Corporate Governance: Moving from Aspiration to Actualisation

Corporate Governance Guide

Pull-out III

Guidance on integrity in corporate reporting and meaningful relationship with stakeholders

BURSA MALAYSIA

Contents

Introduction

Background

This Introduction to **Pull-out III ("Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders")** is designed to provide companies with broad guidance in making suitable arrangements to meaningfully engage and communicate with stakeholders. The Introduction also intends to provide companies with direction in implementing the Practices of **Principle C** in the **Malaysian Code on Corporate Governance** and thus, should be read in conjunction with the write-ups on the individual Practices and Step Ups encapsulated in this Pull-out.

In an ever changing business landscape, companies must understand the importance of maintaining and fostering good meaningful relationship with their stakeholders as they play a key role within the company's ecosystem. Companies should recognise that such stakeholders are indeed affected in one way or another by the company's actions, whether to a large degree or indirectly. In this regard, directors, as stewards of the company should take responsibility to improve their communication and relationship with their stakeholders.

A company should ensure the following in fostering a good relationship with its stakeholders:

- set in place methodologies that would enable the company to identify its different set of stakeholders;
- identify the impact of different stakeholder groups towards the company activities and the output and outcomes of the company;
- examine the company's business impact towards its stakeholders; and
- provide formal mechanisms for engagement and communication with stakeholders.

It is important to note that stakeholders not only receive comfort when they see the company's leadership team present during key events such as general meetings, they also perceive the company in a positive light when there is quick and adequate response to events and crises.

In addition, companies should ensure timely, complete and accurate disclosures are made to their stakeholders and not just for the mere purpose of meeting minimum requirements. High quality disclosures allow stakeholders to form a clear understanding on the company's state of affairs and make informed decisions.

This Overview is set out over three sections. **Section I** addresses the boards' responsibilities to stakeholders. **Section II** explores corporate reporting whilst **Section III** sheds light on the general meetings of shareholders.

Section I

Boards' responsibilities to stakeholders

Identifying stakeholders

A company operates within a community or society where it has both internal and external stakeholders involved. The company, is dependent upon the society for resources such as the operating environment, customer base as well as skilled workers that the company requires. Companies now need to consider the impact they have on their stakeholders based on the business decisions they make. This forms an unwritten social contract that reflects the relationship between companies and the communities in which they operate within typically referred to as the "social licence to operate". It is imperative that the board first understands who the company's stakeholders are.

The board must understand the different roles and contribution each separate group of stakeholder makes to the company and ensure they take the appropriate measures to foster a good relationship with them. As owners of the company, shareholders delegate the responsibility of managing and guiding the company to the directors. Directors in turn are responsible to ensure they carry out their responsibilities based on the mandate given by the shareholders. The diagram below provides examples on the types of stakeholders usually involved in a company (external and internal):

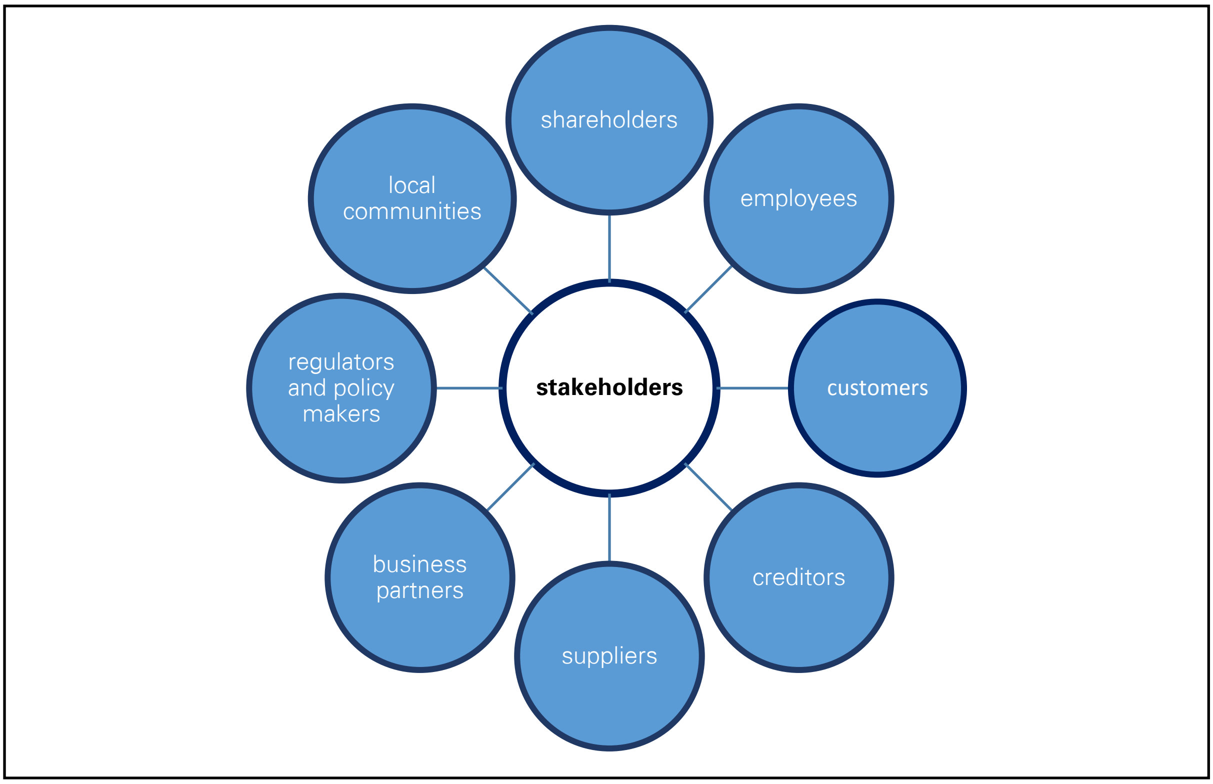


Diagram illustrating the different type of stakeholders for a company

Responsibilities towards stakeholders

Companies should realise that the sustainable running of a company is not only achieved by maximisation of shareholders' value but also by the value the company brings to all its stakeholders.

A company that focuses on stakeholders' value will not undermine the importance of the shareholders' value and in fact may provide long-term protection for shareholders' value. In order to achieve an understanding varying needs of the different stakeholder groups, the company has to constantly and effectively engage with its stakeholders. Effective measures to facilitate stakeholders' communication include identifying and assessing important stakeholders, the establishment of an investor relations function to manage stakeholders' communication and feedback, as well as practicing transparent, timely and quality disclosure of information.

Apart from incorporating the welfare of stakeholders in the business decision making, a company should also embed stakeholder value in its long term corporate strategies. This may be done by having a board which is diverse, not only in terms of gender, but particularly diverse in terms of the stakeholder group which they will represent or be concerned about. Having such an approach to corporate governance will also lead to better consideration and implementation of the sustainability strategies of the company, as the company's objectives shall no longer be only to maximise shareholder value but instead include stakeholders' welfare and sustainability considerations.

Responsibilities towards shareholders

Shareholders represent an important group of stakeholders of company as they have a direct financial interest in the company and they delegate the responsibility of managing the company to the directors of the company. Shareholders perform a more reactive role in making decisions based on the actions taken by the board and management in governing and managing the company. The board must ensure that the needs and expectations of shareholders are properly understood. The relationship with their stakeholders should be included as part of the company's board meeting agenda to ensure the board is aware of the state of its relationship between the company and its shareholders.

In exercising their responsibilities towards shareholders, directors should take account of the following:

- shareholders' rights stipulated under the **Companies Act 2016**, **Capital Markets and Services Act 2007**, **Bursa's Listing Requirements** and other relevant legislations as well as the company's policies;
- fiduciary duties and oversight processes undertaken by the board to protect shareholder rights (e.g. process allowing effective participation of, and voting by, shareholders at general meetings);
- appropriate level of transparency and openness in shareholder communication;
- extent to which debate on contentious issues is embraced and prepared for (e.g. anticipating specific shareholder questions at general meetings and developing appropriate responses);
- implementation of shareholder proposals to be approved by a majority of votes;
- provide shareholders with opportunities to question and interact with board members; and
- ensure high standards of corporate reporting that provides clear and concise information to stakeholders.

Stakeholder communication

It is the board's responsibility to develop and implement a shareholder communications policy which effectively interprets the operations of the company to the shareholders whilst accommodating feedback from shareholders. Considerations on stakeholder communications are covered in detail in the write-up to **Practice 11.1**.

Feedback from stakeholders should be taken into account in business decision making. The board should be responsible for setting the tone in the company and should manage shareholders' expectations. The communications policy may include the following contents:

- **purpose** – describes the purpose of the policy to promote effective communication and provide stakeholders with full and timely information about the company;
- **principles** – applies to the communication of information, including the level of clarity and reliability of information, as well as open, fair, timely and consistent disclosures;
- **point of accountability** – parties responsible for communication with stakeholders and whom stakeholders can contact, if necessary;
- **methods of communication** – communication by stakeholders such as telephone, mail, email, facsimile, corporate website, in person at the company's office or via attendance at the annual general meeting ("AGM")/extraordinary general meetings. Communication with stakeholders includes quarterly and annual reports either mailed or published on the company's website, press releases and announcements; and
- **information** on where the policy or further information about the company can be accessed.

In this regard, companies may be guided by **Bursa Malaysia's Corporate Disclosure Guide** that encourages prompt and timely dissemination of information to shareholders and investors. The Guide also recommends listed issuers to have in place written corporate disclosure policies and procedures ("CDPP") and provides guidance for companies to establish its CDPP.

Other forms of communication policies include the insider trading policy, whistleblowing policy and company general meetings. The communications policy on the general meeting may include matters such as purpose, notice of meeting, date and venue, directors seeking election or re-election, conduct of meetings and shareholder participation, proxies and disclosure of proxy results and minutes of the general meeting. *Note: In making arrangements to prepare, convene and conduct an AGM, listed issuers may be guided by "**The Best Practice Guide on AGMs for Listed Issuers**" published by the Malaysian Institute of Charted Secretaries and Administrators with the support of Bursa Malaysia*.

Section II Corporate reporting

Corporate reporting has been an integral part of a company's medium of communication to its stakeholders. Generally, corporate reports include information such as a company's financial and operational results, governance, strategy and objectives.

In producing corporate reports such as annual reports, board and managements must take into consideration the expectations of stakeholders. Stakeholders, especially shareholders and regulators, expect an increased level of transparency from companies in terms of their reported information on financial, strategy, risk, sustainability and corporate governance.

In tandem with the demand from stakeholders for improved disclosures, there has been an increased focus on the way businesses are run, with greater attention given to how businesses impact the economy, environment and society. **Bursa's Listing Requirements** outline provisions in this regard:

Item 29, Part A of Appendix 9C of Bursa's Listing Requirements

A narrative statement of the listed issuer's management of material economic, environmental and social risks and opportunities ("**Sustainability Statement**"), in the manner as prescribed by the Exchange. [Cross reference: Practice Note 9]

Paragraph 6.1 (a) of Practice Note 9 of Bursa's Listing Requirements

All listed issuers should ensure that the Sustainability Statement contains information that is balanced, comparable and meaningful by referring to the Sustainability Reporting Guide issued by the Exchange. In identifying the material economic, environmental and social risks and opportunities, the listed issuer should consider the themes set out in the Sustainability Reporting Guide.

Paragraph 6.2 (a) of Practice Note 9 of Bursa's Listing Requirements

In making the Sustainability Statement, a listed issuer must include disclosures on the following:

a) the governance structure in place to manage the economic, environmental and social risks and opportunities ("**sustainability matters**");

b) the scope of the Sustainability Statement and basis for the scope;

c) material sustainability matters and –

   i. how they are identified;
   ii. why they are important to the listed issuer; and
   iii. how they are managed including details on –
      aa) policies to manage these sustainability matters;
      bb) measures or actions taken to deal with these sustainability matters; and
      cc) indicators relevant to these sustainability matters which demonstrate how the listed issuer has performed in managing these sustainability matters.

*Note: The above only represents an extract. Detailed provisions are contained in **Practice Note 9.***

The heightened expectations of stakeholders have resulted in corporate reporting becoming more complex and voluminous by the year. To this end, **Practice 11.2 of MCCG** encourages large companies[1] to adopt integrated reporting based on a globally recognised framework. Integrated reporting provides an avenue for companies to create a clearer and concise report which would encompass details that can be tailored to meet the needs of different group of stakeholders associated with the company. The following diagram illustrates the different types of reporting that could be integrated into a single report by adopting the elements of integrated thinking in the form of integrated reporting.

How to read an annual integrated report

An annual integrated report provides **extensive cross-references to other reporting publications, shown below:**

Annual integrated report
Primary annual report to stakeholders contains succinct material information and conforms to local and other international reporting framework, as applicable.

Annual report

Contains a full analysis of the company's financial results, with detailed financial statements, prepared in accordance with International Financial Reporting Standards, as well as full corporate governance and remuneration reports.

Specific industry regulatory report

Reports issued in accordance with legal and regulatory requirements such as quarterly financial reports and circulars.

Sustainability report

A report covering environmental, social and governance matters. Usually prepared in accordance with the Global Reporting Initiative (GRI) G4 framework.

Integrated reporting facilitates the connectivity of information by linking factors such as strategy, available resources and performance. Integrated reporting also helps management and the board to better understand the process involved in the business and issues they face more clearly, which allows them to better articulate their business strategy (short, medium and long-term) to their stakeholders. Considerations on integrated reporting are covered in detail in the write-up to **Practice 11.2**.

[1] Companies on the FTSE Bursa Malaysia Top 100 Index; or companies with market capitalisation of RM2 billion and above, at the start of the companies' financial year (defined on page 3 of MCCG).

Section III General meeting of shareholders

Enhancing shareholder participation

Regarded as an important platform for shareholders to interact and converse with the board, general meetings are evolving with the advancement of technology. During general meetings, companies are encouraged to embrace the use of technology to facilitate the presentation and communication of relevant information to shareholders, including the directors' report, the audited financial statements, the company's principal activities, and its financial and operational performance.

In addition, the AGM should include communication of long-term corporate objectives, strategies and plans, as well as a dialogue on governance matters, between the board and management, with the shareholders. For many companies, the AGM is a major challenge in terms of shareholder communication and is a potential source of both positive and negative publicity. The outcome is determined by the information communicated and by the tone taken by the board towards shareholders, which, in turn, determines shareholder confidence in the company and the board. Considerations on shareholder participation in the general meetings are covered in detail in the write-up to **Practice 12.1**.

Over the years, there has been increasing calls for greater inclusion of shareholders particularly to enable who are unable to be in attendance in person to participate in the general meeting process. There has been a shift from traditional proxy voting to electronic voting with many companies, particularly in the United Kingdom and Taiwan making significant progress in this regard to facilitate voting in absentia. Considerations on electronic voting in general meetings are covered in detail in the write-up to **Practice 12.3**.
It is important to note that attending and the voting process only form a part of the overall general meeting process. Shareholders' participation may be further encouraged at general meetings by:

- setting the timing and the location of the general meeting so that it is convenient for shareholders to attend;
- ensuring the participation and availability of the external auditor to answer questions from any shareholders about the conduct of the external audit, including the preparation and content of the independent auditor's report which includes the key audit matters. Shareholders attending the general meeting should be made aware of the presence of the external auditor and their prerogative to ask questions to the external auditor concerning the conduct of the audit;
- providing information to shareholders in plain and simple language, both in English and other relevant languages to facilitate easy reading and understanding; and
- utilising available communication channels such as corporate website to keep shareholders updated on material matters.

Improving directors' participation

The general meetings are an important platform for shareholders to meet and engage the board. Interaction with the board allows shareholders to hear directly from the directors on how they the board has manage the company's affairs. This also gives an opportunity for shareholders to directly pose questions on matters such as governance, remuneration and audit to the board committee members who are involved in the respective processes. Hence, it is important for directors to ensure their attendance at the general meetings to enable more forthcoming communication with shareholders. Considerations on directors' participation in general meetings are covered in detail in the write-up to **Practice 12.2**.

In order to avoid the possibility of a painful general meeting experience, the board in building meaningful shareholders' relationship should at the least take into account the following[2]:

- the board and management should spend time attempting to anticipate specific shareholder questions and develop appropriate responses;
- consistent communication with shareholders, not just at the time of the AGM, allows for better anticipation of shareholders' concerns and contentious issues;
- explain the effects and purpose of the proposed resolution before a it is tabled at the AGM,
- a confrontational atmosphere may be avoided by addressing contentious issues in the annual report or in the chairman's formal address to the meeting;
- allowing respective board committee chairmen to address matters pertaining to a specific governance issue, e.g. matters relating to the assessment on the independence and performance of directors should likely be addressed by the chairman of the nominating committee;
- the chairman of the board is normally responsible for the conduct of the general meeting and should be thoroughly familiar with the AGM agenda and meeting procedures. The chairman should develop an approach for dealing with difficult or hostile responses from the floor;
- allowing discussions if the matters discussed are relevant and practical to the business of the AGM and important matters to shareholders. The chairman of the AGM should not "collect" questions from the shareholders with a view to answer all the questions in one go as this practice will dilute the importance of the questions and generalise the answers.
- the chairman must provide reasonable opportunity to the shareholders as a whole to pose their questions on the management of the company; and
- shareholders could be invited to submit questions prior to the general meeting to facilitate discussions at the meeting. Such questions may be posted on the company's website and addressed to the relevant email address dedicated for shareholder communication.

[2] *Best Practice Guide on AGMs for Listed Issuers* 2016, Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) with the support of Bursa Malaysia Berhad.

Practices

Communication with stakeholders

MCCG Intended Outcome 11.0

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

MCCG Practice 11.1
The board ensures there is effective, transparent and regular communication with its stakeholders.

Why — The case for change

The directors of a company are accountable to their stakeholders for the operations and the performance of a company. Stakeholders refer to "any individual or entity who can get benefited or affected by, and/ or can benefit or adversely affect, a company's actions in pursuit of its primary objectives"[1]. Apart from shareholders, stakeholders typically include employees, creditors and suppliers, to name a few. Although shareholders are regarded as stakeholders of a company, they differ in many aspects from the other groups as they are owners of the company and they delegate the responsibility of managing the company to the directors.

Each group of stakeholders expect a varying level of interaction from the board based on their differing levels of interest in the company. Stakeholders expect the board to amongst others undertake the following:

- communicate openly and transparently with them;
- adopt good corporate governance practices;
- ensure that the company's performance is closely monitored and feedback is provided;
- show support during activism; and
- engage and interact with them when making decisions that are significant to the company's direction.

What could go wrong:

- Adverse impact on share price due to unsubstantiated rumours and negative press.
- Lack of timely disclosure of material and reliable information resulting in the Inability of stakeholders to make informed decisions.

[1] *Effective Co-operation And Communication With Stakeholders*, 2007, Organisation of Economic Co-operation and Development

Stakeholders expect timely and accurate dissemination of information and demand greater transparency from the company on their disclosures for them to form an informed view on the company.

For stakeholders such as shareholders, the annual general meeting ("AGM") has in many instances become the sole avenue to engage the board and gain insights on the company's business activities and financial position. Now, stakeholders are increasingly attempting to engage the board beyond the scope of the general meetings. This has made communication between a company and its stakeholders an integral part of the corporate governance framework.

On the global front, the need for proper communication between a company and its shareholders has become far more evident with the increase in shareholder activism. **Typically, shareholders activism is a movement whereby shareholders band together for a cause where they try to exert their influence by exercising their rights[2].** For example in United Kingdom, institutional investors have been championing various causes on corporate governance, particularly following the introduction of the Stewardship Code by the Financial Reporting Council in 2010. This movement has gained momentum over the recent years with many institutional investors driving changes through their voting rights. In early 2017, it was reported that four FTSE 350 companies withdrew binding resolutions on directors' appointment and share-buy backs due to strong shareholder opposition, whilst two FTSE 350 companies failed to obtain approval from a majority of shareholders on an advisory resolution concerning directors' remuneration[3].

