



**MINORITY SHAREHOLDER WATCHDOG GROUP**  
*Shareholder Activism and Protection of Minority Interest*  
**BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD**  
(Incorporated in Malaysia • Company No : 524989-M)

# Malaysian Corporate Governance Index 2011 Presentation of Survey Findings

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Presentation By:

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# EVOLUTION OF CORPORATE GOVERNANCE IN MALAYSIA

• *Focus: Rectify and strengthen legal and regulatory frameworks*

• *High Level Finance Committee Report (1999)*

• *Malaysian Code on Corporate Governance (2000)*

• *MSWG formed (2000)*

**Aftermath of the Asian Financial Crisis (1997)**

**Developmental Years (2001-2010)**

• *Capital Market Masterplan 1 (2001)*

• *Revised Corporate Governance Code (2007)*

• **Focus: Fortify the corporate governance ecosystem**

• **Capital Market Masterplan 2 (2011)**

• **Corporate Governance Blueprint 2011**

**The Next Decade (2011-2020)**

## "GOVERNANCE FOR GROWTH"

### Addressing Gaps

- Board evaluation and nomination process
- Internal controls and risk management
- Transparency
- Business sustainability
- Integrated reporting
- "Box Ticking" culture
- Board Charter

### Strengthen Corporate Governance

Board of Directors a CG focal point

Promote active shareholder participation

Strengthen gate-keeping accountabilities

### Broaden Participation in Governance

Promote active stakeholder participation in governance

Promote greater participation in achieving socially responsible goals

### Addressing Gaps

- Shareholder activism
- Institutional Investor Stewardship
- Dominance of controlling shareholders
- Shareholder access & participation



# POSITIVES AND NEGATIVES IN MALAYSIA'S CG LANDSCAPE

## 2011

Positives...	Negatives...
✓ Companies responded and acted on MSWG's concerns	X Privatisation at offer price deemed unfair to minority shareholders
✓ Court jailed Two Directors for submitting misleading report to Bursa Malaysia	X Alleged insider trading
✓ Many Companies had gone beyond minimal disclosure	X Heightened Unusual Market Activities (UMAs)
✓ Two ex-Directors jailed for Criminal Breach of Trust (CBT)	
✓ Sale of selected assets at favourable price to another company owned by a director withdrawn and replaced with open tender call after public outcry	
✓ Heightened enforcement by regulators with 26 reprimands in 2011	

## IPOs

**+ 27 Companies**

**+ RM5.96 billion**



## PRIVATISATIONS

**- 17 Companies**

**- RM29.1 billion**



# MCG INDEX 2011 - METHODOLOGY

## STAGE 1

- 121 key parameters based on the Malaysian Code on Corporate Governance, Listing Requirements, International Best Practices

## STAGE 2

- Scoring based on 29 practices

## STAGE 3

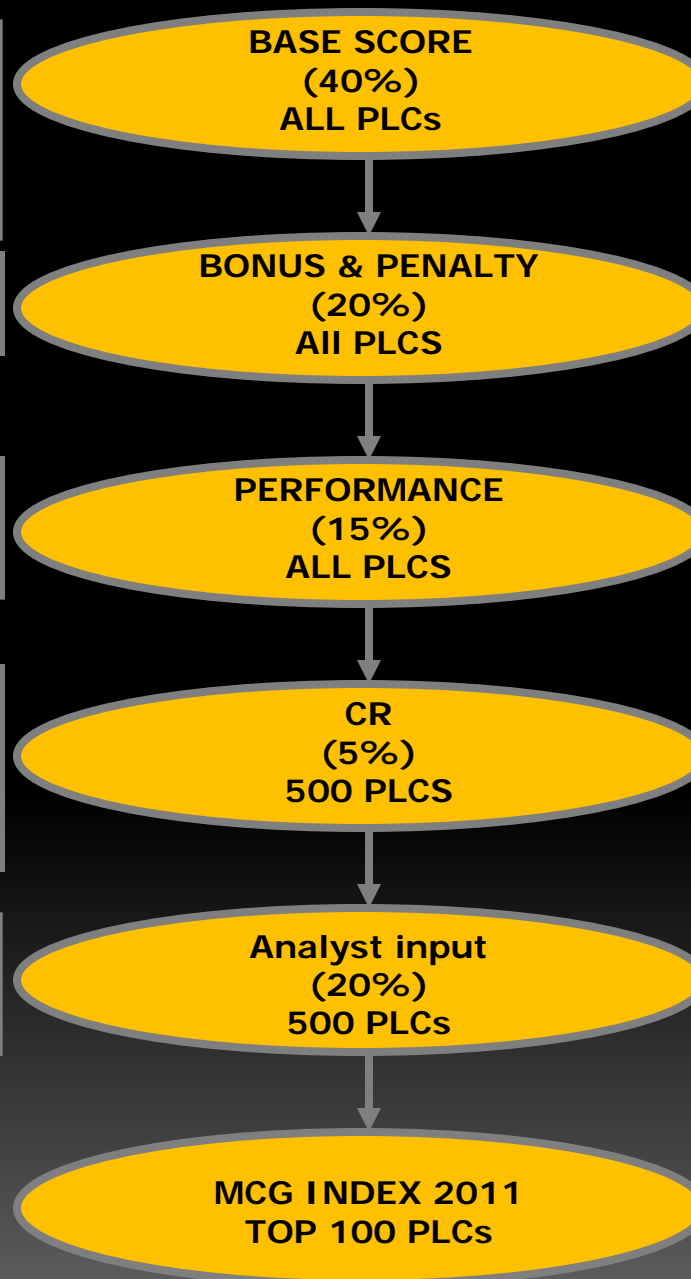
- 5-year average ROE and Market Capitalisation

