



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

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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



Initial Public Offerings & Privatisations



AirAsia X

Westports



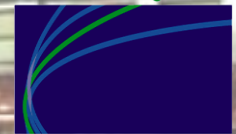
Berjaya Auto



Karex



UMW Oil & Gas Corp



Tradewinds
Plantation Berhad
650234-A



IPOs	Privatisations
<p>+ 17 companies</p>	<p>- 16 companies</p>
<p>+ RM6.5 bn</p>	<p>- RM16 bn</p>

Global Rise of Investors' Voice



Responsible Investment

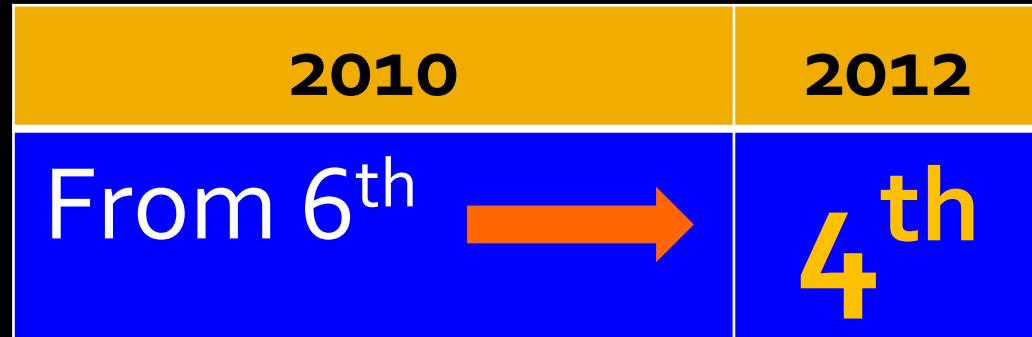


Country Assessment : World Bank ROSC Report – July 2012

Malaysia recognised as a **regional leader** in CG



Country Assessment : ACGA-CLSA CG Watch 2012

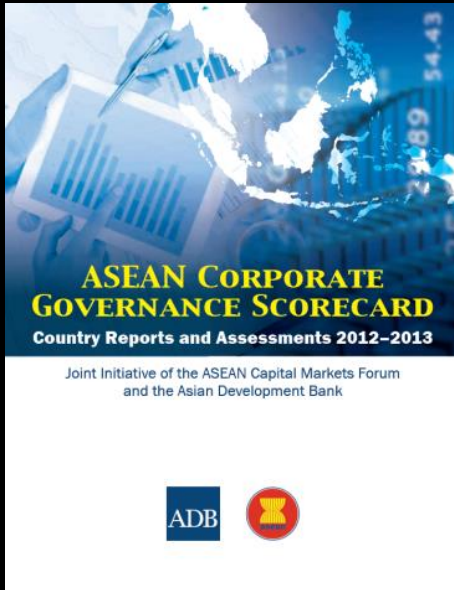


Market rankings & scores, 2012

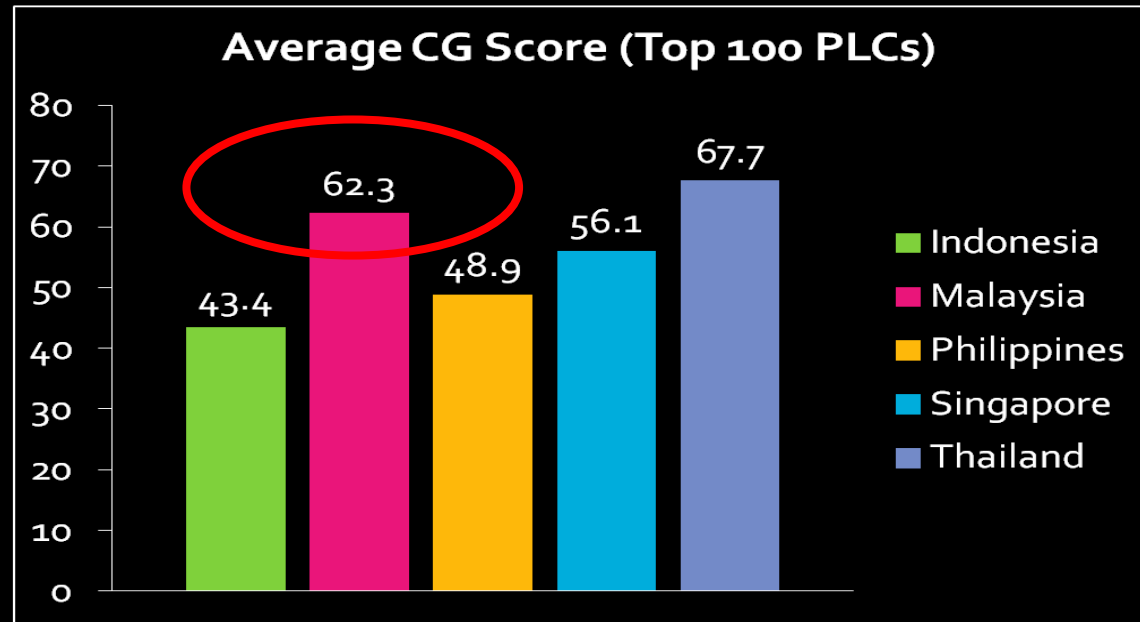
CG Watch market scores: 2007 to 2012					
(%)	2007	2010	2012	Change 2012 vs 2010 (ppt)	Trend of CG reform
1. Singapore	65	67	69	(+2)	Improving, but culture needs to open more
2. Hong Kong	67	65	66	(+1)	Static, but reinvigorated regulator positive
3. Thailand	47	55	58	(+3)	Improving, but corruption a major issue
4. = Japan	52	57	55	(-2)	Government stalling, companies opening
4. = Malaysia	49	52	55	(+3)	Culture at last showing signs of openness
6. Taiwan	54	55	53	(-2)	Rules improving, but still behind the curve
7. India	56	48	51	(+3)	Enforcement up, Demit an obstacle
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

