

KEY ATTRIBUTED OF BEST PRACTICES IN EXECUTIVE COMPENSATION FROM MALAYSIAN LISTED COMPANIES

RIZAUDIN, I. N. N. A.¹ – ARIFFIN, M. S. M.¹

¹ Faculty of Business, Economics and Social Development, Universiti Malaysia Terengganu, Terengganu, Malaysia.

*Corresponding author
e-mail: m.shazwan[at]umt.edu.my

(Received 07th October 2025; revised 05th December 2025; accepted 12th December 2025)

Abstract. This study investigates the implementation of best practices in executive compensation among Malaysian publicly listed companies, focusing on their compliance with the Malaysian Code on Corporate Governance 2021. Utilizing a sample of 26 firms and 222 directorship profiles, the research evaluates the extent to which remuneration policies align with performance metrics, transparency standards and ethical governance practices in financial year ended 2024. The findings reveal full compliance with MCCG Practice 8.1, indicating a widespread commitment to baseline transparency. However, adoption rates for Practices 8.2 and 8.3 are critically low, suggesting a lack of depth in governance maturity. A significant correlation was found between firms that adopt gender diversity and professional development for directors and improved adherence to remuneration related governance practices. Therefore, the study contributes to the discourse on ethical leadership in emerging markets, offering practical insights for policymakers, regulators and boards aiming to promote equitable, performance-aligned executive compensation. A key limitation is the small sample size, which may limit the generalizability of the findings. Future research should expand the dataset and include qualitative insights.

Keywords: *best practices, executive, transparency, governance, ethical*

Introduction

Best practices and executive compensation have profoundly influenced how organizations especially publicly listed companies (PLCs) structure their governance and reward systems (Zhu et al., 2024). The corporate world is increasingly emphasizing transparent, performance-based remuneration frameworks to align executive interests with long-term organizational goals (Securities Commission Malaysia, 2021). In Malaysia, this has been driven by corporate governance reforms and heightened regulatory oversight, prompting companies to reassess how executive pay is designed and disclosed. Executive remuneration is no longer a simple financial incentive; it's a strategic tool to attract, retain and motivate leaders while fostering stakeholder confidence (Sajnog and Rogozińska-Pawelczyk, 2022). While these best practices are scrutinized to ensure fair value and ethical governance (Haw et al., 2020), a gap remains in understanding how Malaysian PLCs adopt and apply them despite guidelines such as the Malaysian Code on Corporate Governance 2021 (MCCG2021).

Driven by the rising expectations of shareholders and regulators, the need for effective compensation strategies that promote accountability and sustainable performance has intensified. As a result, executive remuneration is increasingly viewed as a strategic tool that affects both internal performance and external perceptions of corporate integrity and responsibility (Haw et al., 2020). The implementation of good remuneration practices can serve as a benchmark for transparency and enhance investor trust. However, despite existing regulatory guidelines such as MCCG2021, there is a

persistent gap in understanding how (PLCs in Malaysia are adopting these best practices.

Background of the study

Despite the global and local push toward adopting robust best practices in executive compensation, a notable deficiency persists among many Malaysian PLCs. Specifically, a significant number of these firms still operate without a clear, strategic framework for designing and implementing effective and comprehensive remuneration policies (Haw et al., 2020). Thus, this gap often manifests in executive compensation structures that lack robust alignment with core corporate governance principles or defined long-term performance objectives. Such misalignment frequently leads to potential operational inefficiencies, heightened stakeholder dissatisfaction, and increased governance risks (Securities Commission Malaysia, 2021). Basically, the effectiveness of executive compensation as a critical corporate governance mechanism in Malaysian PLCs remains empirically underexplored. While global academic discourse has consistently emphasized the imperative of linking pay to performance and fostering ethical leadership, there is a distinct dearth of focused, empirical research within the Malaysian context (Khatib et al., 2023). Local studies are needed to critically examine how specific best practice attributes in executive remuneration influence crucial outcomes like corporate accountability, transparency and overall firm performance. More importantly, the current literature fails to adequately address the influence of unique local factors, such as specific regulatory compliance requirements, board independence standards and distinctive cultural expectations surrounding executive reward systems (Bursa Malaysia, 2022).