The chart below shows the increase in the level of shareholder activism in United Kingdom and Australia over a period of the preceding six years. This trend reinforces the prevailing view stakeholders are now more prepared to take proactive stance in conveying their discerning views towards the companies and the board.

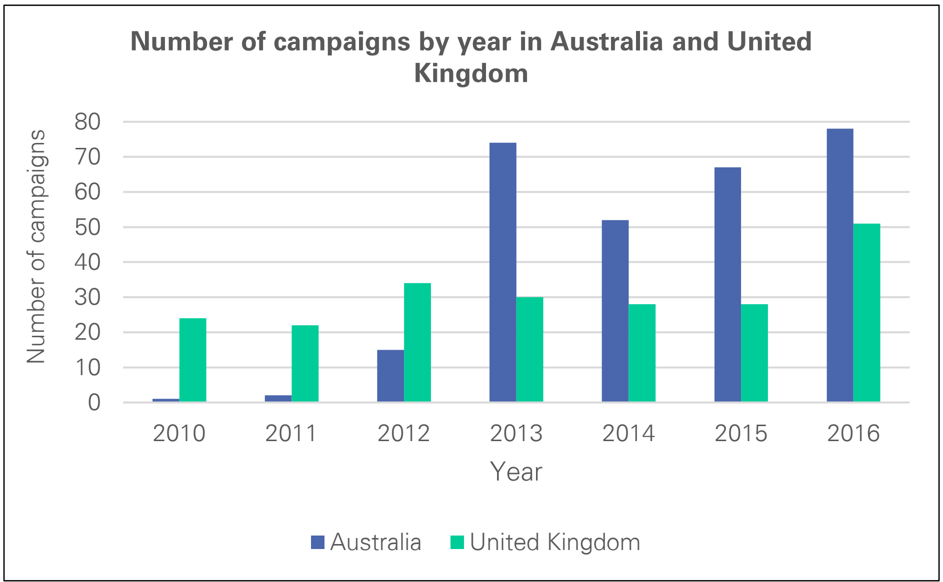


Diagram illustrating the level of shareholder activism in United Kingdom and Australia. Source: FTI Consultation global shareholder activism map United Kingdom and Australia 2017)

Dos

- ✓ Providing several engagement channels to communication for stakeholders.
- ✓ Ensuring information on company website is resourceful, informative and kept up to date.
- ✓ Conducting periodic and structured engagement sessions with stakeholders.
- ✓ Disclosing the company's stakeholders communication policy.

Don'ts

The following would render the application of this practice ineffective:

- × Having AGM as the only means of stakeholder engagement.
- × Limiting engagement sessions only to shareholders and not including other stakeholders.

[2] *Shareholder activism: Who, what, when, & how*, 2015, PWC
[3] *FTI consulting activism map UK*, 2017, Forensic Technologies International (FTI)

Point for reflection

The existence of good corporate governance policies and practices in investee companies is a key area of interest for institutional investors. For example, the California Public Employees' Retirement System (CalPERS), for a number of years has publicly declared its intention to vote **in favour** for a resolution to split the role of Mr Jamie Dimon, who held the position of Chairman and Chief Executive Officer ("CEO") of JP Morgan. CalPERS argued that there is a fundamental conflict in combining the roles of chairman and CEO.

Leading advisory firms in the United States Glass Lewis & Co. and Institutional Shareholder Services ("ISS") also supported this notion, putting pressure on the Board of JP Morgan. Although the separation of Chairman and CEO is not a requirement in the United States, activists have been calling for the separation of role between the chairman and CEO.

What not all actions by investors will result in a favourable result, such endeavours send a positive signal to the market and alert companies that improving their corporate governance practices is a necessity.

Investors' perspectives

Institutional investors are increasingly staking a demand for greater transparency and accountability from their investee companies.

In June 2014, a market driven effort, led by the major institutional investors resulted in the formulation of the Malaysian Code for Institutional Investors ("MCII") which is a set of guiding principles in relation to the stewardship responsibilities of institutional investors. Subsequent to that, the Institutional Investor Council Malaysia ("IIC") was established to serve as a common platform for institutional investors to raise concerns or views, particularly on corporate governance issues.

It is worth noting that **Principle 3** of MCII calls upon institutional investors to engage investee companies and undertake proactive measures in this regard.

In Malaysia, the movement of institutional investors activism is gaining momentum. Institutional investors are in a strong position to influence their investee companies to improve their corporate governance and stakeholder relations. The "Report on Institutional Stewardship and Future Key Priorities" by IIC in 2016 provides illuminating findings on the efforts undertaken by institutional investors in engaging their investee companies[4]. The largest institutional investor in the country, Employee Provident Fund (EPF), attended 100% of general meetings or 685 general meetings that were held by its investee companies.

Other modes of engagement by institutional investors include written submission of concerns and queries to the boards of investee companies. They also participate in engagement sessions with the investee companies. Meetings with the companies centred on the topics of financial performance, strategic direction and long-term sustainability of the business[4].

How — The practice in substance

Ongoing communication and engagement with stakeholders is essential to provide stakeholders with a better appreciation of the company's objectives and the quality of its management. **Chapter 9 of Bursa's Listing Requirements** requires a listed issuer to have in place good corporate disclosure policies and effective communication channels to ensure thorough and timely dissemination of material and reliable information from the company to the Exchange, its shareholders and stakeholders.

[4] *Investor Stewardship and Future Key Priorities, 2016*, Institutional Investor Council Malaysia

Paragraph 9.01(4) of the Bursa's Listing Requirements

Continuing disclosure ensures a credible and responsible market in which participants conduct themselves with the highest standards of due diligence and investors have access to timely and accurate information to facilitate the evaluation of securities.

Paragraph 9.21(2) of the Bursa's Listing Requirements

A listed issuer must publish the following information on its website:

a) all announcements made to the Exchange pursuant to these Requirements, as soon as practicable after the same are released on the Exchange's website; and

b) a summary of the key matters discussed at the annual general meeting, as soon as practicable after the conclusion of the annual general meeting.

Paragraph 9.21(4) of the Bursa's Listing Requirements

A listed issuer should ensure that its website is current, informative and contains all information which may be relevant to the listed issuer's shareholders including analyst's briefings.

Hot-button issue

In Malaysia, it is often noted that institutional investors engage boards in private to discuss on the strategic and financial status of the company. Retail shareholders, primarily hear from the board only during General Meetings or when announcements and media reports are made available[5].

This forms a divide between the different shareholder groups. It is therefore imperative that the board exercises equal treatment to all shareholders and ensure no selective disclosure to any particular group of its stakeholders.

From a company's viewpoint, it is vital to understand that communication depends on the nature of stakeholders that the company is dealing with. In engaging with stakeholders, companies should consider leveraging on technology as it facilitates the dissemination of information in a more seamless and inclusive manner. Examples of types of stakeholders and common communication channels that may be explored by the company are outlined below:

Type of stakeholders	Possible communication channels
Shareholders	General meetings, annual reports, circulars, prospectuses, company website and announcements to the Exchange.
Employees	Newsletters, management meetings, town-hall meetings and e-mails.
Regulators and policy makers	Annual reports, circulars, prospectuses, announcements to the Exchange, dialogues and focus groups.
Local communities	Company website, dialogues and focus groups.
Business partners	Annual reports, e-mails, circulars, briefings and announcements to the Exchange.
Creditors	Prospectuses, circulars, annual reports, e-mails and announcements to the Exchange.
Suppliers	E-mails and announcements to the Exchange.

[5] *Investor Stewardship and Future Key Priorities, 2016, Institutional Investor Council Malaysia*

Key considerations relating to the application of this Practice are discussed below:

How does the board improve its communication with stakeholders?

The board has to first identify its stakeholders and formalise a policy. The board then has to implement and disclose its policies on stakeholder communication to articulate the approaches towards different stakeholders. These polices must be assessed regularly by the board. A policy on communication with stakeholders should at the very least contain;

- purpose of the policy;

  The policy should describe the purpose of the policy to promote effective communication and provide stakeholders with complete and timely information about the company.

- principles used to formulate the policy;

  The policy should explain how the communication was formulated, including the level of clarity and reliability of information, as well as the application of open, fair, timely and consistent disclosures. The policy should outline measures to ensure compliance with the disclosure requirements as set out in the Bursa's Listing Requirements and other relevant regulatory requirements. The policy should clearly outline the roles and responsibilities of directors, management and all other relevant persons who are handling material information, including the verification process prior to disclosure to stakeholders. A clear level of authority should be accorded to designated spokespersons or those handling the material information.

- parties responsible for the communication;

  The policy should include details on the parties responsible for communication with shareholders and whom shareholders can contact, if necessary.

- methods of communication; and

  The policy must define and provide details on avenues available to stakeholders to communicate with the company and the board such as telephone, mail, email, facsimile, corporate website, in person at the company's office or via attendance at the annual general meeting/ extraordinary general meetings. Communication with stakeholders includes quarterly and annual reports either mailed or published on the company's website, press releases and announcements.

- location where additional information can be found.

  Information on where the policy or further information about the company can be accessed such as the company website, must be provided to stakeholders.

What are the common channels of communications?

In order to communicate with stakeholders, the board must first ensure the proper channels of communications have been established. This would involve the following:

1. Establishing an investor Relations ("IR") function

   Investor Relations (IR) is the process by which a public listed company organises and conducts itself in an effective two-way communication with its shareholders. Reference can be made to Bursa Malaysia's publication – "Investor Relations – Put Into Practice" which acts as a resource for a company to plan an IR programme or review its existing programme which usually included the activities outlined below.

<u>Scope or activities of an investor relations function</u>[6]

- Communicate corporate developments, strategy and financial plans to investors/ financial community;
- Analyse market and sell-side sentiment;
- Develop shareholder management strategy; and
- Obtain feedback from investors / financial community.

It is acknowledged that it may not be feasible for all listed entities to have a standalone investor relations department. Large companies[7], by their sheer size of operations and market capitalisation, would deal with a larger number of stakeholders compared to smaller companies. This would require a higher number of personnel involved in their activities.

Large Companies, as a minimum should consider:

- Establishing a separate independent investor relations function;
- Providing dedicated investor relations contact on its website and annual report; and
- Designing and implementing an investor relations programme.

Non-large companies, as a minimal should consider:

- Ensuring there is a personnel to oversee the communication with stakeholders;
- Heightening efforts in providing information via company website; and
- Ensuring matters concerning stakeholder communication are deliberated during board meetings.

[6] *Investor Relations Put Into Practice,* 2007, Bursa Malaysia
[7] "Large companies" refer to companies on the FTSE Bursa Malaysia Top 100 Index; or companies with market capitalisation of RM2 billion and above.

2. Conducting engagement sessions with the different types of stakeholders, including analyst and media briefings.

   As mentioned above, every stakeholder group is distinct as each group has different interests. Institutional investors would have a different perspective on their investment as opposed to a retail investor. As such, different approaches would be required to communicate with the different groups.

   For example, engagement sessions (e.g. briefing, dialogues) allow shareholders and stakeholders to better understand the company and make informed decisions on exercising their votes. Concerns regarding the company's performance, strategy, corporate governance practices and future prospects can be raised through briefing sessions, which will provide the company and its stakeholders (e.g. investors, analysts and employees) a common platform to improve the flow of information.

Common questions asked by shareholders and stakeholders today

- What is the company's strategy going forward, given the current market conditions?
- Why has the company's share price exceeded/lagged behind the others in the same industry? How has the company's share price performed in comparison to competitors?
- Is the company looking for opportunities for acquisition and/or acquiring valued assets?
- Why have gross operating margins increased/decreased from prior years?
- Which division/subsidiary/products contributed the most and the least to this year's earnings? Which division/subsidiary/product is expected to be stronger/weaker next year?
- Why is the chairman also the chief executive of the company? Has the company considered separating these roles?
- What events have led to company's impairment charges?
- How does the company plan to increase its market share?
- What was done from funds received from disposals?
- To what extent is the company dependent on short-term financing to operate?

Note: Please refer to Appendix I of this pull-out for samples of questions that could potentially be raised by stakeholders.

Point for reflection

Institutional investors are increasingly seen to be exerting their influence to bring changes in a company. Recently, many South African companies have proposed to amend their Memoranda of Incorporation (MOI) to state that only non-executive directors will be subjected to regular re-election by shareholders. The executive directors were excluded.

In this regard, a major institutional investor, BlackRock has taken the position that the ability to elect or re-elect a director to the board is a fundamental right of the shareholder that cannot be comprised.

To this end, BlackRock held several engagement sessions with a financial services company on the proposed amendments to the MOI. BlackRock advised the company that they would not be supportive of the removal of this fundamental shareholder right. BlackRock's feedback, and that of other shareholders, encouraged the board of the said company to require all directors, including executives, to retire by rotation and seek shareholders' approval in re-electing them. A new MOI was submitted to reflect this[8].

Extracted from the report on Corporate Governance & Responsible Investment Report: Europe, The Middle East and Africa by BlackRock (Q1, 2017).

3. Ensuring proper and accurate disclosure using available technological means such as the Company website and social media.

   The modern shareholder does not only rely on announcements made by the company. **Stakeholders are increasingly active in online forums where latest industry developments and stock performance are shared and discussed**. Although they are becoming more informed, there is a risk in them being misled in these forums. By being proactive on the company's website and social media, shareholders and stakeholders can engage the company to ease their concerns.

   Bursa Malaysia's Corporate Disclosure Guide[9] states that a listed issuer should leverage on advances in information technology to broaden its channel for dissemination of information. In tandem with this, the Bursa's Listing Requirements allows the use of e-communication by the company to disseminate information to its stakeholders.

[8] *Corporate Governance & Responsible Investment Report: Europe, the Middle East and Africa,* Q1 2017, BlackRock

[9] **Paragraph 3 (3.26), Bursa Corporate Disclosure Guide**.

Paragraph 2.19B of Bursa's Listing Requirements[10]

Issuance of documents by electronic means by a listed issuer to its securities holder.

1. A listed issuer may send any document required to be sent under these Requirements to its securities holders ("**Documents**"), by electronic means if the following conditions are complied with:

   a) the constitution of the listed issuer –

      i. provides for the use of electronic means to communicate with its securities holders;

      ii. specifies the manner in which the electronic means is to be used; and

      iii. states that the contact details of a securities holder provided to the Depository shall be deemed as the last known address provided by the securities holder to the listed issuer for purposes of communication with the securities holder;

   b) if the listed issuer publishes the Documents on its website, the listed issuer must separately and immediately notify the securities holders of the following in writing:

      i. the publication of the Document on the website; and

      ii. the designated website link or address where a copy of the Document may be downloaded;

   c) if the listed issuer sends the Documents or notification through electronic mail, there must be proof of electronic mail delivery;

   d) where a securities holder requests for a hard copy of the Document, the listed issuer must forward a hard copy of the Document to the securities holder as soon as reasonably practicable after the receipt of the request, free of charge; and

   e) where it relates to documents required to be completed by securities holders for a rights issue or offer for sale, the listed issuer must send these documents through electronic mail, in hard copy or in any other manner as the Exchange may prescribe from time to time.

*Note: **Sections 319, 320 and 612 of Companies Act 2016** allows company to deploy technology to engage and communicate with its shareholders.*

[10] As per the proposed amendments contained in Bursa's Public Consultation (Paper 3/2017)

What are symptoms of poor communication efforts by the company to reach out to stakeholders?

Examples of poor communication efforts in this regard are as follows:

- the board does not provide sufficient time to engage with their respective stakeholders due to time constraints and competing commitments;
- investor relation activities are not conducted in accordance with the directions of the board and management; and
- an improperly maintained company website (not updated regularly).

How can a company's website (on communication with stakeholders) be enhanced?

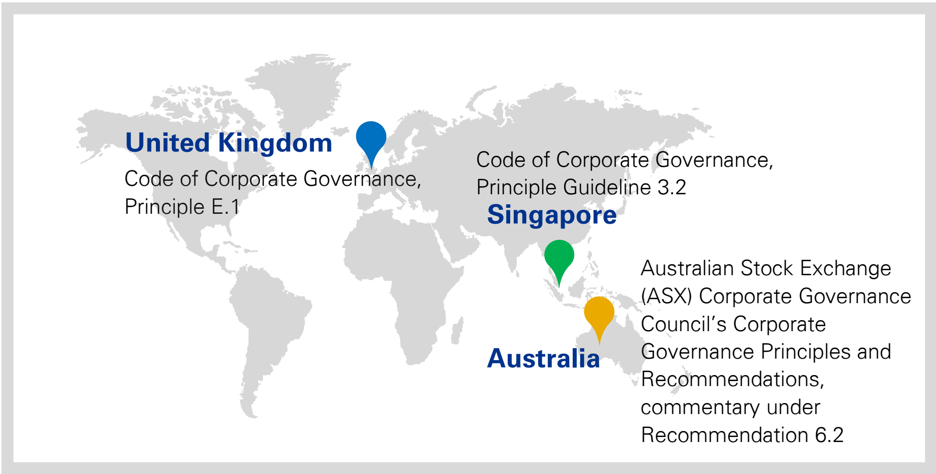
Suggested measures to enhance the content of a company's website are outlined below:

- Ensure a section on the website that includes a calendar containing important dates for shareholders that includes dates for General Meetings, upcoming engagement sessions, release date of financial statements and other business updates;
- Ensure corporate governance documents and policies (e.g. company's constitution, board charters, terms of reference of board committee, remuneration policies and procedures) are updated and made accessible to stakeholders;
- Announcements made to Bursa Malaysia or media should also be shown in full on the company's own website; and
- Provide an Investor Relations contact to facilitate quick response to stakeholders queries.

Where

Regional/international perspectives

In order to encourage transparent communication between the board and stakeholders, countries such as Australia, Singapore and United Kingdom have encouraged their companies (through their respective codes of corporate governance) to put in place practices and policies fostering greater communication between both parties.



Country	Provision
United Kingdom	There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place ***(Principle E.1)***.
Australia	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors ***(Recommendation 6.2)***.
Singapore	The chairman should ensure effective communication with shareholders ***(Guideline 3.2(e))***.

Regional/ international perspectives

Listed companies in Australia are called upon to create an investor relations program to facilitate two-way communication with investors.

Integrated reporting

MCCG Intended Outcome 11.0

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

MCCG Practice 11.2
Large companies are encouraged to adopt integrated reporting based on a globally recognised framework

Why **The case for change**

Integrated reporting establishes the cycle of integrated thinking and reporting as a core requirement that is designed to support sustainable business and financial stability.

The South African Institute of Chartered Accountants (SAICA) in its 2015 survey found evidence of improvement in the quality of information presented as a result of integrated thinking (i.e. a process that underpins integrated reporting), as follows[1]:

- improved risk management identification and management process;
- improved decision making, at both management and board level through the understanding of inputs and outputs in which the business relies;
- improved efficiency in optimising and allocating of resources, including between remuneration and value creation; and
- improved governance processes, as companies developed a more inclusive culture that made employees feed empowered.

Traditionally, annual reports, have been an essential medium to update stakeholders on the company's financial and strategic performance over the past financial years. However, the nature and pace of change in businesses today has evolved over time and stakeholders are now placing greater emphasis on the future performance and non-financial information of a company.

The awareness of the importance of non-financial information in determining long term financial stability is growing amongst stakeholders. In tandem with the growing demand for changes in corporate reporting, a number of initiatives have emerged that are aimed at addressing disclosure needs and expectations of stakeholders. Some of these initiatives are as follows:

Traditional corporate reporting
Whilst traditional annual reports have often been a reflection of the company's performance over the past financial year, it offers very little insight into the company's long term business sustainability.

[1] *Creating value,* 2016, International Integrated Reporting Council

- In order to provide more insights on the audit process, the International Auditing and Assurance Standards Board introduced the reporting of Key Audit Matters ("KAM") by the external auditors[4]; and
- In line with greater demand by shareholders and public at large for disclosure of comprehensive and relevant non-financial information to complement the information provided in the financial statements, Bursa Malaysia mandated the disclosure of Management Discussion & Analysis ("MD&A") in the annual report effective from 31 December 2016 onwards. Information to be contained in the MD&A in summary should include an overview of the group's business and operations;. discussion and analysis of the financial results and financial condition review of operating activities; discussion on identified and anticipated or known risks; and forward looking statements comprising of trends, outlooks, prospects, and distribution policy[5].

