



AUDIT COMMITTEE INSTITUTE

Shareholders' Questions 2010

MALAYSIA

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Foreword



Rita Benoy Bushon

Chief Executive Officer
Minority Shareholder Watchdog Group
(MSWG)

Effective communication with shareholders is of paramount importance in the promotion of good corporate governance as it creates investor confidence in the market place. Public listed companies should have a comprehensive shareholder communication policy to serve the needs of shareholders, both retail and institutional who are now more savvy and intelligent and, thus, expect quality information for decision making purposes. In this regard, the effective use of annual reports and the company's website which feature in-depth information of corporate matters as well as general investor information would enhance communication with the various stakeholders.

The general meetings of the company is the primary forum for communication between the shareholders and the directors. It provides a platform for both shareholders and the board to have a fruitful dialogue. Shareholders can raise issues to seek clarification which include, among others, financial performance, recent corporate developments and strategic direction as well as corporate governance matters of the company to enable them to gain better understanding of the companies they invest in. As responsible owners, shareholders must make use of their voting rights effectively. Thus, they must actively engage in dialogues with the board during the general meetings. The board on the other hand, should use this forum for effective communication with their shareholders and to strongly encourage their participation.

MSWG supports KPMG's initiative in raising the awareness level amongst shareholders through the publication on "Shareholders' Questions 2010." We encourage both the shareholders and directors to use this document as a guide. For shareholders, to raise appropriate questions at shareholders meeting and for directors, to anticipate such questions and be prepared to answer them in a transparent manner, which is expected to go a long way to gain shareholders trust and support during the good and difficult times for the benefit of the company.

May 2010

Foreword



David Lim

Chairman

Audit Committee Institute Malaysia

In today's global capital markets and economy, where shareholders are both diverse and widely dispersed, active and engaged corporate governance is important to increasing and protecting shareholder value. A direct dialogue gives shareholders a better appreciation of a company's objectives, its potential problems and the quality of its management, while also making a company aware of the expectations and concerns of shareholders. The recent spate of questions being raised on Section 132 (c) of the Malaysian Companies Act, 1965 which allows an asset to be disposed of with a mere majority of votes has resulted in the Securities Commission coming up with a consultative paper for feedback by the public; lest companies go by this legislation to dispose of assets to the detriment of the minority shareholders.

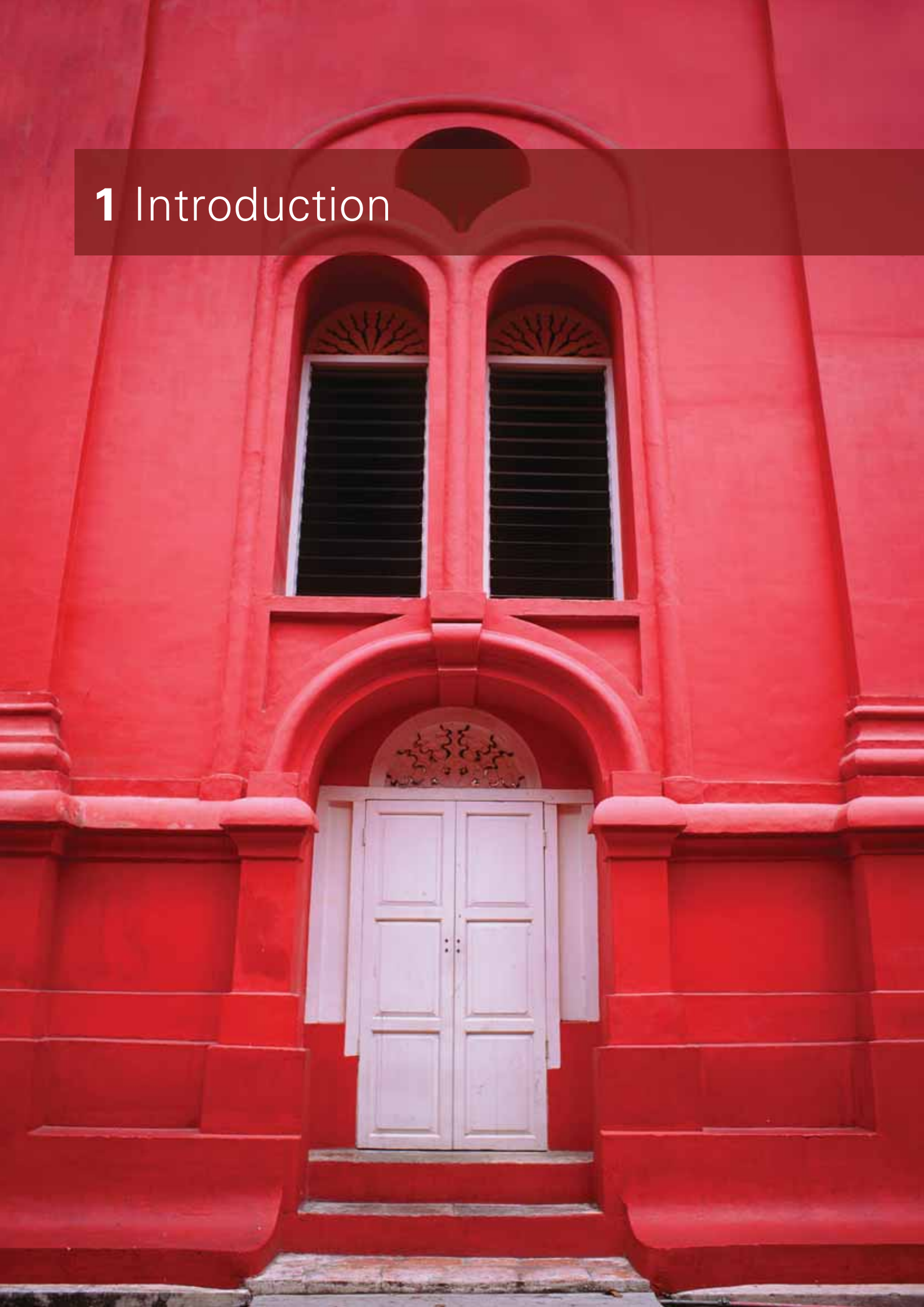
This publication that we have developed suggests questions that shareholders may be asking during the Annual General Meeting (AGM). Many believe that shareholders questions are sometimes insignificant and are often driven by personal interest, whilst others believe that they serve to challenge the board and form part of a vital relationship. Whatever your view point may be, it now seems likely that shareholders are better informed and are more motivated to participate in AGMs than ever before.