Hence, a pressing need exists to systematically examine how best practices in executive remuneration are actually adopted, enforced, and perceived within the distinctive Malaysian PLCs corporate environment. This exploration is vital, particularly in relation to their impact on governance quality, stakeholder trust, and sustainable value creation (Zulkifli et al., 2017). This research directly addresses this gap by offering valuable and actionable insights for corporate policymakers, governance practitioners and board-level decision-makers. By rigorously evaluating the efficacy and defining the key attributes of best practices in executive compensation, this study provides practical recommendations specially to enhancing remuneration frameworks to ensure fairness and transparency. Furthermore, this study contributes significantly to the academic discourse on executive remuneration and ethical leadership, providing a much-needed, context-specific analysis within Malaysian PLCs operating under intensifying regulatory expectations and stakeholder scrutiny. Recent incidents within Malaysian PLCs have revealed a significant disparity between executive remuneration and corporate performance, highlighting a critical gap in compensation practices. Prominent cases have brought criticism upon firms for awarding high executive salaries that appear unaligned with shareholder value creation, while others have struggled to retain top talent due to low pay. Key issues such as ambiguous pay structures, inconsistent reward systems, and a general lack of transparency continue to hinder the adoption of effective compensation frameworks (Chin et al., 2024). This problem is further compounded by business scandals linked to poor management and unethical behavior, raising concerns that existing pay systems may lead toward risky decisions. These challenges underscore the urgent need for a more equitable and transparent approach to executive compensation to restore public trust and strengthen corporate

governance. While this topic is gaining attention, there remains a notable absence of focused research on the specific standards that define best practices in this context (Securities Commission Malaysia, 2021). Therefore, a comprehensive investigation into designing ethically sound and performance-driven executive compensation within Malaysian PLCs is critically needed.

Problem statement

Company performance is a critical barometer of success, linked to the structure of executive compensation and its subsequent impact on broader stakeholder interests. A weak ethical commitment at the top can quickly translate into concerns over corruption and misconduct, contrasting sharply with companies that actively demonstrate proactive governance, which are better positioned to enhance their reputation and create sustainable long-term value (Aguilera et al., 2025). In this context, corporate governance is paramount for mitigating risks and executive compensation serves as a vital mechanism to promote ethical behavior and accountability among top management. In Malaysia, there is mounting concern regarding the fairness, transparency and effectiveness of executive remuneration in driving long-term shareholder value. Despite the existence of national guidelines outlining best practices, a problematic gap persists between executive rewards and actual corporate performance, an issue further magnified by past financial scandals and growing income inequality (Securities Commission Malaysia, 2021). Evidence suggests that many Malaysian PLCs do not consistently adhere to established governance principles, prompting regulators to emphasize a more inclusive approach that accounts for broader stakeholder interests. Non-compliance risks include excessive pay, potential insider trading and inaccurate reporting, which undermine trust and stability.

The composition of executive compensation packages in Malaysia is not well understood regarding its effectiveness in reflecting executive performance or supporting the firm's overall strategy. While performance-linked compensation is prevalent, its actual role in encouraging ethical behavior and ensuring long-term success remains uncertain (Chin et al., 2024). Often, the primary focus on financial results overshadows critical non-financial measures, such as social responsibility and governance adherence, and a pervasive lack of transparency continues to raise alarms that short-term gains are prioritized over sustainable outcomes (Haw et al., 2020). Despite increasing attention, limited empirical evidence exists on the effectiveness of specific compensation components within Malaysian firms (Ning et al., 2024). This study addresses a critical research gap such as the absence of an in-depth, empirical analysis on the organizational practices and policy environments that interact to shape executive compensation and define best practices within the Malaysian PLC context.

Literature review

Executive compensation was universally recognized as a pivotal mechanism within corporate governance, functioning both as a motivational tool and a strategy to align managerial and shareholder interests, with global best practices in the Malaysian context, the heightened focus on governance reform and environmental, social and environmental (ESG) considerations placed executive pay under intense scrutiny, yet empirical evidence including reports from Bursa Malaysia (2022) and Malaysia corporate scandal cases revealed persistent gaps such as excessive remuneration, a lack

of board independence and gender disparities, which studies suggested could be mitigated by factors like board diversity and stronger director professional development (Syed Anuar, 2023; Ellili, 2022). Furthermore, while firm-specific factors like size and profitability influenced local compensation policies, mounting external governance pressures from institutional investors and regulators increasingly mandated stricter alignment with broader ESG objectives (Tian et al., 2025; Meng et al., 2024).

