

Headline	GLCs lead the pack		
MediaTitle	Focus Malaysia		
Date	25 Jun 2016	Language	English
Circulation	20,000	Readership	60,000
Section	News	Page No	1,10,11
ArticleSize	1708 cm ²	Journalist	N/A
PR Value	RM 88,224		




Malayan Banking,
Datuk Abdul Farid Alias

Telekom Malaysia,
Tan Sri Zamzamzairani Mohd Isa

Public Bank,
Tan Sri Tay Ah Lek

RHB Capital,
Datuk Khairussaleh Ramli

Petronas Gas,
Yusaf Hassan

Axiata Group,
Tan Sri Jamaludin Ibrahim

KLCCP Stapled Group,
Datuk Hashim Wahid

Petronas Dagangan,
Mohd Ibrahimuddin Mohd Yunus

Tenaga Nasional,
Datuk Seri Azman Mohd

British American Tobacco (M),
Erik Steel

Transparency champions

Large government-linked companies continue to shine in disclosing information to shareholders. Why are the entrepreneur-driven companies lagging in this respect? **10-12 (Focus List)**

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THE FOCUS LIST

Most Transparent Big Stocks

GLCs lead the pack



MUHAMMAD HAZIM (RAM FocusM)

GOVERNMENT-linked companies (GLCs) continue to outshine entrepreneur-driven ones when it comes to being transparent. Of the Top 10 most transparent stocks on our Focus List, eight are GLCs.

Our list features the top 30 FBM KLCI constituent stocks and evaluates the level and quality of each company's disclosures to the investing public.

There was one change in stock to this year's list as Hap Seng Consolidated Bhd was



by Stephanie Jacob

included as a constituent stock replacing UMW Holdings Bhd.

Of the 13 GLCs on our list, 11 ranked in the top 15 spots scoring above the average of 62.3%.

Six out of the top eight GLCs delivered higher revenues last year compared to 2014. Five also enjoyed better net profits (see

Table B on page 12).

Overall, 26 entities delivered stronger results and only four scored poorer than they did on last year's list.

Of entrepreneur driven stocks, only one, Public Bank Bhd, made it to the top five while cigarette maker British American Tobacco (BAT) ranked 10.

So why are entrepreneur-driven stocks less transparent?

Sunway University Business School professor Dr Yeah Kim Leng believes these stocks tend to view meeting the minimum corporate governance standards as adequate and prefer to allocate more resources to direct revenue-generating operations.

In contrast, GLCs often find themselves under higher scrutiny because public funds are involved. Additionally, they tend to be large corporations with the means to allocate increased expenditure towards improving their standards and are inclined to be standard bearers of good corporate governance.

"As dominant players in their industries, GLCs will not want to be overshadowed by others especially in such matters. Therefore, they usually take the initiative to be the pacesetters or role models," Yeah says.

While the old adage of *caveat emptor* or "let the buyer beware" remains true, companies that list are accountable to investors.

Good corporate governance standards mean listed companies must provide clear, detailed and in-depth information which will allow investors to make informed decisions.

Yeah believes it is imperative for companies to maintain full disclosure policies, ensure quick dissemination of information and be fully transparent in all their dealings.

Adopting such practices, he believes, are critical to gaining investors' trust and confidence.

"It is for investor protection that such rules are in place especially after past



DOROE/FocusM

“As dominant players in their industries, GLCs will not want to be overshadowed by others especially in such matters. Therefore, they usually take the initiative to be the pacesetters or role models.”

— Sunway University Business School Professor Yeah Kim Leng

crises like the Asian Financial Crisis and the boom and bust cycles that have been experienced by stock exchanges over the years," says Yeah who was formerly group chief economist at RAM Holdings.

Banks lead the way

Maybank cemented its position at the top of the rankings for the second year running with a strong 91% score to improve on its 87% last year.

Telekom Malaysia scored 87% to keep its second placing, improving slightly from its previous 86%.

