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# Malaysia’s financial institutions score well in board gender diversity

New research has found Malaysia’s large financial institutions are leaders in board gender diversity in the Asia Pacific.

The research report, *Banking on Governance, Insuring Sustainability*, published by CPA Australia in collaboration with Professor Mak Yuen Teen from the National University of Singapore, studies the 50 largest listed banks and 50 largest listed insurance companies by market capitalisation from 15 Asia Pacific economies, including four Malaysian insurers and three Malaysian banks. The report focuses on corporate governance, remuneration, risk management and emerging trends.

The report found that Maybank is one of the leading banks in the region for board gender diversity, with women making up over 36 per cent of their directors, well above the average of 17.8 per cent across the 50 banks reviewed. The proportion of independent board directors in Malaysia’s largest banks who are women, at 23.4 per cent, is second only to Australian banks. Malaysian insurers are also the second most likely to have independent board directors who are women, again behind Australia.

With sustainability reporting having evolved from a corporate tool to build trust and enhance reputation into a strategic tool to support the decision-making processes and attract better investment, CIMB Holdings Berhad is among banks from China, Thailand and Malaysia that have very detailed sustainability reports.

“On the whole, Malaysia’s large financial institutions have been making the right strides in improving corporate governance and risk management practices. There is, however, room for improvement in the areas of remuneration disclosures and commitment to responsible lending and investment principles,” said Sharman Arumugam, President of CPA Australia’s Malaysia Divisional Council.

The research also found financial institutions across the Asia Pacific were inadequately prepared for an event like the COVID-19 pandemic and must rethink how to be ready to manage key risks that may impact their critical operations and their risk management regimes.

Malaysian financial institutions, however, are required by Bank Negara to carry out a multi-year solvency stress test exercise against prescribed severe, but plausible, risk events such as pandemics. While pandemic risk is not specifically identified as a key risk, a Crisis Scenario Plan for a pandemic is publicly identified by Allianz Malaysia as relevant to their operating environment in Malaysia.

With massive technological disruption facing the industry, the report found that most financial institutions have responded by increasing investments in artificial intelligence, machine learning and blockchain.

However, the use of analytics for managing risks and in internal audit remain at a nascent stage in the sector. Only fifteen banks and eight insurance companies across the region publicly disclose that they use analytics in managing risks.

“With technology disruption and cybersecurity increasingly being important risks for financial institutions, there should be greater consideration given to increasing technology expertise at the board level,” Sharman stressed.

Most banks studied have not appointed directors with technology expertise or experience in this area, with Australian and Indian banks doing more in this respect. For insurers, only 20 per cent have done so.

“Risk management, including the identification of key risks, should not be a checkbox exercise, but should instead be informed by a thorough consideration of different types of risks that may impact the business,” said Associate Professor Mak Yuen Teen, who co-authored the report along with Associate Professor Richard Tan.

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**About the study and the report: *Banking on Governance, Insuring Sustainability***

The study selected the 50 largest banks and 50 largest insurance companies by market capitalisation which are headquartered in Asia Pacific, and for which sufficient and up-to-date information was publicly available.

The final sample of banks and insurance companies come from 15 economies: Australia, Mainland China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand and Vietnam.

Data was collected primarily from the companies’ 2018 and 2019 annual reports, supplemented by other sources such as company websites and statutory filings. This report is based on the public disclosures made. However, it should be noted that some companies may implement certain practices without disclosing them. The research was carried out in late 2019 before the COVID-19 pandemic.

Access the published report *Banking on Governance, Insuring Sustainability:*
https://www.cpaaustralia.com.au/professional-resources/esg/corporate-governance/banking-on-governance

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