For this study, two prominent theories were applied. Firstly, conflict between the agency and principal through agency problem leads toward agency theory, that served as a foundational framework, explaining the principal-agent relationship between shareholders and executives, where performance-based remuneration strategies (for instances bonuses and stock options) were typically implemented to counter the risk of agents prioritizing personal interests and to align executive behavior with organizational objectives (Wang et al., 2021), though Bebchuk and Fried (2022) cautioned that poorly structured incentive systems could inadvertently promote short-term or unethical conduct, underscoring the necessity of designing transparent and balanced compensation models that encouraged sustained value creation and ethical leadership. Secondly, this study also applied Stakeholder Theory. Accordingly, stakeholder theory broadened the scope of corporate governance by emphasizing the responsibility of firms to account for the interests of a wider array of stakeholders beyond just shareholders, including employees, customers, regulatory bodies and broader society. In terms of executive remuneration, the theory advocated for compensation packages that not only reflected financial achievements but also incorporated non-financial dimensions such as ethical conduct, corporate social responsibility and long-term sustainability (Meng et al., 2024). This holistic approach was increasingly relevant in the governance landscape, where ESG performance metrics were becoming integral to assessing executive effectiveness and aligning leadership incentives with broader societal outcomes.

Best practices in executive compensation

The MCCG 2021 serves as a key regulatory framework to promote ethical and effective governance among PLCs. Despite the Code's clear direction, existing studies (Haw et al., 2020) reveal that many Malaysian PLCs consistently fall short in providing comprehensive disclosures, particularly in justifying high levels of executive pay and clearly articulating the structure of performance-based incentives. A 2022 report by Bursa Malaysia further underscored this issue by highlighting significant inconsistencies in the adoption of governance best practices, whereas while some firms embraced international standards, others exhibited only minimal or superficial compliance. Persistent challenges, such as documented gender-based pay disparities and the absence of truly independent oversight in remuneration decisions, continue to undermine the effectiveness of the governance reforms intended by the MCCG2021. Therefore, this gap between policy intent and actual execution is evident in specific corporate cases. For instance, high-profile controversies like the Sapura Energy scandal drew extensive public criticism over seemingly excessive executive pay amid severe financial underperformance, resulting in a significant erosion of stakeholder trust. Even in cases of partial compliance, nuances emerge; while a company like AirAsia Berhad demonstrated efforts to comply with recommendations like Practices 7.1 and 1.1, which encourage establishing remuneration committees and benchmarking pay to performance the interpretation and application of other practices remain contentious. The MCCG's Intended Outcome 1.0 reinforces the board's collective responsibility and Practice 1.4

specifically advises that the Chairman should not be a formal member of the Audit, Nomination, or Remuneration Committees. However, AirAsia's recorded "Departure" from this recommended practice, allowing the Chairman to attend committee meetings by invitation, underscores the ongoing structural gap between regulatory policy and practical, consistent governance implementation.

Hypothesis development

Research consistently indicates that an ethical organizational culture and social responsibility are fundamental in shaping executive compensation practices (Alharbi and Alharbi, 2021). As such, firms integrating ESG principles often structure executive compensation to include dividend-related incentives, thereby aligning leadership rewards with long-term sustainability goals. Studies have shown that robust anti-corruption mechanisms, particularly in sectors like banking, enhance board effectiveness and foster governance stability. Past literature established that financial performance acts as a key mediating variable between executive pay and investor perception, highlighting internal income disparities between top management and the wider workforce (Tian et al., 2025). Well-designed compensation frameworks are thus crucial not only for boosting overall organizational performance but also for ensuring strategic alignment of executive interests and promoting efficient resource allocation (Ejiogu and Ogamba, 2021). Empirical evidence specifically suggests a strong link between executive compensation and financial indicators such as net income and comprehensive income, with the latter showing a more substantial impact (Sajnog and Rogozińska-Pawelczyk, 2022). Furthermore, determinants like firm size, debt ratio and dividend policy are noted influences on compensation structures. Active executive involvement in ESG initiatives is also increasingly rewarded in larger firms, reinforcing the strategic role of boards in aligning ESG objectives with shareholder interests (Tian et al., 2025; Ellili, 2022). Reforms, such as those in Saudi Arabia and the UAE, have improved corporate social responsibility (CSR) transparency, while initiatives like appointing senior independent directors and promoting board diversity have been associated with reduced financial constraints and improved governance outcomes (Alharbi and Alharbi, 2021). Based on this literature, the following relationships are hypothesized for the study: (H1): There are significant differences perception in comply best practice between male and female executives which influence policies related to executive compensation.

Despite a substantial body of literature supporting the link between executive compensation and financial performance (*Table 1*), significant gaps remain in the Malaysian context, particularly concerning the limited research on best practice attribute implementation, the effectiveness of remuneration committees, the integration of non-financial ESG metrics, and the underexplored dimension of gender-based pay disparities. Addressing these knowledge deficiencies is critical for advancing the governance maturity and strengthening public confidence in Malaysian PLCs.

