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Telekom Malaysia,
Non-Executive Chairman,
Datuk Seri Dr Halim Shafie



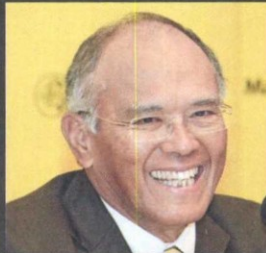
Digi.com,
Non-Executive Chairman,
Sigve Brekke



RHB Capital,
Non-Executive Chairman,
Datuk Mohamed Khadar Merican



Petronas Gas,
Non-Executive Chairman,
Datuk Manharlal Ratilal



Malayan Banking,
Non-Executive Chairman, Tan Sri
Megat Zaharuddin Megat Mohd Nor



Sime Darby,
Non-Executive Chairman,
Tan Sri Abdul Ghani
Othman



British American Tobacco
(Malaysia),
Non-Executive Chairman,
Tan Sri Mohamad Salim Fateh Din



Tenaga Nasional,
Non-Executive Chairman,
Tan Sri Leo Moggie



UMW Holdings, Non-Executive
Chairman, Tan Sri Asmat Kamaludin



CIMB Group Holdings, Non-Executive
Chairman, Tan Sri Md Nur Yusof

Most transparent big stocks

How do blue chip stocks feature when it comes to openness? We rank the 30 composite index stocks in terms of transparency, investor friendliness, directors' fees, dividends and whistle blowing policy ... **pages 10-12**

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Leaders in governance and transparency

ACCCESS to information and corporate dealings is of paramount importance to investors. Timely information can make or break an investment position. In the same vein, good corporate governance also proposes that listed companies disclose as much information as possible to the public, especially shareholders.

Merely being in compliance with rules and regulations is no longer acceptable. Listed companies, especially those led by well-known local tycoons, are expected to lead the way to transparency and corporate disclosure to shareholders. Bursa Malaysia-listed companies are expected to comply with listing requirements. However, like the Malaysian Code of Corporate Governance 2012, some companies appear to comply rather reluctantly. Merely paying lip service to transparency and good corporate governance will not do.

For instance, some companies grudgingly comply in terms of directors' remuneration by providing payout bands. But no details are given about who gets what. Worse, some companies still do not provide directors' profiles, while others do not even feature their directors' photographs.

In this edition of Focus List, we decided to assess the 30 FBMKLCI constituent companies which are supposed to be the cream of the crop. Our objective is to benchmark and rank them for their corporate governance and as well as their general attitude to transparency and the disclosure



by Dinesh Immanuel

TM is one of the five companies on our list that disclosed their AGM minutes

Most Transparent Big Stocks

sure of information to stakeholders. Unfortunately we were unable to assess IOI Properties Group Bhd as its annual report is not yet published. IOI Properties, whose financial year ends on June 30, was listed on Bursa Malaysia in January.

"Transparency must be part of the culture of the company," Rita Benoy Bushon, Minority Shareholder Watchdog Group (MSWG) chief executive, tells

FocusM. The MSWG has long promoted transparency and good corporate governance in listed corporations, which unfortunately do not appear to be standard practice in a depressingly large portion of local listed corporations.

We have used Bursa Malaysia Bhd's annual report

as a benchmark, although it is not a FBMKLCI constituent stock. Bursa Malaysia did well in most areas assessed by us and deserves a pat on the back for leading the way and setting an example. If Bursa had been on the list, it would have surpassed Telekom Malaysia Bhd (TM) and topped our list with an overall score of 95 points.

Our list of 30 blue chips is topped by two telcos. TM, scoring an impressive 91 points; and DiGi in second place, with 86 points. The last on our list - SapuraKencana Petroleum Bhd - scored only 38 points, 53 points below TM.

In fact, GLCs account for eight of the top 10 stocks. This is not surprising since GLCs make up 14 of the 30 component stocks.

