

MINORITY SHAREHOLDER WATCHDOG GROUP BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD (Incorporated In Malaysia • Company No. 524989-M)



MALAYSIA - ASEAN CORPORATE GOVERNANCE INDEX 2013

Presentation of Findings of Top 100 PLCs By Rita Benoy Bushon Chief Executive Officer (MSWG)



The Changing Regional CG Landscape

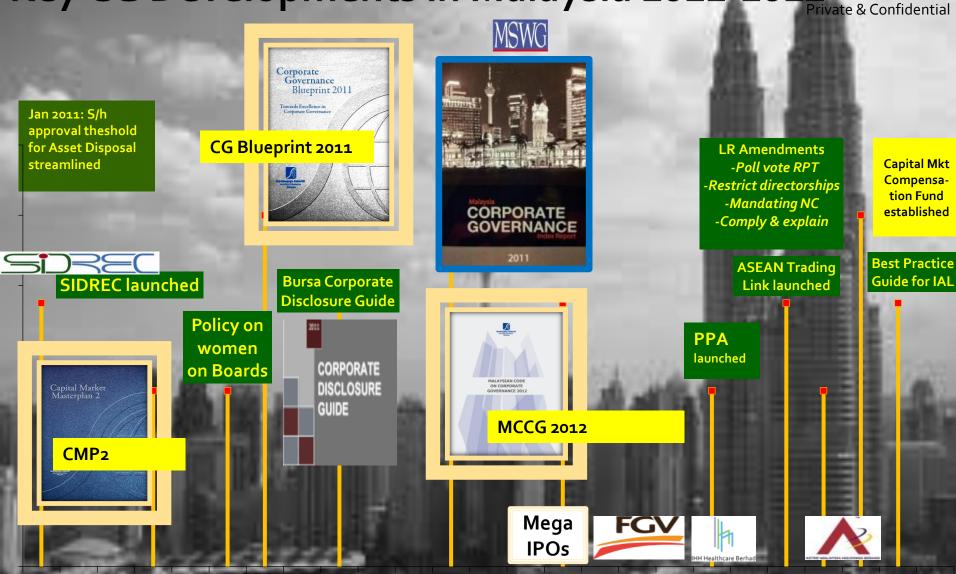
Shareholders demanding greater accountability