Table 1. Past studies on the ESG performance and executive compensation policies.

N	T	Y	ST	RA	DV	IV	Th	S	O
1	Is There a Link Between Gender Diversity and Supervisory Board's Monitoring Effectiveness? An Empirical Analysis of German Listed Companies	2020	Schmalenbach Journal of Business Research	This article examines the relationship between gender diversity in the supervisory board and its monitoring effectiveness	Monitoring effectiveness	Gender Diversity	1. Agency Theory 2. Resource dependence theory	1500 supervisory boards of 132 companies listed in HDAX and SDAX between 2015 and 2017	The results indicate that a higher representation of women on the supervisory board is accompanied by lower excessive compensation and thus better monitoring effectiveness.
2	Executive Compensation, Ownership Structure and Dividend Payout: Evidence from Malaysia	2020	Asian Academy of Management Journal of Accounting and Finance	This study seeks to present the relationship between executive compensation, dividend payout policy and ownership structure of listed firms in Malaysia	Executive compensation	1. Dividend payout ratio 2. Dividend yield	Signalling theory	300 of the largest Malaysian public listed companies (PLCs) on Bursa Malaysia for the years 2008 to 2014	The executive compensation is positively associated with dividend payout and that it is more so for politically connected firms
3	Management gender diversity, executives' compensation and firm performance	2022	International Journal of Accounting & Information Management	This paper aims to contribute to the discussion on the executives' team and firm performance by investigating the relationships between executives' compensation, management gender diversity and firm financial performance	Firm performance	1. Executives' Compensation 2. Female executives	1. Agency Theory 2. Upper echelons theory	Data are collected from 461 companies listed during the period from the year 2016 to 2018.	The results show that the correlation between corporate performance and executive cash payment is not significant.
4	International differences in the CEO gender pay gap	2022	An International Review	This study aims to see what extent differences in the level of compensation paid to men and women can be observed at the corporate executive	CEO Compensation	Country-level attitudes	Role congruity theory	Executive compensation from Standard & Poor's Capital IQ database from 2001 to 2016	This study documents a 3.3% average difference in the level of executive compensation between male and female CEOs in countries around the world.
5	The importance of a critical mass of women on boards to reduce the gender pay disparity among non-executive directors	2023	Gender in Management: An International Journal	This study aims to explore how an increasing presence of women on boards reduces gender pay disparity among nonexecutive directors	Gender Pay Disparity	1. Board gender diversity 2. Women's critical mass	1. Social identity theory 2. Social categorization theory 3. Critical mass theory	Public companies listed on the London Stock Exchange from 1999 to 2015	The results indicate that for boards to reduce the gender pay disparity among NEDs, women need to reach a critical mass of 33% of board members.

6	Is executive compensation aligned with the company's ESG objectives? Evidence from Chinese listed companies based on the PSM-DID approach	2024	Humanities and Social Sciences Communications	This paper aims to explore whether the executive compensation of listed companies in the Chinese capital market aligns with their ESG practices, and the underlying mechanisms of this influence.	Executive compensation	1. Financial performance 2. Corporate reputation 3. Investor relationship	1. Agency Theory 2. Stakeholder Theory	Main Boards of the Shanghai and Shenzhen Stock from 2011 to 2021	A company's ESG engagement demonstrates a significant positive correlation with the internal income disparity within the company.
7	Gender differences in executive compensation in Spain	2024	Gender in Management: An International Journal	This paper aims to examine the gender pay gap in executive director compensation and the influence of female board representation	Executive director compensation	1. Female board representation 2. Female participation in the Nomination and Remuneration Committee	1. Economic theory 2. Human capital theory	Executive directors of listed Spanish companies for the period 2012–2022.	The findings show evidence of strong pay penalty for female executive directors compared to male counterparts.
8	Next Level Quotas? Corporate and Public Support for Gender Quotas in Executive Management	2024	Administrative Sciences	This research aims to explore how board members in all listed companies in Iceland view EGQ legislation and assess the level of public support for such legislation	Executive gender quotas	1. Corporate Support 2. Public Support 3. Respondent demographics	Grounded Theory	A random sample of 2500 people, 18 years and older, was drawn from the Social Sciences Institute of Iceland's on the National Registry.	The findings underscore the importance of ongoing dialogue and potential legislative actions to address persistent gender inequalities in leadership positions.
9	The use of individual and collective selection, optimisation and compensation (SOC) strategies and their association with work ability among senior workers	2024	European Journal of Ageing	This study aimed to explore differences in self-reported individual and collective use of SOC strategies across job functions with self-rated work ability.	Compensation	1. Office work 2. Work with people 3. Work in the field of production	-	10,798 workers aged 50+, across the job function categories	The finding shows an association between SOC and work ability were generally weaker among participants working in the field of production.
10	Does economic policy uncertainty influence executive compensation stickiness?	2024	Economic Analysis and Policy	This study conducts an empirical analysis of the effect of economic policy uncertainty on executive compensation stickiness.	Executive compensation stickiness	1. Motivation 2. Opportunity 3. Prerequisite	1. Principal agent, 2. Management	The data on a-share main board listed companies from 2007 to 2021	This study finds that economic policy uncertainty positively relates to executive compensation.