With the government's GLC transformation programme now into its 10th year, this speaks volumes about the efforts of GLCs in adhering to the rules of good corporate governance. Most GLCs on our list are controlled by Khazanah Nasional Bhd, Permodalan Nasional Bhd and Petrolim Nasional Bhd.

While our list evaluates just a small portion of the bigger universe of some 920 Bursa-listed companies, the results of this assessment of these elite of the stock market indicate the generally lax attitude of some directors to corporate governance, disclosure and transparency. As these are listed companies, it is in fact the boards' responsibility to ensure full disclosure and transparency as they owe this to their shareholders.

Disclosure transcends financial reporting and even covers website quality. Hong Leong Financial Group Bhd (HLFG), for instance, had one of the lowest scores for its website quality and investor relations portal. HLFG's investor relations portal is linked only to Bursa announcements and to its financials. It appears HLFG is not even trying to disseminate timely information. In comparison, Bursa Malaysia's investor relations portal covers financial highlights, stock information, shareholding statistics, annual general meetings, minutes and more.

Sharing AGM minutes

TM's board, led by chairman Datuk Seri Dr Halim Shafie, tops our list for many reasons. For starters, it is one of only five companies on our list to disclose the minutes of their AGMs. This important and transparent practice is sadly not adopted by most Malaysian listed corporations.

This is perplexing as in Thailand, by comparison, almost all listed companies make public the minutes of their AGMs, as standard practice. In fact, Thailand had been commended by the World Bank for its good

corporate governance.

"AGM minutes or summaries of AGM discussions are encouraged to be published as a good practice. It is important for all shareholders to be informed of what transpired at meetings, as not all shareholders can attend the AGM due to distance," says Bushon.

As a GLC, TM does very well revealing key corporate information. As standard practice, the telco publishes its key performance indicators in advance and is transparent about disclosing them to shareholders and the public. Most other GLCs appear to hide their KPIs, some choosing to reveal them only if they have achieved the targets set either by the government or by a quasi-government entity such as Khazanah.

While TM does well in most areas, it appears slow to respond to questions from the media. **FocusM** sent two emails to the company in May for interviews. There was no response, despite a reminder. While listed companies' responding to the MSWG is commendable, responding to media queries should be part of investor relations.

Interestingly, TM's sister company Axiata Group Bhd does not fare well in terms of transparency, coming 12th on our list. TM and Axiata are controlled by sovereign wealth fund Khazanah Nasional Bhd but surprisingly have different attitudes to disclosure and transparency. While Axiata publishes the minutes of its AGM on its website, unlike TM it does not disclose the exact remuneration of each director as is done by all but two of the top 19 companies on our list.

We also notice a divergence in terms of transparency and policy between sister companies controlled by the same parent. For instance, Petrolim Nasional Bhd (Petronas) controls Petronas Gas Bhd, Petronas Chemicals Bhd, Petronas Dagangan Bhd and MISC; these show stark differences in their disclosure policies. In this instance, Petronas Gas, led by Datuk Manharlal Ratilal, deserves praise for being transparent and seeking to be as open as possible.

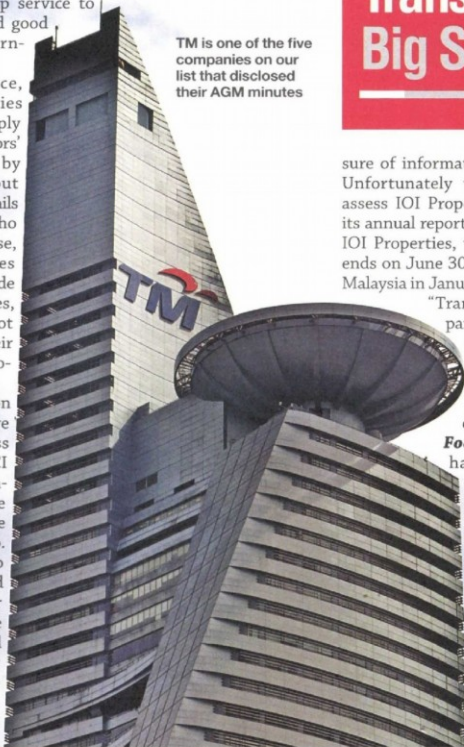
Among Petronas' group of listed companies, only Petronas Gas made it into the top 10. Unfortunately, Petronas Chemicals scored the lowest of the oil-and-gas giant's listed companies, scoring 59% and securing 18th place.

