

**YANGON UNIVERSITY OF ECONOMICS**  
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**ANALYSIS OF CORPORATE GOVERNANCE PRACTICES IN MYANMAR  
COMPANIES**

**KYAW THI HA**  
**MBF 6<sup>th</sup> BATCH**

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# **ANALYSIS OF CORPORATE GOVERNANCE PRACTICES IN MYANMAR COMPANIES**

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**Supervised by**

**Submitted by**

Dr. Daw Soe Thu  
Head of Department  
Department of Commerce  
Yangon University of Economics

Kyaw Thi Ha  
MBF II-26  
MBF 6<sup>th</sup> Batch  
Yangon University of Economics

## **ABSTRACT**

This study aims to analyze the corporate governance practices by Myanmar companies in accordance with internationally recognized standards of corporate governance – the G20/OECD Principles of Corporate Governance. This study was conducted using the responses to questionnaire surveys. The questions were segregated into five parts namely: Rights of Shareholders, Equitable Treatment of Shareholders, Role of Stakeholders, Disclosure and Transparency, Responsibilities of the Board.

Primary data was collected from 24 individual board members from 24 major Myanmar corporations (sample of one board member per company). Results indicated that internationally accepted corporate governance practices are still at an embryonic stage of development in Myanmar. Scores from the survey highlighted inadequate compliance with all five areas of the OECD corporate governance principles. Myanmar companies scored lowest in Disclosure and Transparency and Responsibilities of the Board sections indicating deficiencies in communicating with shareholders and stakeholders as well as the board processes, structure and the roles of companies' directors.

It can be concluded from this study that Myanmar companies need to adopt international Corporate Governance best practices if they want to enhance the competitiveness and to attract capital in regional and global markets. Global markets demand fairness; accountability, transparency and best corporate governance practices will help Myanmar companies achieve them.

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## **LIST OF ABBREVIATIONS**

ACGS	ASEAN Corporate Governance Scorecard
AGM	Annual General Meeting
ASEAN	Association of Southeast Asian Nations
BOD	Board of Director
CG	Corporate Governance
DICA	Directorate of Investment & Company Administration
G20	Group of Twenty
IFC	International Finance Corporation
MBF	Master of Banking and Finance
MCL	Myanmar Companies Law
MIL	Myanmar Investment Law
MIoD	Myanmar Institute of Directors
OECD	Organization of Economic Co-operation and Development
RPT	Related Party Transaction
SECM	Securities and Exchange Commission of Myanmar
UMFCCI	Republic of the Union of Myanmar Federation of Chambers of Commerce and Industry
YSX	Yangon Stock Exchange

# CHAPTER 1

## INTRODUCTION

Good corporate governance is a critical component in the sustainable development of any organization. Its business case has been clearly established: the better the corporate governance practices, the stronger the trust from investors and stakeholders. It is important for Myanmar companies to improve their corporate governance practices whether they are seeking to expand their business, foster stronger ties with international partners, or develop a smooth succession plan. Recent development in Myanmar shows a growing concern of the needs of corporate governance. With enormous economic and political transformations in Myanmar, corporate governance is really important to increase Myanmar's economic potential and foreign direct investment. With the hope and expectation of growing economic potential following the current transformation in Myanmar, the need of good corporate governance is inevitable.

Essentially, corporate governance is about the way power is exercised over corporate entities. It covers the activities of the board and its relationship with the shareholders or members, and with those managing the enterprise, as well as with the external auditors, regulators, and other legitimate stakeholders. Corporate governance is different from management. Executive management is responsible for running the enterprise, but the governing body ensures that it is running in the right direction and being run well. Directors are so-called because they are responsible for setting the organization's direction, formulating strategy and policymaking. Further, the board is responsible for supervising management and being accountable. Overall, the board is responsible for the organization's decisions and its performance.

The duties and responsibilities of the board of directors is part of Corporate Governance. The board is responsible for guiding corporate strategy, monitoring performance of the company personnel, achieving an adequate return for shareholders while preventing conflicts of interest and balancing competing demands. Another important board responsibility is to oversee the risk management system and systems designed to ensure that the corporation obeys applicable laws, including tax, competition, labor, environmental, equal opportunity, health and safety laws. In our country, we still lack boards of directors that had these fundamental capabilities.

## **1.1 Rationale of the study**

Myanmar Companies Law was enacted on 6 December 2017 and came into effect starting from 1 August 2018. The weaknesses of Companies Act of 1914 were reviewed and starting from the drafting stage matters relating to Corporate Governance was included systematically in accordance to the time, international norms and practices.

Corporate governance aspect of the MCL are the direct results of the collaboration with the OECD and based upon the G20/OECD Principles of Corporate Governance and covers the following five areas as identified in the OECD Principles:

- Part A: rights of shareholders
- Part B: equitable treatment of shareholders
- Part C: role of stakeholders
- Part D: disclosure and transparency
- Part E: responsibilities of the board

For the establishment of an effective Corporate Governance strong legal, procedural and organizational frameworks are required. Only when the economic sectors depend on those frames can there be benefit to the private sector. The government had been systematically conducting matters for widespread acceptance and practice of Corporate Governance in Myanmar.

The most important piece will be the need for public companies that were not publicly listed and mega companies in Myanmar to strengthen and put in place established corporate governance practices.

This study analyzed the corporate governance practices by Myanmar companies in accordance with the internationally recognized standards of corporate governance – the OECD Principles of Corporate Governance.

This study concludes with findings and recommendations for further improvement of corporate governance in Myanmar.

## **1.2 Objectives of the study**

The main objectives of the study are:

- i. To identify the development of corporate governance practices in Myanmar companies
- ii. To analyze the compliance of corporate governance practices of Myanmar companies

## **1.3 Scope and Method of the Study**

Descriptive methods—by means of both primary and secondary data collections—were used in the development of this study. This study evaluated the corporate governance practices of major Myanmar companies based on the structure and criteria of the G20/OECD Principles of Corporate Governance. This framework is widely adopted by different countries to assess not only the maturity but also the evolution of their corporate governance practices.

Primary data was collected from qualitative face-to-face interviews with members of the Board of Directors (BOD) from subject companies in Myanmar using questionnaires of 142 criteria based on OECD Principles of Corporate Governance.

The study also employs the data from a joint initiative—of the Securities and Exchange Commission of Myanmar (SECM), International Finance Corporation (IFC), DICA and YSX—that assesses the governance practices of 24 Myanmar companies which are listed in Appendix B and generates a mean score to indicate their level of compliance; it is divided into five parts as follows to assess the corporate governance practices of Myanmar companies:

- i. Rights of shareholders (Part A)
- ii. Equitable treatment of shareholders (Part B)
- iii. Role of stakeholders (Part C)
- iv. Disclosure and transparency (Part D)
- v. Responsibilities of the board (Part E)

The study used 142 criteria, divided into five parts, to assess the corporate governance practices of Myanmar companies. Each criterion was weighted equally, using YES = 1 point and NO = 0 points.

In addition, all official company information which was publicly available was used as secondary data providing it was available online. This included company websites, company corporate policies, annual, sustainability and ad hoc reports, and information uploaded on Facebook pages.

