



Professionalising SOE Board of Directors MALAYSIA

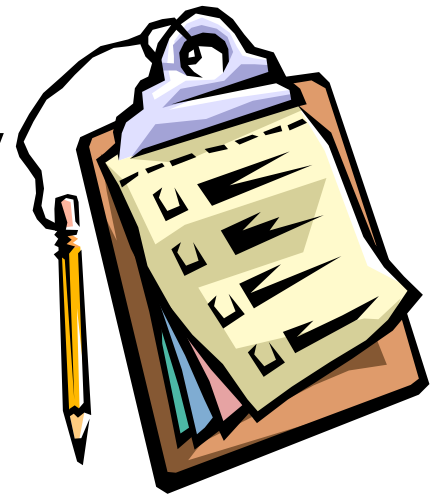
World Bank I'nal Conference on Corporate Governance Practices in SOEs
Ankara Turkey 10 June 2014

Presenter:
Aziz Bakar
CEO, Malaysian Directors Academy (MINDA)



AGENDA

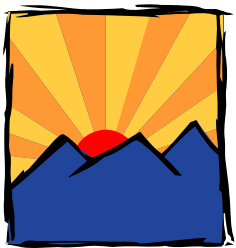
1. Background & Intro
2. Enhancing Directors Effectiveness
3. Enhancing Board Effectiveness
4. Malaysian Directors Academy
(MINDA)



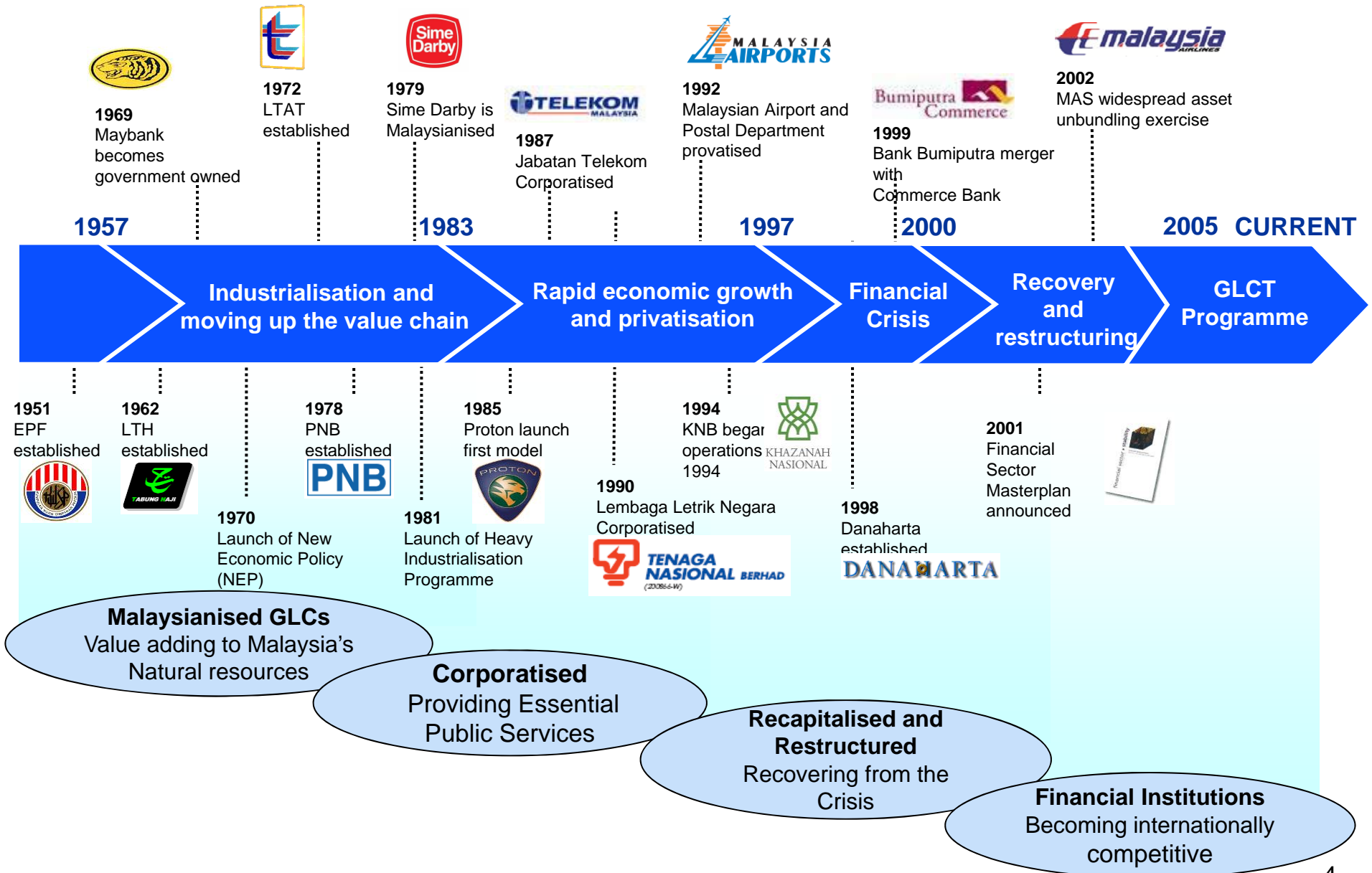
INVEST MALAYSIA FORUM



- The Government is committed to ensure Government Linked Companies Transformation **(GLCT)** Programme continues to be implemented, if anything with greater urgency and focus
- Government Linked Investment / Companies **(GLIC/GLCs)** must aspire to greater heights, whether best in class or emerging as future regional, if not global champions



HISTORY AND EVOLUTION OF GLCs

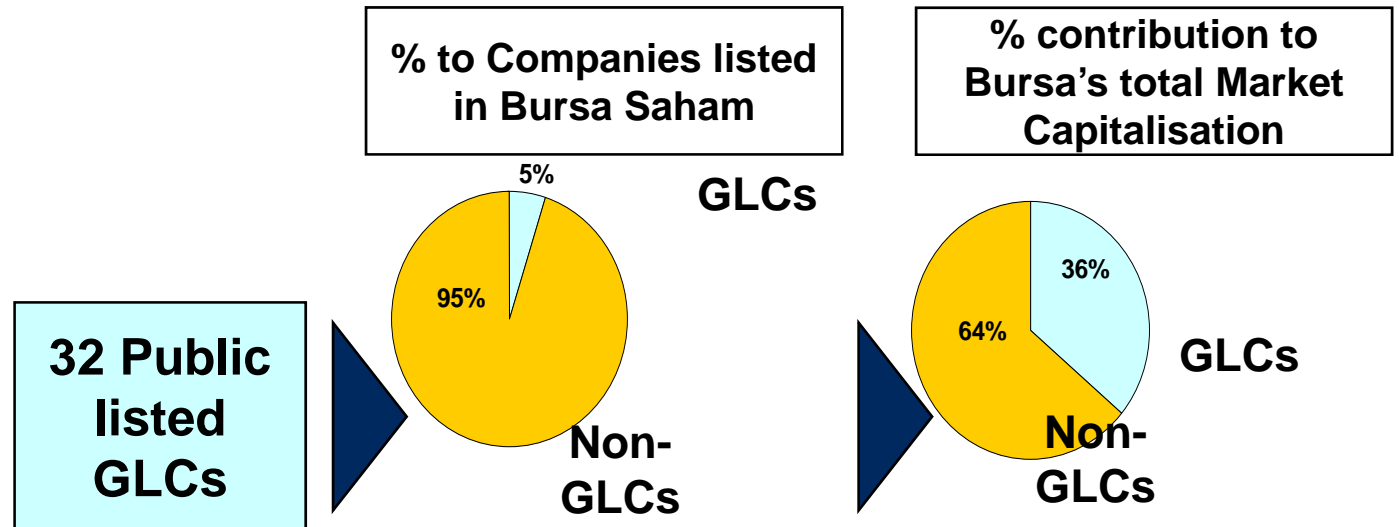


GLCS are major contributors to the nation...

