

MALAYSIA-ASEAN CORPORATE GOVERNANCE TRANSPARENCY INDEX, FINDINGS AND RECOGNITION 2016



MISSION TO INCREASE SUSTAINABLE SHAREHOLDER VALUE IN COMPANIES THROUGH ENGAGEMENT WITH RELEVANT STAKEHOLDERS, WITH A FOCUS ON MINORITY SHAREHOLDER INTERESTS

THE Minority Shareholder Watchdog Group (MSWG) was set up in the year 2000 as a Government initiative to bring about awareness primarily on matters pertaining to minority shareholders interest and corporate governance (CG) through shareholder activism and engagement with stakeholders. Positioned as part of a broader Capital Market framework, MSWG is a professional body licensed under the Capital Market & Services Act 2007. A self-governing and non-profit body, MSWG is funded predominantly by the Capital Market De-

velopment Fund (CMDP). It is an important channel of market discipline to encourage good governance with the objective of creating sustainable value.

MSWG has over the years evolved into both a respected and independent CG research and monitoring organisation in the capital marketplace. It highlights and provides independent views and guidance to investors.

MSWG's four founding organisations are:

- Armed Forces Fund Board (Lembaga Tabung Angkatan Tentera)
- Pilgrims Fund Board (Lembaga Tabung Haji)
- National Equity Corporation (Permodalan Nasional Bhd)
- Social Security Organisation (Pertubuhan Keselamatan Sosial)

Background

The **ASEAN CG Scorecard** as a methodology to assess public listed companies was initiated by the ASEAN Capital Markets Forum (ACMF) and funded by the Asian Development Bank (ADB). Six ASE-

AN countries are involved in this project, namely Malaysia, Thailand, Indonesia, Singapore, the Philippines and Vietnam.

One of the initiatives under the ACMF to drive capital market integration in the region is the **ASEAN CG Scorecard** which aims to benchmark the region's corporate governance frameworks based on international best practices. It is also targeting to drive countries in the region to play a significant role in the convergence of international best practices. In recognition of MSWG's track record in carrying out the assessment of CG practices among public listed companies (PLCs) in Malaysia through the Malaysian Corporate Governance (MCG) Index since 2009, MSWG has been appointed as the Domestic Ranking Body for Malaysia and also stands out as one of the pioneers in spearheading the adoption of the ASEAN CG Index in the region.

Objectives

The ultimate aim of this CG convergence is to build upon economies of scale to achieve a single asset class which translates to wider

access into the capital market for each member, thus facilitating cross-border fund raising, investments and market access.

The standardisation of the ASEAN CG parameters is expected to:

- Raise CG standards and practises of ASEAN PLCs as it is benchmarked against global principles and best practices;
- Showcase and enhance visibility as well as profile well-governed companies in ASEAN internationally; and
- Complement other ACMF initiatives and to promote ASEAN as an asset class.

Principles behind the ASEAN CG Scorecard

The development of the ASEAN CG Scorecard was guided by the following principles:

- Reflective of global principles and internationally recognised good practices in CG which are applicable to PLCs that may exceed the requirement and standards recommended in national legislation;
- Not based on the lowest common denominator to encourage PLCs to adopt higher standards and aspirations;
- Comprehensive in coverage to capture the salient elements of CG;
- Enable gaps in CG practices among ASEAN PLCs to be identified;
- Universal and applicable to different markets in ASEAN;
- Robust methodology to allow accurate assessment of the CG of PLCs beyond minimum compliance and box ticking; and
- Extensive and robust quality assurance processes to ensure the independence and reliability of the assessment.

Methodology

The **ASEAN CG Scorecard** is mainly based on disclosures in annual reports and company websites. Other sources of information include company announcements, circulars, articles of association, minutes of shareholders' meeting, corporate governance policies, codes of conduct and sustainability reports. For 2016, the cut-off date for annual report was 31 July 2016 with assessments done based on the latest website information as of assessment date.

The scorecard comprises two parts which are referred to as **Level 1** and **Level 2**. **Level 1** comprises 179 parameters and are divided into five (5) parts to correspond with the Organisation for Economic Co-operation and Development's (OECD) Principles of Corporate Governance as depicted in **Figure 1**. Each part carries different weightage based on the relative importance of the area.

