

## Introduction

Khazanah's voting principles and guidelines ("Voting Principles and Guidelines") are drawn from international and local codes and best practices for corporate governance (among them, the Organisation for Economic Co-operation and Development principles of corporate governance, the International Corporate Governance Network global governance principles, and the Malaysian Code on Corporate Governance), and our mandate to grow Malaysia's long-term wealth.

Our Voting Principles and Guidelines are informed by the following overarching standards:

### 1. Board Roles and Responsibilities

Directors should attend and contribute in all board and committee meetings. Directors should have the time to focus on and fulfil their roles and responsibilities effectively. If any director stands on multiple company boards, the number and nature of board appointments should be carefully considered to ensure the director has the capacity to fulfil his or her board duties.

Board committees, which may include audit, risk, governance, remuneration and nomination committees, are essential for the effective governance of companies. These committees should be composed of majority independent non-executive directors. The size of the board should be such that it has a diverse range of skills and expertise but not so large that it becomes ineffective, inefficient, or inconclusive.

### 2. Board Leadership and Independence

There should be clearly defined and balanced roles in the leadership of boards. The board should make decisions objectively and exert authority over management. This is more likely to be achieved when the board is composed of majority non-executive directors who are independent of management.

### 3. Board Composition and Appointments

The role of the board of directors is to guide the company to long-term success in the interests of the company and the shareholders. It is crucial that the board of directors is composed of experienced, qualified, and fit-for-purpose directors who are not conflicted and have the time and willingness to carry out their director duties.

The board should have the appropriate composition and balance of skills, experience, time, and knowledge to enable its directors to discharge their responsibilities effectively in coming

to board decisions, which should be made objectively, in the best interests of the company, taking into account diverse perspectives and insights.

It is crucial that the boards of Khazanah's investee companies are held to the highest standards of integrity, transparency and accountability, and are not politically biased.

Boardroom diversity is crucial in reducing 'groupthink', encouraging internal challenge and debate, and providing differing perspectives, all of which should lead to more robust and thoughtful board decisions and corporate performance.

#### **4. Remuneration Policy**

Remuneration should be designed to overcome the principal-agent problem inherent in companies. It should align the interests of management and shareholders to ensure long-term performance and sustainable value creation. Directors' remuneration should be fair, transparent, and commensurate with the time commitment from the director serving on the board, as well as the board's effectiveness. The board should have in place clear and understandable remuneration policies and procedures.

#### **5. Accounts, Audit and Internal Controls**

The board should present a balanced and understandable assessment of the company's financial position and prospects in the annual report as well as oversee high quality disclosures for investors and other stakeholders relating to the company's financial performance, business model, strategy and long-term prospects.

#### **6. Shareholder's Rights**

Khazanah values the protection of the rights of the shareholder, including minority and foreign shareholders. We believe all shareholders should be treated equitably and afforded protection against misuse and misappropriation of the capital they provide.

#### **7. Capital Structure**

As the providers of a company's capital, shareholders should exercise their voting rights to protect their long-term interests when deliberating voting decisions that affect the capital structure of the company.

## 8. Environmental, Social and Governance Guidelines

Khazanah is a signatory of the United Nations-Supported Principles for Responsible Investment (“UNPRI”). As Malaysia’s sovereign wealth fund and guardian of Malaysia’s intergenerational wealth, we have a duty to act in the best long-term interests of all our beneficiaries and stakeholders. We will vote in accordance with UNPRI principles.

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Notes:

1. *Khazanah’s Voting Principles and Guidelines focus on voting in non-majority-owned publicly-traded companies. For these companies, the Guidelines should be followed in all instances unless an exceptional situation necessitates otherwise and decisions in this regard will be at the discretion of the Head of the relevant fund (Commercial or Strategic).*
2. *Khazanah will generally exercise its shareholder vote in all instances. However, in the following circumstances, Khazanah may choose not to vote:*
  - a) *Companies under our Commercial - Public Markets portfolio; and*
  - b) *Companies in which Khazanah owns less than 5% of voting shares, whether listed or otherwise.*
3. *For all other circumstances other than 2(a) and 2(b), in which Khazanah is required to vote, the relevant approving authority for shareholder voting decisions per Khazanah’s Schedule of Matters for the Board and Limits of Authority may approve the abstention from voting.*
4. *To the extent that they are deemed applicable, the Voting Principles and Guidelines are also a useful tool to improve corporate governance in companies for which shares are not publicly traded or in which Khazanah is a majority shareholder. As such, the Voting Principles and Guidelines should still be considered in this regard.*