Greater push for higher ESG standards Institutional investors playing a greater

Convergence of CG

Key CG Developments in Malaysia 2011-2012

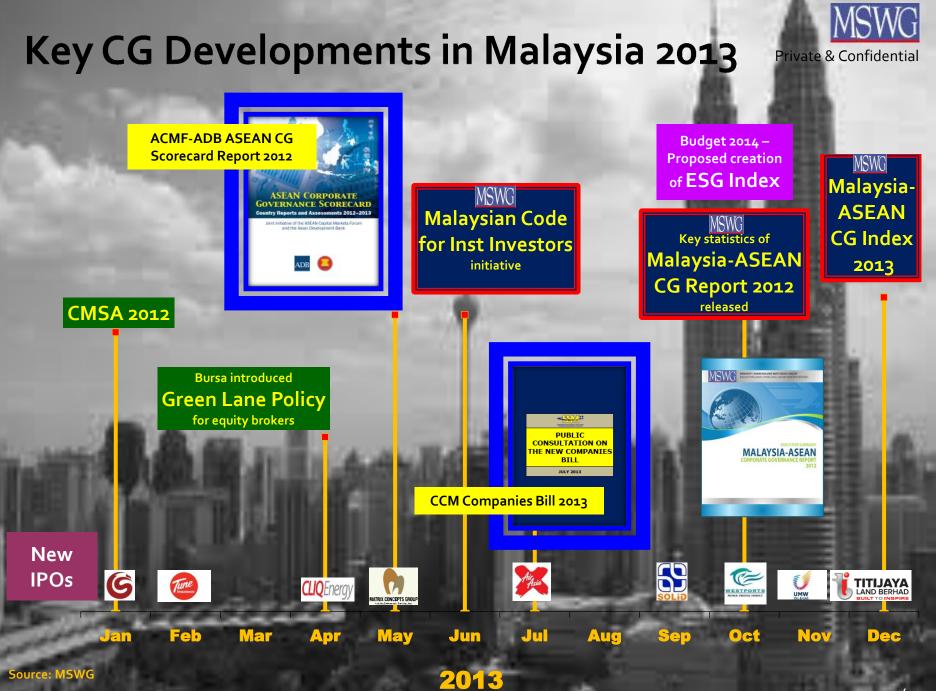
MSWG



Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

Source: MSWG

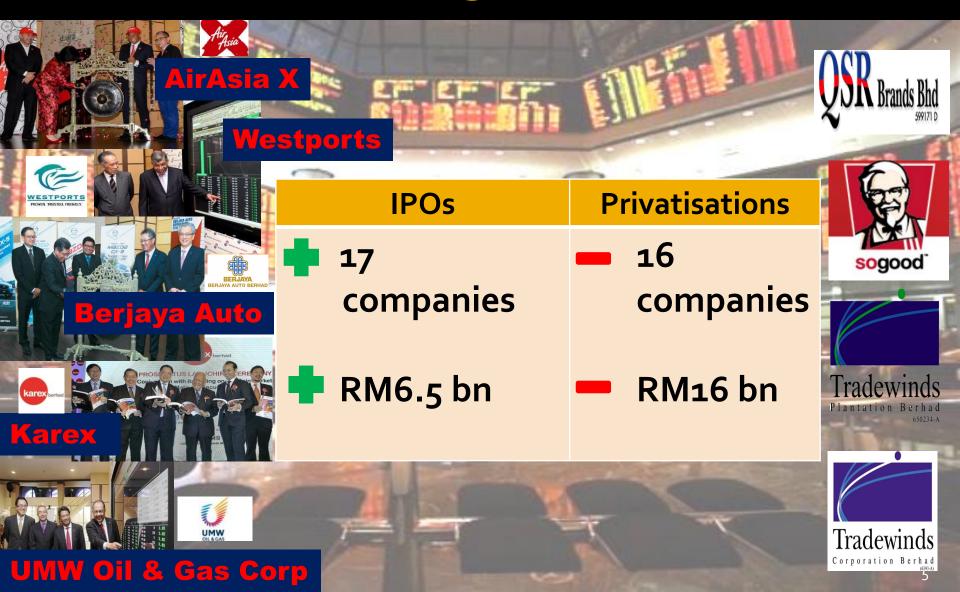
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Source: MSWG



Initial Public Offerings & Privatisations



Global Rise of Investors' Voice





Responsible Investment





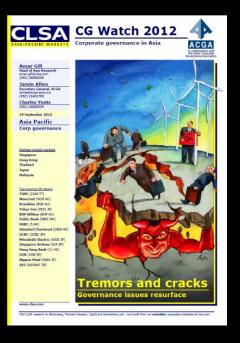
Country Assessment : World Bank ROSC Report – July 2012





Country Assessment : ACGA-CLSA CG Watch 2012





•Culture at last showing signs of openness"



Market rankings & scores, 2012

CG Watch mar	ket sco	res: 20	07 to 20	012	
(%)	2007	2010	2012	Change 2012 vs 2010 (ppt)	Trend of CG reform
1. Singapore	65	67	69	(+2)	Improving, but culture needs to open more
2. Hong Kong	67	65	66	(+1)	Static, but reinvigorated regulator positive
3 Thailand	47	55	58	(+3)	Improving, but corruption a major issue
4. = Japan	52	57	55	(-2)	Covernment stalling, companies opening
4. = Malaysia	49	52	55	(+3)	Culture at last showing signs of openness
6. Taiwan	54	55	53	(-2)	Nules improving, but still behind the curve
7. India	56	48	51	(+3)	Enforcement up, Deinran opstäc le
8. Korea	49	45	49	(+4)	Government more open, chaebols closed
9. China	45	49	45	(-4)	Rules improve, but culture still weak
10. Philippines	41	37	41	(+4)	Improving, but will it be sustained?
11. Indonesia	37	40	37	(-3)	Regressing, but new regulator may help

