

VALUECAP's

Approach to Stewardship

26 October 2016

This document describes the approach taken by Valuecap Sdn Bhd (“Valuecap”) to stewardship and how our policies and procedures align to the recommendations of the Malaysian Code for Institutional Investors (“MCII”).

The purpose of the MCII is to ensure that institutional investors invest in a responsible manner by having regard to corporate governance and sustainability of a company.

Valuecap endorses and supports the 6 principles of the MCII as best practice and is fully committed to them. These principles and our approach to them are as described in the following pages.

Principle 1: Disclosing Policies on their Stewardship

Institutional Investors Should Disclose The Policies On Their Stewardship Responsibilities

Stewardship is an integral part of our long-term approach to our investments. Our stewardship activities encompass monitoring our investee companies, active engagement with investee companies' boards on governance/investment issues and proxy voting at investee companies' meetings. Valuecap's policies in respect of these are laid out in this document.

Principle 2: Monitoring Investee Companies

Institutional Investors Should Monitor Their Investee Companies

Valuecap believes that effective monitoring of its investees is essential to ensure that they continue to provide sustainable long-term returns. Monitoring is carried out internally via our various dedicated teams using proprietary methods to provide further effectiveness and enhance supervision; external resources are used as references.

When monitoring companies, Valuecap will look at investee companies':

- leadership;
- performance;
- adherence to the spirit of the Malaysian Code on Corporate Governance 2012;
- positioning and integration of Environmental, Social and Governance ("ESG") and other sustainability factors into their businesses;
- developments, both internal and external to the company, that drive the investee companies' value and risks;
- quality of the companies' reporting; and
- resolutions tabled at Annual General Meetings ("AGMs") & Extraordinary General Meeting ("EGMs").

Principle 3: Engaging Investee Companies

Institutional Investors Should Engage With Investee Companies As Appropriate

Valuecap is committed to ensuring active engagement with its investee companies to improve our understanding of their operations and to make better informed investment decisions. Engagement activities with investee companies may include but not be limited to engagements on matters such as strategy, performance, risk, capital structure, sustainability, corporate governance and ESG. The materiality and immediacy of a given issue will generally determine the level of our engagement.

Valuecap actively engages with its investee companies via:

- Meetings and dialogues with the management;
- Active participation in general meetings;
- Active participation in analyst briefings; and
- Writing to express its concerns.

Principle 4: Managing Conflicts of Interest

Institutional Investors Should Adopt a Robust Policy On Managing Conflicts of Interest Which Should Be Publicly Disclosed

The potential of conflict of interest situations may arise from time to time in Valuecap as it fulfills its investment obligations as an asset owner and in its fulfilling of its stewardship responsibilities. In order to prevent such incidences from eventuating, Valuecap has adopted the following measures:

- Valuecap's investment and stewardship activities are appropriately segregated to maintain the integrity of decisions made in respect of investment and stewardship matters;
- Controls such as "Chinese Walls" are in place between every function as well as internally in each function at Valuecap to avoid any exchange of "inside" or price-sensitive information; and
- Investment activities at Valuecap are executed and guided by its investment mandate and a set of well-defined policies & procedures including the specifying of authority limits. Further, proper segregation of duty is in place to provide checks and balances within Valuecap's investment operations.

In relation to any other potential conflicts of interest in general, Valuecap has the following policies to manage them:

- Disclosures of any shares or businesses owned by all employees in Valuecap; and
- Regular reviews and updates of policies as part of risk management.

Principle 5: Incorporating Sustainability Considerations

Institutional Investors Should Incorporate Corporate Governance and Sustainability Considerations Into the Investment Decision-Making Process

Valuecap's fundamental interest is to ensure that shareholder value is enhanced over time through identifying and managing key environmental, social and governance risks which is in line with the Malaysian Code on Corporate Governance 2012.

In accordance to the ESG factors in a business, Valuecap looks for the following commitment from the investee companies to demonstrate that sustainability considerations are effectively integrated into their long-term strategy via public disclosure, industry and regulation engagement, accountability at board level, linking sustainability to overall business strategy and identification of material risk.