The rising importance of non-financial reporting is also reflected in the **Companies Act 2016** for which an extraction of the relevant section is shown below:

Section 253(3) of Companies Act 2016 – Contents of directors' report

The directors' report prepared under section 252 of the Companies Act 2016, may include a business review as set out in Part II of Fifth Schedule[6] or any other reporting as prescribed.

In light with these ongoing developments coupled with the need to provide stakeholders with a complete and closely knitted picture of the business, integrating reporting has emerged as a timely response to bridge the existing divide and all the dimensions of a company's values, strategy, risks and opportunities aligned to outputs and outcomes to be articulated in a single and comprehensive report.

Integrated reporting is based on the process of integrated thinking. Integrated thinking requires a company to evaluate and consider its many different relationships that intertwine with its operations and functions along with the resources involved. The process of integrated thinking allows a company to integrate its decision-making processes and its actions that contribute to the creation of value for the company over the short, medium and long term.

In order for companies to achieve integrated thinking, companies may need to observe the following salient considerations:

- the need to balance both financial and non-financial information which clearly focuses on value creation;
- drive greater collaboration to ensure the right knowledge and experience from different business units and investors are involved in making decisions;

Investors' perspectives

Pru Bennet, Director of BlackRock International stated that "BlackRock surveys have found that the current state of disclosure is largely inadequate," she added that "One of the main issues is that the information is produced by the company itself, and in many cases, is 'boilerplate' disclosure. It's tied to regulatory requirements and focuses on selected, traditional Capitals while ignoring all the rest. Most of the time, it's decoupled from social aspects and future prospects, so how can investors benefit? It should be focused on value creation[2]".

The excerpt above provides insights into the perception of international investors on the current standard of reporting. The Association of Chartered Certified Accountants (ACCA), in their report, "Insights into Integrated Reporting", found companies that adopted the integrated reporting framework developed a healthier relationship with their stakeholders. In one particular Swedish company, shareholders who attended the annual general meeting praised the level of disclosure of the annual report[3].

[2] *Report on sessions with PLCs 2016*, Malaysian Institute of Accountants (MIA)
[3] *Insights into Integrated Reporting,* 2017, Association of Chartered Certified Accountants (ACCA)
[4] KAM are those matters that, in the external auditor's judgement, were of most significance in the financial audit of the current-period financial statements.
[5] **Item 7, Part A, Appendix 9C of Bursa's Listing Requirements**
[6] Information to be included in the business review may contain, a fair review of the company's business; a description of the principal risks and uncertainties facing the company; a balance and comprehensive analysis of the development and position, performance and key indicators of the company.

- place greater emphasis on engagement with stakeholders to align stakeholder value to strategy and its business model; and
- create greater transparency into how and why decisions are being made through target-based performance management system.

Integrated thinking which enhances connectivity in a company and communicate on value creation has the following benefits:

- helps to align internal and external messages by clearly articulating the business strategy and business model;
- better understanding of company's strategy and how value is created through breaking down silos;
- provide stronger focus on material issues and facilitate a long-term view of the business;
- provide better information from management that enhances accountability;
- better focus on quality of disclosure and building trust within the business and with stakeholders;
- impart deeper understanding of business process and to analyse and remediate gaps in process with the use of the multiple capitals approach; and
- improve the understanding of the value of non-financial assets and renew emphasis on stakeholder engagement.

Integrated thinking blends the strategy, resource allocation and relationship that a company is reliant upon, into the company's decision making process and enables actions that focus on value creation over the short, medium and long term. The Integrated Reporting <IR> Framework, issued by the International Integrated Reporting Council (IIRC) in year 2013, termed these as the Capitals. These Capitals focus on the wider scope of strategic, natural and social impact of decisions and its effect on the company's balance sheet.

The <IR> Framework, which is a widely recognised integrated reporting framework, illustrates the fundamental Concepts together with the Guiding Principles and eight Content Elements that form the structure of integrated report. The <IR> Framework enables a company to bring these Elements together through the concept of "connectivity of information", to explain how it creates value. The fundamental Concepts, Guiding Principles and Content Elements within the <IR> Framework, as extracted from the IIRC's Framework can be found in **Appendix II** of this Pull-out.

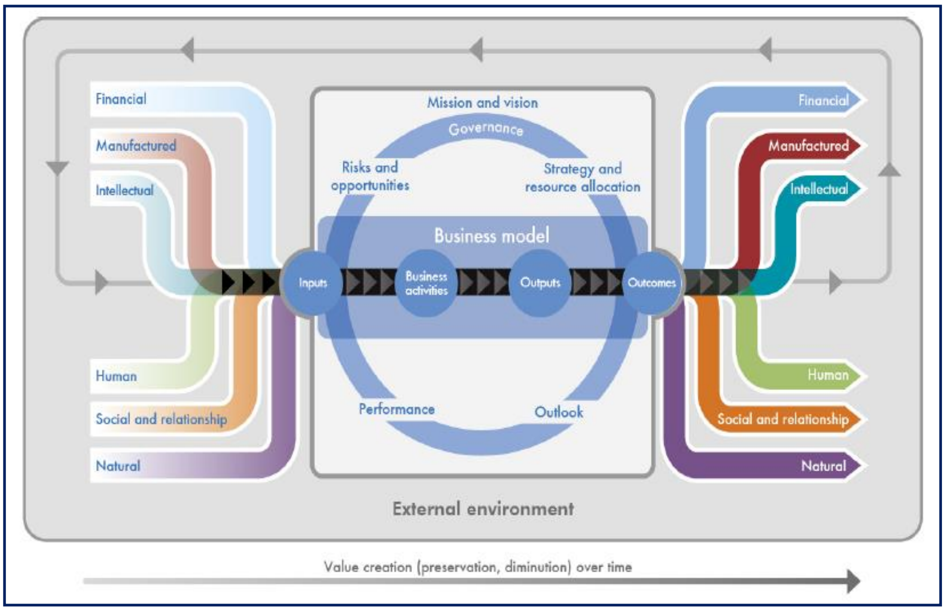
Integrated reporting is no longer viewed as nugatory or just "another reporting initiative". It is not about more reporting but better and concise reporting. In short, assembling as integrated report promotes integrated thinking i.e. by breaking down silos of business entity and introducing new way of value creation.

Through qualitative and quantitative information, integrated report looks at how the activities and capabilities of the company transform the relevant Capitals into outcomes for the company and stakeholders.

There are six types of Capitals that represent a collection of values that are either increased, decreased, or transformed through the activities and outputs of a company. These six Capitals are typically referred to as: Financial;

Manufactured; Intellectual; Human, Social & Relationship; and Natural Capitals. It is important to understand that not all Capitals are equally relevant or applicable to all companies. Although most companies interact with most of these Capitals to some extent, not all Capitals are of equal importance to each company.

The value creation model depicted below articulates a business model of a company and its relationship across strategy and risks facing the business in order to allocate Capital appropriately; its uncertainties across the external environment; and the interdependencies that affect them in its generation of outputs and outcomes.



Source: The International <IR> Framework, International Integrated Reporting Council (IIRC), 2013

This is further illustrated to explain how a company utilises, increases/decreases or transforms the Capitals through the activities of the company's business model in which they are enhanced, consumed and modified by the activities in generating the output and outcomes in the following sequence:

i. The background in which a company operates is often influenced by its **external environment.** These include, economic conditions, technological developments, social issues and environmental challenges;

ii. The company's **vision and mission** encircle the whole company, recognising the company's purpose and intention in a clear and concise term;

iii. The business model is vital to the company as it draws on many different Capitals as **inputs** and, through its **activities**, converts them into **outputs** such as products and by-products. For example, a company that has acquired an infrastructure asset via loan financing (input of financial capital) would leverage on this asset to carry out its business activity to generate output (e.g. profit) which in turn translates into outcome for stakeholders (e.g. dividend); and

iv. The company's activities and its outputs lead towards **outcomes** that affect the Capitals.

Point for reflection

In emphasising the importance of integrated reporting, Martin Buys, the General Manager of financial and management reporting of Eskom Holdings SOC Ltd stated that:

"The <IR> Framework has made us reconsider the concept of value creation, and specifically, how we apply the Capitals to create value for all our stakeholders. It encouraged us to explicitly consider the trade-offs between operational requirements, and financial, natural and human capital in particular. As the primary provider of electricity in South Africa, we have to remain sustainable in the long term, and we cannot achieve that without managing our impact on all the Capitals[8]".

Hot-button issue

According to Black Sun's report on "Realizing the benefits: The impact of Integrated Reporting", companies believed the investment to be worthwhile as over time management and board's reporting improved while more effective strategy and planning processes were unearthed. The cost of implementing Integrated Reporting was then noted to stabilise in later years[7].

The capacity of the business model to adapt towards changes such as the availability, quality and affordability of the Capitals could impact the company's long-term viability[8].

The following explains the Capitals, as applicable to small, medium and large companies with some non-exhaustive examples:

Capitals	Examples
Financial	The pool of funds available to a company for use in the production of goods or the provision of services, which are obtained through financing, such as debt, loans, debt, equity or grants, or generated through operations or investments.
Manufactured	Physical objects (as distinct from natural physical objects) that are available to a company for use in the production of goods or the provision of services, including buildings, equipment and infrastructure (such as roads, ports and bridges, etc.)
Intellectual	Company's knowledge-based intangibles, including intellectual property, such as patents, copyrights, software, rights and licenses, systems, procedures and protocols.
Human	People competencies, capabilities and experience, and their motivations to innovate, including their alignment with and support for a company's governance framework, risk management approach, and ethical values along with the ability to understand, develop and implement a company's strategy and motivations for improving processes, goods and services, including their ability to lead, manage and deliver.
Social and relationship	The institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individuals' wellbeing and its license to operate. Social and relationship capital includes brand and reputation, common values and behaviors, key stakeholder relationships, and the trust and willingness to engage with its external stakeholders.

[7] *Realizing the benefits: The impact of Integrated Reporting,* 2014, Black Sun
[8] *Focusing on value creation in the public sector,* 2016, International Integrated Reporting Council (IIRC) and Chartered Institute of Public Finance and Accountancy (CIPFA)

Capitals	Examples
Natural	All renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of the company. It includes emissions, water, waste, land, minerals and forests, along with biodiversity and its ecosystem.

Adapted from: "Focusing on value creation in the public sector" 2016, International Integrated Reporting Council (IIRC) and Chartered Institute of Public Finance and Accountancy (CIPFA)

HOW The practice in substance

In order to explain the company's current state and future aspirations, **Practice 11.2 of MCCG** encourages **Large Companies** to adopt integrated reporting based on a globally recognised framework. Integrated reporting expands on the current financial reporting model to integrate non-financial information that will help shareholders and stakeholders understand how a company takes into account the connectivity and interdependences that have a material effect on the company's ability to create and sustain value over time.

Guidance to Practice 11.2 of MCCG defines the integrated report to be the main report in which information flows seamlessly and interconnects the company's financial statements to other non-financial based statements such as, governance statements and sustainability reports. The integrated report provides information on how a company's strategy, performance, governance and prospects lead to value creation. The integrated report enhances the value of information available to stakeholder and advocates higher standards of transparency and accountability from the company towards its stakeholders.

Integrated reporting signals integrated thinking

It is paramount that any reporting done by a company to be in compliance with legal and regulatory requirements including those relevant to the business. Whilst many companies have compliance to legal and regulatory requirements by publishing a vast amount of information, the information presented is often isolated as they are prepared by many different departments, such as:

- financial reports which are prepared by accounting and finance departments;
- disclosures on regulatory and legal compliance which are produced by general and legal counsels;
- sustainability reporting which is carried out by those involved in sustainability management;
- media releases and website contents which are overseen by communication and media departments; and
- risk issues which are reported by management involved in risk management.

An integrated report that is eloquent and effective cannot be merely strung together using the internal and external information collected. The integrated report originates from the integrated thinking within the company. It is created using information that is used by decision makers within the company. This would lead to improved reporting by companies.

Dos

- ✓ Put in place mechanisms from cross-functional departments to allow integrated thinking on the company's current and future state.
- ✓ Actively engage stakeholders to formalise a better understanding on what is expected and desired from the business.

Don'ts

The following would render the application of this practice ineffective:

- × Maintaining the existing reporting framework of the company and stand-alone reporting on financial and sustainability to be the be-all and end-all.

How is integrated reporting put into practice?

The first step that has to be taken by a company is to make a conscious decision to adopt the integrated reporting. **The decision to adopt the Framework stems from the motivation to gain the internal benefits of integrated thinking and to focus their reporting on matters that are considered material to the company and its stakeholders.**

For example, a company with experience in sustainability reporting is also more likely to have established the necessary systems, controls and assurance processes in place to comfort the senior management that there is a clear presence of quality non-financial data to support the development of an integrated report.

Although the details may vary, the journey for any company will often involve **Five** phases:

Phase 1: Deciding to adopt integrated thinking and reporting

The decision to adopt integrated reporting and the resulting activities should be supported by the highest governing body as the form of reporting requires the breaking down of silos. In this regard, directors of the company are best suited to ensure a company's overall adoption of the integrated thinking and reporting process. Integrated reporting does not only help directors communicate better with stakeholders but it also provides them with a view of how long-term strategies could be pursued and how the resources could be allocated in achieving their targets.

The integrated report should include a statement from those in-charge of governance that consist of an acknowledgement of their responsibility to ensure integrity of the integrated report and that they have applied collective mind in setting the direction of the company and taking accountability for the performance of the company.

Phase 2: Setting the parameters

Integrated thinking requires the participation of many functions across the business. A company that has the process of integrated thinking embedded into its activities will be able to better synergise its connectivity of reporting from management, its business analysis, decision making process and this will flow into the integrated report.

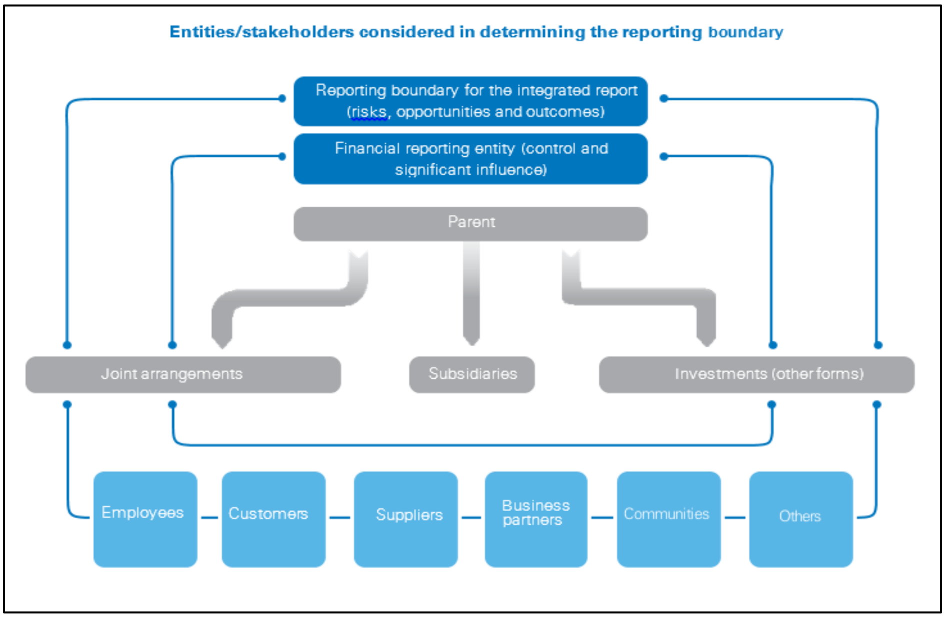
Who?	What?
• Who are the intended readers/ external stakeholders? • Who will develop and distribute the reporting system/ documentation, and is training required for those involved? • Who will write the integrated report? • Who, of the senior managers, will 'champion' <IR> and review the report before it is submitted to the executive team? • Who will approve the final report (e.g. audit committee before it goes to the board)? • Who will design, typeset and print the report (internal, external or a combination)? • Who will provide the budget?	• What reports should be produced in addition to the integrated report (annual, financial, etc.) and will they be printed, only published on the website or both? • Will any current reports be discontinued/moved to the web only? • What information will be included in the integrated report? • What gap analysis will be undertaken (what information we produce versus what is needed for the integrated report)? • What are the inputs from the six Capitals that need to be considered? • What information will be assured – internally and/or externally – when will this take place and what are the requirements? • What is the budget for the reports (consider any cost saving measures on design, printing, etc.)?
How?	**When?**
• How will the information for the report be collated (pay specific attention to multiple divisions/subsidiaries) and is it a standard or individual process of collating? • How will the report be structured? • How will the material matters be identified in the context of the six Capitals? • How will the report be released? • How will the quality/accuracy within the report be ensured – 3rd party audit or verification?	• When will the team meet (schedule meetings in advance)? • When to schedule interviews with senior management and the board? • When will the material matters be approved? • How long will it take to compile the information for the report? • How long will it take to write the report? • When will the report be released?

Adapted from "Focusing on value creation in the public sector" 2016, International Integrated Reporting Council (IIRC) and Chartered Institute of Public Finance and Accountancy (CIPFA)

Phase 3: Identifying stakeholders

Identifying the key stakeholders will be one of the key challenges of the <IR> process. Stakeholders are either groups or individuals that can be affected by a company's business activities, outputs or outcomes, and where their actions could have an impact on the company's ability to create value over time. Guidance on stakeholder engagement can be found in established benchmarks such as the AA1000 Stakeholder Engagement Standard (AA1000SES)[9].

The following diagram shows the typical stakeholders considered when determining the boundary of an integrated report, i.e. the context of which it needs to address in relation to risks, opportunities and outcomes.



Source: The International <IR> Framework, 2013, IIRC

Good communication with key internal and external stakeholders is vital throughout all Five Phases. The information provided to the stakeholders must be determined by what is material for the specific stakeholder group.

Phase 4: Gathering and consolidating the information

In order to decide what information to gather for an integrated report, materiality needs to be considered by a company. It is also imperative that the company considers how the existing reports such as internal reports, sustainability reports and financial statements could fit into the integrated reporting process so as to ensure there is no duplication of information nor overburdening of resources. Quantitative and qualitative indicators, such as Key Performance Indicators (KPIs) and targets or indicative values, and the context in which they are provided, can help to explain how a company creates value and how it uses and affects various Capitals (see page 5 of this write-up).

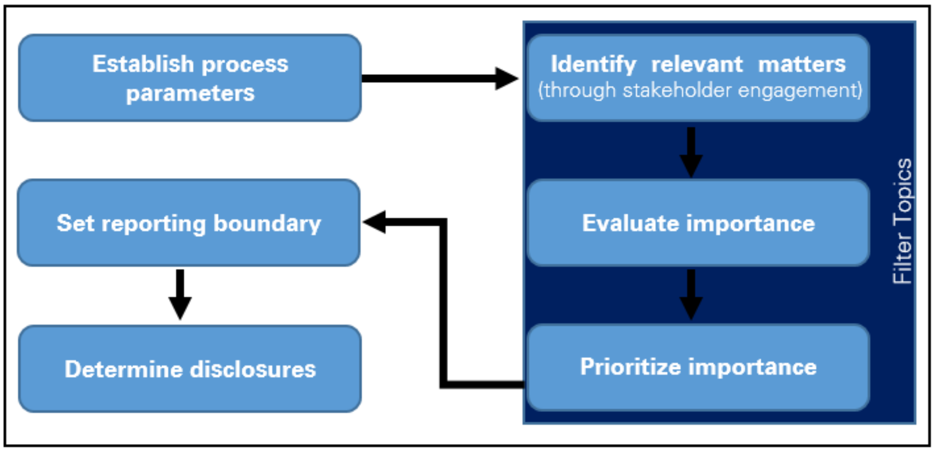
In integrated reporting, a matter is material if it could substantially affect the company's ability to create value in the short, medium or long-term. The process however, depends on each specific company based on industry and other factors as well as from multi-stakeholder perspectives. Embedding the

[9] The AA1000SES issued by AccountAbility is a generally applicable framework for the assessment, design, implementation and communication of quality stakeholder engagement.

materiality determination process into management process can enhance the effectiveness of decision making and reporting.

