



Securities Commission Malaysia  
No. 3, Persiaran Bukit Kiara  
Bukit Kiara  
50490 Kuala Lumpur  
Malaysia

5 February 2026

Dear Sir or Madam,

Subject: Response to SC Malaysia Discussion Paper on Corporate Governance Framework

Glass Lewis appreciates the opportunity to provide feedback on the Securities Commission Malaysia's Discussion Paper on the Corporate Governance Framework.

Glass Lewis is an independent provider of global governance services, delivering proxy research and vote management solutions to institutional investors worldwide. Our research supports informed voting decisions and engagement with issuers before and after shareholder meetings, with a focus on board accountability, long-term value creation, and shareholder rights.

This submission draws on experience across developed and emerging markets and reflects prevailing investor expectations and observed governance outcomes and market practices that are broadly consistent with the direction set out in the Discussion Paper. The comments focus on areas where market practice and investor scrutiny continue to evolve, including board oversight of long-term value creation and capital discipline, governance of emerging technologies, social risk oversight, board composition and independence, audit quality, and shareholder engagement practices.

Overall, prevailing market practice indicates a preference for a principle-based and proportionate approach to strengthening corporate governance frameworks, including the direction outlined in the Discussion Paper. Greater emphasis on board accountability for capital allocation and post-investment outcomes, clearer and more decision-useful disclosure explaining how strategy and governance support long-term value creation, and calibration of regulatory expectations to company size, complexity, and risk exposure are commonly viewed as enhancing governance effectiveness and market confidence.

This letter is provided for contextual purposes only and reflects prevailing market practices and observed investor expectations reflected in our submission. The full and formal responses to the Discussion Paper have been submitted separately through the Securities Commission Malaysia's consultation portal and should be relied upon as the official submission.

Respectfully submitted,

Decky Windarto  
Director of Research – (South/Southeast Asia – Hongkong)  
[dwindarto@glasslewis.com](mailto:dwindarto@glasslewis.com)



## Strengthening Corporate Governance in Malaysia - Key Themes and Market Perspectives

### Long-Term Value Creation and Capital Discipline

Prevailing market practice places increasing emphasis on the board's role in overseeing long-term value creation and capital discipline. Across markets, many investors observe that value-destructive outcomes often stem from weak oversight of capital allocation decisions and limited accountability for post-investment performance, rather than from deficiencies in strategic ambition.

Boards are generally expected to play an active role in challenging management assumptions, testing investment rationales, and assessing whether capital deployment aligns with stated strategy and risk appetite. Ongoing monitoring of post-investment outcomes is viewed as particularly important, as disclosures in this area remain uneven and, in many cases, underdeveloped. Where boards provide clearer oversight and follow-through, market confidence in capital efficiency and governance quality tends to be stronger.

Market expectations also favor more coherent disclosure explaining how strategy, capital management, and governance collectively support long-term value creation. Investors increasingly seek insight into how boards balance near-term financial performance with longer-term investments in innovation, workforce capability, and business resilience. Disclosure is most decision-useful where it focuses on a limited number of material priorities, explains how progress is monitored at board level, and avoids generic or aspirational statements.

A proportionate regulatory approach is widely viewed as appropriate. Larger or more complex issuers are generally expected to meet higher standards of disclosure and oversight, while smaller companies may reasonably adopt scaled or principles-based approaches, provided transparency and accountability are maintained.

### Oversight of Emerging Technologies and Social Risks

The growing use of emerging technologies, particularly artificial intelligence, has heightened expectations around board-level oversight of technology-related risks. Many investors note that boards often face challenges related to technical capability, accountability, and risk visibility, particularly where reliance on management or external advisers limits independent challenges.

Market best practice indicates a preference for governance frameworks that treat AI and other emerging technologies as enterprise-wide risk and strategy issues, rather than narrowly as IT matters. Clear allocation of oversight responsibility, integration into existing board or committee structures, and defined escalation mechanisms are commonly viewed as effective safeguards. Guidance is generally most useful when it clarifies governance expectations without prescribing technical solutions.

Sector differentiation is also relevant. Companies operating in digital-intensive or data-driven sectors typically face higher operational, regulatory, and reputational risks, and are therefore subject to higher investor expectations regarding board competency, governance structures, and oversight mechanisms. In contrast, simpler governance arrangements may remain appropriate for companies with lower technology risk exposure, provided they are fit for purpose.