The OECD Principles are used as the main benchmark for the Scorecard given their global acceptance by policy makers, investors and other stakeholders. The total 'bonus' and 'penalty' points in **Level 2** are added or subtracted from the total score in **Level 1** to arrive at the final score of the company. ■

FIGURE 1: ASEAN CG SCORECARD SECTIONS

SECTION	AREA	OECD PRINCIPLES OF CG	EXAMPLES OF AREAS ASSESSED
PART A	RIGHTS OF SHAREHOLDERS	Principle II. The Rights of Shareholders and Key Ownership Functions The corporate governance framework should protect and facilitate the exercise of shareholders' rights.	Equal rights to share in profits; rights to participate in general meetings; voting process; disclosure of voting results; voting in absentia, etc.
PART B	EQUITABLE TREATMENT OF SHAREHOLDERS	Principle III. The Equitable Treatment of Shareholders The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.	Voting rights; timely information for effective decision making by shareholders; disclosure on any material interest or conflict of interest by board members; disclosure of related party transactions and whether they are fair and conducted at arms' length, etc.
PART C	ROLE OF STAKEHOLDERS	Principle IV. The Role of Stakeholders in Corporate Governance The corporate governance framework should recognise the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.	Separate corporate social responsibility (CSR)/ sustainability report; company's efforts to interact with the communities; company's commitment towards broader stakeholders; procedures for complaints by employees, etc.
PART D	DISCLOSURE & TRANSPARENCY	Principle V. Disclosure and Transparency The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.	Disclosure on shareholding information including beneficial owner, disclosure of direct and indirect shareholdings of directors, disclosure of audit & non-audit fees, channel for communication, comprehensive reporting in annual report, etc.
PART E	RESPONSIBILITIES OF THE BOARD	Principle VI. The Responsibilities of the Board The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.	Role & responsibilities of the board, board charter & code of ethics, term limit of independent directors, disclosure of directors' remuneration, board diversity, board committees, board assessment, etc.

BONUS & PENALTY ITEMS

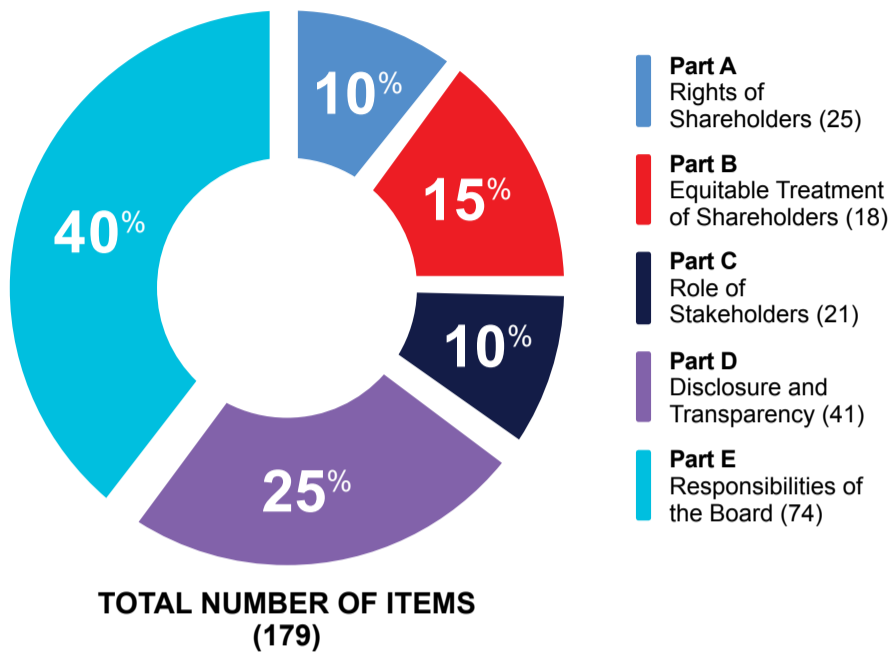
Level 2 contains 33 bonus and penalty items collectively — each with a different number of points. The bonus items are to recognise companies which go beyond items in **Level 1** by adopting other emerging good practices. The penalty items are designed to downgrade companies with poor governance practices which are not reflected in their scores for **Level 1** such as being sanctioned by regulators for breaches of listing rules. The bonus and penalty items are designed to enhance the robustness of the Scorecard in assessing the extent to which companies apply the spirit of good governance. It should be noted that the Scorecard relies heavily on disclosures made by companies. In this regard, the accessibility of information disclosed is of utmost importance.