IFC and collaborators selected the 24 companies; they consist of public, private, and listed entities. Only aggregate score was published and no individual company score would be publicized as the companies requested.

#### **1.4 Organization of the Study**

The study is organized into the five sections. The study is organized with five chapters. Chapter one presents introduction with the following subtitles: rationale, objectives, scope, method, and organization of the study. Chapter two includes theoretical background of Corporate Governance and OECD Principles of Corporate Governance. In chapter three, the overview of corporate governance development in Myanmar was presented along with the background on Myanmar Companies Law 2017 and OECD's collaborations with Myanmar. Furthermore, survey methodology, profiles of respondents, analysis of the survey results in accordance with OECD's CG principles were discussed in chapter four. Conclusion includes findings, recommendations, and the need for further study in chapter five.

## **CHAPTER 2**

### **THEORETICAL BACKGROUND**

This chapter intends to describe theoretical background of Corporate Governance. Therefore, in this chapter, principles, policies, practices and benefits of Corporate Governance as well as importance of this nascent topic in Myanmar are presented.

According to OECD (2018), Corporate Governance is defined as the system by which companies are directed and controlled and board of directors are responsible for the governance of their companies. OECD defined Corporate Governance as a system of procedure and processes for which an organization is directed and controlled (OECD, 2018). The operation perspective of corporate governance focuses on the board, shareholders and the management.

#### **2.1 The Theory of Corporate Governance**

The separation of ownership of an organization from its management has generated a lot of discussion on how to effectively align the interests of the managers and the owners. Adam Smith raised this question as early as 1776 when he argued that the separation of ownership and control created poor incentives for managers to operate the firm efficiently. The theoretical underpinnings for most of the current framework of Corporate Governance come from the classic work by Berle & Means (1932) which describes the agency problem in modern firms as one arising from the separation of ownership and control. This has been expressed by the authors' own statements; "It has often been said that the owner of a horse is responsible, if the horse lives he must feed it; if the horse dies he must bury it. No such responsibility attaches to [the owner of] a share of stock. The owner is practically powerless through his own efforts to affect the underlying property. The spiritual values that formerly went with ownership have been separated from it. The responsibility and the substance which have been an integral part of ownership in the past are being transferred to a separate group in whose hands lies control."

The essence of the agency problem is the separation of management and finance, or, as has defined in more standard terminology, as the separation of ownership and control (Shleifer & Vishny, 1997). In a business organization, an entrepreneur, or a

manager, raises funds from investors to put them to productive use. While the investors need the manager's specialized human capital to generate returns on their funds, the managers need the investor's funds since he does not have enough capital of his own to invest. The investors' dilemma is how to ensure that, once they put in their funds, they would not be left holding a worthless piece of paper issued by the manager. Viewed in this context, the agency problem refers to the difficulties investors have in assuring that their funds are not expropriated or wasted on unattractive projects. Jensen and Meckling (1976) integrated elements from agency theory, property rights and finance to develop a theory of the ownership structure of the firm and defined agency costs to comprise of the monitoring costs by the principal, the economic bonding costs by the agent and the residual economic loss. They argued that agency costs are an unavoidable result of the relationship between investors and managers and that contractual relations are the essence of the firm, not only with employees but also with suppliers, customers, creditors, and so on. According to them most organizations serve as a nexus for a set of contracting relationships among individuals and since decision makers ultimately bear the agency costs, these decision makers have the economic incentive to minimize agency costs. Historically, corporate governance evolved as a mechanism to deal with the agency problem and has been defined by Shleifer et al (1997) as "... how to assure financiers that they get a return on their investment". Most of the literature reviewed by them, at that point in time, focused on what is known as the Anglo-Saxon model that is largely prevalent in the UK and the USA where firms are more akin to the Berle and Means view of the world. Corporate governance principles that have evolved have reflected what was considered as the best practice in the UK and USA and require listed companies to have unitary boards, independent outside directors, and board committees. In line with the underlying assumptions of the agency theory these principles primarily focused on enhancing shareholder value and, in the process, richly rewarded top executives and have been the principal basis for governance codes around the world (Pande, 2011).

Stewardship theory looks at governance through a different lens from agency theory reflecting the original legal view of the corporation. The limited-liability company has provided capital, encouraged business growth, secured employment, provided innovation and created wealth over 150 years. The theory observes from the point that directors' legal duty is to their shareholders and they must put shareholders interest above all else.

## 2.2 OECD Principles of Corporate Governance

The key function of the OECD was to provide management consulting to member governments. The OECD seeks to promote governance reforms in a close cooperation with other international organization. This is normally done in joint collaboration with the World Bank and International Monetary Fund (IMF). Roundtables, summoning senior policymakers, regulators and market participants are organized to enhance the comprehension of governance and to support regional reform efforts (Chowdary, 2002). The OECD principles of corporate governance become part of the core 12 standards of global financial stability. Currently, it has become a benchmark used by international financial institutions. The principles were designed to flexible and can be adopted in different cultures, circumstances and traditions in different countries. Most countries' corporate governance codes are based on the principles of the OECD. The OECD has five main corporate governance principles. Table 2.1 shows the breakdown of criteria by each of the five main principles.

**Table 2.1**  
**OECD Principles of Corporate Governance**

	Number of Criteria
Part A: Rights of shareholders	21
Part B: Equitable treatment of shareholders	14
Part C: Role of stakeholders	13
Part D: Disclosure and transparency	29
Part E: Responsibilities of the board	65
Total	142

Source: OECD, 2017

Rights of shareholders - The OECD (2017) principles posit that corporate governance framework should protect and facilitate the exercise of shareholders' rights. It states that the basic shareholders rights include: secure method of ownership registration, convey or transfer shares, obtain relevant and material information on the firm on a

regular and timely basis, participate and vote in annual general meetings, elect and remove members of the board, and share in the profit of the firm. John, Litov and Yeung (2008) have suggested, firm with better shareholders' protection are more likely to engage in riskier investments that can create firm value. Similarly, Mallin and Melis (2012) have stressed that the core aspect of corporate governance is matters concerning shareholders' rights. This is because shareholders are the providers of risk capital and their investments need to be protected.

Equitable treatment of shareholders - The corporate governance framework should ensure equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights' (OECD, 2004, p.20). Thus, all shareholders within the same class should be given equal treatment. This principle also requires board and management to disclose all material interest in matters and transaction that affects the company. The study of Santiago-Castro and Brown (2011) on the expropriation of minority shareholders' rights and firm performance in Latin American markets concluded that a lack of investor protection in emerging markets might cause the expropriation of minority shareholders' rights leading to poor performance. According to Salvioni and Bosetti (2006), good corporate governance is based on equitable treatment for shareholders which ensures that members of the company or other shareholder groups do not benefit directly or indirectly from commercial, financial and asset-involving operations.

