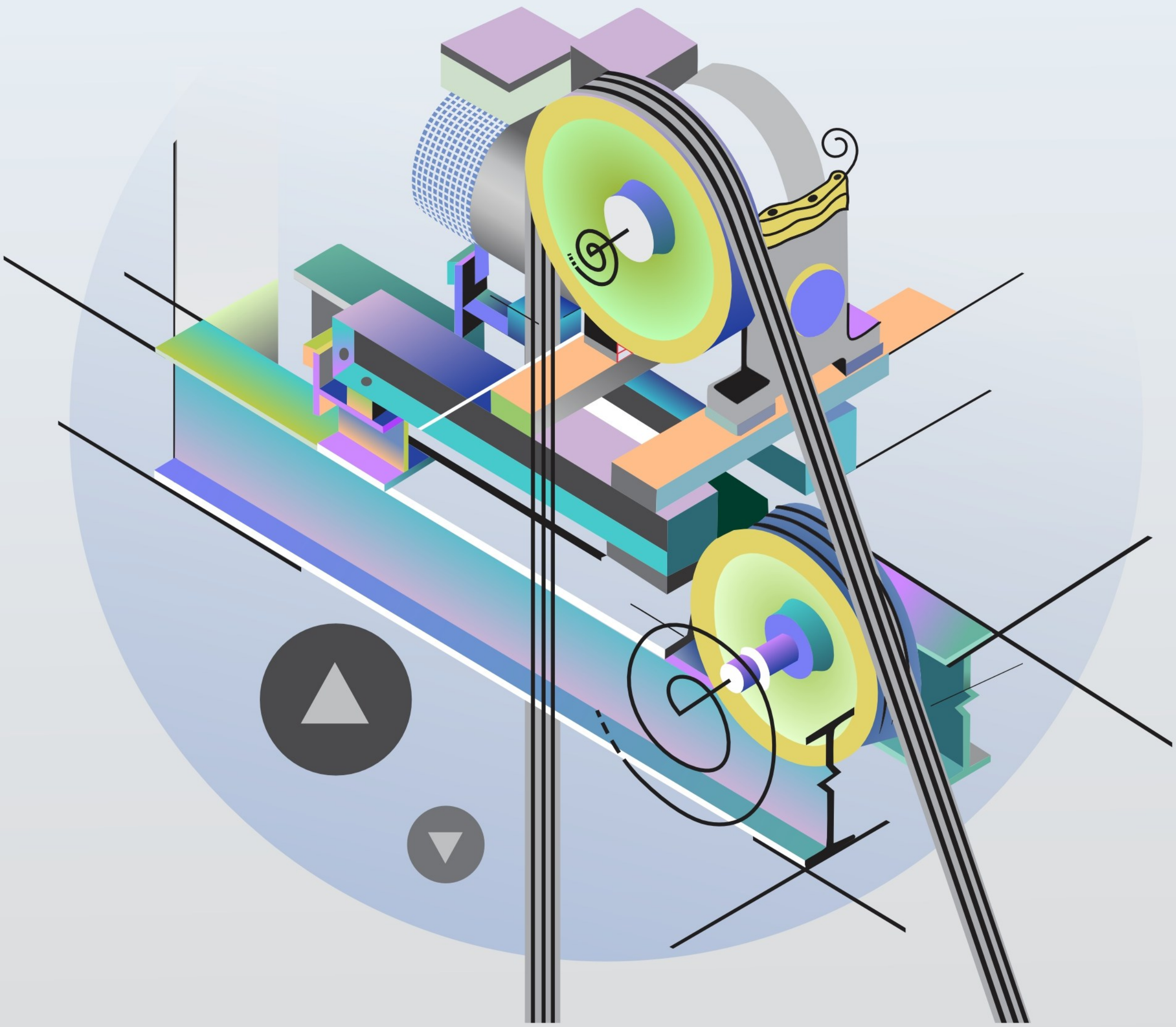
Corporate Governance Review 2024

September 2025



Capital Market Development Authority

EXECUTIVE SUMMARY

Corporate Governance is the system of rules, practices and processes that are put in place to manage and control a company. Good corporate governance improves a company's performance, creates a favorable investment climate, and contributes to the sustainable development of the capital market. Adopting sound corporate governance practices helps companies enhance management and board efficiency, leading to improved decision-making and reduced operational risks.

The CMDA CG Code provides a practical guidance for shareholders, boards of directors and senior management of listed companies to ensure their efficiency, order, transparency and fairness as well as enhance the exercising of their roles, rights and duties with high levels of responsibility and integrity.

This year's review found that, overall, companies complied with an average of 88% of the Provisions of the Code. We are pleased to find examples of good quality reporting on some Provisions of the Code including audit and internal controls; disclosures related to Board and Board Committees; remuneration matters and disclosures regarding shareholder and stakeholder engagement. Nonetheless, there are areas where further improvements are needed.

Flexibility remains a key feature of the Code and where companies depart from a provision of the Code, they must provide a cogent explanation and clearly specify how they have maintained effective governance. However, we found that explanations sometimes lack clarity and some companies failed to provide an explanation altogether. It is essential that companies offer greater transparency when reporting departures from the Code to ensure that stakeholders are able to assess the effectiveness of their governance activity.

Moreover, companies should have a more positive approach towards gender diversity. Thus, companies must implement policies on gender diversity on the board and work closely with the majority shareholders in bringing a more inclusive change to the board composition in terms of gender.