The overall components of the scorecard are summarised in Figure 2 below.

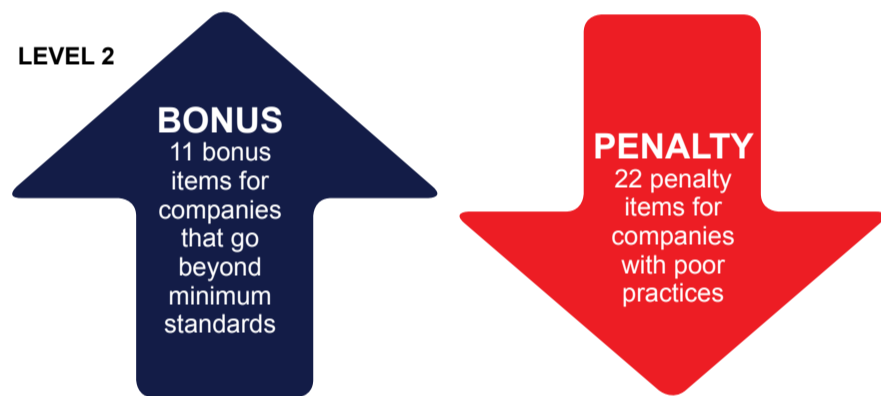
FIGURE 2: ASEAN CG SCORECARD SECTIONS

LEVEL 1

5 five major sections that corresponds to the OECD Principles of Corporate Governance



LEVEL 2

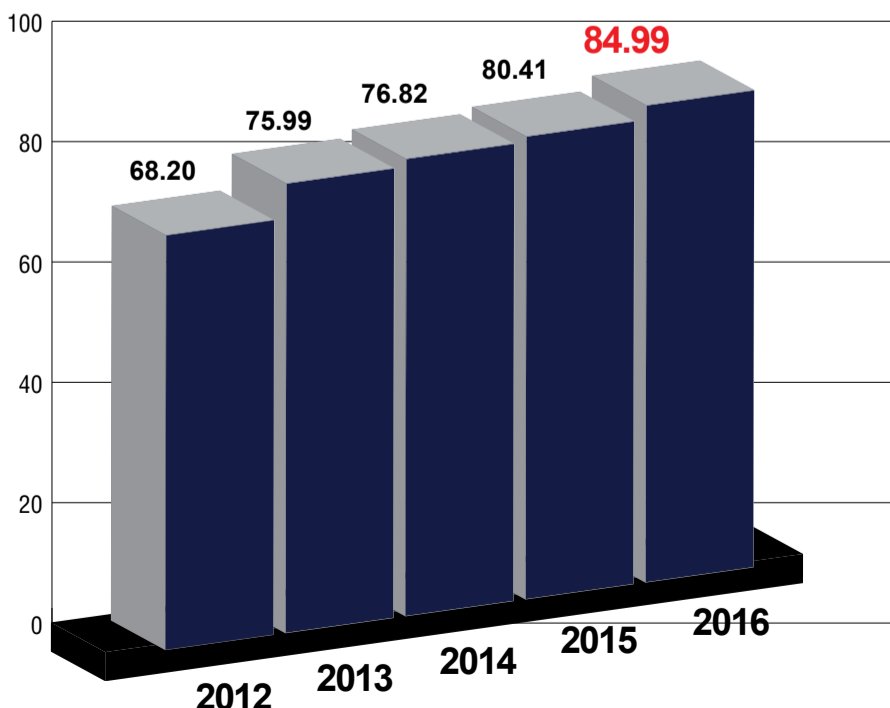


KEY FINDINGS FOR THE TOP 100 COMPANIES

For 2016, a total of 868 companies were assessed and the **Index Score** for the **Top 100 companies** was calculated.

The **Index Score** for the **Top 100 companies** in 2016 was 84.99, an increase of 5.70% over the 2015 **Index Score** of 80.41. **Figure 3** reveals that the average Index Score of the Top 100 companies has been on an upward trend since 2012.