Role of stakeholders - The corporate governance framework should recognize the rights of stakeholders established by law and through mutual agreements and encourage co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises (OECD, 2004). Thus, there should be a co-operation between the company and stakeholders (employees, creditors, suppliers, shareholders and environment) in creating value. Firms need to be stakeholder-oriented since a firm cannot maximize its value when it ignores the interest of its stakeholders (Jensen, 2010). Though the primary responsibility of the board is to increase shareholders' wealth, it has a responsibility towards all stakeholders and should manage all potential conflict of interest between the firm and its stakeholders (Prugsamatz, 2010).

Disclosure and transparency - The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the

corporation, including the financial situation, performance, ownership, and governance of the company. The disclosure must include but not limited to the following: financial and operating results, company objectives, major share ownership and voting rights, and related party transactions (OECD, 2004). According to Gill, Vijay and Jha, (2009) for a company to achieve optimum transparent to all its stakeholders, then it must disclose information relating to corporate performance and financial accounting. The study of Patel, Balic and Bwakira (2002) found that companies with lower disclosure and transparency are less valued than companies with higher transparency and disclosure. They concluded that higher transparency and disclosure reduces the information asymmetry between firm's management and stakeholders. Similarly, Chi (2009) found that better transparency and disclosure practices establish a stronger corporate governance practice which leads to firm's performance.

Responsibilities of the board - OECD (2004) states that the corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders. This suggests that board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders. The board is the highest decision making body in the firm that aligns the interest of shareholders, board members, the firm, management and other stakeholders. It provides advice to and support to managers to improve and run the affairs of the firm (Minichilli, Zattoni and Zona, 2009). Ferrer and Banderlipe (2012) have posited that a board with greater accountability, honesty, expertise, integrity and ethical responsibility will ensure sustainability in business partnership between the company and its stakeholders.

## **CHAPTER 3**

### **THE OVERVIEW OF CORPORATE GOVERNANCE DEVELOPMENTS IN MYANMAR**

In early February 2016, International Finance Corporation and the Republic of the Union of Myanmar Federation of Chambers of Commerce and Industry signed a cooperation agreement to improve corporate governance practices in Myanmar. Furthermore, the recent launch of the Yangon Stock Exchange in December 2015 calls the need of Code of Corporate Governance in Myanmar.

Efforts were made starting from 2013 to fill in the gap on Corporate Governance in Myanmar and to establish the necessary ground for it. In 2014 OECD drew up an OECD-Southeast Asia Corporate Governance Initiative program and Myanmar hosted the first OECD-Southeast Asia Corporate Governance meeting. Subsequent meetings were held in Viet Nam, Lao and Cambodia annually from 2015 to 2017. The fifth and final meeting was held in Yangon on March 2018.

In addition to these meetings Myanmar also participated in OECD Corporate Governance Round Tables and requested assistance toward establishing a firm Corporate Governance in Myanmar and consistently made preparations under the guidance and instruction of the government.

#### **3.1 Regulatory Reforms for Better Corporate Governance**

In 2013 Organization of Economic Cooperation and Development (OECD) took more than a year to study Myanmar's policies on investment. It included Corporate Governance in all the studies and reviews conducted in each sectors. Unfortunately it pointed out that Myanmar has almost no policy framework on Corporate Governance. OECD said the Companies Act of 1914 (The Burma Companies Act 1914), the Myanmar (Burma) Companies Rules 1940 and the Myanmar (Burma) Companies Regulations 1957 in effect at that time does not include internationally accepted and recognized basic principles on Corporate Governance. While the majority of the ASEAN countries were

implementing Corporate Governance frameworks based on OECD's basic principles, Myanmar has yet to do any of those.

Most of Myanmar companies kept news about themselves in the dark. They were very weak in transparency and openness. A good Corporate Governance is measured at the minimum by the timely disclosure of all material information. Material information is any information about a company or its products/services that is likely to change the perceived value of the company or its products/services when it is disclosed to the public. In other words, these are information that was vital for a shareholder or investor to decide on investing in the company or to vote at the general meeting and thus it must be disclosed in a timely manner.

As part of the wider economic reforms, the Securities Exchange Law was established and enacted in July 2013. The main purposes of the Law are (1) to establish a systematic capital market; (2) to protect investors; and (3) to regulate market participants such as public companies, securities companies and a stock exchange<sup>60</sup>. The Securities Exchange Law provides the fundamental governance framework for the capital market including the establishment of a securities and exchange commission; and a stock exchange. In line with this, the Securities and Exchange Commission of Myanmar (SECM) was formed in 2014 and started its operation one year after the establishment. The process to establish a stock exchange in Myanmar began in 1996<sup>61</sup>. Myanmar Economic Bank (MEB) and Daiwa Institute of Research Ltd. (DIR) formed the Myanmar Securities Exchange Centre Co., Ltd. (MSEC) in 1996 with the final goal of establishing a stock exchange. Through cooperation among the Japan Exchange Group, Inc (JPX), DIR and the Central Bank of Myanmar, Yangon Stock Exchange (YSX) was established in the form of a joint-venture owned by MEB, DIR, and JPX in 2014. After establishment, YSX issued its Listing Criteria followed by Securities Listing Business Regulations and Enforcement Regulations clarifying the application of the Business Regulations. In 2016, the First Myanmar Investment Co., Ltd. was listed on YSX as a first case. As of September 2018, there are five listed companies on the YSX, with an overall market capitalization of almost 569 billion Myanmar kyats (approximately USD 369 million) and a daily trading volume of almost 72 million Myanmar kyats (approximately USD 47 000). Myanmar has also set out a revision of the Companies Law which was first introduced in 1914.

### 3.2 Myanmar Companies Law 2017

The new Companies Law was enacted in December 2017 and came into effect on 1 August 2018. The Directorate of Investment and Company Administration (DICA) modernized the Companies Law to reflect the current business and regulatory environment through reducing registration procedures and facilitating electronic company registration, among others<sup>63</sup>. One of the most important changes is that the revised Law stipulates that foreign investors are allowed to own up to 35% in local companies. As seen above, Myanmar's security market has been developed with the financial and capacity building support of Japan since 1990s. The Government of Japan has also closely cooperated with the Myanmar government. In 2018, the Financial Services Agency of the Government of Japan, JPX and Daiwa Securities Group Inc. presented the Ministry of Finance of Myanmar with a support plan<sup>64</sup> for the further activation of the capital market of Myanmar. This support plan explicitly includes support for development of the corporate governance code.

The MCL – which replaced the outdated Myanmar Companies Act (1914) (“MCA”) – was drafted with a view to encouraging foreign direct investment in Myanmar as well as foreign participation on the Yangon Stock Exchange (“YSX”). The introduction of the MCL is part of a broader legislative initiative to bring Myanmar's company law into line with international standards. The MCL complements the revised Myanmar Investment Law (2017 FIL) which came into effect on 18 October 2016 and consolidated and replaced the previous Foreign Investment Law 2012 and the Citizens Investment Law 2013.

The MCL updates the regulatory framework governing the establishment and operation of Myanmar incorporated companies. The new law includes provisions to improve standards of corporate governance and provide greater shareholder protection. The MCL will apply to existing companies incorporated under the MCA as well as newly incorporated companies including foreign invested MCL incorporated companies.