On social and workforce-related risks, prevailing market practice favors a risk-based approach embedded within existing governance frameworks, such as risk, audit, or sustainability oversight. Boards are generally expected to focus on material risks affecting employees, customers, and supply chains, supported by clear management reporting. While human rights and social due diligence is increasingly feasible, its scope is commonly expected to be proportionate to company size, geographic exposure, and supply chain complexity.

Meaningful disclosure in this area is typically characterized by clarity on how risks are identified, monitored, and addressed in practice, rather than by the volume of policies disclosed. Transparency around grievance mechanisms and remediation processes is viewed positively where it provides insight into governance effectiveness without imposing excessive reporting burdens.

### Board Composition, Independence, and Succession Planning

Market best practice increasingly supports a structured and transparent approach to board composition, renewal, and independence. A company-specific, strategy-linked board skills matrix is widely regarded as a useful tool to align board capabilities with long-term objectives and evolving risk profiles. Investors generally favor public disclosure of a high-level skills matrix, while recognizing that more detailed assessments should remain internal to facilitate candid evaluation and succession planning.

Clearer expectations around director fitness and propriety are also consistent with market trends. Ongoing assessment of integrity, competence, and time commitment is increasingly viewed as essential, rather than limiting such evaluations to the point of appointment. Many investors expect limits on concurrent executive directorships for roles such as CEO, managing director, and executive chair, given the demands of these positions.

Where directors hold multiple executive roles, decision-useful, case-specific disclosure is generally expected. This includes explanations of time commitment, leadership responsibilities, and any mitigating measures in place. Generic statements are increasingly viewed as insufficient where overboarding risks may exist.

With respect to independence, market expectations support stronger safeguards for minority shareholders. Two-tier voting mechanisms for independent directors serving beyond extended tenure thresholds are commonly viewed as appropriate, particularly in markets with concentrated ownership structures. At the same time, many investors continue to view nine years as the preferred cumulative tenure limit for independent directors.

The designation of a senior or lead independent director is also widely recognized as an effective governance mechanism, particularly for larger companies or those with a non-independent chair. This role is generally viewed as providing an important counterbalance and an independent channel for shareholder engagement.

### Audit Quality, Risk Oversight, and Internal Control

Audit quality remains a central focus for investors. Enhanced disclosure around auditor appointment and reappointment, including tenure, independence considerations, and audit quality assessments, is broadly aligned with market best practice. Periodic audit re-tendering is commonly viewed as an



effective safeguard, introducing competitive discipline and helping mitigate familiarity risks associated with long audit tenures.

A ten-year threshold for audit re-tendering is broadly consistent with international practice, with flexibility around timing recognized as important for larger or more complex issuers. The effectiveness of the process itself is often viewed as more important than whether the incumbent auditor ultimately changes.

Risk governance structures are generally expected to reflect company complexity and risk exposure. While dedicated risk committees may be appropriate for large or high-risk companies, investors recognize that smaller issuers may effectively manage risks through the board or audit committee, provided responsibilities are clearly defined and disclosed.

Internal audit functions are increasingly expected to play a stronger role in assessing governance, risk management, and internal controls in emerging areas such as cybersecurity, data governance, and AI. Market expectations favor a risk-based integration of emerging risks into audit plans, supported by appropriate skills, technology, and governance safeguards.

### Shareholder Engagement and General Meetings

Market expectations increasingly favor continuous and structured shareholder engagement beyond the annual general meeting. For larger issuers, a dedicated investor relations function is often viewed as a baseline expectation, while proportional alternatives may be appropriate for smaller companies, provided accountability for engagement is clear.

At general meetings, investors continue to highlight challenges related to time constraints, scripted responses, and limited opportunity for meaningful dialogue. Practices such as advance submission of questions, grouping of similar questions, and post-meeting publication of responses are commonly viewed as practical measures that enhance transparency while preserving meeting order.

Clearer expectations for scrutineers, including independence, competence, and defined scope of responsibility, are also viewed as contributing to greater confidence in voting outcomes.

### Concluding Observations

Overall, prevailing market practice supports a principles-based and proportionate approach to strengthening Malaysia's corporate governance framework as outlined in the Discussion Paper. Clearer expectations around board accountability, decision-useful disclosure, and risk oversight are widely viewed as supporting long-term value creation and investor confidence. Aligning governance standards with company size, complexity, and risk exposure remains central to ensuring that enhanced expectations translate into meaningful improvements in governance outcomes rather than procedural compliance.