“Culture at last showing signs of openness”

Country Assessment : ASEAN CG Scorecard Country Reports by ADB

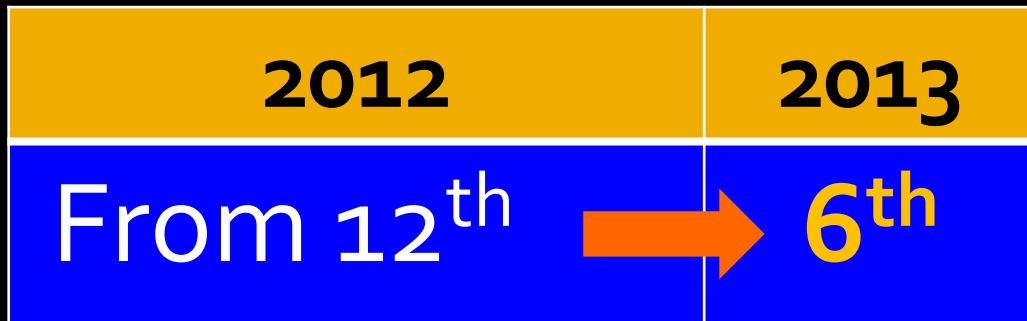
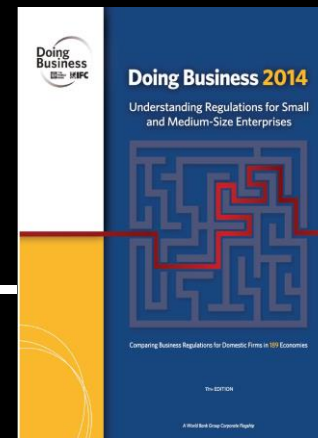


Malaysia ranked **No. 2**



Source: ASEAN CG Scorecard – Country Reports and Assessments 2012

Country Assessment : Doing Business Report 2014



Other areas	2013 (rank)	2012 (rank)
Getting credit	1	1
Protecting investors	4	4
Enforcing contracts	30	33

Ease of doing business 2013	Rank
Singapore	1
Hong Kong	2
New Zealand	3
United States	4
Denmark	5
Malaysia	6
Republic of Korea	7
Georgia	8
Norway	9
United Kingdom	10

