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Impact of the COVID-19 pandemic on corporate governance practices

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ABSTRACT

The COVID-19 crisis has had an impact on every aspect of human life, including business. Many industries ground to a halt, and some businesses had to resort to liquidation. In this context, corporate governance was not spared the effects of the pandemic either, as the crisis almost paralyzed the entire business ecosystem. Therefore, this research aims to determine the most affected area of companies' corporate governance and examine how companies changed their corporate governance structure in response to the COVID-19 crisis to ensure the survival of their business. Thirty-seven publicly listed companies were selected as the samples of the study. Their annual reports were analyzed using a qualitative data analysis technique. The results showed that the majority of companies had to transfer their Annual General Meeting (AGM) or/and Extraordinary General Meeting (EGM) to an online platform, while the shareholders were required to vote electronically. Moreover, some companies had to revise their budget, revisit their strategic plan, reduce director fees, send their directors for additional training, or conduct board evaluations online.

Contribution/Originality: This study's originality lies in its exploration of the changes to corporate governance mechanisms caused by the pandemic health crisis rather than a direct financial crisis. Prior studies concentrated on governance changes due to corporate scandals, the subprime mortgage crisis, and the financial crisis.

1. INTRODUCTION

The COVID-19 crisis has affected every aspect of business. Many industries, including tourism, airlines, transportation, property, banking, consumer goods and services, health, manufacturing, retail, insurance, and even public services, have recorded severe contraction. The unemployment rate is at its highest in history, while many businesses are on the brink of collapse and bankruptcy. One of the causes of this situation is companies' weak corporate governance practices when dealing with crises. The prior literature provides empirical evidence that companies with poor corporate governance mechanisms recorded poor performance during financial crises, such as the financial crisis experienced by Asian countries in 1997 and the subprime mortgage crisis of 2008. To ensure that similar issues do not arise in the future, the regulatory authorities have revised the corporate governance code and implemented new regulatory standards.

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However, the negative effects of non-financial crises, such as the COVID-19 crisis, on businesses in general and their corporate governance, in particular, have not yet been thoroughly researched (Koutoupis, Kyriakogkonas, Pazarskis, & Davidopoulos, 2021). Previous pandemics, such as the Spanish Flu (1918-1919), occurred in an era before businesses had been systematically established to the present degree. Hence, companies were not prepared to face a pandemic crisis that had negative repercussions on the economy and on business.

In order for businesses to operate more effectively, reduce risk, and protect stakeholders' interests during and after the pandemic crisis, the company and regulatory authority must make a dramatic effort to realign corporate governance processes and structures. The purpose of this study, therefore, is to determine the corporate governance changes implemented by Malaysian corporations due to the COVID-19 crisis. This crisis has severely affected the local and global economies in both developing and developed countries. In addition, the financial markets have tumbled due to disruptions in business operations and a reduction in service delivery. However, it is possible that corporate governance mechanisms can be used to minimize this impact. In short, this study aims to provide a brief response to the following question:

RQ: What changes in corporate governance practices have companies applied in response to the COVID-19 crisis?

This study is original as it explores the changes in corporate governance mechanisms in response to a health crisis rather than the direct impact of a financial crisis. Prior studies have concentrated more on changes in governance caused by explosive corporate scandals, such as Enron, which led to the introduction of the Sarbanese-Oxley Act 2002 (SOX), the subprime mortgage crisis, which prompted the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act 2010 (Dodd-Frank), and the comprehensive overhaul of corporate governance mechanisms in Asian countries in response to the severe Asian Financial Crisis 1997-1998. This research will explore this problem to bridge the gap in the literature and offer guidance for practice.

This research will contribute in a few ways. First, the results of this study will highlight the most vulnerable corporate governance practices amid the pandemic crisis. Second, this study aims to help companies, business players, and practitioners understand the consequences of the pandemic on the corporate governance mechanism. As a result, companies, in general, and directors, in particular, will be able to make guided and appropriate governance decisions to optimize their resource management. Third, this study will add to the literature and theoretical framework describing the interaction between governance and the pandemic crisis. Existing corporate governance literature mainly concentrates on demonstrating the interaction between corporate governance and financial crises, which have occurred several times.

