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GENDER DIVERSITY AND EXECUTIVE COMPENSATION POLICY: INSIGHTS FROM MALAYSIAN FIRMS

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ABSTRACT

This study explores the determinants of gender equality in executive compensation policies among Malaysian Publicly Listed Companies (PLCs), in alignment with Sustainable Development Goal 5 (SDG 5). Despite regulatory efforts such as the Malaysian Code on Corporate Governance 2021 (MCCG 2021), gender disparities persist in senior leadership and compensation structures. Against this background, this research investigates how organisational and governance factors relate to the presence of gender-inclusive compensation policies. Thus, this study adopts a quantitative research design utilising secondary data collected from 26 PLCs across 12 sectors between 2022 and 2024. The data were obtained from annual reports and the Refinitiv Eikon database, supplemented with background information on 100 board directors. Findings reveal that fewer than half of companies have formal performance-based compensation policies incorporating diversity considerations. Furthermore, on average, women receive 93.2% of male compensation, with disparities reaching as low as 30% in some firms. In addition, companies with moderately sized boards and stronger Environmental, Social and Governance (ESG) performance are more likely to adopt inclusive pay policies. For future direction, the study highlights the continued underrepresentation of women in executive roles and the influence of board demographics on governance outcomes. Accordingly, policy implications include mandatory gender pay disclosures, stronger diversity targets and integrating gender metrics into ESG frameworks to foster inclusive and equitable corporate environments in Malaysia.

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Introduction

Gender equality is a cornerstone of social justice and sustainable development, advocating that all individuals have equal rights, access to resources, opportunities and legal protections (Chen & Hassan, 2022; Bursztyn *et al.*, 2023). This principle is central to the Nation's 2030 Agenda for Sustainable Development, Sustainable Development Goal 5 (SDG 5), which aims to achieve gender equality and empower all women. According to Bursztyn *et al.* (2023), the SDGs agenda emphasises that sustainable development cannot be fully realised if half of humanity is denied equal participation. It also states that achieving full human potential and sustainable development is not possible if one-half of humanity continues to be denied its full human rights and opportunities (United Nations, 2015).

Despite decades of policy advocacy and international commitments, gender disparities persist, especially in economic participation and corporate leadership. According to the World Bank, women globally still earn only 77 cents for every dollar earned by men, enduring pay inequality. These wage gaps are not isolated issues. Rather, they reflect deep-rooted structural and institutional barriers that limit women's access to high-level positions and influence within organisations. Consequently, women remain significantly underrepresented in senior management and C-suite roles across both public and private sectors (Nicholl, 2019; McKinsey & Company, 2020).

This imbalance is both a matter of social injustice and an economic inefficiency (Chin *et al*., 2024; Mat & Salleh, 2025). Past studies consistently indicate that improving gender diversity in executive compensation and narrowing pay gaps can yield substantial benefits, including increased firm performance, innovation, and even national economic growth (Wan Ismail *et al*., 2022; Guizani & Abdalkrim, 2023). As such, higher female representation in decision-making roles is positively associated with better corporate governance and enhanced firm value (Subramaniam & Sakthi, 2022).

In the Malaysian context, despite regulatory frameworks such as the Malaysian Code on Corporate Governance 2021 (MCCG 2021), which emphasises gender diversity on boards, women remain underrepresented in executive positions and often face unequal compensation policies (Roy & Alfan, 2021; Chin *et al*., 2024). As a result, this persistent underrepresentation poses a significant challenge to achieving SDG 5 (United Nations, 2015; Subramaniam & Sakthi, 2022; Wong, 2024). As highlighted by the United Nations (2015), ensuring gender balance in leadership is a matter of fairness and a prerequisite for inclusive and democratic governance.

This study, therefore, positions gender diversity and executive compensation not merely as moral or legal issues. Rather, it serves as critical elements of corporate strategy and sustainable development. In addition, by examining the determinants shaping gender-inclusive compensation policies in Malaysian Publicly Listed Companies (PLCs) (Karim, 2021), the research aims to contribute empirical insights to the ongoing discourse on gender equity, corporate governance and SDG 5 implementation (Roy & Alfan, 2021).

Background of the Study

Over the past several decades, the global women's movement has brought critical attention to systemic gender inequalities in

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the workplace. Despite these efforts, progress toward gender parity in leadership remains slow (Karim, 2021; Subramaniam & Sakthi, 2022). Moreover, gender equality is fundamental to achieving inclusive and sustainable development. In this context, the World Economic Forum's Global Gender Gap Report (2024) ranks Malaysia 102nd out of 146 countries for economic participation and opportunity, highlighting persistent disparities in leadership and compensation structures (Roy & Alfan, 2021).

Meanwhile, although women comprise nearly half of the workforce in entry-level positions, they hold only approximately 21% of board seats in Malaysia (Tee, 2023). This underrepresentation is even more pronounced at the executive level, reflecting a global pattern where men continue to dominate senior corporate roles. Reports by McKinsey & Company's identify key challenges, including limited access to mentorship, gender stereotypes, and exclusion from influential informal networks that facilitate leadership progression (Chen & Hassan, 2022; Mat & Salleh, 2025).

Nonetheless, some progress is evident. Malaysia leads Southeast Asia in board gender diversity, with 28.5% of board seats now occupied by women, nearing the 30% target set by the MCCG 2021. This improvement can be attributed to regulatory interventions such as the one-woman-on-board mandate for PLCs (Roy & Alfan, 2021). Still, these advances in board representation have yet to translate into equitable representation in executive compensation or decision-making authority, where women remain significantly underrepresented (Karim, 2021).

Building on this, Malaysia's gender landscape is shaped by socio-historical and cultural influences. For example, in professional fields often viewed as male-dominated, women aspiring to such roles may be perceived as overambitious and face scepticism regardless of their qualifications (Guizani & Abdalkrim, 2023; Wong, 2024). Likewise, these structural and cultural barriers contribute to tangible economic consequences. On average, women in Malaysia earn MYR 42,000.00 per year, compared to MYR 63,000.00 for men in equivalent roles (Mat & Salleh, 2025).

Within this context, executive compensation has emerged as a critical indicator of gender equality in the workplace. Studies have highlighted that companies with greater gender diversity at the top management tend to outperform their peers financially (Chen & Hassan, 2022; Chin *et al*., 2024). Still, discriminatory compensation practices, including lower base salaries, fewer bonuses and limited access to high-impact projects, undermine women's progress even after they attain leadership roles (Ahmad *et al*., 2024). In essence, these disparities suggest that compensation policies themselves may perpetuate gender-based inequities, reflecting deeper institutional biases (Wan Ismail *et al*., 2022).

