

Dated 3 August 2009

Governance & Transparency Index – Malaysia

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INTRODUCTION

The Governance and Transparency Index (GTI) is divided into two broad sections: governance and transparency (including investor relations) with the maximum points for each section being 75 and 25 respectively.

The governance section covers the following items:

- Directors
- Directors' Remuneration
- Accountability and Audit

The transparency section focuses on how companies communicate with their shareholders.

In addition, the index includes a "bonus and penalty" system where companies which go beyond the requirements of the code (e.g., by including limits on directorships held by their directors) will be awarded additional points while negative events (e.g., directors or management resigning and raising corporate governance concerns) will lead to a deduction in the company's GTI score.

GOVERNANCE

| DIRECTORS (MAX = 35 POINTS) | | | |
|-----------------------------|--|------------------|--|
| S/N | DESCRIPTION | POINTS | REMARKS |
| 1 | <i>Board size (Max = 2 points)</i> If the board comprises of at least 6 members but not more than 11 | 2 | |
| 2 | <i>Board independence (Max = 5 points)</i> Proportion of independent directors on board If more than 50% If 50% If between a third and less than 50% If less than a third | 5 3 1 0 | |
| 3 | <i>Board competencies (Max = 2 points)</i> If at least one of the independent directors has work experience in the industry the company is in | 2 | Note: Being an independent director or non-executive director of a company in the particular industry should not be considered as having work experience |
| 4 | <i>Directorships or Chairmanships held by the company's directors in listed companies (Max = 2 points)</i> If the company discloses all the current directorships and chairmanships in listed companies held by its directors | 2 | |
| 5 | <i>CEO-Chairman separation (Max = 4 points)</i> If the Chairman is an independent director If the Chairman is a non-executive director and is unrelated to the CEO | 4 2 | |
| 6 | <i>Senior independent director (Max = 1 point)</i> If the annual report identifies a senior independent director | 1 | |
| 7 | <i>Board meetings (Max = 3 points)</i> Number of board meetings held If the board meets at least 6 times during the year If the board meets at least 4 times during the year | 3 1 | |

| | | | |
|----|--|---------------------------------------|--|
| 8 | <p><i>Committee meetings (Max = 3 points)</i> Number of committee meetings held If the nominating committee meets at least 2 times during the year</p> <p>If the remuneration committee meets at least 2 times during the year</p> <p>If the audit committee meets at least 4 times during the year</p> | 1 1 1 | |
| 9 | <p><i>Attendance at board and committee meetings (Max = 2 points)</i></p> <p>If individual director attendance at board meetings is given</p> <p>If individual director attendance at all committee meetings is given</p> | 1 1 | |
| 10 | <p><i>Nominating committee independence (Max = 2 points)</i> If all the members are independent</p> <p>If a majority of the members are independent (including the Chairman)</p> <p>If at least one member is executive</p> | 2 1 0 | |
| 11 | <p><i>Selection of directors (Max = 3 points)</i> If the following information is disclosed:</p> <p>The skills/experience sought</p> <p>External search is done</p> <p>The process followed</p> | 1 1 1 | |
| 12 | <p><i>Board and individual director appraisal (Max = 6 points)</i> Board appraisal The process is disclosed in detail</p> <p>Criteria used are disclosed</p> <p>Individual director appraisal The process is disclosed in detail</p> <p>Criteria used are disclosed</p> <p>If an external party is used at least periodically to conduct the board and/or individual director appraisal</p> | 1 1 1 1 2 | |