The nature, rights and powers of shareholders were included in Section 60 and 61 of the Myanmar Companies Law. Section 83 to 88 contain enactment on transfer of share and Section 99, 157, 186, 188, 260 and 261 describe the rights of shareholders to view, inspect and acquire company's information. Section 146, 148 and 150 to 154 prescribe the rights of shareholders to attend meetings. Section 17, 25 (d), 116, 121, 146, 151, 173

and 345 prescribe the rights of shareholders to vote on the decision made by the company. Through these, the rights of shareholders were fully protected.

Myanmar Companies Law Section 192, 193, 194, 196, 200, 201, 289 (f) and 302 protects the rights of shareholders and ensures equitable treatment of all shareholders, including minority shareholders.

As the old law didn't fully describe the duties of the directors, this was included in the new law. The new law includes powers and duties of directors, restrictions on power of directors as well as taking legal actions for inappropriate actions of the director(s).

Section 90 to 95, 97, 99, 189 and 241 prescribe details about disclosing information about the company. In addition to supporting Myanmar's standing in the World Bank's annual Doing Business Report enacting the new law help ease local business persons to do businesses. More importantly it was an important foundation stone toward establishment of a good Corporate Governance in Myanmar.

### **3.3 OECD's Collaborations with Myanmar**

The OECD has been contributing to the improvement of corporate governance framework in Southeast Asian countries including Myanmar through a series of projects with the financial support of the Government of Japan. In particular, the OECD-Southeast Asia Corporate Governance Initiative, which was launched in 2014, aimed to support the regional development of vibrant and healthy capital markets through the advancement of corporate governance standards and practices. In March 2018, the fifth meeting – final and conclusive meeting<sup>65</sup> – of the Initiative was held in Yangon, Myanmar. At the meeting, Myanmar, Viet Nam, Laos and Cambodia presented national stocktaking reports. In these reports, they acknowledge not only recent developments but also challenges that they have experienced since the launch of the OECD's Initiative in the region. In January 2018, the OECD launched a country project "Supporting Corporate Governance Reform in Myanmar". This project aims to enhance Myanmar's corporate governance framework and thereby improve Myanmar companies' access to capital needed for investment. As a first step of this multi-year project, the OECD conducted a fact-finding survey using the G20/OECD Principles of Corporate Governance and Methodology for implementation as benchmarks for assessment. The next section of this report presents the results of the survey.

## **CHAPTER 4**

### **ANALYSIS OF CORPORATE GOVERNANCE PRACTICES IN MYANMAR COMPANIES**

Descriptive methods—by means of both primary and secondary data collections—will be used in the development of this study. This study evaluated the corporate governance practices of major Myanmar companies based on the structure and criteria of the G20/OECD Principles of Corporate Governance. This framework is widely adopted by different countries to assess not only the maturity but also the evolution of their corporate governance practices.

#### **4.1 Survey Methodology**

The companies in this study include public, private and listed companies. The companies in appendix B were selected due to multiple reasons; first of all, they are considered as market leaders in their industries. They also collaborated with organizations such as OECD, IFC, and SECM in the development of corporate governance requirements in the MCL.

Primary data was collected from interviewing one member of the Board of Directors (BOD) from each of the companies in Appendix B. The interviews were structured by having to answer 142 questions, divided into five parts, to assess the corporate governance practices of their companies. The questionnaires were adopted from the G20/OECD Principles of Corporate Governance framework. Each criterion was weighted equally, using YES = 1 point and NO = 0 point. The results were tallied and mean score of each of the five parts were calculated.

OECD categorizes scores as below:

- score below 50 percent need to improve their practices
- scores between 50 and 65 percent have fair performance
- scores between 65 and 75 percent are considered to have good corporate governance practices
- scores higher than 75 percent are deemed to have excellent corporate governance

## 4.2 Profile of the respondents

The respondents were segregated by gender, age group and education level as below.

### Gender

The respondents include both males and females and Table 4.1 shows the percentage of male and female included in the study.

**Table 4.1**  
**No. of respondents by gender**

Gender	Frequency	Percentage
Male	18	75
Female	6	25
Total	24	100

Source: Survey data, November 2019

As depicted in table 4.1, the majority of respondents are males (75%) and this is in agreement with the overall trend of low female representations in the board of Myanmar companies. In this study, only 25% of the respondents were female.

## Age

**Table 4.2**

**No. of respondents by age group**

Age	Frequency	Percentage
30-39	4	17
40-49	9	37.5
50-59	8	33
60 and above	3	12.5
Total	24	100

Source: Survey data, November 2019

The table 4.2 above shows the distribution of respondents by age groups. It can be seen from the table that over half of the respondents are between the age of 40 and 59 years old. Only 12.5% of the respondents were over the age of 60. It can be concluded that most members of the board of directors are between the age of 40 and 59 years old.

## Education

**Table 4.3**

**No. of respondents by Education**

Education	Frequency	Percentage
Bachelor's degree	16	67
Master's degree	8	33
PhD	0	0
Total	24	100

Source: Survey data, November 2019

Over 60% of the respondents have bachelor's degree while 8 out of the 24 respondents hold master's degree. None of the respondents have credentials higher than a master's degree.

### **4.3 Analysis of the Survey Results**

As per the OECD Corporate Governance framework, the survey is broken down into five parts namely:

- i. Rights of shareholders (Part A)
- ii. Equitable treatment of shareholders (Part B)
- iii. Role of stakeholders (Part C)
- iv. Disclosure and transparency (Part D)
- v. Responsibilities of the board (Part E)

#### **Part A. Rights of Shareholders**

There were 21 criteria in Part A of the OECD Corporate Governance framework and they are grouped into five separate dimensions. All 21 criteria were included in the appendix section for further reference.

Part A determines whether or not a company recognizes the rights of its shareholders while conducting its business affairs. Importantly, shareholders need to be able to exercise their ownership rights, including the right to receive dividends and participate in decisions concerning fundamental corporate changes such as taking part during the AGMs, and electing directors.

Table 4.4 below shows the mean score of the five key dimensions from Part A.

**Table 4.4**  
**Survey results for Part A. Rights of shareholders**

ID	Dimension	Percent
A.1	Basic shareholders rights	83%
A.2	Right to participate in decisions concerning fundamental corporate changes	78%
A.3	Right to participate effectively and vote in general shareholder meetings	34%
A.4	Markets for corporate control should be allowed to function in an efficient and transparent manner	0%
A.5	The exercise of ownership rights by all shareholders, including institutional investors, should be facilitated	13%

Source: Survey data, November 2019

### **Part B. Equitable Treatment of Shareholders**

There were 14 criteria in Part B of the OECD Corporate Governance framework and they are grouped into four separate dimensions. All 14 criteria were included in the appendix section for further reference.

Part B addresses whether minority shareholders are treated fairly and equally alongside controlling shareholders. The AGM process needs to enable all shareholders to participate in the meeting without complexity. Also, outside shareholders must be protected from possible actions such as tunneling of assets by the controlling shareholders acting directly or indirectly, abuses caused by the use of material non-public information and related party transactions (RPTs).

Table 4.5 below shows the mean score of the four key dimensions from Part B.