The materiality should also be taken into consideration in setting the company's goals and strategy as this would allow the board to be prepared for any challenges or risks that they could encounter in their value creation process.

The <IR> Framework provides guidance for shaping the materiality[10] content of the integrated report. The following diagram provides a summary of the steps involved in shaping and setting the reporting boundary and determining the disclosures[11]:



Source: Materiality in <IR> guidance for the preparation of integrated reports 2015, IIRC

Phase 5: Preparing the integrated report

The <IR> Framework provides guidance on the Content Element which identifies information to be included in an integrated report, as briefly explained in **Appendix II** of this Pull-out. The process of integrated thinking and integrated reporting develop naturally together as integrated thinking forms the basis for preparation of an integrated report. Companies must consider the contents of an integrated report by looking at their existing business model and ensuring the previously segregated teams work more cohesively together. This leads to an integrated thinking management which is more connected in its support in producing an integrated report[12].

[10] Materiality is the principle of identifying and assessing a wide range of relevant matters, and refining them to what are most important to the company for value creation.
[11] *Materiality in <IR> guidance for the preparation of integrated reports* 2015, International Integrated Reporting Council
[12] *Creating value,* 2016, International Integrated Reporting Council

What are the Content Elements to be included in an integrated report?

As advocated in the <IR> Framework, an integrated report contains the following eight Content Elements:

Content Element 1: Company overview and external environment

The integrated report should provide an overview of what the company does and under which environment it operates. In providing the company overview, the company should first identify the following:

- the company's:
    - culture, ethics and values;
    - ownership and operating structure;
    - principal activities and markets;
    - competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, and the intensity of competitive rivalry); and
    - position within the value chain;
- quantitative and qualitative information that is key to the company (e.g., the number of employees, revenue and number of countries in which the company operates), highlighting, in particular, significant changes from prior periods; and
- factors that significantly affect the external environment and the company's response.

Significant factors impacting the external environment of a company include legal, commercial, social, environmental and political issues that affect the company's ability to create value in the short, medium or long term. Stakeholder needs, macro and micro economic conditions, political and economic stability as well as market forces such as competition and demand from customers, for instance, are some factors that can impact the company either directly or indirectly (e.g., by influencing the availability, quality and affordability of a capital that the company uses or affects). These factors may vary based on each individual company's business activities, industry and region which it operates in.

In order to ensure that the integrated report clearly explains the company's overview and external environment, the following questions must be addressed by the integrated report:

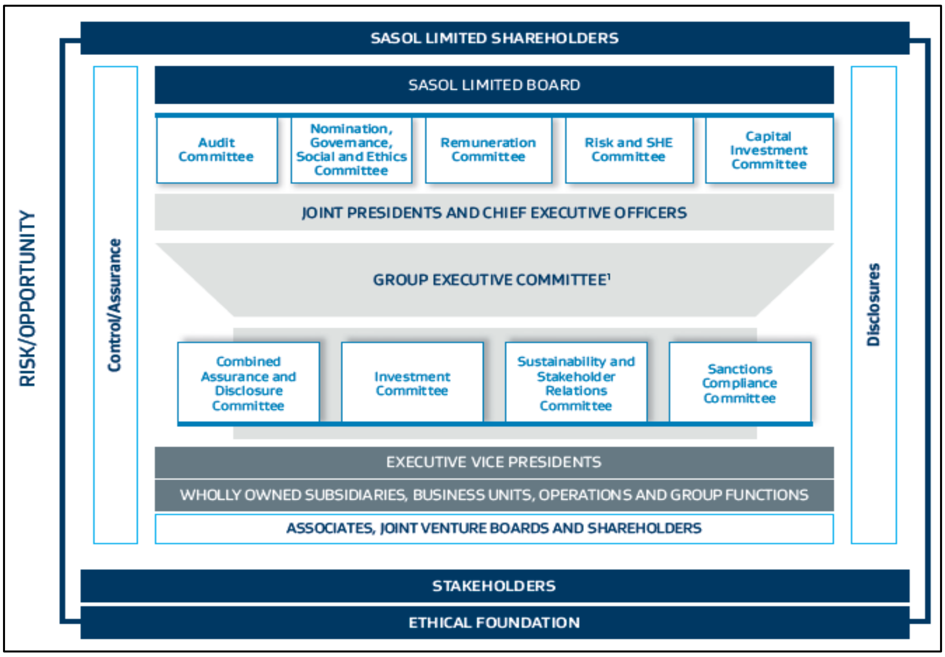
- Is there sufficient details given by the report to the reader on the importance of each group of assets/activities that create value for the business?
- Is the analysis sufficient to put the elements of the business into context?
- Are the components of the business model described through the report linked?

Content Element 2: Governance

The company should provide explanation on how the current governance structure supports its ability to create value in the short, medium and long term.

The integrated report must provide details on the company's leadership structure, the skillset of its board and executive management, the diversity of its members, (e.g., range of backgrounds, gender, competence and experience) the people responsible for the governance within the company and which regulatory requirements influenced the design of the governance structure.

The integrated report must highlight the processes used in implementing strategic decisions, creating and monitoring the company's culture, including the company's risk appetite and the mechanisms in place to address issues relating to integrity and ethics. Information on the steps and measures taken to influence and monitor the company's strategic direction along with the risk management in place should be provided together with the explanation on the company's relationship with its key stakeholders[13]. The following illustrative disclosure provides an example on a governance framework of a South African conglomerate:



Source: Sasol Limited, Integrated Report, 2016

In order to ensure the integrated report clearly explains the company's governance over the business, the following questions must be addressed by the integrated report:

- Were the key managements decisions subjected to due process scrutiny by the board?
- Does the board focus on issues that relate to shareholders and do they have the expertise to handle the matters?
- Does the board actively engage with potential stakeholders and understand the company's threats and business opportunities?

[13] *The International <IR> Framework*. 2013, International Integrated Reporting Council

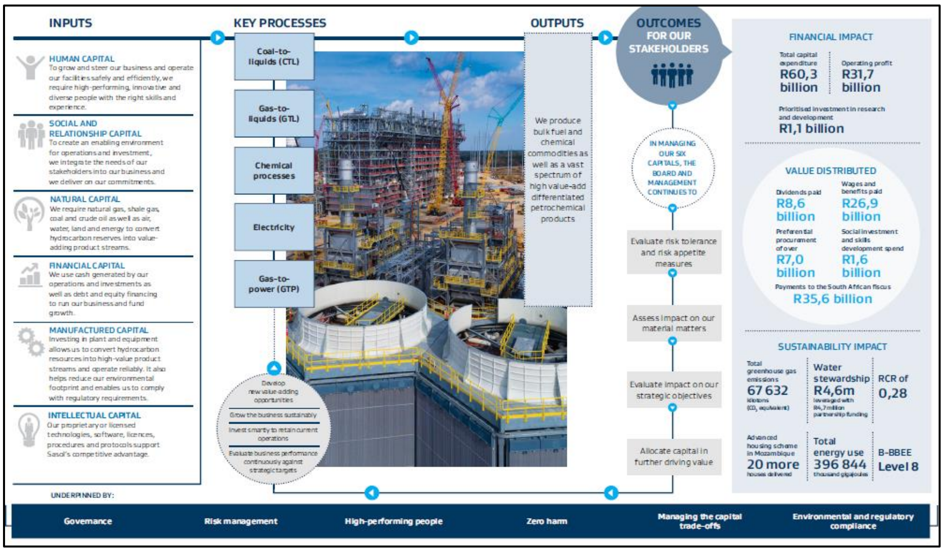
Content Element 3: Business model

A company's business model is a setup of transforming inputs, through its business activities, into outputs and outcomes that aims to satisfy the company's strategic need and create the desired value over the short, medium and long term.

The key processes in a business model are inputs from the context of the six Capitals, business activities, outputs and outcomes. The factors that could improve the quality and readability of the business model include the following:

- recognising the specific elements of the business model;
- providing a diagram illustrating the key elements and providing relevant explanation to the elements;
- ensuring that there is a logical flow to the writing; and
- identifying the crucial factors affecting the external environment of the company including but not limited to the needs of stakeholders.

The diagram below provides an example of how the reporting for a business model could be accomplished:



Source: Sasol Limited 2016, Integrated Report

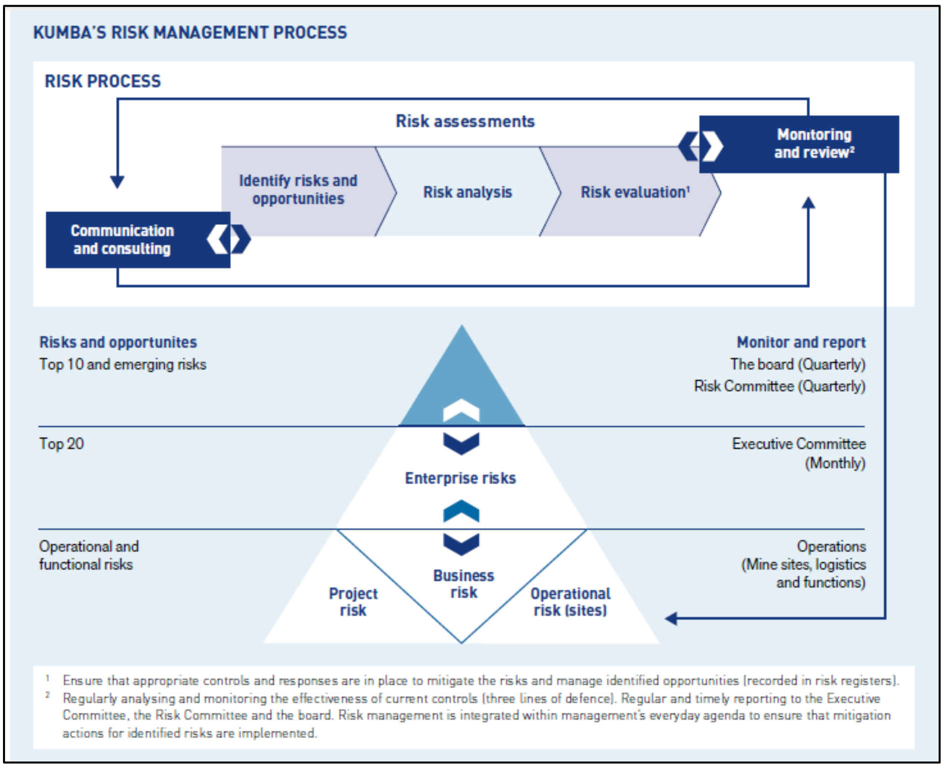
This illustration shows how the various inputs were incorporated into the business and delivered through outputs and outcomes allowing the reader to fully understand the company's business model in a clear and concise manner.

In order to ensure that the integrated report clearly explains the company's business model, the following questions must be addressed by the integrated report:

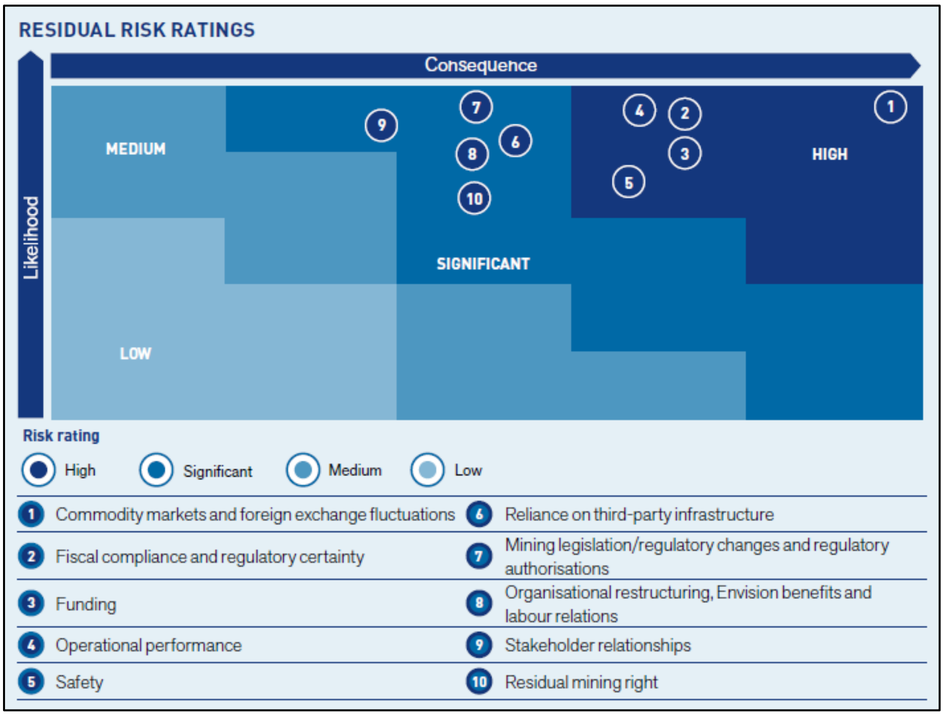
- Is the business activity and its value clearly explained?
- Are the business resources clearly explained?
- How would managements plan impact the future of the business?
- Can stakeholders understand the high level assumptions that underpin the business model?

Content Element 4: Risk and Opportunities

The company should articulate the risks and opportunities faced by the company and state how it would mitigate the risks and take advantage of the opportunities. It is important for a company to understand what factors have a material impact on its long term value creation. Integrated reporting provides stakeholders with a better understanding on what the risks in the business are and how the company would respond to them. An illustrative disclosure on the following page provides an example of a risk management process and its residual risk rating disclosed by a South African company:



Source: Kumba Iron Ore Limited, Integrated Report, 2015



Source: Kumba Iron Ore Limited, Integrated Report, 2015

Linking the issues across the report will allow for the disclosure to focus on the most material issues. If an issue is identified as a key risk or opportunity, the strategy and performance in managing it should also be explained, together with future outlook and governance process. If management finds it difficult to explain this information, they should ask themselves whether they are reporting on issues that are of only peripheral relevance.

In order to ensure that the integrated report clearly explains the company's risk and opportunities, the following questions must be addressed by the integrated report:

- Would the reader understand the risks and opportunities outlined in the report?
- Can the positive and negative impact of the resources be ascertained by the reader?
- Are the risks and opportunities faced and managed by the company clearly articulated?

Content Element 5: Strategy and resource allocation

A company should identify its strategic direction and allocate resources (means) to ensure it gets there (ends). There should be a link between the operating risks and the opportunities identified elsewhere in the report along with the strategy. The results should be a mix of information covering the company's short-term operational strategy and long-term strategic vision for the business.

In setting the company's goals, board and management should consider the following:

- clearly identify the overall company's short, medium and long-term goals and outline how to achieve the said goals;

- ensure discussion on strategy that includes consideration of internal and external factors that could impact the business including future market trends;
- identify the resources available to the company; and
- provide a roadmap on the action or plans taken by the company to achieve its short, medium and long-term goals.

In order to ensure that the integrated report clearly explains the company's strategy and resource allocation, the following questions must be addressed by the integrated report:

- Is the company's journey towards its strategic vision clear?
- Would the reader understand how the business will change in the short-term as it develops towards its strategic vision?
- Are the operational milestones in implementing the business strategy clearly stated?
- Can the broad terms on how the business plans to evolve to meet changes in its operating environment be seen?
- Are the strengths and weaknesses of the company explained as it prepares to meet this challenge?
- How the long-term strategy will be delivered?

The integrated reporting framework allows companies to reflect upon their business model and implement changes as deemed necessary. The following table and illustrative disclosure provide an example of how a global conglomerate explains its strategy by showcasing its objectives and initiatives undertaken to achieve the objectives:

Strategic Pillars	We focus on our four strategic pillars – Community trust, Consumer relevance, Customer preference and Cost leadership - that encompass the key areas of our business. While these strategic pillars are fundamental to our vision and do not change, we have adapted our initiatives to take full advantage of the growth era that we believe the economy is entering. The key performance indicators (KPI) to measure our progress during the period 2016-2020 are our scorecard.
Initiatives	All our operations in 28 countries work towards the same objectives: drive volume growth, focus on value, improve efficiency and invest in the business by implementing initiatives that are designed centrally. These initiatives are adjusted to respond to local demographics, economies and market characteristics in order to manage growth.
Scorecard	We have five KPIs that are chosen to measure our progress. We report on these every year.

Strategic pillars

Community trust
We help our communities thrive, impacting their lives positively by making economic, social and environmental contributions

Consumer relevance
Consumer preference
We work hard to remain relevant for our consumers and be the preferred supplier to our customers

Cost leadership
We aspire to be a cost leader and make the necessary investments to sustain this leadership

Objectives

Drive volume	Focus on value	Improve efficiency	Invest in the business
1. Expand and deepen route-to-market 2. Execute in-store with excellence 3. Create joint value with customers 4. Drive the water category, focusing on value	1. Capitalise on meals and socializing occasions for sparking drinks 2. Increase share of single-serve packs, driving transactions 3. Improve performance in hotels, restaurants and cafes (HoReCa) 4. Grow in the energy category 5. Drive pricing strategies	1. Continue on production infrastructure and logistics optimisation 2. Capitalise on contiguous territory and Emerging market opportunities 3. Utilise shared services to gain process efficiency 4. Drive packaging harmonisation and innovation (light-weighting)	1. Invest in revenue-generating assets and innovative technology 2. Acquire water and juice brands in existing territory 3. Maintain negative working capital balance sheet position

Initiatives (above)

Scorecard

Average currency-neutral revenue growth
4-5% p.a

Comparable OpEx as % of revenue
26-27%
by 2020

Capital expenditure
5.5-6.5%
of revenue

Comparable EBIT
11%
by 2020

Working capital less than
-€100m

Enablers and values

Our people
Our most important enablers to growth are our people: unparalleled talent and a high-performance mind set are what we strive for.
Our people make our Company what it is and create value by growing our business responsibly and sustainably. Strengthening the capabilities of our people as well as engaging them and rewarding them appropriately are proprieties at every level of our Company, enabling us to continue to attract and retain the best talent.

Adapted from Coca-Cola Hellenic Bottling Company 2016, Annual integrated report

Content Element 6: Performance

The integrated report should contain qualitative and quantitative information about the company's performance. It should describe current levels of performance both as a basis for assessing progress in delivering management's strategic targets and as a base for understanding the future outlook for the business. The information that may be included in the report is outlined below:

- quantitative indicators in relation to targets, risks and opportunities, explaining their significance, their implications, and the methods and assumptions used in compiling them;
- the company's effects (both positive and negative) on the Capitals, including material effects on Capitals up and down the value chain;
- the relationship between the company and it key stakeholders and how the company has responded to key stakeholders' legitimate needs and interests; and
- the connection between past and current performance, and between current performance and the company's outlook.

Besides providing an understanding of the underlying business returns, current performance information also helps readers understand the implications for future performance. The focus of the report must be on identifying and explaining performance variances – in particular the strategic objectives management has self-imposed.

The relevant measures will often be operational rather than financial in nature and this requires the report to maintain a balanced view, written from an operational perspective. The logic of integrated reporting means that any gaps in the reporting of strategically important performance will be immediately apparent to readers. The example on the following page illustrates a clear and concise reporting of performance by a company in the United Kingdom.

