



MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
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❖ **Avoid overboarding: Don't bite off more than you can chew**

Set against the backdrop of increasing responsibilities and workload for board members – in particular, time commitment and how this impacts board performance as well as conflicting interest – overboarding has become a sensitive topic in the realm of today's corporate governance.

The US Institutional Shareholder Services (ISS) has described the surge in average time commitment for board directors as having “exploded”.

One of the important issues with regard to time constraint is the inability for overboarded directors to squeeze in last-minute emergency board meetings to deliberate on pressing issues.

Towards this end, ISS recommends shareholders to vote against or withhold their votes for individual directors who serve on more than five public company boards.

Governance services provider Glass Lewis followed the precedent set by ISS by stating that it intended to review closely board director commitments by considering their concerns regarding non-executive directors who have served on more than five boards.

As for directors in executive position at public listed companies (PLCs), Glass Lewis recommends that they do not serve on more than a total of two boards.

Full-time/part-time employees

Unlike independent non-executive directors (INEDs), executive directors are full-time employees who are hired with salary while holding a board position.

Typically, they work for the company in a senior capacity which is mainly associated with policy concerns or functional areas of primary strategic importance (e.g., finance, human resources or project management).

They are elected to the board by the Nomination Committee or by the company's board itself whereby their role is to formulate and implement strategies which are not just cost-efficient but time-efficient as well.

Contrast this with the flexibility enjoyed by INEDs who do not participate in the management and operation of the company but play a crucial role in the formulation of policies and plans, and decision making of the company.

In a way, INEDs can be assumed to be “part-time employees” whose board appointment is based on their qualification such as depth of knowledge and breadth of experience which helps the board in availing relevant insights and building contacts.

Given there are fewer timing constraints in discharging their duties, INEDs can sit on a few boards (up to a limit of five as per ISS and Glass Lewis' recommendation and as per Bursa Malaysia Listing Requirements) so long as they are able to keep a well-planned meeting schedule or abstain from indulging in conflict of interest.

Pros and cons

Whether one is an executive director or INED, there are mixed views about overboarding among corporate governance practitioners. One school of thought opines shareholders are the ultimate beneficiaries as participation on less boards enable directors to sharpen their focus on value enhancement.

Three primary concerns contribute to the renewed interest in director overboarding:

- **Rising board responsibilities:** This has led to directors being expected to dedicate more time to their duties. A wide variety of issues is driving the expanding mandate, i.e., increasing regulatory requirements, expectations for shareholder engagement, cybersecurity threats, disruptive technologies, climate change, human capital management, and company culture.
- **Investor stewardship efforts are getting more sophisticated and intensified:** As asset owners and asset managers dedicate more resources to monitoring corporate governance risks while emphasising on board quality, overboarding becomes a critical issue along with board diversity, director qualifications, and board refreshment.
- **Informed investors:** As disclosures on outside board mandates are better databased, investors are able to apply complex criteria to overboarding policies that go beyond just the number of board mandates but also take into account individual roles and responsibilities.

Nevertheless, another school of thought believes that there are distinct advantages to having directors who sit on multiple boards in terms of:

- **Sharing valuable knowledge:** Board members with multiple board seats can contribute key knowledge and contacts that are sometimes essential to move forward. They can do so without being unethical.
- **Improved agility:** Directors with experience of sitting on several boards have the right mix of 'scaling' expertise and industry partnerships to help chart a profitable path forward.

- **A broader perspective:** Directors who hold multiple roles learn to work more closely with other directors, develop greater self-awareness and become more effective at governance.

Locally, a director can only serve on a maximum of five PLCs as per Bursa Malaysia Listing Requirements. What minority shareholders must bear in mind is that not all PLCs are created equal – there are PLCs that demand much more time compared to other PLCs. And as such, directors may not be able to do justice to the PLCs that they sit on if the PLCs on which they sit are all 'demanding PLCs' or even if most of them are such 'demanding PLCs'.

Directors, on their part, must exercise much self-discretion and self-evaluation to see if they are able to afford the time and energy required when they sit on several PLCs. And this again, against the backdrop of the several other unlisted companies and organisations on which they may sit.

Executive directors (EDs) are deemed as full-time jobs and as such, it is difficult to imagine how an ED can serve as such on more than one PLC. In a way, this may give rise to conflict of interest when it comes to the time to be spent on a PLC.

❖ **Caely resorts to forensic audit probe to ascertain financial impact**

AS the Securities Commission's (SC) Audit Oversight Board (AOB) is calling for audit committees (AC) of PLCs to continuously and rigorously engage auditors to promote an effective audit process, Perak-based lingerie manufacturer Caely Holdings Bhd has gone a step further to appoint an independent forensic auditor to investigate allegations of suspicious and irregular transactions at one of its subsidiaries.

The appointment of Virdos Lima Consultancy (M) Sdn. Bhd, an independent forensic auditor was announced by Caely on 7 April 2022.