| DIRECTORS' REMUNERATION (MAX = 20 POINTS) | | | |
|---|--|--------|--|
| S/N | DESCRIPTION | POINTS | REMARKS |
| 1 | <i>Remuneration committee independence (Max = 2 points)</i> If all the members are independent | 2 | |
| | If a majority of the members are independent (including the Chairman) | 1 | |
| 2 | <i>Disclosure of executive directors remuneration (Max = 4 points)</i> If exact remuneration of each executive director is disclosed | 4 | |
| | If remuneration of executive directors (identified by name) is disclosed in bands of RM25,000 or less | 3 | Note: Must not have unlimited top band, e.g., RM50,000 and above |
| | If remuneration of executive directors (identified by name) is disclosed in bands of between RM25,000 to RM50,000 | 2 | Note: Must not have unlimited top band, e.g., RM50,000 and above |
| | If remuneration of executive director directors is disclosed in bands of RM50,000 or less without disclosure of names | 1 | Note: Must not have unlimited top band, e.g., RM50,000 and above |
| 3 | <i>Mix of executive director remuneration (Max = 2 points)</i> If short-term incentives are used | 1 | |
| | If long-term incentives are used | 1 | Use of options without disclosure of vesting periods, or grant of shares which vests immediately and do not have minimum holding requirements, will not be counted as long-term incentives |
| 4 | <i>Performance measures of executive directors (Max = 1 point)</i> If the company discloses the performance measures of its executive directors | 1 | |
| 5 | <i>Disclosure of Top 5 executives' remuneration (Max = 4 points)</i> If exact remuneration of each of the top 5 executives is disclosed | 4 | |

| | | | |
|---|---|----------------------------|---|
| | <p>If remuneration of top 5 executives is disclosed in bands of RM25,000 or less</p> <p>If remuneration of top 5 executives is disclosed in bands of between RM25,000 to RM50,000</p> <p>If remuneration of top 5 executives is disclosed in bands of RM50,000 or less without disclosure of names</p> | <p>3</p> <p>2</p> <p>1</p> | <p>Note: Must not have unlimited top band, e.g., RM50,000 and above</p> <p>Note: Must not have unlimited top band, e.g., RM50,000 and above</p> <p>Note: Must not have unlimited top band, e.g., RM50,000 and above</p> |
| 6 | <p><i>Disclosure of non-executive director fees (Max = 3 points)</i></p> <p>If exact fees of each non-executive director is disclosed</p> <p>If fees are disclosed in bands of RM25,000 or less (with non-executive directors identified by name)</p> <p>If fees are disclosed in bands of RM50,000 or less without disclosure of names</p> | <p>3</p> <p>2</p> <p>1</p> | <p>Note: Must not have unlimited top band, e.g., RM50,000 and above</p> <p>Note: Must not have unlimited top band, e.g., RM50,000 and above</p> |
| 7 | <p><i>Structure of non-executive director fees (Max = 2 points)</i></p> <p>If the fee structure (e.g. fees for attending meetings, for being committee members, for being committee chair, etc) is disclosed</p> | <p>2</p> | |
| 8 | <p><i>Stock options (Max = 2 points)</i></p> <p>If the vesting period of stock options is over a period of 3 years or more</p> | <p>2</p> | |
| ACCOUNTABILITY AND AUDIT (MAX = 20 POINTS) | | | |
| 1 | <p><i>Independence of the audit committee members (Max = 3 points)</i></p> <p>If all are independent directors</p> | <p>3</p> | |

| | | | |
|---|--|--|--|
| | <p>If all are non-executive directors with a majority independent (including the chairman)</p> <p>If one or more of the directors are executive</p> | <p>1</p> <p>0</p> | |
| 2 | <p><i>Competencies of audit committee members (Max = 2 points)</i></p> <p>If at least a majority of the audit committee has accounting or finance qualification or work experience with one member being a member of the Malaysian Institute of Accountants or has 3 years' work experience and is a member of an accounting association or body</p> | 2 | |
| 3 | <p><i>Competencies of audit committee chairman (Max = 2 points)</i></p> <p>If the audit committee chairman has accounting or finance qualification or work experience</p> | 2 | |
| 4 | <p><i>Risk management, internal control and internal audit (Max = 10 points)</i></p> <p>If the key risks (including operational risks) are disclosed in the annual report</p> <p>If there is disclosure of how these risks are assessed and managed</p> <p>If there is disclosure of the process and framework used to assess the adequacy of internal control systems and risk management</p> <p>If there is disclosure that the internal auditor meets or exceeds the IIA standards</p> <p>If the annual report has a statement by the board or audit committee on the adequacy of the internal controls (including operational, financial and compliance) and risk management systems</p> | <p>2</p> <p>2</p> <p>2</p> <p>2</p> <p>2</p> | |
| 5 | <p><i>Whistleblowing policy (Max = 3 points)</i></p> <p>If the company has a whistleblowing policy in place, discloses key details about the policy and does not disregard anonymous complaints</p> <p>If the company has a whistleblowing policy in place but does not disclose any further details</p> | <p>3</p> <p>1</p> | |

