

# ABMS-MY

## Governance Framework in Malaysia

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ISO 37000 & ISO 26000 Expert

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### Environmental, Social & Governance

Dr KM Loi has more than fifteen (15) years of hands-on working technical experience in the manufacturing environment covering food & beverages, chemical process, medical devices, rubber and plastic, metal industries, serving in the laboratory, QA/QC, manufacturing and general management functions.

He has another twenty (20) years of technical and management skill in quality consulting, training and auditing with wide exposure to various industries in the context ISO standard development and certifications.

He has been involved in ISO standard development since 1995 and represented MICCI and Malaysia as expert in ISO/TC 176 (ISO 9001-QMS); ISO/TC 207 (ISO 14001-EMS); **ISO/TMB/WG Social Responsibility (ISO 26000)** and ISO/TC 309 (ISO 37000; ISO 37002 and ISO 37301).

### Dr KM Loi

With a long-standing background in anti-corruption advocacy work since 2000, he has served as Deputy President and Secretary-General of TI-Malaysia and a Vice Chair of United Nations Convention Against Corruption (UNCAC) Coalition.

SA8000 (Social Accountability) Expert  
ISO 26000 (Social Responsibility) Expert  
ISO 37000 (Governance of Organizations)

UNDP PSAG Advisor for Fair Business Environment (2018-2022).

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## Bursa Listing Requirements

### Bursa Securities Listing Requirements



CSR Reporting will be mandatory in respect of annual reports of listed companies with financial years ending on or after Dec. 31, 2007.

### Appendix 9C – Contents of Annual Reports



(29) A description of the corporate social responsibility activities or practices undertaken by the listed issues and its subsidiaries and if there are none, a statement to that effect.



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## Sustainability Reporting

In Malaysia, Sustainability Reporting has been mandatory for all PLCs since **2016**. Bursa requires listed firms to disclose narrative statements of the management of material economic, environmental and **social risks and opportunities** in their annual reports.

The main aim of Sustainability Reporting Frameworks is to turn theoretical issues into concrete actions. Sustainability Reporting will help your organization set priorities to reach environmental and social impact goals by exposing both positive or negative impacts on the planet, society and the economy.

Environmental, Social and Governance (**ESG**) investing is one of the fastest-growing trends in the investment community over the past few years. **ESG** is slowly becoming a key consideration for investors. Asset owners such as pension funds are increasingly demanding sustainable investing.

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## Sustainability Reporting

The obligations under the Listing Requirements are aimed at :-

- Improving the quality of Sustainability-related practices and reporting of listed issuers.
- Aiding listed issuers to meet Sustainability expectations of their stakeholders.
- Attracting funds with a Sustainability focus into the Malaysian capital market; and
- Facilitating more listed issuers to qualify for FTSE4Good Bursa Malaysia Index and other international Sustainability indices.

## Global Principles : Corporate Governance

### The meaning of corporate governance

#### What are the aspects of corporate governance?

- Role of the Board
- Executive compensation
- Strategic oversight
- Risk management

#### Common questions:

- What is the role of the Board in the company's corporate governance programme?
- Exactly what should we be doing in the critical areas of oversight such as strategy and risk?

Source: Paine (1994)

### Useful resources to consult



The UK  
Corporate  
Governance  
Code



Singapore  
Code of  
Corporate  
Governance



Malaysian  
Code on  
Corporate  
Governance  
2021

### Recent developments

ISO/TC 309 has published an International Standard known as ISO 37000:2021 : Governance of organizations – Guidance

## Malaysian Code on Corporate Governance



### 2012 MCCG Practice 1.3

The board should formalise ethical standards through a code of conduct and ensure its compliance. The code of conduct should include appropriate communication and feedback channels which facilitate **whistleblowing**.



### 2017 & 2021 MCCG Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on **anti-corruption and whistleblowing**.

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## Malaysian Code on Corporate Governance

### What are the principles of MCCG?

- 1** **Ensure adequate board leadership and effectiveness**
  - Board Responsibilities
  - Board Composition
  - Remuneration
- 2** **Ensure effective audit and risk management**
  - Audit Committee
  - Risk Management & Internal Control Framework
- 3** **Ensure integrity in corporate reporting and meaningful relationship with stakeholders**
  - Engagement with Stakeholders
  - Conduct of General Meetings

Source: Securities Commission Malaysia (2021)

### What approach should companies have to corporate governance? CARE



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## ISO 37000 : Governance of Organizations

ISO 37000:2021 – Governance of Organizations - Guidance

### Foundational Governance Principles

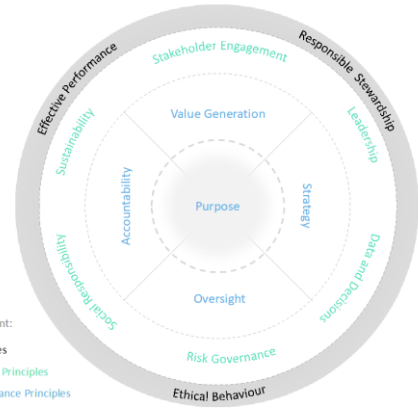
- Purpose
- Value Generation
- Strategy
- Oversight
- Accountability

### Enabling Governance Principles

- Stakeholder Engagement
- Leadership
- Data and Decisions
- Risk Governance
- Social Responsibility
- Sustainability

### Governance Outcomes

- Effective Performance
- Responsible Stewardship
- Ethical Behaviour



Overview of the governance of organizations and the principles and outcomes.