FIGURE 3: AVERAGE CG SCORE OF TOP 100 PLCS



The following tables show the summary of findings from this year's Index compared to that of 2015 for the Top 100 companies.

	2016	2015
INDEX SCORE FOR TOP 100 PLCS	84.99	80.41
Companies having Board Charter	94%	97%
Companies having Code of Ethics	90%	77%
Companies that published AGM Minutes	48%	37%
Companies that published Memorandum and Articles of Association	41%	28%
Companies Disclosing Individual Director Remuneration	43%	33%
Companies with Dividend Policy	41%	38%
Companies with Whistle-Blowing Policy	86%	70%
Companies with Corporate Responsibility Policy	94%	93%
Companies Disclosing Training Attended by Each Director	80%	65%

GENDER DIVERSITY STATISTICS FOR TOP 100 COMPANIES

	2016	2015
No. of women on Boards:		
• Executive Directors	14	12
• Non-Independent Non-Executive Directors	28	25
• Independent Non-Executive Directors	81	71
TOTAL NUMBER OF WOMEN ON BOARDS	123	108

Women on Boards (%):

• Executive Directors	1.7%	1.5%
• Non-Independent Non-Executive Directors	3.3%	3.1%
• Independent Non-Executive Directors	9.6%	8.8%
TOTAL NUMBER OF WOMEN ON BOARDS	14.6%	13.4%

KEY BOARD STATISTICS FOR TOP 100 COMPANIES

	2016	2015
Separation of Chairman & CEO	89%	96%
Independent Chairman	41%	45%
Board Balance: ≥50% INEDS	61%	66%
Board assessments carried out	97%	95%
Tenureship of INEDs > 9 years	37%	44%
Average INED tenureship (years)	5	6
Existence of Nomination Committee (NC)	100%	100%
NC comprised majority of INEDs	100%	96%
Existence of Remuneration Committee (RC)	99%	99%
RC comprised majority of INEDs	90%	86%

In addition to the CG scores, performance criteria of Total Shareholder Return (TSR) and Return on Equity (ROE) were also taken into consideration in determining the award recipients as corporate governance is ultimately about translating good practices to performance.

	TOP 100	TOP 50	TOP 20
Return on Equity	≥3.0% for past 3 years	≥3.0% for past 3 years	≥3.0% for past 3 years
Base Score (with positive net Level 2 score)	≥70 points	≥80 points	≥90 points
Overall Score (85% Base Score + 15% Performance)	≥60 points	≥65 points	≥70 points

Message from MSWG's CEO, Rita Benoy Bushon

We are pleased to state that the quality of disclosures has improved markedly during the year to 85 points for the Top 100 companies with an upward trend observed since 2012.

In fact, the Average CG Score trended upward from 68.20 points in 2012 to 80.41 points in 2015 and has further risen to 84.99 points in 2016. This trend shows that companies had indeed made consistent effort to improve their disclosures.

We believe that the increase in the corporate governance levels was a direct effort of corporate governance champions in the capital market, including MSWG. These efforts entail the engagement of boards and management of companies especially during their general meetings. In addition, the institutional minority shareholders were seen to be more active in engaging with companies on issues of

corporate governance and performance through their stewardship activities.

We have also noted that many small and mid-sized companies (those with market capitalisation below RM1 bil) had made good disclosures during the year as evidenced from the statistics. Almost 25% had made it to the top 100 ranking. This is clear indication that the smaller companies are beginning to realise that transparency can be a powerful element of corporate governance.

Other notable best practices for this year were an increase in disclosures of AGM minutes where 48% provided such disclosures in their websites. Poll voting during AGMs had increased to 24% of the top 100 companies compared to only 4% the previous year.

The disclosures on Whistle-Blowing Policy, too, had improved with more PLCs establishing such a policy which has



since been uploaded onto their respective websites.

Those ahead of the pack also showed exemplary disclosures in terms of environmental, social and governance (ESG) reporting with comprehensive and separate Sustainability Reports.

Nevertheless, much more is needed in terms of protection of whistle-blowers. Also, the sustainability reporting by medium-sized companies need to be enhanced to meet the quality and standards set

by their top-notch counterparts. We hope that these companies seek the guidance from Bursa Malaysia's Sustainability Guide and Toolkit.