Lastly, companies must put greater effort in maintaining the minimum requirement number of two executive directors in the board, strengthen reporting on the fit & proper review process carried out for all board nominees and improving their disclosures regarding the training and refresher programs of directors.

Overall, while reporting quality remains satisfactory, there is still a need for more concise, outcomes-focused disclosure and enhanced reporting. We encourage companies to read this review, and to pursue a goal of strong, clear and informative reporting of governance outcomes and the actions that these drives.

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1. INTRODUCTION

This review provides an overview of corporate governance reporting based on the annual reports of 09 (nine), out of a total of 10 (ten), issuers of listed securities for whom the Code applies under Section 5 of the CMDA Corporate Governance Code (the Code). [1]

The Code is flexible and enables reporting that is specific to each company. We do not expect a ‘one-size-fits-all’ approach, and in this review, we have highlighted examples of effective reporting that go beyond generic statements and provide meaningful information about governance practices and outcomes suited to their particular situation.

A key feature of the Code's flexibility is its 'comply or explain' approach. This means companies can depart from a provision when circumstances warrant it, provided they offer a high-quality explanation of why their chosen approach constitutes good governance. This year, we have seen an overall increase in the average number of provisions companies have complied with, which is explored in greater detail in the Code Compliance section of this review. However, as noted last year, there remains some room for improvement in the quality of explanations.

The objective of this review is to assess the quality and effectiveness of corporate governance disclosures made by securities listed entities, with the aim of promoting transparency, accountability, and adherence to the principles set out in the Code. By evaluating how companies report on their governance practices and outcomes, the review seeks to identify good practices, highlight areas for improvement, and encourage continuous enhancement of governance standards across the market. We hope it proves informative for companies and other stakeholders in continuing to drive up the quality of corporate governance reporting.

1. The annual report of **Centurion PLC** was not filed within the required time frame as prescribed under the CDOI. As a result, this review does not include an assessment of Centurion PLC’s corporate governance reporting.

2. MAIN FINDINGS

2.1 CODE COMPLIANCE

2.1.1 Compliance Statement

It is important that users of an annual report are able to quickly understand how a company has applied the principles of the Code and the extent of compliance with the provisions.

We found that the compliance statements of some companies are ambiguously worded, which can leave the reader unsure as to whether the company has fully complied with the Code, or where relevant, which Provisions they have not complied with. However, we are pleased to note that some companies included a separate statement that confirmed they had complied with the provisions. Notably, one company demonstrated exemplary transparency by presenting a detailed compliance table that clearly identified areas of non-compliance with the Code, along with explanations.

KEY MESSAGE

A separate compliance statement can make it easier for the users of the annual report to understand the company's approach to following the Code and its use of the flexibilities offered. In addition, providing a table as part of the compliance statement or at the beginning of the governance report, signposting to other pages of the report where an explanation of how they applied the principles could also be effective in fulfilling its purpose.

2.1.2 Compliance with the Provisions

Companies must ensure that their annual report contains a corporate governance section that explains how they have complied with the Code's provisions. Where there has been any departure from the provisions, the company must explain why compliance could not be achieved.

Similar to the previous years, our review aimed to understand how companies have applied the principles and complied with the provisions, carefully analyzing the quality of the disclosures made.

Figure 1: Overall compliance to the Code by companies

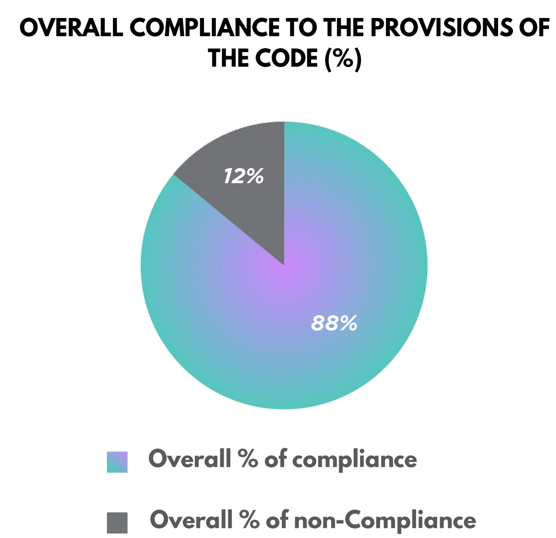
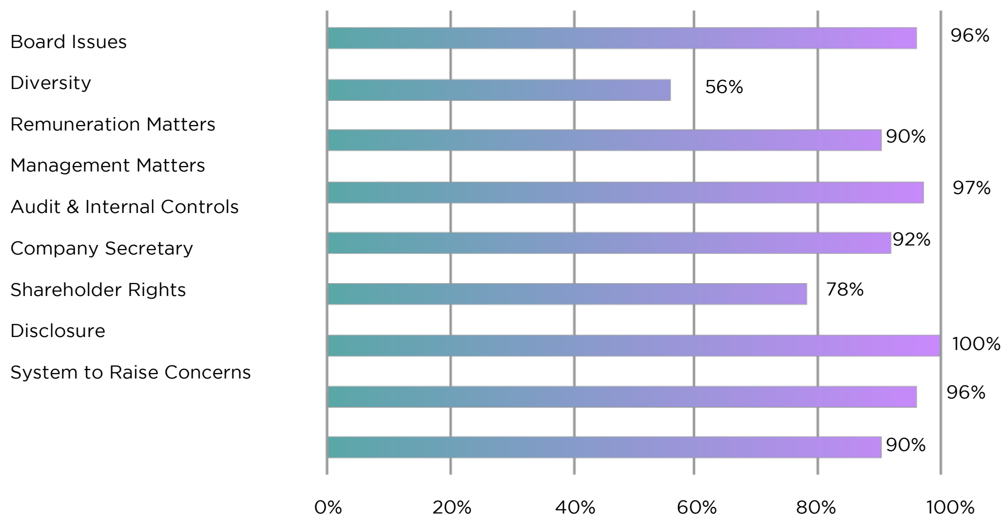