TRANSPARENCY & INVESTOR RELATIONS

| S/N | DESCRIPTION | POINTS | REMARKS |
|--|---|--|---------|
| COMMUNICATION WITH SHAREHOLDERS (MAX = 25 POINTS) | | | |
| 1 | <p><i>Timeliness of release of annual financial results (Max = 3 points)</i> Annual Audited Accounts If released within 60 days</p> <p>If released within 60 – 83 days</p> <p>If released during the last 7 days before the reporting deadline</p> <p>If greater than 90 days</p> | <p>3</p> <p>2</p> <p>1</p> <p>0</p> | |
| 2 | <p><i>Timeliness of release of quarterly financial results (Max = 2 points)</i> If the results for each of the four quarters were released within 45 days</p> <p>If the results were released after 45 days for at least one quarter</p> | <p>2</p> <p>0</p> | |
| 3 | <p><i>Corporate website (Max = 5 points)</i> If the company has a website, and the link is provided on the Bursa Malaysia website and/or annual report</p> <p>If the website has a clearly dedicated “Investor Relations” link instead of providing such information under headings such as “News” or “Announcements”</p> <p>If the latest financial results are available on the company website</p> <p>If the latest annual report is available on the company website</p> <p>If the investor relations contact is given on the company website or annual report</p> | <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> | |
| 4 | <p><i>Effectiveness of the IR contacts (Max = 2 points)</i> Responsiveness of company to queries sent via the IR email/phone number given on the company website or</p> | <p>2</p> | |

| | | | |
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| | annual report | | |
| 5 | <p><i>Results briefings to announce full-year results (Max = 3 points)</i> Briefing for the media and analysts</p> <p>If the briefing is held for media and analysts together</p> <p>If the briefing is held for media and analysts separately</p> | 3 1 | |
| 6 | <p><i>Presence of key management at results briefings (Max = 2 point)</i> If key management are present at the results briefing</p> | 2 | |
| 7 | <p><i>Availability of presentation materials/webcast of results briefings online (Max = 1 point)</i> If the presentation materials or a webcast of the briefing are available on the Bursa Malaysia or company website</p> | 1 | |
| 8 | <p><i>Shareholder participation (Max = 7 points)</i> If the company allows shareholders who hold shares through nominees to attend the annual general meetings (AGM) as observers without being constrained by the two-proxy rule</p> <p>If the length of time between the Notice of AGM sent to shareholders and the date of the AGM is equal to or greater than 28 days</p> <p>If the company provides full information on each item in the agenda for the AGM in the Notice</p> <p>If the company conducts voting on all resolutions by poll at the AGM</p> <p>If the company publishes the detailed results of voting from the AGM</p> | 2 1 1 2 1 | |

BONUSES

The following are some of the practices which will enable a company to receive bonus points. This list is not exhaustive and will also be reviewed periodically.

| S/N | DESCRIPTION | POINTS | REMARKS |
|-----|--|--------------|--|
| 1 | If the company has a positive confirmation statement in the corporate governance report that they have complied with the Best Practices of the Code and identifies and gives reasons for areas of non-compliance, if any | +3 | |
| 2 | Having a diverse board If the company has at least two female directors (including the CEO) If the company has at least one female director (including the CEO) | +3 +1 | |
| 3 | If the company provides a comprehensive description of how it assesses the independence of its directors | +3 | |
| 4 | Having term limits for the directors If the company has set a term limit of up to 6 years for their independent directors | +3 | |
| 5 | If the company imposes a limit on the number of directorships that can be concurrently held by its independent directors beyond the listing rule requirements | +3 | Note: The limits should be no more than 4 directorships for a director with full-time employment and 6 directorships for a director with no full-time employment |
| 6 | Disclosing information on the succession planning for the board and senior management | +3 | |
| 7 | Disclosing information on director training (e.g., type of courses, directors who attended the training, number of hours attended, etc) | +5 | Full points will be allocated only if the names of the directors and the specific |

