



VOTING GUIDELINES FOR DOMESTIC LISTED EQUITY INVESTMENTS

2022 edition

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A. Objective

The objective of this document is to guide KWAP and its investee companies on the manner in which KWAP will vote for resolutions raised during AGM / EGM.



B. SCOPE

1. KWAP recognises the importance of benchmarking against best practices in exercising its shareholder rights in its investee companies. As such, the following documents have been referred to and benchmarked against:
 - (a) Securities Commission's Malaysian Code on Corporate Governance 2021 (MCCG 2021);
 - (b) Bursa Main Market Listing Requirements;
 - (c) Bursa Corporate Governance Guide 2021;
 - (d) Bursa Sustainability Reporting Guide;
 - (e) Guidebook 1 – Creating Purpose and Performance Driven Public Listed Companies (PLC); and
 - (f) Institutional Investors Council (IIC) Malaysia's Draft Malaysian Code for Institutional Investors (MCII) to be launched in 2022.

2. KWAP constantly looks into companies with good shareholders' orientation which is characterised by the following:
 - (a) Consistency and alignment with the respective management strategies and policies;
 - (b) Reputable and proactive directors with the ability to fulfil their roles in monitoring and governing the management of the company;
 - (c) Prompt and sufficient disclosures and announcements; and
 - (d) Ensure shareholders' rights are respected at all times.

3. KWAP is committed to further improve the environmental, social and governance (ESG) practices by conducting proactive and constructive discussions with the management of its investee companies. This shall be undertaken via voting for/against/abstaining from voting on Board proposals and may include influence over decisions pertaining to the following:
 - (a) Policies (such as disclosure and voting policies);
 - (b) Corporate transactions (including mergers and acquisitions);
 - (c) Restructuring exercises; and
 - (d) Engagement and remuneration of directors.

4. KWAP shall actively engage with its investee companies through the following approaches:
 - (a) Meetings and dialogues with the management;
 - (b) Active participation in AGM/ EGM;
 - (c) Expressing concerns in writing to the Board of Directors or management;
 - (d) Meeting with the Chairman or other directors, including Senior Independent Directors;
 - (e) Joint engagement with other institutions on particular issues;
 - (f) Submitting resolutions and expressing concerns at the general meeting;
 - (g) Requisitioning for general meetings including requesting for the removal of non-performing directors;
 - (h) Make public or media statement on concerns if they are not addressed appropriately by investee companies; and
 - (i) Board representation, where applicable.



C. DEFINITION

Abbreviation	Description
AGM	Annual General Meeting
EGM	Extraordinary General Meeting



D. REFERENCE

Title	Reference Number
Companies Act 2016	Act 777



E. BOARD OF DIRECTORS OF INVESTEE COMPANIES (BOARD)

1. The Board's Roles & Responsibility:

- (a) The Board's primary responsibilities and key duties are outlined in the Companies Act 2016 [Act 777] under the following provisions:
 - i. Sections 211 of Companies Act 2016 – Functions of Board; and
 - ii. Sections 213 of Companies Act 2016 – Duties and responsibilities of directors.
- (b) The Board's responsibility is to ensure that the investee companies' success over the long term is consistent with their statutory duties and necessitate their fiduciary duty to realise long term shareholders value while considering the interest of other stakeholders.
- (c) An individual director must also be aware of the legal requirements and parameters that define his or her duties. Clear roles and responsibilities of the Board must be outlined, which include:

i. Demarcation of Roles and Responsibilities

The Board should establish clear roles and responsibilities of the Board and those delegated to management. This provides better demarcation of roles, responsibilities and promotes accountability of the parties.

ii. Strategic Planning and Performance Monitoring

a. Strategic Plan

- The Board should devote the necessary time and effort to be involved in the setting, reviewing, adopting and monitoring of the strategic plan for the investee company.
- The Board should define the corporate purpose of the company, align it with the long-term performance

and value creation, as well as ESG considerations underpinning sustainability.

- The Board should also consider the stakeholders' needs and continuously align those needs with the corporate purpose.
- The Board should be responsible for the overall enterprise governance i.e. both corporate governance and business governance as well as sustainability.
- The Board should also proactively consider sustainability issues when it oversees the planning, performance and long-term strategy of the company to ensure the company remains resilient, able to deliver sustainable value as well as maintain the confidence of its stakeholders.
- The Board together with management should take responsibility for the governance pertaining to sustainability in the company including setting the company's sustainability strategies, priorities and targets.

b. Performance

- The Board should oversee and measure the performance of the investee company and its management.
- Besides setting the strategic direction of the company, the Board should also conduct regular and formal Board strategy review. The main functions of the Board are to analyse existing corporate strategy, examine and evaluate progress to-date versus actual performance against the designated financial and non-financial objectives.
- The performance review should also be high-level and take into consideration both internal and external factors affecting the company's performance.
- This should be conducted by the Board and should not be conducted together with any management review of strategy.