GROUP FINANCIAL OBJECTIVES

OBJECTIVE	KPI	2016/17 PERFORMANCE (52 weeks to 1 April 2017)[1]	
Grow Group revenue	**GROUP REVENUE** Total Group revenue, including retail sales for owned businesses and wholesale sales to franchise partners.	£10.6bn +2.2% GROUP REVENUE £bn 13/14 10.3 14/15 10.3 15/16 10.4 16/17 10.6	Group revenues were up this year, mainly driven by the growth in our Food business as we opened new stores and an improvement in International revenues.
Increase earnings and returns	**GROUP PROFIT BEFORE TAX (PBT) AND ADJUSTED ITEMS** Adjusted profit provides additional information on performance, adjusting for items considered to be significant in nature and/or value.	£613.8m -10.3% GROUP PROFIT BEFORE TAX AND ADJUSTED ITEMS £m 13/14 622.9 14/15 661.2 15/16 684.1 16/17 613.8	Group PBT before adjusted items was down on last year largely due to the reduction in Clothing & Home gross profit and the increase in operating costs in the year.
	RETURN ON CAPITAL EMPLOYED (ROCE) Return on capital employed is a relative profit measure of the returns from net operating assets.	13.7% RETURN ON CAPITAL EMPLOYED % 13/14 14.8 14/15 14.7 15/16 15.0 16/17 13.7	The decrease in ROCE primarily reflects the decrease in earnings before interest, tax and adjusted items.
	ADJUSTED EARNINGS PER SHARE (EPS) Adjusted earnings per share (EPS) is the profit before the impact of adjusted items divided by the weighted average number of ordinary shares in issue.	30.4p -12.6% ADJUSTED EARNINGS PER SHARE p 13/14 32.2 14/15 33.1 15/16 34.8 16/17 30.4	Basic adjusted EPS decreased primarily due to the lower profit generated in the year. The weighted average number of shares in issue during the period was 1,623.1m (last year 1,635.9m).
	DIVIDEND PER SHARE Dividend per share declared in respect of the year.	18.7p Level DIVIDEND PER SHARE p 13/14 17.0 14/15 18.0 15/16 18.7 16/17 18.7	The Board is recommending a final dividend of 11.9p per share, resulting in a total dividend of 18.7p.

NON-FINANCIAL OBJECTIVES

OBJECTIVE	KPI	2016/17 PERFORMANCE		
Engage, serve and retain our customers	**FOOD** Total number of UK Food customers per year and average number of shops per customer resulting in a purchase across all UK shopping channels.	TOTAL CUSTOMERS 20.5m +0.4m	AVERAGE NUMBER OF SHOPS PER YEAR 22.5 Level	Our convenient, special and different food and our continued Simply Food store opening programme continue to draw customers in.
	CLOTHING & HOME Total number of UK Clothing & Home customers per year and average number of shops per customer resulting in a purchase across all UK shopping channels.	TOTAL CUSTOMERS 24.6m -0.1m	AVERAGE NUMBER OF SHOPS PER YEAR 7.2 -5.3%	We are still in the recovery phase of our plan for Clothing & Home. We grew the number of customers shopping through M&S.com but this was more than offset by a decline in customers in our stores.
Foster a skilled, motivated and engaged team	**EMPLOYEE ENGAGEMENT** Engagement is a key driver of performance. Our Your Say survey looks at the key drivers of employee engagement such as pride in M&S and our products, feelings about M&S as an employer and the role of line managers.	81% +3%		The annual survey was completed by 80% of employees. Employee engagement results were positive and up on last year.
Source products with integrity	**PRODUCTS WITH A PLAN A QUALITY** This is a quality or feature regarded as a characteristic or inherent part of a product which has a demonstrable positive or significantly lower environmental and/or social impact during its sourcing, production, supply, use and/or disposal.	79% +6% 79% M&S products 2015/16 73% 2020 target 100%		This represents an improvement of 6%. Our target is to have at least one Plan A quality in all M&S products by 2020.

Source: Marks and Spencer Group Plc 2017 Annual Report

In order to ensure the integrated report clearly explains the company's performance, the following questions must be addressed by the integrated report:

- How has the company asset base changed and how is it managed?
- How has the business performed against its operational objectives?
- What underlying return has been generated by the business?
- What does the current performance say about the future outlook of the business?
- Can the reader understand the short, medium and long-term strategy of the management?

Content Element 7: Outlook

Integrated report highlights the anticipated changes over time and provides information based on sound and transparent analysis on the company's expectations about the external environment and how well equipped is the company to meet the challenges that lie ahead.

The outlook should help the reader form their own views on the future of the company. The illustrative disclosure below provides an example on how the company could provide an outlook for the next financial year:

Illustrative disclosure

Strategic priorities and future outlook for next financial period

- Organic growth is expected to be boosted by new product launches and possible bolt-on product acquisitions in targeted therapeutic areas. Following the success of current second brands/clones launches, additional co-marketing arrangements will be explored.
- In the quest to reduce complexity within the business, the Pharmaceutical and Consumer divisions of this business will be streamlined into a single structure to drive synergies. Focus on infant nutritionals continues with plans to achieve further growth through the various stages of infancy as well as ensuring reliable availability of products through all channels.
- The recent divestment of a product portfolio to Litha Pharma (Pty) Limited and acquisition of the Norgine business forms part of Aspen's ongoing strategic intent to focus attention on areas where most value can be added and to lessen complexity.

Source: Aspen 2015 Integrated Report

In order to ensure the integrated report clearly explains the company's outlook, the following questions must be addressed by the integrated report:

- What impact would the management's current plans have on the future of the business?
- How will the changes in the business environment impact the management's plans?
- How would the issues impacting the operating environment, production capacity influence the company's ability to generate returns?

Content Element 8: Basis of preparation and presentation

The integrated report should provide clarity on how the company determines what matters would be included in the report and how they are evaluated and qualified.

The integrated report should contain a clear explanation on the process and application undertaken by the board and management in identifying material matters. The following steps should be taken to identify the material matters:

- parameters for the materiality determination process should be established;
- ensure all matters are filtered to identify and evaluate their relevance, importance and prioritised accordingly;
- set the reporting boundaries; and
- determine the disclosures to be included in the integrated report.

Point for reflection

Integrated reporting was not created to replace the existing reporting frameworks. The <IR> framework provides a seamless integration of other standards and frameworks to help provide a complete and coherent view of the value creation process of a company.

Where — Regional/international perspectives

Listed companies in South Africa are called upon to embrace integrated reporting so as to provide stakeholders with a comprehensive picture of their business.

Country	Provision
South Africa	The governing body should oversee that the organisation issues an integrated report at least annually, which is either: a. A standalone report which connects the more detailed information in other reports, and addresses at a high level and in a complete, concise way, the matters that could significantly affect the organisation's ability to create value; or b. A distinguishable, prominent and accessible part of another report which also includes the annual financial statements and other reports that must be issued in compliance with legal provisions **(Principle 5, Recommended Practice 12)**.

Regional/ international perspectives

The King IV Report on Code on Corporate Governance calls upon companies listed in South Africa to adopt integrated reporting framework.

Notice of General Meeting

MCCG Intended Outcome 12.0

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at general meetings.

MCCG Practice 12.1
Notice for an annual general meeting should be given to the shareholders at least 28 days prior to the meeting.

Why

The case for change

The importance of general meetings cannot be understated as they have a far-reaching impact on a company's strategic direction. The two commonly held general meetings that allow shareholders to exercise their rights, are the **annual general meeting ("AGM")** and the **extraordinary general meeting ("EGM")**.

The AGM is an annual gathering of shareholders and the board of directors of a company, whereby resolutions such as election or re-election of directors, remuneration of directors and appointment of external auditors are tabled. The EGM meanwhile is a meeting that is called by the directors or any member holding at least 10% of the issued share capital of the company to pass a resolution that requires the immediate attention of shareholders.

These meetings provide an avenue for shareholders to communicate directly with the board of directors and are often viewed by shareholders, especially the minority shareholders, as one of the few occasions whereby they can engage in a meaningful discussion with the board.

Given the significance of general meetings, it is essential for the notice of these meetings to be provided to shareholders in a timely manner to accord them with sufficient time to consider the resolutions that will be discussed and decided at the general meeting. The pertinent regulatory requirements on the requisitioning of general meetings including the prescribed duration for the notice of general meetings are outlined on the following page.

What could go wrong:

- Shareholders are unable to make an informed decision in casting their votes.
- Shareholders have insufficient time to prepare for the general meeting resulting in them being unable to raise meaningful questions during the meeting.

Section 310 of Companies Act 2016

A meeting of the members may be convened by –

(a) The board; or

(b) Any member holding at least ten per centum of the issues share capital of a company or a lower percentage as specified in the constitution or if the company has no share capital, by at least five per centum in the number of its members.

Section 311 (3) of Companies Act 2016

The directors shall call for a meeting of members once the company has received requisition to do so from –

(a) Members representing at least ten per centum of the paid up capital of the company carrying the right of voting at meetings of members of the company, excluding any paid up capital held as treasury shares; or

(b) In the case of a company not having share capital, members who represent at least five per centum of the total voting rights of all members having a right of voting at meetings of members.

Section 316 (2) of Companies Act 2016

A meeting of members of a public company other than a meeting for the passing of a special resolution, shall be called by notice –

(a) In the case of an annual general meeting, **at least twenty-one days** or any longer period specified in its constitution; and

(b) In any other case, at least fourteen days or longer period specified in its constitution.

Section 319 (1) of Companies Act 2016

Notice of a meeting of members shall be in writing and shall be given to the members either –

(a) in hard copy;

(b) in electronic form; or

(c) partly in hard copy and partly in electronic form.

Paragraph 7.15 of Bursa's Listing Requirements

The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all shareholders **at least 14 days before the meeting** or **at least 21 days before the meeting where any special resolution is to be proposed or where it is an annual general meeting.** Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least 14 days' notice or 21 days' notice in the case where any special resolution is proposed or where it is the annual general meeting, of every such meeting must be given by advertisement in at least 1 nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each stock exchange upon which the company is listed.

Dos

- ✓ Providing detailed explanation for each resolution in the statement accompanying the notice to the general meetings.
- ✓ Disseminating the notice via electronic means (e.g. company website) to provide shareholders with alternative avenues to access the notice.

Don'ts

The following would render the application of this practice ineffective:

- × Proposing multiple non-related items into a single resolution (i.e. bundling of resolutions), thus, causing confusion amongst shareholders.

It is important to note that **Practice 12.2 of MCCG** goes beyond the existing regulatory requirements by calling upon companies to provide a longer notice period on the premise of empowering shareholders with sufficient preparation time to make informed voting decisions at general meetings. The need for an extended notice period also reflects the ongoing changes in the capital market which is characterised amongst others by globalisation (greater participation of foreign investors in the domestic market), increasing volume of information reported and rising complexity of transactions – all of which necessitates greater preparation time by shareholders.

Whilst not an enumeration prior to the enumeration encapsulated in MCCG, it should be noted that several listed issuers have already voluntarily provided shareholders with a longer duration of AGM notice period as opposed to the minimum mandated period of 21 days[1]. As stated in the publication by the Minority Shareholder Watchdog Group (MSWG), the average notice period for AGMs by listed issuers stood at 24 days in 2015[2].

Point for reflection

It is common for listed issuers in Malaysia to include the notice of AGM in the annual report with cross-referencing of the relevant content in the notice to the annual report. The increasingly voluminous and complex content of annual reports[3] has resulted in the need for additional lead time for shareholders to extract and comprehend the relevant information so as to formulate an informed voting decision.

HOW The practice in substance

It is therefore clear that an extended notice period with detailed information in the notice and accompanying materials could go a long way in encouraging greater shareholder participation at general meetings.

Key considerations relating to the application of this Practice are discussed below:

How should the notice of general meetings be disseminated?

As stated in **Section 319(1) of Companies Act 2016**, notice of general meetings should be given to shareholders in writing via hardcopy or electronic format or a combination of both. In addition, for listed issuers, the notice must be given by advertisement in at least 1 nationally circulated Bahasa Malaysia or English daily newspaper and in writing to the stock exchange **(Paragraph 7.15 of Bursa's Listing Requirements)**.

In deciding how to disseminate the notice, the company should take into consideration the time taken for the notice to reach its shareholders. Circulation via electronic means (e.g. e-mail, company website) typically expedites the delivery of the notice. In the event the company decides to make the notice available on the website, the company should be cognisant of **Section 320(3) of Companies Act 2016** which requires such notice to be made available from the date of notification until the conclusion of the general meeting.

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[1] **Section 316(2) of Companies Act 2016**
[2] Rita, B & Salleh, H, 2015, *Report on AGM Practices by Malaysian Companies,* Minority Shareholder Watchdog Group
[3] *Bin the clutter,* 2015, Association of Chartered Certified Accountants (ACCA)

Provisions on the issuance of documents via electronic means by a listed issuer to its shareholders are outlined below:

Paragraph 2.19B of Bursa's Listing Requirements[4]

(1) Subject to subparagraph (4) below, if these Requirements require a listed issuer to send certain documents to its securities holders ("Documents"), the listed issuer may send the Documents by electronic means if:

   (a) the constitution of the listed issuer –

      (i) provides for the use of electronic means to communicate with its securities holders;

      (ii) specifies the manner in which the electronic means is to be used;

      (iii) states that the contact details of a securities holder as set out in the Record of Depositors shall be deemed as the last known address provided by the securities holder to the listed issuer for purposes of communication with the securities holder; and

   (b) the securities holders are given a right to request for a hard copy of the Document.

(2) In the event a securities holder requests for a hard copy of the Document, the listed issuer must forward a hard copy of the Document to the securities holder within 2 market days from the date of receipt of the request, free of charge.

(3) If the listed issuer publishes the Documents on its website as a form of electronic means used to communicate with its securities holders under subparagraph (1) above, the listed issuer must separately and immediately notify the securities holders of the following in writing: (a) the publication of the Document on the website; and (b) the designated website link or address where a copy of the Document may be downloaded.

(4) The listed issuer may send any document required to be completed by securities holders for a rights issue or offer for sale through electronic mail, in hard copy or in any other manner as the Exchange may prescribe from time to time.

(5) For purposes of this paragraph, if a listed issuer sends the Documents or notification through electronic mail, there must be proof of electronic mail delivery.

What should be encapsulated in the notice of general meetings?

In providing a notice of general meeting, a company should be guided by the following regulatory requirements:

Section 317(1) of Companies Act 2016

Notice of the meeting of members of a company shall state –

(a) The place, date and time of the meeting; and

(b) The general nature of the business of the meeting.

[4] As per the proposed amendments contained in Bursa's Public Consultation (Paper 3/2017)

Paragraph 8.27 of Bursa's Listing Requirements

1. A listed issuer must ensure that all notices convening general meetings contain sufficient information to enable a member to decide whether to attend the meeting.
2. Without limiting the generality of subparagraph (1) above, a listed issuer must ensure that a notice convening an annual general meeting, where applicable, is accompanied by a statement which includes the information set out in **Appendix 8A**[5].
3. Any notice of a general meeting called to consider special business must be accompanied by an explanatory note which contains the necessary information to enable a member to make an informed decision. Such explanatory note must include the effect of any proposed resolution in respect of such special business.

A typical AGM notice would contain the following:

i. Time, date and location of the meeting

It is important for companies to ensure that the aforementioned information are clearly provided in the notice. Once decided, any changes made to the location, date or the time of the meeting should be communicated to all shareholders.

The illustrative disclosure below provides an example of a company providing additional information to shareholders regarding the venue of the general meeting:

Illustrative disclosure

Location details to facilitate shareholders arrival to the meeting:

Route description

The Hilton London Bankside hotel is in close proximity to Southwark and Blackfriars London underground stations, both within a 5 minute walk. Waterloo and London Bridge stations are within a 10 minute walk. Shareholders are asked to arrive and register at the Events Entrance on Bear Lane, SE1 0UH.

Illustrative disclosure on description of the meeting location. Source: Notice of annual general meeting Unilever Plc (United Kingdom) for the AGM in 2017.

ii. Resolutions that are tabled for approval

A resolution is a motion tabled by the board or the shareholders (also known as members) of the company to be voted for at the general meeting. There are typically two types of resolutions tabled during general meetings:

- Ordinary resolution: where a simple majority of more than half of the members who are entitled to vote is required[6]; and
- Special resolution: to be passed by majority of not less than 75% of the members entitled to vote at the meeting[7].

[5] Relating to contents of statement accompanying notices of annual general meetings
[6] **Section 291 of Companies Act 2016**
[7] **Section 292 of Companies Act 2016**

The company should explain and justify to shareholders on why the resolutions were proposed and how the board has evaluated the proposals. In this regard, the current state of disclosure warrants considerable improvement. According to a publication by MSWG (2015), only 19% of listed issuers in Malaysia provided detailed explanation to shareholders on each agenda item that was sought to be approved at the general meeting[8].

An illustrative disclosure providing explanation for a resolution to approve the payment of a director's remuneration is outlined below *(note: Singtel Ltd of Singapore, in its Notice of AGM for the year 2017 has provided explanation on the bases for arriving at the proposed amount of the chairman's remuneration):*

Illustrative disclosure

In arriving at the proposed Chairman's fees of S$960,000, the Company took into account:

a) The significant leadership role played by the Chairman on the Board, and in providing clear oversight and guidance to management;

b) The amount of time the Chairman spends on Singtel matters, including providing input and guidance on strategy and supporting management in engaging with a wide range of other stakeholders such as partners, governments and regulators, as well as travelling to visit the Group's key associates in the region. In this regard, the Board has agreed with the Chairman that he will commit a significant proportion of his time to his role as Chairman of the Singtel Board and will manage his other time commitments accordingly; and

c) Comparable benchmarks from other large listed companies in Singapore that have chairmen with similar roles and responsibilities, as well as benchmarks from large listed companies in Australia, where Singtel has sizeable operations.

Additional information on the role of the Chairman can be found under 'Corporate Governance' in the Company's Annual Report 2016.

Illustrative disclosure on explanatory notes under the notice. Sourced from: Notice of Annual General Meeting Singtel Ltd (Singapore) for the AGM in 2017.

iii. Voting procedures at the meeting

Shareholders should be notified of their rights and the mechanisms that can be deployed in exercising their rights. **Paragraph 8.29A(1) of Bursa's Listing Requirements** requires any resolution set out in the notice of a general meeting by a listed issuer to be voted by poll. In line with international developments, many listed issuers have adopted electronic-voting as means of carrying out voting by poll (covered in the write-up to **Practice 12.3 of MCCG**). In accordance with **Paragraph 8.29A(2) of Bursa's Listing Requirements**, the listed issuer is also required to appoint at least 1 scrutineer to validate the votes cast at the general meeting.

To this end, shareholders should be furnished with relevant information on the voting procedures to facilitate a seamless proceeding during the general meeting.

[8] Rita, B & Salleh, H, 2015, *Report on AGM Practices by Malaysian Companies*, Minority Shareholder Watchdog Group

It is also important for shareholders to be informed of their legal right to appoint a proxy to attend the meeting on their behalf (including to ask questions and vote on behalf of the shareholders)[9]. In this regard, a copy of the proxy form should be provided alongside the notice for the ease of shareholders.

Where

Regional/international perspectives

Recognising the need to ensure that shareholders are given sufficient notice and time to consider the resolutions that will be discussed and decided at the General Meeting, countries such as United Kingdom (20 working days for AGM) and Australia (28 days for general meetings) call for an extended notice period.

Country	Provision
United Kingdom	The company should arrange for the Notice of the AGM and related papers to be sent to shareholders **at least 20 working days** before the meeting. For other general meetings this should be **at least 14 working days in advance *(Provision E.2.4)***.
Australia	Amount of notice of meetings of listed company: 1) Despite section 249H[10], **at least 28 days' notice** must be given of a meeting of a company's members. 2) This section only applies to a company that is listed. 3) This section applies despite anything in the company's constitution. ***(Section 249HA)***

Regional/ international perspectives

Listed companies in Australia are required to provide a notice of general meeting at least 28 days in advance, representing one of the longest notice periods in the region.

[9] **Section 294 of Companies Act 2016**
[10] Amount of notice of meetings for a non-listed company

Attendance of directors at general meetings

MCCG Intended Outcome 12.0

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at general meetings.

MCCG Practice 12.2
All directors attend general meetings. The chair of the audit, nominating, risk management and other committees provide meaningful response to questions addressed to them.

Why — The case for change

Good corporate governance to a large extent depends on the role played by directors as stewards of the company. Directors are expected to maintain a high level of professionalism and integrity in steering management to achieve long-term business sustainability whilst reinforcing its accountability to shareholders.