Petronas Gas publishes AGM minutes online, while its sister companies do not reveal AGM minutes. It is interesting that these companies, while linked, have different corporate governance practices. All also have websites of varying quality, which is quite surprising - there seems little attempt at a common corporate identity in terms of transparency.

Still, Petronas companies fared better than others on the list. Datuk Hamzah Bakar chairs the board of SapuraKencana Petroleum, the worst scorer on the list. SapuraKencana, apart from having a poorly-designed investor relations portal, does not disclose dividend or whistleblower policies in its annual report. While disclosing the remuneration of its directors, SapuraKencana is one of the 12 companies on our list which failed to give precise remuneration figures for each of its directors.

Quality reporting

We were fairly impressed with Bursa Malaysia's Annual Report, which goes



How the top 10 companies stack up

#	Name	FY End	Latest FY Revenue (RM'000)	Prev FY Revenue (RM'000)	Latest FY Net Profit (RM'000)	Prev FY Net Profit (RM'000)	Latest FY P/E	EPS (sen) Latest FY	Current Stock Price, June 25 (RM)	Market Cap, June 25 (RM'mil)
1	Telekom Malaysia	Dec 31, 2013	10,628,700	9,993,500	1,047,800	1,305,900	19.12	28.30	6.33	23,213.2
2	DiGi.Com	Dec 31, 2013	6,733,411	6,360,913	1,705,878	1,205,715	22.09	21.90	5.71	44,395.3
3	RHB Capital	Dec 31, 2013	6,900,918	6,153,232	1,843,538	1,789,769	10.71	72.90	8.54	21,750.6
4	Petronas Gas	Dec 31, 2013	3,892,139	3,576,771	2,078,876	1,404,877	22.71	105.10	24.68	48,835.1
5	Malayan Banking	Dec 31, 2013	33,250,777	31,227,230	6,771,333	5,918,684	12.70	75.80	9.83	89,610.5
6	Sime Darby	June 30, 2013	46,812,300	47,254,500	3,831,600	4,346,400	15.02	61.58	9.67	58,639.9
7	British American Tobacco (Malaysia)	Dec 31, 2013	4,517,222	4,364,786	823,440	797,746	21.68	288.40	66.74	19,056.3
8	Tenaga Nasional	Aug 31, 2013	37,130,700	35,848,400	4,630,700	4,419,100	10.31	82.81	12.20	68,852.1
9	UMW Holdings	Dec 31, 2013	13,951,460	15,816,888	1,084,212	1,588,807	20.97	55.90	10.88	12,711.0
10	CIMB Group Holdings	Dec 31, 2013	14,677,300	13,540,605	4,608,822	4,357,225	12.52	60.00	7.31	60,939.9

Source: Bursa, Bloomberg

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beyond what is required in the listing regulations – which it sets as regulator. On its website, Bursa publishes not only its AGM minutes but also a web-cast video of the event. Investors may view details of its 2014 AGM – one of the most controversial in its history. Bursa chose to disclose the video of the entire AGM despite the brickbats it received from shareholders. This is really raising the bar.

Bursa's annual report includes a very detailed and substantial chairman's statement – a key section of any annual report.

Following Bursa's sterling example, Malayan Banking Bhd, Sime Darby Bhd and British American Tobacco (M) Bhd (BAT) also scored top marks in our assessment for the quality of their chairmen's statements.