- Board strategy reviews are meant to be periodically undertaken, subject to requirements set by the company while considering the rapid changes of market conditions and environment.
- The performance report prepared by management should assist the Board to gather information of what is not working and why, whilst re-examining the underlying strategic issues.

c. Risk Management

- The Board should establish a sound risk management framework which encompasses effective risk management systems and internal control systems for all current and emerging risks.
- The Board should disclose the features of its risk management and internal control framework and the adequacy and effectiveness of this framework.
- The Board should also determine the risk appetite of the investee company, monitor and manage significant financial and non-financial risks including ESG and other operational risks.

d. Integrity of Reporting and Internal Controls

- The Board shall ensure that the investee company has established a sound framework of internal controls and compliance.

e. Resources

- The Board shall ensure the company's capabilities and necessary resources are in place to meet its objectives and manage uncertainties.
- The strategic plans should be flexible, and this can be achieved by:

- keeping abreast of changes in the business environment that could potentially be material and affect the achievement of strategic objectives set;
- exploring how the changes in business environment may impact strategy and the severity of the impact;
- provide necessary training and if needed, invite subject matter experts to address the Board and Senior Management; and
- ensure timely and accurate information reaches the Board and is deliberated by the Board and management.

f. **Succession Plan**

- The Board shall ensure that the investee company has an effective succession plan in place. This also includes succession plan for directors, Chief Executive Officer (CEO) and key Senior Management positions especially when such positions are assumed on a contractual basis.
- KWAP shall vote **AGAINST** or **ABSTAIN** on the re-election of the Nomination Committee (NC) Chairman for failure to address matters identified under this item (f) Succession Plan.

iii. **Values and Standards**

The Board should play a critical role in setting the appropriate tone at the top, set the values and standard, providing thought leadership, championing good governance and ethical practices throughout the company.

iv. **Code of Conduct and Ethics**

- a. KWAP believes that the company's leadership will influence the ethical culture in the company whereby ethical principles and values are set by the leaders and embedded across the company.
- b. The code of conduct and ethics will set the company's expectations with regard to business and professional behaviour and should cover the following topics, but not limited to:

- conflict of interest;
 - insider trading;
 - related party transactions;
 - gifts and other forms of benefits;
 - prevention of abuse of power;
 - unlawful and unethical behaviour;
 - proper use of the company's assets;
 - commitment against corrupt practices;
 - anti-money laundering;
 - financing of terrorism; and
 - compliance with laws, rules and regulations.
- c. KWAP recommends its investee companies to establish, review, update and publish their respective Code of Conduct on their website.
- d. The Board should establish, review, and together with management, implement policies and procedures on whistleblowing as part of the Code of Conduct.
- e. It should also include processes and communication channels that facilitate whistleblowing to create an environment where management and employees can whistle blow on improper behaviour without being victimised for doing so.

v. Board Charter

- a. The Board Charter sets out as a primary source of reference consist of the Board's strategic intent, authority and terms of reference. The Board Charter should be periodically updated and be made accessible to all stakeholders via the company's website.

- b. Investee companies should have a Board Charter that clearly identifies among others the governance structure, authority and terms of reference of the respective roles and responsibilities of the Board, Board committee, individual directors and management. The Board Charter should also stipulate the role of Senior Independent Director.
- c. The following are some of the matters to be considered when developing a Board Charter:
 - a general outline of the Board's purpose, key values and principles;
 - an overview of the Board's monitoring role;
 - structure and membership of the Board including appointment, Board independence and diversity;
 - appointment of Board committees;
 - demarcation of responsibilities between Board, Board committees and management;
 - description of the role of the Chairman, CEO and Executive Directors as well as Non-Executive Directors;
 - expected time commitment of the directors and limit on directorships including a restriction of five (5) directorships in listed issuers as per Bursa's Listing Requirements;
 - procedures for development, undertaking and improvement of Board processes, including performance assessment and continuous education/training and development of the Board, its committees and the directors.
- d. Charter for each Board committee should clearly set out the duties, rights and expectations for the committee, delegation of authority from the Board to the Board committees.

vi. Prompt Dissemination of Information

- a. It is recommended for the Board to establish procedures that would allow the Board members to have access to accurate and complete information and advice in order for the Board to discharge its duties effectively.