As corporate Malaysia becomes more sophisticated, so do its shareholders who have evolved to become more technically sound in accounting standards, more technologically savvy, have a global perspective and are more conscious of the community and business environment. Shareholders are engaging more and more in active communication and dialogue in AGMs. As a director, some of the topics you could expect to be raised are shown in 8 broad areas of shareholders' concerns in this publication.

Evolution is not limited to finches, and it is fitting to close by noting that there is also a significant evolution in the shareholder psyche. Clearly, the shareholders of today are far more sophisticated than ever before. The quality of questions raised by today's shareholders is significant evidence that there is no such thing as "business as usual" in AGMs to come.

May 2010

1 Introduction



1

Introduction

The Annual General Meeting (AGM) provides a platform on which shareholders can engage in active dialogue with the board of directors.

Shareholders' Questions 2010 has been prepared in order to assist directors in their preparation for their company's Annual General Meeting. This publication suggests questions that shareholders are likely to ask with a view to helping directors and management plan and develop informed responses.

The current economic uncertainty is still very much at the front of everyone's mind as we start the new decade and shareholders are particularly concerned about the valuation and sustainability of their investments. Topics you should expect to be raised during the AGM will include (amongst many others): new business models in the light of the economic uncertainty, securing financing, counter party and supply chain risk, going concern, asset valuations, cost control, off-balance sheet disclosures, emerging risks, and the economic recovery.

In addition, standard topics such as the impact of Financial Reporting Standards (FRS) in Malaysia – particularly FRS 139 Financial Instruments: Recognition and Measurement – and more current discussion points – overseas expansion of Malaysian companies and preparation for the impending Goods and Services Tax (GST) – are likely to attract comment.

Although the questions in this publication aim to give broad pointers to possible areas of shareholders' concern, **proper prior analysis of the company's annual report should be made as some questions may have already been covered in the annual report.** The industry or environment in which the company operates will also greatly influence the nature of questions raised by shareholders. Consequently, this booklet is not exhaustive and should be seen only as a guide.

If you would like to discuss any of the issues raised in Shareholders' Questions 2010, please call your usual KPMG contact.

2 Hot topics



2

Hot topics

In the light of recent corporate failures and companies under PN-17, is the board confident that they have set the proper tone at the top of the company and set an expectation that only the highest-quality financial reporting is acceptable?

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?

What comments have analysts/institutional shareholders/Minority Shareholder Watchdog Group (MSWG) made about our 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 under valued assets?

In its mergers and acquisition deals, has the company done proper due diligence? Is there a "break-fee" clause where parties are compensated if the deal falls through?

How prepared is the company for Goods and Services Tax (GST)?

How will FRS 139 (Financial Instruments) impact the company's results? Is the company ready for FRS 139, given that it is effective for financial periods beginning on or after 1 January 2010?

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?

Have currency fluctuations affected the company's ability to compete in foreign markets? How does the company manage this risk?

2.1 Tough global economic conditions

- Has the company experienced difficulties obtaining finance?
- Has the credit/overdraft facility with the bank been restricted in the last year?
- Have the expansion and growth plans of the company been affected by the global economic uncertainty and the restricted availability of credit?
- How strong is the relationship with the company's bankers?
- Has the company reviewed the credit arrangements it makes available to its customers?
- Are changing credit terms affecting the company's cash flow/working capital?
- 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?
- What is the company's strategy going forward, given current market conditions?
- Have currency fluctuations affected the company's ability to compete in foreign markets? How does the company manage this risk?
- What impact have currency fluctuations had on exports/imports?
- Is the company exposed to volatility in commodity prices? How is the company hedging any exposure?