The remainder of this paper is organized as follows. The next section is a review of the literature. Section 3 presents the research methodology, followed by a discussion of the findings in Section 4. Section 5 sums up the conclusions, and the final section discusses limitations and suggestions for future research.

2. LITERATURE REVIEW

2.1. The General Impact of COVID-19

According to reports, the COVID-19 pandemic began in Wuhan, China, around December 2019. Since then, the virus has rapidly spread to every corner of the world. The World Health Organization (WHO) reported that as of April 17, 2021, the coronavirus outbreak had affected over 140 million people and killed more than 3 million people in 216 countries across the world.

The increasing number of confirmed cases triggered fear and anxiety across the world. This pandemic is not only another public health crisis, but COVID-19 has greatly impacted most segments of the population across the nation. The impact of COVID-19 has been discussed in many academic and non-academic journals. According to Atalan (2020), the COVID-19 lockdowns also influenced human psychology. His study determined that stress and depression were psychological effects of the pandemic. The author also stressed that mental health issues were impacted by rates of confirmed cases and mortality related to the COVID-19 pandemic.

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Chakraborty and Maity (2020) described the negative repercussions of COVID-19 from a global environmental and societal perspective. Aside from serious implications for human health and life, the authors reported that the COVID-19 pandemic had a devastating effect on the global economy. The aggressive actions taken by governments to slow down the pandemic, such as suspending public transport and mass gatherings and locking down cities and countries, caused a drop in productivity – it plunged to an extremely low level. Many businesses closed, and industries suffered. As a result, many countries are now facing rising costs of living, increased unemployment, and loss of annual gross domestic product (GDP) growth.

In Indonesia, for example, Suryahadi, Al Izzati, and Suryadarma (2020) predicted that the economic chain reaction caused by the COVID-19 outbreak would push more people in Indonesia into poverty. They conducted a simulation-based project and found that the poverty rate would keep increasing after the end of 2020, and the country's economic growth rate would fall to only 4.2%. They predicted that more than 1.3 million people in Indonesia would fall into poverty. In Malaysia, Khatib and Nour (2021) found that the pandemic had affected company performance, governance mechanisms, dividend payments, and cash liquidity. Zattoni and Pugliese (2021), on the other hand, suggested that COVID-19 was more likely to change major areas in the field of corporate governance administration, such as corporate mission and vision, shareholding structure, directorship appointment, executive remuneration, and accountability.

2.2. The Evolution of Corporate Governance Due to the Crisis

The outbreak of the COVID-19 pandemic has exposed the world to a myriad of crises. Essentially, this pandemic demands effective governance for future survival. The concept of corporate governance has existed for almost as long as the corporation. Corporate governance is important because it encompasses the way a company is managed, directed, administered, and controlled (Cadbury Committee, 1992). It also provides a mechanism to reconcile the objectives of many groups of stakeholders through the implementation of various policies, best practices, and guidelines for the company to achieve its purposes and objectives (Shahar, Nawawi, & Salin, 2020). After World War II, many Western and developed countries, such as the United States, United Kingdom, and European countries, became world players in business and economy. The companies from these countries dominated many large industries and grew their business rapidly. Due to corporate growth and broadening markets, corporate governance is needed to ensure corporations are run properly and can stabilize their financial position, minimizing corporate failure (Jaafar, Nawawi, & Salin, 2019).

The corporate governance framework has been substantially revised and periodically improved to ensure its effectiveness and to promote long-term success. In Malaysia, for example, the financial crisis of 1997 exposed how weakly Malaysian firms were governed and supervised with the collapse of many large corporations, such as Technology Resources Industries and Transmile. Realizing this, the High Level of Finance Committee was formed in the late 1990s with the objective of establishing the Malaysian Code of Corporate Governance (MCCG) in 2000. This code must be adhered to by Malaysian companies that are listed on the stock exchange. The Code was amended in 2007 to enhance the effectiveness and efficiency of the board of directors and the accountability of audit committees. It underwent revision again in 2012 and 2017 to ensure that Malaysian corporations remained resilient and aligned with international best practices.