- b. In addition, the investee companies should have appropriate corporate disclosure policies and procedures which comply with the disclosure requirements as set out in the Bursa Malaysia Listing Requirements. KWAP recommends its investee companies to leverage on information technology for effective dissemination of information to its stakeholders.

vii. Professional Development and Continuous Education for Board Members

- a. Induction program for newly appointed directors is vital for them to orientate themselves in the new environment in order to contribute to the Board.
- b. A formalised orientation and education programme should be developed and provided to new members of the Board to ensure that they understand:
 - their roles and responsibilities;
 - the nature of the company's business;
 - strategies adopted by the company;
 - the Board's expectations in terms of their knowledge contribution; and
 - current issues faced.
- c. The Board must evaluate the training needs of its directors to ensure that they are equipped with relevant professional development and upskilling programmes.
- d. KWAP encourages its investee companies to refer to Paragraph 15.08 of Bursa Listing Requirements on Directors' training as stated below.

Paragraph 15.08 of Bursa Securities Listing Requirements

Directors' training

- (1) A director of a listed issuer must ensure that he attends such training programmes as may be prescribed by the Exchange from time to time.
- (2) The Exchange considers continuous training for directors of listed issuers as important to enable the directors to effectively discharge their duties. In this respect, the board of directors of a listed issuer must on a continuous basis, evaluate and determine the training needs of its directors. The subject matter of training must be one that aids the director in the discharge of his duties as a director.
- (3) The board of directors must disclose in the annual report of the listed issuer, a statement on the training attended by its directors which includes the following information:
 - (a) the board has undertaken an assessment of the training needs of each director;
 - (b) a brief description on the type of training that the directors have attended for the financial year; and
 - (c) in exceptional circumstances where any directors has not attended any training during the financial year, valid justifications for the non-attendance of such director.

Note: **Paragraph 2.2 of Practise Note 5 of Bursa Securities Listing Requirements** *[in respect of paragraph 15.08. (1)]*, also provides, amongst others that a director who is appointed for the first time as a director of a listed issuer must complete the Mandatory Accreditation Programme prescribed by the Exchange within 4 months from the date of appointment.

viii. Company Secretary

- a. The Board should ensure it is supported by a qualified and competent company secretary to provide prompt and accurate governance advice, ensure adherence to all applicable rules and procedures on listing and disclosure requirements as well as to ensure corporate governance best practices are upheld at all times.
- b. The company secretary would need to keep abreast with the changes and developments surrounding corporate and securities law, listing rules and corporate governance practices.
- c. A structured training programme should be in place for the company secretary to maintain his / her knowledge and skills.
- d. The company secretary should serve as a focal point for stakeholders' communication and engagement on corporate governance issues.
- e. The Board relies on the company secretary to furnish Board papers in timely manner i.e., should be circulated at least five (5) business days in advance of Board meetings and contain information at an adequate level of detail.
- f. The company secretary should ensure that minutes of meetings are circulated within reasonable time. The minutes should accurately reflect the deliberations and decisions of the Board, including whether any director abstained from voting.
- g. The company secretary should facilitate an orientation program for all new directors and assist to ensure all new and existing directors are provided with training and development program.

2. Board Composition and Gender Diversity

- (a) The Board should have a balance of Independent and Non-Independent Non-Executive Directors so that no individual or small group would dominate the Board's decision-making process.
- (b) KWAP recommends its investee companies to abide by MCCG 2021's requirement whereby at least half of the number of the directors on their Board should be Independent Directors, and for large companies to have at least 30% women directors on the Board. Where participation of women on the Board of an investee company is less than 30%, the Board should disclose measures and reasonable timeframe to achieve at least 30%.
- (c) KWAP encourages its investee companies to ensure that it has sufficient representation of women on its Senior Management positions and participate in decision making.
- (d) In addition, KWAP expects its investee companies to establish a clear policy on gender diversity to support at least 30% women on Board and in Senior Management and to publicly disclose the policy.

KWAP shall vote **AGAINST** the re-election of the Nomination Committee (NC) Chairman (or its equivalent) for failure to address matters identified under this item No.2 - Board Composition and Gender Diversity.

3. Appointment of Active Politicians

- (a) The Board should also be mindful of the recommended best practices in relation to Board appointments and abide by MCCG 2021's requirements.
- (b) KWAP discourages its investee companies from appointing active politicians on its Board as recommended by MCCG 2021 and the MCII 2022.
- (c) Under the MCCG 2021 and MCII 2022, a person is considered politically active if he is a Member of Parliament, State Assemblyman or a person who holds position at the Supreme Council, or division level in a political party.

