

LHAG INSIGHTS

EMPLOYMENT & INDUSTRIAL RELATIONS

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INDUSTRIAL COURT RULES NO DISMISSAL UPON EXPIRY OF C-SUITE EMPLOYEE'S FIXED- TERM CONTRACT

by Shariffullah Majeed & Nurul Aisyah Hassan

Zurina Othman v Bank Pertanian Malaysia Berhad
(Industrial Court Award No. 1491 of 2025)

The Industrial Court has recently reaffirmed the long-standing principle that when an employee is employed under a genuine fixed-term contract, the expiry of such contract by effluxion of time does not amount to a dismissal under Section 20 of the Industrial Relations Act 1967.

This dispute arose from a claim by an employee who was appointed as the Chief Credit Officer of the Bank under a contract expressly stipulating a fixed two-year term commencing on 6 January 2020 and ending on 5 January 2022. Upon its expiry, the employee's contract was renewed for another two-year term, from 7 January 2022 to 6 January 2024, pursuant to a second service agreement executed between the parties.

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On 29 November 2023, the Bank informed the employee that her contract would not be renewed upon its expiry and that her last day of service would be 6 January 2024. Dissatisfied, the employee contended that she had been effectively dismissed without just cause or excuse. She asserted that her employment was, in substance, permanent and that the Bank had used successive fixed-term contracts as a device to deny her security of tenure. She further alleged that the Bank's refusal to renew her contract was motivated by dissatisfaction with her role as Chair of the Disciplinary Review Committee, in which she had purportedly acted contrary to the Board's mandate and was subsequently issued a show cause letter.

The Bank maintained that the employee's employment had simply come to a natural end in accordance with the agreed terms of her fixed-term contract. The Bank emphasised that all C-Suite or senior management positions within the institution were appointments, which were strictly on fixed-term contractual basis, particularly considering the Bank's status as a government-linked corporation ("GLC") under the purview of the Ministry of Finance.

In determining the matter, Y.A. Tuan Augustine Anthony first considered whether the employee's employment was genuinely on a fixed-term basis. The Court examined the fixed-term contracts and noted that both were unambiguous in their wording. Each contract expressly stipulated the duration of employment and contained no provisions suggesting permanency or automatic renewal. The employee had willingly executed both agreements and accepted the terms, including a significant increase in remuneration under the second agreement. The Court observed that the intention of the parties at the time of contracting was clear, in that the employee was engaged for a fixed period, with the possibility, but not the assurance, of renewal. This was confirmed by the employee during trial.

The Court also found that the Bank's subsequent conduct throughout the course of employment was consistent with that intention. Each renewal was formalised through a fresh agreement executed after the expiry of the preceding contract. This demonstrated that the Bank did not treat the employee's employment as continuous or permanent. The Court further accepted evidence that the Bank's C-Suite positions, including that of the Chief Credit Officer, were governed by policy standards applicable to GLCs, which require such leadership roles to be filled on fixed-term contracts to ensure accountability and facilitate performance-based evaluation.

In addressing the employee's allegation of victimisation, the Court held that there was no credible evidence to support her claim that the Bank's decision was motivated by her involvement in the disciplinary proceedings against other employees. The Bank's witness testimony, which the Court found reliable, established that the decision not to renew the contract was made independently and in accordance with the Bank's established contractual and governance practices.

In reaching its decision, the Industrial Court reiterated that it must look to the intention of the parties, the employer's subsequent conduct, and the nature of the employment to determine whether the contract is genuinely intended to be for a fixed period. Where the fixed-term contract is found to be genuine, its expiry by effluxion of time does not amount to dismissal, and the question of justification for termination does not arise. Having evaluated all the evidence, the Industrial Court concluded that the employee's contracts were genuine fixed-term contracts, and that her employment had ended naturally upon the expiry of the second contract.

This award reinforces the consistent judicial approach that clear and unambiguous fixed-term arrangements will be upheld according to their terms. Employers, particularly government-linked institutions and corporations with defined leadership cycles, retain the discretion not to renew such contracts without it being construed as a dismissal. As long as the contracts are genuine and not used as a pretext to mask permanent employment, the Industrial Court will rarely intervene.

The Industrial Court Award may be accessed [here](#).

The Bank was represented by Partners Shariffullah Majeed and Nurul Aisyah Hassan, of Lee Hishammuddin Allen & Gledhill.

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