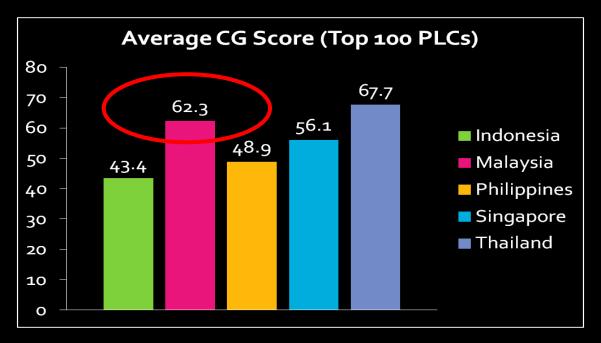
Country Assessment : ASEAN CG Scorecard Country Reports by ADB

ASEAN CORPORATE GOVERNANCE SCORECARD

Country Reports and Assessments 2012–2013 Joint Initiative of the ASEAN Capital Markets Forum and the Asian Development Bank



Malaysia ranked NO 2



Source: ASEAN CG Scorecard – Country Reports and Assessments 2012



Country Asso Doing Busine	Doing Business 2014 Understanding Regulations for Small and Medium-Size Enterprise	MSWG Private & Confidentia			
2012		2013		Conjunct Registrative to Director from a 10 Economic Interno Altaria de activitative Altaria de activitative	
From 12 th		6 th		Ease of doing business 2013	Rank
				Singapore	1
				Hong Kong	2
Other areas	2013	2012		New Zealand	3
	(rank)	(rank)		United States	4
Getting credit	1	1		Denmark	5
Protecting investors	4	4		Malaysia	6
				Republic of Ko	rea 7
Enforcing contracts	30	33		Georgia	8
				Norway	9