National workforce

GLCs account for **5%** of national workforce (400,000 staff)

Significant part of nations economy



Mission critical service provider



GLCT Programme based on 3 Underlying Principles...

Area of Focus

- | | |
|----------------------------------|--|
| 1 National Development | <ol style="list-style-type: none">1. Equity growth2. Human capital development3. Bumiputera community development |
| 2 Performance Focused | <ol style="list-style-type: none">1. Creation of economic and shareholder value |
| 3 Enhanced GLC Governance | <ol style="list-style-type: none">1. Implementation of policy guidelines through GLC Boards2. Improvement of stakeholder engagement |

And supported by 5 Policy Thrusts

Linkage to the 10 Books

1. Clarify GLCs Role

1. GLCT Programme apply to GLCs held by Federal-level GLICs.
2. Excludes state-controlled or state-linked companies

2. Enhance GLC Boards



Green Book



MINDA

3. Strengthen GLIC Capabilities



GLIC M&M

4. Adopt Best Practices



White Book



Silver Book



Red Book



Purple Book



Orange Book



Blue Book



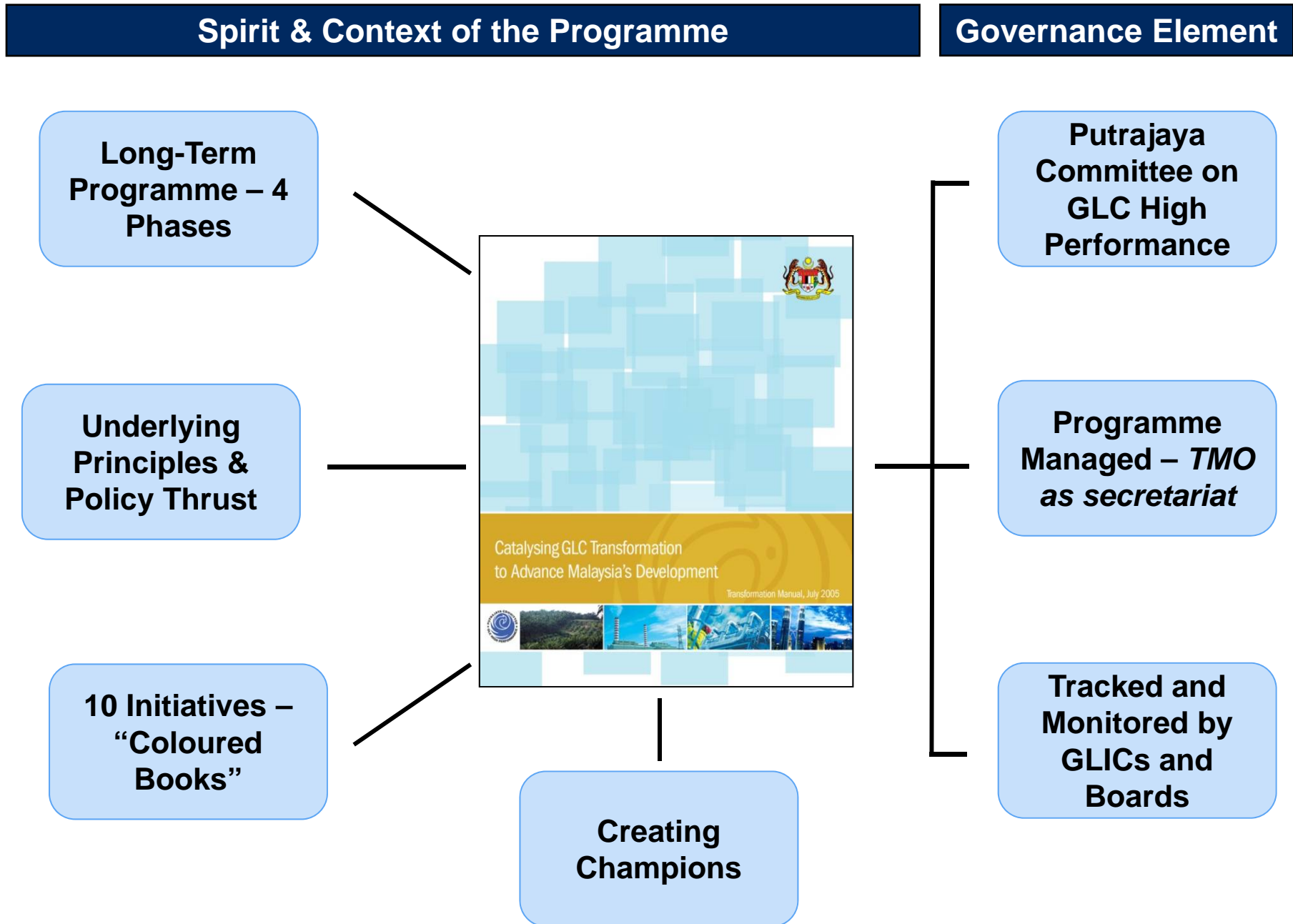
Yellow Book

5. Implement GLCT Programme

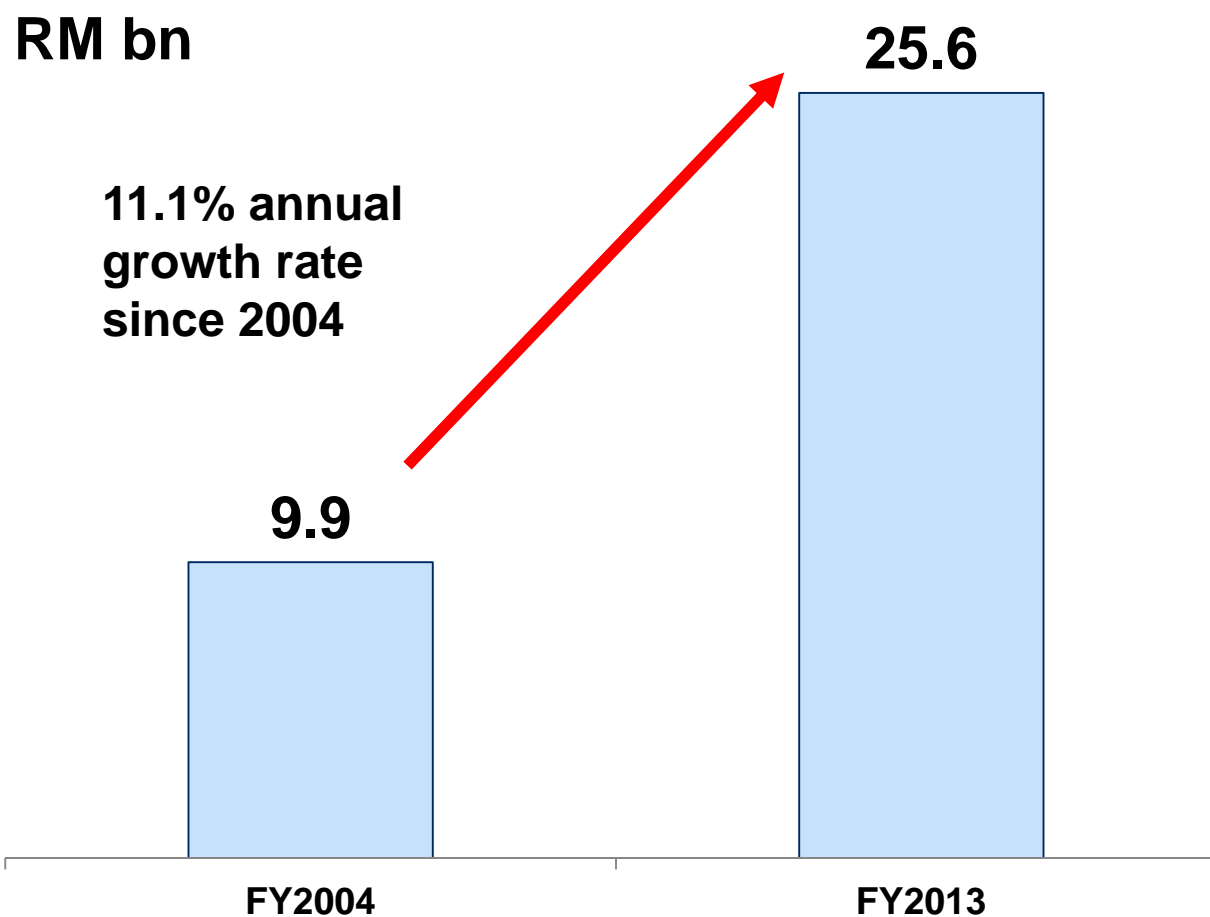
Key Agents

- 1 GLC Mgt & Board
- 2 GLICs
- 3 Government
- 4 PCG/TMO

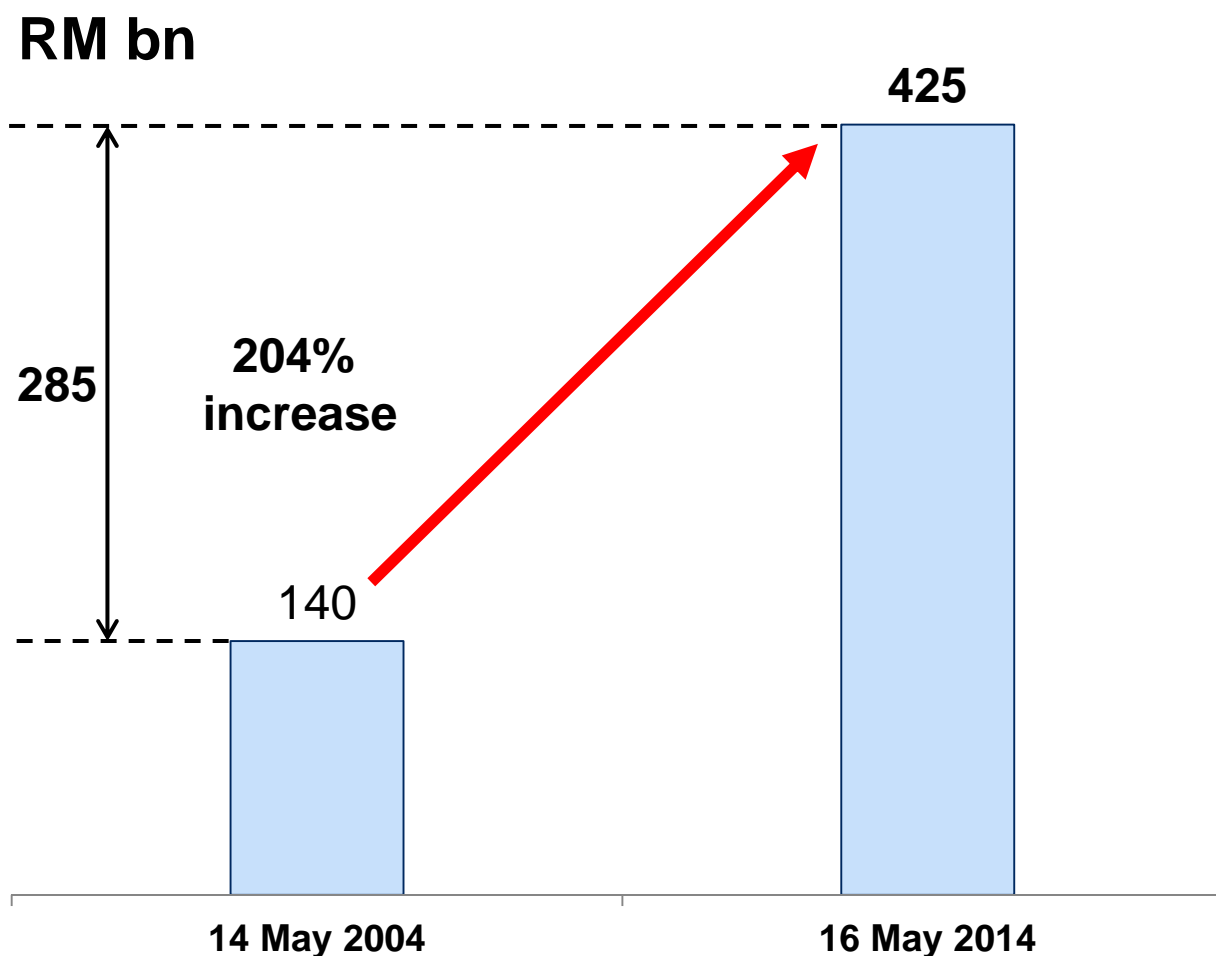
GLC Transformation Programme delivery structure...