Furthermore, several industry and regulatory initiatives have also aimed to foster more equitable corporate environments in Malaysia. However, these efforts operate alongside entrenched systemic barriers that continue to constrain progress (Subramaniam & Sakthi, 2022; Salihi *et al*., 2024). Correspondingly, examining the determinants of gender diversity in executive compensation policies is crucial to understanding how these disparities are maintained and how policy reforms can drive more inclusive, merit-based leadership structures.

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Problem Statement and Research Gaps

Despite policy frameworks and corporate initiatives to promote gender equality, substantial disparities persist in women's representation in leadership. These inequalities are particularly pronounced in Malaysia (Ahmad *et al*., 2024). In addition, advocacy groups have reported that in 2020, Malaysian women earned approximately 67% of what men earned. This gap stems from a confluence of factors, including disproportionate caregiving responsibilities, limited access to advancement opportunities and weaker bargaining power (Salihi *et al*., 2024; Mat & Salleh, 2025). These issues are further compounded by entrenched workplace cultures and leadership structures that do not actively prioritise gender equity (Karim, 2021; Karim *et al*., 2023).

Moreover, persistent gender disparities in executive compensation pose significant economic and governance risks. The 30% Club Malaysia has emphasised that unequal pay undermines women's economic agency, national productivity and inclusive growth. Empirical evidence also suggests that capable women continue to be overlooked for senior leadership roles due to implicit and explicit biases (Ferdous *et al*., 2023). This, in turn, limits organisations' access to diverse leadership perspectives that enhance innovation, governance quality and long-term value creation.

In addition, they are embedded within broader structural and institutional gender bias shaped by patriarchal norms, unequal power relations and culturally reinforced perceptions of leadership suitability (Subramaniam & Sakthi, 2022; Karim *et al*., 2023). From a feminist institutionalism perspective, these inequalities reflect both formal rules and informal institutional logics that influence decision-making within corporate environments and executive remuneration practices.

Malaysia has strengthened governance expectations through the MCCG 2021, which emphasises board diversity, merit-based leadership selection and fair remuneration structures. In parallel, Bursa Malaysia's sustainability reporting requirements encourage gender-inclusive practices and transparency. Nevertheless, translating these policy frameworks into meaningful corporate behaviour remains uneven.

Existing research has largely documented gender gaps in pay and leadership. However, it provides limited insight into the institutional mechanisms and organisational determinants that sustain these inequities (Guizani & Abdalkrim, 2023). Similarly, intersectional dimensions, particularly how gender interacts with ethnicity, socioeconomic status, and professional networks, remain insufficiently explored in Malaysian PLCs. At the same time, weak enforcement, inadequate diversity-driven remuneration strategies and inconsistent adoption of MCCG-aligned practices continue to reinforce gendered outcomes despite regulatory guidance (Salihi *et al*., 2024).

Consequently, examining gender-inclusive executive compensation through the lens of feminist institutionalism, while situated within MCCG 2021 and Bursa Malaysia's Environmental, Social and Governance (ESG)-driven reporting landscape, is critical to understanding how formal governance structures and informal institutional norms shape pay equity outcomes. This approach aligns with national reform agendas and SDG-5, while also contributing to a more transparent,

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performance-enhancing approach to corporate leadership in Malaysia.

Accordingly, this study identifies a critical research gap: The lack of in-depth, empirical analysis of how socio-cultural norms, organisational practices and policy environments interact to shape gender disparities in executive compensation within the Malaysian PLC context. The problem is twofold: Empirical, in measurable and persistent disparities in pay and representation and conceptual, as the structural roots of these disparities remain underexplored. Hence, a more grounded understanding of these determinants is vital to crafting effective governance practices, regulatory policies and organisational strategies aimed at achieving meaningful gender equity.

Literature Review

In this section, the researchers examined the evolution of executive compensation policies, with particular attention to gender equality, female representation on corporate boards, and the demographic characteristics of women in leadership roles. Additionally, the section explored the officer-to-director compensation ratio as an indicator of remuneration dynamics within PLCs. Against this background, understanding the relationship between gender diversity and executive compensation requires rigorous exploration, especially regarding sampling and measurement. In this regard, prior corporate governance research underscores the significance of selecting PLCs with transparent disclosure practices and verifiable governance information to ensure empirical validity and comparability across studies.

Policy Executive Compensation

This study focused on policy executive compensation as its primary research focus (Ahmad *et al*., 2024; Anua & Muhmad, 2025). Specifically, it aims to determine whether a firm has an official, codified policy that incorporates gender or intercultural diversity considerations into its executive compensation framework. It is measured as a binary variable, presented as:

TRUE: The company explicitly includes diversity-related provisions in its executive compensation policy.
FALSE: No such diversity-related provisions are found in the policy.

This operationalisation was based on frameworks used in prior studies (García-Sánchez *et al*., 2018) and reflected an organisation's commitment to inclusive governance practices and equitable leadership representation.

Gender Equality

This study also investigated how gender-related factors influenced the adoption of diversity-oriented executive compensation policies among Malaysian PLCs (Kampoowale *et al*., 2024). As such, this study examined three independent variables: Female on board, female demographic, and officer/director position (Salihi *et al*., 2024), as explained in detail in the Methodology section. These indicators reflected different dimensions of gender representation and equity within corporate leadership and governance structures.

Female on Board

Prior literature often examines female board representation based on the percentage of women appointed to the board of directors (Wong, 2024). In the Malaysian PLC context,

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MCCG 2021 required all PLCs to have at least one woman director on the board (Ferdous *et al*., 2023; Tee, 2023). Meanwhile, in 2023, the Bursa Malaysia Listing Requirements mandated that large-cap firms meet this target by June 2023 and all PLC issuers by 2025 (Kampoowale *et al*., 2024). Nevertheless, women accounted for around 28.5% of board positions in the top 100 PLCs (Salihi *et al*., 2024). From an agency theory perspective, gender diversity on the board is expected to enhance oversight efficiency and reduce agency costs. Furthermore, female directors are often associated with stronger monitoring, ethical vigilance and stakeholder-oriented decision-making (Zhang & Foo, 2022).

In comparison, a higher proportion of women on the board are positively related to more equitable and accountable executive compensation practices. However, feminist institutional theory suggests that formal increases in women's board representation did not automatically translate into substantive influence due to entrenched gender norms and institutional power dynamics (Celis & Mackay, 2021). While gender representation is a measurable governance indicator, past empirical analyses acknowledge that its impact can be constrained in environments where structural and cultural barriers persist.