Figure 1: Overall compliance to the Code by companies

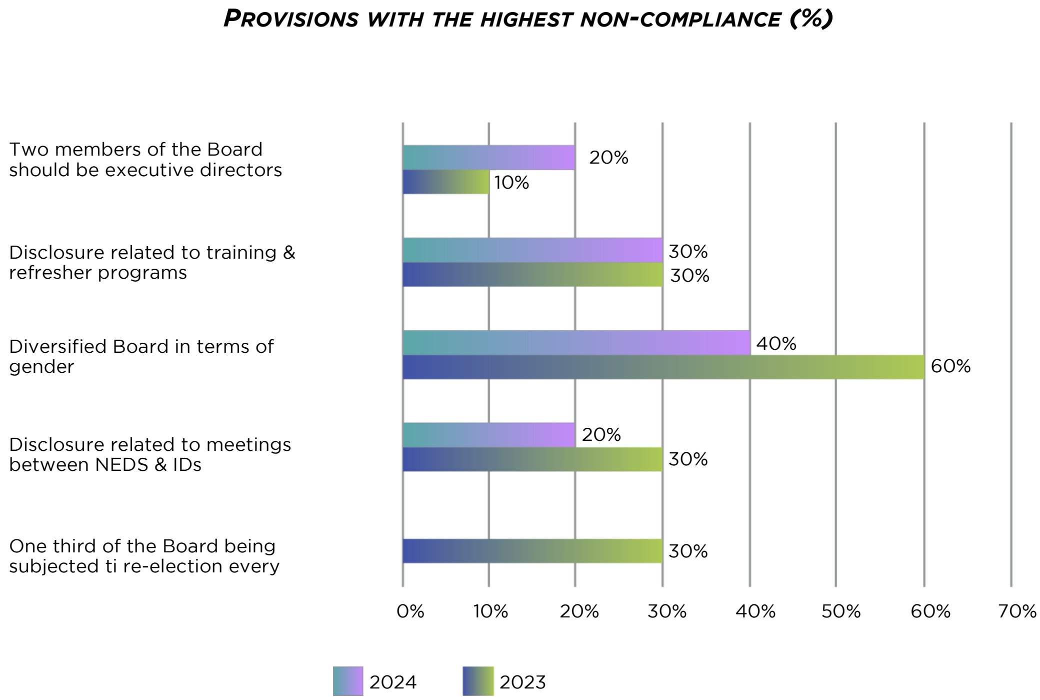


We are pleased to observe notable progress in the overall compliance to the Provisions of the Code compared with previous years. On average, companies complied with 88% of the Provisions of the Code, compared with 86% in the previous year. This can be primarily attributed to a growing number complying with Provision 1, relating to board issues such as composition and gender diversity, and Provision 2, which addresses remuneration practices.

It was found that 8 companies (90%) disclosed non-compliance with one or more Provisions of the Code. However, it is worth noting that majority of companies failed to comply with only a few Provisions of the Code, indicating the efforts and commitment demonstrated by companies to uphold good corporate governance practices and align with the requirements of the Code.

Overall, our findings showed that disclosures on the application of the principles have improved compared to the previous year, with good quality reporting found in the Provisions related to audit and internal controls, shareholder rights and board committee related matters. Nevertheless, few areas still present opportunities for improvement.

Figure 3: Provisions with the highest rate of non-compliance



This year, the highest instances of non-compliances were observed in provisions requiring at least two executive directors on the Board, disclosure of director training and refresher programs, gender diversity, and reporting on meetings between non-executive and independent directors.

However, we are pleased to see noticeable improvements compared with previous year, particularly there was a significant drop in the rate of non-compliance with the gender diversity in Boards, with four companies (40%) not meeting this requirement compared to six companies (60%) in the previous year. Additionally, all companies achieved full compliance with the provision requiring one-third of the Board to be re-elected, a clear improvement from last year when three companies failed to meet this requirement.

While the rate of non-compliance remained the same for the Provision regarding disclosures related to training and refresher programs, we found that there was an increase in non-compliance level with the requirement of two members of the board being executive directors. These findings suggest that while positive strides have been made, efforts are still required to strengthen compliance in specific governance areas.

We emphasize that the Code promotes flexibility rather than rigid compliance, allowing companies to adopt governance practices suited to their specific circumstances and provide valid explanations where deviations occur. While the Code sets out a framework there may be situations where good governance for a company requires a different approach than that outlined by the Code's provisions. In addition, sometimes non-compliance is unavoidable. It is, therefore, important to remember that the Code does not prescribe a rigid set of rules. This adaptability empowers companies to adopt bespoke governance arrangements.

2.1.3 Explanations for Code departures

Where there has been non-compliance, the company must explain why the compliance could not be achieved. The statement should be in a manner that would enable shareholders to evaluate how the Code have been applied.