## STAGE 4

CR from aspects of environment, community, marketplace and workplace

## STAGE 5

- Quality of disclosure in Annual Report and market conduct






## □ Focus areas:

- Substance and Practises
- Transparency
- Internal Control & Risk Management
- Board Structure






01/11/2011

# MCG INDEX 2011 – BASE SCORE

	2011	2010	2009
No. of companies	864	898	899
Average CGS	57.2% 	55.6%	52.0%
Highest	92.8% 	88.7%	82.1%
Lowest	31.8% 	29.2%	22.0%

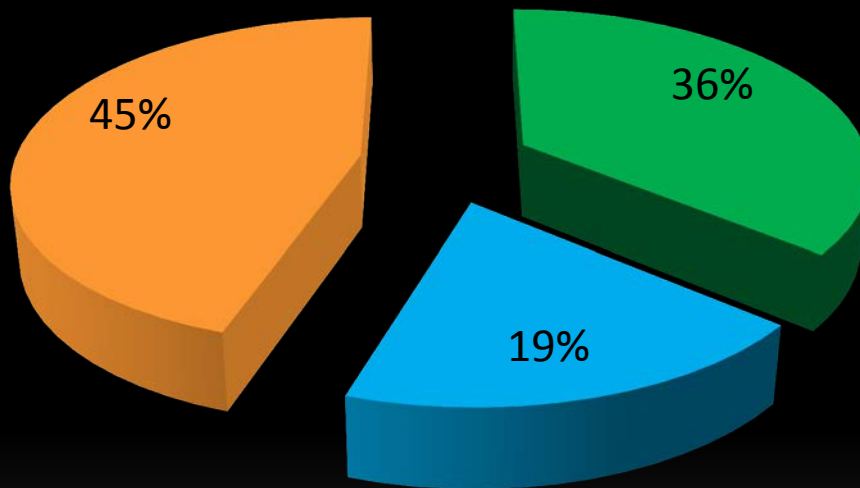


# MCG INDEX 2011 – BOARD SIZE & INDEPENDENCE

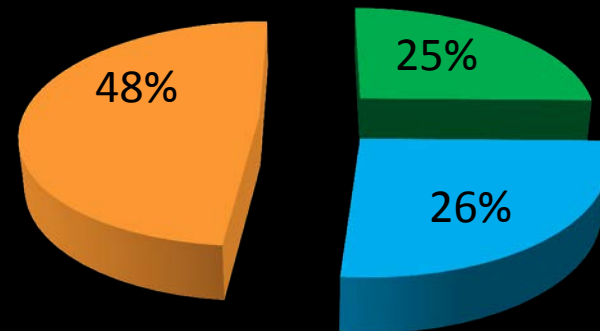
<b>BOARD SIZE AND INDEPENDENCE</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Average board size</b>	 <b>7</b>	<b>7</b>	<b>7</b>
<b>Separation of Chairman &amp; CEO</b>	 <b>82.0 %</b>	<b>82.5%</b>	<b>60%</b>
<b>Independent Chairman</b>	 <b>35.2%</b>	<b>33.5%</b>	<b>30%</b>
<b>≥50% INEDs</b>	 <b>42.5%</b>	<b>40.2%</b>	<b>37.0%</b>
<b>Board Assessment</b>	 <b>22.8%</b>	<b>23.7%</b>	<b>17.2%</b>