* Out of 189 countries surveyed

Background

INITIATIVE BY

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

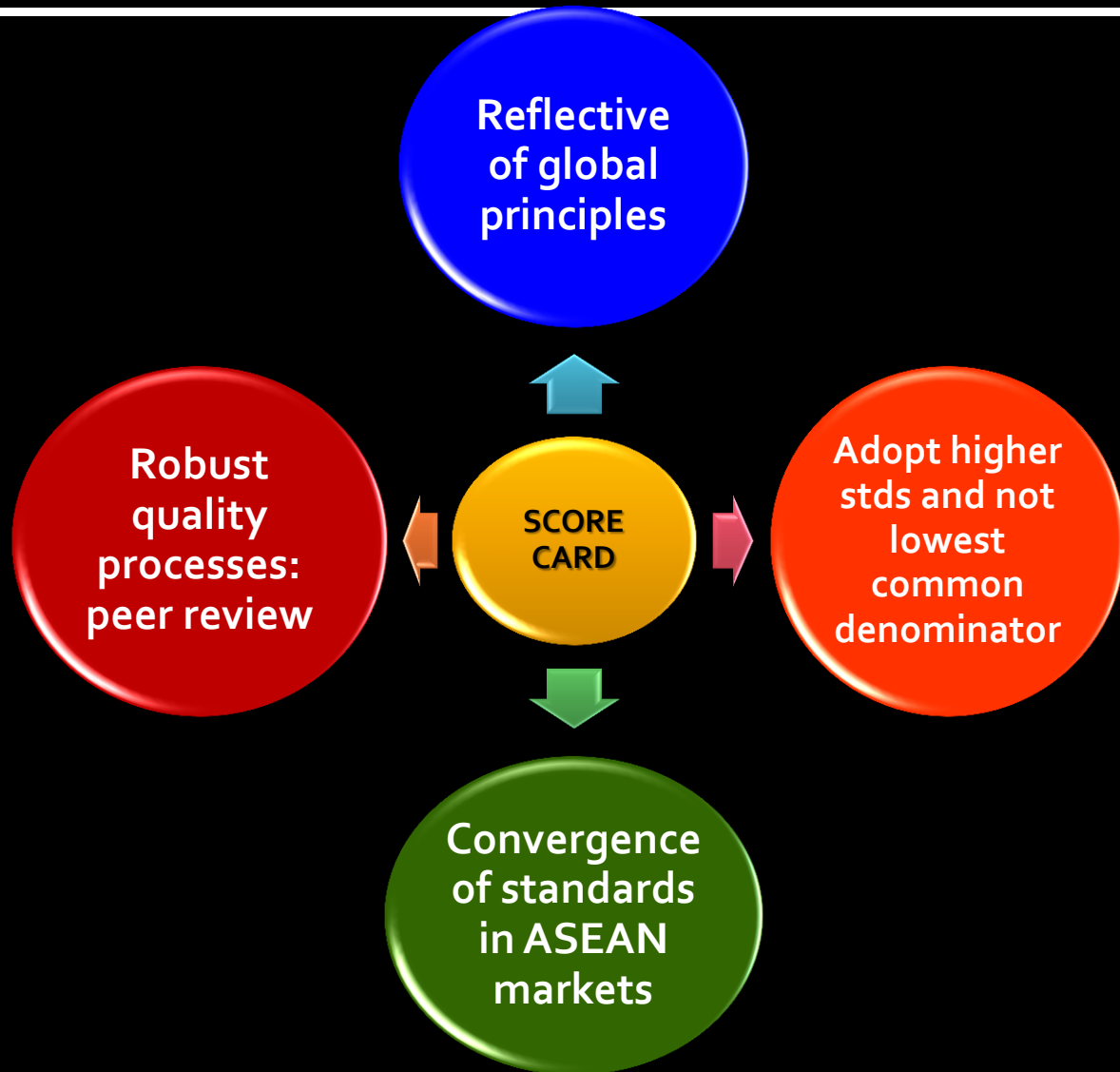
OBJECTIVES

- 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



Parameters based on:

International best practices

Metric	Malaysia (2012)	Regional Avg (Indonesia, Br, My, Philip, Thailand, Vietnam, HK)
Disclosure	83	76
Board Independence	84	71
Pay Ratio	79	61
Director Independence	86	64
Board Diversity	79	68
Board Composition	73	64

Domestic Codes on Corporate Governance

Components of ASEAN CG Scorecard

LEVEL 1

- 5 five major sections that corresponds to the OECD Principles

LEVEL 2

- Bonus & Penalty sections



Bonus

- 9 bonus items for companies that go beyond minimum standards

(Maximum Points : 42)



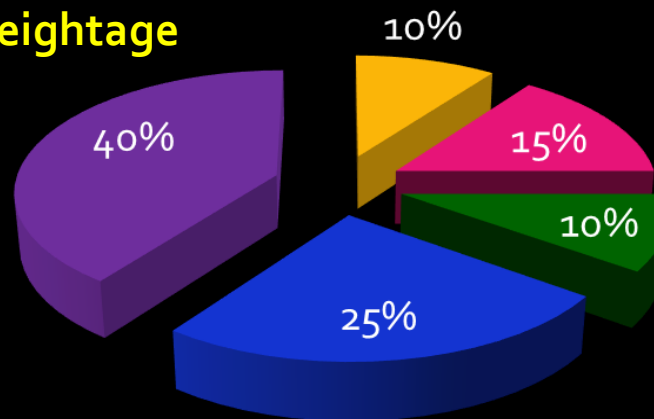
Penalty

- 21 penalty items for companies with poor practices

(Maximum Points : -53)

CG Scorecard Sections

Weightage



Total no. of items/ descriptors (179)

- Part A: Rights of Shareholders (25)
- Part B: Equitable Treatment (17)
- Part C: Role of Stakeholders (21)
- Part D: Disclosure & Transparency (40)
- Part E: Responsibilities of the Board (76)

Part A: Rights of Shareholders

	Rights of shareholders (25 items)	Examples
A.1	Basic shareholder rights (1 item)	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • Disclosure of AGM minutes
A.5	Exercise of ownership rights by all shareholders including institutional investors should be facilitated (1 item)	<ul style="list-style-type: none"> • Voting process , disclosure of voting 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)	<ul style="list-style-type: none"> • One vote for one share
B.2	Notice of AGM/Circulars (7 items)	<ul style="list-style-type: none"> • Conduct of AGM
B.3	Insider trading and abusive self-dealing should be prohibited (2 items)	<ul style="list-style-type: none"> • Details in the notice/circulars of an AGM
B.4	Related-party transactions by directors and key executives (4 items)	<ul style="list-style-type: none"> • Board members to disclose any material interest or conflict of interest
B.5	Protecting minority shareholders from abusive actions (2 items)	<ul style="list-style-type: none"> • Review of significant RPTs • Disclosure that RPTs are fair and conducted at arms' length

Part C: Role of Stakeholders

	Role of stakeholders (21 items)	Examples
C.1	The rights of stakeholders established by law or through mutual agreements are to be respected (13 items)	<ul style="list-style-type: none"> • 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.
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)	<ul style="list-style-type: none"> • Company's efforts to interact with the communities in which they operate
C.4	<p>“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 doing this (2 items)</p>	<ul style="list-style-type: none"> • 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.