KWAP shall vote **AGAINTS** or **ABSTAIN** on the election/ re-election of active politicians under this item No.3 - Appointment of Active Politicians.

4. Board Size

- (a) The investee companies should observe its Board size according to the structure and circumstances of the investee companies. The Board should be adequate in size to ensure effective decision-making process as well as to capture the diversity of generational difference to bring different perspective, experience, skills, expertise necessary for the best interests of shareholders and active participation of every director.
- (b) KWAP recommends a Board size of at least seven (7) Board members and the size may be increased preferably in odd number, depending on the diversity of the investee companies' business.

KWAP shall vote **AGAINST** or **ABSTAIN** on the re-election of the Nomination Committee (NC) Chairman for failure to address matters identified under this item No. 4 – Board Size.

5. Separation of Powers between Chairman and Chief Executive Officer

- (a) KWAP recommends a clear division of responsibilities at the top and this should be clearly defined in the Board Charter. The Board and the executives of the investee companies should ensure a balance of power and authority, such that no individual represents a considerable concentration of power and reinforce independence.
- (b) In addition, KWAP recommends the Chairman to be an Independent Non-Executive member of the Board and should be neither the CEO nor a former CEO of the company. This will ensure that the Board can meet its obligations more objectively.
- (c) Where the Chairman is not an Independent Director, the Board should comprise a majority of Independent Directors.

Note: *An Independent Director is a director who is independent of management and free from any business or other relationships which could interfere with the exercise of independent judgment or the ability to act in the best interests of the investee company.*

6. Board Meetings

- (a) The Board should meet regularly as warranted by issues, size and complexity of the investee companies. Attendance of directors and the frequency of the Board meetings held in the year should be disclosed in the investee company's Annual Report.

Note: *Bursa Corporate Governance Guide recommends the Board to meet regularly for at least five (5) times annually.*

7. Board Committees

The investee companies are recommended to have at least four (4) key committees mainly comprising of Independent Non-Executive Directors i.e., Audit Committee, Remuneration Committee, Risk Management Committee and Nomination Committee.

(a) Audit Committee

- i. To establish policies and procedures to assess the suitability and independence of external auditors and to include in the policy that a former key audit partner is required to observe a cooling-off period of at least three (3) years before being appointed as a member of Audit Committee.
- ii. The Audit Committee should establish policies and procedures to assess the suitability, objectivity and independence of the external auditor including the criteria to guide decisions on the appointment and re-appointment of the external auditor.

The criteria should include an assessment of the competence, audit quality and resource capacity of the external auditor in relation to the audit. The assessment should also consider information presented in the Annual Transparency Report of the audit firm. If the audit firm is not required to issue an Annual Transparency Report, the Audit Committee is encouraged to engage the audit firm on matters typically covered in an Annual Transparency Report including the audit firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and manage risks.

- iii. It is recommended that the Board should establish an internal audit function which reports directly to the Audit Committee.
- iv. To ensure that the financial statements comply with applicable financial reporting standards as this is integral to the reliability of the investee company's financial statements.
- v. All the Audit Committee members must be Non-Executive Directors, with a majority of them being Independent Directors. The Audit Committee must comprise of no fewer than three (3) members. KWAP recommends that a majority of the members have sufficient expertise in financial, accounting, auditing and associated legal matters.
- vi. KWAP also recommends that the Chairman of the Audit Committee is not the Chairman of the Board.

(b) Risk Management Committee

- i. To assist the Board in the effective discharge of its primary responsibilities of identifying principal risks and implementing appropriate systems and risk assessment processes to manage such risks.
- ii. To oversee company's Risk Management framework and policies.
- iii. A majority of Independent Directors should sit in the Risk Management Committee.
- iv. KWAP also recommends that the Chairman of the Risk Committee is not the Chairman of the Board.

(c) Nomination Committee

- i. To comprise exclusively of Non-Executive Directors, a majority of whom must be independent.
- ii. The roles of the Nomination Committee should include developing, maintaining and reviewing the criteria to be used in the recruitment process and conduct annual assessment of each Independent Director.
- iii. Considerations such as competencies, commitment, contribution and performance, including the current composition of Board and Board committees, mix of skills and experiences of directors whilst considering the current and future needs of

the company, boardroom diversity including gender diversity and other soft attributes required as directors should be included as recruitment criteria.