Female Demographic

Female demographic refers to the proportion of women in senior management roles or as divisional directors. It reflects gender inclusion in operational and strategic leadership, beyond symbolic board appointments. In Malaysian PLCs, the proportion of women in C-suite roles remained significantly lower than at the board level, often below 20%. This discrepancy suggested that vertical segregation persisted, whereby women were clustered in support or advisory positions rather than in roles with core decision-making power (Wan Ismail *et al*., 2022; Laskar *et al*., 2024).

From an agency theory perspective, greater female representation in senior management was expected to enhance strategic oversight, strengthen internal monitoring and promote more accountable compensation practices (Rahman & Saad, 2023). In contrast, a higher proportion of women in executive roles were anticipated to contribute positively to equitable pay structures and governance quality. Despite this, feminist institutional theory suggested that numerical presence alone did not necessarily translate into meaningful influence if patriarchal norms and informal power hierarchies persisted (Celis & Mackay, 2021; Wan Ismail *et al*., 2022). Generally, the impact of gender diversity in senior leadership varies depending on the depth of organisational commitment to genuine gender empowerment.

Director Compensation Ratio

Prior literature commonly measured director compensation ratio as a ratio or percentage, providing a direct indication of gender-based pay disparities at the highest organisational levels (United Nations, 2015). Drawing on agency theory, gender-based pay disparity among senior executives represented a structural inefficiency in corporate governance, in which principals failed to ensure agents received equitable, merit-based compensation.

The director compensation was quantified as a ratio or percentage, providing an objective measure of compensation equity at the upper echelons of corporate leadership (United Nations, 2015). Although Malaysia

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had not yet mandated pay transparency, empirical evidence and reports revealed that female leaders continued to receive significantly lower remuneration despite equivalent qualifications, positions and performance responsibilities (Laskar *et al*., 2024; Mat & Salleh, 2025). For example, these disparities extended beyond basic salary structures, including bonuses, stock-based incentives and access to strategic, high-impact portfolios (Khatib *et al*., 2022; Tee, 2023).

From a feminist perspective, these persistent wage differences highlight deeply rooted gendered power relations within corporate hierarchies and the systemic undervaluation of women's leadership contributions. In line with this, feminist scholarship argues that patriarchal norms and institutional barriers restricted women's access to decision-making spaces, reinforcing gendered corporate cultures (Khatib *et al*., 2022; Mustafa *et al*., 2023; Haidar & Hossain, 2024). Moreover, executive compensation disclosure requirements in Malaysia's PLCs commonly provided transparency that enabled comparative analysis of these dynamics (Chin *et al*., 2024; Kampoowale *et al*., 2024). Table 1 summarises key studies exploring the association between ESG performance and executive remuneration structures from 2022 onwards.

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Table 1: Past studies on ESG performance and executive compensation policies between 2022 and 2024

No.	Title	Year	Source Title	Research Aim	Dependent Variable	Independent Variables	Theories	Sample	Outcome
1	Management gender diversity, executives' compensation and firm performance	2022	International Journal of Accounting & Information Management	This paper contributed to the discussion on the executives' team and firm performance	Firm performance	1. Executives' compensation 2. Female executives	1. Agency theory 2. Upper echelons theory	Data were collected from 461 companies listed during the period from 2016 to 2018	The results revealed that the correlation between corporate performance and executive cash payment is not significant
2	International differences in the CEO gender pay gap	2022	An International Review	This study examined the extent of differences in compensation levels among corporate executives	CEO compensation	Country-level attitudes	Role congruity theory	Executive compensation from Standard & Poor's Capital IQ database from 2001 to 2016	This study documented a 3.3% average difference in executive compensation levels across countries worldwide
3	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 explored how an increasing presence of women on boards reduces gender pay disparity among non-executive directors	Gender pay disparity	1. Board gender diversity 2. Women's critical mass	1. Social identity theory 2. Social categorisation theory 3. Critical mass theory	Public companies listed on the London Stock Exchange from 1999 to 2015	The results indicated that for boards to reduce the gender pay disparity among Non-Executive Director (NED), women need to reach a critical mass of 33% of board members

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4	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 explored whether the executive compensation of listed companies in the Chinese capital market aligns with their ESG practices	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 Exchanges from 2011 to 2021	A company's ESG engagement demonstrated a significant positive correlation with internal income disparity
5	Gender differences in executive compensation in Spain	2024	Gender in Management: An International Journal	This paper examined the gender pay gap in executive director compensation	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 presented evidence of a strong pay penalty for female executive directors compared to male counterparts
6	Next Level Quotas? Corporate and Public Support for Gender Quotas in Executive Management	2024	Administrative Sciences	This research explored how board members in all listed companies in Iceland view EGQ legislation	Executive gender quotas	1. Corporate support 2. Public support 3. Respondent demographics	Agency theory	A random sample of 2500 people, 18 years and older, was drawn from the Social Sciences Institute of Iceland's	The findings underscored the importance of ongoing dialogue and potential legislative actions to address persistent gender

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								National Registry	inequalities in leadership positions
7	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 explored differences in self-reported individual and collective use of SOC strategies across job functions	Compensation	1. Office work 2. Work with people 3. Work in the field of production	Agency theory	10,798 workers aged 50+ across the job function categories	The finding revealed that the association between SOC and work ability was generally weaker among participants working in the production field
8	Does economic policy uncertainty influence executive compensation stickiness?	2024	Economic Analysis and Policy	This study empirically analysed the effect of economic policy uncertainty on executive compensation stickiness	Executive compensation stickiness	1. Motivation 2. Opportunity 3. Prerequisite	1. Agency theory 2. Stakeholder theory	The data are from A-share main board listed companies from 2007 to 2021	This study reported that economic policy uncertainty is positively related to executive compensation and that information and supervision are important mechanisms of this effect

Source: Author own works

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Methodology

This study employed a quantitative research design and a sector-based comparative approach to identify and analyse the key factors influencing gender-inclusive executive compensation policies within Malaysian PLCs. The sample comprised hand-collected data from Bursa Malaysia annual reports and the Refinitiv Eikon database for 2022–2024.

Data Collection

In the Malaysian context, the analysis focused on the top 100 PLCs on Bursa Malaysia (Wan Ismail *et al*., 2022; Tee, 2023; Azhan *et al*., 2025). These firms were selected based on the availability of comprehensive corporate disclosures. This study relied on secondary data collected in two phases: (a) From PLCs' accessible sources such as annual reports, sustainability reports, remuneration statements and corporate governance disclosures of Malaysian PLCs and (b) from the Refinitiv Eikon database. The final sample comprises 26 companies as summarised in Table 2.