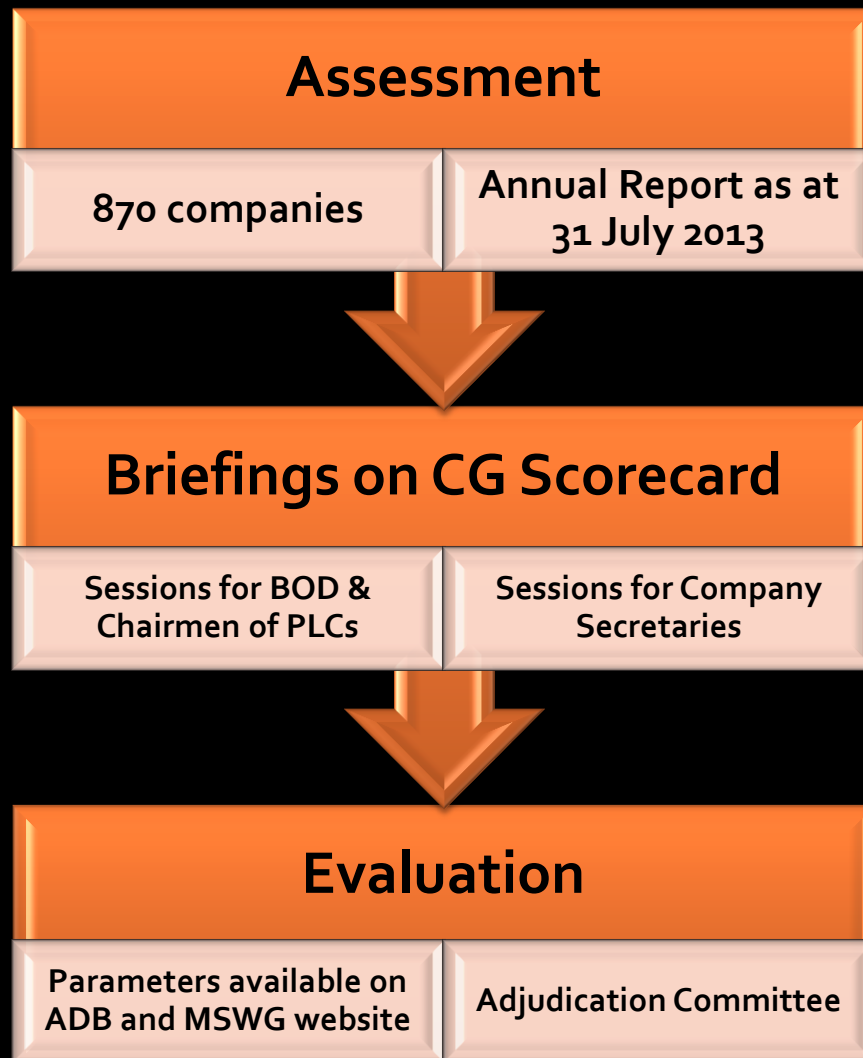
**ESG
MATTERS**



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

The Assessment Process



Malaysia-ASEAN CG Index 2013

Top 100 PLCs

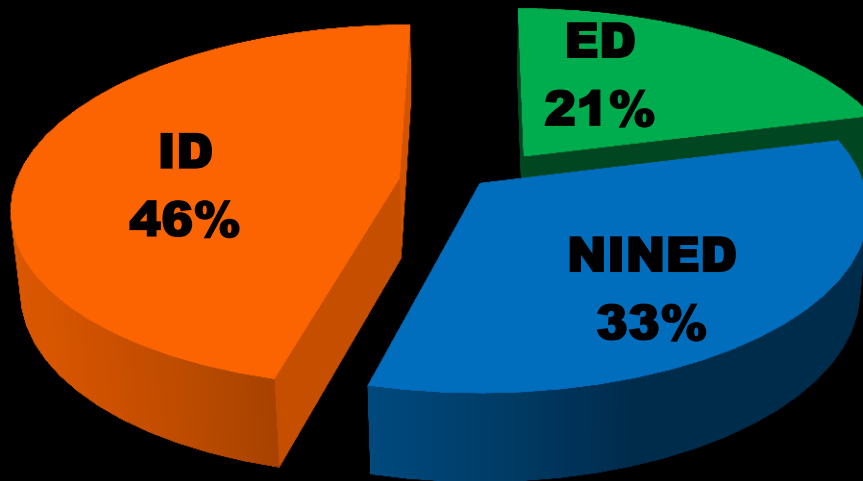
PLCs	2013	2012	
Average Base Score for Top 100 PLCs	75.39	68.20	↑
Highest Base Score	102.77	91.49	↑