We also like the fact that the BAT chairman's statement was supplemented with detailed statements from its CEO and CFO covering business and financial risks as well as plans for the company. Company executives not only offer full disclosure to shareholders but also paint a wide-ranging and detailed picture of the domestic and global business landscape.

The chairman's statement is one of the main means of communication for a company to its stakeholders and this should receive high priority from the board of directors. For example, although occupying 13th position on our list, Public

Transparency must be part of the culture of the company, says Bushon



Bank Bhd allocates nearly 70 pages of its annual report to its chairman's statement! This is extraordinary, as most other companies, on average, allocate 3-5 pages to it. Public Bank is led by 84-year-old founder and executive chairman Tan Sri Dr Teh Hong Piow.

Public Bank is also recipient of multiple awards for best dividend policy, but the policy itself, unfortunately, is missing from its latest annual report.

In stark contrast to the likes of Bursa and BAT, Astro Malaysia Holdings Bhd has one of the poorest-quality chairman's and CEO's statements of the companies on our list, with little substance. Astro's chairman's and CEO's statements fail to give any details of the company's financial performance, risks and prospects.

Timely annual reports

The timeline for reporting is also important. According to Bursa regulations, listed companies are required to release their audited accounts and annual reports within six months of the end of the financial year.

MSWG however feels six months is too long a period and instead recommends four months or 120 days.

The issue cited by MSWG is that the contents of an annual report – apart from financials – become somewhat irrelevant after six months, especially in areas like the chairman's statement. MSWG has a point in asking for

annual reports to be published within 120 days, which we used as a benchmark in ranking the companies.

The average turnaround time for the release of annual reports of the companies on our list is 106 days, or about 3.5 months, indicating most companies already release their annual reports within four months from financial year-end. Again, Bursa Malaysia stands out for having released its 2013 annual report just 58 days after its financial year-end. This is closely followed by Public Bank, which released its annual report in 65 days, and Maybank, in 73 days.

"A big number of companies are already doing it within the four-month period," notes Bushon.

We also assessed the quality of websites, details of directors' profiles and the availability of directors' photographs. YTL Corporation Bhd, 27th on our list, as well as Hong Leong Bank Bhd and Hong Leong Financial Group Bhd, don't publish photographs of their directors in their annual reports. While not required by Bursa, there certainly isn't any reason not to include photographs of board members.

These companies are also among those with poor-quality websites which provide limited investor relations information. This is unfortunate as YTL Group and Hong Leong Group are led by well-known tycoons. Tan Sri Francis Yeoh leads YTL while Tan Sri Quek Leng Chan leads Hong Leong; both are noted by *Forbes* magazine as being among the richest Malaysians this year.

Disclosure and transparency

Only six companies on our list have signed the transparency pledge, spearheaded by the Corporate Integrity System Malaysia, five of which are in the top 10. The six companies are TM, Maybank, Sime Darby, BAT, Tenaga Nasional Bhd and Felda Global Ventures Holdings Bhd.

Thirteen companies did not list their dividend policies in their annual reports, while seven of the bottom 11 either did not have a whistleblowing policy or simply did not state it in their annual reports.

This raises the issue of regulatory involvement. Should Bursa as regulator make it mandatory for companies to declare their dividend policies or likewise to declare when the company doesn't have a dividend policy?

Should it be mandatory to reveal if the company or any of its board members have received public or private reprimands? Should it be mandatory for all listed companies to have whistleblowing mechanisms?

Bushon believes matters like these should not have to wait for regulation or legislation, and that the boards of public-listed corporations should take the initiative to be transparent about all matters relating to the business, for the benefit of shareholders.