**Table 4.5**

**Survey results for Part B. Equitable Treatment of Shareholders**

ID	Dimension	Percent
B.1	Shares and voting rights	60%
B.2	Notice of the AGM	39%
B.3	Insider trading and abusive self-dealing	21%
B.4	Related-party transactions by directors and key executives	20%

Source: Survey data, November 2019

**Part C. Role of Stakeholders**

There were 13 criteria in Part C of the OECD Corporate Governance framework and they are grouped into four separate dimensions. All 13 criteria were included in the appendix section for further reference.

The objective of Part C is to encourage corporate responsibility through the company's activities in relation to the environment, and stakeholders such as consumers, business partners, competitors, employees, communities, and creditors, etc.

Table 4.6 below shows the mean score of the four key dimensions from Part C.

**Table 4.6**

**Survey results for Part C. Role of Stakeholders**

ID	Dimension	Percent
C.1	The rights of stakeholders established by law or through mutual agreements are to be respected	45%
C.2	Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights	21%
C.3	Mechanisms for employee participation should be permitted	27%
C.4	Stakeholders, including individual employees and their representative bodies, should be able to freely communicate	40%

Source: Survey data, November 2019

## Part D. Disclosure and Transparency

There were 29 criteria in Part D of the OECD Corporate Governance framework and they are grouped into 9 separate dimensions. All 29 criteria were included in the appendix section for further reference.

Part D reflects the accuracy, completeness, and punctuality of corporate information disclosure. Companies should disclose material corporate information in a timely and cost-effective manner through a variety of channels to reach all interested and relevant parties. Significant items such as ownership structure, RPTs, and financial and non-financial information are to be disclosed.

Table 4.7 below shows the mean score of the 9 key dimensions from Part D.

**Table 4.7**

### Survey results for Part D. Disclosure and Transparency

ID	Dimension	Percent
D.1	Transparent ownership structure	48%
D.2	Quality of annual report	23%
D.3	Disclosure of related party transactions (RPT)	10%
D.4	Director and commissioner dealings in shares of the company	8%
D.5	External auditor and auditor report	0%
D.6	Medium of communication	52%
D.7	Timely filing/release of annual/financial reports	70%
D.8	Company website	16%
D.9	Investor relations	0%

Source: Survey data, November 2019

## Part E. Responsibilities of the Board

There were 65 criteria in Part E of the OECD Corporate Governance framework and they are grouped into five separate dimensions. All 65 criteria were included in the appendix section for further reference.

This section focuses on the duties, responsibilities, and accountabilities of the board of directors to shareholders and other stakeholders. By considering the interests of all stakeholders, the board must apply high ethical standards to the business to adequately fulfill their responsibilities. The board is mainly responsible for guiding corporate strategy, monitoring managerial performance, and preventing conflicts of interest.

Table 4.8 below shows the mean score of the five key dimensions from Part E.

**Table 4.8**

### Survey results for Part E. Responsibilities of the Board

ID	Dimension	Percent
E.1	Board duties and responsibilities	42%
E.2	Board structure	8%
E.3	Board processes	20%
E.4	People on the board	40%
E.5	Board performance	4%

Source: Survey data, November 2019

## Comparison of the Overall Score

**Table 4.9**

### Overall Score

OECD criteria	Overall Percentage
Part A. Rights of Shareholders	41%
Part B. Equitable Treatment of Shareholders	35%
Part C. Role of Stakeholders	33%
Part D. Disclosure and Transparency	25%
Part E. Responsibilities of the Board	23%

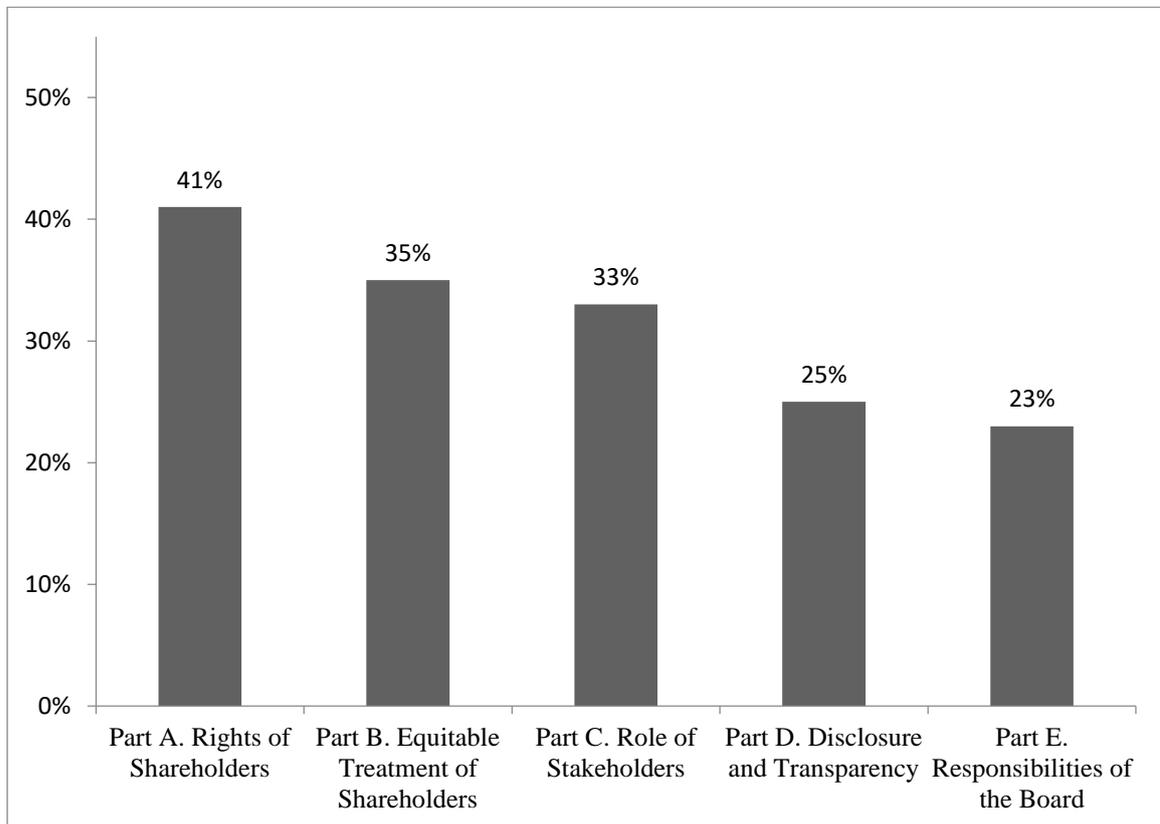
Source: Survey data, November 2019

As can be seen from the results in table 4.9, Myanmar companies need to have to a bit of catch up to do in order to be considered as having “good” corporate governance practices.

The results in table 4.9 and figure 4.1 show that Myanmar companies score below 50% when measured against the G20/OECD Corporate Governance framework criteria. As mentioned previously, any score less than 50% requires significant improvement in order to be considered of having “good” corporate governance system in place.