Rising CG awareness and standards

Key Board Statistics – Top 100 PLCs

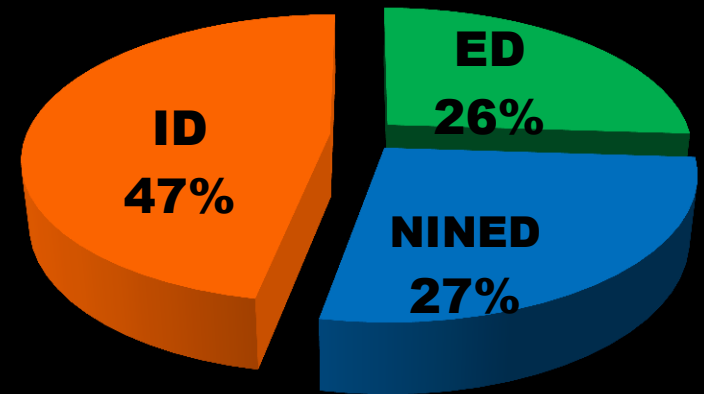
BOARD COMPOSITION

2013








TOTAL DIRECTORS: 844

2012






TOTAL DIRECTORS: 812

Key Board Statistics – Top 100 PLCs

	2013	2012
Separation of Chairman & CEO	 92%	94%
Independent Chairman	 43%	40%
> 50% IDs	 35%	33%
Board assessments	 77%	76%
NC comprised majority of IDs	 95%	94%