The selection of 26 PLCs for this study was based on methodological relevance, data accessibility and alignment with the research objectives. The study focused on executive compensation, gender pay equity and ESG-related remuneration practices. Thus, it included only firms that disclose detailed executive-level remuneration, gender-related information and sustainability-related governance data. The sample also comprised 12 major industry sectors. This study examined only 26 PLCs given the availability and completeness of executive remuneration, ESG reporting and gender-disaggregated disclosures between 2022 and 2024. Nevertheless, analytical rigor is enhanced by including 100 board directors from these firms as individual-level units of analysis.

This dual focus enables a comprehensive investigation of both firm-level governance practices and individual board member attributes, including ethnicity and nationality. Consequently, the approach provides deeper insight into the relationship between board diversity, executive pay structures and gender pay equity.

Operational Definitions

In this study, Manufacturing is the most represented, accounting for eight companies, or over 30% of the sample. This prominence is particularly relevant given the traditionally male-dominated nature of the manufacturing industry, making it important to assess gender-related disparities in executive compensation practices. For instance, including multiple sectors ensures the study captures both overarching corporate trends and sector-specific factors influencing gender diversity in executive compensation.

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Table 2: Description items by sectoral category

Number	Code Name	Description Items	Sector
1	FOOD	Accommodation and Food Services	2
2	AGRI	Agriculture, Forestry, Fishing and Hunting	1
3	CONST	Construction	3
4	FIN	Finance and Insurance	4
5	H.CARE	Health Care and Social Assistance	1
6	INFOR	Information	1
7	MANU	Manufacturing	8
8	REIT	Real Estate and Rental and Leasing	1
9	RET	Retail Trade	1
10	TRANS	Transportation and Warehousing	1
11	UTI	Utilities	2
12	WHOLE	Wholesale Trade	1
		Total	**26**

The operational definitions in Table 3 identify the main factors influencing gender diversity in executive compensation. Executive pay levels are represented by the highest remuneration package and its corresponding score. In contrast, the gender measures capture earnings disparities between male and female executives in comparable roles. Including a performance-driven compensation policy indicates the organisation's commitment to merit-based remuneration practices (Haidar & Hossain, 2024; Salihi *et al*., 2024). Moreover, for the experimental variable, the ESG Score and ESG Controversies Score assess the company's overall sustainability performance and the reputational risks associated with its ESG practices.

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Table 3: Operational definition

Number	Variable	Description	References
1	Highest Remuneration Package	Highest remuneration package within the company.	García-Izquierdo *et al*. (2018), Gallén *et al*. (2024), Anua and Muhmad (2025)
2	Highest Remuneration Package Score	Highest remuneration package within the company, with score.	García-Izquierdo *et al*. (2018), Gallén *et al*. (2024)
3	Gender Pay Gap	Percentage of women's remuneration relative to men, often for doing the same work.	García-Izquierdo *et al*. (2018), Gallén *et al*. (2024)
4	Policy Executive Compensation	Does the company have a performance-oriented compensation policy?	García-Izquierdo *et al*. (2018), Gallén *et al*. (2024), Wong (2024)
5	ESG Score	The Refinitiv ESG Score is an overall company score based on the self-reported information across the environmental, social and corporate governance pillars.	United Nations (2015)
6	ESG Controversies Score	ESG controversies category score measures a company's exposure to ESG controversies and negative events reflected in global media.	United Nations (2015)
7	Number of Analysts	Number of sell-side analysts covering the security.	United Nations (2015)
8	Board Size	The total number of board members at the end of the fiscal year.	United Nations (2015)

Results and Findings

Table 4 breaks down annual observations for the companies included in the study. Overall, the data present a substantial increase in company participation in 2023, with 17 companies reporting, compared to just four in 2022 and five in 2024. The increase in 2023 may reflect heightened corporate transparency and improved data availability. These changes may have been driven by stricter regulatory requirements, a stronger focus on ESG reporting or growing corporate awareness of gender diversity in executive compensation.

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Table 4: Yearly observations

Description Items	2022	2023	2024	Total
Banks	0	2	1	3
Construction and Materials	0	2	0	2
Electricity	0	1	0	1
Electronic and Electrical Equipment	0	1	0	1
Food Producers	0	1	1	2
Gas, Water, and Multi-utilities	0	1	0	1
General Industrials	2	0	0	2
Health Care Providers	0	1	0	1
Investment Banking and Brokerage Services	0	1	0	1
Media	0	0	1	1
Medical Equipment and Services	0	3	0	3
Oil, Gas, and Coal	1	0	0	1
Real Estate Investment and Services Development	0	0	1	1
Real Estate Investment Trusts	1	0	0	1
Retailers	0	0	1	1
Technology Hardware & Equipment	0	1	0	1
Travel and Leisure	0	3	0	3
Total	**4**	**17**	**5**	**26**

Figure 1 illustrates the distribution of PLCs based on whether they have a formal executive compensation policy. The values are presented in binary form: 0.00 indicates the absence of such a policy, while 1.00 signifies the presence of a performance-oriented executive compensation policy. The figure also discloses that a significant proportion of PLCs in the sample have adopted formal compensation policies. This may indicate greater alignment with corporate governance best practices and a stronger commitment to transparency, accountability and equitable reward systems as a key component in addressing gender disparities in executive compensation (Haidar & Hossain, 2024).