The Asian Financial Crisis in 1997 forced many other Asian countries, including Singapore, Indonesia, Thailand, South Korea, and the Philippines, to make considerable adjustments to their corporate governance ecosystems. The crisis was responsible for the burst of the hot money bubble, and the currency exchange rate damaged the stock market and currency value of Asian countries. This catastrophe also crushed the economies of Asian countries and weakened investor confidence. Previous studies have revealed that many Asian companies were highly indebted, lacked financial transparency, and had weaker investor protection due to poor corporate governance practices (Davis-Friday, Eng, & Liu, 2006). Therefore, good corporate governance is paramount for the

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sustainability of any corporation, and it must be applied consistently as it will signal to investors that the company is well-managed and controlled.

Globally, corporate governance evolves in response to major incidents that shake the world. In 2002, a series of corporate scandals, including those of Enron, Tyco, WorldCom, and Adelphia, triggered the establishment of the Sarbanes-Oxley Act 2002, which focused on the importance of the responsibilities of directors of public corporations and implemented criminal penalties for certain types of misconduct (Salin, Ab Manan, & Kamaluddin, 2020). On the other hand, the financial crisis of 2007-2008, also known as the subprime mortgage crisis, caused the mortgage sector in the United States to collapse, affecting the global financial system (Erkens, Hung, & Matos, 2012; Switzer, Tu, & Wang, 2018). The collapse of the subprime mortgage market set off a financial crisis, which culminated in a credit crunch that caused a global recession and the failure of many large American companies, including Lehman Brothers and Bear Sterns. Some of the contributing factors to the financial crisis were weak corporate governance, unnecessary risk-taking, unethical director compensation schemes, and the non-disclosure of financial assets. In response, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) came out with more comprehensive guidance on internal control activities and an enterprise risk management framework to guide companies in managing their risk (Dangi, Nawawi, & Salin, 2020).

2.3. The Importance of Corporate Governance in the Corporate Sector

The interaction between good corporate governance mechanisms and firm performance has attracted considerable interest from researchers, specifically in times of crisis. According to Rudkin, Kimani, Ullah, Ahmed, and Farooq (2019), compliance with corporate governance structures empowers a corporation to minimize the problematic principal-agent relationship since it helps protect shareholders' interests, thus upholding the company's corporate reputation and long-run sustainability.

In response to the recent significant challenges and risks posed by the financial crisis, suitably applied corporate governance is a core factor in determining the financial performance of firms as it increases firms' competitiveness in emerging markets and contributes to economic stability. Various empirical analyses have found an important relationship between corporate governance mechanisms and corporate performance, where a good governance structure seems to be a key factor in maximizing firm value (Bhatt & Bhatt, 2017; Garrett, 2020; Salin., Ismail, Smith, & Nawawi, 2019). Previous studies have employed numerous corporate governance variables, such as ownership concentration, board size, and non-executive directors, as well as proxies of corporate performance, such as return on assets (ROA), return on equity (ROE), and Tobin's Q. These studies found that when non-executive directors and board size were considered as a proxy for corporate governance, there was a substantial relationship between corporate governance and firm success.

Shamsudin, Abdullah, and Osman (2018) also documented that a company in which the Chief Executive Officer (CEO) and Chairman roles were occupied by a single person was more likely to experience poor company performance, whereas the separation of functions in a board will improve monitoring effectiveness and firm performance. Directors with too many corporate appointments and who serve on multiple boards may have insufficient capacity to provide satisfactory monitoring of the company's operations at critical times (Woodland, 2020). Directors fail to detect material risks or problems requiring their attention during critical periods when there is a lack of reasonable board monitoring and controlling activities.

Offering another point of view, Choi, Choi, Choi, and Chung (2020) claimed that corporate transparency and adequate public disclosure should be given top priority to enhance corporate governance structures since they will ensure that updated information reaches shareholders without delay. Up-to-date information would increase the trust level of shareholders and recover investors' confidence in executive management, especially amid unforeseen crises, as they are needed to make future investment decisions, ultimately enhancing the firm's performance and sustainability.

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A study by Credit Lyonnais Securities Asia (CLSA) among developing countries found that corporate governance strongly influences corporate performance by ensuring a better return on equity, lower management expenses, higher profits, and a strong performance in the stock exchange (Gill, 2001). This view is supported by Gompers, Ishii, and Metrick (2003), who reported identical results. Companies that adopt best practices of corporate governance will experience exceptional returns for shareholders, cheap cost of capital, and remarkable firm value, sales, and earnings. Based on the literature, it is thus expected that companies that had already adopted a good corporate governance structure would be able to sustain their performance during the COVID-19 crisis.