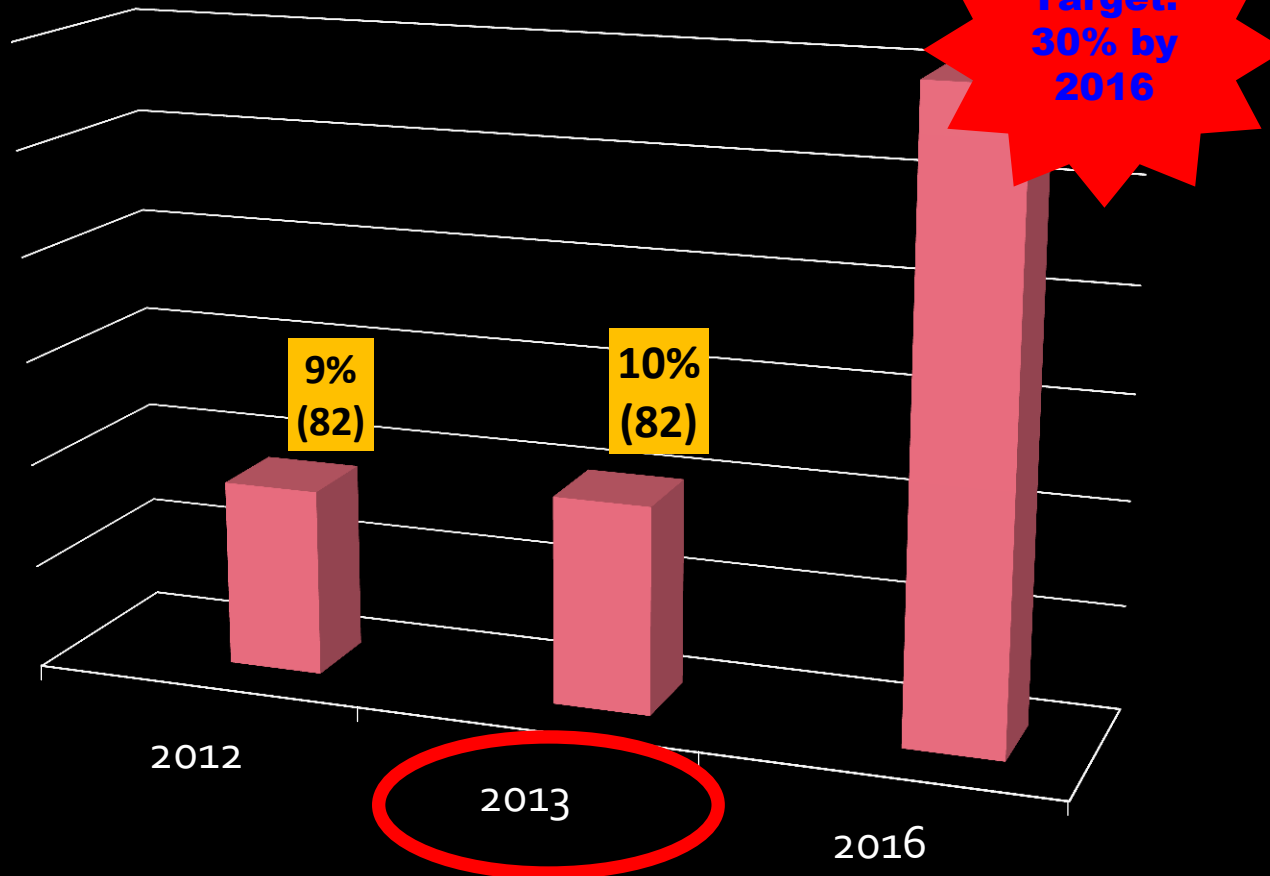
Key Board Statistics – Top 100 PLCs

TENURESHIP OF INDEPENDENT NON-EXECUTIVE DIRECTORS

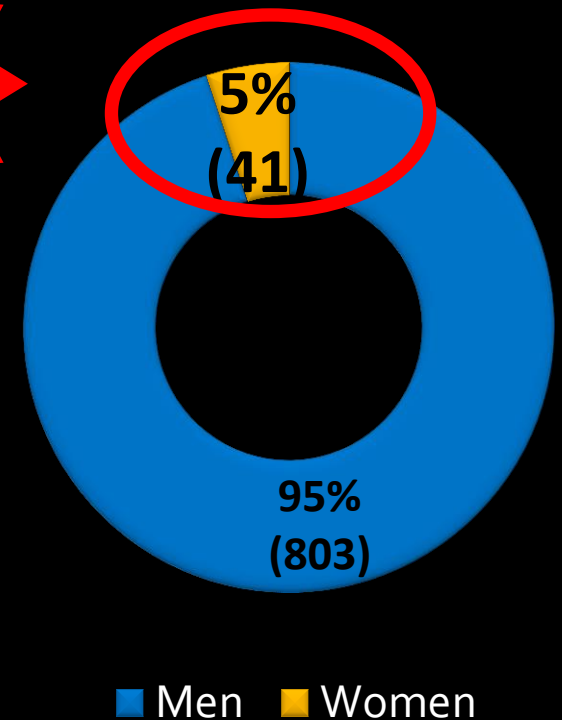
	2013	2012
IDs \geq 9 years	 17%	16%
Companies with IDs \geq 9 years in Top 100 PLCs	 39%	34%
IDs \geq 12 years	 15%	18%
Average tenure for IDs (years)	6	7