## COMPOSITION OF BOARD OF DIRECTORS




### Overall 864 companies



### MCG Index Top 100 Companies



### NOTES:

-  EXECUTIVE DIRECTOR
-  INDEPENDENT NON-EXECUTIVE DIRECTOR
-  NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

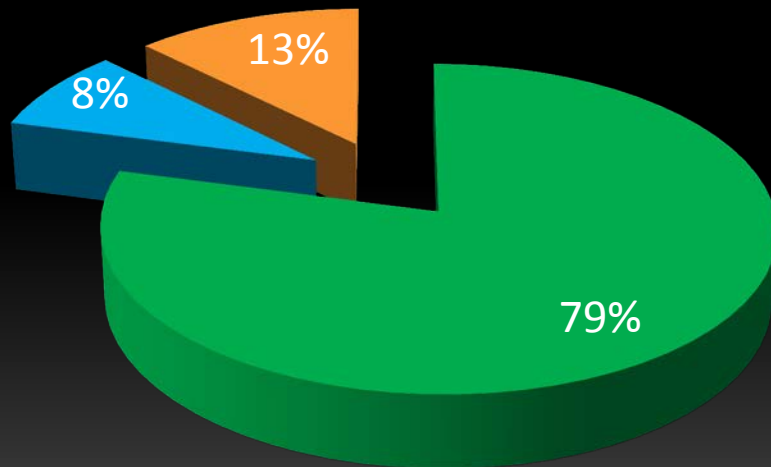
# MCG INDEX 2011 – BOARD TENURESHIP (CHART)