Elsewhere, more focused attention is needed in the area of gender diversity. The needle had hardly moved, with female board participation in the Top 100 companies at only 14.6%, far behind the Government's 30% target. These top 100 companies should make the additional effort to populate their board composition with qualified women as this is really about risk management, the hallmark of corporate governance.

In conjunction with the results and findings of this year's assessment, we at MSWG are proud to recognise and showcase the top PLCs with outstanding corporate governance practices based on the ASEAN CG Scorecard methodology.

The awards given are a testament to the significant roles that the listed companies themselves had played in terms of governance and overall performance.

For the Malaysian chapter, the Excellence Award recognises companies with top CG disclosures,

including performance criteria as well as Excellence Awards for Long-Term Value Creation and ESG Practices. Merit Awards will also be awarded to the industry best under the various categories.

Malaysian PLCs can set a higher bar when adopting best practices to be benchmarked against the regional best in ASEAN. Companies can use the CG Scorecard which has been uploaded on MSWG's website since 2012 to self-assess and identify the areas in governance and best practices that can be improved further for sustainable growth of the company.

The ASEAN CG Scorecard which is currently being revamped will emphasise on quality and meaningful disclosures. I hope our PLCs will put more effort in meeting the highest standards of best practices to stay competitive in the ASEAN region.

Lastly, allow me to express our hearty congratulations to all companies in our two top 100 categories as well as to all our award winners.

Regards,
Rita

List of Top 100 Companies with Good Disclosures (by rank)

NO.	NAME OF COMPANY
1	BURSA MALAYSIA BHD
2	TELEKOM MALAYSIA BHD
3	AXIATA GROUP BHD
4	MALAYAN BANKING BHD
5	SIME DARBY BHD
6	RHB CAPITAL BHD
7	CIMB GROUP HOLDINGS BHD
8	ALLIANZ MALAYSIA BHD
9	PETRONAS DAGANGAN BHD
10	TENAGA NASIONAL BHD
11	LPI CAPITAL BHD
12	MALAYSIA AIRPORTS HOLDINGS BHD
13	FELDA GLOBAL VENTURES HOLDINGS BHD
14	UEM SUNRISE BHD
15	ASTRO MALAYSIA HOLDINGS BHD
16	PUBLIC BANK BHD
17	PETRONAS GAS BHD
18	TOP GLOVE CORPORATION BHD
19	PETRONAS CHEMICALS GROUP BHD
20	UMW HOLDINGS BHD
21	IJM CORPORATION BHD
22	IJM PLANTATIONS BHD
23	SUNWAY BHD
24	IHH HEALTHCARE BHD
25	BUMI ARMADA BHD
26	BRITISH AMERICAN TOBACCO (M) BHD
27	UMW OIL & GAS CORPORATION BHD
28	NESTLE (M) BHD
29	AFFIN HOLDINGS BHD
30	KPJ HEALTHCARE BHD
31	DIGI.COM BHD
32	UEM EDGENTA BHD
33	MEDIA PRIMA BHD
34	CAHYA MATA SARAWAK BHD
35	MSM MALAYSIA HOLDINGS BHD
36	DELEUM BHD
37	PARAMOUNT CORPORATION BHD
38	MALAYSIAN RESOURCES CORPORATION BHD
39	SUNWAY CONSTRUCTION GROUP BHD
40	ALLIANCE FINANCIAL GROUP BHD
41	MATRIX CONCEPTS HOLDINGS BHD
42	PRESTARIANG BHD
43	OSK HOLDINGS BHD
44	TALIWORKS CORPORATION BHD
45	KLCC PROPERTY HOLDINGS BHD
46	AMMB HOLDINGS BHD
47	SP SETIA BHD
48	MALAYSIA BUILDING SOCIETY BHD
49	DAIBOCHI PLASTIC & PACKAGING INDUSTRY BHD
50	MAXIS BHD