In our previous annual review, we have set out our expectation that companies provide clear and meaningful explanations for any departures from the Code and defined what makes a good explanation for non-compliance. Despite this, as in previous years, we observed instances where companies:

- Did not explain non-compliance.
- Provided an explanation for one of the provisions they did not comply with, but no explanation for non-compliance with others.
- Provided vague justifications where they did not provide a clear rationale for the departure from the Provisions.

For instance, the following is an example of an explanation given by one of the companies which fails to meet expectations of gender diversity in board.

EXAMPLE
"The applications received for the position of independent directors were assessed impartially, with no regard to gender. The selection process adheres strictly to principles of equality, ensuring that no preference is afforded to candidates based on gender."

Whilst this explanation highlights fairness and equality and assures stakeholders that the company does not discriminate and that all applicants were considered based on merit, it does not address proactive compliance obligations. The principles of the Code expect companies to take positive steps to ensure compliance or meaningful efforts toward meeting the requirements.

Additionally, consistent with previous years' findings, none of the companies disclosed the individual remuneration packages, including all components, of the CEO and key management personnel. Instead, all companies opted to report aggregate remuneration figures for the top management. Nonetheless, we are pleased to note that most companies demonstrated well-reasoned explanations, including the following example.

EXAMPLE

"A total of MVR 24.00 million was paid as remuneration, including variable components and short-term benefits, to the Chief Executive Officer & MD and key executives during the year. Disclosure of remuneration for key executives, including details on the level and mix of remuneration packages, as well as individual remunerations paid to the Chief Executive Officer & MD and key executives, is treated as company's confidential and withheld due to competitive reasons."

In this instance, the company has provided a clear rationale for the non-compliance, supported by evidence that the Board has actively considered and evaluated the associated risks. The explanation is overall understandable and persuasive, offering sufficient context for stakeholders to evaluate the company's position.

Overall, it is encouraging to see that some companies have provided clear, meaningful, and well-justified explanations for some of the Code departures. However, going forward, there remains a strong need for companies to enhance the quality and transparency of their explanations for Code departures, ensuring that all disclosures enable shareholders to effectively evaluate governance practices and the application of the Code.

KEY MESSAGE

In some cases, strict adherence with the Code's detailed provisions may not be the right approach for a company. The 'comply or explain' nature of the Code allows companies to adjust their approach to governance to their particular circumstances and business model. Companies must, of course, clearly explain these departures and ensure that they continue to apply the Code's Principles.

2.2 BOARD ISSUES

2.2.1 Board Composition

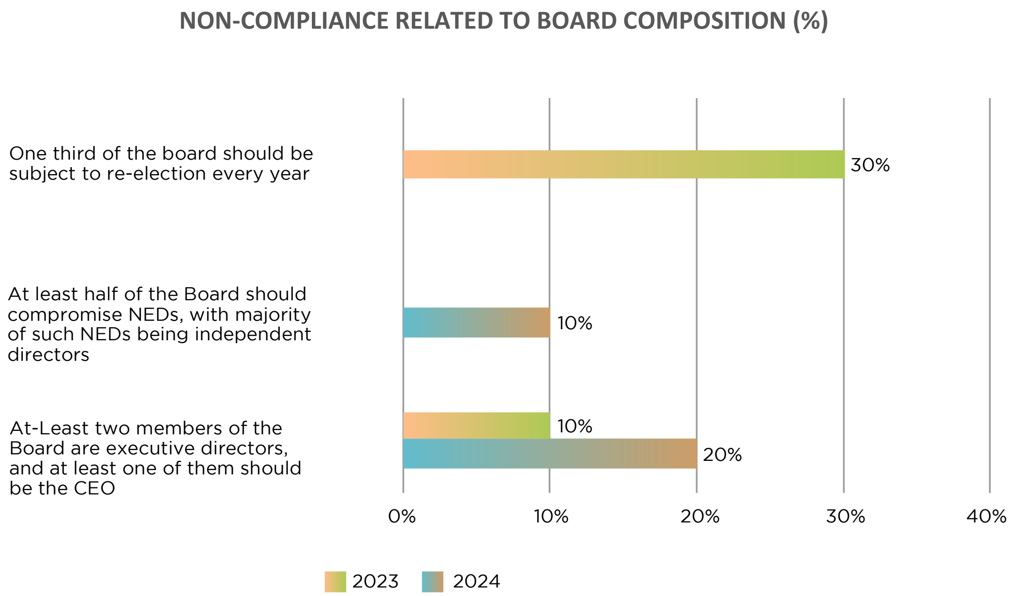
Provision 1.2 (a): The size of the Board should be large enough to include directors with diverse expertise and experience to suit the specific requirements of a company and its business.

Provision 1.2 (b): To ensure active, unbiased and diverse advice is brought to the company, the Board should have a mix of executive, non-executive and independent directors.

We are pleased to see that all companies have fully complied with these Provision of the Code consistent with the previous year's findings.

However, our review identified some gaps in compliance with other provisions related to Board composition.

Figure: 4. Non-compliance with Provisions related to Board composition



It was found that two companies did not have the minimum requirement of at least two executive directors in the board, and one company fell short of ensuring that a majority of non-executive directors were independent. Thus, we encourage companies to maintain a balanced representation and independence on the Board, as envisaged by the Code, to ensure effective oversight and robust decision-making.

