDERATIONS

Institutional investors should incorporate corporate governance and sustainability considerations, including climate-related matters into their decision-making process while seeking to deliver sustainable returns in the long-term interest of their beneficiaries or clients.

PRINCIPLE 6

PUBLISHING CORPORATE GOVERNANCE POLICY AND VOTING GUIDELINES

Institutional investors should publicly disclose their corporate governance policy and voting guidelines.

PRINCIPLE 7

COLLABORATIVE RESPONSE ON CORPORATE GOVERNANCE AND SUSTAINABILITY ISSUES

Institutional investors should collaborate where appropriate to respond to corporate governance and sustainability concerns or risks. The collective voice and views of institutional investors are important levers in shaping behaviour and promoting good corporate governance, in particular on emerging issues such as sustainability reporting and investing.

PRINCIPLE 1

DISCLOSING POLICIES ON STEWARDSHIP

Institutional investors should disclose the policies on their stewardship responsibilities and review the effectiveness of their stewardship activities.

Guidance

1.1 The stewardship policies should reflect the institutional investors' stewardship activities along the investment chain, and how they will discharge their responsibilities arising from those activities in preserving and enhancing long-term value of the investments.

1.2 Institutional investors should provide information on how the risks which include sustainability-related risks and opportunities are assessed and mitigated to minimise negative impact or optimise positive impact to their investments.

1.3 Institutional investors should disclose the governance structures and processes on how their oversight and monitoring activities are undertaken to ensure effective stewardship activities within their respective organisations.

1.4 Institutional investors should explain how they have reviewed their policies and whether their stewardship policies and practices generally lead to the desired outcomes, both quantitatively and qualitatively.

1.5 Institutional investors should incorporate sustainability factors into their ownership policies and practices.

1.6 Institutional investors should engage regulators and participate where relevant in the development of policies that support the stewardship agenda.

1.7 The stewardship policies should be made public and easily accessible.

1.8 Where the stewardship activities are outsourced, institutional investors should explain in the stewardship policies what steps have been taken to ensure that their investment activities are carried out in line with their own approach to stewardship.

1.9 Asset owners should disclose general guidelines on the selection of asset managers and other service providers.

PRINCIPLE 2

MONITORING INVESTEE COMPANIES

Institutional investors should monitor their investee companies.

Guidance

2.1 Institutional investors should actively monitor their investee companies as it is an essential part of stewardship.

2.2 The monitoring process should be conducted in an active manner and integrated with the institutional investors' engagement activities. The areas for monitoring should include, but not be limited to, the following:
- Financial and sustainability performance and its value drivers;
- Key sustainability risk areas including social and climate risks;
- Leadership including of the board and management;
- Adherence to the form and spirit of the Malaysian Code on Corporate Governance (MCCG); and
- Quality of disclosures on governance, financial and sustainability matters and quality of management discussion and analysis.

2.3 The monitoring activities should also include attendance and active participation at general meetings where practicable as well as exercising voting rights.

2.4 Institutional investors should carefully consider explanations (or lack thereof) provided by investee companies for any departure from the MCCG. The board of the investee company should be informed in writing if the institutional investor does not agree with the explanation or position adopted by the investee company in applying the MCCG together with its reasons.

PRINCIPLE 3

ENGAGING INVESTEE COMPANIES

Institutional investors should engage with investee companies as appropriate and collaborate with other investors to enhance engagement outcomes.

Guidance

3.1 Institutional investors should develop a clear engagement strategy and engagement process or practices to enable a more meaningful and effective dialogue with investee companies as well as to review periodically the effectiveness of the engagement approach taken.

3.2 Institutional investors should provide a summary of their engagement activities or engagement highlights on an annual basis in their annual report or company website. Records of engagement activities with investee companies should be kept in a proper manner.