NO.	NAME OF COMPANY
51	MISC BHD
52	QL RESOURCES BHD
53	HEINEKEN MALAYSIA BHD
54	CCM DUOPHARMA BIOTECH BHD
55	POS MALAYSIA BHD
56	BIMB HOLDINGS BHD
57	IOI PROPERTIES GROUP BHD
58	WESTPORTS HOLDINGS BHD
59	KUMPULAN PERANGSANG SELANGOR BHD
60	TA GLOBAL BHD
61	MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BHD
62	TUNE PROTECT GROUP BHD
63	BARAKAH OFFSHORE PETROLEUM BHD
64	DAGANG NEXCHANGE BHD
65	FRASER & NEAVE HOLDINGS BHD
66	WEIDA (M) BHD
67	MMC CORPORATION BHD
68	MNRB HOLDINGS BHD
69	ALAM MARITIM RESOURCES BHD
70	BINTULU PORT HOLDINGS BHD
71	DATASONIC GROUP BHD
72	ORIENTAL HOLDINGS BHD
73	SMIS CORPORATION BHD
74	AIRASIA BHD
75	TRIPLC BHD
76	7-ELEVEN MALAYSIA HOLDINGS BHD
77	SYARIKAT TAKAFUL MALAYSIA BHD
78	TIEN WAH PRESS HOLDINGS BHD
79	WCT HOLDINGS BHD
80	UNITED PLANTATIONS BHD
81	SBC CORPORATION BHD
82	MALAKOFF CORPORATION BHD
83	GAS MALAYSIA BHD
84	HONG LEONG BANK BHD
85	SCOMI ENERGY SERVICES BHD
86	MBM RESOURCES BHD
87	MANULIFE HOLDINGS BHD
88	KUALA LUMPUR KEPONG BHD
89	MKH BHD
90	GENTING BHD
91	UNISEM (M) BHD
92	ELK-DESA RESOURCES BHD
93	STAR MEDIA GROUP BHD
94	TA ENTERPRISE BHD
95	AMWAY (M) HOLDINGS BHD
96	TSH RESOURCES BHD
97	MPHB CAPITAL BHD
98	OLD TOWN BHD
99	MESB BHD
100	HANDAL RESOURCES BHD

List of Top 100 Companies for Overall CG & Performance (by rank)

NO.	NAME OF COMPANY
1	BURSA MALAYSIA BHD
2	TELEKOM MALAYSIA BHD
3	AXIATA GROUP BHD
4	LPI CAPITAL BHD
5	MALAYAN BANKING BHD
6	TENAGA NASIONAL BHD
7	TOP GLOVE CORPORATION BHD
8	ASTRO MALAYSIA HOLDINGS BHD
9	PUBLIC BANK BHD
10	RHB CAPITAL BHD
11	CIMB GROUP HOLDINGS BHD
12	PETRONAS GAS BHD
13	ALLIANZ MALAYSIA BHD
14	SIME DARBY BHD
15	NESTLE (M) BHD
16	PETRONAS DAGANGAN BHD
17	SUNWAY CONSTRUCTION GROUP BHD
18	DIGI.COM BHD
19	MATRIX CONCEPTS HOLDINGS BHD
20	PRESTARIANG BHD
21	UEM EDGENTA BHD
22	PETRONAS CHEMICALS GROUP BHD
23	BRITISH AMERICAN TOBACCO (M) BHD
24	MALAYSIA AIRPORTS HOLDINGS BHD
25	SUNWAY BHD
26	IJM CORPORATION BHD
27	FELDA GLOBAL VENTURES HOLDINGS BHD
28	WESTPORTS HOLDINGS BHD
29	TALIWORKS CORPORATION BHD
30	UEM SUNRISE BHD
31	CAHYA MATA SARAWAK BHD
32	DAIBOCHI PLASTIC & PACKAGING INDUSTRY BHD
33	DELEUM BHD
34	DATASONIC GROUP BHD
35	HEINEKEN MALAYSIA BHD
36	SYARIKAT TAKAFUL MALAYSIA BHD
37	UMW HOLDINGS BHD
38	IHH HEALTHCARE BHD
39	CCM DUOPHARMA BIOTECH BHD
40	MSM MALAYSIA HOLDINGS BHD
41	MALAYSIA BUILDING SOCIETY BHD
42	KPJ HEALTHCARE BHD
43	QL RESOURCES BHD
44	IJM PLANTATIONS BHD
45	MAXIS BHD
46	FRASER & NEAVE HOLDINGS BHD
47	PADINI HOLDINGS BHD
48	GD EXPRESS CARRIER BHD
49	BIMB HOLDINGS BHD
50	OSK HOLDINGS BHD