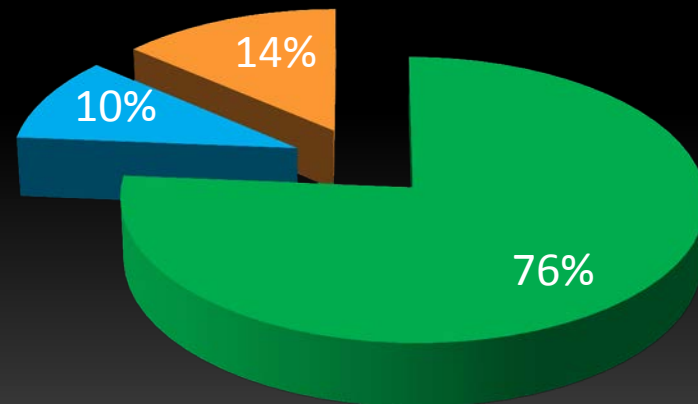
## TENURESHIP OF INDEPENDENT NON-EXECUTIVE DIRECTORS

	2011	2010	2009
INEDs > 12 years	+ 12.5%	25.5%	21.6%

Overall 864 Companies



MCG Index Top 100 Companies




■ ≤9 years   ■ >9 but ≤12 years   ■ >12 years

# MCG INDEX 2011 – DISCLOSURE

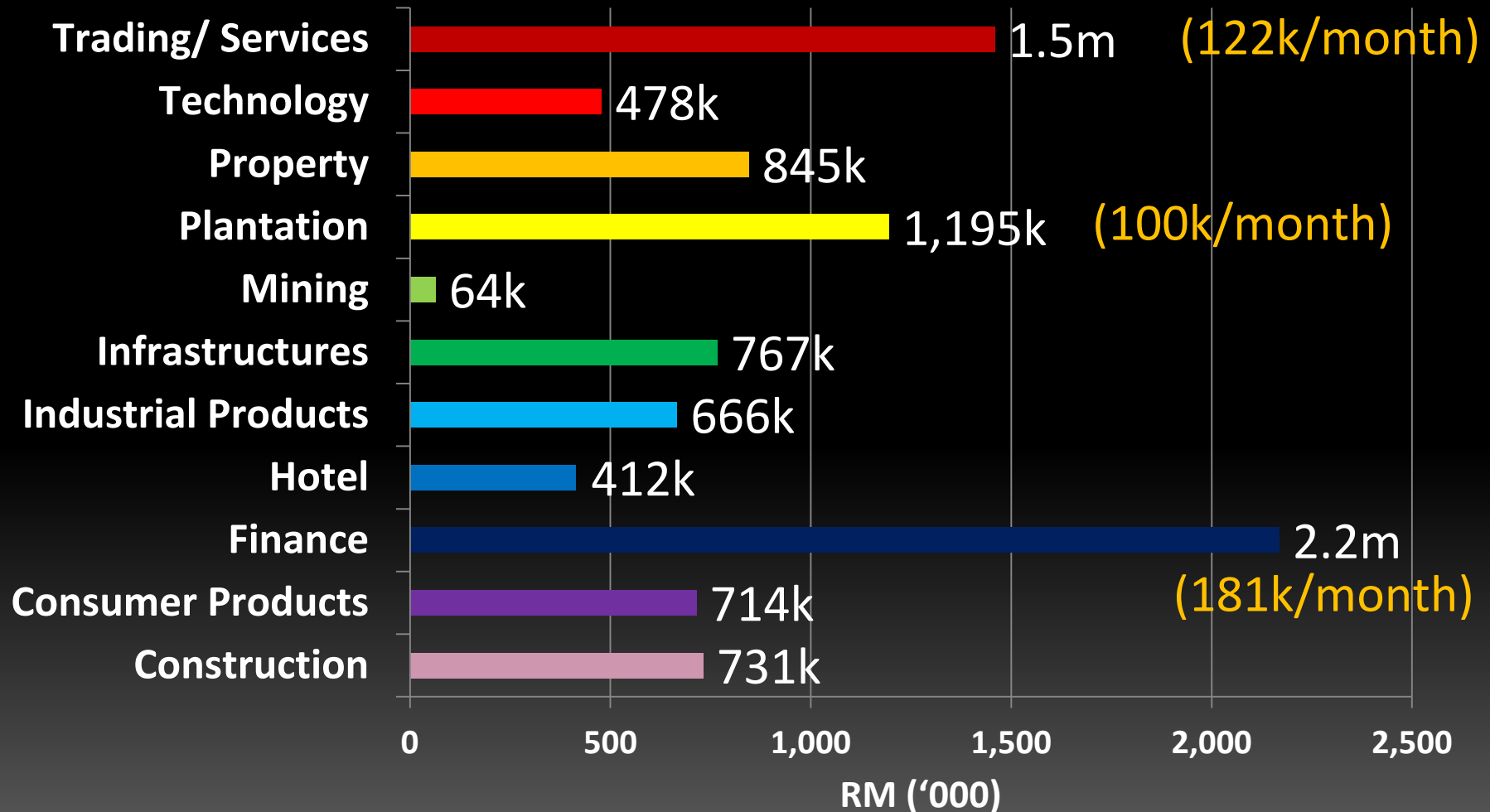
DISCLOSURE	2011	2010	2009
Whistle-blowing policy	+ 8.9%	6.24%	2.56%
Dividend policy	+ 8.4%	5.68%	5.34%
Corporate Responsibility	+ 78.6%	50.89%	49.39%
Annual Report released within 4 months	- 222 PLCs (26%)	249 PLCs (28%)	219 PLCs (24%)

**DIRECTORS' REMUNERATION**

	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Disclosure by individual directors</b>	<b>72 PLCs (8.3%)</b> 	<b>50 PLCs (5.6%)</b>	<b>47 PLCs (5.2%)</b>