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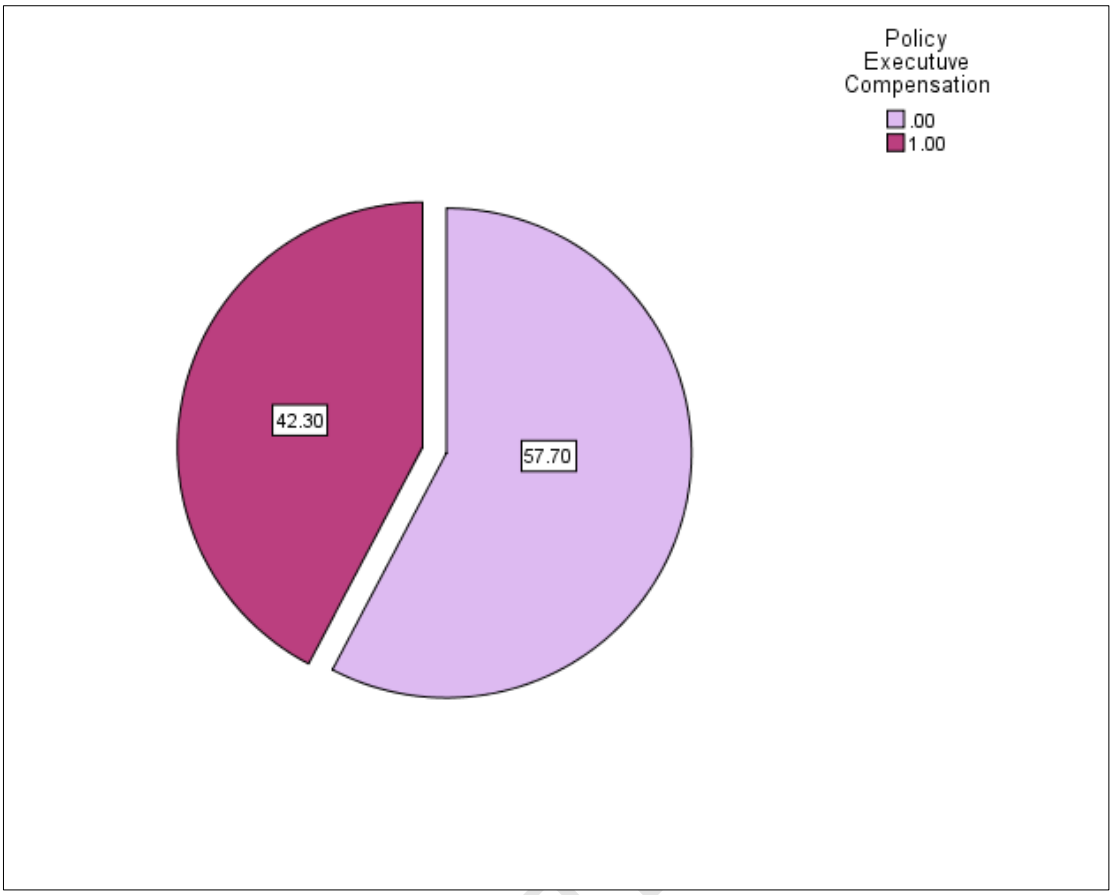


Figure 1: Policy on executive compensation
Note: 0.00 (No Policy on Executive Compensation), 1.00 (Exists Policy on Executive Compensation)

Main Discussion

The descriptive statistics for the 26 Malaysian PLCs reveal significant variation in executive compensation and gender-related practices (Table 5). The highest remuneration package presents a wide range with a mean of MYR 6.4 million, implying substantial disparities across firms. Meanwhile, the gender pay gap averages 93.20%. The results indicate that, on average, women in similar executive roles earn slightly less than men, revealing a modest yet persistent gender pay gap.

This disparity remains evident even among firms with structured governance and disclosure practices. The finding also echoes ongoing priorities under SDG 5 and MCCG 2021, which emphasise fair leadership representation and transparent pay practices. The policy on executive compensation has a mean of 0.42. This suggests that fewer than half of companies have formalised performance-based pay structures.

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Table 5: Descriptive statistics

Descriptive Statistics	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
Highest Remuneration Package	26	164,000.00	51,120,000.00	6,398,311.31	13,162,597.11	2.99	8.28
Highest Remuneration Package Score	26	0.17	80.10	37.47	26.94	0.31	-1.30
Gender Pay Gap	26	30.00	112.00	93.20	17.26	-2.94	8.77
Policy Executive Compensation	26	-	1.00	0.42	0.50	0.33	-2.06
ESG Score	26	33.94	87.84	63.82	13.09	-0.33	-0.21
ESG Controversies Score	26	74.55	100.00	99.02	4.99	-5.10	26.00
Number of Analysts	26	-	21.00	9.65	7.13	0.09	-1.45
Board Size	26	6.00	14.00	8.69	2.13	0.52	-0.17
Total PLCs observations					**26**		

Additional indicators such as ESG Scores (mean = 63.82) and ESG Controversies Score (mean = 99.02), indicate that while most companies exhibit moderate ESG performance, relatively few have been involved in significant controversies (Table 5). In addition, the average board size is 8.69 members and the mean number of analysts covering each firm is 9.65, suggesting varying levels of corporate governance capacity and market visibility across the sample.

Beyond company-level characteristics, this study also examines the demographic composition of corporate boards. Table 6 presents the profile of 100 board directors from the PLCs, categorised by ethnicity and nationality. The vast majority (97 directors) are Malaysian nationals, with only three being foreign nationals. Among Malaysian PLC directors, Chinese individuals comprise the largest group (52), Malay individuals comprise the second largest group (40), followed by Indian directors (4) and those classified as Others (3).

This study reveals that 97 out of 100 directors are Malaysian nationals, with Chinese directors forming the largest ethnic group, indicating limited ethnic and international diversity on boards. Notably, the MCCG 2021 and Bursa Malaysia's governance guidelines emphasise board diversity as essential for effective oversight and sustainable value creation, the findings suggest that diversity aspirations remain only partially realised in practice.

Furthermore, these demographic patterns may shape decision-making dynamics on boards, particularly in adopting and enforcing gender-sensitive policies. In this study, homogeneity in board composition can limit diverse perspectives and slow progress toward inclusive governance. In this sense, a more diverse board, both demographically and ideologically, is often associated with a greater likelihood of implementing policies that promote equity, including those related to executive compensation and gender representation.

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Table 6: Demographic directors

Ethnicity	Nationality		Total
	Foreigners	Malaysia	
Malay	0	40	40
Chinese	0	52	52
Indian	0	4	4
Others	3	1	4
Total	**3**	**97**	**100**

Table 7: Demographic board size

Number	Frequency	Percent (%)	Cumulative Percent (%)
6	7	6.9	6.9
7	14	13.9	20.8
8	16	15.8	36.6
9	18	17.8	54.5
10	20	19.8	74.3
11	11	10.9	85.1
15	14	14.9	100.0
Total	**100**	**100.0**	

Table 7 presents the distribution of board sizes among the 100 directors and highlights notable variation in governance structures. The most common board size is 10 members, accounting for 19.8% of the total. This is followed by boards with nine members (17.8%), eight members (15.8%), and seven members (13.9%), suggesting that many PLCs aim to balance board efficiency with diverse perspectives. Despite this, the concentration around specific board sizes also raises questions about whether PLCs actively consider diversity in board formation or whether size is determined mainly by operational efficiency (Chen & Hassan, 2022).