3.3 Institutional investors should engage investee companies when there are concerns on among others, their financial, operations, sustainability performance and risk management of their investee companies, with initial discussions carried out on a confidential basis. Institutional investors should encourage appropriate disclosures by investee companies on the non-confidential and/or non-sensitive information shared during the engagements including collaborative engagements under IIC. When engaging investee companies, institutional investors must respect market-abuse rules and not seek trading advantage through possession of price-sensitive information.

3.4. Institutional investors should have a clear approach for dealing with situations where the normal avenues of dialogue with boards and management do not meet the expected outcome including how the engagements are escalated if issues are not resolved. Institutional investors should also disclose the outcomes of the escalation.

3.5 Institutional investors should collaborate closely by making case-by-case determinations on the most effective way to safeguard beneficiaries'/clients' interests in specific circumstances. This includes engaging other investors to form a stronger investor's voice and exert influence. These actions should be executed while ensuring that they do not become "connected parties" in pursuing those actions.

3.6 In engaging investee companies, institutional investors could make their concerns known, for example, by:

- Expressing concerns in writing to the board of directors;
- Meeting with the chairman or other board members, including senior independent directors;
- Engaging jointly with other institutions on common issues of concern;
- Submitting resolutions and expressing concerns at general meetings;
- Requisitioning a general meeting which may seek to remove poorly performing directors; or
- Making a public or media statement on those concerns if they are not addressed appropriately by the investee company.

3.7 Institutional investors should explain, where appropriate the objective and outcomes from engagements with investee companies, and whether the engagement was carried out by the institution itself, by others on their behalf or in collaboration with other investors.

PRINCIPLE 4

MANAGING CONFLICTS OF INTEREST

Institutional investors should adopt a policy on managing conflicts of interest which should be publicly disclosed.

Guidance

4.1 Institutional investors should seek to avoid conflict of interest. Nevertheless, as conflicts of interest may inevitably arise from time to time, institutional investors should put in place, maintain and publicly disclose in a transparent manner, a policy for identifying, managing and mitigating conflict or potential conflict of interest with the aim of taking all reasonable steps to advance the interests of their beneficiaries or clients. Reasonable precautionary actions should be taken to avoid the recurrence of situations of conflict.

4.2 Institutional investors should communicate to their service providers the need to publicly disclose all known potential conflicts of interest and to explain how they are managed as well as putting in place mitigating measures when a potential conflict of interest is identified. This includes the need to disclose and resolve any conflict of interest between the clients; between the company and clients; or within the institution among its staff, its customers and the investee companies.

4.3 Institutional investors should have robust policies to deal with inside information and to avoid market manipulation in their dealings. Broader ethical considerations such as policies on prevention of corruption, including anti-bribery and anti-money laundering and establishment of “Chinese walls” should also be incorporated.

4.4 In instances where an institutional investor becomes involved in the board or management to support a process of longer term change in the investee companies, it should indicate in its stewardship policies the mechanism by which this could be done, including managing any conflict of interest.

PRINCIPLE 5

INCORPORATING SUSTAINABILITY CONSIDERATIONS

Institutional investors should incorporate corporate governance and sustainability considerations, including climate-related matters into their investment decision-making process while seeking to deliver sustainable returns in the long-term interest of their beneficiaries or clients.

Guidance

5.1 Institutional investors should seek comprehensive, transparent and accurate sustainability disclosures from investee companies. For this purpose, institutional investors may require uniform reporting on sustainability concerns through adoption of globally recognised standards and the incorporation of sustainability issues into yearly reports.

5.2 Institutional investors should adopt a proactive approach with the primary objective of strengthening companies' due diligence and reporting methods on salient environmental and social issues which would enable institutional investors to tackle financial risks and other significant risk factors such as reputational damage and litigation risk.

5.3 Institutional investors should assess the quality of disclosures made by investee companies on adoption of corporate governance practices and where necessary, engage the companies, including but not limited to, the following areas:
- Adoption of or departure from MCCG practices;
- Diversity targets and policies, including gender, age and ethnicity;
- Board remuneration and nomination policies and procedures;
- Board composition;
- Financial reporting;
- Risk management and internal controls; and
- Key sustainability practices.