Public Bank Bhd leapt nine places to

Table A: **Most transparent KLCI constituents**

#	Companies	Quality of Annual Report				Disclosure				Compliance			Total score
		Detailed Chairman/CEO's statement	Quality of directors' profile	Precise disclosure of directors' pay	Disclosure of directors' relationship	Dividend policy (in annual report)	Whistle-blowing policy	AGM minutes	Website/investor relations quality	Segmental performance provided	Transparency pledge	Filings of annual report	
1	Malayan Banking*	10%	6%	Yes	Yes	Yes	Yes	Yes**	16%	Yes	Yes	75 days	91%
2	Telekom Malaysia*	8%	6%	Yes	Yes	Yes	Yes	Yes**	18%	Yes	Yes	95 days	87%
3	Public Bank	10%	6%	Yes	Yes	Yes	Yes	Yes	16%	Yes	Yes	63 days	86%
4	RHB Capital*	8%	6%	Yes	Yes	Yes	Yes	Yes	21%	Yes	Yes	98 days	85%
5	Petronas Gas*	8%	6%	Yes	Yes	Yes	Yes	Yes**	20%	Yes	No	92 days	83%
6	Axiata Group*	8%	6%	Yes	Yes	Yes	Yes	Yes	23%	Yes	No	117 days	81%
7	KLCCP Stapled Group*	8%	6%	Yes	Yes	Yes	Yes	Yes	18%	Yes	No	60 days	80%
8	Petronas Dagangan*	4%	6%	Yes	Yes	Yes	Yes	Yes**	17%	Yes	No	82 days	80%
9	Tenaga Nasional*	8%	6%	Yes	Yes	Yes	Yes	Yes	16%	No	Yes	81 days	76%
10	British American Tobacco (Malaysia)	10%	6%	No	Yes	Yes	Yes	Yes**	14%	No	Yes	92 days	71%
11	CIMB Group Holdings*	8%	6%	Yes	Yes	Yes	Yes	Yes	10%	Yes	No	81 days	68%
12	MISC*	8%	6%	No	Yes	No	Yes	Yes**	18%	Yes	No	88 days	66%
13	AMMB Holdings	6%	6%	Yes	Yes	Yes	No	Yes	18%	No	No	119 days	65%
14	Petronas Chemicals Group*	8%	6%	Yes	Yes	No	Yes	No	16%	Yes	No	90 days	63%
15	Digi.Com	8%	6%	No	Yes	Yes	Yes	Yes	19%	No	No	109 days	63%
16	Maxis	6%	6%	Yes	Yes	Yes	Yes	No	18%	No	No	83 days	60%
17	Astro Malaysia Holdings	6%	6%	Yes	Yes	Yes	Yes	No	14%	Yes	No	89 days	60%
18	Westports Holdings	8%	6%	No	Yes	Yes	Yes	Yes	16%	No	No	92 days	60%
19	Sime Darby*	8%	6%	Yes	Yes	Yes	Yes	No	15%	Yes	No	122 days	58%
20	Kuala Lumpur Kepong	6%	6%	No	Yes	No	No	Yes**	13%	Yes	No	91 days	54%
21	PPB Group	8%	6%	No	Yes	Yes	No	No	20%	Yes	No	110 days	53%
22	Hap Seng Consolidated	8%	6%	No	Yes	No	Yes	No	16%	Yes	No	119 days	53%
23	IHH Healthcare*	8%	6%	No	Yes	No	Yes	No	20%	Yes	No	120 days	53%
24	IOI Corporation	8%	6%	No	Yes	No	Yes	No	13%	Yes	No	93 days	50%
25	Hong Leong Bank	8%	4%	Yes	Yes	No	No	No	14%	Yes	No	97 days	50%
26	Hong Leong Financial Group	6%	4%	Yes	Yes	No	No	No	11%	Yes	No	98 days	45%
27	SapuraKencana Petroleum	8%	6%	No	Yes	No	No	No	13%	Yes	No	116 days	41%
28	Genting	8%	6%	No	Yes	No	No	No	13%	Yes	No	120 days	41%
29	Genting Malaysia	8%	6%	No	Yes	No	No	No	11%	Yes	No	119 days	39%
30	YTL Corporation	8%	0%	No	No	No	No	No	9%	Yes	No	125 days	21%
*	Bursa Malaysia	10%	6%	Yes	Yes	Yes	Yes	Yes**	25%	Yes	No	63 days	94%

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third. It is the only non-GLC in the top five as it usurped DiGi.com Bhd which previously occupied that spot.