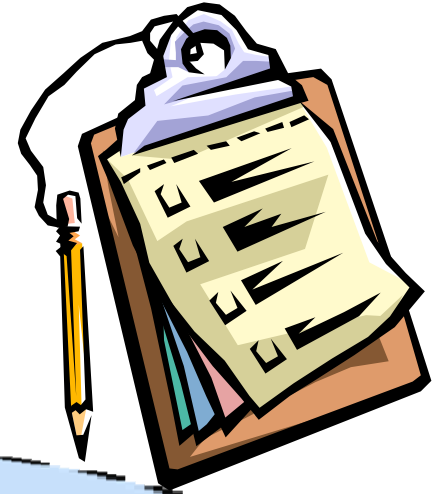
G20 NET PROFIT



G20 MARKET CAPITALISATION GREW FROM 14 MAY 2004 TO 16 MAY 2014



AGENDA



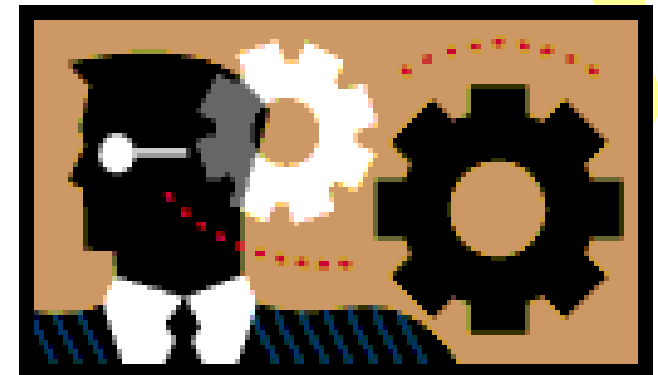
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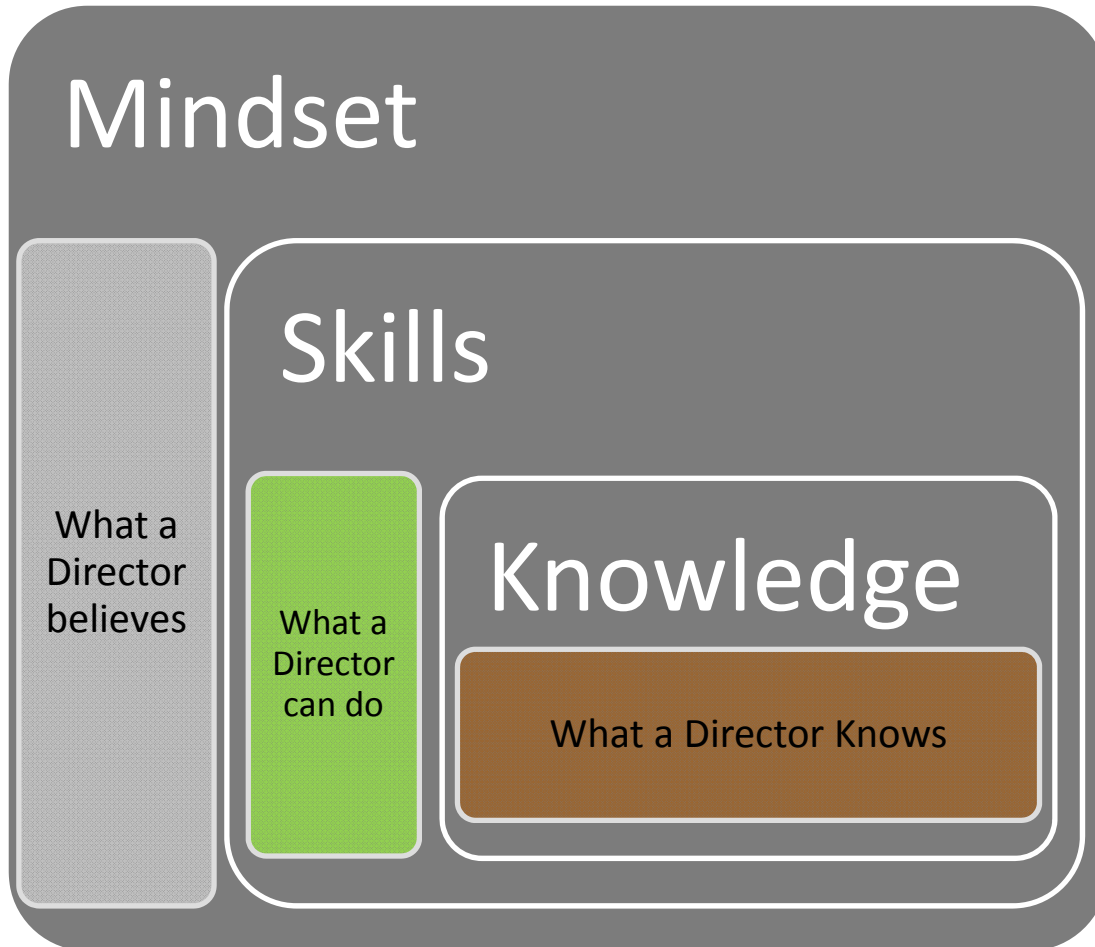
So, what are the characteristics of an 'Effective' Director ??



World Bank Conference on SOEs - Ankara, Turkey



'Ideal' Characteristics of an Effective Director ...



For Directors to be a world class director, and fulfill their roles mentioned earlier, they need to have mastery of all 3 DOMAINS.

Mindset being the most important of all.



What Each Domain Means...



KNOWLEDGE – “What a Director knows”

- Understands fiduciary responsibility as a Director
- Understands the fundamental roles and responsibilities of the Board and Directors
- Understands and adheres to the clear boundaries between the Board and management
- Understands key industry trends (e.g. competition), geographies, and functions (e.g. operational, legal, technical) that are most relevant to the company
- Understands Malaysian cultural, social, political and developmental context
- Knows the company well enough at the right level of detail (e.g. where profit is made/lost, how customers buy, how things are manufactured, what are major talent gaps in critical positions)
- Understands shareholder expectations (e.g. dividend expectations, growth forecast) and knows key stakeholders (e.g. suppliers, regulators)

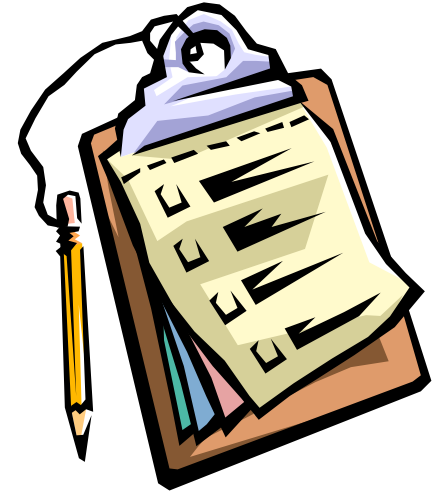
SKILLS – “What a Director can do”

- Actively and constructively solves problem (e.g. share, challenge and close) with the Board and key management
- Decisively challenges, then supports management
- Possesses business acumen from prior experiences to identify key issues and propose solutions
- Proactively uses networks and manages multiple stakeholders for the benefit of the company

MINDSET – “What a Director believes”

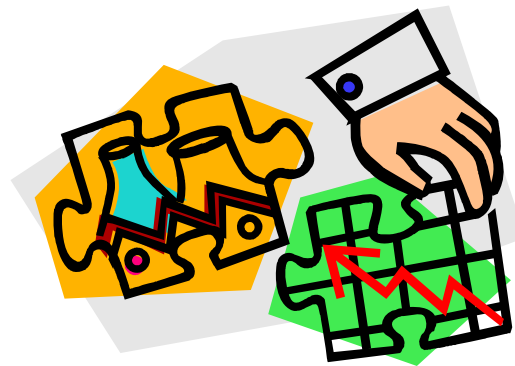
- Believes that performance of Director is critical (requires performance measures and consequences) and that the position is earned, not an entitlement
- Balances all shareholder and valid stakeholder interests while representing views of GLIC (if nominee)
- Behaves like an owner of the company and feels accountable to the company
- Has the integrity and courage to not act in self-interest and dissent when required
- Willing to invest adequate time and effort and not spread too thin across too many responsibilities

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And so, what are the components of an 'Effective' Board ??