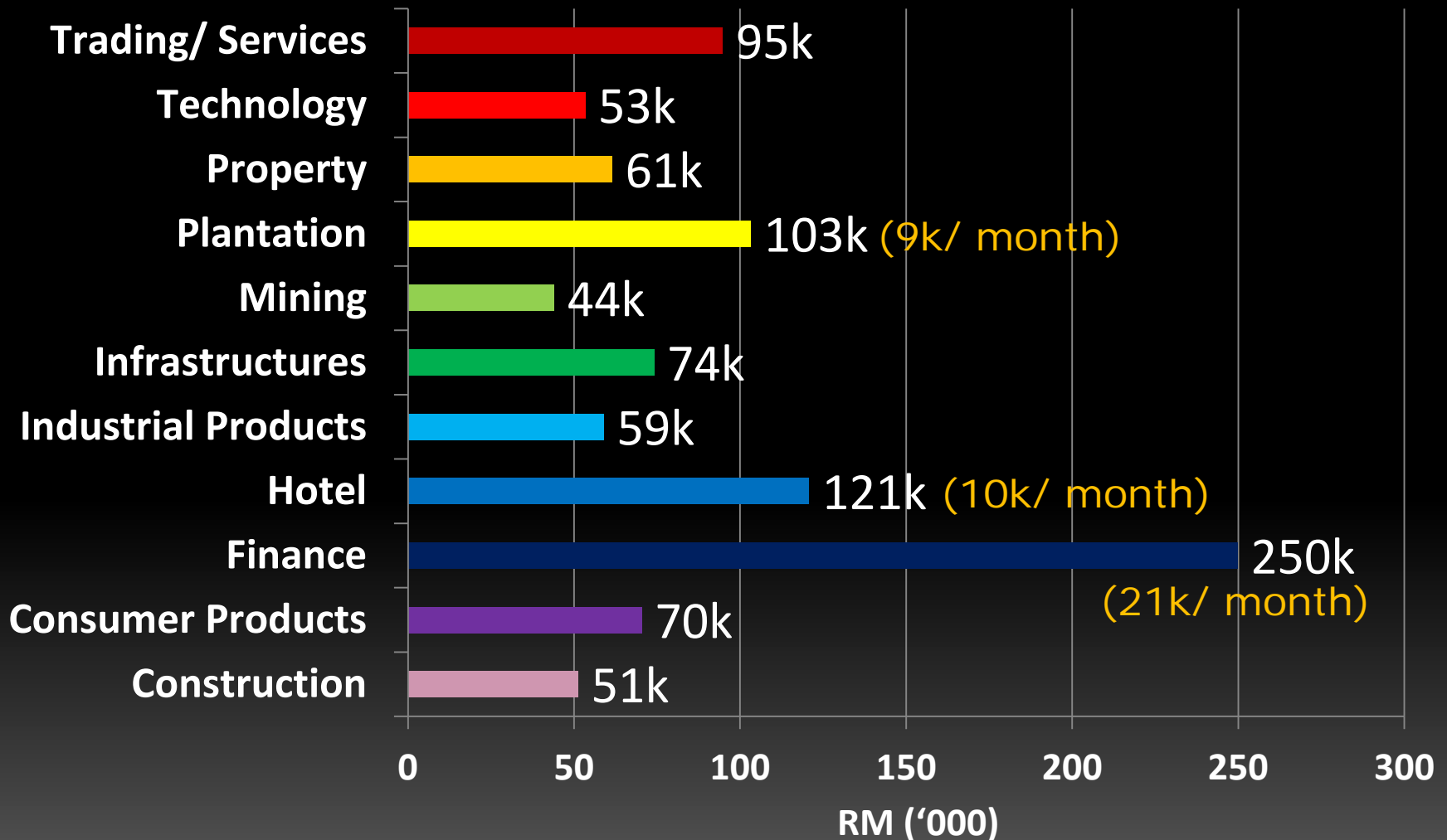
# MCG INDEX 2011 – ED REMUNERATION (CHART)

Overall Average ED Remuneration: **RM824k a year/ RM69k a month**



# MCG INDEX 2011 – NED REMUNERATION (CHART)

Overall Average NED Remuneration: **RM109K a year/ RM9k a month**



# MCG INDEX 2011 – BOARD DIVERSITY

## BOARD DIVERSITY in Top 100 MCG Index Companies

	GENDER	NATIONALITY	AGE	ETHNICITY			
	Women in Board	Foreign Nationality		MALAY	CHINESE	INDIAN	OTHERS
Top 100	7%	9%	58	49%	38%	5%	8%
GLCs	12%	8%	58	74%	9%	9%	8%