* Out of 189 countries surveyed

10

United Kingdom

Malaysia-ASEAN CG Index 2013 Overview & Findings for Top 100 PLCs

6	ountry	Please Sal								
	CName	Please Select Country								
S	ockCode									
E	kpert Name	Please Select Expert Name								
S	ector	Please Select Sector								
Y	ear	2013								
D	ate of FYE									
A		Rights of Shareholders	Guiding R	eference						
A	.1	Basic Shareholder Rights		Source Do	cument/Location of Information					
				D	Disclosure and Transparency					
		Does the company any listening of the	OECD Principle II: The Rights of Share		and transparency		Guiding Reference	Source Bocument/ Location of Information		
4	1.1	Does the company pay (interim and final/annual) dividends in an equitable and timely manner; that is, all shareholders are treated equally and paid while the final fi	Key Ownership Functions (A) Basic shareholder rights should in	D.1	_			Contraction of Milders 2005		
		and paid within 30 days after being (i) declared for interim dividends and (ii) approved by shareholders at general meetings for final dividends?	share in the profits of the corporatio	0.1.1	Transparent ownership structure Does the information on shareholdings reveal the identity of beneficial owners, holiciae stic					
		entries interestings for final dividends?			, rooting on shareholding or more?					
				D.1.2	Does the company disclose the direct and indirect (deemed)	OECD Principle	V: Disclosure and Transparency	Annual Report		
					shareholdings of major and/or substantial shareholders?	(A) Disclosure ((3) Major	should include, but not limited to, material information on:	Annual Report		
				0.1.3	Does the company disclose the direct and indirect ideans in	group rela	Interior Contraction in the second second second			
	1.2	Right to participate in decisions concerning fundamental corporate			statienoidings of directors (commissioners)?	ICGN 7.6 1	C	Bonus Items		
1		changes. Do shareholders have the right to participate in:		D.1.4	Does the company disclose the direct and indirect (deemed) shareholdings of senior management?	the disc company (C.1	Disclosure and transparency	Guilding Reference	Source Document/ Location of Information
			OECD Principle II (B) Shareholders should have the righ		Does the company disclose details of the parent/holding	sharehold		Quality of Annual Report		
		Amendments to the company's constitution?	sufficiently informed on, decisions co	D.1.5	company, subsidiaries, associates, joint ventures and special	of the con				
	A.2.1	Amendments to the company's constitution?	changes such as: (1) amendments to t incorporation or similar governing do		purpose enterprises/ vehicles (SPEs)/ (SPVs)?		C.1.1 (B)	is the audited annual financial report /statement released within 60 days from the financial year end?	OECD Principle V (C) OECD Principle V (E) OECD Idisclosure KCRI 7.2 Timely	
			company						of financial statements ICGN 7.3 Affirmation	A7777 1977 1977
	A.2.2	The authorisation of additional shares?	OECD Principle II (B): (2) the authorisation of additional shar	0.2	Quality of Annual Report				The board of directors and the corporate officers of the company should affirm a least annually the accuracy of the company's financial statements or financial accounts.	Announcement/ company website/ exchange website
			OECD Principle IL(B):		Does the company's annual report disclose the following items	OLCOPTIN			accounts.	
		The transfer of all or substantially all assets, which in effect results in the	(3) extraordinary transactions, includin			(1) The fin: (2) Compa	C.1.2 (B)	Does the company disclose details of remuneration of the CEO?		
	A.2.3	sale of the company?	assets, that in effect result in the sale of	D.2.1	Key risks	commitme (3) Major s				Annual Report
				0.2.2	Corporate objectives	group relat	D D.1.1	Responsibilities of the Board Board Competencies and Diversity		
						(4) Remuni including ti	0.1.1(8)	cours competencies and Diversity		
				0.2.3	Financial performance indicators	directorshi			ICGN 2.4.1 Skills and experience	
-						(7) Issues n		Does the company have at least one female independen director/commissioner?	The board should consist of directors with the requisite range of skills, competence knowledge, experience and approach, as well as a diversity of perspectives, to set the	t, # Annual Report
			and the second	D.2.4	Non-financial performance indicators	(8) Governi corporate j			context for appropriate board behaviours and to enable it to discharge its duties an responsibilities effectively.	
			screep, that is effect service actually		Dividend policy	implement	0.2	Nominating Committee		
			OECD MUNCHER IT(A).	0.2.5	Details of whistle-blowing policy	OECD Princ Channels fo	0.2.1(8)	normaling committee		
			In the authors are addressed from	0.2.6	Details of white bound party				ICGN 2.4.4 Composition of board committees The members of these key board committees should be salely non-executive directors	
			OECD MONING IN (IN)					Does the Nominating Convnittee comprise entirely of independen directors/commissioners?	and in the case of the audit and remuneration committees, solely independent directors all members of the nominations committee should be independent from management	L Annual Report
			succession of the same last and spin-						and at least a majority should be independent from dominant owners.	
							0.2.2.(8)			
								Does the Nominating Committee undertake the process of identifying th quality of directors aligned with the company/s strategic directions?		Janual Report
						-				
							0.3	Board Appointments and Re Election		
							D.3.1(8)	Does the company use professional search firms or other external source	WORLEANK PRINCIPLE 6 (VII.23) Are boards known to hire professional search fires when proposing candidates to the board?	cannul Report/Company website
								bodies) when searching for candidates to the board o	to the board?	
								directors/commissioners?		