- iv. KWAP also encourages its investee companies to abide by the latest MCCG 2021's recommendation for the Board to undertake performance evaluations of the Board and Senior Management in addressing company's material sustainability risks and opportunities.
- v. The Nomination Committee should develop criteria to assess the independence of the Independent Directors (with the tenure of directorship taken into account as one of the criteria) and to conduct a periodical independent third-party assessment by a professional, experienced and independent party for the Independent Directors.
- vi. The nominating committee must have written terms of reference dealing with its authority and duties which must include the selection and assessment of directors. Such information must be made available on the company's website.
- vii. A statement about the activities of the nominating committee in the discharge of its duties for the financial year must be included in the company's annual report. Such statement must include how these requirements are met and contain the following information:
 - the policy on Board composition that specify on the mix of skills, independence and diversity which includes gender diversity to meet the needs of the company;
 - the Board nomination and election process of directors and criteria used by the nominating committee in the selection process; and
 - the assessment undertaken by the nominating committee in respect of its Board, committees and individual directors together with the criteria used for such assessment.
- viii. KWAP encourages the nominating committee to also look into the long-term horizon to identify or keep an eye on the need for succession in the boardroom, identify appropriate candidates for the Board's approval to fill casual vacancies and nominate candidates for the Board's consideration.
- ix. The nominating committee and the Board should devote sufficient time to review, deliberate and finalise the nomination and/or selection of directors.

- x. KWAP recommends for the Nomination Committee to be chaired by an Independent Director. The Chair of the Nomination Committee should lead the succession planning and appointment of Board members including the future Chairman and CEO.

(d) Remuneration Committee

- i. To consist exclusively of Non-Executive Directors and majority of Independent Directors drawing advice from experts, if necessary, that are responsible to establish formal and transparent remuneration policies and procedures to attract and retain directors.
- ii. This is also to ensure that the remuneration packages are determined on the basis of the directors' and Senior Management's merit, qualification and competence, the company's operating results, individual performance and comparable market statistics.
- iii. The remuneration committee's remit should cover not only directors' remuneration but also that of the Senior Management team.
- iv. It is important to determine and ensure that the remuneration of directors and Senior Management are adequate and fair. The remuneration for the Executive Directors including the CEO and key Senior Management, must be linked to performance and Key Performance Indicators (KPIs), for both short term and long-term. Remuneration paid to Executive Directors/CEO and key Senior Management should commensurate with their performance and meeting the KPIs and not be excessive.
- v. KWAP encourages its investee companies to periodically review its Board remuneration policies and procedures and make them available in the Annual Report and/or company's website. KWAP encourages its investee companies to define and disclose the responsibilities, composition and procedures of all its Board subcommittees.
- vi. KWAP encourages its investee companies to disclose the remuneration component of Non-Executive Directors i.e., fee structure (Board and Board committees), meeting allowances and other emoluments;

- vii. Remuneration Policy on the components of the remuneration for the Executive Directors including the CEO and key Senior Management, must be linked to performance and KPIs, for both short term and long-term. Remuneration paid to Executive Directors/CEO and key Senior Management should commensurate with their performance and meeting the KPIs and not excessive.
- . KWAP shall vote **AGAINST** or **ABSTAIN** on the re-election of the Remuneration Committee (RC) members for failure to act in the best interest of the company and other shareholders in respect of excessive remuneration paid to Executive Directors and/or CEO.
- viii. Directors who are shareholders should abstain from voting at general meetings to approve their remuneration packages. Similarly, Executive Directors should not be involved in deciding their own remuneration packages.

8. Election of Directors

- (a) It is in the best interest of KWAP that the investee companies continue to be dynamic and deliver sustainable returns for the shareholders. This includes the Board setting out expectations on time commitment for its members and protocols for accepting new directorships.
- (b) KWAP recommends that Non-Executive Directors serve on no more than five (5) public listed company Boards to ensure they can effectively devote their time to the Boards they serve.
- (c) KWAP prefers investee companies to be transparent with the details including the tenure, remuneration and criteria for the appointment of its directors.

9. Board Evaluation

- (a) KWAP recommends for the Board to undertake assessment of its Independent Directors annually. The Board should undertake a formal and objective annual evaluation to determine the effectiveness of the Board, its committees and each individual director. The Board should disclose how the assessment is carried out, its outcome, gaps and action taken especially in addressing the gaps identified. For large companies, the Board should engage independent experts periodically to facilitate objective and candid Board evaluations.
- (b) KWAP shall vote **AGAINST** or **ABSTAIN** on the re-election of the Nomination Committee (NC) Chairman for failure to address matters identified under this item 9 – Board Evaluation.

10. Re-election of Directors

All directors shall submit themselves for re-election at least once every three (3) years.