2.4. Theoretical Framework

This research used Agency Theory (Michael & William, 1976), which previous studies have often used to explain the relationship between corporate governance and business activities. It provides a methodical strategy for addressing organizational issues involving the information gap between a company's capital holders and executive management (Gedajlovic, Yoshikawa, & Hashimoto, 2005). Capital holders are more interested in maximizing long-run firm value through sustainable growth and stable earnings, while executive management may have a greater desire to receive larger bonuses, which makes them more likely to maximize short-term profits at the expense of longer-term profits, which is risky. For this reason, an oversight mechanism known as agency cost, borne by the capital holders, is necessary to oversee the management's decisions and activities. During the COVID-19 crisis, shareholders had to invest certain resources to ensure the company's survival during and after the crisis. This may have included adopting new technology in the corporate governance process, hiring consultants and experts to advise the board on the effective risk management framework, forming a specific committee to monitor the impact of COVID-19, reassessing corporate strategy, developing a comprehensive disaster recovery plan, and making changes to the director remuneration scheme. These types of efforts were undertaken in the hope of ensuring that the business would perform sustainably during and after the crisis.

3. METHODOLOGY

This study employed a qualitative methodology, namely archival or content analysis of companies' annual reports. This method was chosen because of its affordability, and because it is a quick and easy way to collect data. The content analysis included textual examination in the context of corporate governance disclosure. A group of categorization schemes (codes) was constructed to classify each course of action taken by the company in response to the COVID-19 crisis. The codes were used to determine whether the responses were similar for each company. Because the data was correctly and consistently classified based on pre-established categories, the categorization guarantees the validity and reliability of the findings (Silverman, 2015). Next, similar actions were assessed based on their frequency and ranked based on the highest number of similar responses by the companies in the sample.

In this study, 37 publicly listed companies currently listed on the Bursa Malaysia were selected as samples. The cutoff dates for the selection of companies' annual reports were from the financial year end of 30 September 2020 to 30 November 2020. This period was selected because, as the movement control order (lockdown) began on March 18, 2020, it may have taken approximately six months for companies to incorporate the impact of the crisis in their annual reports or, more specifically, their corporate governance reports.

In Malaysia, it is mandatory for publicly listed companies to publish a corporate governance report. It comprises two sections; in Section A, the company discloses its corporate governance practices based on the Malaysian Code of Corporate Governance, specifically, Paragraph 15.25 of the Bursa Malaysia listing requirements. Next, in Section B, the company provides information on corporate governance according to the guidelines issued by the Central Bank of Malaysia. These requirements, however, only need to be complied with by financial entities or other organizations that are listed on the Bursa Malaysia that are required to meet these guidelines. The studied

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corporate governance reports were retrieved from the Company Announcement section of the Bursa Malaysia website.

4. RESULTS AND DISCUSSION

The results of the assessment are shown in Table 1. Of the 37 companies surveyed, only 27 (72.9%) disclosed information on changes taken in response to COVID-19 in their corporate governance report, while the ten (10) remaining companies (representing 27.0% of the total sample) did not. The most common change disclosed by the company was the replacement of physical general meetings, both annual general meetings (AGM) and extraordinary general meetings (EGM), with fully virtual meetings. Twenty-five (25) companies (67.6%) stated that virtual AGMs/EGMs were conducted in response to the directive by the National Security Council that did not allow mass gatherings to be conducted during the movement control order.

Table 1. Type of corporate governance changes.

Corporate governance changes	n=37	Percentage
Virtual AGM/EGM	25	67.6%
E-voting during AGM/EGM	19	51.4%
E-voting/Virtual AGM/EGM guidance/Assistance	4	10.8%
Remote live two-way communication	18	48.7%
Submission of proxy form online	5	13.5%
Special board meeting	1	2.7%
New plan and budget	1	3.3%
Reduction in directors' fees	1	2.7%
Allow proxy to attend online	1	2.7%
Training on COVID-19	1	2.7%
Issue guidelines on workplace	1	2.7%
Board performance evaluation	1	2.7%
Active monitoring of COVID-19 impact	1	2.7%
Virtual board meeting	1	2.7%

For example, Visdynamics stated,

"In line with the standard operating procedures of the National Security Council (NSC) and Guidance and Frequently Asked Questions (FAQs) on the Conduct of General Meetings by Listed Issuers (Revised on 12 January 2021) during the Movement Control Order implemented by the government, the Company has made alternative arrangements to conduct the forthcoming Sixteenth AGM of the Company on fully a virtual basis."