## BOARD SKILLSET DIVERSITY in Top 50 MCG Index Companies in 2011

FINANCE/ ECONOMICS	ENGINEERING	LAW	SCIENCES	ART/ GENERAL/ OTHERS
46%	9%	6%	3%	35%



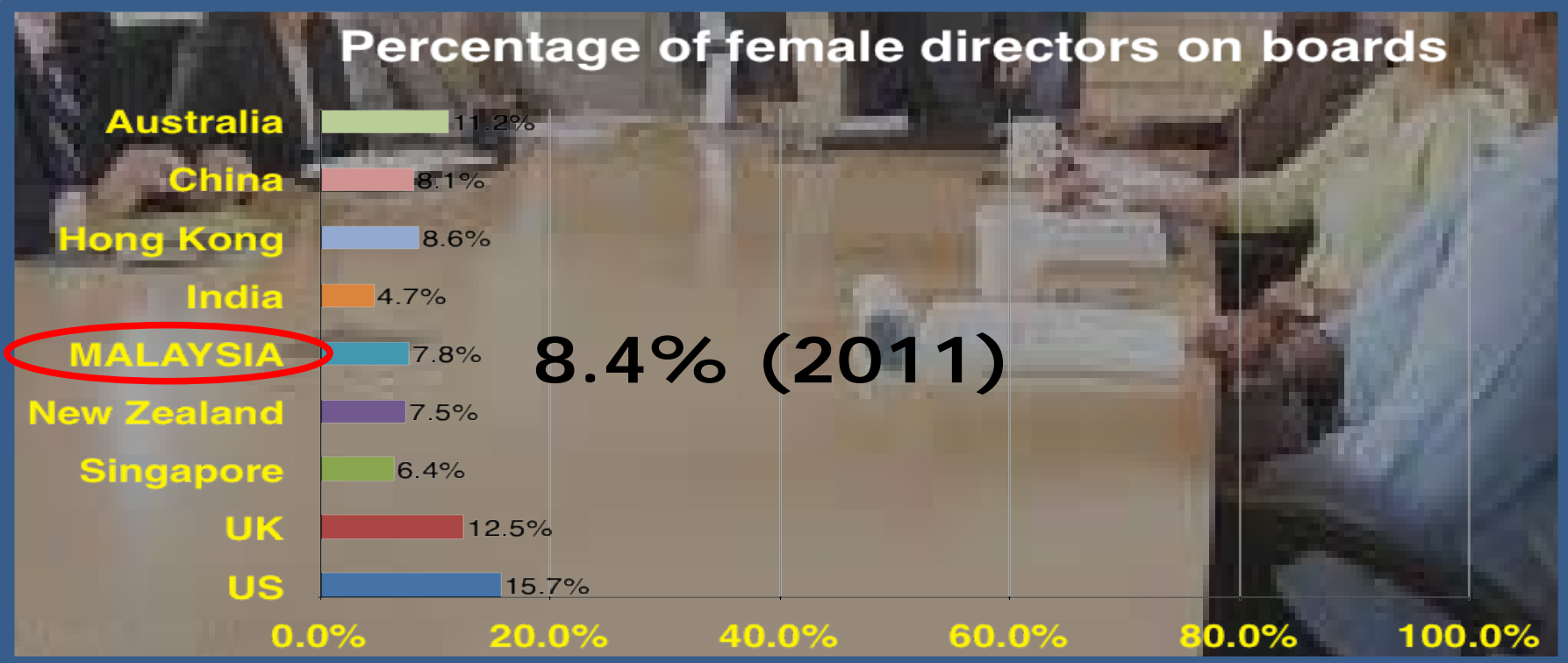
# MCG INDEX 2011 – GENDER DIVERSITY COMPARISONS

## GENDER DIVERSITY IN OVERALL 864 COMPANIES

	2011	2010	2009
<b>Women on Malaysian Boards</b>	<b>8.4%</b>	<b>8.2%</b>	<b>7.5%</b>