"The need for regulations can be kept to a minimum if directors of listed companies themselves adhere to good corporate governance practices which are beyond legislation. Transparency must be part of the culture of a company. Not everything needs first to be legislated." **FocusM**

► GLCs dominate Top 10 list – page 12



Bursa Malaysia's annual report goes beyond what is required in the listing regulations

Most transparent companies of FTSE Bursa Malaysia (FBM) KLCI

#	Name	Quality of Annual Report							Disclosure			Compliance		Total score
		Detailed chairman/CEO's statement	Quality of directors' profiles	Precise disclosure of directors' fees	Disclosure of directors' relationship	Dividend policy (in annual report)	Whistleblowing policy (in annual report)	AGM minutes	Website/investor relations quality	Segmental performance provided	Transparency pledge	Filing of annual report (within 120 days)		
1	Telekom Malaysia	8	4	Yes	Yes	Yes	Yes	Yes	17	Yes	Yes	105	91	
2	DiGi.Com	8	4	Yes	Yes	Yes	Yes	Yes	17	Yes	No	112	86	
3	RHB Capital	8	4	Yes	Yes	Yes	Yes	Yes	14	Yes	No	104	83	
4	Petronas Gas	8	4	Yes	Yes	No	Yes	Yes	14	Yes	No	99	78	
5	Malayan Banking	10	4	Yes	Yes	Yes	Yes	No	15	Yes	Yes	73	76	
6	Sime Darby	10	4	Yes	Yes	Yes	Yes	No	16	Yes	Yes	122	72	
7	British American Tobacco (Malaysia)	10	4	Yes	Yes	Yes	Yes	No	10	Yes	Yes	86	71	
8	Tenaga Nasional	8	4	Yes	Yes	Yes	Yes	No	10	Yes	Yes	82	69	
9	UMW Holdings	8	4	No	Yes	Yes	Yes	Yes	15	Yes	No	147	69	
10	CIMB Group	9	4	Yes	Yes	Yes	Yes	No	12	Yes	No	83	67	
11	Felda Global Ventures	9	4	Yes	Yes	Yes	Yes	No	11	Yes	Yes	154	66	
12	Axiata Group	6	4	No	Yes	Yes	Yes	Yes	12	Yes	No	126	64	
13	Public Bank	10	4	Yes	Yes	No	Yes	No	12	Yes	No	65	63	
14	Petronas Dagangan	8	4	Yes	Yes	No	Yes	No	14	Yes	No	83	63	
15	Maxis	6	4	Yes	Yes	Yes	Yes	No	10	Yes	No	99	62	
16	MISC	8	4	Yes	Yes	No	Yes	No	12	Yes	No	118	61	
17	Astro Malaysia	6	4	Yes	Yes	Yes	Yes	No	9	Yes	No	110	61	
18	Petronas Chemicals	8	4	Yes	Yes	No	Yes	No	10	Yes	No	91	59	
19	AMMB Holdings	7	4	Yes	Yes	Yes	No	No	11	Yes	No	122	54	
20	IHH Healthcare	6	4	No	Yes	Yes	Yes	No	12	Yes	No	149	49	
21	IOI Corporation	7	4	No	Yes	No	Yes	No	9	Yes	No	89	47	
22	PPB Group	7	4	No	Yes	No	No	No	11	Yes	No	114	44	
23	Hong Leong Bank	8	3	No	Yes	No	No	No	10	Yes	No	93	43	
24	KL Kepong	6	4	No	Yes	No	No	No	10	Yes	No	88	42	
25	Genting	6	4	No	Yes	No	Yes	No	9	Yes	No	141	41	
26	Genting Malaysia	6	4	No	Yes	No	Yes	No	9	Yes	No	140	41	
27	YTL Corporation	6	3	No	Yes	Yes	No	No	9	Yes	No	127	40	
28	Hong Leong Financial Group	6	3	No	Yes	No	No	No	7	Yes	No	99	38	
29	SapuraKencana	8	4	No	Yes	No	No	No	8	Yes	No	123	37	
30	IOI Properties	-	-	-	-	-	-	-	-	-	-	-	-	
	Bursa Malaysia	10	4	Yes	Yes	Yes	Yes	Yes	24	Yes	No	58 days	95	

Source: Bursa, Corporate Integrity System Malaysia (CIS Malaysia), corporate websites
Research by FocusM Research