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| Objectives, rationale and key initiative outputs | ENHANCE BOARD EFFECTIVENESS | |
| | Revamp board practices and processes | Number III.1.1.1 |

Objective

- Establish Guidelines for GLC Boards to enhance the effectiveness of their interactions, particularly through revamping Board practices and processes. These Guidelines should augment the existing Malaysian Code of Corporate Governance, either through the introduction of new principles, or by further illustrating with practical details and examples, the actions Boards should take to comply with the spirit and intent of the Code.

Rationale

- Although in itself not sufficient, a fundamental upgrade of GLC’s Board effectiveness, and hence Board governance, will be necessary to catalyze the transformation of GLCs. Globally, a strong correlation exists between companies with good corporate governance and long-term financial out-performance. Further, institutional investors value good Board governance as much as strong financial indicators when evaluating investments – the majority are willing to pay an average premium of 20-25% for well-governed companies in Asia.
- A review of the governance of GLCs, including that of better-performing Boards, revealed several weaknesses, including *inter alia*, (i) insufficient individual and collective Board performance accountability; (ii) not enough time spent on critical issues like strategy, talent review and risk management; and (iii) focus on ‘letter’ rather than ‘spirit’ of rules and procedures, resulting in inconsistent Board processes, including Board meeting logistics and focus.
- These Guidelines, supported by related tools, best practice examples, and templates, will be designed to help Boards diagnose specific areas for improvement and provide practical potential solutions, that once adopted could raise the overall level of Board effectiveness.

Expected outputs from this initiative

- “Green Book on Enhancing Board Effectiveness” containing Guidelines as described above
- Supporting materials, including related tools to assist GLC Boards identify issues and gaps, and a collection of best practice examples and templates



TERMS OF REFERENCE



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| Pre-conditions for success and risks | ENHANCE BOARD EFFECTIVENESS | |
| | Revamp board practices and processes | Number III.1.1.2 |

Pre-conditions for success

- Stable Board configuration and composition
- Individual Director and collective Board willingness and commitment (particularly that of Chairman) to raising standards and performance levels

Risks

- Boards, while adopting the Guidelines, continue to focus on ‘letter’ rather than ‘spirit’ or ‘intent’

Illustrations of potential Guidelines and supporting material

ENHANCE BOARD EFFECTIVENESS

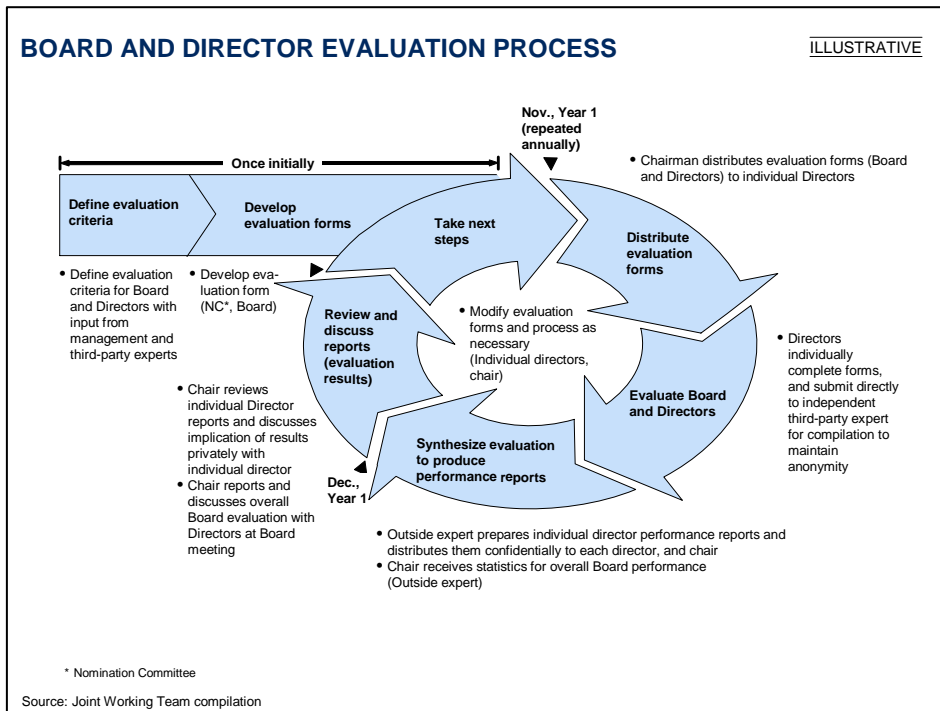
Revamp board practices and processes

Number III.1.1.3

Illustration of potential Guidelines to be included in the “Green Book”

On the evaluation of individual Directors and collective Board:

- The evaluation criteria for individual Board members and the Board collectively should be:
 - Transparent;
 - Customized for the company’s specific needs and requirements; and
 - Explicitly linked to clear consequences for non performance



On the compensation of Directors:

- Directors’ compensation should be aligned to the 50th percentile of a selection of comparable companies
- Comparable companies should be, where applicable, those companies operating in the same industry, of approximately the same size (as measured by revenue, customer base, number of employees), and subject to similar complexity and risk
- Any amendments to Directors’ compensation should be recommended by the Remuneration Committee and approved by the shareholders at the Annual General Meeting



TERMS OF REFERENCE



Key activities to be undertaken in preparation for the “Green Book”

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Revamp board practices and processes

Number III.1.1.4

Key activities to be undertaken in preparation for the “Green Book”

- Refine identification of common issues or gaps faced by GLC Boards, based on interviews conducted
- Develop draft “Green Book” and accompanying related tools
- Codify learnings from Pilot Board and incorporate into “Green Book” and related tools
- Syndicate Green Book with key stakeholders, including select GLC Boards and Securities Commission