Background

INITIATIVE BY

- ASEAN Capital Markets
 Forum
 - Funded by Asian Development Bank (ADB)
 - Supported by country regulators
 - Domestic ranking body appointed

OBJECTIVES

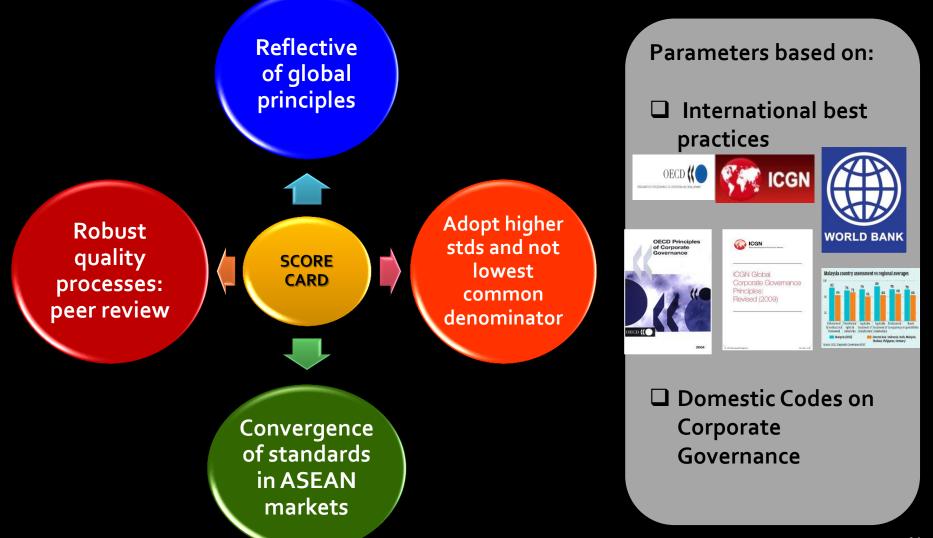
- Showcase and enhance visibility of well governed ASEAN PLCs
- Raise CG standards and practices of ASEAN PLCs
- Promote ASEAN companies as an asset class

WHO'S INVOLVED

- Malaysia
- Thailand
- Indonesia
- Singapore
- Philippines
- Vietnam

Development of Scorecard







Components of ASEAN CG Scorecard

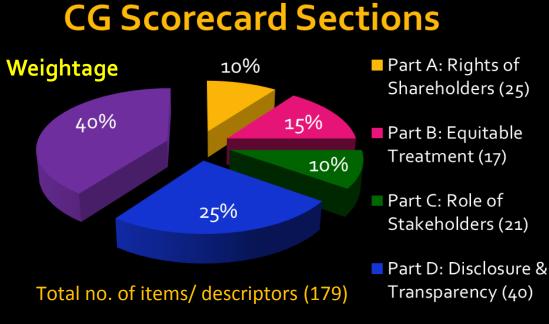
LEVEL 1

5 five major sections that corresponds to the OECD Principles

LEVEL 2

Bonus & Penalty sections

Bonus



 Part E: Responsibilities of the Board (76)

<u>Penalty</u>

(Maximum Points : 42)

beyond minimum standards

- 21 penalty items for companies with poor practices

(Maximum Points : -53)

9 bonus items for companies that go



Part A: Rights of Shareholders

	Rights of shareholders (25 items)	Examples
A.1	Basic shareholder rights (1 item)	 Equal rights to share in the profits
A.2	Rights to participate in fundamental decisions such as amendments to constitution, authorisation of additional shares, transfer of assets resulting in sale of the company (3 items)	 Shareholders able to approve total remuneration paid to directors? Non controlling shareholders have a right to nominate candidate for board of directors?
A.3	Participate and vote in general shareholder meetings and be informed of rules including voting procedure that govern general shareholder meetings (19 items)	 Attendance at AGM, timely and sufficient disclosure of AGM and issues to be decided
A.4	Markets for corporate control allowed to function in efficient and transparent manner (1 item)	 Disclosure of AGM minutes Voting process , disclosure of voting
A.5	Exercise of ownership rights by all shareholders including institutional investors should be facilitated (1 item)	results, voting in absentia



Part B: Equitable Treatment of Shareholders

	Equitable Treatment of Shareholders (17 items)	Examples
B.1	Shares and voting rights (2 items)	One vote for one shareConduct of AGM
B.2	Notice of AGM/Circulars (7 items)	 Details in the notice/circulars of an
B.3	Insider trading and abusive self-dealing should be prohibited (2 items)	AGM Board members to disclose any
B4.	Related-party transactions by directors and key executives (4 items)	material interest or conflict of interestReview of significant RPTs
B.5	Protecting minority shareholders from abusive actions (2 items)	 Disclosure that RPTs are fair and conducted at arms' length