KEY MESSAGE

It is essential that companies have a mix of executive, non-executive and independent directors to ensure impartiality, objectivity, robust challenge, and a diversity of perspectives. This balanced composition supports stronger oversight and promotes accountability to shareholders.

2.2.2 Diversity

Provision 1.6 (a) (vi) of the Code requires companies to adopt policies and procedures to ensure women participation on Boards and to have a minimum of 2 female directors on each Board.

Figure: 5 Diversified Boards in terms of Gender

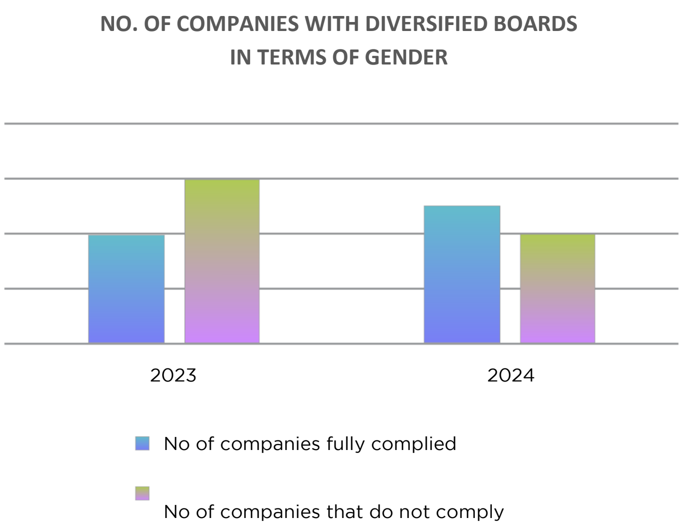
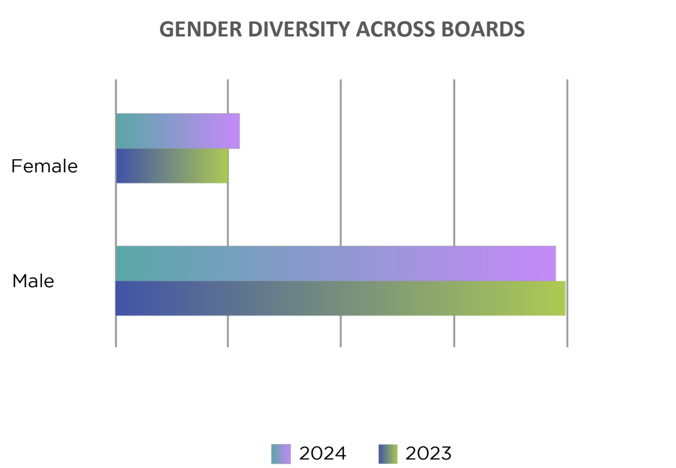


Figure: 6 Gender diversity across Boards



Encouragingly, gender diversity on Boards continues to improve, with five companies achieving full compliance this year compared to four in the previous year. Overall female representation also increased to 22%, up from 20%, signaling measurable progress in aligning with the Code.

However, challenges remain. We observed that, for one company which did not comply with this provision, it was temporary and due to the sudden departures of two female directors from the Board during the year. This company, was, however, brought to full compliance once new directors have been appointed prior to this report's publication. More concerning is the fact that one company continues to have no female representation on its Board, as was the case last year, indicating a lack of progress.

Nonetheless, it is noteworthy that several non-compliant companies demonstrated proactive efforts to enhance gender diversity, including:

- Encouraging applications from female candidates during the directorship application process for the 2023 AGM.
- Encouraging shareholders to nominate female directors to the Board.
- Actively working to expand the pool of qualified female candidates.

Despite these efforts, most companies reported receiving no female nominations or applications.

We also observed a lack of clarity on company's board diversity policies disclosed in the annual reports, with majority of the companies citing that board diversity policies are in place, without describing them. In addition, one company disclosed that they do not have a specific policy for gender diversification amongst the Board, however, they do follow the gender diversity requirements specified in the Code.

While we acknowledge the constraints in recruiting female directors, we emphasize the importance of implementing formal policies on gender diversity on board, and translating these commitments into measurable outcomes to ensure full compliance with the gender diversity requirements.

Provision 1.3 (c): *The search for board candidates should be conducted, and recommendations made, on merit, against objective criteria and with due regard for the benefits of diversity on the board, including gender.*

Going forward, to sustain the positive momentum and to achieve full compliance across all companies, more targeted actions will be essential. In particular, given that the government is the majority shareholder in many listed entities, companies can engage in continuous dialogue with the Privatization and Corporatization Board (PCB) to prioritize the nomination of female directors as they play a pivotal role in nominating directors. At the same time, shareholders must remain proactive and vocal in setting clear expectations around gender diversity, as a key governance priority.

KEY MESSAGE

We encourage companies to establish formal gender diversity policies supported by proactive measures to identify and appoint qualified female directors. Structured recruitment processes and succession planning will help ensure sustainable progress toward meeting the minimum board diversity requirements while reinforcing regulatory accountability.

2.2.3 Nomination of Board members

The Nomination Committee should identify suitable candidates for Board appointments or reappointments and make recommendations to the Board. In doing so, the Committee must ensure an appropriate mix of expertise, experience, and diversity of perspectives, while confirming that candidates meet both the company's internal fit and proper criteria and the requirements outlined in the Code.