NO.	NAME OF COMPANY
51	UCHI TECHNOLOGIES BHD
52	MISC BHD
53	LINGKARAN TRANS KOTA HOLDINGS BHD
54	TUNE PROTECT GROUP BHD
55	BARAKAH OFFSHORE PETROLEUM BHD
56	BERJAYA AUTO BHD
57	AFFIN HOLDINGS BHD
58	ALLIANCE FINANCIAL GROUP BHD
59	MY E.G.SERVICES BHD
60	GADANG HOLDINGS BHD
61	TRIPLC BHD
62	DUTCH LADY MILK INDUSTRIES BHD
63	SIGNATURE INTERNATIONAL BHD
64	7-ELEVEN MALAYSIA HOLDINGS BHD
65	MEDIA PRIMA BHD
66	CARLSBERG BREWERY MALAYSIA BHD
67	AMMB HOLDINGS BHD
68	PARAMOUNT CORPORATION BHD
69	YINSON HOLDINGS BHD
70	BUMI ARMADA BHD
71	SCIENTEX BHD
72	LBS BINA GROUP BHD
73	KLCC PROPERTY HOLDINGS BHD
74	RGB INTERNATIONAL BHD
75	UMW OIL & GAS CORPORATION BHD
76	LII HEN INDUSTRIES BHD
77	MALAYSIAN RESOURCES CORPORATION BHD
78	POWER ROOT BHD
79	PANASONIC MANUFACTURING (M) BHD
80	SP SETIA BHD
81	MKH BHD
82	AMWAY (M) HOLDINGS BHD
83	KERJAYA PROSPEK GROUP BHD
84	POS MALAYSIA BHD
85	ECS ICT BHD
86	MEDIA CHINESE INTERNATIONAL LTD
87	KUMPULAN PERANGSANG SELANGOR BHD
88	UNITED PLANTATIONS BHD
89	CB INDUSTRIAL PRODUCT HOLDING BHD
90	SELANGOR PROPERTIES BHD
91	KUALA LUMPUR KEPONG BHD
92	KIM LOONG RESOURCES BHD
93	FIMA CORPORATION BHD
94	AEON CREDIT SERVICE (M) BHD
95	STAR MEDIA GROUP BHD
96	BINTULU PORT HOLDINGS BHD
97	HONG LEONG BANK BHD
98	SMIS CORPORATION BHD
99	LEE SWEE KIAT GROUP BHD
100	ASIA FILE CORPORATION BHD

MALAYSIA-ASEAN CORPORATE GOVERNANCE 2016 AWARD WINNERS

EXCELLENCE AWARD FOR TOP CG AND PERFORMANCE (OVERALL CATEGORY) – BY RANK

- Bursa Malaysia Bhd
- Telekom Malaysia Bhd
- Axiata Group Bhd
- LPI Capital Bhd
- Malayan Banking Bhd

CEO OF THE YEAR

- YBhg Dato' Rohana Rozhan (Astro Malaysia Holdings Bhd)

CG WRITER OF THE YEAR

- Mr Cheah Chor Sooi (Focus Malaysia)

EXCELLENCE AWARD FOR TOP CG & PERFORMANCE (SPECIAL CATEGORY) – BY RANK

Market Cap between RM300 million and RM1 billion

- Daibochi Plastic and Packaging Industry Bhd
- Deleum Bhd
- CCM Duopharma Biotech Bhd
- Uchi Technologies Bhd

Market Cap between RM100 million and RM300 million

- Signature International Bhd
- RGB International Bhd

Market Cap below RM100 million

- TRlplc Bhd
- SMIS Corporation Bhd

EXCELLENCE AWARD FOR LONG-TERM VALUE CREATION

- Bursa Malaysia Bhd
- Telekom Malaysia Bhd
- Axiata Group Bhd

EXCELLENCE AWARD FOR ESG PRACTICES

- Axiata Group Bhd
- Sime Darby Bhd
- CIMB Group Holdings Bhd

MERIT AWARD FOR CG DISCLOSURES (BY RANK)