5.4. Institutional investors should report how sustainability considerations, including climate-related matters are incorporated into their investment decision making policy and process disclosing the method and metrics used to identify factors which are most material when assessing an investee company. The matters to be dealt with in the policy should include, but not necessarily be limited to, an assessment of :
- The quality of the investee company's sustainability report including disclosure on the company's strategy and incorporation of sustainability in business operations. If sustainability disclosure has not been published, an enquiry could be made on the reasons for this; and
- Disclosure and adherence to responsible investment codes, if any.

5.5 Examples of sustainability factors that institutional investors should evaluate include among others, the following:
- Integration of sustainability in the investee company's business and strategic plans;
- Management of material sustainability risks and opportunities; and
- Alignment of board and senior management compensation and incentive structures to sustainability KPIs (key performance indicators).

PRINCIPLE 6

PUBLISHING CORPORATE GOVERNANCE POLICY AND VOTING GUIDELINES

Institutional investors should publicly disclose their corporate governance policy and voting guidelines.

Guidance

6.1 Institutional investors should exercise their voting rights with due care and diligence as exercising voting rights is a critical indicator that an institutional investor is implementing its engagement policy effectively.

6.2 Institutional investors should disclose their overall voting policy by highlighting their expectations in terms of governance and sustainability practices and voting guidelines for their investments and their procedures in place.

6.3 The reasons for voting against or abstaining from voting at a general meeting should be communicated to the investee company and made public. Where the decision differs from the voting policy, reasons for deviation should also be made public.

6.4 Institutional investors should vote appropriately on shares held and incorporate a policy on the threshold for active voting. Where an institutional investor chooses not to vote in specific circumstances, or in particular market(s) or where holdings are below a certain threshold, this should be disclosed to beneficiaries or clients.

6.5 Institutional investors should disclose their voting activities as it provides beneficiaries/clients greater clarity on how the votes are cast. The disclosure should include, but not limited to:

- The number of meetings attended;
- The reasons for voting “against” or “abstention”; and
- The summary of voting decisions made.

Disclosure of the institutional investors’ voting record is also a way of demonstrating that conflicts of interest are appropriately managed.

6.6 Institutional investors should disclose the use, if any, of proxy voting or other voting advisory services. They should describe the scope of such services, identify the providers, and disclose the extent to which they follow, rely upon or use recommendations made by such services.

6.7 Institutional investors should work with other relevant parties where possible to remove barriers to voting so long as it does not contravene any applicable law or regulation in the relevant jurisdictions. Votes cast by intermediaries should be exercised in accordance with the wishes of the beneficial owner or its authorised agent.

PRINCIPLE 7

COLLABORATIVE RESPONSE ON CORPORATE GOVERNANCE AND SUSTAINABILITY ISSUES

Institutional investors should collaborate where appropriate and respond to corporate governance and sustainability issues or emerging risks. The collective voice and views of institutional investors are important levers in shaping behaviour and promoting good corporate governance and sustainability practices in investee companies and the overall market.

The willingness and ability of investors to advocate the adoption of good corporate governance and sustainability practices across companies are critical to maintain market integrity and support responsible and sustainable growth.

The market including investors can be negatively impacted by poor standards of corporate governance and weak mitigation of sustainability risks by companies. As such, institutional investors should collectively take the appropriate measures, including communicating a common view to portfolio companies and the public on corporate governance and sustainability concerns or risks.

Guidance

7.1 Institutional investors should review the state of corporate governance and/or sustainability practices of listed companies and communicate their views on areas of concerns. Where appropriate, institutional investors should convey the actions they will take to address these concerns.

7.2 Institutional investors should also collaborate with regulators and other stakeholders to promote improvements and the adoption of good corporate governance and sustainability practices by companies.