Another company, Kuala Lumpur Kepong, mentioned similar reasons in its report:

"To observe mass gathering restrictions and travel bans to curb the spread of COVID-19, the Company plans to leverage technology to facilitate voting in absentia and remote participation by shareholders in its forthcoming Forty-Eighth Annual General Meeting."

Fundamentally, it was not safe for shareholders to gather in large numbers as they would risk exposure to carriers of COVID-19. In addition, with the inter-state and inter-district travel restrictions, it was difficult for shareholders to travel to the general meeting venue. Besides, as many publicly listed companies are in Klang Valley, and the number of new and active cases in this area was alarming, the situation endangered the whole nation as shareholders from outside this area may have brought the virus back to their hometown and hence spread the virus. Conducting AGMs/EGMs virtually was consistent with the Bursa Malaysia listing requirements that allowed companies to conduct their AGM/EGM virtually.

The second most frequently observed change was the implementation of online voting or e-voting during the virtual AGM. Just over half (51.4%) of the total sample, or 19 companies, reported this change. The implementation of e-voting is consistent with a virtual AGM/EGM. E-voting is important as it allows shareholders to exercise their rights and jointly make decisions to determine the direction of the company, albeit from a distance.

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UMS Holdings explained,

"This AGM will be conducted through live streaming and electronic voting, whereby shareholders and proxies can access and participate remotely. With the objective of keeping our shareholders safe, this also can encourage the participation of all shareholders in the AGM."

EA Holdings applied the same practices:

"The Company will be conducting a virtual AGM in 2021, which will allow shareholders to participate remotely."

Undeniably, voting in an AGM/EGM is the main mechanism through which shareholders agree or disagree with the company's decisions and plans, particularly for minority shareholders. Lately, it is not unusual in Malaysia for resolutions and suggestions put forward by a company to be rejected during the AGM/EGM. In fact, there have also been occasions where underperforming directors were removed and the proposed dividends were rejected by the shareholders during the general meeting. Prior studies have shown that shareholders' dissatisfaction, expressed by voting against the company, can enhance good corporate governance (Balsam, Boone, Liu, & Yin, 2016; Bowlin, Christ, & Griffin, 2020) and improve shareholder activism (Yermack, 2010).

One of the pillars of good governance is welcoming feedback from shareholders, as their queries and suggestions can offer instant feedback to the company, in general, and the board of directors, in particular. Recognizing the significance of such input, many companies (48.7 % or 18 companies) disclosed that they allowed live communication and interaction with shareholders.

Pelangi Publishing Group reported,

"Technology is catching up with corporate governance, and it was good to see the positive participation of shareholders. The EGM was conducted successfully through e-voting and great engagement with shareholders via a question-and-answer session."

And Wellcall Holdings asserted that,

"The Company leverages technology… This allows shareholders to attend, speak (including posing questions to the Board via real-time submission of typed texts)…"

This shows that a good company can cope with fast-changing technology in a dynamic business environment without compromising on good corporate governance practices. Instead, the company can use technology to enhance its exercise of corporate governance by inviting more and wider participation from many different types of stakeholders. This is consistent with prior studies that concluded that technology can be used to increase transparency (Piazza, 2017), information-sharing (Constantinides, Henfridsson, & Parker, 2018), and public participation (Brennan, Subramaniam, & Van Staden, 2019).

While most companies can leverage technologies, providing guidance on the adoption of the new AGM/EGM norms and e-voting is paramount as not all Malaysians are technology savvy, especially those of the older generations and those living in rural areas. Four (4) companies, or 10.8% percent, provided detailed information and guidance on how shareholders could access the new technology.

Eco World, for example, provided guidance to shareholders:

"A step-by-step administrative guide was issued to assist shareholders with registration, participation, and voting using the RPV. The administrative guide was also published on the Company's website to encourage shareholder participation."