Notes: N=No.; T=Title; Y=Year; ST=Source Title; RA=Research Aim; DV=Dependent Variable; ID=Independent Variable; Th=Theories; S=Sample; O=Outcomes.

Materials and Methods

The study sample consisted of 26 Malaysian PLCs, with data synthesized in *Table 2* to present the distribution of board sizes (BSIZE) across various industry sectors for the financial year ended 2024. This analysis revealed notable variations in board size preferences, reflecting the contextual governance needs of different sectors. The most frequently observed board size was 10 members, which appeared in five companies spanning diverse industries including Consumer Discretionary, Consumer Staples, Energy, Financials and Utilities. To compare, smaller board sizes, such as 6 members, were predominantly found in the Consumer Discretionary, Industrials and Real Estate sectors, collectively accounting for five companies. This distribution may imply the adoption of a leaner governance approach in operational or asset-intensive industries where decision-making agility is paramount.

Table 2. Crosstab between board size and industry specialization.

BSize	1	2	3	4	5	6	7	8	9	Total
6	3	0	0	0	1	1	0	0	0	5
7	0	0	0	0	0	2	2	0	0	4
8	1	0	0	1	0	2	0	0	0	4
9	0	0	0	1	1	0	0	1	0	3
10	1	1	1	1	0	0	0	0	1	5
11	0	1	0	0	1	0	0	0	1	3
12	0	0	0	0	1	0	0	0	0	1
14	0	0	0	1	0	0	0	0	0	1
Total	5	2	1	4	4	5	2	1	2	26

Note: 1=Consumer Discretionary, 2=Consumer Staples, 3=Energy, 4=Financials, 5=Health Care, 6=Industrials, 7=Real Estate, 8=Technology, 9=Utilities.

Meanwhile, based on the data presented in *Figure 1*, the distribution of board sizes across Malaysian PLCs clearly varies by industry. The bar chart demonstrates that a board size of 10 members is the most common structure across a diverse range of sectors. In contrast, larger board sizes (specifically 12 and 14 members) show a distinct concentration in more highly regulated industries, such as the Financials and Health Care sectors. This visual evidence strongly supports the conclusion that board size preferences are not uniform but are instead tailored to meet industry-specific governance needs.

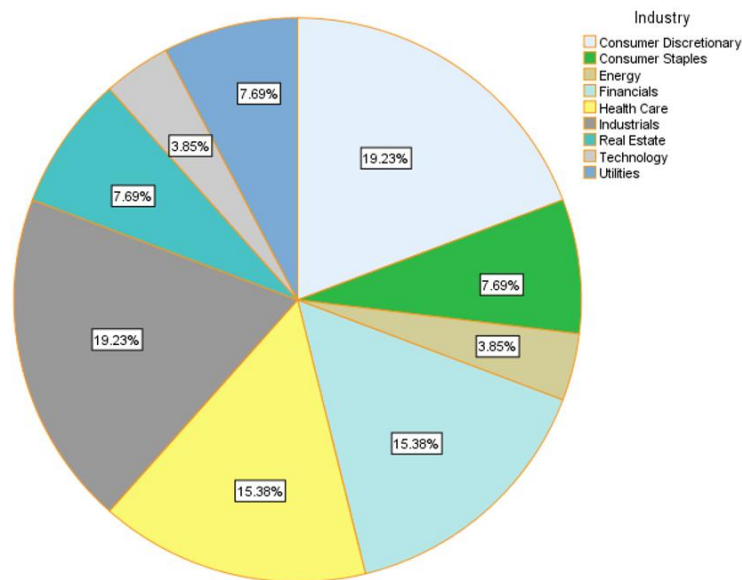


Figure 1. Composition industry specialization.

In term of data collection, the researchers established a robust framework for variable measurement by utilizing a combination of secondary data from Refinitiv Eikon Datastream and manually collected information from company disclosures, as detailed in Table 3. This approach allowed for the construction of variables encompassing key elements of executive compensation, governance structure and ESG performance, facilitating a multidimensional empirical analysis of remuneration practices in Malaysian PLCs. Table 3 fully outlines the operational definitions for each variable, including its acronym, detailed explanation, data source and corresponding references, which form the foundation of the study's analysis.