2.2 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 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 current market affect the company's liquidity, leverage, and risk profile?
- How does the company assess risk, and should risk assessment methodologies change as a result of recent events?
- Is the audit committee alert 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?
- Have recent events highlighted unexpected risks that management was not previously aware of?



Have the company's plans and forecasts been stress tested? Are the company's forecasts and projections usually accurate?

- Have recent events confirmed or highlighted any weaknesses in established trading strategies?
- Has management put in place necessary arrangements to cover any unexpected funding needs and avoid any breaches of covenants or regulatory requirements?
- Have recent events increased the likelihood of litigation?
- What is the board's process/strategy for reviewing and updating the risk register?
- Does the board have a process for looking at emerging risks in the industry/economy?
- Does the company perform stress tests for key sensitivities? And does the company have KPIs which help to detect these situations and plans to avoid such potential problems occurring?
- Has the company/auditors conducted any impairment reviews on the company's assets? What was the outcome from these reviews?

2.3 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?

2.4 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?
- In the light of recent corporate failures and companies under PN-17, is the board confident that they have set the proper tone at the top of the company and set an expectation that only the highest-quality financial reporting is acceptable?
- 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?

How can bonuses be paid for achieving performance targets this year that were lower than last year's targets?

- 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? 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?
- Does the company have an internal audit department? If it does not, is the company considering the establishment of such a department?
- Is the audit committee satisfied that internal audit is sufficiently independent that it would report significant issues to the audit committee that could reflect negatively on senior management?

2.5 Executive 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' emoluments not fallen in line with share prices?
- Should directors' bonuses be capped?
- Why did directors' remuneration increase while dividends remain unchanged/ the workforce is being reduced?
- How does the company's financial performance and senior management salary levels compare with those of its competitors?
- How can bonuses be paid for achieving performance targets this year that were lower than last year's targets?
- How are bonuses decided by the remuneration committee?
- Why has a bonus been paid when the company does not make a profit?
- What was the highest bonus paid to a company director this year? Why? Why were share options issued to directors at a much lower price than to employees? Are the prices too low for directors' share options?
- 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 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?

How prepared is the company for Goods and Services Tax (GST)?

2.6 Government

- How prepared is the company for Goods and Services Tax (GST)?
- Has the company considered seeking Government assistance in the form of a loan?
- How can the company satisfy the Government and shareholders simultaneously?
- 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?

2.7 Mergers and acquisitions

- Is the company looking for opportunities for acquisitions and/or acquiring under valued assets?
- Is the company a target for takeover? Under what circumstances is the company willing to be acquired? Does the company favour independence?
- In its mergers and acquisition deals, has the company done proper due diligence? Is there a "break-fee" clause where parties are compensated if the deal falls through?
- What stage of the 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?



3 Finance



3

Finance

3.1 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 events have led to the company's impairment charges?
- 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 is the directors' current evaluation of actual and potential litigation against the company? What is the status of the contingency disclosed in the financial statements? Is the expected loss covered by insurance or recoverable from third parties?
- Is there any significant pending litigation against the company that is not mentioned in the annual report?
- What were the total legal fees for this year compared to the prior year? Why have these increased/decreased?
- 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?
- Has the company changed any of its accounting policies during the year that significantly affected the financial results compared to the prior year?

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?

- Why did the company restate its financial statements last year? What is being done to avoid the necessity for restatements in the future?
- 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?

3.2 Revenue recognition

- What are the significant judgement 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 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?

3.3 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?
- 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?
- 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?
- The company has RM X million of medium term loans repayable within a year. What steps is the company taking to manage this debt?

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?

- Does the company have adequate resources to manage threats and take advantage of 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?

3.4 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?



Has the company elected to switch over to the single tier system or to continue using available Section 108 tax credit balance?

3.5 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?
- What is the total amount of tax paid by the company? Do you consider this to be at an acceptable level?
- Who advises the board on tax issues?
- Given the company has made significant losses in the past why is there a tax charge?
- Have 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 have been wrong?
- What is the status of the previous years' tax computations? Are there any significant problems or disputes?
- 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?
- To what extent does the company undertake tax planning activities?
- Has the company elected to switch over to the single tier system or to continue using available Section 108 tax credit balance?
- Does the company have a credit balance in its Section 108 account? What is the amount?