One company, Sunsuria, even conducted a briefing to ensure shareholders' understanding:

"Shareholders/proxies could download the free Lumi AGM application on their devices to attend the 51st AGM. The Poll Administrator presented or briefed the shareholders/proxies before the commencement of the e-voting session."

However, remote participation by shareholders must not diminish their right to appoint a proxy should they be unable to participate in the meeting. As all transactions nowadays are performed online, proxy appointment should be handled similarly. 13.5% of the companies stated that shareholders could appoint a proxy and submit the form online.

Eita Resources stated,

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"A shareholder may also appoint a proxy to participate on his/her behalf by submitting the duly executed proxy form to the Company's share registrar in hard copy or by electronic means."

Another company, JCY International, does the same:

"The shareholders will be able to register for remote participation and submit proxy forms electronically."

Allowing a proxy to be appointed and to vote is one of the most important mechanisms of shareholder activism. For example, Ertimur, Ferri, and Oesch (2013) found that for certain types of shareholders, proxy advisers have managed to reduce shareholders' costs in making informed voting decisions, hence improving the accuracy of their own voting decisions (McCahery, Sautner, & Starks, 2016). Proxies are also able to increase governance practices by increasing transparency and accountability (Hayne & Vance, 2019), which has been shown to be economically important in European markets (Hitz & Lehmann, 2018).

Other changes that were disclosed in the corporate governance reports included special board meetings, revision of plans and budgets, reduction of directors' fees, specific board training relating to COVID-19, and allowing proxies to attend the AGM/EGM online. One company, Eco World International, provided all this information. Interestingly, this company was more transparent and exercised good self-governance practices rather than merely following the regulatory authority's recommendations. In its corporate governance report, the company stated:

"In the midst of the coronavirus ("COVID-19") pandemic and current global economic turmoil, a special Board meeting was called in August 2020 to deliberate on a new Business Plan and Budget for FY2020 to FY2022 ("New BPB"). The Board deliberated and approved the New BPB with constructive views and furnished valuable insights to the Management for the implementation of the New BPB."

The statement shows that a board must be agile, dynamic, and fast to respond and adapt to changes in such situations. The existing company plan may no longer be relevant and applicable; hence, new strategies are required to ensure that the company can still operate and survive during the crisis. The board also needs to establish new priorities, reallocate funds, reduce uncertainties, and determine the most critical functions to mobilize more strategic resources. This is consistent with the disclosure by another company, Batu Kawan, which noted that the company is continuously monitoring the COVID-19 situation and its impact on business:

"In view of the rapidly evolving situation surrounding the COVID-19 pandemic, the Board and Management are closely monitoring and pro-actively managing the situation and its corresponding impact on the Group's business and operations."

All these changes result from the new norms demanded by top management to add more knowledge, skills, and understanding to ensure they can manage and oversee the company properly. Eco World International disclosed that its board of directors attended training specific to the pandemic crisis. The courses attended by the directors included:

"COVID-19 Impact on Financial Reporting: Not Business as Usual; Digitize and Orchestrate your Business Continuity & Pandemic Plan; Leadership in a Time of Crisis; Paradigm Shift: Director's & Shareholder's Duties & Liabilities in a Crisis; Transformation Towards Recovery: Operational Resilience; Cyber and Economic Crime: Fraudsters and Cyber Criminals, too, can work from home."

These courses that were attended by various directors were undoubtedly important to update them with relevant knowledge and skills to discharge their duties effectively. Elms and Nicholson (2020) found that ongoing director training is an important tool to inform and remind directors of their roles and accountabilities on a board, while firm-specific knowledge accumulated by the directors via their tenure and training increases directors' confidence to carry out their duties effectively (Ng & Feldman, 2010), such as the duty of monitoring and advising senior management (Johnson, Schnatterly, & Hill, 2013).

The other interesting response by Eco World, which is commended by corporate governance practitioners, is the reduction of directors' remuneration. The company stated,

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"FY2020 was a turbulent year due to the COVID-19 pandemic, which impacted the global economy, causing a slowdown in global operations and closure of borders, which created a socio-economic crisis resulting in challenges to the business. As such, the NRC proposed, and the Board recommended to the shareholders for approval, a 20% reduction in Directors' Fees from RM200,000 to RM160,000 per annum, payable to each Independent Non-Executive Director from the upcoming 7th AGM to the 8th AGM of the Company, whilst the Directors' benefits remain unchanged.