11. Criteria of Independent Director

- (a) KWAP advocates investee companies' Board to practice objective and independent deliberation in business operational review and decision-making process.
- (b) KWAP recommends the Board to disclose the following:
 - i. If the Independent Director is or has been in an executive capacity of the investee company or a subsidiary and there has been an appropriate period between ceasing such employment and serving on the Board;
 - ii. If the Independent Director has or had close ties with any of the investee company's advisers, directors or Senior Management;
 - iii. If the Independent Director is a significant shareholder of the company, or an officer of, or otherwise associated

with a significant shareholder of the investee company;

- iv. If the Independent Director receives or has received additional remuneration from the investee company apart from director's fee, participates in the investee company's share option plan or a performance-related pay scheme, or is a member of the investee company's pension scheme.

12. Tenure of Independent Directors

KWAP recommends that the tenure of an Independent Director does not exceed a cumulative term limit of nine (9) years. Upon completion of the nine (9) years, an Independent Director who seek to continue to serve on the Board shall be re-designated as a Non-Independent Director.

13. Board Oversight Role on Sustainability Matters

KWAP believes that investing in companies with good ESG practices can contribute towards delivering sustainable risk-adjusted returns and enhance shareholder's value in the long run. Therefore, the Board is expected to:

- (a) Play an important oversight role on sustainability activities of the investee company to ensure that the company is moving towards achieving its sustainability targets;
- (b) Have sufficient knowledge and understanding on material sustainability issues that are relevant to the company and its industry;
- (c) Capable and competent to deliberate sustainability issues at the Board level;
- (d) Ensure comprehensive and accurate sustainability reporting; and
- (e) Ensure that the policies, processes and procedures of risk assessment on the company's sustainability activities are in place.



F. VOTING STANCE

1. Director's Attendance at Board Meeting

KWAP shall vote **AGAINST** the re-election of a director who has failed to attend at least seventy-five percent (75%) or more of the scheduled Board and/or other committee meetings as disclosed in the Annual Report.

2. Re-election of Directors

- (a) KWAP shall vote in **FAVOUR** of the re-election of a director if:
 - i. The director possesses the qualification, experience and sound reputation which could contribute positively to the investee company's business; or
 - ii. The director is the founder and/or co-founders of the company.
- (b) KWAP shall vote **AGAINST** the re-election of a director, if based on KWAP's on-going observation, that:
 - i. The director has a poor reputation and conduct;
 - ii. The director does not act in the best interest of the company, KWAP and other shareholders;
 - iii. The director has a poor record or has a record of mismanagement or has involved in financial scandals in any other company.
- (c) KWAP shall vote **AGAINST** the re-election of a director that serves on more than five (5) public listed company Boards.

3. Age of Directors

KWAP shall vote in **FAVOUR** of the election and/or re-election of directors regardless of their age profile, with the condition that they are fit to perform the work responsibilities.

4. Tenure of an Independent Director

- (a) KWAP shall vote **AGAINST** or **ABSTAIN** on the re-election of Independent Non-Executive Director who has served on the Board for a cumulative term of nine (9) years or more.

5. Composition of Board Members and Gender Diversity

- (a) KWAP shall vote **AGAINST** the election of a new Non-Independent Director in the event of insufficient number of Independent Directors as outlined in *Section E No. 4*.
- (b) KWAP shall vote **AGAINST** the election or re-election of a Chairman which also holds the CEO position as outlined in *Section E No. 5*.
- (c) KWAP shall vote **AGAINST** the re-election of the Nomination Committee (NC) Chairman for failure to address matters identified under *Section E No. 2 – Board Composition and Gender Diversity*.

6. Directors' Remuneration Package

- (a) KWAP shall vote in **FAVOUR** of the resolution approving the directors' remuneration package if:
 - i. The remuneration package is aligned with company's performance, historical remuneration package as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website; and
 - ii. The remuneration package is reasonable within the common industry practice.
- (b) KWAP shall vote **AGAINST** the resolution on approving the directors' remuneration package if:
 - i. It is observed that the Board has been ineffective and does not commensurate with the size, performance, commitment and contribution of the director; and/or

- ii. The increase in director's remuneration package cannot be justified.