Observations over the recent years have shown that shareholders are becoming increasingly unrelenting in their push for better disclosure and transparency from directors. General meetings are typically regarded as one of the few available avenues for shareholders to communicate directly with the board, and hence, it is paramount for directors to be present during these meetings to attend to shareholders' questions and concerns.

The participation all board members during the general meetings will serve to distribute the responsibility of engaging with shareholders to all directors of the company and not just the chairman of the meeting. This would enable the board to communicate with shareholders in a more holistic manner. In a similar vein, it also provides shareholders with an opportunity to seek pertinent clarifications from directors who are acting as custodians of their investments.

Point for reflection

It should be noted that there are several factors that commonly contribute towards a director's absence in a general meeting. Oft-cited reasons include the said director being unwell, out of the country, attending to an emergency or attending a competing board meeting or general meeting of another company (note: a director is restricted from holding more than 5 directorships of listed issuers[1] and if a director is absent from more than 50% of the total board meetings and his/her office will be vacated[2].

What could go wrong:

- Shareholders could perceive that a director is not committed in performing his or her responsibilities to the company if not in attendance during the general meetings.
- Communication between the board and its shareholders is ineffective which leads to unhealthy relationship between both parties.
- Director may not be re-elected during the general meetings although he or she may have contributed effectively to the board during the preceding year(s).

[1] **Paragraph 15.05(3) of Bursa's Listing Requirements**
[2] **Paragraph 15.06 of Bursa's Listing Requirements**

HOW The practice in substance

It is therefore clear that all directors should attend the General Meetings with the chairmen of board committees being present to facilitate discussion on matters such audit, nomination, remuneration management and risk management.

Key considerations relating to the application of this Practice are discussed below:

Why should board committees communicate with shareholders during AGM?

Shareholders, especially institutional investors are exerting greater influence on companies by demanding greater transparency and accountability from directors.

Issues such as board composition, directors' remuneration and financial performance are key areas which shareholders typically have a keen interest in. To this end, shareholders expect to listen to the views of directors who are directly involved in those committees.

For example, the chairman of the nominating committee would be well placed to provide an explanation on the review undertaken in recommending the appointment of new directors to the board. In this regard, the chairman of the nominating committee could disclose during the AGM on how the nominating committee assessed the candidate and why the board finds him or her suitable for the said role. This in turn would allow shareholders to make informed decisions.

The aforementioned scenario also applies to the other board committees. Although the depth of communication may vary between companies, there should be a conscious effort made by companies during the AGM to keep shareholders apprised of the activities of the various board committees.

Hot-button issue

The clustering of annual general meetings ("AGMs") could result in directors being unable to attend one or more scheduled AGMs on the same day.

A report by the Minority Shareholder Watchdog Group (MSWG) in 2015 highlighted that as many as 47 AGMs of various listed issuers were held on one particular day during the seasonal period of AGMs[3]. This coupled with the fact that around 30% of the directors hold more than one directorships in listed issuers clearly represent a challenge for directors to attend competing AGMs.

It is therefore incumbent on companies to plan the dates of their AGMs in advance, taking into account the other directorships held by their directors.

[3] Rita, B & Salleh, H, 2015, *Report on AGM Practices by Malaysian Companies*, Minority Shareholder Watchdog Group

How can interaction during general meetings be improved?

It is commonly observed that questions posed by shareholders are predominantly answered by the chairman the board (who also presides the AGM) or the chief executive officer. The remaining directors would remain in the backdrop for a substantial period of the meetings. In this context, as stated above, the active participation of members of the board committees would go a long way in making these meetings more interactive and informative to shareholders. Shareholders would be able to gather first hand views from the board committee members who have a deeper understanding of the relevant subject matters.

It is also essential for the board (including the board committees) to prepare adequate responses to any questions that have been submitted by shareholders in advance of the general meetings. This would allow "question and answer" sessions during the general meeting to be more productive with insights from both the directors as well as the shareholders.

In addition, boards should ensure that the external auditor attends the AGM and is available to answer questions that is relevant to the audit process.

Dos

- ✓ Carrying out advance planning and avoiding overlaps with the AGM dates of other companies that the directors serve on.
- ✓ Taking the opportunity of the occasion by interacting with shareholders before and after the general meetings, not just during the said meetings. This will help companies to gather insights from shareholders that would not normally be raised via formal channels.
- ✓ Providing explanation on why a director was unable to attend the AGM if he or she is not in attendance.

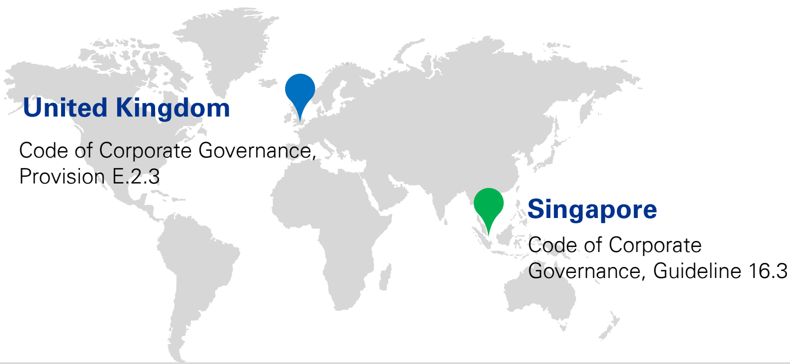
Don'ts

The following would render the application of this practice ineffective:

- × Reading out statements from the annual report to shareholders as a form of presentation without providing any additional information to shareholders.
- × Having multiple general meetings of various subsidiary companies on the same day. This could lead to the expedited meetings without thorough consideration of issues.

Where — Regional/international perspectives

In tandem with heightened activism amongst shareholders and the growing call for demonstration of accountability by directors, selected jurisdictions including United Kingdom and Singapore have urged directors of public listed companies to be present at general meetings in order to engage with shareholders.



Country	Provision
United Kingdom	The chairman should arrange for the chairmen of the audit, remuneration and nomination committees to be available to answer questions at the AGM and for all directors to attend ***(Provision E.2.3)***.
Singapore	All directors should attend general meetings of shareholders. In particular, the chairman of the board and the respective chairman of the audit committee, nominating committee and remuneration committee should be present and available to address shareholders' queries at these meetings. The external auditors should also be present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report ***(Guideline 16.3)***.

Regional/ international perspectives

Public listed companies in United Kingdom and Singapore are called upon to ensure that all directors and the chairmen of the respective board committees attend the general meetings.

Electronic voting

MCCG Intended Outcome 12.0

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

MCCG Practice 12.3
Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate –

- voting including voting in absentia; and
- remote shareholders' participation at General Meetings.

Why The case for change

General meeting serve as a key platform for shareholders to exercise and hold the directors accountable for their actions. It is an avenue for shareholders to challenge the board on issues of concern, discuss strategies for achieving the companies' goals and objectives and have the "voice" heard through the votes cast.

Traditionally, voting during general meetings has been carried out either by a show of hands, which represents "one person, one vote" or by poll, which is reflective of an individual or entity's shareholding of the company ("one share, one vote").

A transition to full-fledged poll voting in Malaysia took place in the year 2016 whereby Bursa's Listing Requirements were amended to require all resolutions in a general meeting, to be voted by way of poll.

Paragraph 8.29A of Bursa's Listing Requirements

A listed issuer must ensure that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll.

Whilst the right of shareholders to attend, speak and vote at general meetings is well-defined in the law, there are many constraints that exist which pose a challenge in the exercise of this right. These include the common practice of voting at general meetings which has to be cast through the physical attendance of shareholders or proxies. In certain instances, the location of the meeting itself can be a hindrance. Some companies have held their meetings in "hard to reach" locations such as plantation estates or warehouses. This may deter shareholders from attending or they may appoint a proxy to attend on behalf instead.

What could go wrong:

- Proceedings in the general meetings are carried out in a disorganised and protracted manner, thus, leading to discontent amongst shareholders.
- Lack of communication between the board and shareholders which results in an unhealthy relationship (caused by poor participation of shareholders at general meetings).
- Inability of the company to gather meaningful feedback of shareholders, thus, representing a missed opportunity for the leverage on insights on shareholders.

It is therefore incumbent on companies to undertake measures, including facilitating voting in absentia to facilitate greater shareholder participation during general meetings. Voting in absentia would be particularly helpful for foreign shareholders or shareholders who are relatively distanced from the venue of general meeting to exercise their rights.

In addition, companies, particularly those with a large shareholding base should consider adopting electronic voting (explained in detail in the ensuing pages of this write-up) as this would enable the proceedings to be managed in a more seamless manner when there is high turnout of shareholders for the general meeting.

Point for reflection

Whilst the adoption of electronic voting will result in an outlay of initial costs, it is envisaged that companies may benefit from long term savings as electronic voting would substantially reduce administrative procedures and paper work.

Additional benefits of electronic voting are outlined below:

- the electronic voting platform provides more reliable, transparent and faster results as compared to the manual counting of ballot papers;
- results are often tabulated and released at a faster pace (often within minutes after the voting process is completed); and
- the electronic voting process helps companies to their reduce carbon footprint by minimising the usage of physical papers.

It should also be noted that the use of electronic voting during general meetings is permitted by **Companies Act 2016** subject to the company's constitution.

Section 327(1) of Companies Act 2016

Subject to the constitution, a company may convene a meeting of members at more than one venue using any technology or method that enables the members of the company to participate and to exercise the members' rights to speak and vote at the meeting.

Dos

- ✓ Investing in electronic voting platforms to enable greater participation of shareholders during general meetings.
- ✓ Enabling shareholders to participate in general meetings without being present at the meeting in person or by proxy.

Don'ts

The following would render the application of this practice ineffective:

- × Conducting general meetings in locations that are relatively inaccessible or inconvenient for shareholders.

How The practice in substance

As stated in **Guidance to Practice 12.3 of MCCG**, the board should take proactive measures to ensure that shareholders are able to participate at General Meetings. In facilitating greater shareholder participation, it is important for the company to consider leveraging on technology such as multimedia presentation, webcast and/or electronic voting that could enhance the quality of engagement with shareholders.

Key considerations relating to the application of this Practice are discussed below:

What are the commonly used electronic voting methods?

The traditional poll voting involves a manual process of collecting and tabulating votes that are exercised via printed papers. This process typically takes a longer period of time and could lead to an extended general meeting session.

To this end, the electronic voting system serves as an alternative platform to expedite the voting and tabulation process. Whilst the manner in which the electronic voting process is carried out may vary from company to company, it may be useful to highlight the following electronic voting methods which are commonly deployed by companies:

- Voting via mobile application

  The method requires shareholders to download the e-voting application onto a mobile device, either via a mobile phone or tablet, and connect to a prescribed Wi-Fi network. A slip containing the code for shareholders will be issued upon registration. The shareholder will have to scan the slip to register for the voting process. When the chairman of the general meeting makes an announcement for the votes to be cast, the application allows shareholders to cast their votes from their mobile devices. The results are usually announced within 10-15 minutes upon conclusion of the voting.

- Voting via handheld device

  This process involves shareholders using a specific device provided upon registering for the meeting. The device would contain a card that carries the shareholder's identity and number of shares registered. Similar to the mobile application, the device allows users to key in their voting options (for/against) for each resolution when the chairman makes an announcement for the votes to be cast. The results are shown at the end of voting for each resolution before moving on to the next resolution. Upon conclusion of the meeting, the devices are returned and the process is completed.

- Voting via polling stations

  This is a common platform for companies with a smaller shareholder base as it necessitates shareholders to line up and cast their votes via an electronic screen or a computer. Each shareholder would be provided with a wristband upon registration which would be scanned during the voting process. The scanned code allows the shareholder to access the voting page and register his or her vote. The process would then be completed and the results would be announced later.

What are the challenges faced by shareholders in attending general meetings?

The following are common factors that contribute to a shareholder's inability to attend a general meeting:

- Venue or location of the meeting is unable to cater to the crowd in attendance. Companies where attendance of shareholders are usually in large numbers should consider the comfort and welfare of their shareholders;
- Insufficient parking or public transport access;
- Competing general meetings of other companies that are scheduled on the same day;
- Meeting is scheduled at remote locations. According to a publication by the Minority Shareholder Watchdog Group in 2015, 5 listed issuers held their annual general meetings ("AGMs") in "hard to reach" locations. In addition, 9 listed issuers held their AGMs at locations that were inaccessible by public transport[2]; and
- High cost of attending the meeting (especially when meeting requires shareholders to travel long distances).

How can a company leverage on technology to facilitate greater shareholders' participation in general meetings?

The world took notice in 2016 when Jimmy Choo PLC (United Kingdom) attempted and successfully executed the first electronic AGM. The company was motivated to provide an opportunity for all of its shareholders to attend and participate in its AGM. The company worked together with Equiniti, the first registrar in United Kingdom to oversee a fully electronic AGM. The company also engaged with the regulatory authorities on how they could make the transition from a physical AGM to a full-fledged electronic AGM.

In order to cater to the needs of the general meeting, an application was developed to be used on a mobile, tablet or desktop. The application was integrated with the AGM registration system, allowing shareholders to submit questions and vote on the resolutions tabled during the meeting. A unique meeting code, known as the "meeting ID" was provided to each shareholder in order to access the system. A shareholder will not be permitted to enter the "virtual meeting" if his or her credentials could not be verified[3].

Another country that has strived for greater inclusion of shareholders in general meetings is Taiwan. The Financial Supervisory Commission (FSC) has mandated all listed companies on the local main board and the over-the-counter (OTC) market to adopt electronics-voting by the year 2018. This move was to allow shareholders who are unable to attend annual general meetings in person to participate in the voting process, especially when they have shareholdings in multiple listed companies that have competing AGMs on a particular day.

The first introduction of the electronic voting platform in Taiwan was in 2009, whereby the Taiwan Depository & Clearing Corporation (TDCC), established an

Hot-button issue

Minority shareholders across the world have expressed concerns on poll voting on grounds that their votes would have minimal impact to the outcome of a resolution, especially if the resolution relates to related party transactions.

In order to safeguard against such concerns, important measures have been put in place in the legal framework such as special resolutions (75% voting threshold for prescribed resolutions) and the requirement for related parties to abstain from voting on related-party transactions.

Another interesting measure which is gaining momentum globally is the engagement with shareholders on votes that attracted substantial dissenting votes. For example, the United Kingdom's Code of Corporate Governance stipulates that "when, in the opinion of the board, a significant proportion of votes have been cast against a resolution at any general meeting, the company should explain when announcing the results of voting what actions it intends to take to understand the reasons behind the vote result"[1].

[1] **Provision E.2.2 of United Kingdom's Code of Corporate Governance**
[2] Rita, B & Salleh, H, *2015, Report on AGM Practices by Malaysian Companies*, Minority Shareholder Watchdog Group
[3] *Annual General Meeting Practices* 2016, Equiniti & Prism

electronic voting platform called "StockVote". This system allowed shareholders to cast their votes ahead of the general meetings.

The diagram below illustrates the process of electronic voting in Taiwan using the "StockVote" platform

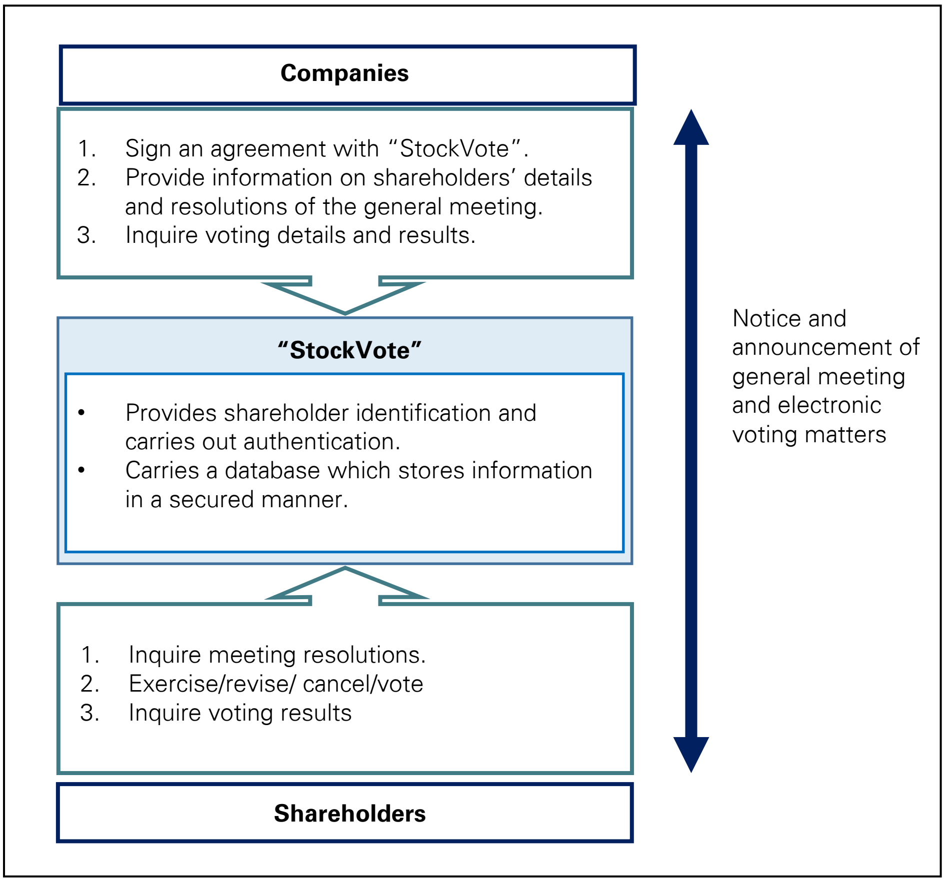


Diagram illustrating the operations of the "StockVote" platform. Source: Taiwan Depository & Clearing Corporation (TDCC) Handbook, 2016

Operations of "StockVote" platform:

1. Companies would have to sign an agreement with the TDCC and make an application each time they wish to use the electronic voting service provided by "StockVote". Companies would also need to provide details of shareholders that are relevant to the voting process.
2. When shareholders receive their notice of the general meeting, they will be informed that the company deploys electronic voting and a certificate outlining the identification number will be provided to them.
3. Shareholders would then have to log-in to the "StockVote" platform and enter the identification number provided. Once the platform verifies their identification, shareholders are allowed to view the agenda of the general meeting and vote on the resolutions tabled.
4. Shareholders are allowed to verify the votes cast through the platform for up to 30-days after the general meeting.

Where

Regional/international perspectives

As in the case of Malaysia, the legislation in United Kingdom allows companies to conduct their general meetings via electronic means.

Country	Provision
United Kingdom	(1) Nothing in this Part is to be taken to preclude the holding and conducting of a meeting in such a way that persons who are not present together at the same place may by electronic means attend and speak and vote at it. (2) In the case of a traded company the use of electronic means for the purpose of enabling members to participate in a general meeting may be made subject only to such requirements and restrictions as are — (a) necessary to ensure the identification of those taking part and the security of the electronic communication, and (b) proportionate to the achievement of those objectives. (3) Nothing in subsection (2) affects any power of a company to require reasonable evidence of the entitlement of any person who is not a member to participate in the meeting. **(*Section 360A*)**

Regional/ international perspectives
Companies incorporated in United Kingdom are allowed to hold virtual meetings so as to facilitate greater shareholder participation.

Appendices

Appendix I: Shareholders' questions

Hot Topics

- Is there any significant transactions with related or non-related parties which is not disclosed either in the annual report, interim financial reports or announcement?
- Does the company have a whistle blowing policy? If yes, then what is it, and were any issues reported in the year? And what were they?
- Is there any significant pending litigation against the company that is not mentioned in the annual report and yet to be announced in compliance with the listing requirements? What is the qualitative and quantitative impact arising from this?
- What comments have analysts/institutional shareholders/Minority Shareholder Watchdog Group (MSWG} made about the company's financial reports and results?
- Does the company have a formal process for planning the succession of each director/key personnel?
- Has the company established processes for the prevention and detection of illicit and laundering activities in accordance with the Anti-Money Laundering Act, 2001 (AMLA}? Is there a process for reporting of suspicious activities and transactions?
- Is the company looking for opportunities for acquisitions and/or acquiring undervalued assets?
- In its mergers and acquisition deals, has the company done proper due diligence? If so, how such due diligence was conducted and by who? Is there a "break-fee" clause where parties are compensated if the deal falls through?