Table 8 summarises the relationship between the highest individual remuneration packages and board size among the selected Malaysian PLCs. The data highlights a substantial range in executive compensation, with the highest remuneration amounting to MYR 51,120,000.00 and the lowest at MYR 164,000.00. Board sizes among these PLCs range from as few as one member to as many as 15. In general, these findings imply that board size may be linked to executive pay practices, supporting the core tenets of agency theory.

These findings also reflect Malaysia's broader policy commitments toward equitable and transparent corporate practices. Aligned with SDG 5 (Ferdous *et al*., 2023), national regulatory bodies such as the Securities Commission Malaysia and Bursa Malaysia emphasise gender diversity and equitable leadership representation as key governance priorities. The MCCG 2021 encourages boards to actively promote gender diversity and sets the expectation of at least 30% female board representation in PLCs. This signals institutional support for more inclusive leadership structures (United Nations, 2015).

Additionally, Bursa Malaysia's ESG disclosure framework and Sustainability Reporting Guidelines require firms to report transparently on governance practices. The observed alignment between stronger governance structures and more transparent

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remuneration practices in the sampled firms suggests that policy-driven reforms are influencing board leadership models and pay governance, aligned with past studies (93.2%) (Subramaniam & Sakthi, 2022).

Table 8: Case summary between higher remuneration package and board size

Highest Remuneration Package (MYR)	Board Size
164,000.00	14
192,000.00	9
496,559.00	8
1,158,130.00	6
1,731,520.00	7
1,894,800.00	10
2,201,000.00	9
2,546,610.00	7
2,998,188.00	11
6,262,000.00	8
17,187,000.00	1
51,120,000.00	10
Total	**100**

Table 9: Case summary between position and nationality

Position	Nationality	Total
ED	Foreign	1
	Local	17
	Total	**18**
INED	Local	58
	Total	**58**
NINED	Foreign	2
	Local	22
	Total	**24**
Total	Foreign	3
	Local	97
	Total	**100**

Note: ED represent Executive Director, INED represents Independent Non-Executive Director and NINED represent Non-Independent Non-Executive Directors

Table 9 summarises board positions by nationality across the sampled PLCs. Among EDs, 17 are local and one is foreign, totalling 18 directors. In the Independent Non-Executive Director (INED) category, all 58 directors are local. For Non-Independent Non-Executive Director (NINED), 22 are local while two are foreign, bringing the total in this category to 24. Overall, the board includes 97 local directors and three foreign directors, for a total of 100 individuals.

For comparison, Table 10 compares director ethnicity by board position. Among Executive Directors (ED), the majority are Chinese (12), followed by Malay (6), with no Indian, or other ethnic representation. For INED, Chinese directors constitute the majority (29), followed by Malays (24), Indians (4), and one from other ethnic groups. Meanwhile, NINED has 13 Chinese, 10 Malays, and one from other ethnic backgrounds, with no Indian representation. In total, the board comprises 54 Chinese, 40

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Malay, four Indian, and two directors from other ethnicities. The results suggest ongoing challenges in translating policy aspirations into equitable board representation.

Figure 2 illustrates the composition breakdown, highlighting ethnic and national representation across board positions. This pattern suggests that despite policy expectations under the MCCG 2021, Bursa Malaysia's sustainability reporting framework and broader national objectives to foster equitable participation across ethnic groups, board appointments may still be influenced by legacy networks, industry traditions and informal selection practices. Therefore, the findings highlight a gap between regulatory aspirations and practical implementation, underscoring the need for more targeted diversity disclosure requirements in PLC boardrooms.

Table 10: Comparison between director ethnicity and position

		Director Ethnicity				Total
		Chinese	**Indian**	**Malay**	**Others**	
Position	ED	12	0	6	0	18
	INED	29	4	24	1	58
	NINED	13	0	10	1	24
Total		**54**	**4**	**40**	**2**	**100**

Note: ED represent Executive Director, INED represents Independent Non-Executive Director and NINED represents Non-Independent Non-Executive Directors

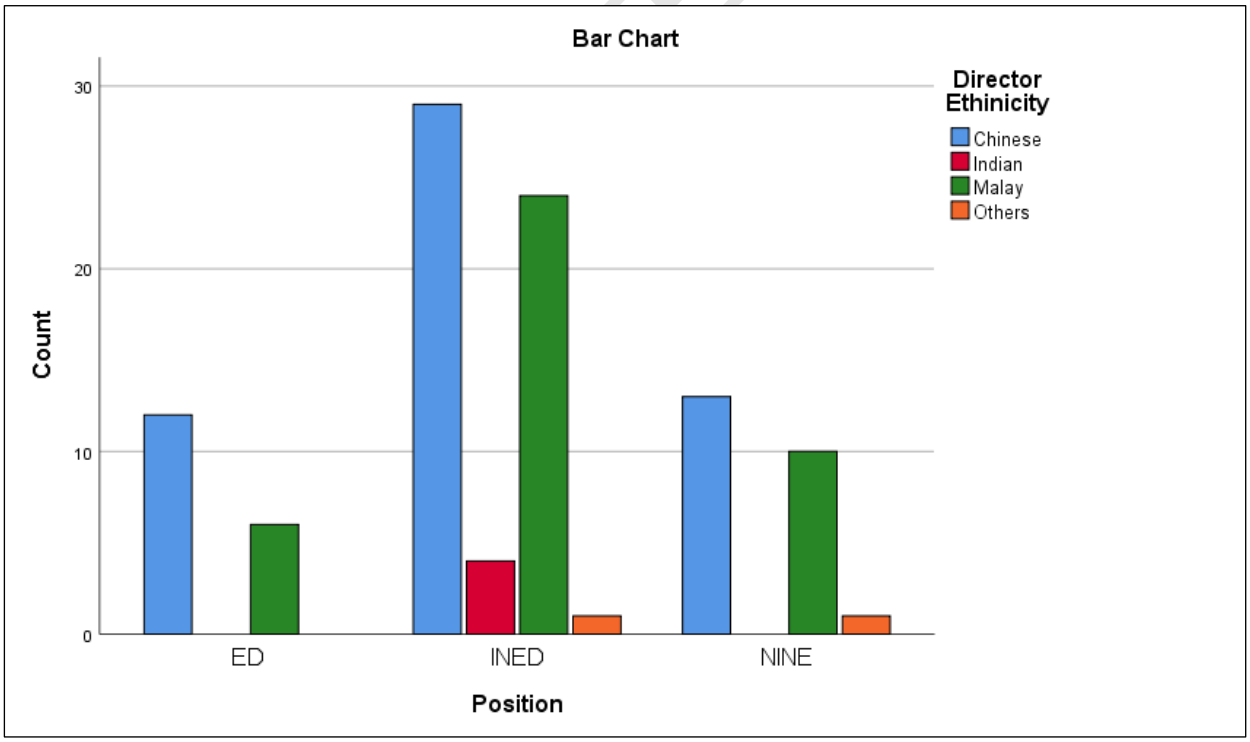


Figure 2: Policy executive compensation based on director ethnicity and position

Note: ED represent Executive Director, INED represents Independent Non-Executive Director, and NINED represents Non-Independent Non-Executive Directors