| | | | |
|----|---|----------|---|
| | | | courses they have attended during the year are disclosed. Partial points might be awarded for partial disclosure but this does not include statements such as “All our directors are encouraged to attend training courses” or “The company has a training budget which can be used by directors to attend courses they are interested in”. No points will be awarded if the company discloses that none of its directors attended any training |
| 8 | Having a separate board-level risk committee | +3 | |
| 9 | CEO/CFO certification of financial statements | +3 | |
| 10 | Having a policy which encourages non-executive directors to purchase shares in the company and hold them till they leave the board | +3 | |
| 11 | Early announcement of stock option grants If announcement is made two or more days before the grant If announcement is made on the day before the grant | +3 +1 | |
| 12 | Disclosing the company’s code of conduct or ethics | +3 | Note: The company need not disclose this in the annual report. If the information is available on the |

| | | | |
|----|--|--------------------|---|
| | | | company website, the points will still be awarded |
| 13 | If media are invited or allowed to attend the Annual General Meeting | +3 | |
| 14 | Independent directors resigning and providing detailed reasons for their resignation | +3 for each person | Note: The reasons should be detailed and specific and not related to corporate governance related issues such as the independent director not being able to discharge his/her duties properly. Reasons such as “personal reasons”, “due to other commitments” should not be given points. |

PENALTIES

The following are some of the practices which will enable a company to receive penalty points. This list is not exhaustive and will be reviewed periodically.

| S/ N | DESCRIPTION | POINTS | REMARKS |
|---------|---|--------------------------------|--|
| 1 | Non-disclosure of director information: <ul style="list-style-type: none"> - Age and nationality - Academic/Professional qualifications - Working experience and occupation - Date of first appointment as a director - Directorships or chairmanships present held in other listed companies - Number of board meetings attended during the financial year | -1 for each item not disclosed | |
| 2 | Tenure of independent directors: If there are two or more independent directors with tenure of more than 9 years | - 3 | If the tenure of an independent director is more than 9 years, the director is to be considered as non-independent Note: The director is to be considered as non-independent for all other areas in the scorecard, e.g. composition of committees |
| 3 | Number of directorships concurrently held by independent directors For each director who does not meet the limits specified in the “remarks” column | -3 | If the director holds a full-time position, the limit is 4 directorships in listed companies If the director does |

| | | | |
|---|---|---|---|
| | | | <p>not hold a full-time position, the limit is 6 directorships in listed companies</p> <p>Note: Being the chairman of a company is considered as holding 2 directorships while being the chairman of the audit committee is considered as holding 1.5 directorships</p> |
| 4 | Number of external directorships in other listed companies (outside group) concurrently held by CEO or executive directors is more than 2 | -3 | |
| 5 | <p>Board interlocks</p> <p>If the executive directors or the chief financial officer and the independent directors sit together on boards of listed companies outside the group</p> <p>If 2 or more directors (the same persons) sit together on 3 or more boards</p> | <p>-5 for each company</p> <p>-5 for each company</p> | |
| 6 | If the same independent directors sit on all the nominating, remuneration and audit committees in the company | -2 | |
| 7 | <p>Retention or appointment of directors or senior management who have been subjected to regulatory actions</p> <p>If the director is being investigated</p> | -3 | Points deducted for the company in which the alleged offence is committed |