The banking group's score improved to 86% from just 66% as it disclosed its AGM minutes and signed a transparency pledge.

However, DiGi dropped to 15th spot as its score fell to 63% from 83% last year after it failed to provide its precise directors' pay this year – despite having done so previously.

Entrepreneur driven stocks populated nine out of the 10 bottom stocks. However, except for IHH Healthcare Bhd (a GLC) and YTL Corp Bhd, the others managed to deliver stronger scores.

YTL Corp disappointed this year as it failed to even provide its directors' profiles in its latest annual report.

Despite its size and reputation, the group also failed to go beyond the expected disclosures. This led it to be ranked last on the list with a weaker score of 21% from 27% last year.

We again benchmarked the 30 stocks on our list against Bursa Malaysia Bhd, which continues to lead by example.

The regulator delivered a strong corporate governance performance with a score of 94% and would have grabbed the top spot on our list had it been ranked.

There were also others that took steps to elevate their corporate governance performance such as Axiata Group Bhd which rose from 10th to sixth.

Hong Leong Financial Group and Hong Leong Bank also provided the precise amounts paid to directors and boosted their scores as a result.

BAT and AMMB Holdings Bhd also climbed up the rankings after they took steps to disclose their AGM minutes.



Of entrepreneur driven stocks, Public Bank Bhd came out tops

The tobacco giant went to 10th from 14th, while the banking group came in at 13th from 19th last year.

Room for improvement

We found entities on our list complied with the basic requirements set out by Bursa Malaysia under its main market listing requirements.

All 30 companies issued annual reports and had a website as required by the regulator. Most complied with other requirements such as providing director profiles and issuing a chairman or CEO's statement.

What differed from one company to the next was the quality and depth of the

information provided. Many offered only the bare minimum that was required.

Therefore, when it came to optional but important corporate governance disclosures such as the precise amount of director's pay, it was found that only 17 companies (the same as last year) did so.

Positively, more entities chose to disclose their AGM minutes this year with the number rising to 16 from 12 in last year's list.

Seven of them also heeded the Minority Shareholder Watchdog Group's (MSWG) call for listed entities to publish details of the question and answer sessions during their AGMs.

The companies were Malayan Banking Bhd (Maybank), Telekom Malaysia Bhd, Petronas Gas Bhd, Petronas Dagangan Bhd, BAT, MISC Bhd, and Kuala Lumpur Kepong Bhd.

Yeah believes there are benefits for companies which go beyond the mandated disclosure and transparency requirements. "There is an investing premium [to their stocks] attached to it.

"Such companies not only gain [public] confidence, but their good reputation is enhanced and this will attract a loyal investor base.

"Even in hard times, stocks which have a better reputation can maintain confidence and not suffer price corrections or sell-downs," he says.

Telekom Malaysia scored 87% to keep its second placing, improving slightly from its previous 86%.



How we ranked the companies

TO rank the transparency levels of the companies on our list, we gauged the information provided in their annual reports and websites. The Focus Research team used a weighted point system to grade these two sources of information, based on:

- ▶ comprehensiveness of chairman and CEO's statements
- ▶ quality of directors' profiles
- ▶ precise disclosure of directors' pay
- ▶ disclosure of directors' relationships
- ▶ publishing dividend policy
- ▶ publishing whistleblowing policy
- ▶ quality of website and investor relations portal
- ▶ disclosure of segmental performance
- ▶ signing of transparency pledge
- ▶ timely filing of annual reports

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