Our review found that most companies complied with these requirements. However, one notable instance of non-compliance was observed. An independent director serving on the Board of one company also holds the position of Chairperson on a regulatory Board. This contravenes Provision 1.1(e), which states that a company must not appoint a person to any post or role, if the person is serving on the Board of a regulator. We acknowledge, however, that the company has disclosed this non-compliance in its annual report and clarified that the director in question is scheduled to retire at the upcoming AGM in May 2025.

Provision 1.1 (e): *A listed company must not appoint a person to any post or role, if the person has served on the board of a competitor or a regulator, unless a period of minimum 12 (twelve) months have passed since the person has left the aforementioned role or position at the competing organization or from the regulator. However, this provision does not restrict a listed company appointing a board member of a competitor during cooling off period if the board of the competing organization gives its consent in writing.*

Another area requiring attention relates to the disclosure of fit and proper review process carried out by companies as we observed different practices. While some companies provided detailed disclosures, distinguishing between the fit and proper process carried out for candidates nominated by the majority shareholder and those nominated by general shareholders, others offered limited information, leaving it unclear whether a thorough fit and proper assessment was conducted, particularly for majority shareholder nominees.

We encourage companies to adopt a more transparent and consistent approach in disclosing fit and proper review processes for all board appointments, irrespective of the nominating party. Clear communication of the criteria and process applied will not only enhance accountability but also reinforce stakeholder confidence in the integrity and independence of board appointments.

KEY MESSAGE

Nomination Committees must adhere to the Code's fit and proper criteria, avoid appointments that present potential conflicts of interest, and adopt a transparent, consistent approach in disclosing the fit and proper review processes of nominees to the Board.

2.2.4 Separation of Chairperson and CEO

The Chairperson and CEO must be separate persons, to ensure an appropriate balance of power and increased accountability.

We are pleased to note that, consistent with the previous year, all companies have complied with this provision by maintaining a clear separation between the positions of Chairperson and CEO. This demonstrates a strong commitment to ensuring effective governance structures, reducing the risk of concentration of power and fostering an effective system of checks and balances.

2.2.5 Duties of the Board as a whole

The Board is accountable for setting the company's strategic direction, ensuring effective oversight of management, safeguarding stakeholder interests, and promoting long-term sustainable growth.

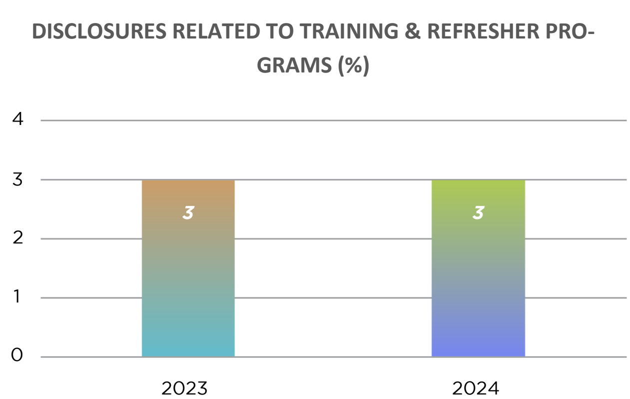
The Code requires the Board to clearly define its roles and responsibilities including their responsibilities in serving the legitimate interests of the shareholders, ensuring the company complies with relevant laws and regulations including the Code. They are also tasked with establishing and adopting robust internal procedures and regulations for the conduct of the company's affairs.

We are pleased to note that all the companies fully complied with this provision, with detailed disclosures of board roles and responsibilities included in the Corporate Governance section of their annual reports.

2.2.6 Training

Companies must recognize that directorship is a professional appointment and therefore they should provide opportunities and funds for training of individual directors and the development of the Board. Subsequently, all new directors are required to go through a training on areas of Corporate Governance, relevant laws and regulations and accounting rules and tax matters. We are pleased to note that companies have generally complied with these requirements.

Figure: 7 Board training and development



Additionally, the Code also requires that on a continuing basis, and in any event at least once a year, the Board to go through a refresher course on the on the latest legal, regulatory, and accounting developments. However, similar to the previous year, this remains one of the areas with the highest non-compliance. In one instance, a reason for non-compliance stated by one company is "relevant opportunities were explored for trainings; however, none materialized during the year." While such constraints are understandable, regular refresher programs are essential for maintaining an informed board capable of effective oversight and proactive risk management.

Nevertheless, positive progress was observed in the quality of disclosures on Board training and development compared to the prior year.

EXAMPLE

Training	Training Type	Institute	Training Period
Corporate Governance for	Governance, Risk & ESG in Banking	Nexia Maldives	October 2024
CMDA Directors Training Program	Corporate Governance	Institute of Corporate Directors &	November 2024

For instance, the above disclosure by one company meets the compliance requirements and is of good quality because it provides transparent, detailed, and relevant information. Adding context on which directors participated would elevate it from good practice to an excellent benchmark for corporate governance reporting.

Overall, while compliance with this Provision is satisfactory, the gaps in ongoing director development signal an area where there is room for improvement.

KEY MESSAGE

Companies are encouraged to proactively plan and allocate resources for the training and development of directors in order to strengthen compliance and enhance Board competency in line with best governance practices.

2.2.7 Board Committees

Provision 1.8 of the Code requires companies to establish a Nomination Committee, Remuneration Committee and an Audit Committee. Based on the size of the Boards, the Code provides flexibility to the companies to either have separate committees for Nomination and Remuneration or to combine these two committees. In cases where the committees are combined, the reasons for this must be disclosed in the annual report.

