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

The Observer

Minority Shareholders Watch Group is now on LinkedIn. The presence at LinkedIn is to create a better social media presence and engage with our stakeholders more effectively. Do follow MSWG's LinkedIn account at https://www.linkedin.com/company/mswg-malaysia/ and share your thoughts with us from time to time. Do also follow MSWG's Twitter account at @MSWGMalaysia.

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❖ Institutional investors' voting guidance

On 23 September 2022, the Institutional Investors Council (IIC) published the Malaysian Code for Institutional Investors 2022 (MCII 2022).

Institutional investors who are signatories to the Code are expected to advocate the adoption of good corporate governance (CG) and sustainable practices by investee companies. When signatories engage the boards of their investee companies, their engagement they must go beyond performance to cover areas such as corporate culture and conduct. As of September 2022, there are 38 signatories to the MCII 2022.

Under MCII 2022, there is a section called Stewardship Spotlight. The section highlights what is expected of investee companies in relation to crucial CG and sustainability matters. The signatories are expected to focus on these issues in their monitoring and engagement activities as well as their voting decisions.

Institutional investors, by virtue of their substantial shareholdings, can influence the market – their sell-downs may affect the share price of investee companies, and their investments would raise the profiles and brand-values of their investees.

So, how will our big brothers, who are signatories to the MCII, vote when it comes to some CG issues? Below are some of the issues and voting recommendations highlighted in the Stewardship Spotlight.

Board diversity

Diversity has found its niche in CG. And to that end, the composition of a board is expected to be diverse with the right mix of experience, skills, and gender, as well as generational differences. This is to bring different perspectives and challenges to the board's deliberation and decision-making process and mitigate the risk of groupthink.

And when it comes to gender diversity, the Code states that the board should comprise at least 30% women directors.

Where women's participation is below 30% at the board level, there should be a disclosure of measures and a reasonable time frame to achieve the 30% target. Since the word 'reasonable' is subjective, a time frame of not more than three years is considered reasonable.

There should be clear policies to support the participation of at least 30% women at the senior management level too. Such policies should be publicly disclosed. And the board should be able to demonstrate its commitment to take concrete action to implement these policies.

If any of the above four aspects are not addressed by an investee company, the institutional investor will either "*abstain*" or vote "*against*" the re-election of members of the Nomination Committee (NC).

Succession planning

There must be a policy and process for succession planning at the directors, CEO and key senior management levels.

Again, failure to address this will result in an "*abstain*" or "*against*" vote on the re-election of NC members.

Board Evaluations

The appointment of active politicians is discouraged. An active politician is defined as anyone who is a Member of Parliament, State Assemblyman or office bearer who holds office whether at the national level, state level or divisional level.

Here, again, the institutional investors will either "*abstain*" or vote "*against*" the election/re-election of active politicians.

Tenure of independent directors

The tenure of an independent director (ID) should be limited to nine years. Investee companies are expected to have a policy that sets a nine-year tenure limit for an ID.

The *Stewardship Spotlight* discourages the re-appointment of an ID who had previously served on the board for more than 12 years despite having served the required 3-year cooling-off period.

Again, the voting stance will be either an "*abstain*" or "*against*" in relation to the retention of an ID who has served more than nine years.

Remuneration of directors and key management staff

Investee companies are required to disclose the remuneration component of non-executive directors (NEDs). These include the fees for board and board committees, meeting allowances and other emoluments.

However, share options and/or performance-based incentives should not be paid to NEDs. This is taken very seriously as institutional investors are expected to vote "*against*" the payment of such performance-based incentives to NEDs. In this case, "*abstain*" is not an option.

NEDs are not executives. IDs' independence may be compromised by granting them share options as they may be fixated on share price considerations when making decisions. Likewise, the allocation of performance-based incentives may cause them to be engrossed with the bottom-line performance figures.