- Bursa Malaysia Bhd
- Telekom Malaysia Bhd
- Axiata Group Bhd
- Malayan Banking Bhd
- Sime Darby Bhd
- RHB Capital Bhd
- Allianz Malaysia Bhd
- Petronas Dagangan Bhd
- Tenaga Nasional Bhd
- LPI Capital Bhd

INDUSTRY EXCELLENCE

Plantation

- Sime Darby Bhd

Financial

- LPI Capital Bhd

Property & Construction

- Sunway Construction Group Bhd

Oil & Gas

- Petronas Gas Bhd

Food & Beverage

- Nestle (Malaysia) Bhd

Manufacturing

- Top Glove Corporation Bhd

Consumer Goods

- British American Tobacco (Malaysia) Bhd

Consumer Services

- Tenaga Nasional Bhd

Healthcare

- IHH Healthcare Bhd

Telecommunications & Media

- Telekom Malaysia Bhd

MERIT AWARD FOR MOST IMPROVED

- Top Glove Corporation Bhd
- Affin Holdings Bhd

MERIT AWARD FOR BOARD DIVERSITY

- Telekom Malaysia Bhd

MERIT AWARD FOR BEST AGM (OVERALL CATEGORY)

- Bursa Malaysia Bhd
- Telekom Malaysia Bhd
- Public Bank Bhd

MERIT AWARD FOR BEST AGM (MARKET CAP BELOW RM300 MILLION)

- CCM Duopharma Biotech Bhd
- Paramount Corporation Bhd

ACKNOWLEDGEMENT

MSWG would like extend its sincere appreciation to the CMDF, regulators, market participants and companies who have supported and championed this cause towards raising the CG standards in the capital market.

Comments On Key Areas

ENVIRONMENT, SOCIAL AND GOVERNANCE

Investors have become increasingly focused on environmental, social, and governance (ESG) practices in recent years. This is driven by a growing sense among investors that corporate investment in ESG enhances a company's performance and reputation, thus fostering bottom line growth towards sustainability. The ESG agenda is also in line with the Malaysian Government's efforts to encourage more companies to show high commitment towards social responsibility.

In this regard, 94% of the Top 100 PLCs had adequate ESG disclosures in their annual reports and websites, albeit at varying degrees. The bigger companies produced detailed and separate Sustainability Reports which reflected their strong commitment towards the ESG agenda. Given the importance of this agenda, the Board and management should seriously consider initiating sustainable and responsible business growth and practices, including adequate budget allocation for such activities.

WOMEN ON BOARD

Board diversity is recognised as an important element of good corporate governance. The Malaysian Code on Corporate Governance 2012 recommends that the board should establish a policy formalising its approach to boardroom diversity – and that the Board through its Nominating Committee should take steps to ensure that women candidates are sought as part of its recruitment exercise. The board should explicitly disclose in the annual report its gender diversity policies and targets as well as the measures taken to meet those targets.

In this regard, the findings for the Top 100 PLCs found that the number of women on boards have improved to 14.6% in 2016 compared to 13.4% in 2015. But despite the growth, the figures still fall well short of the 30% female representation on corporate Boards targeted by the Government.

PUBLISHING OF AGM MINUTES

One of the best practices which MSWG advocated over the years is the publication of AGM minutes on the listed issuer's website in a timely manner. This year, nearly half (48%) of the Top 100 PLCs provided such disclosures compared to 37% in 2015 and a mere seven companies in 2013. Nevertheless, Bursa Malaysia has now mandated all PLCs to publish a summary of key matters arising at the AGMs onto their websites.

We therefore hope all PLCs will take the initiative to publish a meaningful summary which include among others, pertinent questions raised at the AGM and the Board's responses as well as the full attendance list of the directors at the AGM.

WHISTLE-BLOWING POLICY

Another area of growing importance is the existence of a whistle-blowing policy as part of the company's corporate governance framework. The existence of a formally prescribed channel can help sound the alarm on bad practices early enough to ensure that prompt actions can be taken before the concerns become serious problems.

On this note, 86% of the Top PLCs have a Whistle-Blowing Policy compared to only 70% in 2015. Out of this, 91% have proper procedures for lodging complaints by employees and 84% have proper policy and procedures to protect an employee/person who reveals illegal or unethical behaviour from retaliation. We hope to see all PLCs put in place these elements into a formal whistle-blowing policy and procedures as part of a healthy corporate culture.