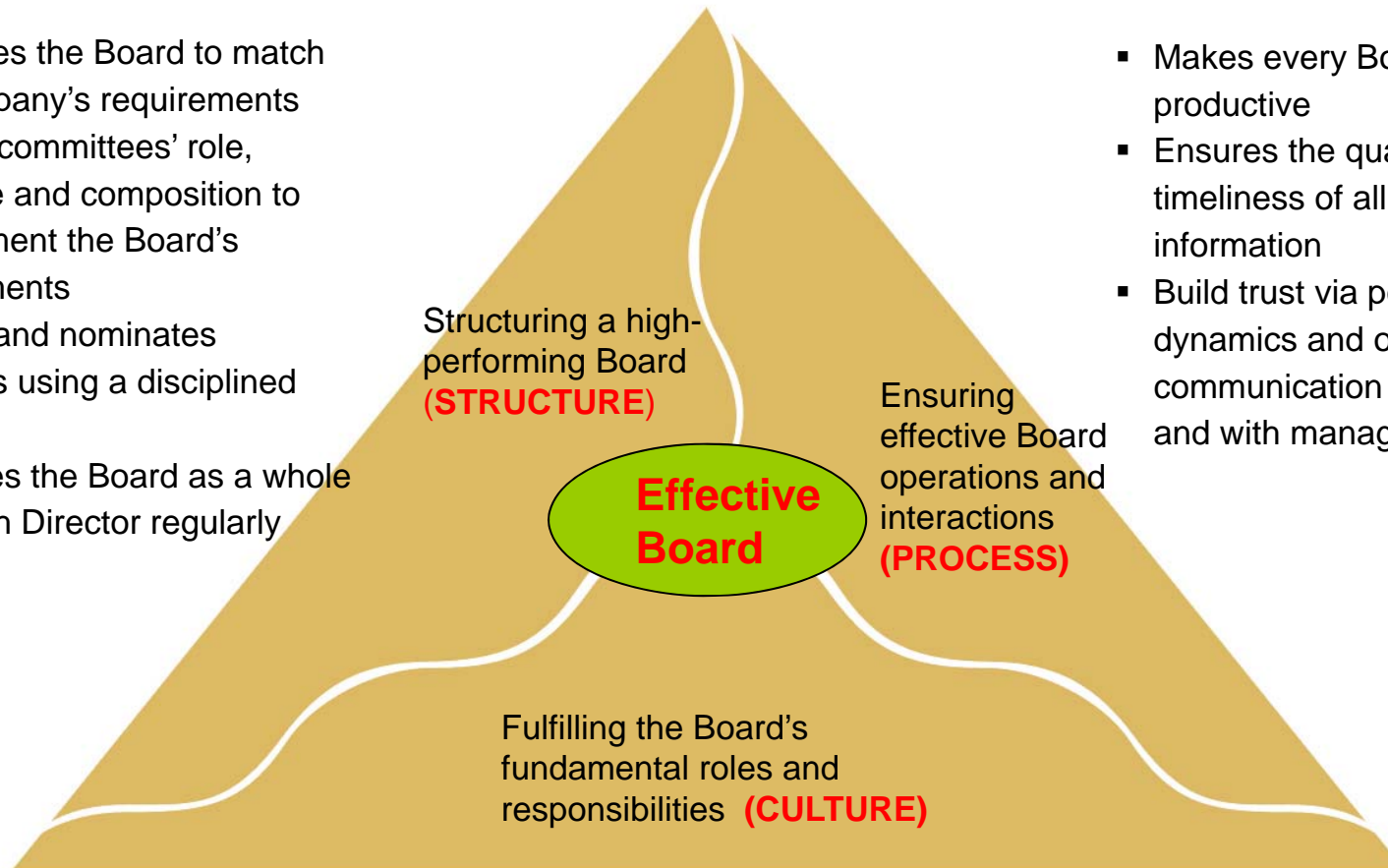
Boards must progress from just **‘Conforming’ to also ‘Performing’...** **‘Efficient’ to also ‘Effective’...**

- 1. Structuring a High Performing Board**
- 2. Ensuring effective Board Operations and Interactions**
- 3. Fulfilling their fundamental Roles and Responsibilities**



ENHANCING BOARD EFFECTIVENESS

- Structures the Board to match the company's requirements
- Defines committees' role, structure and composition to complement the Board's requirements
- Selects and nominates Directors using a disciplined process
- Evaluates the Board as a whole and each Director regularly



- Makes every Board meeting productive
- Ensures the quality and timeliness of all Board information
- Build trust via positive interaction dynamics and open communication within the Board and with management

- Contributes to developing corporate strategy and setting of targets
- Upholds a strong corporate performance management approach
- Oversees development of the company's future leaders and human capital
- Understands and manages the company's risks
- Adopts a shareholders' perspective when making decisions
- Balances valid stakeholder interests

1. Structuring a High Performing Board...

- **Structures the Board to match the company's requirements**
- **Defines committees' role, structure and composition to complement the Board's requirements**
- **Select and nominates Directors & CEO (and C-Suites) using a disciplined process**
- **Evaluate the Board & Management as a whole regularly**



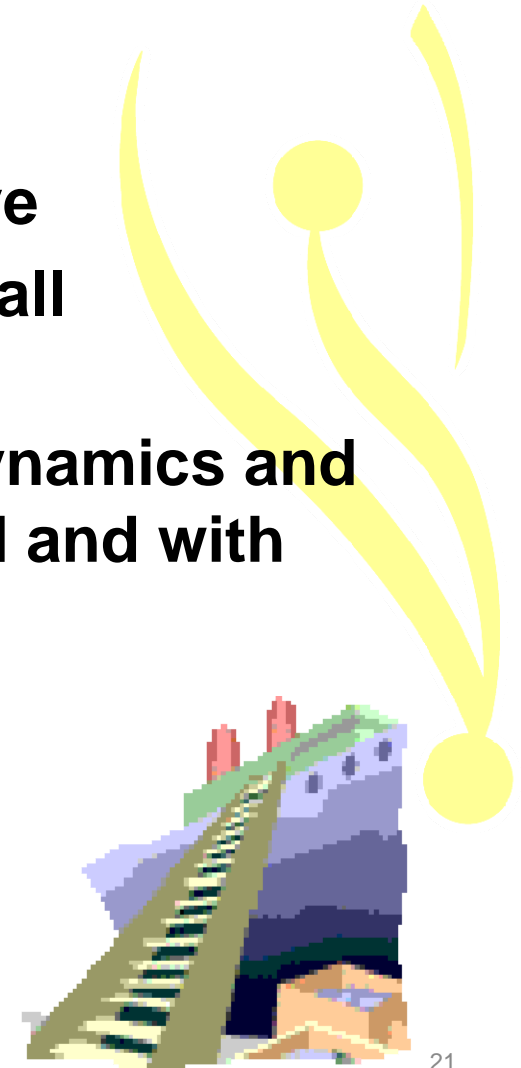
Best practices are...