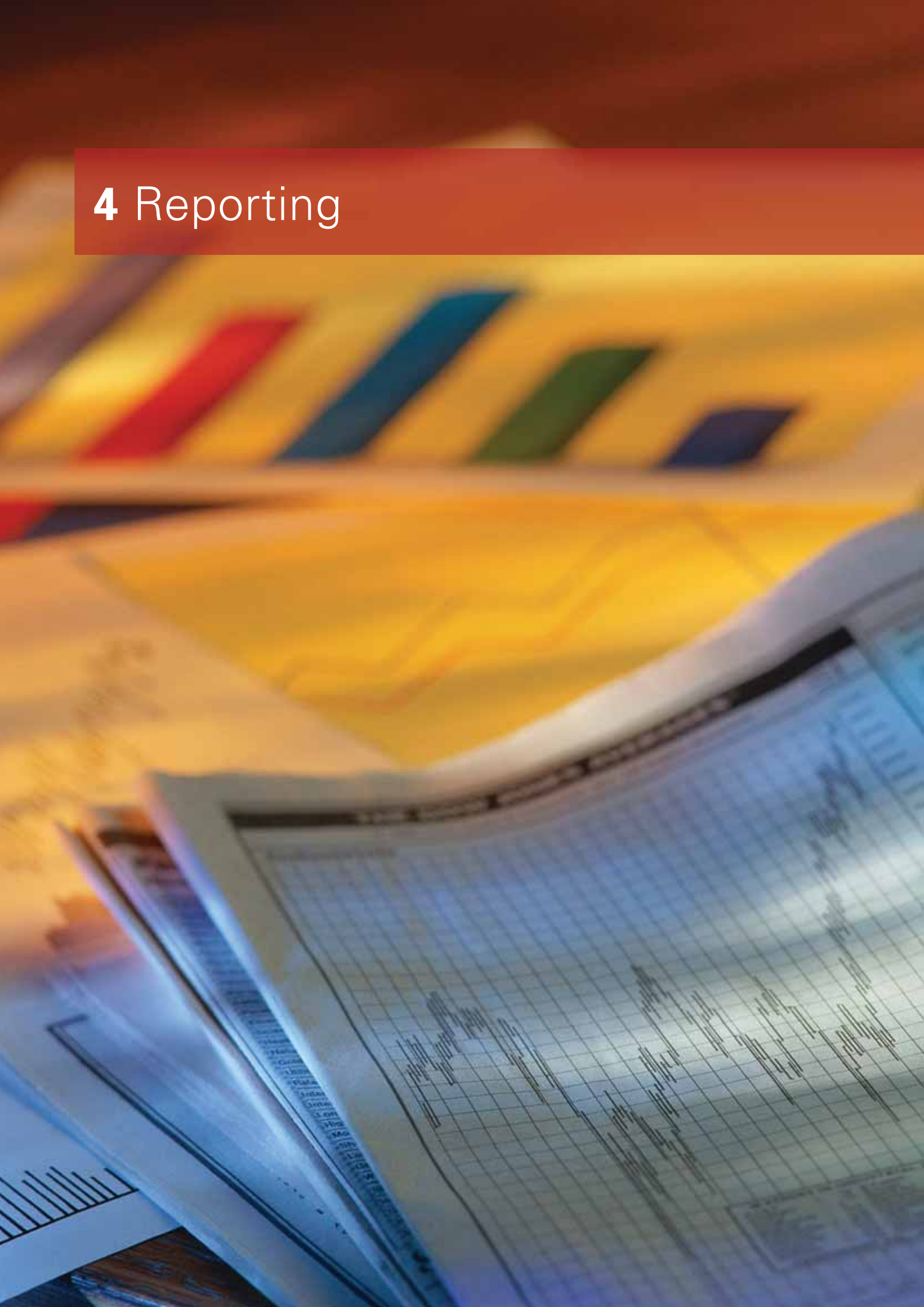
3.6 Derivatives

- 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 will FRS 139 (Financial Instruments) impact the company's results? Is the company ready for FRS 139, given that it is effective for financial periods beginning on or after 1 January 2010?
- How does the management value its derivatives?

How will FRS 139 (Financial Instruments) impact the company's results? Is the company ready for FRS 139, given that it is effective for financial periods beginning on or after 1 January 2010?



4 Reporting



4

Reporting

4.1 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?
- What comments have analysts/institutional shareholders/Minority Shareholder Watchdog Group (MSWG) made about our financial reports and results?
- 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?
- To what extent have new accounting standards affected the company's ability to pay dividends?
- What will the accounts look like next year? Are there more changes to come?
- Has the introduction of new accounting standards changed how we run our business? Or is it just about accounting?
- What is the board's biggest concern about its financial reporting?
- There is an increased amount of information in the audited financial statements; why is this?

4.2 Narrative reporting and business review

Does the business review or other disclosures give too much information away to our competitors?

- 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 (KPI's) to disclose?
- How did the company calculate the KPI's?
- How do these KPI's 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?

5 Operating/business



5

Operating/business

5.1 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?

5.2 Supply chain

- Has the board considered all risks to the supply chain?
- Are there business continuity plans in place in case a major supplier ceases business?
- Does the company monitor its supply chain for ethical conduct/continuity/production standards?
- Has the company carried out any scenario planning to anticipate the effects of losing one, two or more major customers/suppliers?

5.3 Competition

- What organisations 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?

What initiatives has the company taken to maintain/strengthen its competitive position in the wake of increasing global competition?

Have any major suppliers discontinued production of resources critical to the company? If so, what alternative arrangements have been made?

5.4 Products/processes/operations

- How does the company develop new products?
- Is the company following good practice in labeling its food products?
- 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?
- Have any major suppliers discontinued production of resources critical to the company? If so, what alternative arrangements have been made?
- Is the company heavily reliant on a small number of suppliers? Has the company sourced and tested alternative suppliers?
- Who participates in the long term planning process?
- 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?
- Is the company considering outsourcing any of its non-core processes?
- How many jobs did the company transfer overseas last year? What were the economic and competitive benefits?
- 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?
- What processes are in place to protect the company's patents?
- When does the patent on [product name] expire? What will you do with this product then?
- Why does the company not own any of its buildings?
- Has the company found it difficult to get insurance cover? Does the company have adequate cover, including terrorism cover?