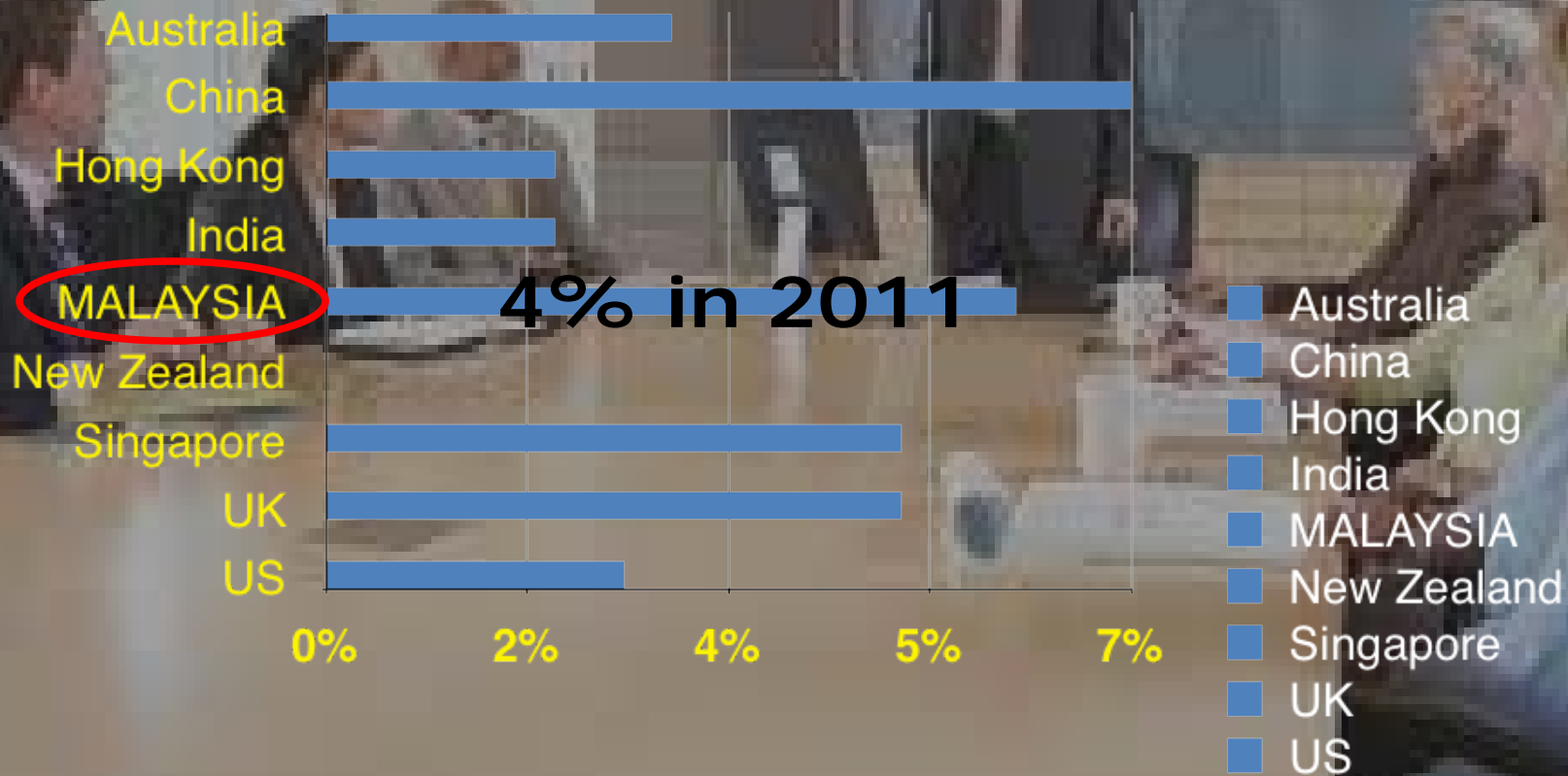
### Board Diversity Worldwide (2010)

#### Percentage of female directors on boards



## Board Diversity Worldwide (2010)


% of companies with female CEOs



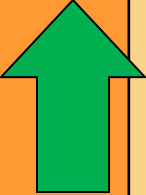
**NON AUDIT FEE BY EXTERNAL AUDITOR VS STATUTORY  
AUDIT FEE**

	<b>2011</b>
<b>No. of Company with Non-Audit Fees &lt; 50% of Statutory Audit Fee</b>	<b>66.56%</b>

**DISCLOSURE OF INTERNAL AUDIT FEE**

	<b>2011</b>	<b>2010</b>
<b>% of Companies that disclosed Internal Audit Fee in Annual Report</b>	<b>79.15%</b> 	<b>74.97%</b>

# MCG INDEX 2011 – TOP 100 PLCs

	2011	2010	2009
INDEX LEVEL	66.9 	66.0	64.4

## RATINGS

A+ ( $\geq 80$ )

A ( $\geq 70$ )

B+ ( $\geq 60$ )

B ( $> 51$ )