Table 3. Operational definitions.

Variables	Acronym	Explanation	Source
Highest Remuneration Package	PAY	Highest remuneration package within the company	Refinitiv Eikon Datastream
Highest Remuneration Package Score	PAY_SCORE	Highest remuneration package within the company with a score	Refinitiv Eikon Datastream
Compensation Committee Non Executive Members	COMPENSATION	Percentage of non-executive board members on the compensation committee as stipulated by the company.	Refinitiv Eikon Datastream
Gender Pay Gap Percentage	GENDER_PCT	- number of nonexecutive directors among all the compensation or remuneration committee members in percentage representation Percentage of remuneration of women to men, often for doing the same work.	Refinitiv Eikon Datastream
ESG Score	ESG	Refinitiv ESG Score is an overall company score based on the self-reported information in the environmental, social and corporate governance pillars.	Refinitiv Eikon Datastream
Board Size	BSIZE	The total number of board members at the end of the fiscal year.	Manual Hand-collect
Practice 8.1	PR8.1	There is detailed disclosure on named basis for the remuneration of individual directors.	Manual Hand-collect
Practice 8.2	PR8.2	The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments. The board discloses on a named basis the top five senior management's remuneration	Manual Hand-collect

		component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.	
Practice 8.3	PR8.3	Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.	Manual Hand-collect
Practice 5.4	PR5.4	The board has a policy which limits the tenure of its independent directors to nine years without further extension	Manual Hand-collect
Practice 5.10	PR5.10	The board discloses in its annual report the company's policy on gender diversity for the board and senior management.	Manual Hand-collect

Results and Discussion

Table 4 reports the descriptive statistics for all variables (N=26). The executive remuneration package shows a wide range, from RM132,000 to RM58.8 million, with a mean of RM7.9 million. This reflects substantial variability across firms and a positively skewed distribution (2.61), indicating that a few companies provide exceptionally high compensation. The remuneration package score records a mean of 33.64, suggesting broad dispersion (SD=28.23) and moderate skewness (0.53). Compensation committee structures reveal that, on average, 91.5 percent of members are non-executive directors, reflecting strong adherence to best governance practices, with low negative skewness (-0.80). In contrast, the gender pay gap percentage is high, with an average of 92.15 percent, highlighting huge disparities. The distribution is strongly left-skewed (-2.95) due to the presence of outliers. For sustainability performance, the ESG score averages 61.14, showing a relatively normal distribution with moderate variability (SD=14.83). Meanwhile, board size varies between 6 and 15 members, with a mean of 9. The moderate positive skewness (1.19) indicates that larger boards are less common among the sampled firms. Meanwhile, similar to theMCCG2021, Practice 8.1 is fully observed across all companies (mean=1.00). However, Practices 8.2 and 8.3 demonstrate minimal adoption (mean=0.08), accompanied by high skewness (3.37) and kurtosis (10.16), suggesting their rarity. Additionally, Practice 5.4 shows partial implementation (mean=0.38), while Practice 5.10 is relatively more established, reflecting a stronger commitment to this guideline. Meanwhile, Table 5 summarizes the frequency statistics for 26 companies, highlighting the highest executive remuneration, the corresponding normalized remuneration score and market capitalization. These figures offer a valuable basis for examining the scale of executive pay and its association with firm size.

Table 4. Descriptive statistics.

Variables	Minimum	Maximum	Mean	SD	Skewness	Kurtosis
PAY	132000.00	58816000.00	7898662.89	15267203.20	2.61	0.47
PAY_SCORE	0.17	81.95	33.64	28.23	0.53	0.47
COMPENSATION	66.67	100.00	91.50	11.48	-0.80	0.46
GENDER_PCT	20.40	112.00	92.15	19.13	-2.95	0.49
ESG	34.74	85.58	61.14	14.83	-0.38	0.46
BSIZE	6.00	15.00	9.00	2.61	1.19	0.46
PR8.1	1.00	1.00	1.00	0.00	3.37	0.46
PR8.2	0.00	1.00	0.08	0.27	3.37	0.46
PR8.3	0.00	1.00	0.08	0.27	3.37	0.46
PR5.4	0.00	1.00	0.38	0.50	0.50	0.46
PR5.10	0.00	1.00	0.76	0.44	-1.30	0.46

Table 5. Frequencies statistics.