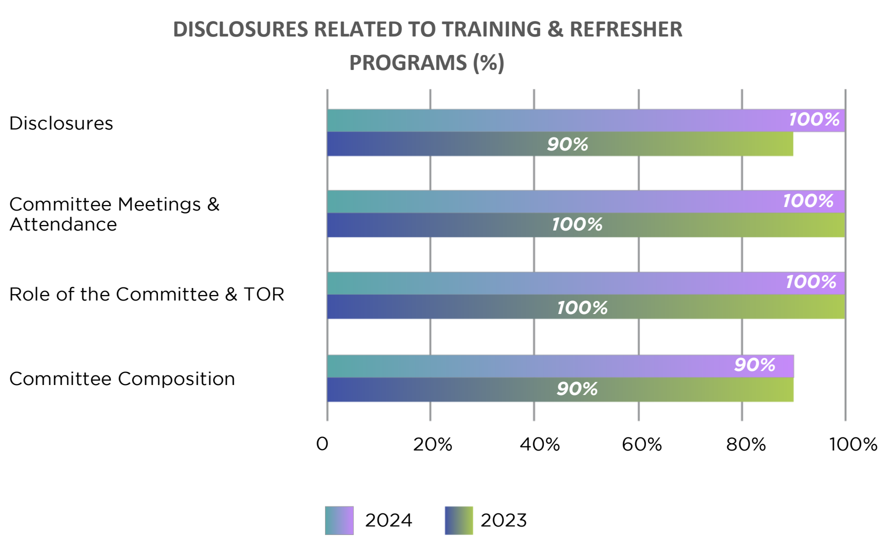
It was observed that except for one company, all other companies have combined their nomination and remuneration as one Committee. These companies have satisfactorily disclosed the reasons for the committees being combined.

The Code requires that there should be at least 3 directors in each committee, all of whom must be non-executive, and a majority of such non-executive directors, including the Chairperson, must be independent.

While eight companies demonstrated full compliance with this Provision, we found that one company's Audit & Risk Management committee failed to maintain a majority of independent directors. This is primarily attributed to the company being subjected to substantial board changes during the year, which led to the resignation of most independent directors. Consequently, by year-end, the company was left with only two independent directors.

In terms of disclosures with regards to committee composition, terms of reference, major activities/ decisions by the committee and committee meetings and attendance, companies have put up good effort in reporting comprehensively.

Figure: 8 Board training and development



Overall, all the companies complied with the requirements under this Provision satisfactorily, however, opportunities for improvement remained, especially regarding the composition of the committees.

2.2.8 Remuneration matters

Companies must have a formal and transparent procedure for developing policy on executive remuneration and for fixing the structure and the amount of the remuneration packages of individual directors. Companies must also provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration for the Board and top Management in the company's annual report. In addition, companies are required to report the individual salaries of its directors and its top management.

We are pleased to see good quality reporting on board remuneration, with all the companies fully complying with this Provision. These companies have disclosed details of collective and individual remuneration of directors. We observed different practices in the disclosure of remuneration, with eight companies disclosing details of all elements of remuneration, and one company disclosing remuneration brackets.

While board remuneration disclosure was satisfactory, we found that companies are reluctant on disclosing the individual remuneration of its top management. In line with previous years, all companies opted to disclose aggregate remuneration for top management rather than individual pay packages. Explanations were provided, with the most frequently cited reason being the perceived risk of competitive disadvantage if CEO and key executive pay packages were disclosed. We continue to see positive practices in various areas of the remuneration reporting; however, this remains area where further improvements can be made.

KEY MESSAGE

Clear and transparent disclosures regarding remuneration and the activities of the remuneration committee are essential for enabling shareholders to engage effectively on remuneration. It is essential that the rationale behind key decisions on remuneration is clear and understandable.

2.2.9 Evaluation of board performance

Regular evaluation of board performance is crucial in understanding the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The board must evaluate its own performance, both collectively and individually including the performance of the Chairperson, at least once a year, to ensure it is operating effectively and adjust its constitution and policies accordingly.

We are pleased to note that all companies reported conducting board performance evaluations, consistent with the previous year. However, the depth and quality of disclosures varied significantly. Some companies offered comprehensive information, detailing the evaluation methodology and key focus areas, whereas others limited their reporting to a brief confirmation of having conducted the process, without further explanation. Notably, one company demonstrated exemplary transparency by disclosing its evaluation policy, the stages of the process, specific areas covered, outcomes of the evaluation, and the measures implemented to address identified gaps—reflecting a strong commitment to continuous governance improvement.

Although all companies carried out performance evaluation of the Board, this year's review found a notable gap in relation to CEO and key management evaluations. Specifically, two companies did not provide any disclosure on whether any evaluations were conducted.

KEY MESSAGE

The Code states that the Board must also conduct a formal, rigorous and transparent evaluation of the performance of the CEO and the key top Management based on the company's performance and their success in meeting p ersonal development and leadership plans. Thus, we encourage companies to carry out performance evaluation of the top management as well, in order to ensure accountability and align leadership performance with strategic objectives.

2.3 AUDIT AND INTERNAL CONTROLS

2.3.1 Audit

All listed companies are required to maintain an internal audit function who reports directly to the audit committee. The audit committee plays a critical role in safeguarding its effectiveness by reviewing audit plans and reports, monitoring management's responsiveness to findings, and ensuring adequate resourcing. Our review revealed that eight companies manage this function in-house, while one company opted to outsource it, citing the relatively smaller scale of operations as the rationale.