7. Authority to Allot and Issue Shares Pursuant to Section 75 of Companies Act 2016.

- (a) KWAP shall vote in **FAVOUR** of the resolution if the proposed utilisation of proceeds is deemed to benefit both the investee company and ultimately its shareholders.
- (b) KWAP shall vote in **FAVOUR** of such resolution tabled by financial institutions in Malaysia, on the basis that these financial institutions are required to comply with more stringent capital requirement imposed by Bank Negara Malaysia.
- (c) KWAP shall vote **AGAINST** such resolution if the company fails to state specifically the purpose and planned utilisation of the proceeds to be raised from such a mandate.
- (d) KWAP shall vote **AGAINST** such resolution if the proceeds will be utilised for exercise that is in KWAP's opinion not beneficial to the investee company and/or shareholders.
- (e) KWAP shall vote **AGAINST** the resolution if the proposed shares allotment and/or issuance exceeds 10% of issued and paid-up capital.

8. Authority for Purchase of Own Shares by the Company

- (a) The investee company must ensure that the share buy-back scheme is conducted in the best interest of the shareholders.
- (b) KWAP shall vote in **FAVOUR** of such resolution if:
 - i. The investee company has a strong balance sheet and cash flow; and
 - ii. The investee company has a good dividend payment record.

- (c) KWAP shall vote **AGAINST** such resolution if:
 - i. The exercise is, in KWAP's opinion, detrimental to the investee company and/or its shareholders; or
 - ii. The proposed share buy-back scheme exceeds 10% of issued and paid-up capital.

9. Employees Share Options Scheme ("ESOS")

- (a) KWAP may vote in **FAVOUR** of the proposed ESOS if:
 - i. It is offered to Executive Directors and other employees of the investee company; and
 - ii. The criteria and basis of ESOS offerings are performance driven.
- (b) KWAP shall vote **AGAINST** the proposed ESOS if:
 - i. The total ESOS issued exceeds ten percent (10%) of the investee company's paid-up capital;
 - ii. No cancellation of outstanding ESOS that are not yet exercised;
 - iii. Detailed criteria and basis of ESOS allocation is not disclosed in the circulars, or are not performance-based;
 - iv. One Hundred percent (100%) of the ESOS could be vested or divested immediately; or
 - v. The investee company intends to award the ESOS to Non-Executive/Independent Directors of the company.

10. Transactions and Corporate Exercise

- (a) KWAP shall vote **AGAINST** transaction/corporate exercise which:
 - i. Is detrimental to the company and/or to KWAP's investment returns (in medium and/or long term); and/or
 - ii. Will have an adverse effect on sustainability and/or ESG.

Notwithstanding to Section F above:

- (a) KWAP may deviate, in the best interest of KWAP, from this Voting Guidelines and use its discretion to vote in a way it deems appropriate or abstain from voting, on a case-to-case basis as decided by KWAP's Chief Investment Officer (CIO); and
- (b) Items not generally or specifically covered in this guideline be left to the discretion of KWAP's CIO on a case by case basis.



G: OTHER MATTERS

1. Director's Report, Financial Statements & Auditors' Report

The investee companies should disclose the Director's Report, Financial Statements and Auditors' Report. The material items should be included in the investee companies' latest Annual Report.

2. Appointment of Auditors

- (a) The investee companies should have an external audit that ensures the integrity, scope and quality of the audit.
- (b) KWAP recommends for the Audit Committee to establish policies and procedures in assessing the suitability, objectivity and independence of the external auditor as per the MCCG 2021's requirements including the criteria to guide decisions on the appointment and re-appointment of the external auditor, the appropriateness of audit fees to support a quality audit etc.
- (c) KWAP recommends the investee companies to provide explanations in the event of any changes in its auditors, and disclosure should be made in the Annual Report and AGM.
- (d) In appointing an external auditor, a listed issuer must consider, among others:
 - i. the adequacy of the experience and resources of the accounting firm;
 - ii. the persons assigned to the audit;
 - iii. the accounting firm's audit engagements;
 - iv. the size and complexity of the listed issuer's group being audited; and
 - v. the number and experience of supervisory and professional staff assigned to the particular audit.

3. Director's General Mandate to Allot and Issue Shares Pursuant to Section 75 of the Companies Act 2016.

Where a general mandate is sought by the investee companies, KWAP prefers the proposed resolution to be accompanied with the following information:

- (a) Whether the mandate sought is new or renewal;
- (b) If it is a renewal, to specify the proceeds raised previously (if any), and to give the details and the status of the utilisation of the proceeds; and
- (c) If new, to specify the purpose and utilisation of proceeds resulting from the issuance.
- (d) The investee companies are recommended to obtain prior approval from their shareholders before the directors can exercise the following powers:
 - i. to grant rights to subscribe for the shares; and
 - ii. to convert any security into shares of the company, or to allot shares under an agreement or option or offer.