**Figure 4.1**

**Comparison of Overall Results for All Parts**



## **CHAPTER 5**

### **CONCLUSIONS**

In this section, results for the previous chapter will be further analyzed and findings as well as the recommendations for the best practices shall be articulated.

#### **5.1 Findings**

Findings will be categorized into their respective parts and the details are expressed in the sections below.

##### **Part A: Rights of shareholders**

It was found that 83% of the companies surveyed pay dividends in an equitable and timely manner, and 78% of the companies allow shareholders to participate in changes such as amendments to constitution, authorization of additional shares. This is promising and it can be inferred that most Myanmar companies do respect the basic shareholder rights and decisions concerning fundamental corporate changes are adequately addressed.

However, only 34% of the companies let shareholders to participate effectively and vote in general shareholder meetings and are informed of the rules, including voting procedures that govern general shareholder meetings.

It was noted that not a single company surveyed has ever appointed a third party to evaluate the fairness of the transaction price in case of mergers, acquisitions, and takeovers. This is due to the face that M&A activities are still a rarity in Myanmar corporate environment; nevertheless, Myanmar Corporations need to plan for better governance procedures in this area as the businesses get more exposure to the international capital markets.

Myanmar companies are failing when it comes to facilitating ownership rights of the shareholders. The results show that only 13% of the companies disclose its practices to encourage shareholders to engage with the company beyond the AGM.

Overall for this part, Myanmar companies need to improve the quality of their AGM procedures and corporate disclosure for better transparency—albeit they tend to respect the key rights of their shareholders.

### **Part B: Equitable treatment of shareholders**

It was observed that 60% of the companies comply with shares and voting rights section of Part B—particularly in regards to one vote for one share policy as well as where the company has more than one class of shares, the company publicizes the voting rights attached to each class of shares (e.g. through the company website/reports/the stock exchange/the regulator’s website).

However, only 39% of the companies comply with the overall AGM notice aspect of Part B. It is important to highlight the fact that most companies don’t include the profile of the directors seeking election/re-election. This is concerning because shareholders have the rights to know and that the company has the fiduciary duty to disclose important information as such. It was also discovered that most of the companies don’t have a policy or rule prohibiting their directors from benefiting from knowledge not available to the market (i.e. insider trading). This is, once again, due to the fact that the Myanmar capital market is still in its infancy and trading of shares of publicly listed companies are still in a nascent stage.

Important point to note in this section is that the practice of managing related party transactions (RPT) still an aberration rather than the norm and needs significant improvement.

Overall, Myanmar companies have a simple share and voting rights system and their engagement with shareholders is basic and need to be improved. Last but not least, they have to improve their handling of related party transactions to safeguard the rights of minority shareholders.

## **Part C: Role of Stakeholders**

Not surprisingly, all the companies donate to the communities. Ironically though, only half of the companies respect the rights of the stakeholders established by laws. Myanmar companies are particularly weak when it comes to anti-corruption measures and safeguarding creditors' rights.

Only 21% provide contact details via the company's website or annual report which stakeholders (e.g. customers, suppliers, general public etc.) can use to voice their concerns and/or complaints for possible violation of their rights. This practice is still alien to directors and managers in most Myanmar enterprises.

27% reported that they disclose their employee health, safety, and welfare policies and practices. Remarkably, 40% claimed to have a whistle-blowing policy that includes procedures for complaints by employees and other stakeholders concerning alleged illegal and unethical behaviors—although the practical use of it is yet to be seen in most Myanmar companies.

Overall, the communication channels between companies and the stakeholders are inadequate and need to be improved. Currently, companies are falling behind in reporting non-financial performance in a sustainability report that provides facts and data to stakeholders.

## **Part D: Disclosure and Transparency**

Results indicated 48% of companies disclose the direct and indirect shareholdings of their major shareholders while the rest make no attempt to do so. Only 10% disclose the name and details of each material RPT. At this point, very little is done to improve the transparency what it comes to RPT process.

Over half of the companies surveyed attempt to communicate with shareholders and stakeholders but they are inadequate and not effectively utilizing their websites—although they have websites that are up and running. Not a single company has an officer responsible for investor relations. This highlights that Myanmar companies don't consider communication with shareholders and stakeholders is imperative for their continued success.

Overall, Myanmar companies don't comply with most of the best practices specified in this part. They need to disclose both financial and non-financial performance indicators with the stakeholders. Very weak disclosure of related party transactions and they need to include details such as ownership structure, details of the directors and audit activities in their annual reports.

### **Part E: Responsibilities of the Board**

Majority of the companies surveyed have mission statements and disclose them, but very few have a process to review and monitor the implementation of corporate strategy. The results indicated weak compliance when it comes to the requirements of board structure, processes and monitoring board's performance. Boards diversity is not there and no oversight mechanisms in place for board's actions.

The concept of appointing independent director is still alien to most Myanmar companies—except the ones that are listed publicly.

The analysis indicates that the responsibilities of the board are not well defined and observed. Myanmar companies have to improve key areas of board responsibilities, such as the role of the chairman, board composition, structure, and leadership, as well as its role in oversight and company control.

## **5.2 Recommendations**

Myanmar authorities, from legislative and regulatory perspective, should ensure that all registered companies in Myanmar comply with the new Myanmar Companies Law that was recently enacted—especially with respect to corporate governance.

Myanmar companies should prepare a comprehensive annual report in the form of one document that provides information on the company's activities and performance (financial and non-financial) over the past year and for the foreseeable future. The annual report should be provided to all shareholders and be available to the public on the company website.

Directors, shareholders and management of Myanmar companies should take corporate governance training provided by organizations such as Myanmar Institute of Directors. Understanding corporate governance practices would allow stakeholders to better appreciate normal and expected basic rights of shareholders and actively exercise those rights. Outside professional advisers from these organizations would help companies build their internal capacities.

A good practice in stakeholders' relations is to have a key point of contact to manage relationships with shareholders, investors and stakeholders. Almost no company in Myanmar has a dedicated role assigned for this activity.

Overall, it is clear that corporate governance practices are at an early stage of development in Myanmar and efforts to improve will require collaboration from many players in Myanmar. One thing is clear: Myanmar companies need to adopt CG best practices if they want to enhance the competitiveness and to attract capital in regional and global markets. Global markets demand fairness; accountability, transparency and best corporate governance practices will help Myanmar companies achieve them.

### **5.3 Need for Further Study**

It should be noted that this study is not to be construed as a comprehensive analysis of Corporate Governance landscape in Myanmar. This study only touches upon the tip of the iceberg; the intent of the study was to highlight the gap between internationally accepted Corporate Governance practices and the current CG landscape in Myanmar. In other words, the study focused on “what” aspect of the gaps.

Further studies should be conducted in the areas of delinquency that are expressed in this study. Companies should be further segregated into types such as public, private and listed and also categorized by size (in terms of capital) to determine if one category performs better than the others.

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## **APPENDIX A**

**Yangon University of Economics**  
**Department of Commerce**  
**Master of Banking and Finance Programme**

**Questionnaire for Analysis on Corporate Governance Practices of Myanmar Companies**

Dear respondent:

Thank you for taking the time to answer the survey questions below. Your responses will be used in a thesis required as part of Master of Banking and Finance (MBF) degree offered by Yangon University of Economics. This survey explores Corporate Governance practices that are being employed in your organization and hope to gain a better understanding of areas that Myanmar companies are delinquent compared to the OECD's corporate governance guidelines.