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Table 11 presents the results of Pearson's correlation analysis examining relationships among the study's key variables. The correlation coefficients indicate that the highest remuneration is positively correlated with firm performance $p < 0.05$), suggesting that firms paying higher executive compensation tend to perform better financially. Additionally, the absence of multicollinearity is confirmed as none of the correlation coefficients exceeds the threshold of ± 0.80. These results establish that deeper cultural and structural forces continue to shape executive opportunities and remuneration outcomes.

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Table 11: Pearson's correlation analysis

No.	Correlations	1	2	3	4	5	6	7	8
1	Highest Remuneration Package	1.00							
2	Highest Remuneration Package Score	-0.56**	1.00						
3	Gender Pay Gap	-0.06	0.11	1.00					
4	Policy Executive Compensation	0.09	-0.35	0.00	1.00				
5	ESG Score	0.23	-0.17	-0.06	0.395*	1.00			
6	ESG Controversies Score	0.04	0.16	-0.08	-0.23	0.01	1.00		
7	Number of Analysts	0.39*	-0.42*	-0.06	0.32	0.67**	-0.30	1.00	
8	Board Size	0.14	-0.32	0.27	0.16	0.35	-0.22	0.66**	1.00

Note: **. Correlation is significant at the 0.01 level (2-tailed). *. Correlation is significant at the 0.05 level (2-tailed)

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Additional Analysis

The researchers explore and synthesise the Corporate Governance Monitor 2024 from the Securities Commission Malaysia (Anua & Muhmad, 2025). To strengthen the quantitative research design, the researchers also include narrative statements from the report to support this argument.

Main Findings: Policy Executive Compensation

The Corporate Governance Monitor 2024 (Securities Commission Malaysia: 16–19) highlights the importance of transparency in executive compensation through Practice 8.2. It recommends disclosing remuneration details for the top five senior management personnel in bands of MYR 50,000.00. Similarly, Step-up Practice 8.3 further encourages companies to adopt a higher standard by providing full, detailed disclosure on a named basis for all senior management members.

In addition, Figure 1 illustrates that 57.7% of Malaysian PLCs have implemented policies aligned with executive compensation disclosure practices. This indicates moderate progress while also highlighting room for improvement. This study emphasises transparency in executive remuneration as essential for stakeholders to assess whether compensation is appropriately aligned with company performance, strategic goals and sustainability outcomes. However, without clear and comprehensive disclosure, it becomes challenging to determine whether executive pay genuinely reflects value creation and responsible leadership.

Main Findings: Gender Equality Initiative

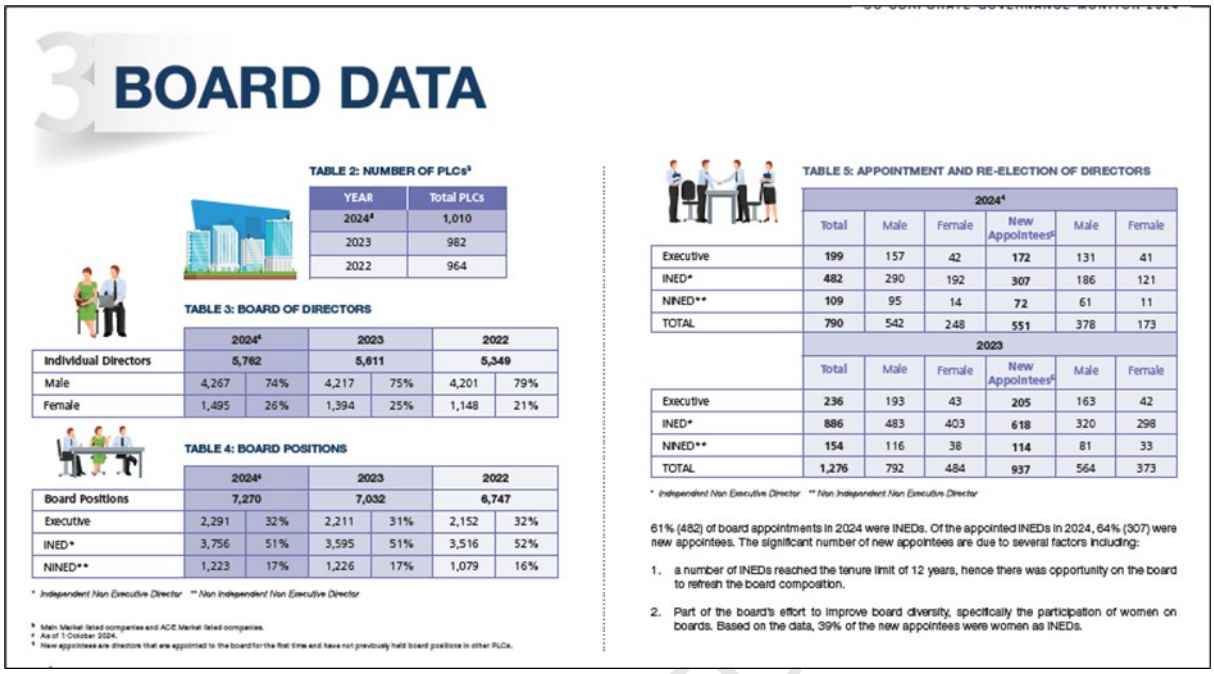
According to the Corporate Governance Monitor 2024 (Figure 3), gender diversity on boards has continued to progress, with several noteworthy observations. As of October 2024, 69% of women serving on PLC boards held INED positions. This indicates that most female board members serve in independent oversight roles, which play a critical role in governance and accountability (Securities Commission Malaysia: 5–6). Additionally, the report highlights that only eight PLCs have all-male boards, a reduction attributed primarily to recent resignations of female directors. Furthermore, 39% of new INED appointments in 2024 were women, reflecting significant progress in promoting gender diversity at the leadership level.