5.5 Changes in corporate and business structure

- Has the group received any informal or unpublished take-over bids?
- 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?
- Does the company integrate acquired companies?
- 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?

- What are they? How does the company intend to finance such acquisitions? Does the company often consider an earn-out as part of the acquisition price?
- 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?
- What resource requirements have been identified? Does the company have sufficient resources to carry out its plans?
- 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 flotations/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?

5.6 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?



The company appears to be now focusing on reducing prices. Is this at the cost of quality?

- 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 is being done to raise service levels?
- What steps are the directors taking to avoid future profit warnings?
- What will be the impact of acquisitions on next year's profits? Can you give annualised figures for this year?
- What is the company's policy on expansion/diversification?
- 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?

5.7 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?

- 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?



6 Shareholders



6

Shareholders

How have current economic conditions and world events affected the company's share price? What are the company's plans for reversing negative trends?

6.1 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?
- Why has the company increased the authorised share capital? The company is capitalised at less than the value of several rights issues and is not likely to improve. What actions are being taken to address this problem?
- 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?

6.2 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?

6.3 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?
- Why is voting at the AGM undertaken by a show of hands when the proxy votes mean that the result has already been decided upon? How many shareholders have voted by proxy?
- 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?
- Were any shareholder proposals omitted that were presented to the directors for inclusion in the proxy statement? If so, what were they and why were they omitted?
- Does the company 'bundle' shareholder proposals, combining favourable and unfavourable issues, in order to force shareholders into supporting unpopular provisions?
- How come there are no bonus shares?

6.4 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?
- Why does the company not issue more frequent statements such as quarterly financial statements to shareholders?
- 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?

What is the policy on briefing analysts? What information do analysts receive which other shareholders do not receive?



7 Audit



7

Audit

7.1 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?
- Did non-audit services go out to competitive tender?
- 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?

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?

7.2 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?



7.3 Internal audit

Why are the internal auditors' fees insignificant compared to the external auditors' fees and/or in relation to the size of the operations?

- 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 insignificant 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?
- What feedback did the audit committee receive from the independent auditor concerning the responsibilities, budget, and staffing of internal audit?
- 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?

What steps are taken to ensure that the audit committee is independent of management?