- **Size is right**
- Board composition is balanced – and at least one third is independent
- Clear separation of Chairman and CEO
- **Skills and experiences in line with company's requirements**
- Clear selection criteria exists
- **Nomination process is objective**
- Finds candidates from likely and unlikely sources
- **Clear performance evaluation criteria exists**
- Nomination Committee leads the process
- Chairman leads the follow up process
- Training addresses development areas
- **Compensation is aligned to skill set required**



2. Ensuring effective Board operations...

- **Makes every Board meeting productive**
- **Ensures the quality and timeliness of all information**
- **Builds trust via positive interaction dynamics and open communication within the Board and with management**



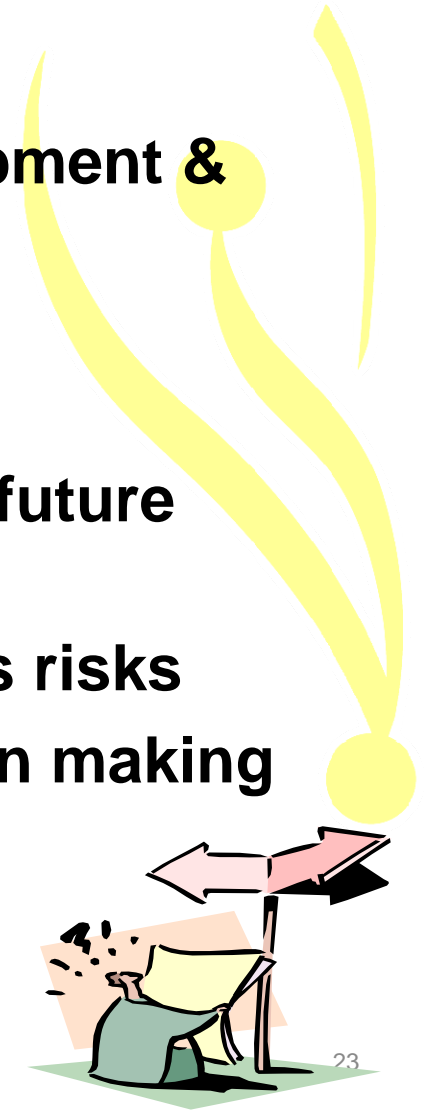
Best practices are...

- Follows a set schedule
- Appropriate notice given
- Chairman determines agenda in consultation with CEO
- Adheres to a clear charter
- **Papers are clear and relevant (with Exec Summary)**
- Positive Boardroom dynamics and environment
- **Constructively challenges and champions management**
- **Board decisions communicated promptly to management**



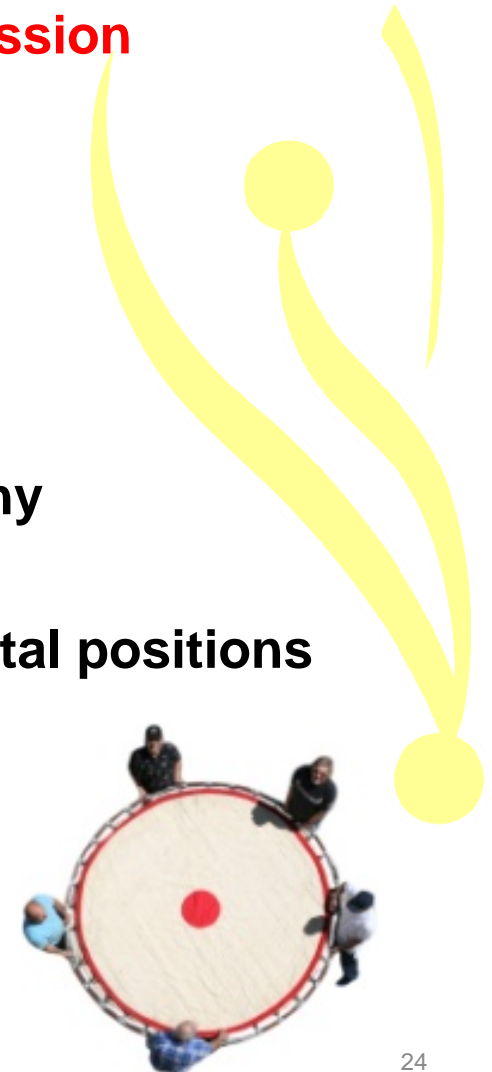
3. Fulfilling their fundamental roles & responsibilities...

- **Contributes to corporate strategy development & setting of targets**
- **Upholds a strong corporate performance management approach**
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- **Balances valid stakeholders interests**

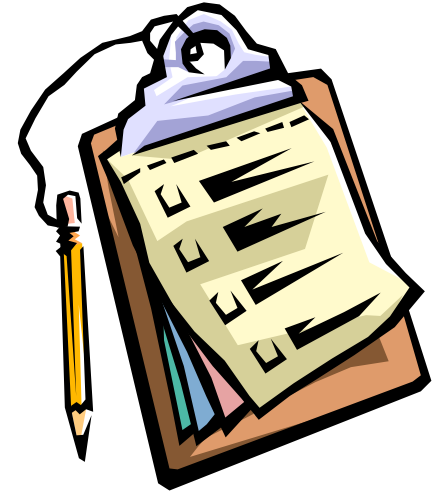


Best practices are...

- **Selects CEO and proactively plan CEO succession**
- Guides the strategic direction
- **'Co owns' the strategy with management**
- Sets targets for management
- **KPIs provide balanced view**
- Reviews progress and follows up
- Reviews performance management philosophy
- Evaluates CEO performance
- Endorses development plans of those in pivotal positions
- Understands pool of future leaders
- **Understands major risk exposures**
- **Balances valid stakeholders interests**



AGENDA

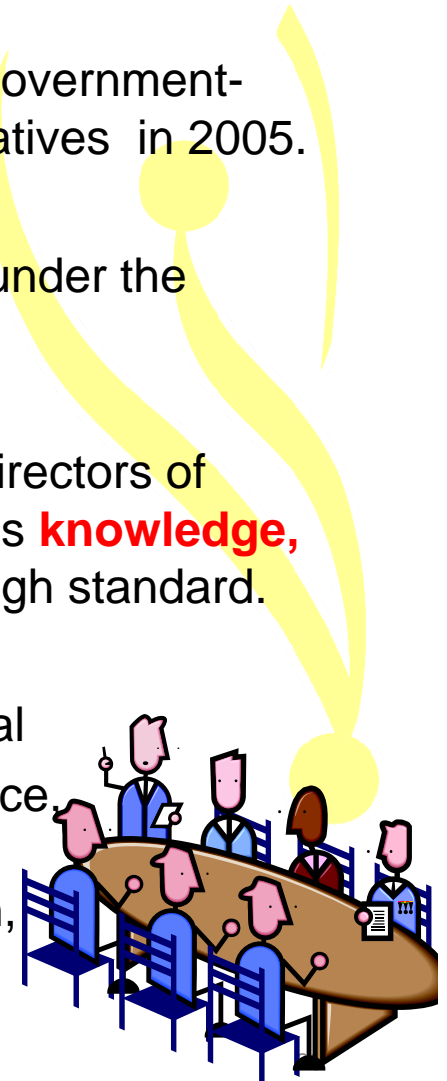


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INTRO TO MALAYSIAN DIRECTORS ACADEMY (MINDA)