Part C: Role of Stakeholders

Role of stakeholders (21 items)

- C.1 The rights of stakeholders established by law or through mutual agreements are to be respected (13 items)
- C.2 Where stakeholder interests are protected by law, stakeholders should have opportunity to obtain effective redress for violation of their rights (1 items)
- C.3 **Performance-enhancing mechanism for employee** participation should be permitted to develop (5 items)
- C.4 "Whistleblower protection" stakeholders and representative bodies should be able to freely communicate their concerns about illegal or unethical practices to the board and their rights should not be compromised for dough this (2 items)



Examples

- Recognition of broader interest where companies make additional commitments on health, safety and welfare to stakeholders due to concern over corporate reputation and corporate performance.
- Company's efforts to interact with the communities in which they operate
- Company having a separate CSR/sustainability report
- Training and development programmes for employees.
- Compensation policy beyond short term financial measures.
- Company having procedures for complaints by employees.



Part D & Part E

	Part D: Disclosure & Transparency (40 items)		Part E: Responsibilities of the Board (76 items)
D.1	Transparent ownership structure (5 items)	E.1	Board duties and Responsibilities (7 items) - Role of board, matters for board decisions
D.2	Quality of annual report (12 items)	E.2	Board Structure (30 items) - Board charter, Code of Ethics, board structure & composition, independence of INEDs
D.3	Disclosure of related-party transactions (3 items)	E.3	Board Processes (22 items) - Timeliness of board papers, role of Co Sec, process & criteria of director selection
D.4	Directors dealings in shares of the company (1 item)	E.4	People of the Board (6 items) - Separation of Chairman & CEO, skill & competenciel board diversity
D.5	External auditor and audit report (3 items)	E.5	Board Performance (11 items) - frequency, process & criteria of board, committee & individual director's assessment



The Assessment Process



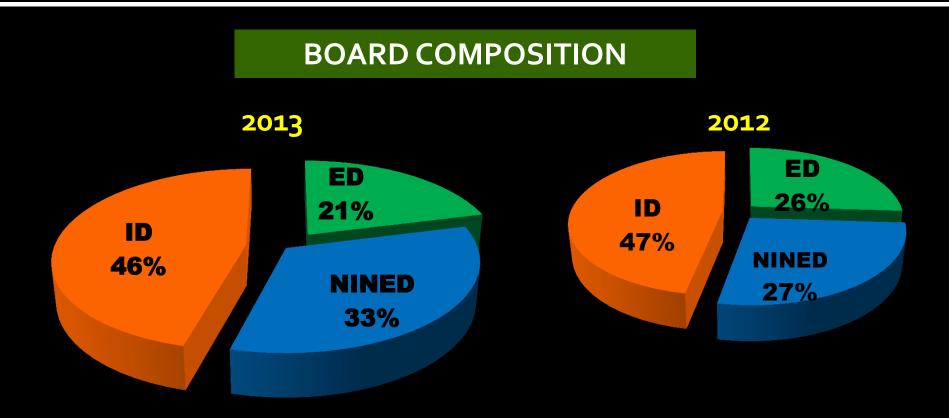


Malaysia-ASEAN CG Index 2013 Top 100 PLCs

PLCs	2013	2012	
Average Base Score for Top 100 PLCs	75-39	68.20	
Highest Base Score	102.77	91.49	