Source: ISO 37000 (2021)

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## What is ESG?

ESG addresses many topics and multi-stakeholders.

ESG represents the organization's efforts to systematically assess, manage, and monitor risks of material potential impact to the strategic and financial decisions of the organization.

ESG is often used as a synonym for sustainability, CSR, SR, SEE, public relations, social investment, or environmental compliance. While some of these elements can be factor into an ESG program, but at the centre of ESG is the management of risk and the preservation of shareholder value.



Concerns how companies take account of issues like climate change and the impacts of their operations and products on the living world.



How a company operates in its community covering matters such as working conditions, health and safety and employee relations.



Company leadership in issues such as executive pay, anti-bribery & anti-corruption, whistleblowing/ SpeakUp mechanism and board quality and diversity.

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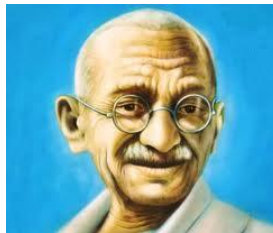
## What is this silent “G” in ESG?

### Governance is :-

- a relationship among stakeholders that is used to determine and control the strategic direction and performance of organizations.
- concerned with identifying ways to ensure that strategic decisions are made effectively.
- used in corporations to establish order between the firm’s owners and its top-level managers.

### A Gandhian Definition :-

Trusteeship obligations inherent in company operations, where assets and resources are pooled and entrusted to the managers for optimal utilization in the stakeholders’ interests.



### Meta Definition :-

The board of directors must act following the four principles of governance — accountability, transparency, fairness and responsibility — for the best interest of stakeholders, shareholders and the business as a whole.



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### Environmental

- Biodiversity loss
- Greenhouse gas emissions
- Resource depletion
- Ocean acidification
- Ozone depletion
- Water Management
- Energy Sources
- Environmental Impact
  - Air Quality
  - Ecological impacts
  - Critical Incidents (accidents)
  - Waste Management
  - Plastics
- Climate Change
  - Carbon Emissions
  - 2-Degree Alignment
  - Fossil Fuel Reserves
  - Energy Efficiency
  - Renewable Energy

### Social

- Mass migration
- Wealth distribution
- Access to healthcare
- Employment rights, child labour and slavery
- Workforce & Human Capital
- Inclusion & Diversity
- Supply Chain Labour
- Workplace Health and Safety
- Gender Pay Gap
- Society & Communities
- Community Relations
- Economic Impacts
- Human Rights

### Governance

- Quality of Board
  - Independence
  - Skills and Qualifications
  - Diversity
- Independent directors
- Ethics in business
- Compensation
- Anti-bribery and Anti-corruption
- Whistle-blowing policy
- Implications of business strategy on social & sustainability issues
- Transparent disclosure of ESG criteria
- Accountability, Transparency, Fairness and Responsibility.

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**Governance**

- Corporate Governance
- Composition and Operation of Governing Body : Quality of Board
  - Independence
  - Skills and Qualifications
  - Diversity
- Independent Directors
- Directors' Remuneration
- Occupational Discrimination
- Beneficial Ownership
- Conflict of Interest
- Corporate Integrity
- Prevention of corruption and Whistle-blowing Policy

**Governance**

- Anti-Competitive Practices
- Code of Ethics & Business Code
- Approaches to :-
  - Stakeholders Management;
  - Responsible Investment;
  - Accounting & Taxation;
  - ESG Incident Management & Supply Chain Management;
  - Business Ethics;
- 3<sup>rd</sup> Party & Supply Chain Contracts
- Transparent disclosure of ESG criteria
- Accountability, Transparency, Fairness and Responsibility

**Governance – GRI**

- GRI 201: Economic Performance
- GRI 202: Market Presence
- GRI 203: Indirect Economic Impacts
- GRI 204: Procurement Practices
- GRI 205: Anti-corruption
- GRI 206: Anti-competitive Behaviour
- GRI 207: Tax

## Environmental, Social & Governance Sustainability

**CAPE EMS BERHAD** believes that sustainable development is achieved when its business generates value for its shareholders and other stakeholders while supporting the environmental, social and governance (ESG) aspects through (a) Environmental; (b) Social; and (c) Governance Sustainability.

We has a responsibility to put sustainability at the heart of our business strategy through our pioneering leadership role and our EMS we provide. We recognize that our operations can greatly contribute to creating a more sustainable world.

**CAPE EMS BERHAD** operationalizes our commitment through the following three-pronged principles such as :-

- (a) **Environmental Sustainability:**  
Fair Workplace with Health, Safety, Security and Environment Practices;
- (b) **Social Sustainability:**  
Fair Labor and Employment Practices; and
- (c) **Governance Sustainability:**  
Fair Business Practices.





## Governance Sustainability

- Fair Competition
- Inside Trading
- Financial and Business Records
- Financial Integrity
- Tax and Trade Controls
- Anti-money Laundering
- Bribery and Facilitation Payments
- Gifts and Hospitality
- Charitable Donations & Political Contributions
- Political Activities and Lobbying



- Conflict of Interest
- Fraud, Breach of Trust and Abuse of Power
- Fair Purchasing
- Code of Ethics & Business Code
- Cybersecurity Protection of Personal and Company Devices
- Privacy, Data Protection, and Confidential or proprietary Information

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## Lastly but hardly the least...



**“An ethical life is built of integrity, honesty, kindness, decency and belief in truth, justice, honour, respect, compassion, and working together to make life better!”**

**Mark Twain**

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