- Established in December 2006 following the launch of the Government-Linked Companies Transformation Programme (GLCT) Initiatives in 2005.
- Incorporated as a non-profit company limited by guarantee under the Ministry of Finance Inc. (MoF Inc)
- **Objectives** - to address Board performance by equipping Directors of Government-linked Companies (initial focus) with world-class **knowledge, skills and mindsets** required to perform to a consistently high standard.
- **Strategy** - Assisting Boards in focusing on their fundamental **roles & responsibilities**; such as good corporate governance, long term strategy setting, performance management, development of future leaders, risk management, innovation, creativity, CSR etc



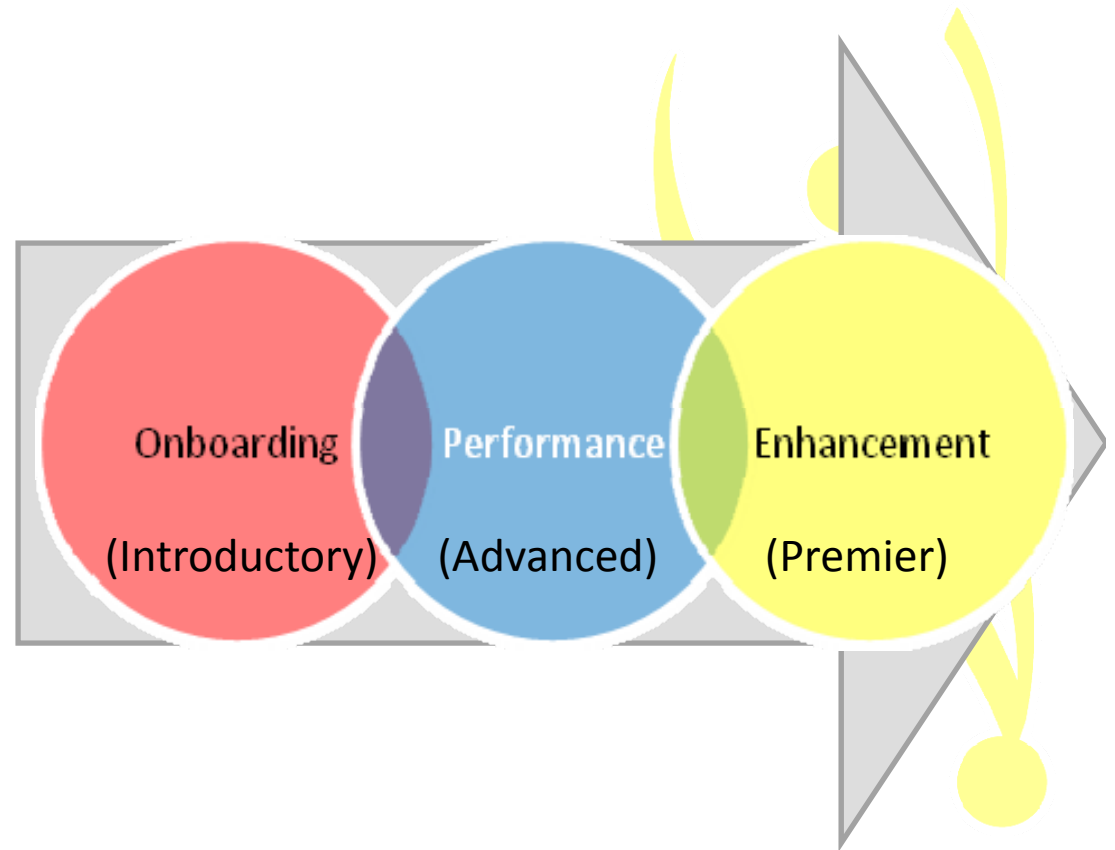
PHASES OF DIRECTOR DEVELOPMENT

To ensure excellent performance, there are 3 main development phases :

Onboarding: Getting into the role effectively and efficiently.

Performance: Knowing what to do to get companies to perform.

Enhancement: Above and beyond the needs of the job, and able to lead companies towards high performance



MINDA's Programmes...

Premier Programmes

- Building High Performance Directors (**BHPD**)
- Directors' Forum (**DF**)
- Chairman's Forum (**CF**)

Customised Programmes

- Corporate Directors On-boarding (**CDOP**)
- Corporate Directors Advanced Programme (**CDAP**) Finance, Human Capital, Strategy & Risk, Innovation, Ethics
- **WDOTP**
- Nominee / Subsidiary Directors Programme
- Company Retreat

Awareness & Networking

- Breakfast, Luncheon and Tea Talk.
- By invitation only (No fees charged)
- Networking among Alumni of MINDA
- Very brief, a couple of hours



DEFINITION OF GLCs vis-a vis SOEs

- The Programme only covers **GLCs** (listed on the Malaysian Stock Exchange) held by **Federal Level GLICs**
- GLCs are companies where
 - GLICs are either the majority or single largest shareholder
 - GLICs have ability to exercise and influence e.g.
 - Appointment of Boards and Senior Management
 - Award of tenders and contracts via Board
 - M&A, divestment, strategy, restructuring and financing, etc.

GLCs with different backgrounds and origin

Malaysianised GLCs

Companies formed during colonial days of Malaya



Golden Hope



Kumpulan Guthrie Berhad

Corporatised GLCs

Originally established as Government departments



TENAGA NASIONAL BERHAD
(2008-6-W)