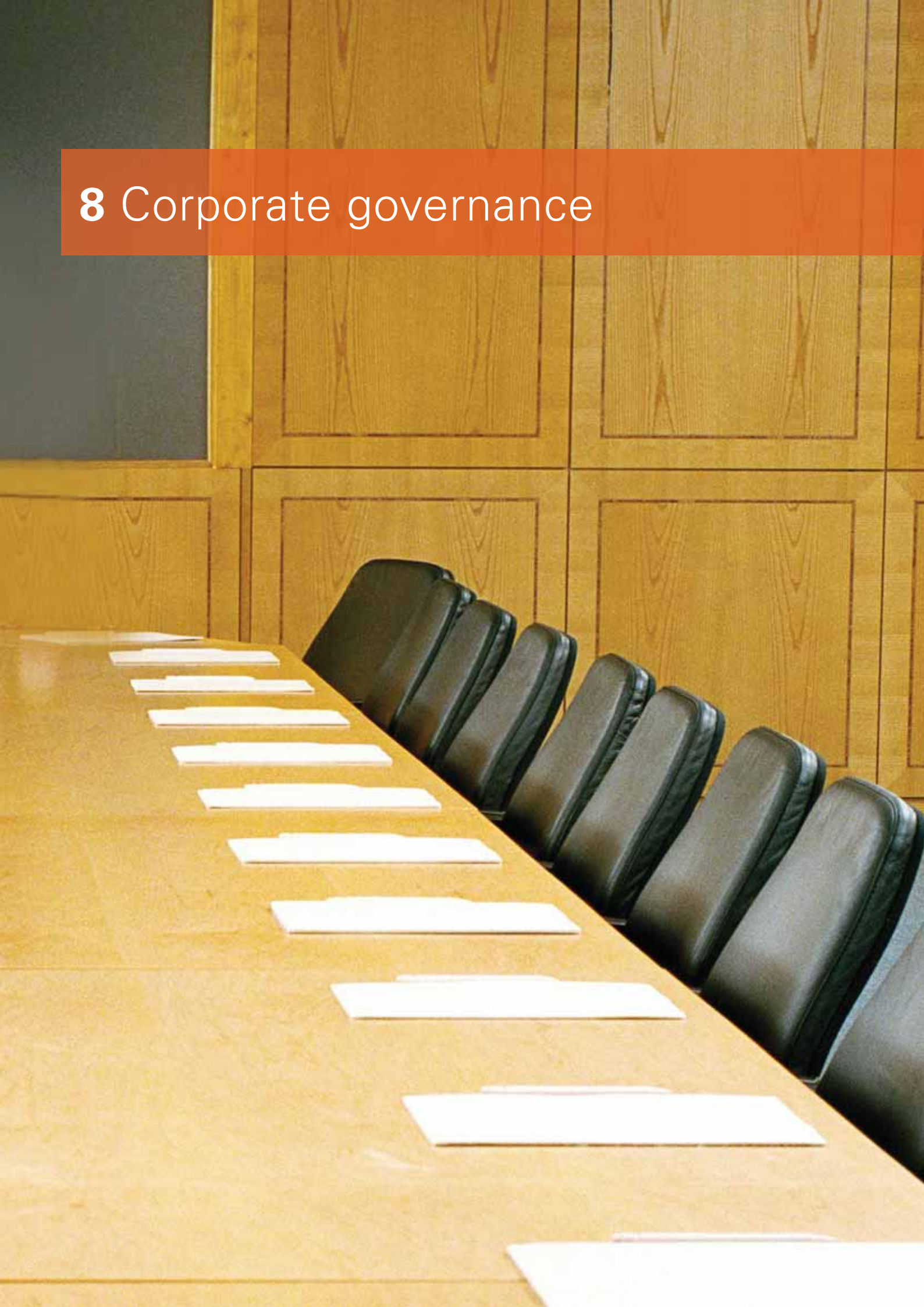
7.4 Audit committee

- Does the company have an audit committee? If not, why not?
- 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
 - 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?
- As there is no internal audit function, how does the audit committee gain the level of assurance it requires?
- 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?



8 Corporate governance





Corporate governance

8.1 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?
- Has the company ever monitored the calls of its directors or staff without their knowledge?
- 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?

8.2 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?
- Are the non-executive directors independent? How does the board define independence in this context? Does it follow the Malaysian Code on Corporate Governance, Revised 2007?
- [Name of non-executive director] has been an independent non-executive director for many years. Why do you still consider him to be independent? What is the limit/number of years that he can be deemed to be still independent?
- A number of the NEDs have a number of other directorships. Don't you think that more than [state number of directorships] is excessive?

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?

Does the company have a formal process for planning the succession of each director/key personnel?

- How many of our directors serve on multiple corporate boards? Do directors require company approval to sit on other boards? Does the company limit the number of boards on which a director sits? 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? Is this still allowed? Has the company considered separating these roles?
- Why are there no women on the board of directors?
- The majority of our customers are women. How are their views represented on the board?
- 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?
- Does the company have nomination and remuneration committees?
- Who is on these committees? How often do these committees meet?
- Do all members attend all meetings?
- Does the board of directors have a formal mission statement? Does the company have a code of conduct for directors?
- 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?
- What is the average length of service of the current board? Are there specific terms of appointment for directors?
- [Name of director] is beyond the normal retirement age. What is your retirement policy?
- Explain the nature of directors' contracts. Why are they 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.
- How does the company ensure that directors are aware of all their legal duties and responsibilities?
- What training do directors receive each year to enable them to keep abreast of professional, commercial and corporate governance developments?
- Do new directors attend an induction programme?
- Are there procedures to allow the directors, in the furtherance of their duties, to seek independent professional advice at the company's expense?
- Has the company entered into liability insurance arrangements for directors?
- To what extent has the company engaged in transactions with related parties, including directors, in the last year? What was the nature of such transactions? How does the company satisfy itself that these are in the best interests of the company?
- 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?



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'?

8.3 Internal controls and review process

- 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?
- How does the company assess the risk of being associated with money laundering?
- 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?
- 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'?
- Has the company reviewed the effectiveness of all controls (financial and operating)? What weaknesses were discovered? What does the company intend to do with regard to weaknesses? Does this review include foreign operations/joint ventures/associates/outsourced functions?
- We used to be a Malaysian based business and now we operate all over the world. How does the board ensure that the necessary balances and checks are operating throughout the whole of the business?
- How do the directors assess the adequacy of internal controls?
- How do the directors monitor performance of significant business processes? Do the directors monitor key performance indicators? What are they?
- Are the directors satisfied that significant business processes are operating effectively and efficiently?
- 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?

Does the company have a board level risk committee - distinct from the audit committee and the executive risk committee?

8.4 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?



8.5 Remuneration

- What is the company's remuneration policy?
- How many employees earned more than RM xxxx?
- 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?
- Exit payment paid to former directors represents total board salaries for seven years. How can the effects of this on the company share price and dividends be justified?
- 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?
- What group of companies does the company benchmark its performance against and why?
- How does the company's remuneration of directors compare with the industry norm, and with its major competitors?
- How much is each director paid? Does the company provide directors with pension benefits and life insurance? Has consideration been given to compensating directors by issuing shares rather than cash?
- 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?
- Does the company have a remuneration committee? If not, why not?
- Is the remuneration committee made up of independent non-executive directors?
- How does the board define independence?
- What steps are taken to ensure that the remuneration committee is independent of management?
- 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?
- Did all members attend all meetings?
- Does any member of the remuneration committee receive any remuneration from the company other than directors' fees?
- 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?
- How often does the remuneration committee report to the board of directors?
- Does the remuneration committee review the remuneration disclosures, including pensions, in the annual report?