"At the 6th AGM of the Company, held on May 19, 2020, the shareholders approved the payment of total Directors' Fees of Ringgit Malaysia (RM)1,699,998 for all the Independent Non-Executive Directors from 1 November 2019 to the upcoming 7th AGM. In cognizance of the current unprecedented challenges posed by the COVID-19 pandemic and the current uncertain economic environment, the Independent Non-Executive Directors have voluntarily agreed to take a 20% reduction in their fees from May 1, 2020, until the 7th AGM ("Reduced Directors' Fees"), the Board has also proposed the Reduced Directors' Fees from the 7th AGM to the 8th AGM to the shareholders for approval. The proposed amount of the benefits payable to the Independent Non-Executive Directors from the 7th AGM to the 8th AGM remains unchanged."

The board's decision to reduce its fees reflects its commitment to saving the company from a financial deficit, and it is an exemplary model of leadership to influence lower-level management and workers to unite and stand together during turbulent times. This action sends a clear signal to the stakeholders that the directors are willing to sacrifice their wealth and fortune to ensure the survival of the company.

One company, Fraser & Neave Holdings, conducted their board evaluation online via remote access. They explained,

"The Board Evaluation for the Financial Year 2020 ("BE FY2020') was carried out by Aon Hewitt Singapore Pte Ltd, an independent consultant, through questionnaires and an online survey system. The questionnaires facilitated evaluation of the Board, Board Committees, Directors, and peers as well as independent Directors."

This is a good practice as the board performance evaluation cannot be delayed. COVID-19 is not an excuse to postpone the board appraisal as education systems worldwide have also managed to implement online assessment and examination in both lower and higher learning institutions. Conducting the board evaluation on time ensures the integrity and transparency of the performance assessment system. This will enable companies to take corrective action against underperforming directors, such as by sending them for additional training. In the worst-case scenario, the contracts of poorly performing directors can be discontinued, and those directors can be advised not to seek re-election in the coming AGM. As a result, only well-performing directors are kept, ensuring that the company remains strong and competitive.

Lastly, the company Fiamma Holdings mentioned that it had issued and adjusted its workplace rules and guidelines as per the requirements of the government. The new guidelines are important as they will curb the spread of COVID-19, especially by preventing workplace clusters. Among others, the new guidelines require a safe work environment, adequate facilities and welfare provided to the employees, and the efficient recording of COVID-19 control measures. The company declared,

"Due to the health risk brought about by COVID-19, the Group has implemented the appropriate guidelines and standard operating procedures in line with the Management Guidelines for Workplaces issued by the Ministry of Health, Malaysia, to contain the spread of the virus. Employees are constantly reminded of the guidelines and procedures, including best practices for maximum protection of themselves in the workplace."

5. CONCLUSION

The purpose of this study was to investigate the areas of companies' corporate governance structure most affected by the COVID-19 pandemic and examine the changes companies took in response. The results showed that the majority of companies opted to conduct their AGM/EGM online, and the shareholders were required to vote electronically. In addition, companies provided the appropriate information and communication technology (ICT) infrastructure to ensure that shareholders would be able to participate and interact in real-time with the company in

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general and the directors in particular during the AGM/EGM. Furthermore, some companies amended their budget and re-strategized their goals to suit the pandemic period. In addition, one company also reduced the directors' remuneration, conducted board assessments and meetings online, encouraged directors to attend training related to COVID-19's impact on business, issued new workplace guidelines, and continuously monitored the impact of COVID-19 on the company.

6. LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

This research was limited to 37 firms currently listed on the Bursa Malaysia that published their reports between September 30 and November 30, 2020. This was because the study intended to examine the immediate effects of the COVID-19 pandemic on the companies. Future research may want to enlarge the sample size to obtain more comprehensive results. This research also focused on information disclosed in corporate governance reports and employed qualitative data analysis. Future studies could gather data directly from companies using different techniques for data collection and analysis, such as surveys. This would be beneficial to better understand the way companies reacted to the pandemic crisis by providing information not disclosed in the corporate governance statement.

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