SECOND SECTION

STEWARDSHIP SPOTLIGHT

STEWARDSHIP SPOTLIGHT

Institutional investors that are signatories to the Malaysian Code for Institutional Investors (Code) are expected to advocate the adoption of good corporate governance and sustainable business practices by investee companies. Signatories should engage and hold the board accountable for the corporate culture, conduct and performance of the investee company.

The Stewardship Spotlight highlights what is expected of investee companies in relation to key corporate governance and sustainability matters. These key corporate governance and sustainability matters may be subject to change based on developments in corporate behaviour, investors' expectations and external issues. Signatories should also focus on these issues in their monitoring and engagement activities as well as voting decision. The issues and recommended actions and/or voting decision are outlined in the table below:

STEWARDSHIP SPOTLIGHT	VOTING RECOMMENDATIONS
BOARD COMPOSITION AND APPOINTMENT	
1. **Board Diversity** (i) The composition of the board of an investee company should be diverse with the right mix of experience, skills, gender as well as generational difference to bring different perspective, challenge into the board's deliberation and decision-making process and mitigate the risk of groupthink. (ii) The board of investee companies should comprise at least 30% women directors. (iii) Where participation of women on the board of an investee company is less than 30%, the board should disclose measures and reasonable time frame to achieve at least 30%. In this context, a time frame of not more than three (3) years is considered as reasonable which is in alignment with the approach adopted for the MCCG. (iv) Investee companies should establish clear policies to support the participation of at least 30% women on the board and in senior management level. Such policies should be publicly disclosed. The board should also be able to demonstrate its commitment to take concrete action to implement these policies.	**Recommended voting decisions:** • ***Abstain*** or ***against*** the re-election of members of the Nomination Committee (NC) for failure to address matters identified under Items 1 (i) to (iv)

STEWARDSHIP SPOTLIGHT	VOTING RECOMMENDATIONS
BOARD COMPOSITION AND APPOINTMENT (cont'd)	**Recommended voting decisions:**
2. **Succession Planning** Policy and process of succession planning for the directors, Chief Executive Officer and key senior management positions, particularly when such positions are assumed on a contractual basis.	• ***Abstain*** or ***against*** the re-election of members of the NC for failure to address matters identified under Item 2.
3. **Board Evaluation** (i) Process and criteria of annual board evaluation, including effectiveness of the board, individual directors and board committees. (ii) Outcome of the board evaluation – holding candid and frank discussion on the outcomes, including identifying significant gaps. (iii) Action taken especially in addressing the identified gaps.	• ***Abstain*** or ***against*** the re-election of members of the NC for failure to address matters identified under Items 3 (i) to (iii)
4. **Appointment of Active Politicians** Discourage the appointment of active politicians. (Note: ***An active politician is defined as an individual who is a Member of Parliament, State Assemblyman or office bearers who hold office whether at the national level, state level or divisional level)***	• ***Abstain*** or ***against*** the election/ re-election of active politicians Item 4).
TENURE OF INDEPENDENT DIRECTORS 1. The tenure of an independent director should be limited to nine (9) years. Investee companies to have in place a policy which sets a nine-year tenure limit for an independent director without further extension. 2. Discourage the re-appointment of an independent director who had previously served on the board for more than 12 years despite having served the required three (3) year cooling-off period.	• ***Abstain*** or ***against*** in relation to the retention of an independent director who has served for more than nine (9) years.