Besides, there should be a remuneration policy that clearly explains how the remuneration of executive directors, including the CEO and key management staff, is determined.

The Code encourages detailed disclosure of senior management's remuneration on named basis. There is a marked reluctance by public-listed companies to adopt this practice. The two commonly cited reasons for non-adoption are that:

- there will be internal disharmony if senior management knows each other's remuneration
- such disclosure will result in an increased risk of the senior management being 'poached' by others by offering a higher remuneration package

Signatories to the Code will have to "*abstain*" or vote "*against*" the re-election of the Remuneration Committee members if the remuneration paid to executive directors and/or CEO is found to be excessive and not commensurate with performance or the agreed KPIs.

And so, that is how the signatories to the MCII are expected to vote. There is sufficient latitude when it comes to voting as the voting recommendations are generally "*abstain*" or "*against*" - except for the payment of any share options or performance-based incentives to NEDs, in which instance, it is a vote of "*against*".

Conclusion

The Stewardship Spotlight serves as another helpful guidance for minority shareholders when exercising their voting rights. By voicing their concerns and making their dissatisfaction known through adverse voting, minority shareholders too can influence the corporate governance practices of a company.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 7 – 11 November 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
07.11.22 (Mon) 03.00 pm	Nexgram Holdings Berhad (EGM)	The EGM is to seek shareholders' approval to undertake a proposed 10-to-1 share consolidation exercise.
08.11.22 (Tue) 10.00 am	IOI Properties Group Berhad (AGM)	IOI Proporties' revenue had increased by 4.1% in FY2022 to RM2.59 billion. Meanwhile, its pre-tax profit increased marginally to RM1.10 billion, compared to RM1.08 billion in FY2021. The better bottomline performance was primarily attributable to higher profit contribution from the property investment segment due to market recovery and the gain disposal of a subsidiary.
09.11.22 (Wed) 10.00 am	Gadang Holdings Bhd (AGM)	Gadang posted higher revenue of RM652.0 million in FY2022 (FYE 2021: RM574.8 million), which was due to better performance of the Property Division but partly offset by lower revenue contribution by the Construction Division. Its pre-tax profit jumped to RM70.1 million (FY2021: RM22.0 million) thanks to the gains from the disposal of development lands and better sales achieved from the property development segment.
11.11.22 (Fri) 10.00 am	Impiana Hotels Berhad (EGM)	Impiana has proposed to undertake a 5-to-1 share consolidation and issuances of redeemable convertible notes to raise up to RM150 million. The redeemable convertible notes will mature in 36 months with interest of 2.0% per year, payable semi-annually. The notes, to be issued in four tranches, will be privately placed to Advance Opportunities Fund and Advance Opportunities Fund 1. The proceeds raised are intended for working capital requirements and repayment of borrowings.

One of the points of interest to be raised:	
Company	**Points/Issues to Be Raised**
IOI Properties Group Berhad (AGM)	The Group's net gearing ratio of 0.47 in FY2021 has increased to 0.71 in FY2022 due to acquisition of Marina View in Singapore. (Page 8 of IAR)

	a. What are the measures taken to reduce the Group's net gearing from further deteriorating? b. What is the Group's optimal net gearing ratio?
Gadang Holdings Bhd (AGM)	Property Development Division a. What are the Division's current unbilled sales? Are the unbilled sales improving? b. As part of the gearing reduction exercise, the Division is intensifying the sales of the Group's existing inventories (Page 27 of the Annual Report 2022). What is the targeted value of the existing inventories to be cleared in the next two financial years? c. The ongoing disruption of the global supply chain, global inflation on the rise, Cross-Taiwan Straits tensions, and the geopolitical unrest caused by the Russian-Ukraine conflict, bring about uncertainties and challenges to property developers in the forthcoming year (Page 27 of the Annual Report 2022). To what extent will the abovementioned factors impact the Division's business operation adversely? What are the current measures taken by the Division to minimise any negative impact on its business?

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

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