Items	PAY	PAY_SCORE	Market Capitalization
-------	-----	-----------	-----------------------

Mean	7,898,662.89	33.64	13,537,575,910.94
SD	15,267,203.20	28.23	22,229,460,231.74
Minimum	132,000.00	0.17	113,255,789.99
Maximum	58,816,000.00	81.95	83,271,867,543.15

Table 6 illustrates the frequency distribution of the highest remuneration packages, classified into three categories: (a) LOW (below RM1 million,) (b) MEDIUM (RM1 million to RM9 million) and (c) HIGH (above RM10 million). Among the 26 companies examined, more than half (53.8 percent) range within the MEDIUM range, suggesting that the majority of top executives are compensated between RM1 million and RM9 million. This pattern reflects a relatively balanced compensation trend, consistent with industry norms for mid- to large-sized firms. Additionally, Table 7 provides a comparative case summary showing that companies adopting Practice 5.4 (board gender diversity) and Practice 5.10 (directors’ professional development) consistently complied with Practices 8.1, 8.2, and 8.3 on executive remuneration disclosure, while those not adopting 5.4 or 5.10 largely failed to implement the remuneration practices. These findings suggest a strong positive association, where firms prioritizing gender diversity and continuous board development are more likely to demonstrate transparency, accountability, and alignment with best practices in executive compensation governance.

Table 6. Frequencies statistics on categories of highest remuneration package.

Items	Frequency	Percent	Valid Percent	Cumulative Percent
HIGH	4	15.4	15.4	15.4
LOW	8	30.8	30.8	46.2
MEDIUM	14	53.8	53.8	100.0
Total	26	100.0	100.0	-

Table 7. Case summary for practice 5.4 and 5.10 vs practice 8.1, 8.2 and 8.3.

PR5.4	PR8.1	PR 8.2	PR8.3	PR5.10	PR 8.1	PR 8.2	PR 8.3
0	16	16	16	0	7	7	7
1	10	10	10	1	19	19	19
Total	26	26	26	Total	26	26	26

Additional analysis

In addition to Malaysian PLCs data, we analyzed director demographic information comprising 222 directorships using SPSS 25.0 (Table 8). For Hypothesis 1, which posits significant differences in job satisfaction and behavioral responses to compensation between male and female executives, the overall model reveals significant relationships for PR5.4 ($t=2.18$, $p=0.03$) and PR5.10 ($t=-3.97$, $p=0.00$). This indicates that while tenure limits for independent directors (PR5.4) are positively associated with compensation satisfaction, disclosure of gender diversity policies (PR5.10) shows a negative association, suggesting potential perceptions of inequality or dissatisfaction. For female executives, only PR5.4 is significant ($t=2.05$, $p=0.04$), implying that tenure limits may enhance their satisfaction with compensation. Conversely, among male executives, PR5.10 is significant ($t=-3.88$, $p=0.00$), suggesting that gender diversity policy disclosure may be viewed critically, possibly reflecting perceived threats to existing structures or biases. Hence, the regression results provide partial support for Hypothesis 1.

Table 8. Multiple regression.

Variables	Overall	Female	Male
	Beta/t/Sig.	Beta/t/Sig.	Beta/t/Sig.
PAY	0.04	0.54	0.59
BSIZE	0.09	1.14	0.25
PR8.2	-0.04	-0.63	0.53
PR8.3	-0.12	-1.79	0.08
PR5.4	0.19	2.18	0.03
PR5.10	-0.29	-3.97	0.00
Number of Observation	222	74	148
Adjusted R Square	0.077	0.008	0.093
F-value	4.072	1.099	3.520

Conclusion

As a conclusion, this study explored the key attributes of best practices in executive compensation among Malaysian PLCs, with particular attention to their compliance with the MCCG2021. The findings indicate that although the disclosure of remuneration policies is widely implemented, other critical elements such as performance-linked pay and disclosure of senior management remuneration remain insufficiently adopted for the financial year ended 2024. This reflects that transparency and accountability in executive compensation are still not fully embedded across the corporate sector. The results further demonstrate that firms embracing gender diversity on boards and prioritizing directors' continuous professional development are more likely to adhere to remuneration-related governance practices. This underscores a positive link between board quality and ethical remuneration governance. Nonetheless, significant issues persist, including disparities in pay structures, gender-based compensation gaps and weak disclosure standards. As a nutshell, these findings emphasize the importance of consistent and transparent adoption of best practices to strengthen stakeholder confidence, foster ethical leadership, and ensure sustainable long-term performance. However, this study is not without limitations. The relatively small sample size and reliance on secondary data may restrict the generalizability of the results. Moreover, the focus on listed companies may not fully capture practices among unlisted or family-owned firms. Therefore, future research could expand the scope by incorporating larger and more diverse samples, conducting longitudinal analyses to track changes in remuneration practices over time and exploring cross-country comparisons within ASEAN to benchmark governance standards. Additionally, integrating qualitative insights from directors, executives and regulators could provide a deeper understanding of the cultural and institutional factors shaping executive pay practices.

