

Version 2:
Updated as of 20 June 2023



Code of Conduct

A. Introduction

Boards of directors play a critical role as stewards of organisations, guiding them in achieving their intended purposes and objectives. They are key to creating wealth for shareholders and delivering sustainable value to their stakeholders. Given their unique position at the helm of the company, they carry with them a wide range of duties, be it commercial, legal and ethical.

While the general roles and responsibilities of boards are well founded, the expectations on boards have evolved significantly due to changes in corporate and regulatory landscape. There is now increasing pressure for greater board accountability on a wider range of issues driven in part by growing shareholder activism and societal expectations. However, there is evidence that boards are too focused on their commercial and legal duties, and sometimes neglect their ethical duties. It should be remembered that beyond their commercial and legal duties, boards are responsible for setting the appropriate tone at the top, providing thought leadership and championing good corporate governance and ethical practices throughout the company.

Recognising this, the Institute of Corporate Directors Malaysia (“ICDM”) Code of Conduct (“Code”) seeks to encourage its members to adhere to core principles of corporate governance such as integrity, honesty, accountability and disclosure. The Code, while recognising the primacy of shareholders, also requires members to give due regard to the interest of other stakeholders.

To elevate the standard of the director’s profession and to enable directors to provide thought leadership, the Code also emphasises the need for its members to continuously update their knowledge and skills.

Members are required to comply with the Code. Contravention with the provisions of the Code can result in action being taken under the relevant rules and by-laws of ICDM.

B. Purpose

This Code neither seeks to replace any relevant laws and regulations nor does it intend to be an exhaustive statement. It should be read in conjunction with applicable laws, the Malaysian Code on Corporate Governance, Bursa Malaysia Listing Requirements and the provisions of the company’s constitution.

This Code sets out conduct expected of our members, particularly when discharging their roles and responsibilities as directors. This Code governs the relationship between the members and ICDM and sets out conduct expected of members, including when discharging their roles and responsibilities as directors. This Code also provides guidance to facilitate compliance with the principles in the Code.

ICDM may amend the Code from time to time, but not in any manner which may result in any of such By-laws being inconsistent with the Constitution of ICDM, and the members may by way of special resolution adopt such amendments.

C. The Principles

Every member of ICDM undertakes to uphold ICDM's Code of Conduct which comprises of the following principles:

- 1. Integrity**
To always act with integrity and observe high standards of ethical behaviour;
- 2. Professionalism**
To act in a professional manner and not engage in conduct likely to bring disrepute to ICDM, the company or to the member;
- 3. Respect**
To have regard to the interest of other stakeholders when promoting the objectives of the company;
- 4. Commit**
To diligently perform the functions as a director;
- 5. Leadership**
To guide the company towards achieving its objectives through sound strategic direction, proper internal control and risk management;
- 6. Fairness**
To ensure all shareholders are treated fairly in accordance with their respective rights;
- 7. Effective Disclosure**
To ensure public information is disclosed in a complete, accurate and timely manner;
- 8. Accountability**
To ensure, through independent oversight, that management remains accountable to the board, and the board remains accountable to shareholders for the performance of the company;
- 9. Professional Development**
To continuously update one's knowledge and skills to remain relevant in the changing business environment.

D. Guidance

The following guidance aims to assist members in complying with the Code. They provide explanation on the application of the Principles in the Code. They are part and parcel of the Code and should be read together with the Principles.

1. Integrity

To always act with integrity and observe high standards of ethical behaviour.

A member must not use his/her position as a director for personal gains or any other persons. As far as possible, a member must avoid a conflict of interest. A member must recognise that his/her personal interests and the interests of other persons must not take precedence over interests of a company. Where a conflict or potential conflict arises, the member must disclose it and adhere to the procedures provided by law and by the company's constitution and/or policies for reporting and dealing with conflicts. A director who is conflicted on a particular matter must abstain from discussion and decision-making relating to the matter.

A director must observe the confidentiality of non-public information in the course of his/her duties as a director. A director must use the information for its intended purpose and not for any personal gains. A director must also not disclose such information unless required by law and has been properly authorised.

As a director, a member must ensure that the company is engaged in good business conduct. Together with the board, the director must ensure that the company cultivates a corporate culture which engenders ethical conduct that permeates throughout the company. Together with management, the director must ensure that everyone in the company adheres to the company's corporate culture.

A member must also ensure that the company has adequate and proper measures to deal with among others the handling of actual or potential conflict of interest, prevention of offering and acceptance of bribes, reporting of unlawful and unethical behaviour and proper use of company's assets.