Tough global economic conditions

- Have currency fluctuations affected the company's ability to compete in foreign markets or in any other way, affected the company's business? How does the company manage this risk?
- Has the company experienced difficulties obtaining finance? If yes, what are the alterative avenues available to the company?
- Has the credit/overdraft facility with the bank been restricted in the last year? If yes, what were the reason and what are the measures taken by the company to address this issue?
- Have the expansion and growth plans of the company been affected by the global economic uncertainty and the restricted availability of credit?
- Has the current state of the global economy affected the company's earnings?

- Do the directors anticipate any significant changes in operations or market conditions that will affect the company's profitability? If yes, are there any plan or options available to address this situation?
- What is the company's strategy going forward, given the current market conditions and what is the indicative timeline for the strategies to be implemented for the short and long-term goals?
- What impact have currency fluctuations had on exports/imports, cash flows and liquidity management of the company?
- Is the company exposed to volatility in commodity prices? How is the company hedging any exposure?

Risk management and emerging risks

- Has the board reassessed the oversight role of the audit committee, the full board and the other standing committees such as the risk committee? Does the board have the expertise and time to deal with strategic, operational, and other risks?
- To what extent is the company dependent on short-term financing to operate?
- What are the company's plans with respect to raising debt and/or equity capital in the short- and medium-term and how do current events affect those plans?
- Is the company in default or at risk of defaulting on any of its debt covenants? Has the company made the necessary announcement and disclosure in relation to the matter?
- Has management considered the legal treatment of contracts or other arrangements involving an entity falling into administration or liquidation?
- Will there be disruptions to securitisations or similar vehicles sponsored by an entity that now finds itself in severe financial difficulties?
- How does the company assess risk, and should risk assessment methodologies change as a result of recent events?
- Is the audit committee alerted to the increased risk of inappropriate earnings by management, as well as the risk that budget cutbacks may be 'excessive' and adversely affect the long term performance of the business and the quality of the finance function?
- Has the board assessed effectiveness and efficiency of the finance function, for instance, technical and non-technical skills of the personnel involved and quality of financial and corporate reporting?
- Have recent events highlighted unexpected risks that management was not previously aware of?
- Has the company's internal control picked up any discrepancies over the past financial year and what were the actions taken by the board based on the findings?

Fair value

- Has management given appropriate consideration as to whether, any significant or prolonged decline in the fair value of investments in equity instruments below cost, represents objective evidence of impairment that should be recognised in the income statement?

- Has management given appropriate consideration to those triggering events that may warrant impairment assessments in the current period?
- How does the management estimate some of its fair value items in the balance sheet?

Corporate failures and going concern

- How can the group ensure its finances are secure?
- Have the company's plans and forecasts been stress tested? Are the company's forecasts and projections usually accurate?
- How much certainty can the shareholders have in the reserves estimates or provisions?
- Is the board confident that its income recognition policy is appropriate?
- Has the board reviewed all significant elements of the company's system of internal control including the control environment, risk assessment, control activities, information and communication, and monitoring? Is the board satisfied that the company is not susceptible to the events surrounding recent high profile corporate failures?
- What controls are in place to ensure that management fees paid to connected parties are made at commercial rates and are commensurate to services or products provided?
- Have there been any 'unusual' transactions during the period? If so, what was the underlying business purpose for entering into these transactions and has the impact of such transactions been adequately reflected and disclosed in the annual report and accounts and has the appropriate announcements made? Were such transactions subject to effective internal controls, or have normal procedures been overridden?
- Is there a process in place to identify related parties and related party transactions? Do the accounts disclose sufficient information for the reader to understand thoroughly and evaluate the substance of related party transactions?
- Is the audit committee satisfied that internal audit is sufficiently independent and that it would report significant issues to the audit committee that could reflect negatively on senior management?

Remuneration

- There has been a significant reduction in dividends and a significant overall increase in executive pay. Can the board explain how the current pay structure aligns the interests of executives and shareholders?
- Why have directors' remuneration not fallen in line with share prices?
- Should directors' bonuses be capped?
- Why did directors' remuneration increase while the workforce is being reduced?
- How does the company's financial performance and senior management salary levels compare with those of its competitors?
- How are bonuses decided by the remuneration committee?
- Why has a bonus been paid when the company does not make a profit?

- The long-term incentive plan requires certain targets to be met. What was the performance in the year with regard to these targets? Shouldn't the targets be based on share price or shareholder value and not earnings per share?
- Several independent non-executive directors have shares/share options/bonuses. What is the reason for this? Is their independent status valid?
- Compensation for loss of office appears excessive. Why has there been such a large payout when company performance has fallen during the director's tenure?
- What is the company's remuneration policy?
- Should bonuses be awarded in the current environment?
- How does the company account for share options? Has the company ever back-dated any share options?
- What assurances can the board give shareholders that further excessive payments will not be made in the future?
- Who determines the remuneration of the non-executive directors?
- What is the relationship between performance and remuneration? Why are full details of performance conditions not given?
- How does the company's remuneration of directors compare with the industry norm, and with its major competitors?
- Has the company made any loans to directors/employees? If so, why, and what terms and conditions are in place? Were any loans waived in the year?
- How often did the remuneration committee meet in the last year? How many members are on the committee? How long were most meetings? What was the remit of the committee? Are all remuneration committee members non-executive directors? What are the backgrounds of the remuneration committee members?
- Do members of the remuneration committee participate in continuing professional education to ensure they remain up-to-date with issues that affect the company?
- What is the anticipated effect of long-term incentive plans on earnings per share?

Government

- How much business does the company receive from Government grants or contracts? Has the Government challenged any costs?
- If the Government reduces its budget for contracts to the private sector, how will this impact the company in future years?
- How has the introduction of the GST impacted the company's business operations costs?

Mergers and acquisitions

- Is the company a target for takeover? Under what circumstances is the company willing to be acquired?
- What stage of the merger and acquisition deal is the company in? When is the deal expected to be completed?
- What is the company doing to identify takeover attempts? What strategic anti-takeover provisions are there? What other plans does the company have to prevent unfriendly takeovers?

Finance

Results

- How do the company's results compare with industry averages?
- I am highly concerned about the huge losses reported -why are the board congratulating themselves? Who is ultimately responsible for the huge losses?
- How much more loss can we expect?
- How did this year's results compare with budgets or forecasts?
- Which divisions/subsidiaries/products contributed the most and the least to this year's earnings? Which divisions/subsidiaries/products are expected to be stronger/Weaker next year?
- Why have gross/operating margins increased/decreased from the prior year?
- Why has earnings per share increased/decreased from the prior year? What factors have affected earnings per share compared to the prior year? What is earnings per share before the effects of exceptional items, goodwill, amortisation and depreciation?
- Were there any significant year-end adjustments to income? What were they?
- How much of the company's sales growth was attributable to acquisitions?
- How does the company justify the price paid for the acquisition given the level of net assets acquired?
- What was the cost of the abortive bid for the target company?
- Why have the results of joint ventures/associates increased/decreased from the prior year?
- What are the factors which the board has considered when deciding on huge provisions or impairment on the assets?
- What effect have foreign currency exchange rate fluctuations had on trading results?
- How much was paid in fees to outside consultants during the year? Who were they and what was the nature of services provided?
- What is the nature of the exceptional items? How much of the company's income is attributable to exceptional items? What do these items consist of? What impact do the exceptional items have on key ratios?
- What action is the company taking to control stock levels and debtor levels?

Stock/debtors have increased by X percent but cost of sales/sales have only increased by Y percent - why is this? What are the directors doing to address this?

- What does the prior year adjustment relate to? How did it arise? If it is an error, have the people to blame been reprimanded? What has been done to ensure it will not recur?
- Is the company a going concern at this point?

Revenue recognition

- What are the significant judgment areas and estimates underlying the way in which the company recognises revenue?
- Have any 'special' or 'side' arrangements been appropriately considered in determining reportable revenues? Has the company entered into any hollow swap[1] arrangements to artificially inflate revenue?
- Are the company's revenue recognition policies in line with the rest of the industry? Are they more aggressive or more prudent than the norm?
- Are the company's revenue recognition policies adequately disclosed in the financial statements?
- Does the company have any dormant investor accounts? If so, how does the company account for them?
- How will the company satisfy the large amount of debt falling due this year? Does the company expect adequate cash flows? Does the company have a liquidity problem?

Liquidity

- Did the company have a net inflow/outflow of cash in the year? What specific plans does the company have for increasing cash flow?
- Why is operating cash flow significantly below the operating profit?
- The group acquired a subsidiary during the year and the acquisition was funded by debt which has resulted in the debt levels increasing dramatically. Why didn't the company use equity to fund the purchase?
- Have there been any breaches of loan covenants? If yes, how did this occur and what has been the impact?
- What is the current situation on banking facilities? What is the closest the borrowings have been to the facility level during the year?
- Why has the company's credit rating been lowered/raised?
- Has the company considered sale and leaseback, debt factoring or any other debt arrangement as a means of improving its cash position?
- Why is the excess cash not being utilised more effectively? Why is excess cash not being returned to shareholders?
- Are there any reasons to anticipate a significant increase in current levels of borrowing?
- Has the company refinanced or does the company plan to refinance debt as a result of interest rate changes?

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[1] "hollow swap " refers to deals where companies enter into without cash changing hands.

- The company has RM X millions of medium term loans repayable within a year. What steps is the company taking to manage this debt?
- Does the company have adequate resources to manage business threats and take advantage of business opportunities as they arise?
- Does the company have, or can it obtain, sufficient capital to expand?
- What does the company think about the strength of the balance sheet after analysing high debt levels?
- Is the company too highly geared? What steps are the directors taking to reduce gearing? What do the directors consider to be the maximum permissible gearing?

Loan covenants

- Is the board confident that the company will continue operating within its loan covenants?
- Has the company breached its loan covenants at any point during the period?
- Has the board approached the bank over the potential/impact on financing of breaching loan covenants?
- What is the risk that the company's existing lenders will negotiate additional borrowing covenants? How will that affect the company?

Tax

- What is your tax strategy? What do you consider to be your risks in relation to tax?
- What is the company's effective tax rate this year? Why is it so low/high? What is the estimated effective tax rate for next year? How does it compare with the effective tax rate of other companies in the same industry?
- Given the company has made significant losses in the past why is there a tax charge?
- Has there been any political or economic developments in foreign countries in which the company trades that may have a significant effect on the company's overall tax position?
- Why has there been a large adjustment to the tax charge relating to previous years? Does this mean the previous years' tax computations were wrong?
- Is the company currently under investigation by the Inland Revenue Board (IRB)? If so, why and what is the status of these investigations? What is the likely impact of this on the company's reputation?
- Does the company have a credit balance in its Section 108 account? What is the amount?

Derivatives

- To what extent does the company use derivative instruments? What types of instruments are used? Has the company assessed the risks of using/not using derivatives? How does the company measure its exposures/monitor these risks?

- Does the company use instruments such as options, futures or forwards to manage business risk?
- How does the company account for derivatives?
- Does the company have adequate systems and controls to implement and monitor compliance with policies? How does the company monitor compliance?
- What percentage of the company's investment portfolio comprises derivative instruments? How much of the company's revenues/losses arise from derivatives?
- From the accounts it appears the cost of hedging is quite expensive – was it worth it and why should we continue to hedge?
- Does the company hedge its exposure to foreign currency risk? What types of exposures are hedged? What types of derivatives are used to hedge?
- Does the company hedge its exposure to losses from changes in interest rates? What types of exposures are hedged? What types of derivatives are used to hedge?
- Does the company hedge any commodity price exposures? What types of commodities are hedged? What types of instruments are used? Does the company use derivatives to manage liquidity?
- What is the notional value of the company's derivative holdings?
- If the company had to settle all of its derivative contracts today, what gains/ losses would be recognised? Did the company recognise any gains/losses in the prior year due to derivatives?
- How does the management value its derivatives?

Reporting

Accounting standards

- How does the company propose to resolve issues that resulted in a qualified audit opinion or a going concern 'emphasis of matter' paragraph in the audit report this year?
- Why doesn't the company expand the information disclosed in the annual report to include more meaningful analytical and forward looking information about the company?
- How do our results compare to our competitors/peers?
- How much of our profit this year is due to underlying business performance and how much to accounting changes?
- Have changes to the accounting standards affected the company's loan covenants/pension obligations/treatment of financial instruments/bonus schemes?
- Has the board considered the impact of new accounting standards on its risk management policies?
- What will the accounts look like next year? Are there more changes to come?

Narrative reporting and business review

- The front end of the accounts is confusing. What is the company's business model? How does it make its profits?
- How did the company decide which key performance indicators (KPIs) to disclose?
- How did the company calculate the KPIs?
- How do these KPIs compare to the company's competitors?
- Why are the disclosed KPIs different to those identified in previous years? Shouldn't they be consistent from year to year?
- Why doesn't the company have any non-financial KPIs? Do the directors not believe people/environmental/social and community issues to be important?
- Are there any risks and uncertainties that the company face which have not been disclosed?
- How did you arrive at the principal risks for the business?
- Are the disclosed risks and uncertainties really the principal risks and uncertainties?
- Does the business review or other disclosures give too much information away to our competitors?

Operating/business

Customers

- What is the company's share of the market? How does this compare to the prior year? How does the company plan to increase its market share?
- Who are the company's major customers? Does the company rely heavily on any particular customer? What would be the effect if this customer were lost? Does the company plan to enhance its customer base and reduce reliance?
- Have any major customers discontinued purchasing products/services? If so, why?
- How much money is due from a particular troubled company? What portion of the debt does the company anticipate to be collectible?
- Are new customers being sought from overseas?

Competition

- What company does the company consider to be its most significant competition? Why? What are the company's key advantages/disadvantages over its competitors?
- Has the company benchmarked itself against other companies in its industry? How often is this done? What areas of the company are benchmarked? What were the areas for which the company was identified as being a leader? What are the areas which the company has identified as needing improvement? What have been the company's actions or what are its plans to improve in these areas?
- What initiatives has the company taken to maintain/strengthen its competitive position in the wake of increasing global competition?

- Does the company anticipate any new competitors entering the industry or competition from new sources? Are there any barriers to entry?
- Has the company's marketing strategy changed in the past year? If so, how?
- How effective do you think your current marketing strategy is? Could the marketing budget have been better spent?
- What is being done to prevent transfer of key personnel/technology to competitors?

Products/processes/operations

- Is the company looking at cost effective ways of buying materials to be used in production? How often and to what extent does the company evaluate its production/service capabilities, inventory levels, warehousing and logistical activities, staffing levels, etc., for the purposes of optimisation?
- At what capacity did the company operate this year? Are operating levels expected to be higher next year?
- Is the company heavily reliant on a small number of suppliers? Has the company sourced and tested alternative suppliers?
- What is the nature of the company's research and development for new and improved products/services and for production and service delivery? How far away is the company from bringing its new/next generation product/service to market?
- How much was spent on advertising and promotion last year? How much have you budgeted to spend this year?
- What measures does the company take to prevent a major product/service failure or a product recall? Has the company had to recall any products in the year or discontinue any services?

Changes in corporate and business structure

- How much did it cost the company to defend itself from the unsolicited takeover bid it received during the year?
- Does the company face antitrust issues with regards to potential mergers and acquisitions?
- What will be the impact of acquisitions on next year's profits? Can you give annualised figures for this year?
- Are there any specific plans for acquisitions/sales in the near future?
- What are the company's plans and intentions regarding its non-core businesses? Why?
- Are specific performance criteria established for monitoring the long term effectiveness of acquisitions and their impact on shareholder value? To what extent does the company perform a post-acquisition review to investigate performance of an acquired company?
- What is the status of negotiations to purchase/merge with another company? How will the proposed acquisitions affect the financial position of the company?
- Has the company considered entering into joint ventures or some form of strategic alliance? What is the status? What factors were considered in evaluating suitability/compatibility of these partners/alliances?

- How does the company decide which divisions are candidates for sale or closure? Has the company considered spinning off any divisions as separate entities?
- Are there any flotation/spin off plans for subsidiaries? What potential benefits will this have?
- Are there any demerger plans? If so, why? What potential benefits will this have? How much will this cost?
- What are the company's plans and intentions regarding its non-core businesses? Why?

Future plans/strategy

- What are the expectations for the company's future growth? Is growth expected from acquisitions? New products? New markets? Other sources?
- Describe the company's Malaysian and global development growth strategies.
- What have the directors decided is the company's future strategy? How do the directors intend to maximise shareholder value?
- What does the board see as the key risks facing the business going forward? What actions are being taken to manage/mitigate those risks?
- What, in management's opinion, are the three to five most significant financial reporting or other risks facing the company? Are they adequately disclosed? What should shareholders know about additional market or other forces that may affect the company's financial or operational outlook?
- It has been announced that the company has won a major contract with [name of company]. What are the risks to the company in meeting the demands of such a significant contract?
- What plans does the new Chairman/Chief Executive/other Director have for the company? What will be done differently?
- What do budgets/targets indicate for the company's future performance? What are the key budget assumptions?
- At what capacity did the company operate this year? Are operating levels expected to be higher next year?
- What actions and strategies has the company identified to obtain market share?
- What new products/services is the company planning to introduce next year? What effect are these products/services expected to have on the company's future operations? What products/services are to be discontinued?
- The company appears to be now focusing on reducing prices. Is this at the cost of quality?
- Does the company plan to maintain current levels of spending on research and development? Has the company considered entering into a research and development alliance/partnership to develop new products/services?
- What are the plans for capital expenditure? Is this necessary, especially given the downturn in trade? Can the company cancel plans?
- What steps are the directors taking to avoid future profit warnings?

- Does the company anticipate any reductions in the workforce in the near future? If so, why? What will the repercussions be?
- Does the company have a disaster recovery plan? Has it been tested? Does the company have a business continuity plan?

Information technology/e-commerce

- How would the directors characterise their view of information technology? Are systems up to date? How does the IT plan support corporate business strategy?
- Has the company reviewed internal controls over IT systems? What is the assessment of controls? How is data protected? How is data exchanged? Has the company taken any security measures to protect confidential important information from manipulation/theft/disclosure within systems?
- Have ‘hackers’ succeeded in breaking into the company’s computer systems during the year? What is the likelihood of another attack?
- How does the company regulate use of the Internet by employees?
- How vulnerable is the company to computer viruses? What procedures are in place to combat threats?
- Does the company outsource any of its operations? If so, what controls exist to safeguard company information?
- Does the company have an on-line trading strategy? If so, what is it?
- How is the company using the Internet to market and sell its products services?
- What’s the company’s policy on the use of Facebook, Twitter and other social media networks? Can such media be used to communicate with customers and suppliers?
- Are transactions (with both suppliers and customers) made over the Internet site? What proportion of sales/purchases are these? How has the company ensured that the site is secure and that adequate firewalls are in place?
- How is the company using the Internet to communicate, share data and be closer to stakeholders?
- Has any review been performed on the Internet site in terms of content, user accessibility and security?
- How does the company hope to rein in internet piracy on electronic products?
- How have current economic conditions and world events affected the company's share price? What are the company's plans for reversing negative trends?

Shareholders

Share price

- How does the company view the current share price - low/high? Why?
- Why has there been significant volatility in the share price recently?
- Why has the company's share price exceeded/lagged behind others in the same industry? How has the company's share price performed in comparison to competitors?
- Why are the company's shares selling at such a high/low PE ratio? Why did the market price increase/decrease recently?
- Why has the company's share price not moved in line with changes in the stock market?
- How have current economic conditions and world events affected the company's share price? What are the company's plans for reversing negative trends?
- What steps are being taken to increase the share price and what is the company's target share price in two years' time?
- What attempts have been made to increase the marketability or price of the company's shares? How do the directors plan to remedy the current underperformance of the share price?
- Is the company's PR adequate given it looks like the share price is underperforming?
- What percentage of the company's shares do officers, directors and employees hold? Does the company have a system for monitoring shares traded by these groups? Have any officers or directors or associates recently disposed of large blocks of the company's shares?
- Is any debt or equity financing contemplated in the near future? If so, what will the funds be used for? What will be the dilutive effect on the company's shares?
- Does the company plan to repurchase any of its debt or equity? How will the repurchase be accomplished? Is this the best use of funds?
- Option prices of shares are greater than the share price. Does the company plan to re-price options?
- How many shareholders does the company have? Has this increased from last year? Why?
- I have bought rights issues at RM x which are now worth one third of the original amount -will the share price rise in the near future?

