MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia . Registration No. 200001022382 (524989-M))

# The Observer

**25.02.2022**

***MSWG is partnering 30% Club Malaysia in their conversations about Diversity, Equity & Inclusion (DEI). This is in line with MCCG 2021 recommendation that boards should have at least 30% women representation, as well as Listing Requirements that PLCs must appoint at least one woman director. Titled "DEI Conversations: Elevating Investability", the talk will be held on 2 March 2022. For registration, please access https://maybank.my/30percentclub for further details.***

## ❖ The time is now: Capital market stakeholders mustn't delay instilling ESG principles

Recently, Bursa Malaysia chairman Tan Sri Abdul Wahid Omar nailed the importance of sustainability perfectly when he laid bare the reality that companies choosing to ignore environmental, social and governance (ESG) considerations in their businesses are bound to be deprived of both equity and debt financing to fund their projects.

Ultimately, he believed these companies would have to pay a higher insurance premium to underwrite some of their risks or even be confronted by difficulty to attract the right talents to drive their businesses.

Companies might encounter challenges in selling their products or being part of the global supply chain as customers become more discerning in buying only sustainable products in the future.

As for companies that are involved in business activities that are environmentally harmful or socially irresponsible, they could see diminishing market demand in the long run.

**ESG is here to stay**

The ESG and sustainability issues are not new to corporate Malaysia.

In 2014, Bursa Malaysia introduced the FTSE4Good Bursa Malaysia Index to recognise public listed companies (PLCs) that have taken steps to improve their ESG practices and disclosures. Since then, the number of constituents has more than tripled from 24 in 2014 to 80 following the last review in December 2021.

Later, Bursa Malaysia introduced the Sustainability Reporting Framework that required PLCs to disclose their sustainability statements and reports annually in terms of the strategies and approaches in managing their material sustainability matters.

Then in 2021, Bursa Malaysia launched the FTSE4Good Bursa Malaysia Shariah Index, comprising 54 Shariah-compliant constituents of the FTSE4Good Bursa Malaysia Index following the Securities Commission's (SC) Shariah Advisory Council's screening methodology.

As sustainability and ESG issues become increasingly material to companies, the SC had required companies to integrate sustainability considerations in their corporate strategy, governance and decision making, via the introduction of five new practices under the Malaysian Code on Corporate Governance 2021.

**ESG equals resilience**

While the outset of the COVID-19 pandemic in early 2020 triggered the most severe market crash since the 2008 global financial crisis, investors who focus on ESG principles are said to have benefitted from the relative resilience of high-rated ESG funds.

ESG funds' assets under management (AUM) had grown tremendously throughout the COVID-19 pandemic to US$94.2 billion as of June 2021 from US$30.8 billion in 2019, said market intelligence firm Cerulli. This was driven by new fund launches as well as managers' rebranding of existing funds into ESG products.

But even as the global health crisis has accelerated awareness of the need for Malaysian PLCs to embrace ESG principles, the reality is that it may take a longer time for PLCs to instil ESG considerations in their decision-making process.

This is because the ESG spectrum would force companies to re-look at their long-term corporate strategy – one that not only delivers a handsome profit but encompasses sustainability or the going concern of the business.

Also, businesses must look beyond the conventional business wisdom of pure profit to remain relevant as ESG itself can be deemed one of the regulatory risks from a business perspective.

Major global investment funds require investee companies to be free from ESG risks. Companies that do not adopt ESG practices or comply with the ESG matrix will face difficulty in accessing funds and a shrinking pool of investors.

As for companies who take it in their stride to comply with ESG , they would be rewarded with opportunities to expand their business horizon.

There are presently more than 4,300 global institutional investors who have become signatories to the United Nations Principles for Responsible Investment (UNPRI) whereby companies that comply with ESG principles can have access to.

Back home, Employees Provident Fund, Retirement Fund (Inc), and Khazanah Nasional Bhd are the UNPRI signatories.

**Retail investors and ESG priorities**

Though the demand for ESG products in Asia Pacific is mainly driven by institutional investors, retail investors have begun to show strong and growing interest in this area.

According to the 2021 GlobeScan Radar report, about 40% of retail investors globally say they have invested with ESG in mind.

Asian shareholders (especially in China, South Korea, Thailand and Vietnam) are most likely to have increased ESG investments or plan to do so, while about half of US investors also claim to have already increased their investments in socially and environmentally responsible companies.

On the other hand, over half of the global investors say it is "very important" for the companies that they invest in to provide fair pay and safe working conditions and make only safe and healthy products while reducing environmental impact.

Addressing climate change, reducing poverty, and having a diverse workforce and management team are somewhat lower ESG priorities for retail investors.

All in all, about one-third of investors in 28 countries surveyed say they have already increased their investments in socially and environmentally responsible companies.

**Awareness of ESG issues**

Minority shareholders should be aware of the impact of ESG on the stocks that they hold or intend to hold. Some PLCs are particularly vulnerable to ESG implications – those relying heavily on labour (especially foreign labour) and those having high carbon footprint activities like clearing forests and disposing of substantial waste products. Even consumer products are not spared – food products may contain harmful substances.

As stated earlier, all PLCs will be impacted by the wide adoption of ESG globally, in one way or another. Minority shareholders must pay attention to how these ESG issues are being managed by the board and management.

**Devanesan Evanson**
**Chief Executive Officer**

## MSWG AGM/EGM Weekly Watch 28 February – 4 March 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 |
|---|---|---|
| 28.02.22 (Mon)<br>10.30 am | Brem Holdings Berhad (EGM) | Brem Holdings would seek shareholders' approval for a selective capital reduction and repayment exercise. |

| | | |
|---|---|---|
| 03.03.22 (Thur)<br>09.30 am | Notion VTEC Berhad<br>(AGM) | The Group posted a revenue of RM352.9 million which was 45% higher than RM242.7 million in FY2020. However, it turned loss-making with a loss of RM7.8 million as compared to a profit of RM6.3 million in FY2020. The weaker performance was due to delays in obtaining approval from the authorities, higher aluminium prices, interruption to global supply chain, as well as disruption on operation due to labour crunch, infected workers, and inability to operate at full scale. |

| **One of the points of interest to be raised:** | |
|---|---|
| **Company** | **Points/Issues to Be Raised** |
| Notion VTEC Berhad<br>(AGM) | The Group's EMS division, although there was growth in revenue, reported a loss mainly due to higher-than-expected rejects of a certain new product, the higher raw material prices that the Group could not immediately pass to the customers and the lockdown disruptions. (page 9 of AR2021)<br><br>a) What has caused the rejects of a certain new product mentioned above?<br><br>b) How much was the financial impact to the Group in relation to the higher-than-expected rejects of a certain new product?<br><br>c) (c) What were the measures taken to mitigate high rejects of products, going forward? |


**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)


***DISCLOSURE OF INTERESTS***

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

***DISCLAIMER***