| | | | |
|----|--|---------------------------|---|
| | <p>If the director is charged</p> <p>If the director is reprimanded</p> | <p>-5</p> <p>-5</p> | <p>and on whose board the director serves. If a company appoints a director who is facing regulatory action, points will be deducted from that company as well.</p> |
| 8 | <p>Frequent turnover of senior management (CEO, executive directors and CFO)</p> <p>If more than one change for any one of these positions occurs within a financial year</p> <p>For each position (other than the one indicated above) which has more than one change during the year</p> | <p>-3</p> <p>-3</p> | <p>For example, if there is a change in the CEO twice during the year, 3 points will be deducted. In addition, if there are changes in the CFO more than once during the year, 3 more points will be deducted.</p> |
| 9 | <p>Resignation of senior management (CEO, executive directors and CFO) without adequate disclosure of information regarding the circumstances, search for replacement and expected time frame for appointing a new person</p> | <p>-3 for each person</p> | |
| 10 | <p>Independent directors resigning and raising corporate governance-related concerns</p> | <p>-10</p> | <p>An example of corporate governance-related concerns is if an independent director resigns and indicates that the resignation was due to not receiving the necessary information required to discharge his/her duties as a director in the company.</p> |
| 11 | <p>Independent directors resigning from the board citing personal reasons, personal commitments, health reasons or</p> | <p>-3 for each</p> | <p>Note: This is only applicable if the</p> |

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|----|---|---------------------------------|---|
| | similar reasons relating to personal circumstances, but do not resign from any other board within +/- 3 months | person | director sits on more than one board |
| 12 | If the company issues a profit warning within 30 days after the IPO or after a results announcement | -5 | |
| 13 | Earnings restatements: If the earnings for one year are to be restated If earnings of more than one year are to be restated | -5 -8 | |
| 14 | External auditors unable to issue an opinion or raises red flag, allegations of fraud reported, unauthorized trading, etc., | - 10 to -15 | 15 points if allegation involves directors/senior management/controling shareholders Deduction will be for one year only if issue is promptly investigated and addressed |
| 15 | Sanctions and/or penalties imposed on the company, its subsidiaries and management | -3 for each sanction or penalty | |
| 16 | Non-disclosure of information on all sanctions and/or penalties imposed on the listed issuer and its subsidiaries, directors or management by the relevant regulatory bodies in the annual report | -3 | |
| 17 | Issue of share options to independent directors | -3 | |
| 18 | Issue of share options to directors and senior executives when the share price is at or near one year lows | -5 | Note: In determining if penalty points are |

| | | | |
|----|--|-------------------------------|--|
| | | | to be deducted, the timing of the stock option grants would be taken into account, i.e., whether they are part of a regular option grant schedule at around the same time each year, or whether they are more ad hoc |
| 19 | <p>Significant related party transactions (excluding transactions involving standard services with published rates or routine and retail transactions) involving major shareholders, directors or senior management or evidence of serious conflict of interests</p> <p>More than 10 percent of any of the percentage ratios in one year</p> <p>More than 5 percent but less than or equal to 10 percent of any of the percentage ratios</p> <p>For every 5 percent increase beyond 10 percent</p> | <p>-6</p> <p>-3</p> <p>-3</p> | Note: The percentage ratios are indicated at the end of this document |

Percentage ratios for related party transactions

“Percentage ratios” means the figures, expressed as a percentage, resulting from each of the following calculations:-

- I. the value of the assets which are the subject matter of the transaction, compared with the net assets of the listed issuer;
- II. net profits (after deducting all charges and taxation and excluding extraordinary items) attributable to the assets which are the subject matter of the transaction, compared with the net profits of the listed issuer;
- III. the aggregate value of the consideration given or received in relation to the transaction, compared with the net assets of the listed issuer;

- IV. the equity share capital issued by the listed issuer as consideration for an acquisition, compared with the equity share capital previously in issue;
- V. the aggregate value of the consideration given or received in relation to the transaction, compared with the market value of all the ordinary shares of the listed issuer;
- VI. the total assets which are the subject matter of the transaction compared with the total assets of the listed issuer;
- VII. in respect of joint ventures, business transactions or arrangements, the total project cost attributable to the listed issuer compared with the total assets of the listed issuer or in the case where a joint venture company is incorporated as a result of the joint venture, the total equity participation of the listed issuer in the joint venture company (based on the eventual issued capital of the joint venture company) compared with the net assets of the listed issuer. The value of the transaction should include shareholders' loans and guarantees to be given by the listed issuer; or
- VIII. the aggregate original cost of investment of the subject matter of the transaction divided by the net assets of the listed issuer, in the case of a disposal and where the acquisition of the subject matter took place within last 5 years;