Dividends

- What is the company's dividend policy?
- Why have dividends reduced significantly from previous years?
- How is the quantum of dividend paid by the company determined? Why have dividends not been increased/decreased in light of the company's recent earnings?
- How does the company justify a final dividend which is significantly greater than profits for the year?

- When will the payment of preference dividends restart? When are ordinary shareholders going to receive a dividend?
- How does the company justify a final dividend which is significantly greater than profits for the year?
- Why was the current dividend paid in shares rather than cash? Are there any future plans to pay dividends in the form of shares? Has the company considered making share alternatives more attractive to shareholders, e.g., enhanced scrip dividends?
- Are there any restrictions on the payment of dividends? What reserves are available to pay dividends?
- What was done with funds received from disposals? Why were funds not used to pay dividends?
- Does the company have a dividend reinvestment plan, share election plan or bonus share plan? How many shareholders participate in the plan?
- How does the company use the funds received from its dividend reinvestment plan?

Annual General Meeting and voting issues

- Why is the AGM held in this location?
- Why aren't there any door gifts?
- Why doesn't the company hold its annual meeting in a company facility?
- Does the company consider potential conflicts with shareholder meetings of other major companies when scheduling its AGM?
- What is the total cost of holding the AGM?
- Will a post-meeting report be sent to shareholders? Will this include a summary of the question and answer session?
- Why isn't the question and answer session longer?
- How do the directors encourage shareholders to attend and vote at AGM?
- How are shares held in a trust/pension plan voted?
- Why does the company not permit confidential shareholder voting by using a third party to collate results?
- Can a shareholder propose a resolution? What is the time period for shareholders to lodge resolutions with the company so that they can be put before the AGM?
- Does the company 'bundle' shareholder proposals, combining favorable and unfavorable issues, in order to force shareholders into supporting unpopular provisions?
- How come there are no bonus shares?

Reports/communications to shareholders

- What is the company doing to improve shareholder communications?
- To whom is the annual report distributed? How much does it cost to print and distribute the annual report?
- Are the company's reports to shareholders available on the Internet? Are

the financial statements available on the company's website?

- Can the company use plain English in its annual report?
- What is the policy on briefing analysts? What information do analysts receive which other shareholders do not receive?
- Has management met separately with institutional investors who hold significant amounts of the company's stock? Has management met separately with analysts? If so, what is the nature of the meetings and what information is shared in the meeting?
- What's the company's policy on the use of Facebook, Twitter and other social media networks? Can such media be used to communicate with shareholders?

Audit

External auditors

- What were the audit fees for this year and the prior year? Why has there been such a large increase/decrease in audit fees compared with those of last year?
- How long has the external auditor been the company's auditor? Does the company have a rotation policy? If not, why not? How many years has the current audit engagement partner been on the external audit team? What is the auditor's rotation policy for the audit partner?
- Have the directors considered the independence of the external auditors?
- Can the audit fee be reduced?
- Has the company considered putting the audit out to competitive tender rather than just re-appointing the current auditors?
- Does the board believe that it is getting 'value for money' from its auditors? Would the company be better off using the services of a smaller firm?
- How has the effectiveness of the auditor been assessed?
- What assessments has the company made regarding the litigation record of the external auditors?
- What was the company's reason for changing external auditors? Was that decision approved by the board of directors or the audit committee? How many firms were asked to tender?
- Have any of the directors previously worked for the external auditors? When? If so, do they have any continuing connections with the external auditors?
- Is a representative of the external auditors present at the AGM?
- Why is the audit report very long and why are there so many caveats?
- Did the external auditor issue a 'management letter' or in any other way raise concerns about the company or its financial reporting during the year? If yes, what were those concerns? Have there been any changes in audit scope in the year?
- Did the external auditors identify significant accounting adjustments at the end of the year? If so, why did the directors not identify these?
- Did the auditors have unrestricted access to the audit committee - i.e.,

without the presence of executive directors? How often did the audit committee and external auditors meet?

- Did the external auditor discuss any accounting alternatives that are different from those used by the company?
- Are there any uncorrected audit differences? What is the total value? Why are they uncorrected?
- Did the auditors' review of internal control, in connection with planning and performing the annual audit, disclose any reportable conditions or material weaknesses? If so, what has been taken to resolve them?
- What responsibilities do the external auditors assume for detecting material misstatement due to fraud? Was any situation involving fraud reported this year?
- Do the external auditors review the company's IT systems and IT controls as part of their audit? What were their findings?

Auditor rotation

- Why has the board recommended the re-appointment of our current auditors? How have they satisfied themselves that the auditors provide a high quality service?
- Has the board considered putting our audit to tender? Is it wise if the current auditors are providing a good service?
- How did our auditors perform during this period? Did they meet all their KPIs/ service level agreements?
- What are the risks/costs/benefits involved in appointing a new auditor to the company?
- Is the board happy with the current auditors? Why?
- Is it good practice to rotate auditors every few years? Is it a large drain on company resources? What are the benefits?

Internal audit

- Is there an internal audit function? If not, why not?
- If there is no internal audit department, how does the board/audit committee gain the level of independent assurance it requires?
- Has the company outsourced its internal audit function? Why/why not?
- Why are the internal auditors’ fees lower compared to the external auditors’ fees and/or in relation to the size of the operations?
- How many people are in the internal audit department? What is the staff turnover rate? What qualifications do our internal auditors have?
- What was the nature of the main activities undertaken by the internal audit function in the last year? Did these activities reveal any significant weaknesses? Have suggestions for improvement been acted upon?
- Who reviews the work performed by the internal auditors? Are recommendations made by the internal auditors followed up to ensure that they are being acted upon by management and that they are effective?
- What are the main activities/plans for internal audit next year?

- Has any review been performed regarding overlap between internal audit and external audit? Is there any scope for reducing fees? Are there any conflicts of interest with the external auditors or others providing assurance services?
- Is the internal audit function based on a risk-focused methodology?
- Does the internal audit department have direct access to the board of directors, the audit committee and external auditors? How often does internal audit meet these parties?
- Are members of the internal audit department restricted from access to any of the company's records or personnel? If so, which ones?
- Has internal audit reviewed any third party service providers?
- Do members of the internal audit department attend shareholders' meetings? Are they available to answer shareholders' questions?
- How often do the internal auditors visit each operating location, including foreign operations?

Audit committee

- How often did the audit committee meet in the last year? How many members are on the committee? How long were most meetings? What was the remit of the committee? Are all audit committee members non-executive directors?
- Did all members attend all meetings?
- What steps are taken to ensure that the audit committee is independent of management?
- Do the audit committee members have accounting or finance backgrounds? Is at least 1 member of the audit committee a member of the Malaysian Institute of Accountants (MIA) or possess such qualification and/or experience as approved by Bursa Malaysia Securities Berhad?
- Why does the annual report state that the company does not have an audit committee member with 'significant recent and relevant experience'? How can the committee operate effectively if it doesn't have the necessary skills?
- How often does the audit committee report to the board of directors?
- How do audit committee members keep up to date with changes in legislation and accounting standards? Can someone tell the shareholders what the audit committee actually does? The statement shown in the annual report is the same as in dozens of other companies' annual reports.
- Does the audit committee have routine discussions with the management and external auditors about significant accounting issues in the financial statements? What was discussed? Were there any meetings without management present?
- Does the audit committee review/approve:
    - performance/effectiveness of the internal audit function;
    - annual internal audit plan and budget;
    - external audit fees;
    - non-audit services provided by external auditors prior to performance; and

  - re-appointment, selection and dismissal of external auditors?
- Has the audit committee reviewed the independence of the external auditors?
- Have you looked at the litigation record of the external auditors? If so, have you evaluated the effect of any litigation the auditors are involved in?
- Do you know what the external auditor's and the company's document retention policy is? Is the committee happy with this policy?
- How does the audit committee obtain a satisfactory understanding of the company's system of internal control? Does the audit committee review and follow up on internal control recommendations made by the internal audit department and external auditors?
- Is the audit committee satisfied that the internal audit department/external auditors have a full understanding of all internal and external factors affecting the business, and that these factors have been taken into account when designing the audit approach?
- Does the audit committee review the scope of the audit – both internal and external?
- Does the audit committee review accounting policies?
- Does the audit committee review the accounting treatment of unusual or material transactions? How does it do this?
- Does the audit committee review all financial information and press releases prior to publication?
- How does the audit committee evaluate the external auditors' qualifications, performance and independence from management? Does the audit committee review the company's code of conduct and procedures designed to ensure compliance with laws and regulations?
- If the audit committee were preparing the financial statements would they have been prepared differently to the manner selected by management? And if yes, in what way?
- If the audit committee were an investor, would it have received the information essential to a proper understanding of the company's financial performance?
- Did the audit committee hire any outside advisers to assist it during the most recent year? If yes, what was the nature of the issue that prompted engaging an outside adviser?
- How do the directors feel that the changes they have made to the company's corporate governance practices have helped to improve the company's results?

Corporate Governance

Corporate governance

- What fees for non-audit services were charged by the external auditors in this year and last year? What did they relate to? Why have they increased? Do the directors consider the external auditors to be independent?
- Does the audit committee provide meaningful protection for investors? Is the audit committee in a position to challenge the executive management and draw sufficient attention to dubious practices - even though the company is apparently successful?
- Is the audit committee proactive in seeking to ensure the quality and integrity of financial statements and accompanying reports? Are audit committee members dedicated, independent, financially literate and able to challenge the views of executive management?
- How do the directors feel that the changes they have made to the company's corporate governance practices have helped to improve the company's results?
- As a result of the increased burden of corporate governance guidelines, and other regulatory matters, will the company be going private?
- If the share price continues to decline, will the company be going private?
- Does the Senior Independent Director meet with institutional shareholders? What does he discuss? Why don't private shareholders get the same access to information?

Directors

- How often does the board of directors meet? Where are the board meetings held? How long do meetings last? What was the average attendance of directors?
- Why do so many directors not attend board meetings/audit committee meetings?
- Why have some directors failed to attend all the board and appropriate committee meetings? Aren't they paid to do this?
- Why does the board of directors not contain more independent, outside directors?
- What do non-executive directors add to the company?
- Are the non-executive directors financially independent of the company?
- Do executive directors require company approval to sit on other boards? How much time do the directors spend on this company?
- The Chairman appears to hold a directorship which conflicts with the activities of the group. How is his position tenable?
- Why is the Chairman also the chief executive of the company? Has the company considered separating these roles?
- Why are there no women on the board of directors?
- How are candidates for the board of directors identified and selected? What experience is required? Does the company use an external recruitment advisor to help select directors?

- What experience does [name of director] have of this industry?
- [Name of director] was on the board of [another company] when it lost RM X million. How will this director's experience benefit this board?
- Does the company have a formal process for planning the succession of each director/key personnel?
- In view of the company's recent expansion into a new area, was consideration given to appointing new directors with experience in this area?
- In view of increased globalisation, what has the company done to increase the international breadth of knowledge and experience on the board?
- Why did [name of former director] leave the company? Why was [former director] made redundant? Have there been disagreements between directors? How were these resolved?
- Do the board, the board's committees, and individual directors undergo an annual evaluation exercise? If not, why not? If yes, how was this conducted?
- Was the board evaluation facilitated by an external third party? Who was the facilitator? What other relationships did they have with the company?
- Does the board of directors establish performance objectives for each director? How often does the board of directors evaluate performance? How does the company evaluate directors? What criteria are used?
- [Name of director] is beyond the normal retirement age. What is your retirement policy?
- Explain the nature of directors' contracts. Why are the contracts rolling and what benefits do they get?
- Why does the entire board of directors not stand for re-election each year?
- What training do directors receive each year to enable them to keep abreast of professional, commercial and corporate governance developments?
- Would directors seeking re-election say something about themselves and their role?
- Before re-electing directors, please state what their salaries and total remuneration will be if they are re-elected.
- Some directors do not own shares in the company. This does not show signs of confidence in the company. What is the reason for this?

Internal controls and review process

- How does the company assess the risk of being associated with money laundering?
- What methods does the company use to identify, assess and mitigate risk to the company?
- Who is responsible for risk management?
- How does the company make each employee aware of their individual responsibility regarding risk and internal control? How has the company established a 'tone at the top'?
- We used to be a Malaysian based business and now we operate all over the world. How does the board ensure that the necessary checks and balances

are operating throughout the whole of the business?

- How do the directors assess the adequacy of internal controls?
- Are the company's internal controls adequate for preventing or detecting material misstatements due to errors, fraud or illegal acts?
- Were any frauds discovered during the year? If so, who perpetrated them and what are the chances of recovery? What new procedures have been adopted to prevent a recurrence?
- Does the company have a system of internal control that ensures compliance with laws and regulations?
- Does the company have a system that will detect insider trading?
- Has the board ever given after-the-fact approval of a major transaction initiated by management? If so, how did this happen?

Risk committees and the CRO

- Does the company have a board level risk committee – distinct from the audit committee and the executive risk committee?
- Does the risk committee hold the independence, objectivity and effectiveness of the risk control function to account (both in design and operation)?
- Does the board risk committee seek external views and advice in relation to products, external market/financial developments, proposed strategic transactions and other critical risk issues?
- Do the terms of reference allow for robust challenge to the board to be exercised?
- Do the terms of reference codify its interactions with the audit committee and the remuneration committee?
- What powers does the board risk committee have? Do they include any powers of veto?
- Who chairs the board risk committee? What is the current membership of the board risk committee? Does the membership demonstrate sufficient independence? Is it predominantly composed of NEDs?
- Does the company have a Chief Risk Officer (CRO)?
- Is the CRO independent of the business units? Does his or her mandate cover all material risks?
- What does the CRO do? Does he or she advise the board or board risk committee on risk appetite, tolerances and a forward looking view of the risk profile?
- What is the CRO's reporting line? Do they report to the chief executive officer and/or chief financial officer? Is the CRO accountable to the board risk committee?
- Is the tenure and remuneration of the CRO subject to board and remuneration committee approval?
- Does the company have an authority matrix in place that holds board members and management accountable?

Ethics and conduct

- How is the company's code of conduct communicated to all staff?
- Does the company issue and monitor a code of conduct to its suppliers?
- Does the company have a disciplinary process for staff? Have any staff been disciplined during the period?
- Does the company have a formal mission, strategy, operating policies, and performance objectives?
- How does the company ensure effective oversight of its code of conduct?
- Does the company review its code of conduct regularly?
- Does the company report compliance issues and their resolution to the board of directors?

Social and environmental

Employees

- What is the company doing to ensure that it has an adequate supply of capable workers for the future?
- How do you keep the skills of your workforce up to date? Have you had to employ staff from overseas in order to plug a skills shortage?
- How does the company ensure that it does not employ illegal immigrants?
- What sort of ongoing training do you provide to employees?
- What staff retention policies does the company have?
- What steps are being taken to reduce overall turnover rates and to retain valuable talent? What is the turnover rate?
- Why are the employees' average salaries much higher/lower than the company's major rival?
- The average earnings of employees was very low, compared with the substantial rewards of directors. Why?
- What is the status of the company pension scheme for employees?
- What is the company's policy on severance pay and non-monetary severance benefits?

Community

- Does the company act responsibly in the societies/communities in which it operates? What are the company's plans for investment in the community?
- Does the company understand the impact of H1N1, HIV/AIDs, tuberculosis, malaria or similar pandemics on its activities and employees operating both locally and overseas?
- Does the company participate in community activities? If so, what are they and what were the costs to the company?
- Did the company pay any incentives/introduction fees to customer agents?
- How much did the company contribute to charity during the year? Who were the largest recipients? Has the company set up a charitable foundation?

- Were there any political donations during the year? Who were the recipients? Why were these recipients chosen?

Environmental

- Does the company act responsibly in relation to the environment? What is the company's policy with regard to the environment?
- What is the most controversial and pressing environmental issue that the company faces and how is the company dealing with it?
- What is the company's record on environmental performance and compliance with appropriate laws?
- What has the company done to reduce the possibility of environmental pollution or other incidents?
- Are there any significant pending/contemplated legal proceedings against the company relating to environmental matters? Are there any potential past environmental issues that might lead to compensation/clean-up costs?
- Does the company measure its environmental performance? How does the company calculate its environmental liabilities? How accurate have these calculations been in the past?
- Has the company carried out an environmental audit of its activities? Can the company produce an audited environmental report?
- How does the company dispose of chemical waste?
- To what extent are the company's products made from recycled materials? Are the company's products recyclable? To what extent has the company instituted recycling programmes at its offices/plants?
- What emissions does the company give out during processes? Is there a liability attached to this? How much?

Health and safety

- What measures has the company taken to ensure that its factories are safe and will not be the cause of accidents? What is the company doing to promote factory safety and accident prevention?
- What has been the company's record in the past year on health and safety injuries/deaths owing to dangerous operations that were being carried out?
- Are there any claims currently against the company for breach of health and safety regulations or significant workplace injury claims?
- Has the company sought expert advice on potentially hazardous operations? What recommendations were made and were they implemented?

Reporting

- Why does the annual report not include a 5-year financial summary of the company?
- Has the board of directors formed an ethics committee or social responsibility committee?
- Is there a committee/department to study major public policy issues and provide guidance to management?

Customers

- How does the group aim to differentiate its products and services from its competitors?
- What are the measures taken by the company to improve its services to its customers?
- What are the current number of customers/subscribers of the company?

Appendix II: Fundamental concepts, guiding principles and content elements of the <IR> framework

Fundamental Concepts

- Value creation for the company and for others: Overall, does the report explain how the company creates values for itself and others?
- The capitals: Overall, does the report provide information on the capitals (e.g. Financial, Manufactured, Intellectual, Human, Social and Relationship, Natural) that the company uses or affects and which underpin its ability to create value?

Guiding Principles

- **Strategic focus and future orientation:** An integrated report should provide insight into the company's strategy, and how it relates to the company's ability to create value in the short, medium and long term, and to its use of and effects on the capitals.
- **Connectivity of information:** An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the company's ability to create value over time.
- **Stakeholder relationships:** An integrated report should provide insight into the nature and quality of the company's relationships with its key stakeholders, including how and to what extent the company understands, takes into account and responds to their legitimate needs and interests.
- **Materiality:** An integrated report should disclose information about matters that substantively affect the company's ability to create value over the short, medium and long term.
- **Conciseness:** An integrated report should be concise.
- **Reliability and completeness:** An integrated report should include all material matters, both positive and negative, in a balanced way and without material error.
- **Consistency and comparability:** The information in an integrated report should be presented: (a) on a basis that is consistent over time; and (b) in a way that enables comparison with other companies to the extent it is material to the company's own ability to create value over time.

Content Elements

- **Company's overview and external environment:** What does the company do and what are the circumstances under which it operates?
- **Governance:** How does the company's governance structure support its ability to create value in the short, medium and long term?
- **Business model:** What is the company's business model?
- **Risks and opportunities:** What are the specific risks and opportunities that affect the company's ability to create value over the short, medium and long term, and how is the company dealing with them?
- **Strategy and resource allocation:** Where does the company want to go and how does it intend to get there?

- **Performance:** To what extent has the company achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?
- **Outlook:** What challenges and uncertainties is the company likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?
- **Basis of preparation and presentation:** How does the company determine what matters to include in the integrated report and how are such matters quantified or evaluated?

Source: Integrated thinking and reporting, Focusing on value creation in the public sector, An introduction for leaders 2016, International Integrated Reporting Council (IIRC)

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