In comparison, this study, conducted from 2022 to 2024, offers a more detailed breakdown of women's representation across various board positions within Malaysian PLCs. Accordingly, 18 women were appointed to ED roles, 58 to INED roles and 24 to NINED roles. These figures further support the broader national trend of increasing female participation on boards, particularly in independent roles. Interestingly, the dominance of INED appointments among women is consistent with the Securities Commission's findings. This suggests companies may be prioritising women for roles that require impartial oversight and governance responsibility.

This comparative insight underscores a growing recognition of the value women bring to board leadership, especially in roles that demand accountability, transparency and independence. Nevertheless, the relatively lower number of women in executive and NINED roles highlights areas where more targeted efforts may be required to achieve

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balanced gender representation across all levels of board leadership.



3 BOARD DATA

TABLE 2: NUMBER OF PLCs[3]

YEAR	Total PLCs
2024[4]	1,010
2023	982
2022	964

TABLE 3: BOARD OF DIRECTORS

	2024[4]		2023		2022	
Individual Directors	5,762		5,611		5,349	
Male	4,267	74%	4,217	75%	4,201	79%
Female	1,495	26%	1,394	25%	1,148	21%

TABLE 4: BOARD POSITIONS

	2024[4]		2023		2022	
Board Positions	7,270		7,032		6,747	
Executive	2,291	32%	2,211	31%	2,152	32%
INED*	3,756	51%	3,595	51%	3,516	52%
NINED**	1,223	17%	1,226	17%	1,079	16%

* Independent Non Executive Director ** Non Independent Non Executive Director

[3] Main Market listed companies and ACE Market listed companies.
[4] As of 1 October 2024.
[5] New appointees are directors that are appointed to the board for the first time and have not previously held board positions in other PLCs.

TABLE 5: APPOINTMENT AND RE-ELECTION OF DIRECTORS

	2024[4]					
	Total	Male	Female	New Appointees[5]	Male	Female
Executive	199	157	42	172	131	41
INED*	482	290	192	307	186	121
NINED**	109	95	14	72	61	11
TOTAL	790	542	248	551	378	173
	2023					
	Total	Male	Female	New Appointees[5]	Male	Female
Executive	236	193	43	205	163	42
INED*	886	483	403	618	320	298
NINED**	154	116	38	114	81	33
TOTAL	1,276	792	484	937	564	373

* Independent Non Executive Director ** Non Independent Non Executive Director

61% (482) of board appointments in 2024 were INEDs. Of the appointed INEDs in 2024, 64% (307) were new appointees. The significant number of new appointees are due to several factors including:

1. a number of INEDs reached the tenure limit of 12 years, hence there was opportunity on the board to refresh the board composition.
2. Part of the board's effort to improve board diversity, specifically the participation of women on boards. Based on the data, 39% of the new appointees were women as INEDs.

Figure 3: Extracted from Securities Commission Malaysia (Anua & Muhmad, 2025: 6–7)

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Main Findings: Female on Board

The Corporate Governance Monitor 2024 reports that women held 27% of all board positions across PLCs in Malaysia (Securities Commission Malaysia: 9). Furthermore, only eight PLCs remained with all-male boards, largely due to recent resignations of female directors (Securities Commission Malaysia: 7–8). Despite this progress, significant challenges remain in achieving the national target of 30% women on boards. Specifically, 39 of the Top 100 PLCs have yet to meet this threshold, emphasising the ongoing gap between policy aspirations and actual boardroom representation.

This shortfall suggests that while regulatory guidance and public commitments have increased visibility on gender equity, structural barriers, traditional selection networks and limited female leadership pipelines continue to constrain progress. Additionally, the Securities Commission Malaysia and MCCG 2021 have clearly articulated the 30% benchmark as a governance priority. Meanwhile, Bursa Malaysia's sustainability reporting requirements now require transparent disclosure of board diversity metrics. However, without stronger enforcement mechanisms, clearer accountability frameworks and deliberate talent development strategies, many firms may continue to treat gender targets as aspirational rather than mandatory.

This study also reflects an upward trend in gender diversity among Malaysian PLCs. As depicted in Table 5, the gender pay gap across 26 selected Malaysian PLCs ranged from a minimum of 30% to a maximum of 112%, suggesting considerable progress in promoting gender equity. These figures are encouraging, as they highlight a more inclusive corporate landscape and align

with the United Nations SDG 5: Gender Equality. Thus, rising female representation and narrowing pay gaps serve as key indicators of a maturing commitment to diversity, equity and inclusion in corporate Malaysia.

Conclusion

This study examines gender equality within executive compensation among 26 Malaysian PLCs across 12 industries from 2022 to 2024, revealing persistent disparities in leadership representation and remuneration. Although female executives earn on average 93% of their male counterparts' compensation, the gap widens substantially in some firms, declining to as low as 30% and fewer than half of companies adopt performance-driven compensation frameworks. These findings stress the continuing structural and cultural barriers within corporate governance that constrain equitable reward systems and women's progression into strategic leadership roles. Strengthened regulatory oversight, enhanced pay transparency and proactive succession planning are therefore essential to fostering fairer executive remuneration ecosystems.

In response, future research should broaden industry coverage, incorporate longitudinal analysis and apply mixed-method approaches to better capture institutional and cultural drivers of gender pay equity. In line with this, advancing equitable compensation practices remains critical to Malaysia's commitment to SDG 5, reinforcing the imperative for inclusive and transparent governance at the highest corporate levels. The study also presents substantial variation in gender diversity across boards, with the representation of women directors and female executives differing markedly by sector. Likewise, board demographic patterns reveal concentration among specific ethnic groups and limited international participation. This highlights broader inclusivity and intersectionality challenges within Malaysian corporate governance.

Furthermore, correlational results indicate that board size, analyst coverage and ESG performance exhibit moderate associations with executive compensation practices, aligning with theoretical expectations. At the same time, gender diversity varies across firms, with limited diversity-linked pay signals of a compliance culture. Accordingly, Malaysia could enhance equity by aligning with the European Union (EU) Pay Transparency Directive, signalling a pathway toward more equitable and globally aligned compensation governance.

Nonetheless, the limited presence of diversity-linked compensation frameworks underscores that many PLCs remain at a compliance stage rather than strategically embedding gender equality objectives into remuneration systems, stressing a critical area for governance advancement. Following this, future research could broaden the scope by conducting comparative studies across Association of Southeast Asian Nations (ASEAN) countries to assess regional differences in gender-inclusive compensation practices and governance structures. Additionally, future studies could more directly examine the causal link between executive compensation mechanisms and firm ESG outcomes. This includes whether gender-equitable pay structures translate into stronger sustainability performance, stakeholder trust, and long-term value creation.

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Conflict of Interest Statement

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