Restructured GLCs

Established during the Industrialisation drive, but affected by the Asian crisis



MRCB



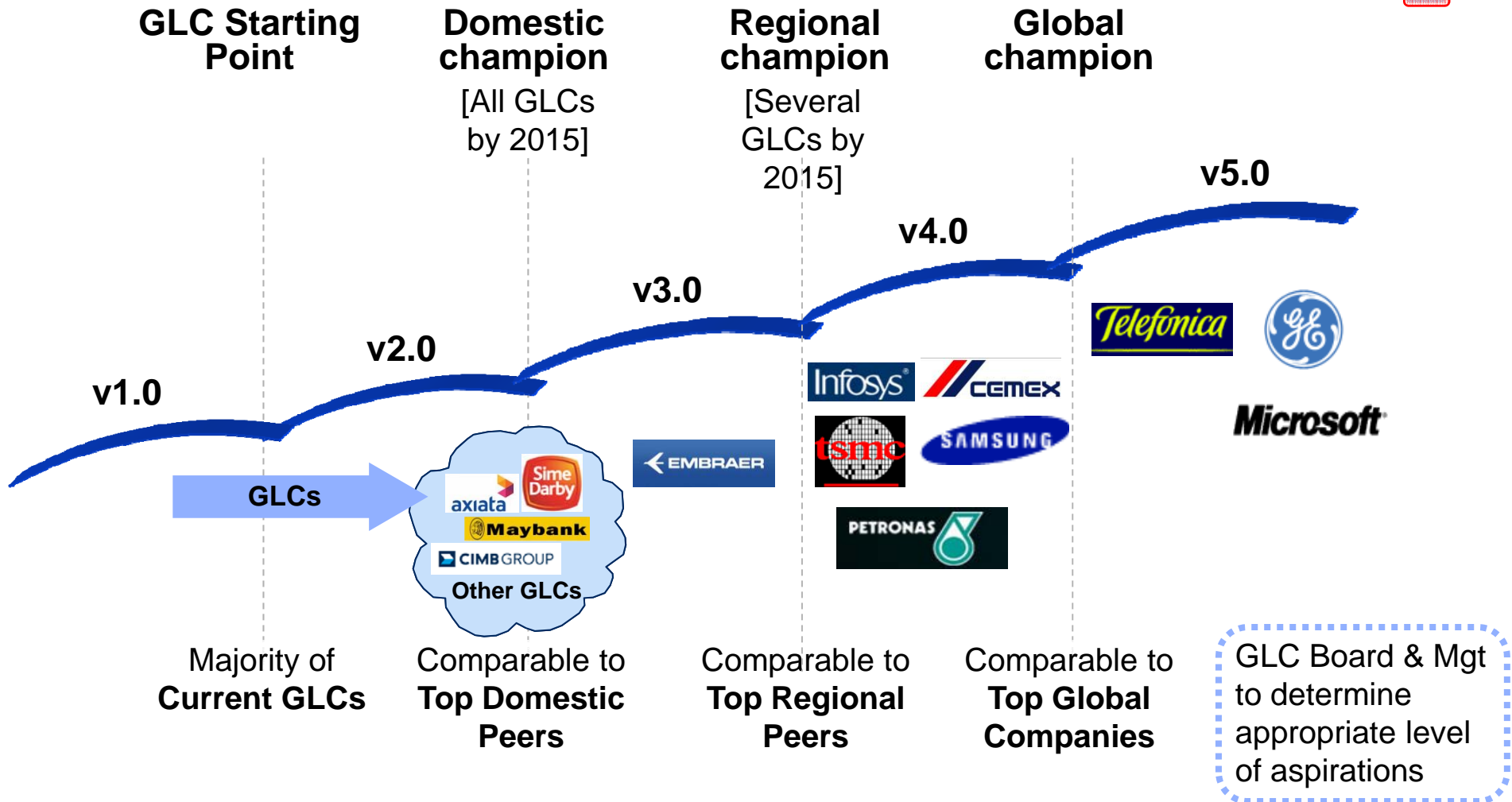
UEM

Financial Institutions

Banks were established by the Government or recapitalised by the government



GLCT Programme aspires to create regional or even global champions by 2015



Examples of Metrics for Success:	Performance (e.g. Profitability, Growth, Market Share)	Scope (e.g. Geography, No. of Markets)	Scale (e.g. Revenues)	Capabilities (e.g. Operations, branding, etc.)	Resilience (e.g. against systemic and non-systemic risk)
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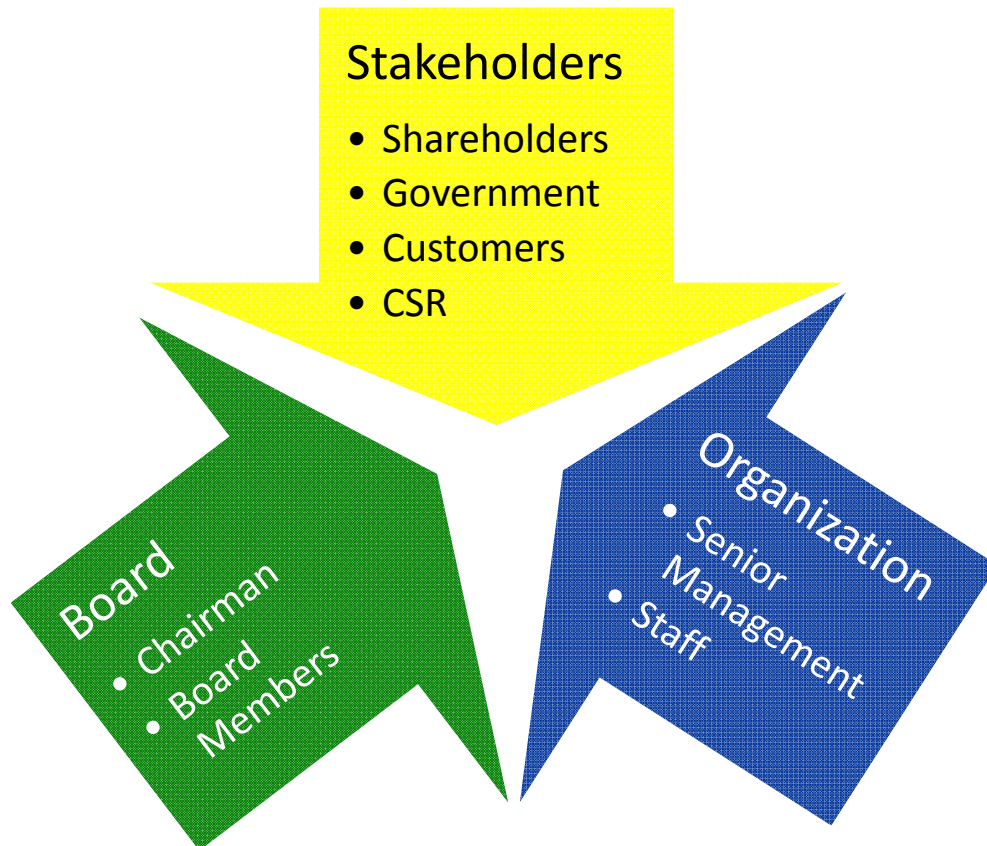
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Convergence of Roles as Directors ...



- A Director's role is about managing relationships vis-à-vis inter / intra personal communication
- Consists of 3 prong:
 - Within Board members / Chairman
 - Board and Stakeholders
 - Board and Senior Management

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THE GLCT PROGRAMME IS PROVIDING ECONOMIC AND SOCIAL BENEFITS TO STAKEHOLDERS

COMMUNITY



303

schools adopted by G20, benefiting...

Percentage of students under Pintar scoring straight "A"s for UPSR have outperformed the national average yearly from '07 to '13

565,21

students (from Dec '06 to 31 Dec '13)



11,500

graduates trained (Mar '09 to 31 Dec '13), **88%** securing employment



5,89

families benefitted (from 4 Sep '09 to 31 Dec '13)

RM4.0b

G20 total **CR spend** (2004 to 2013)

1. Excluding CR spend for 4 GLCs from '04 - '07, 2 GLCs from '04 - '05 and 1 GLC for '04 due to data unavailability.

Source: GEMS Malaysia, Yayasan Sejahtera, PINTAR Foundation, G20 submission to PCG Secretariat, PCG analysis

EMPLOYEES



RM513m

Spent by G20 on **Training & Learning Development** in 2013

PRIME

Program Majudiri Malaysia

Launched in Nov 2013 for G20 to provide upward mobility opportunities to non-executives,

touching **128,934** non-executives as at 31 December 2013

Source: G20 submission to PCG Secretariat, PCG analysis

CUSTOMERS

G20 has won numerous international and local product and service excellence awards

Selected awards won



Source: G20 submission to PCG Secretariat, PCG analysis

SUPPLIERS

RM75.1b

Business opportunities awarded to suppliers in 2013

60,666

suppliers on G20's supplier's list in 2013



88

vendors graduated from G20's vendor development programmes from 2004 to 2013



380

TERAS companies on G20's suppliers list in 2013

Source: G20 submission to PCG Secretariat, PCG analysis

G20 TOTAL SHAREHOLDER RETURN GREW BY A COMPOUNDED ANNUAL GROWTH RATE (CAGR) OF 13.2%, ON PAR WITH KLCI PERFORMANCE