2. Professionalism

To act in a professional manner and not engage in conduct likely to bring disrepute upon ICDM, the company and to the member.

A member shall be honest and open in all his/her dealings. This includes behaving in an accountable and trustworthy manner, and not to bring disrepute to ICDM, the company or to the member whether in the member's personal or professional capacity.

3. Respect

To have regard to the interest of other stakeholders when promoting the objectives of the company.

While directors are primarily accountable to shareholders, directors must recognise that companies are social organisations, participating in a network of communities. What the company does can affect the community it operates in. Hence, as a director, a member should take into consideration other stakeholders' interests when performing his/her functions as a director and must manage the company's relationships with its stakeholders. These other stakeholders include employees, suppliers, sub-contractors, customers and government.

4. Commit

To diligently perform his/her functions as a director.

A member is expected to be active, inquisitive and diligent in performing his/her functions as a director. A member must not only strive to attend all board meetings and the committees of the board that he/she is a member of but actively participate in those meetings and committees. Where attendance at any meeting is not possible, appropriate steps should be taken to obtain leave of absence. To be able to properly discharge his/her duties and responsibilities, a director must be familiar with the nature of the company's business and the environment it operates in. A director must fully understand the company's vision, mission, values and strategic plan. He/she must also give all board papers thorough review and understand their contents to actively participate in board discussion. During meetings and discussions, a director must provide views even if it is contrary to the collective view of the board. When necessary, a director must also seek professional advice.

5. Leadership

To guide the company towards achieving its objectives through sound strategic direction, proper internal control and risk management.

A member, as a director is responsible individually and collectively to steer the company in achieving its objectives through sound strategic direction, proper internal control, risk management, and in compliance with applicable laws, guidelines, and the provisions of the company's constitution. To achieve the company's objectives, a member should strive to ensure that the board is properly constituted, structured and managed, as well as having the necessary resources to fulfil its roles. A member must ensure that the board provides independent oversight over management in meeting the company's targets and objectives. A member must also ensure that the board puts in place proper checks and balances which include risk management and internal control systems. A member should also lead the business and management with sustainability risks and opportunities in mind.

6. Fairness

To ensure all shareholders are treated fairly in accordance with their respective rights.

As a director, a member, together with the board should protect and facilitate the exercise of shareholders' rights and ensure the equitable treatment of ALL shareholders. He/she must ensure that the company sets out the rights of shareholders and duly observes those rights accorded to shareholders. These rights include the shareholders' right to participate, speak and vote at general meetings. All shareholders should also have the opportunity to obtain effective redress for violation of their rights.

7. Effective Disclosure

To ensure public information is disclosed in a complete, accurate and timely manner.

As a director, a member must ensure that all public disclosure made by the company is complete, accurate and timely. A member must be able to comprehend and verify the information that will be disclosed to the public.

Effective disclosure of material information is a pre-requisite for the exercise of ownership responsibilities by shareholders. It also assists the other stakeholders in understanding the company's business and the extent to which it adheres to legal and ethical requirements. Effective disclosure will promote a liquid and efficient market by enabling shareholders and other stakeholders to make decisions based on all available information, material to them.

8. Accountability

To ensure, through independent oversight, that management remains accountable to the board, and the board remains accountable to shareholders for the performance of the company.

Boards need to be informed of how the organisation is being managed to protect its legal responsibilities, but the board's role should not cross over into performing management duties. A key role of the board is to ensure that management manages the company in the best interest of the company and to take into account the interest of the shareholders. Effective board oversight achieves this goal by reducing the opportunities for the management to pursue their self-interest at the expense of shareholders. To carry out this function, a member must ensure that the board is effectively resourced and management provides the board with the necessary information in a manner that will enable the board to perform this function. Given that directors are elected by the shareholders to oversee and govern management and to make corporate decisions on their behalf, directors are answerable to shareholders for the performance of the company. Further, when deciding upon the best interests of the company, a director should take into account the interests of the shareholders as a whole.

9. Professional Development

To continuously update one's knowledge and skills to remain relevant in the changing business environment.

The expectations on directors have evolved significantly owing to complexities of modern business. Directors are now expected to exercise greater vigilance and professional scepticism in discharging their responsibilities. To remain relevant in the changing business environment, a director is required to keep abreast of current development and best practices on subjects impacting the performance and sustainability of the business through continuing education. A director must strive to improve and maintain his/her competence as a director through among others continuing professional development (CPD) programmes.

The Code of Conduct was last updated on 20 June 2023.