How does the company ensure effective oversight of its code of conduct?

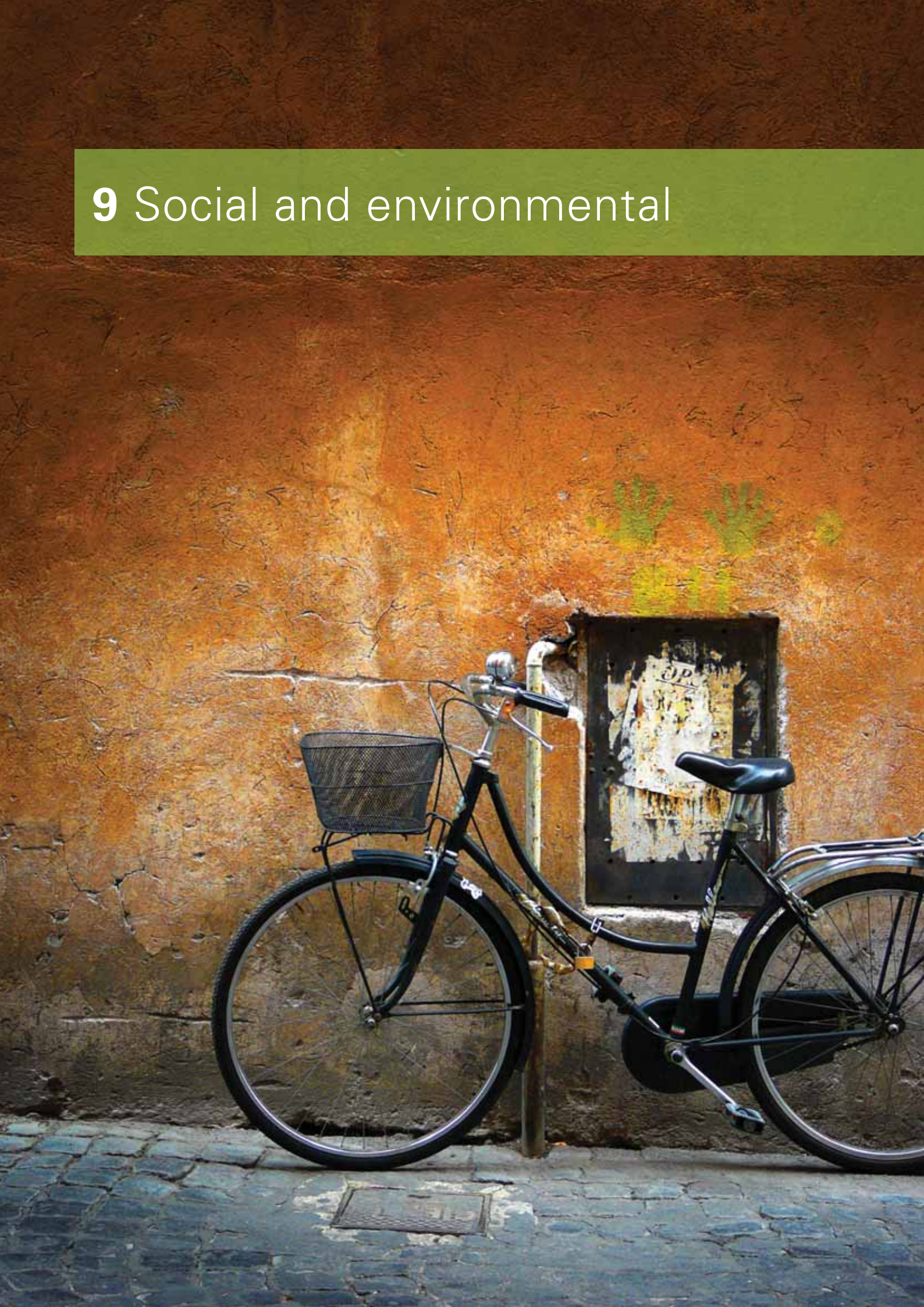
- Did the remuneration committee hire any outside advisers to assist it during the most recent year? If yes, what was the nature of the issue that prompted engaging an outside adviser?
- What is the anticipated effect of long-term incentive plans on earnings per share?

8.6 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?



9 Social and environmental



9

Social and environmental

9.1 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, not least compared with the substantial rewards of directors. Why?
- What is the status of the company pension scheme for employees?
- Who manages the pension fund investments? How are investment decisions monitored? What are the investment policies?
- What is the company's policy on severance pay and non-monetary severance benefits?
- How many of the current employees are shareholders?
- What is the company's policy for hiring women, older people and the disabled? What statistics are available to support this policy?
- How does the company promote diversity in its workforce?
- How many women are officers of the company?
- Does the company have a policy on sexual harassment in the workplace? Has the company or have employees been subject to litigation?

The average earnings of employees was very low, not least compared with the substantial rewards of directors. Why?

9.2 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?

What is the most controversial and pressing environmental issue that the company faces and how is the company dealing with it?

9.3 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 transport its goods? Has the company considered using a method of transport with a low level of carbon emissions?
- How does the company dispose of chemical waste?
- Does the company produce or use any products that are considered to deplete the ozone layer or contribute to global warming?
- 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?