Key Board Statistics – Top 100 PLCs

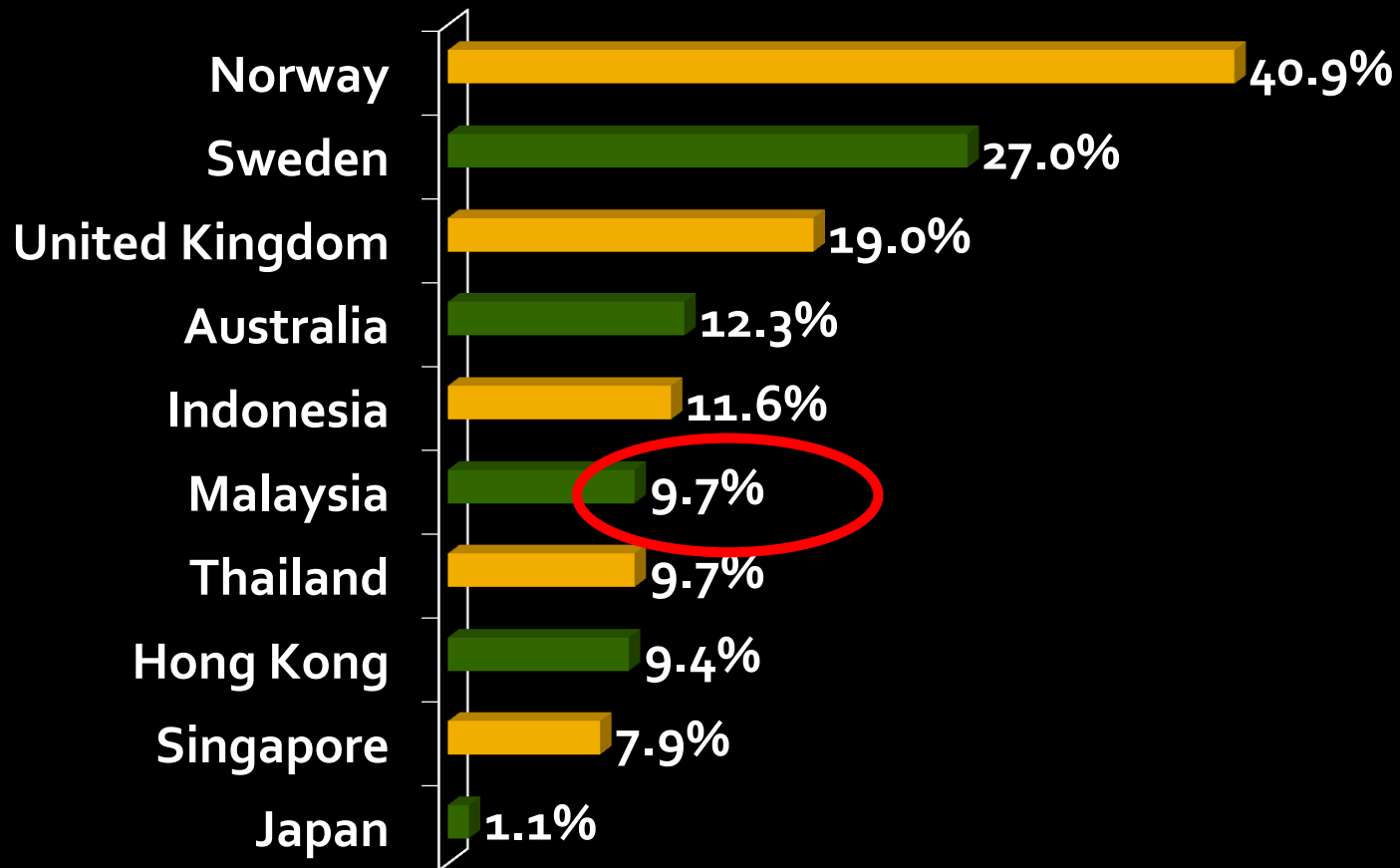
Women on Boards 2013



Women IDs 2013




Gender Diversity – Global Comparison



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

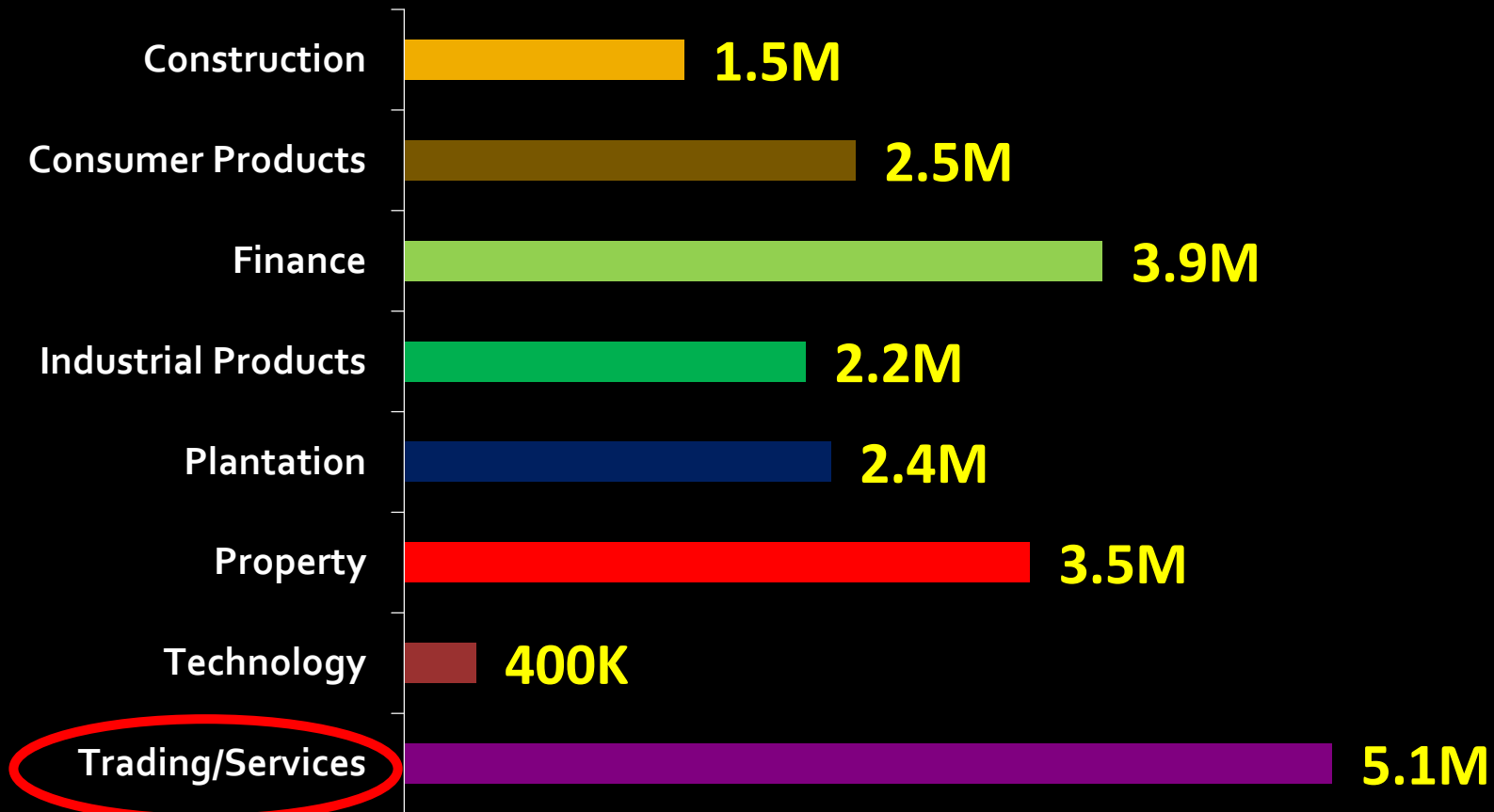
Directors' Remuneration – Top 100 PLCs

	2013	2012
Disclosure by individual directors	 39%	34%

Remuneration	Average (RM)	Min (RM)	Max (RM)
Executive Directors	2.7m	400k	5.1m
Non- Executive Directors	161k	61k	445k