Rising CG awareness and standards





TOTAL DIRECTORS: 844 TOTAL DIRECTORS: 812



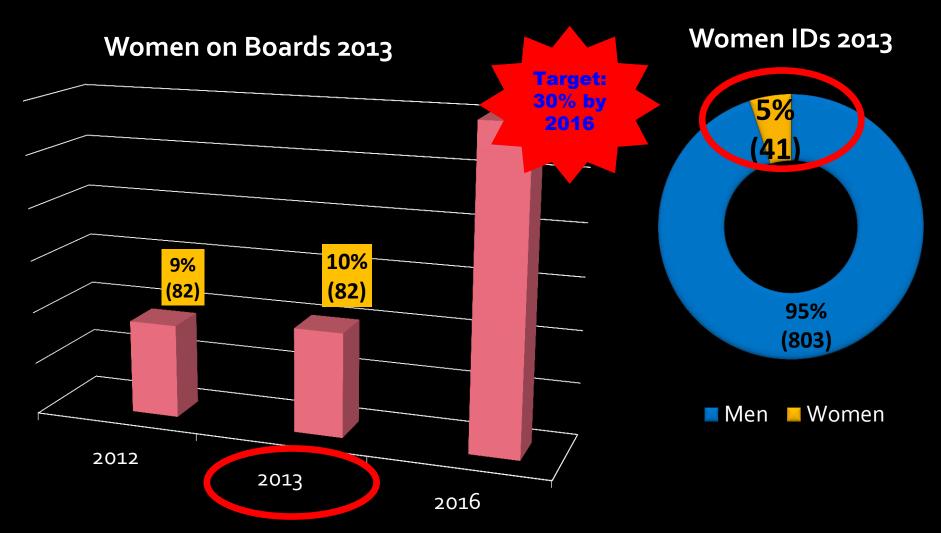
	2013	2012
Separation of Chairman & CEO	92%	94%
Independent Chairman	4 3%	40%
> 50% IDs	35%	33%
Board assessments	77%	76%
NC comprised majority of IDs	95%	94%



TENURESHIP OF INDEPENDENT NON-EXECUTIVE DIRECTORS

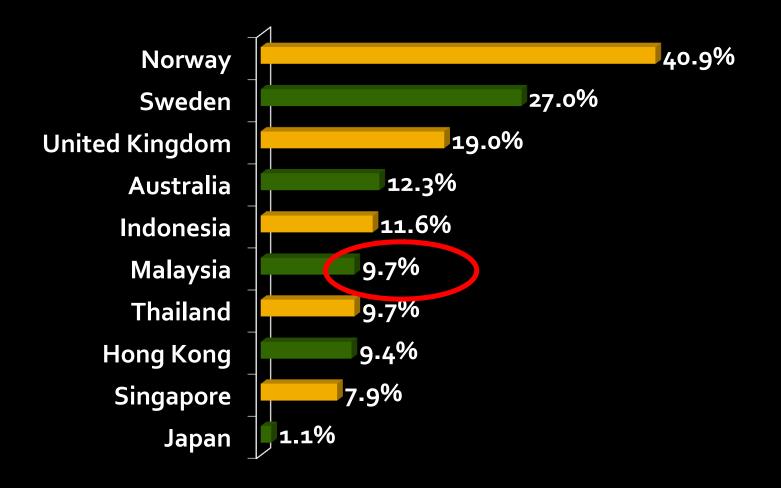
	2013	2012
IDs ≥ 9 years	17%	16%
Companies with IDs ≥ 9 years in Top 100 PLCs	39%	34%
IDs ≥ 12 years	15%	18%
Average tenure for IDs (years)	6	7







Gender Diversity – Global Comparison



Sources: <u>http://www.catalyst.org/knowledge/women-boards</u>; https:// <u>www.gov.uk/government/news/cable-women-on-boards-stats-promising</u>; Indonesia Boardroom Diversity Report 2012; Singapore Board Diversity Report 2013