Total

## NO. OF PLC

16

10

39

35

100

## NO. OF PLC

11

13

37

39

100

## NO. OF PLC

11

8

12

69

100

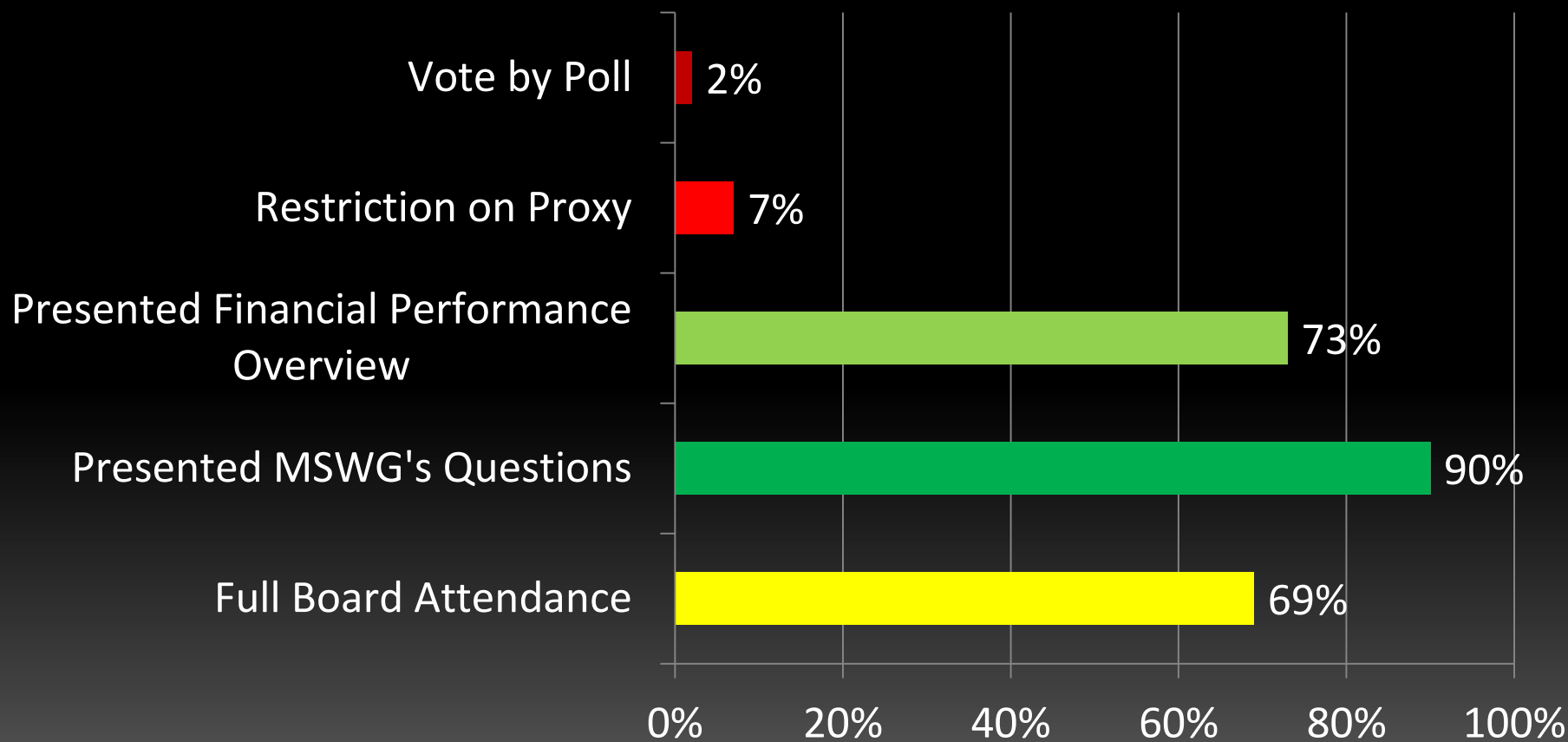
## CONDUCT OF AGM

### Assessment criteria included:

- Chairman's ability to manage meetings efficiently and effectively.
- Presentation on review of the company's performance.
- Board's attendance at AGM.
- Board's response to questions posed by shareholders.
- Response to MSWG's questions at AGM.
- Efficiency of registration procedures.

# CONDUCT OF AGM: MSWG's Observations

## 200 Companies



## GAPS TO BE ADDRESSED

- **Board Assessment**
- **Nomination of INEDs from independent source**
- **Board diversity**
- **Disclosure of remuneration by individual directors**
- **Poll and proxy voting**

THANK  
YOU