Subsequently, in a filing in response to Bursa Securities' request for additional information on its forensic audit exercise, Caely said, it shall update accordingly on the forensic audit investigation progress.

"Upon receipt of the forensic audit report, the company will take all necessary recourse available under the law upon taking further legal advice," it said.

For now, it is unable to ascertain the financial and operational impact of the matters until the investigation is completed. The forensic probe is slated for completion by 31 May.

In the circumstances leading to the forensic investigation, Caely said one of the group's independent non-executive directors had received an anonymous package containing documents raising concerns about several suspicious transactions involving Caely's wholly-owned unit, Caely (M) Sdn Bhd (CMSB).

Earlier, Caely's external auditor PKF Malaysia had issued a qualified opinion on the group's audited financial statements for the year ended 31 March 2020 in relation to CMSB's ability to recover certain receivables.

The auditor noted that CMSB had trade receivables of close to RM12 million as of 31 March 2020 related to construction works for Felcra Bhd which were completed on 28 February 2018.

However, only RM250,000 in repayment had been received by the company since completing the works which it attributed to the change of government and the COVID-19 pandemic.

As all payments for the construction have been delayed, PKF is of the view that with the prolonged delay, the carrying amount of trade receivables might be impaired due to uncertainty over the recoverable amount.

"We are uncertain of the full recovery of certain trade receivables of the group amounting to RM11.995 million as at financial year end as a substantial amount on the completed constructions payments have not been received," justified the external auditor.

PKF added: "We were unable to obtain sufficient and appropriate audit evidence on the impairment assessment of the above-mentioned carrying amount of the said receivables in accordance with MFRS 9 Financial Instruments. Consequently, we were unable to determine whether any adjustments to these amounts were necessary."

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 18 – 22 April 2022

For this week, the following are the AGMs/EGMs of companies which are in the Minority Shareholders Watch Group's (MSWG) watch list.

The summary of points of interest is highlighted here, while the details of the questions to the companies can be obtained via MSWG's website at www.mswg.org.my.

Date & Time	Company	Quick-take
21.04.22 (Thur) 10.00 am	Petronas Chemicals Group Berhad (AGM)	PCG achieved record high revenue of RM23 billion in 2021, represented a 60% increase from RM14.4 billion in 2020. Its net profit doubled to RM7.3 billion. It expects the growing demands for specialty chemicals will enable it to achieve the goal of 30% additional revenue from non-traditional business by 2030, while the shift towards sustainable processes and product offerings puts it on track to becoming net-zero by 2050.
21.04.22 (Thur) 10.00 am	CIMB Group Holdings Berhad (AGM)	CIMB posted a strong rebound in earnings in FY2021 on the back of higher operating income and lower provision made. Net profit

		<p>surged 260% y-o-y to RM4.3 billion from RM1.19 billion in FY2020.</p> <p>Based on the news flow, it is expected that shareholders would focus on issues e.g., recent processing errors that had wrongly credited monies into customers' bank accounts.</p>
21.04.22 (Thur) 10.00 am	OSK Holdings Berhad (AGM)	<p>OSK registered yet another set of commendable results for the FY2021. Its PBT rose 12% y-o-y to RM464.6 million on the back of a revenue of RM1.1 billion.</p> <p>The better performance was largely due to the improved performance of the Financial Services Segment (including the Capital Financing Division) which saw its PBT increased 29% y-o-y, while the Hospitality Segment narrowed its losses by 50%.</p>
21.04.22 (Thur) 11.00 am	Poh Huat Resources Holdings Berhad (AGM)	<p>Poh Huat recorded a net profit of RM33.2 million in FY2021 as compared to RM51.9 million in FY2020. This was an anomaly as most furniture manufacturers had posted spectacular gains during the pandemic which stimulated demand for furniture. It may re-examine its cost structure to ensure that it is optimal.</p>
21.04.22 (Thur) 11.00 am	Malaysia Marine and Heavy Engineering Holdings Berhad (AGM)	<p>For FY2021, MHB's revenue dipped to RM1.47 billion from RM1.57 billion because of lower revenue from the Marine business. Despite the decline in revenue, its net loss reduced significantly to RM274.1 million from RM401.3 million in prior year due to lower impairment loss recognised in FY2021.</p>

One of the points of interest to be raised:

Company	Points/Issues to Be Raised
Petronas Chemicals Group Berhad (AGM)	1. PCG's production volume declined from 10.7 million tpa in 2020 to 10.4 million tpa in 2021 (page 8 of IR 2021), while GHG emissions intensity increased to 0.67