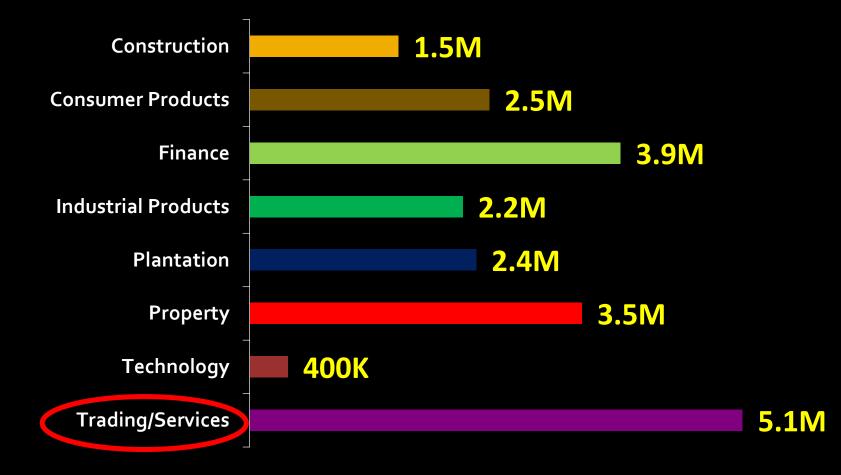
Directors' Remuneration – Top 100 PLCs

		20	013	201	L 2
Disclosure by individua directors		39	9%	349	%
Remuneration		erage RM)	Min (RM)		ax M)
Executive Directors	2	.7m	400k	5.1	lm
Non- Executive Directors	1	61k	61k	44	5k



Directors' Remuneration – Top 100 PLCs

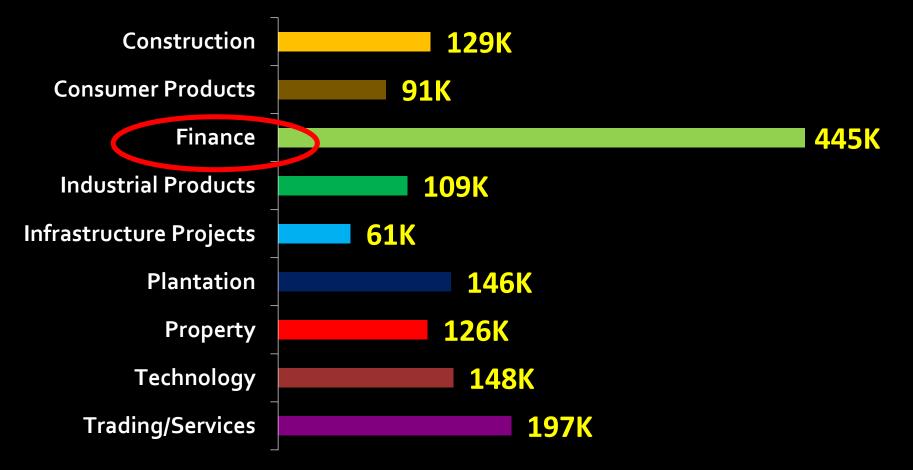
AVERAGE ED REMUNERATION FOR TOP 100 PLCS: RM2.7M per year





Directors' Remuneration – Top 100 PLCs

AVERAGE NED REMUNERATION FOR TOP 100 PLCS: RM161K per year





Disclosures – Top 100 PLCs

	201	3	2012	2
Board Charter	1 e	59%	38%	
AGM Minutes		7%	1%	
Dividend Policy	1 3	35%	34%	
Whistleblowing Policy	1 4	8%	42%	
Corporate Responsibility Statement		94%	90%	



Audit vs. Non-Audit Fees – Top 100 PLCs

EXTERNAL AUDITORS

	2013	2012	External Audit Firm
Average audit fees	RM1.6M	RM1.1M	5% 9% PwC 28% KPMG 21%
Average non-audit fees	RM620K	RM530K	EY 37%
No. of companies which non-audit fees exceeded the audit fees	9	8	 PwC EY KPMG Deloitte Others



Risk Management – Top 100 PLCs

	2013	2012
Board review of material controls & risk mgt systems	80%	70%
Disclosure of how key risks are managed	60%	68%



Closing the Gaps

IDs from independent pool **Publishing AGM minutes** Gender diversity on-board Board assessment



BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERI (Incorporated In Malaysia • Company No. 524989-M)

Congratulations to the Top 100 PLCs & the Winners of the Awards

THANK YOU