Acknowledgement

This research is self-funded.

Conflict of interest

The authors confirm that there is no conflict of interest involve with any parties in this research study.

REFERENCES

- [1] Aguilera, R.V., Federo, R., Justo, R., Merida, A.L., Pascual-Fuster, B. (2025): The Corporate Governance of Business Groups Around the World: A Review and Agenda for Future Research. – *Corporate Governance: An International Review* 33(2): 298-325.
- [2] Alharbi, B., Alharbi, A. (2021): Corporate governance development and practices in an emerging economy: a review of empirical findings and literature in Saudi Arabia. – *International Journal of Business and Management* 16(3): 11-21.
- [3] Bebchuk, L.A., Fried, J.M. (2006): Pay without performance: Overview of the issues. – *Academy of Management Perspectives* 20(1): 5-24.
- [4] Bursa Malaysia (2022): Bursa Malaysia Company Announcements. – Bursa Malaysia Web Portal 2p.
- [5] Chin, A., Lye, O.C., Najaf, K. (2024): The corporate risk-taking and performance of politically connected firms: evidence from Malaysia. – *Asia-Pacific Journal of Business Administration* 16(2): 367-391.
- [6] Ejiogu, C., Ogamba, I. (2021): Executive compensation: transparency, corporate governance and corporate social responsibility perspectives. – In *Financial and Managerial Aspects in Human Resource Management: A Practical Guide* 11p.
- [7] Ellili, N.O.D. (2022): Impact of environmental, social and governance disclosure on dividend policy: What is the role of corporate governance? Evidence from an emerging market. – *Corporate Social Responsibility and Environmental Management* 29(5): 1396-1413.
- [8] Haw, T.J., Kueh, J., Ling, S.W.S. (2020): Corruption and growth in ASEAN countries: A non-linear investigation. – *International Journal of Academic Research in Business and Social Sciences* 10(3): 347-369.
- [9] Khatib, S.F., Al Amosh, H., Ananzeh, H. (2023): Board compensation in financial sectors: A systematic review of twenty-four years of research. – *International Journal of Financial Studies* 11(3): 22p.
- [10] Meng, T., Lu, D., Yu, D., Yahya, M.H., Zariyawati, M.A. (2024): Is executive compensation aligned with the company's ESG objectives? Evidence from Chinese listed companies based on the PSM-DID approach. – *Humanities and Social Sciences Communications* 11(1): 1-15.
- [11] Ning, Y., Hu, B., Xu, Z. (2024): CEO pay-performance sensitivity and pay for luck and asymmetry. – *Managerial Finance* 50(11): 1954-1970.
- [12] Sajnog, A., Rogozinska-Pawelczyk, A. (2022): Executive compensation and the financial performance of Polish listed companies from the corporate governance perspective. Equilibrium. – *Quarterly Journal of Economics and Economic Policy* 17(2): 459-480.
- [13] Securities Commission Malaysia (2021): Malaysian Code on Corporate Governance. – Securities Commission of Malaysia Web Portal 2p.
- [14] Syed Anuar, S.A., Hamzah, N., Rahmat, M.M. (2023): Government Board of Director: The Influence of Director Identifications on Human Capital Acquisition and Board Oversight Roles. – *Jurnal Pengurusan* 68(9): 1-14.
- [15] Tian, Y., Hou, A., Hu, C.C., Chai, L. (2025): Policy-driven ESG mandates for immediate financial performance and long-term Innovation: Synergistic insights from Chinese enterprises. – *Journal of Cleaner Production* 520: 13p.
- [16] Wang, Y., Wang, F., Liu, S. (2021): The influence of executive compensation gap on earnings management from the perspective of media supervision: Evidence from China. – *Discrete Dynamics in Nature and Society* 10p.
- [17] Zhu, C., Liu, X., Chen, D., Yue, Y. (2024): Executive compensation and corporate sustainability: Evidence from ESG ratings. – *Heliyon* 10(12): 1-17.
- [18] Zulkifli, N.S., Shukor, Z.A., Rahman, M.R.C.A. (2017): Intellectual capital efficiency and firm performance in Malaysia: The effect of government ownership. – *Asian Journal of Accounting and Governance* 8: 93-105.