4. Shareholders' Mandate for Related Party Transactions of Revenue or Trading Nature

- (a) KWAP prefers its investee companies to enforce a transparent process for identifying and managing conflicts of interests.
- (b) KWAP recommends the investee companies to disclose all material information related to all Related Party Transactions (RPTs) to shareholders accurately, comprehensively and promptly (above and beyond the minimum disclosure requirement under Bursa Listing Requirement).
- (c) The investee companies' Recurrent Related Party Transactions (RRPTs) must be conducted on sound commercial terms and undertaken only in the interest of the investee companies and not any individuals' interest.
- (d) The investee companies are encouraged to make a statement in the circular to shareholders on whether or not the transactions are at arm's length and are conducted in the best interest of the company.
- (e) The investee companies' Board should disclose the identity of the related party and the value in monetary terms of the transaction.
- (f) The Board should disclose details of any dissension to the RPTs/ RRPTs.

5. Exercise of Ownership Rights by Shareholders

- (a) It is the responsibility of the Board to take reasonable steps to encourage shareholders' participation at general meetings. The Board can demonstrate its commitment to shareholders by ensuring that the investee companies publish these measures on its corporate website.
- (b) The investee companies should encourage e-poll voting and leverage on technology to gain more accurate and transparent voting results, while making voting more accessible for remote shareholders.
- (c) The Board should take proactive measures to ensure that shareholders are able to raise questions and concerns directly to those responsible during AGM.

6. Company Disclosure

- (a) The release of company disclosure must be timely as information about the company may influence an investor's decision. Below are the key disclosures expected by investors:
 - i. Business sustainability and ESG compliance;
 - ii. Shareholding structure, management remuneration, related party transactions;
 - iii. Governance performance, customer satisfaction, employee satisfaction; and
 - iv. Labour productivity, wage growth and training.
- (b) KWAP acknowledges that ESG factors may vary due to the complexities of businesses. Therefore, KWAP recommends investee companies to publish their material economic, environmental and social (EES) related matters, risks and opportunities in their sustainability statement, sustainability report or annual report and corporate website.
- (c) Investee companies shall ensure that the information is balanced, comparable and meaningful for the stakeholders to have clear understanding regarding the risks and opportunities of the business from the EES context.



H: ESG FACTORS TAKEN INTO CONSIDERATION

1. Apart from being a return focused organisation, KWAP expects its investee companies to generate sustainable shareholder value in the long term.
2. To ensure sustainability, the investee companies are required to effectively manage the ESG aspects of its operations. This includes the requirements for the investee companies to:
 - (a) Adopt sound corporate governance and business governance including business ethics policies;
 - (b) Effectively manage their relationships with stakeholders including customers, employees (e.g., employee benefits and corporate culture), suppliers, vendors, the community and the environment;
 - (c) Provide decent workplace by respecting the workers' rights and comply with labour standards;
 - (d) Adopt long term environmental policies, which exceeds statutory requirements and promote usage of resources in a more productive, efficient and sustainable manner;
 - (e) Adopt no deforestation, no peat, no exploitation (NDPE) for all relevant sectors, including but not limited to palm oil, forestry and logging, construction and real estate;
 - (f) Investee companies are encouraged to embark on initiatives to address emissions of greenhouse gas (GHG), for examples, carbon dioxide (CO₂) and methane;
 - (g) Develop long-term plan to ultimately transition from ventures of coal-based power generation into cleaner and greener power generation;
 - (h) In line with national interests and policy agendas, companies are encouraged to embark and shift their focus to lower-carbon solutions for energy and green technology; and
 - (i) Embark on long term social sustainability, which includes community development activities and policies that take into account the welfare, health and safety within the company's area of operation.

Example of factors that KWAP may take into consideration but are not limited to, are listed in Table 1 below:

Table 1: ESG factors for consideration



- | | | |
|--|--|---|
| <ul style="list-style-type: none"> • Biodiversity and Habitat • Climate Change • Land Contamination • Energy Consumption • Greenhouse Gas Emissions • Indoor Environmental Quality • Location and Transportation • Materials • Pollution • Resilience To Catastrophe/ Disaster • Renewable Energy • Sustainable Procurement • Waste Management • Water Consumption | <ul style="list-style-type: none"> • Community Development • Health and Safety • Human Rights • Inclusion and Diversity • Labour Standards and Working Conditions • Social Enterprise Partnering • Stakeholder Relations • Occupier Amenities - Showers, Changing Rooms • Controversial Tenants | <ul style="list-style-type: none"> • Anti-bribery and money laundering • Cybersecurity • Data Protection and Privacy • Legal and Regulatory Fines • ESG clauses in Existing Leases |
|--|--|---|