9.4 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?
- With whom are health and safety audits shared? How are employees involved in promoting and monitoring safety?
- Has the company got a full picture of the risks it is facing in the jurisdictions in which it operates?
- Has the company sought expert advice on potentially hazardous operations? What recommendations were made and were they implemented?
- What is the company's review procedure for monitoring potentially dangerous activities?
- What training do the key individuals responsible for dangerous operations have and how often is the training procedure reviewed?

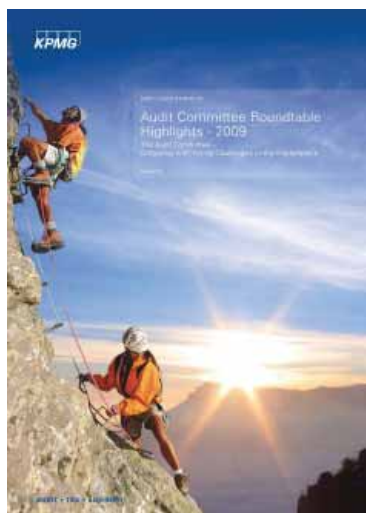
9.5 Reporting

- Why does the annual report not include information on social, ethical and environmental risks that may significantly affect the company's short- and long term value?
- Has the board considered independent verification in relation to its statements regarding environmental issues?
- 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?

9.6 Customers

- What has been the nature of any complaints received from customers during the year?
- Have consumer groups criticised the company's activities or services?

ACI Thought Leadership



Audit Committee Roundtable Highlights – 2009

The Audit Committee – Grappling with Rising Challenges in the Marketplace

This survey highlights the results of 154 participants over 6 interactive Roundtable discussions held during the last two quarters of 2009. It shows the participants' concerns, perspectives and preparedness on risk management in the midst of an economic downturn.



Audit Committee Roundtable Highlights – 2008

Oversight of Risk Management - Considering the Audit Committee's Role and Responsibilities

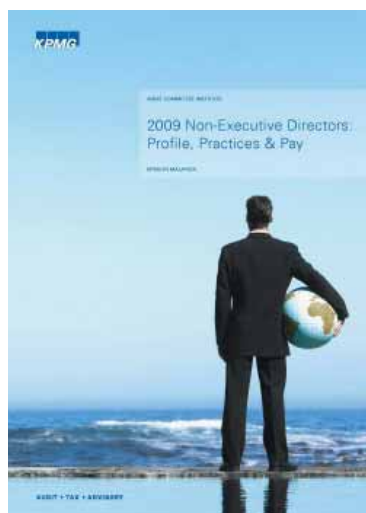
To help Audit Committee members, directors and senior management gain a better understanding in the oversight of the risk management process, ACI Malaysia hosted a series of roundtable discussions in 2008. This report is a compilation of the feedback provided by Audit Committee members and directors at the roundtable discussion series.



Audit Committee Roundtable Highlights – 2007:

Building a Framework for Effective Audit Committee Oversight

In 2007, ACI Malaysia held five series of roundtable discussions where 90 audit committee members and directors attended to explore the audit committee framework and oversights. This is the first report by ACI Malaysia which is a compilation of the feedback provided by the participants at the roundtable discussion series.



2009 Non-Executive Directors (“NEDs”): Profile, Practices and Pay

ACI's maiden study on the profile, practices and pay of NEDs of top 300 Market Capitalised Bursa listed companies. This publication has been very well received by Directors as well as other corporate players and copies thereof can be downloaded from

www.kpmg.com.my/aci

Contact us

Should you have any feedback on this report, or wish to obtain a complimentary copy, please drop us a note at: aci@kpmg.com.my

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About ACI Malaysia

In recognising the importance of audit committees, the Audit Committee Institute Malaysia (ACI) is created to assist audit committee members adapt to their changing role.

Sponsored by KPMG in Malaysia, the Institute's primary mission is to communicate with audit committee members to enhance their awareness of, commitment to, and ability to implement effective audit committee processes.

ACI Malaysia engages in a variety of initiatives to assist audit committee members by providing a range of resources through its web site, publications and roundtables all designed to facilitate the exchange of views and insights on audit committee best practices and processes, and other topics of interest.

The Institute has developed a range of tools to assist audit committee members in meeting their oversight role. These tools include:

- Audit Committee Guide – a comprehensive reference for audit committee members. It captures KPMG's insights into what makes a best practice audit committee and provides practical tools to help improve audit committee processes.
- Regular updates – ACI Malaysia will publish regular newsletters to provide audit committee members with timely updates on significant reporting and regulatory changes, and emerging issues.
- Website (www.kpmg.com.my/aci) – Designed to provide audit committee members, board members, senior executives and other interested parties with timely access to a wide range of useful resources. ACI Malaysia's website provides you access to updates on current and emerging issues related to governance, risk management, internal and external auditing, accounting, financial reporting and a library of reference material.
- ACI Roundtables – ACI Malaysia facilitates interactive roundtable forums which provide a platform for the exchange of views and insights on topics of interest to board members, audit committees members and senior executives.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

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