



Keynote Address
Dato' Mohammad Faiz Azmi
Chairman, Securities Commission Malaysia
PwC Malaysia's Corporate Directors Survey 2024 Launch
15 January 2025

Key Highlights:

In his keynote address, SC Chairman, Dato' Mohammad Faiz Azmi shared that PwC Malaysia's Corporate Directors Survey 2024 highlights how directors are navigating non-traditional boardroom issues such as digital innovation and sustainability. The survey also complements efforts to elevate governance standards and enhance the appeal of Malaysia's capital market.

Here are highlights from his keynote address:

1. More open, honest discourse in boardrooms is a vital ingredient for long-term value creation.
2. The SC is facilitating engagements with industry and corporates on topics such as ESG integration and emerging technologies to aid businesses with sustainability reporting.
3. A transition guide for boards outlining key questions and considerations for adopting ISSB standards will be issued.
4. Urgent need for boards to diversify their skill sets and strengthen competencies in terms of sustainability reporting.
5. Representation of women in leadership roles remains limited, with only 66 out of 892 PLCs (7%) having female Chairpersons. There also appears to be a plateau in the number of women directors on boards after 1 June 2023.
6. Board renewal is equally important. Without continuous renewal, boards risk losing fresh perspectives and the skills needed to address future challenges.

Full Speech:

Pn. Nurul A'in Abdul Latif, Executive Chair, PwC Malaysia,
Mr. Soo Hoo Khoo Yean, Managing Partner, PwC Malaysia,
Distinguished guests, ladies and gentlemen.

Assalamualaikum warahmatullahi wabarakatuh, and a very good morning.

1. Having previously served as Chair of PwC Malaysia, I now find myself wearing a different hat- one shaped by my current role at the Securities Commission Malaysia (SC); chiefly, ensuring trust and confidence in the capital market.

Key Themes Dominating Boardrooms in 2024

2. The start of a new year often serves as a time to reflect. For directors in the audience, many of you have strategic planning sessions fresh in your minds, on top of all responsibilities for the year-end reporting season.
3. Last year brought its share of challenges and opportunities. Among the drivers of corporate value creation were artificial intelligence (AI), cybersecurity, and ESG considerations.
4. Take the rapid growth of generative AI, it sparked conversations around digital or AI governance, including at the national level.
5. Tellingly, PwC Malaysia's Corporate Directors Survey 2024 brings these perspectives to life, highlighting how directors are navigating non-traditional boardroom issues such as digital innovation and sustainability.
6. The survey also reinforces the need to balance compliance with strategic foresight to drive sustainable growth.
7. Gone are the days when boards operated under the radar. Today, directors carry immense responsibility as stewards of governance. Effective oversight as well as foresight demands tough questions and the courage to challenge management when necessary.

8. That's why I found a key insight from the Institute of Corporate Directors Malaysia's (ICDM) ASEAN Board Trends Report 2024 particularly concerning. While 16% of senior management said boards rarely express their views or disagreements, only 8% of directors acknowledged the same.
9. This gap highlights a need for more open, honest discourse in boardrooms – a vital ingredient for long-term value creation.
10. Initiatives like this PwC survey are crucial in elevating governance standards and enhancing the appeal of Malaysia's capital market. It also complements the SC's work, reflected in our annual Corporate Governance Monitor reports.
11. In fact, it is encouraging to note that the survey pinpoints sustainability reporting and board composition as areas for further improvement. This was also highlighted in the SC's Corporate Governance Monitor 2024.
12. Allow me to elaborate on these two issues of concern.

Ladies and gentlemen,

Navigating the Sustainability Journey

13. Sustainability is no longer a buzzword; it is a business imperative.
14. The National Sustainability Reporting Framework (NSRF) exemplifies our commitment to ensuring that Corporate Malaysia provides consistent, comparable and reliable sustainability information. Further, as ASEAN chairman of the ACMF, the collective capital market regulators, we are pushing ahead to develop a taxonomy for Mitigation, Adaptation, Resilience and Sustainable Finance (MARS) and a plan for its implementation.
15. To help businesses on this NSRF journey, we are facilitating engagements with industry and corporate captains on topics such as ESG integration and emerging technologies.

16. Bursa Malaysia's Centralised Sustainability Intelligence (CSI) platform is another enabler, empowering companies to enhance transparency and manage ESG data governance capabilities more effectively.
17. This year marks the start of the NSRF implementation, with the first phase comprising large Main Market PLCs of more than RM2 billion in market capitalisation represented by some 131 companies.
18. While larger companies may find this transition manageable, smaller companies could face challenges. To support them, the SC will continue to examine the implementation challenges and issue a transition guide for boards outlining key questions and considerations for adopting ISSB standards.
19. However, there is a skills gap. The PwC survey reveals that only 25% of directors feel they have sufficient control to manage the quality and accuracy of data in sustainability reports.
20. This highlights the urgent need for boards to diversify their skill sets and strengthen competencies in this area to ensure that management does what they need.
21. One feedback we received recently is that Boards do rely heavily on their Sustainability Officers to advise them. The SC's newly minted Chief Sustainability Officer will be working with CSOs in the industry to curate a curriculum, qualification, certification and a code of conduct, to ensure consistency and quality in their advice to the Board. The SC is also considering changes in the Malaysian Code on Corporate Governance this year on this area too.

Ladies and gentlemen,

Enhancing Board Composition

22. Diversity is another area where progress is essential.
23. It is worth noting that 26.6% of total boards of PLCs in Malaysia comprise women directors. For the Top 100 PLCs, this figure rises to 32.2%. However, the representation of women

in leadership roles remains limited, with only 66 out of 892 PLCs (7%) having female Chairpersons¹.

24. There also appears to be a plateau in the number of women directors on boards after 1 June 2023. This is when the requirement for all PLCs to appoint at least one women director came into effect.
25. Therefore, we welcome collaborations between stakeholders such as the Minority Shareholders Watch Group (MSWG) and The 30% Club Malaysia, particularly in amplifying advocacy efforts on gender diversity.
26. I would also like to commend The 30% Club for their efforts in championing DEI, that is, diversity, equity, and inclusion, at the highest decision making levels.
27. But diversity is not just about gender. Board renewal is equally important.
28. In 2024, 64% of independent directors appointed or 307 were new appointees. This is a drop from 67% in 2023.
29. Without continuous renewal, boards risk losing fresh perspectives and the skills needed to address future challenges. Also, we need to ensure that new directors coming on board have learnt the wise ways of their predecessors. This is imperative as the capital market is not only a forum to trade in but to invest for long-term needs. Quality boards result in quality earnings. And with Malaysia becoming an aged society in the future, more and more retirees will be relying on companies to pay for their retirement.
30. Perhaps this can be an area of discussion for the distinguished panel later.
31. In closing, let me leave you with this: governance requires curiosity, courage and conviction.
32. As John F. Kennedy aptly remarked, "There are risks and costs to a programme of action. But they are far less than the long-range risks and costs of comfortable inaction."

¹ Figures as of 1 October 2024

33. On that note, I look forward to working closely with our key stakeholders towards a more resilient and dynamic Corporate Malaysia. May our collective efforts drive corporate governance and sustainability practices in Malaysia to greater heights.

Thank you.

ENDS