External auditors must be independent and free of conflicts of interests. Therefore, companies must rotate the audit partners every 5 years and should not be a party that has provided internal audit services to the company in the previous three years.

We continue to see positive reporting in all aspects of audit and no non-compliance has been found in our review regarding the provisions laid under this section.

3.3.2 Internal controls

The Board holds ultimate responsibility for ensuring that management maintains a robust system of internal controls to safeguard shareholders' investments and company assets. In addition, the audit committee is required to review and comment on the adequacy of these controls, covering financial, operational, and compliance aspects—as well as the company's risk management framework in the annual report.

We are pleased to find that all companies provided comprehensive disclosures on the procedures established for internal control and risk management. Companies have highlighted in their annual reports the measures they have put in place to maintain effective internal controls, manage risks and ensure proper oversight in line with the Code requirements. The most common practice observed is the internal audit function serving as the primary mechanism for monitoring internal controls and providing assurance directly to the audit committees.

Nonetheless, there remains scope for improvement, especially regarding the Board commenting on the adequacy of the internal controls in place, as required by the Code. Notably, the audit committees of six companies provided explicit statements on the adequacy, stating that they are satisfied and confident that a sound system for internal controls and risk management is in place during the year. Greater consistency and transparency in such statements would significantly strengthen stakeholder confidence in governance practices.

KEY MESSAGE

Reporting on the steps taken by the board to review risk management and internal control systems provides the shareholders and other stakeholders with assurance that the company has taken active steps to assure the efficiency and resilience of these systems. It also increases confidence in the company's capability to identify and manage risks effectively.

2.4 SHAREHOLDER RIGHTS

2.4.1 Shareholder communications

Companies must engage in regular, effective, and fair communication with shareholders at general meetings or through other means. Hence, Companies must regularly convey pertinent information, gather views or inputs, and address shareholders' concerns.

We are pleased to see that all companies reported on engaging with their shareholders during the year. We observed that companies adopted a more holistic approach and put significant efforts to engage stakeholders at large as well, including employees, customers and the public.

Consistent with the previous years, the main ways of engagement were through AGMs, market updates via company Websites and through social media, CSR programs, sponsorships and similar activities. Through these engagements, companies aimed to ensure that the obligations to shareholders and other stakeholders are understood and met.

2.4.2 Voting Rights

Provision 6.4 (a): *Voting rights and procedures must be clearly explained to shareholders so they may fully assert their rights in general meetings.*

We observed the AGMs of all the listed companies and the information disclosed to the shareholders prior to the AGMs. Companies clearly conveyed and explained the rights of shareholders before any voting was carried out.

KEY MESSAGE

In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, all the stakeholder parties.

2.5 SUSTAINABILITY REPORTING

Sustainability reporting serves as a key governance tool for listed companies, enabling transparency and accountability in how environmental, social, and governance (ESG) factors are managed. It provides stakeholders with insights into the company's long-term value creation strategy, risk management practices, and commitment to ethical and responsible business conduct, thereby strengthening trust and aligning with global best practices in corporate governance.

Although sustainability reporting requirements are voluntary under the Code at present, we observed positive momentum this year. Seven companies included sustainability sections in their reports, with most demonstrating a comprehensive approach to ESG disclosure, while a few limited their reporting to their CSR initiatives.

The launch of the **CMDA's Maldives Sustainability Reporting Framework** in October 2024 marks a significant milestone. Commencing in 2025, the pilot reporting phase serves as a foundational step towards embedding sustainability reporting practices within the listed companies. While mandatory adoption of the framework begins in 2026, it is encouraging to note that three companies have aligned their reporting with the framework, signaling proactive commitment. This is a crucial step towards enhancing the company's transparency and sustainability, building a more resilient future for all.

KEY MESSAGE

As sustainability becomes central to governance, continued progress in embedding structured, standardized reporting will be essential to ensure accountability, enhance investor confidence, and position companies for long-term success in an evolving global landscape.

3. CONCLUSION

This report provides an in-depth review of selected corporate governance issues, assessing the quality of reporting against the Code. Encouragingly, year on year, we are seeing improvements in corporate governance reporting, however, there are areas which require focused attention to achieve the desired standards of transparency and accountability.

One of the key areas which needs further improvement is the application of the 'comply or explain' approach. While the Code offers flexibility for companies to deviate from its provisions, such departures must be supported by clear, meaningful explanations. Without this transparency the comply or explain framework is of little benefit to companies or their stakeholders.

Similarly, greater effort is needed on enhancing gender diversity on boards, strengthening disclosures on the fit and proper review process carried out for all board nominees and improving reporting on refresher training programs attended by directors.

That said, we are encouraged to see several good examples of reporting in the areas of audit and internal controls, shareholder and stakeholder engagement, remuneration matters and Board and Committee disclosures.

It is important to acknowledge that no company reports exceptionally in all areas; however, by sharing good practice examples we want to encourage companies to learn from each other and continuously improve on reporting. The Code remains a cornerstone of the corporate governance framework in the Maldives, designed to strengthen resilience, competitiveness, and trust in listed companies—while ensuring clarity, transparency, and responsiveness to broader environmental and societal considerations without imposing undue burden.

Thus, we will continue to monitor and assess reporting against the Code, with the goal of raising standards in weaker areas and supporting a well-functioning, transparent market that benefits all stakeholders.

CMDA

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