	<p>tonne CO₂ e/tonne in 2021 from 0.66 tonne CO₂ e/tonne in 2020 (page 9 of IR 2021).</p> <p>Why did GHG emissions intensity increase despite a lower production volume?</p> <p>2. PCG has made a commitment to reach net-zero carbon emissions by 2050.</p> <p>a) How much headway has the Group made in GHG reduction and carbon offsets?</p> <p>b) What is the status of achievement in planning to reach net-zero carbon emissions?</p>
<p>CIMB Group Holdings Berhad (AGM)</p>	<p>1. In January 2022, the Group identified errors that were related to a specific third party financial remittance service, which led to a group of customers receiving duplicate credits in their accounts.</p> <p>As such, the reliability and integrity of CIMB's information technology systems have been called into question. It has also tarnished CIMB's standing as a reliable and reputable financial institution.</p> <p>a) How many customers/accounts were affected by these processing errors?</p> <p>b) What is the total amount involved?</p> <p>c) What was the outcome of CIMB's recovery engagement with customers? How much of the wrongly credited monies have been recovered by CIMB?</p> <p>d) What has gone wrong with CIMB's transaction processing infrastructure that resulted in this error? Were the weaknesses in CIMB's processing infrastructure identified in the Group's internal audit reports previously?</p> <p>e) What were the directives from Bank Negara Malaysia to CIMB following these processing errors?</p> <p>f) What are the remedial actions taken to address these processing errors? How does the Group plan to prevent similar errors from occurring in the future?</p> <p>g) When will the Group complete the "major review" of mitigating controls, policies and procedures,</p>

	<p>surrounding its transaction processing infrastructure (page 164 of IAR 2021)?</p> <p>h) The Group had provided an expected credit losses (ECL) of RM280.9 million in FY2021 due to this incident (page 206, Financial Statements 2021).</p> <p>What percentage of these impairments are expected to be recoverable?</p> <p>2. Despite CIMB's effort to resolve this incident amicably, a group of 650 CIMB Bank account holders were reported to have filed a RM650 million class-action suit against the Bank for negligence over a processing error that left their accounts frozen and in debt.</p> <p>What is CIMB's stance on this issue?</p>
OSK Holdings Berhad (AGM)	<p>The Property Development Division recorded a revenue of RM688.7 million and a core PBT of RM175.7 million in FY2021, as compared to a revenue of RM664.5 million and a core PBT of RM239.8 million in FY2020. (Page 43 of IR)</p> <p>Although the revenue has increased by RM24.2 million or 3.6%, the PBT however was lower by RM64.1million or 26.7% in FY 2021 as compared to FY 2020.</p> <p>a) Please explain the reasons for the lower PBT in FY 2021?</p> <p>b) What measures are taken to improve the PBT in FY 2022?</p>
Poh Huat Resources Holdings Berhad (AGM)	<p>1. The Company recorded a Profit After Tax of RM32.2 million in FYE 2021 compared to RM51.9 million in FYE 2020. (Page 3 of AR 2021). The decline in profitability is unusual as furniture manufacturers had enjoyed strong profitability during the pandemic which stimulated demand.</p> <p>a) What were the main reasons for the decline in profitability in FYE 2021?</p> <p>b) What are the measures to be taken by the Company to enhance its performance in FYE 2022?</p> <p>2. The total fee for the internal audit function of the Group during the financial year ended 31st October 2021 was RM 12,000. (Page 32 of AR 2021)</p> <p>a) Given that the fee is rather small (RM1,000 per month), how does the Audit Committee assure</p>

	<p>itself that there would be adequate coverage and an effective audit function?</p> <p>b) What are the areas covered by the internal auditors during the financial year ended 31st October 2021?</p> <p>c) How many internal audit reports were issued during the said period?</p>
Malaysia Marine and Heavy Engineering Holdings Berhad (AGM)	<p>The Group has secured a contract from SapuraOMV Upstream (Sarawak) Inc. to undertake the EPCIC works for the SK408W Jerun Development Project, offshore Sarawak. (Page 29 of IR)</p> <p>Sapura Energy Bhd holds 40% equity interest in SapuraOMV Upstream (Sarawak). ("SOMVS") has appointed a restricting specialist Cosimo Borelli as its non-independent non-executive director of the Company to turnaround the Company as it is facing liquidity issues.</p> <p>a) Has the Group faced any collection issues from SOMVS? What is the amount owing as of February 2022?</p> <p>b) What is the ageing profile of the trade receivables from SOMVS as of December 2021 and what actions has the Group taken to recover the outstanding receivables?</p>

MSWG TEAM

Devanesan Evanson, Chief Executive Officer, (devanesan@mswg.org.my)

Rita Foo, Head, Corporate Monitoring, (rita.foo@mswg.org.my)

Norhisam Sidek, Manager, Corporate Monitoring, (norhisam@mswg.org.my)

Lee Chee Meng, Manager, Corporate Monitoring, (chee.meng@mswg.org.my)

Elaine Choo Yi Ling, Manager, Corporate Monitoring, (elaine.choo@mswg.org.my)

Lim Cian Yai, Manager, Corporate Monitoring, (cianyai@mswg.org.my)

Ranjit Singh, Manager, Corporate Monitoring, (ranjit.singh@mswg.org.my)

Ooi Beng Hooi, Manager, Corporate Monitoring, (ooi.benghooi@mswg.org.my)

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•With regard to the companies mentioned, MSWG holds a minimum number of shares in all these companies covered in this newsletter.

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