### **I. Demographic of respondents**

1. Gender

- Male
- Female

2. Age Group

- 30-39
- 40-49
- 50-59
- 60 and above

### 3. Education

- Bachelor's
- Master's
- PhD

### 4. Experience serving in the board of directors

- Under 5 years
- 5-10 years
- Over 10 years

The survey is broken down into five parts namely:

- i. Rights of shareholders (Part A)
- ii. Equitable treatment of shareholders (Part B)
- iii. Role of stakeholders (Part C)
- iv. Disclosure and transparency (Part D)
- v. Responsibilities of the board (Part E)

## A. Part A. Rights of Shareholders

### 1) A.1 Basic shareholders rights

ID	Question
A.1.1	Does the company pay (interim and final/annual) dividends in an equitable and timely manner; that is, all shareholders are treated equally and paid within 30 days after being (i) declared for interim dividends and (ii) approved by shareholders at general meetings for final dividends? In case the company has offered scrip dividend, did the company pay the dividend within 60 days?

**2) A.2 Right to participate in decisions concerning fundamental corporate changes**

ID	Question
Do shareholders have the right to participate in:	
A.2.1	Amendments to the company's constitution?
A.2.2	The authorization of additional shares?
A.2.3	The transfer of all or substantially all assets, which in effect results in the sale of the company?

**3) A.3 Right to participate effectively and vote in AGM including the right to voting procedures that govern general shareholder meetings**

ID	Question
A.3.1	Do shareholders have the opportunity, evidenced by an agenda item, to approve remuneration (fees, allowances, benefit-in-kind, and other emoluments) or any increases in remuneration for non-executive directors/commissioners?
A.3.2	Does the company provide non-controlling shareholders a right to nominate candidates for board of directors/commissioners?
A.3.3	Does the company allow shareholders to elect directors/commissioners individually?
A.3.4	Does the company disclose the voting procedures used before the start of meeting?
A.3.5	Do the minutes of the most recent AGM record that the shareholders were given the opportunity to ask questions? Are the questions raised by shareholders and answers given recorded?
A.3.6	Does the company disclose the voting results including approving, dissenting, and abstaining votes for all resolutions/each agenda item for the most recent AGM?

ID	Question
A.3.7	Does the company disclose the list of board members who attended the most recent AGM?
A.3.8	Does the company disclose that all board members and the CEO (if he is not a board member) attended the most recent AGM?
A.3.9	Does the company allow for voting in absentia?
A.3.10	Did the company vote by poll (as opposed to by show of hands) for all resolutions at the most recent AGM?
A.3.11	Does the company disclose that it has appointed an independent party (scrutineers/inspectors) to count and/or validate the votes at the AGM?
A.3.12	Does the company make publicly available by the next working day the result of the votes taken during the most recent AGM for all resolutions?
A.3.13	Does the company provide at least 21 days' notice for all AGMs and EGMs?
A.3.14	Does the company provide the rationale and explanation for each agenda item that requires shareholder approval in the notice of AGM/circulars and/or the accompanying statement?
A.3.15	Does the company give shareholders the opportunity to place item/s on the agenda of the AGM?

**4) A.4 Markets for corporate control**

ID	Question
A.4.1	In cases of mergers, acquisitions, and/or takeovers, does the board of directors/commissioners of the offeree company appoint an independent party to evaluate the fairness of the transaction price?

**5) A.5 The exercise of ownership rights by all shareholders should be facilitated**

ID	Question
A.5.1	Does the company disclose its practices to encourage shareholders to engage with the company beyond the AGM?

## B. Part B. Equitable treatment of Shareholders

### 1) B.1 Shares and voting rights

ID	Question
B.1.1	Do the company's ordinary or common shares have one vote for one share?
B.1.2	Where the company has more than one class of shares, does the company publicize the voting rights attached to each class of shares (e.g. through the company website/reports/the stock exchange/the regulator's website)?

### 2) B.2 Notice of the AGM

ID	Question
B.2.1	Does each resolution in the most recent AGM deal with only one item, i.e., there is no bundling of several items into the same resolution?
B.2.2	Are the company notices of the most recent AGM/circulars fully translated into English and published on the same date as the local-language version?
Does the notice of AGM/circulars have the following details:	
B.2.3	Are the profiles of directors/commissioners (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) included when they seek election/re-election?
B.2.4	Are the auditors seeking appointment/re-appointment clearly identified?
B.2.5	Were the proxy documents easily available?

### 3) B.3 Insider trading and abusive self-dealing should be prohibited

ID	Question
B.3.1	Does the company have policies and/or rules prohibiting directors/commissioners and employees to benefit from knowledge not generally available to the market?
B.3.2	Are the directors and commissioners required to report their dealings in company shares within three business days?

**4) B.4 Related party transactions by directors and key executives**

ID	Question
B.4.1	Does the company have a policy requiring directors/commissioners to disclose their interest in transactions and any other conflicts of interest?
B.4.2	Does the company have a policy requiring a committee of independent directors/commissioners to review material/significant RPTs to determine whether they are in the best interests of the company and shareholders?
B.4.3	Does the company have a policy requiring board members (directors/commissioners) to abstain from participating in the board discussion on a particular agenda when they have a conflict?
B.4.4	Does the company have policies on loans to directors and commissioners either forbidding this practice or ensuring that they are being conducted at arm's length and at market rates?

**5) B.5 Protecting minority shareholders from abusive actions**

ID	Question
B.5.1	Does the company disclose that RPTs are conducted in such a way to ensure that they are fair and at arms' length?

**C. Part C. Role of Stakeholders**

**1) C.1 The rights of stakeholders established by law or mutual agreements are to be respected**

ID	Question
Does the company disclose a policy and practices that address:	
C.1.1	The existence and scope of the company's efforts to address customers' welfare?
C.1.2	Supplier/contractor selection procedures?
C.1.3	The company's efforts to ensure that its value chain is environmentally friendly or consistent with promoting sustainable development?
C.1.4	The company's efforts to interact with the communities in which they operate?
C.1.5	The company's anti-corruption programs and procedures?
C.1.6	How creditors' rights are safeguarded?
C.1.7	Does the company have a separate report/section that discusses its efforts on the environment/economy and social issues?

**2) C.2 Where stakeholders rights are protected by law, they should have the opportunity to obtain effective redress for rights violations**

ID	Question
C.2.1	Does the company provide contact details via the company's website or annual report which stakeholders (e.g. customers, suppliers, general public etc.) can use to voice their concerns and/or complaints for possible violation of their rights?

**3) C.3 Mechanisms for employee participation**

ID	Question
C.3.1	Does the company explicitly disclose the policies and practices on health, safety, and welfare for its employees?
C.3.2	Does the company explicitly disclose the policies and practices on training and development programs for its employees?
C.3.3	Does the company have a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures?