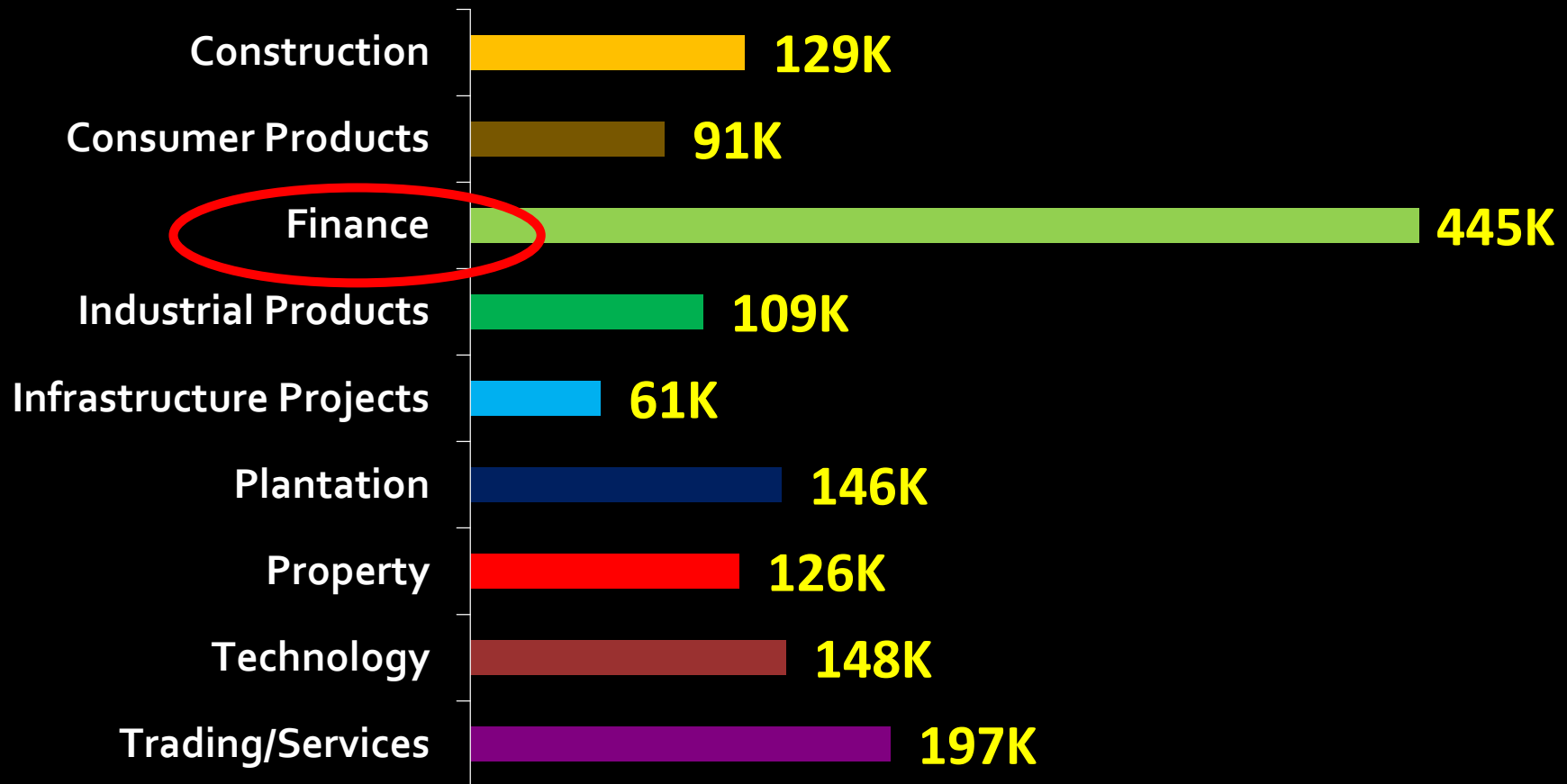
Directors' Remuneration – Top 100 PLCs

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

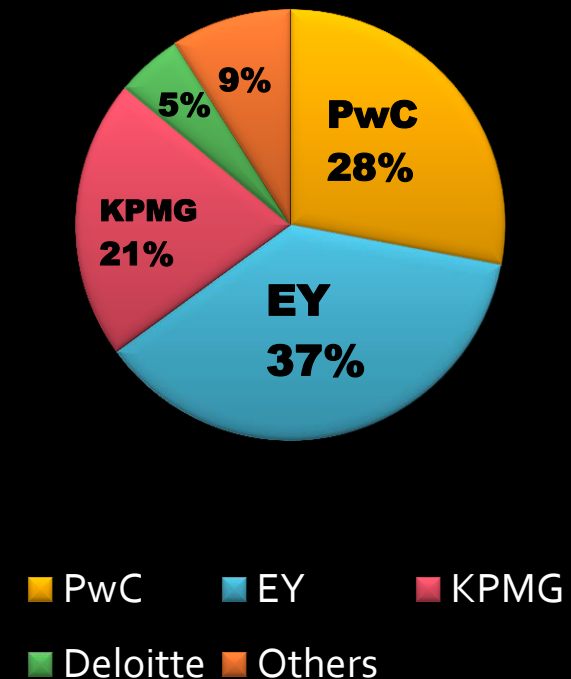
	2013	2012
Board Charter	 69%	38%
AGM Minutes	 7%	1%
Dividend Policy	 35%	34%
Whistleblowing Policy	 48%	42%
Corporate Responsibility Statement	 94%	90%

Audit vs. Non-Audit Fees – Top 100 PLCs



EXTERNAL AUDITORS

	2013	2012
Average audit fees	RM1.6M	RM1.1M
Average non-audit fees	RM620K	RM530K
No. of companies which non-audit fees exceeded the audit fees	9	8

External Audit Firm




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

 **ESG**

 **IDs from independent pool**

 **Publishing AGM minutes**

 **Gender diversity on board**

 **Board assessment**

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

THANK YOU