STEWARDSHIP SPOTLIGHT	VOTING RECOMMENDATIONS
DIRECTOR AND KEY SENIOR MANAGEMENT REMUNERATION	**Recommended voting decisions:**
1. Non-Executive Directors (i) Investee companies should clearly disclose the remuneration component of non-executive directors, i.e. fee structure (board & board committees), meeting allowances or other emoluments). (ii) Share options and/or performance-based incentives should not be paid to non-executive directors.	• ***Against*** the payment of any share options or performance-based incentives paid to non-executive directors.
2. Executive Directors and Key Senior Management (i) The Remuneration Policy should clearly explain how the remuneration of the Executive Directors, including the Chief Executive Officer and key senior management are determined. This encompasses the link to performance and KPIs, both short-term and long-term. Remuneration paid to Executive Directors/ Chief Executive Officer and key senior management should commensurate with their individual performance and performance against agreed KPIs. (ii) Strongly encourage detailed disclosure of senior management remuneration on named basis.	• ***Abstain*** or ***against*** the re-election of the Remuneration Committee (RC) members if the remuneration paid to Executive Directors and/ or Chief Executive Officer is found to be excessive and do not commensurate with performance or agreed KPIs.

STEWARDSHIP SPOTLIGHT	ENGAGEMENT WITH INVESTEE COMPANIES
SUSTAINABILITY MATTERS – BOARD OVERSIGHT ROLE 1. The board plays an important oversight role on sustainability activities in the investee company and must ensure that the investee company is moving towards achieving the targets with sufficient and accurate public disclosure. 2. The board should have sufficient knowledge and understanding on sustainability issues deemed relevant to the investee company and its business. 3. It is important for the board to have the capability and competency to deliberate on sustainability issues and ensure that sustainability is embedded across the company with adequate resources, systems and processes in place to manage sustainability risks and opportunities. 4. The board should monitor management in providing comprehensive and accurate details on emissions reduction plan/pathway and measures adopted to support transition to a low carbon economy as well as treatment of workers' well-being. 5. The board should ensure that the policies, processes and procedures to identify and manage sustainability risks and opportunities including impact of climate change are in place.	**Engagement (s) with investee companies to:** • Highlight the importance of board oversight on how the investee company is managing its sustainability risks and opportunities as well as ensuring that the company is moving towards achieving the targets it has set with meaningful public disclosures on these matters. • Encourage companies to disclose comprehensive and accurate details on the following sustainability matters which among others, include : - Corporate governance and business ethics; - Emissions reduction plan/ pathway and measures adopted to support transition to a low carbon economy; and - Treatment of workers' well-being.

GLOSSARY

Stewardship refers to investor stewardship from the perspective of a long-term institutional investor, in particular asset owners such as pension funds. It includes the responsible management and oversight of assets for the benefit of the institutional investors' ultimate beneficiaries or clients. The discharge of effective stewardship responsibilities would include development of a set of principles/policies, application of the principles/policies, oversight of agents, communications of expectations and reporting to their clients or beneficiaries. These activities also include monitoring and engagement with the investee companies on matters relating to strategy, performance, risk management, voting, corporate governance or sustainability issues.

Institutional investors are asset owners and asset managers with equity holdings in corporations listed on Bursa Malaysia.

Investee companies are corporations listed on Bursa Malaysia.

Asset owners are collective investment vehicles which collect funds on behalf of their beneficiaries or clients and manage them internally or externally such as pension funds, private retirement scheme providers, insurance companies, takaful operators and investment trusts.

Government-Linked Investment Companies governed under the Principles on Good Governance (PGG) are six assets owners: Kumpulan Wang Simpanan Pekerja (KWSP), Kumpulan Wang Persaraan (Diperbadankan) (KWAP), Khazanah Nasional Berhad (Khazanah), Permodalan Nasional Berhad (PNB), Lembaga Tabung Angkatan Tentera (LTAT) and Lembaga Tabung Haji (LTH).

Asset managers are agents who are responsible to manage funds on behalf of asset owners through an investment mandate.

Service providers are defined as :

(i) Custodians who are responsible for the maintenance and safekeeping of records, both in electronic and/or paper form, of asset owners' and asset managers' assets, including sub-custodians; and

(ii) Proxy advisers, investment consultants and trustees are agents who undertake functions mandated by asset owners and asset managers to support their activities.

ACKNOWLEDGEMENT

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The Malaysian Code For Institutional Investors 2022