Valuecap is committed to enhancing long-term shareholder value by engaging with investee companies on a range of issues that are specific to each sector that those investee companies operate in.

Principle 6: Publishing Voting Policy

Institutional Investors Should Publish a Voting Policy

The following general guidelines summarise the broad principles that Valuecap abides by in its voting on various resolutions put forth by its investee companies. These set out broad principles on board structure, shareholders rights and remuneration.

Valuecap may deviate from these voting guidelines and use its discretion to vote in ways it deems appropriate or it may abstain from voting, on case-to-case basis, based on regulatory guidelines such as the Companies Bill 2015, Securities Commission Guidelines, Malaysian Code on Corporate Governance 2012 and Bursa Malaysia Securities Berhad Main Market Listing Requirements.

Valuecap shall vote accordingly on the following resolutions:

A. RESOLUTIONS ON DIRECTORS

1. Directors' Attendance at Board Meetings

Not in favour:

Re-election of a director who failed to attend at least 75% of the total board of directors' meetings held during a financial year.

2. Re-election of Directors

Favour:

If the director:

- a. Possesses the qualification, experience and sound reputation which could contribute positively to the investee company's business; or*
- b. Is the founder of the investee company.*

Not in favour:

If the director:

- a. Has poor reputation and conduct;*
- b. Does not act in the best interest of shareholders;*
- c. Does not have the required and appropriate skills and knowledge;*
- d. Has a record of mismanagement or has been involved in financial scandals in any other companies; and*
- e. Re-election of a director that serves on more than five (5) public listed companies.*

3. Tenure of Independent Director

Not in favour:

Re-election of an Independent, Non-Executive Director who has served the board for a cumulative term of 9 years or more.

**Unless the company can show otherwise, Valuecap will take the view that a director serving more than this period shall no longer be deemed as independent.*

4. Directors' Fee

Not in favour:

- a. Approving for a general mandate to determine the fees for Non-Executive Directors.*
- b. Approving of advance directors' fees prior to the closing of the current financial year.*

B. RESOLUTIONS ON OTHER MATTERS

1. Authority to Allot and Issue Shares

Favour:

- a. *The proposed utilisation of proceeds is deemed to benefit both the investee company and ultimately its shareholders.*

Not in favour:

- a. *The investee company fails to state specifically the purpose and planned utilisation of the proceeds to be raised from such a mandate.*
- b. *The proceeds will be utilised for exercise that is in Valuecap's opinion not beneficial to the investee company and/or shareholders.*

2. Authority to Purchase Own Shares

Favour:

- a. *The investee company has a strong balance sheet and cash flow.*
- b. *Re-purchase made for the benefit and interest of the investee company.*

Not in favour:

- a. *The investee company has a weak balance sheet with high gearing or poor cash flows performance.*
- b. *The exercise is, in Valuecap's opinion, has unfavourable effect to the investee company and/or its shareholders.*
- c. *Does not serve the interest of the investee company in the long-term.*

3. Related Party Transactions

Not in favour:

Any approval that does not disclose adequate and relevant information relating to the transactions to all shareholders.

4. Employees Share Option Scheme (“ESOS”)

Favour:

- a. It is offered to Executive Directors and other employees of the investee company; and*
- b. The criteria and basis of ESOS offerings are performance-driven.*

Not in favour:

- a. The total ESOS issued exceeds ten percent (10%) of the investee company’s paid-up capital;*
- b. Detailed criteria and basis of ESOS allocation is not disclosed in the circulars, or is not performance based;*
- c. One hundred percent (100%) of the ESOS could be vested or divested immediately; or*
- d. The investee company intends to award the ESOS to Non-Executive/Independent Directors of the investee company.*

5. Corporate Exercises

Not in favour:

- a. Exercises that are detrimental to the investee company and/or to Valuecap’s investment returns (in medium and/or long-term); and/or*
- b. Have an adverse effect on sustainability and/or on ESG aspects.*