

2018

Social Security Organisation Statement of Approach of the Malaysian Code for Institutional Investors

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*To strengthen
corporate culture
anchoring
accountability and
transparency.*

1. Introduction

Good governance is important to Social Security Organisation (SOCSO) in managing itself as a government entity, and in making its investments in investee companies. A good corporate governance encompasses participation, transparency and accountability. Moreover, it requires the involvement of all interested parties to complement each other with full responsibility in establishing checks and balances, and in strengthening the practice of corporate governance.

The main feature of a good system of governance is founded by the high ethical values that support the governance and operations of an organisation. SOCSO is aware that in the current scenario of rapid growth and increasingly complex environment, the realisation of effective corporate governance and integrity requires the existence of a strong structure of governance within SOCSO and its investee companies. Therefore, the establishment of SOCSO's Corporate Governance Guidelines and Voting Policy is an important supporting infrastructure for SOCSO to achieve high performance and continued growth.

2. Background

Minority Shareholders Watch Group

In 2000 the Minority Shareholders Watch Group (MSWG) was established as a broader part of the Malaysian capital market framework and government initiative in protecting the interests of minority shareholders through shareholder activism.

Institutional Investors Council Malaysia

The Institutional Investors Council Malaysia (IIC) was established on 3rd July 2015 to represent the interests of institutional investors, to be the platform for good corporate governance culture by public listed companies and to advocate the adoption of the Code among institutional investors, SOCSO is a member of the IIC.

3. Malaysian Code for Institutional Investors

The Code provides guidance on effective exercise of stewardship responsibilities towards the delivery of sustainable long-term value to the institutional investors' ultimate beneficiaries or clients

The Malaysian Code for Institutional Investors (the Code) was created in 2013 with the formation of a steering committee which consists of CEOs and key representatives from institutional investors' fraternity in Malaysia.

The formulation of the Code was led by MSWG and representatives from the institutional investors in Malaysia namely Kumpulan Wang Simpanan Pekerja (Employees Provident Fund), Lembaga Tabung Angkatan Tentera (Armed Forces Fund Board), Lembaga Tabung Haji (Pilgrims Fund Board), SOCSO, Persatuan Pengurus Aset Malaysia (Malaysian Association of Asset Managers), Persatuan Takaful Malaysia (Malaysia Takaful Association), Pentadbir Pencen Swasta (Private Pension Administrator).

The formulation of an industry-driven Code, which consists of six principles, to strengthen the accountability of institutional investors to their own members and investors. This aims to promote effective stewardship by institutional investors. The Code was later launched jointly by Securities Commission Malaysia and MSWG on 27th June 2014.

Signatory to the Code

On 27th July 2017, SOCSO became the 15th signatory to the Malaysian Code for Institutional Investors. This is SOCSO's initiative to strive for good corporate governance that provides guidance to SOCSO to exercise SOCSO's stewardship responsibilities towards the delivery of sustainable long-term value to its ultimate beneficiaries. SOCSO further continues to give strong commitment in striving for good corporate governance to achieve greater excellence.

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Principle 1

Institutional investors should disclose the policies on their stewardship responsibilities

A sound corporate governance practice will help SOCSO cultivate the vision, process and structure needed to ensure its continuity and relevance.

In the interest of its contributors, SOCSO ensures that investee companies not only generate steady returns but also emphasize on good corporate governance and incorporate ethical values in their business models.

SOCSO established its Corporate Governance Guidelines and Voting Policy in 2017 as an important supporting infrastructure to achieve high performance and continued growth.

A sound corporate governance practice will help SOCSO cultivate the vision, process and structure needed to ensure its continuity and relevance.

Principle 2

Institutional investors should monitor their investee companies

SOCSO ensure that the investee companies are accountable to their shareholders as well as other stakeholders for their practices and performance. While not involved in the management of the company, SOCSO is committed to uphold the good corporate governance practice through active engagement with the investee companies which would uplift a higher level of accountability from the investee companies.

SOCSO is committed in engaging with its investee companies via:

- a) Participation in Annual General Meetings and Extraordinary General Meetings;
- b) Meetings and discussion with the management;
- c) Enquires in writing to express its concerns;
- d) Board representation, where applicable; and
- e) Company announcements and news.

Principle 3

Institutional investors should engage with investee companies as appropriate

SOCSCO aims to pursue continuous and high-quality engagement with the investee companies to foster trust and understanding between SOCSCO and the investee companies. Furthermore, SOCSCO actively searches for investee companies with good shareholders-centric values characterized by:

- a) Consistency and alignment with the respective management's strategies and policies;
- b) Reputable and proactive board members with the ability to fulfil their statutory and fiduciary roles in monitoring and governing the management of the company with high integrity;
- c) Timely and high-quality disclosures and announcements for effective information dissemination; and
- d) Ensure shareholders' voting rights are respected at all times.

Nevertheless, SOCSCO believes that a strong relationship will provide feedback to the investee companies that can be used to deliver SOCSCO's expectations and develop business strategies.

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Principle 4

Institutional investors should adopt a robust policy on managing conflicts of interest which should be publicly disclosed

SOCSCO's Organisational Integrity Plan for the period 2016 to 2020 comprises programmes and activities being implemented towards the enculturation and improvement of integrity amongst its employees, in line with the SOCSCO Strategic Plan 2016-2020.

The objectives of SOCSCO's Organisational Integrity Plan are as follows:

- a) To strengthen the foundation of good values and enculturate integrity as the practice of the workforce;
- b) To eradicate graft as well as abuse and corruption of powers effectively; and
- c) To improve corporate governance, efficiency and effectiveness in the delivery system.

Principle 5 Institutional investors should incorporate governance and sustainability consideration into the investment decision-making process

SOCSCO's Investment philosophy and the principles of the Malaysian Code for Institutional Investor provides key elements in designing SOCSCO's corporate Governance guidelines for Investee Companies.

There are three thrusts which form the basis of SOCSCO's Corporate Governance Guidelines:

- a) Statutory and fiduciary duties of the board;
- b) Independence of the Board and its committees; and
- c) Strengthening relationship with investee company

This is to ensure that the investee company conduct its business in a responsible manner.

Company have no conflict of interest, are clear and transparent, and able to deliver sustainable growth and profitability to the long-term value of the shareholders

Principle 6 Institutional investors should publish a voting policy

The synergy of SOCSCO's Corporate Governance Guidelines for Investee Company, the principles of Malaysian Code of Institutional Investors and SOCSCO's Investment Philosophy are the essence behind the development of this voting policy.

To ensure the economic interest of SOCSCO are protected, SOCSCO seeks to value the voting rights on the investee company based on the following principles:

- a) Principle 1: To vote in favour of resolution which are in the best interest of all shareholders
- b) Principle 2: To vote on resolution if and only if the investee company have no conflict of interest, are clear and transparent, and able to deliver sustainable growth and profitability to the long-term value of the shareholders.

To ensure the economic interest of SOCSCO are protected.

SOCSCO also attends the Annual General Meeting (AGMs) and Extraordinary General Meetings (EGMs) summaries table below of the companies concerned and to exercises its voting rights accordingly.

Company	2017			2018		
	Attended	Total	%	Attended	Total	%
AGM / EGM	48	57	84%	48	54	89%