**4) C.4 Stakeholders should be able to freely communicate their concern about illegal or unethical practices to the board and their rights should not be compromised for doing so**

ID	Question
C.4.1	Does the company have a whistle-blowing policy that includes procedures for complaints by employees and other stakeholders concerning alleged illegal and unethical behaviors and provide contact details via the company's website or annual report?
C.4.2	Does the company have a policy or procedures to protect an employee/person who reveals illegal/unethical behaviors from retaliation?

## D. Part D. Disclosure and Transparency

### 1) D.1 Transparent ownership structure

ID	Question
D.1.1	Does the information on shareholdings reveal the identity of beneficial owners with 5 percent shareholdings or more?
D.1.2	Does the company disclose the direct and indirect (deemed) shareholdings of major and/or substantial shareholders?
D.1.3	Does the company disclose the direct and indirect (deemed) shareholdings of directors?
D.1.4	Does the company disclose the direct and indirect (deemed) shareholdings of senior management?
D.1.5	Does the company disclose details of the parent/holding company, subsidiaries, associates, joint ventures, and special purpose enterprises/ vehicles?

### 2) D.2 Quality of annual report

ID	Question
Does the company's annual report disclose the following items:	
D.2.1	Corporate objectives
D.2.2	Financial performance indicators
D.2.3	Non-financial indicators
D.2.4	Dividend policy
D.2.5	Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners
D.2.6	Attendance details of each director/commissioner in respect of meetings held
D.2.7	Total remuneration of each member of the board of directors/commissioners

### 3) D.3 Disclosure of related party transactions (RPT)

ID	Question
D.3.1	Does the company disclose its policy covering the review and approval of material RPTs?
D.3.2	Does the company disclose the name, relationship, nature, and value for each material RPTs?

**4) D.4 Director and commissioner dealings in shares of the company**

ID	Question
D.4.1	Does the company disclose trading in the company's shares by insiders?

**5) D.5 External auditor and auditor report**

ID	Question
Where the same audit firm is engaged for both audit and non-audit services:	
D.5.1	Are the audit and non-audit fees disclosed?
D.5.2	Does the non-audit-fees exceed the audit fees?

**6) D.6 Medium of communication**

ID	Question
Does the company use the following modes of communication?	
D.6.2	Company website
D.6.3	Analysts' briefing
D.6.4	Media briefings/press conferences

**7) D.7 Timely filing/release of annual/financial reports**

ID	Question
D.7.1	Are the audited annual financial report/statement released within 120 days from the financial year-end?
D.7.2	Is the annual report released within 120 days from the financial year-end?
D.7.3	Is the true and fairness/fair representation of the annual financial statement/reports affirmed by the board of directors/commissioners and/or the relevant officers of the company?

**8) D.8 Company website**

ID	Question
	Does the company have a website disclosing up-to-date information on the following
D.8.2	Materials provided in briefings to analysts and the media
D.8.3	Downloadable annual report
D.8.4	Notice of AGM and/or EGM
D.8.5	Minutes of AGM and/or EGM
D.8.6	Company's constitution (company's by-laws, memoranda, and articles of association)

**9) D.9 Investor relations**

ID	Question
D.9.1	Does the company disclose the contact details (e.g. telephone, fax, and email) of the officer responsible for investor relations?

## E. Part E. Responsibilities of the Board

### 1) E.1 Board duties and responsibilities

ID	Question
E.1.1	Does the company disclose its corporate governance policy/board charter?
E.1.2	Are the types of decisions requiring board approval disclosed?
E.1.3	Are the roles and responsibilities of the board of directors/commissioners clearly stated?
Corporate vision/mission	
E.1.4	Does the company have an updated vision and mission statement?
E.1.5	Does the board play a leading role in developing and reviewing the company strategy at least annually?
E.1.6	Does the board have a process to review, monitor, and oversee the implementation of the corporate strategy?

## 2) E.2 Board structure

ID	Question
<b>Code of ethics or conduct</b>	
E.2.1	Are the details of the code of ethics or conduct disclosed?
E.2.2	Are all directors/commissioners, senior management, and employees required to comply with the code/s?
E.2.3	Does the company have a process to implement and monitor compliance with the code/s of ethics or conduct?
<b>Board structure &amp; composition</b>	
E.2.4	Do independent, non-executive directors/commissioners number at least three and make up more than 50% of the board of directors?
E.2.5	Does the company have a term limit of nine years or less, or two terms of five years (1) each for its independent directors/commissioners? (1) The five-year term must be required by legislation that pre-existed the introduction of the ASEAN Corporate Governance Scorecard in 2011.
E.2.6	Has the company set a limit of five board seats that an individual independent/non-executive director/commissioner may hold simultaneously?
E.2.7	Does the company have any executive directors who serve on more than two boards of listed companies outside of the group?
<b>Nomination committee</b>	
E.2.8	Does the company have a nominating committee?
E.2.9	Does the nominating committee comprise a majority of independent directors/commissioners?
E.2.10	Is the chairman of the nominating committee an independent director/commissioner?
E.2.11	Does the company disclose the terms of reference/governance structure/charter of the nominating committee?
E.2.12	Is the meeting attendance of the nominating committee disclosed and if so, did the nominating committee meet at least twice during the year?

ID	Question
<b>Remuneration committee/compensation committee</b>	
E.2.13	Does the company have a remuneration committee?
E.2.14	Is the remuneration committee comprised a majority of independent directors/commissioners?
E.2.15	Is the chairman of the remuneration committee an independent director/commissioner?
E.2.16	Does the company disclose the terms of reference/governance structure/charter of the remuneration committee?
E.2.17	Is the meeting attendance of the remuneration committee disclosed and, if so, did the remuneration committee meet at least twice during the year?
<b>Audit committee</b>	
E.2.18	Does the company have an audit committee?
E.2.19	Is the audit committee comprised entirely non-executive directors with a majority of independent directors?
E.2.20	Is the chairman of the audit committee an independent director/commissioner?
E.2.21	Does the company disclose the terms of reference/governance structure/charter of the audit committee?
E.2.22	Does at least one of the independent directors/commissioners of the committee have accounting expertise (accounting qualification or experience)?
E.2.23	Is the meeting attendance of the audit committee disclosed and, if so, did the audit committee meet at least four times during the year?
E.2.24	Does the audit committee have primary responsibility for recommendation on the appointment and removal of the external auditor?

### 3) E.3 Board processes

ID	Question
Board meetings and attendance	
E.3.1	Are the board meetings scheduled before the start of the financial year?
E.3.2	Does the board of directors/commissioners meet at least six times during the year?
E.3.3	Has each of the directors/commissioners attended at least 75 percent of all board meetings held during the year?
E.3.4	Does the company require a minimum quorum of at least 2/3 for board decisions?
E.3.5	Did the non-executive directors/commissioners of the company meet separately at least once during the year without any executives present?

ID	Question
<b>Access to Information</b>	
E.3.6	Are board papers for board meetings provided to the board at least five business days in advance of the meeting?
E.3.7	Does the company secretary play a significant role in supporting the board in discharging its responsibilities?
E.3.8	Is the company secretary trained in legal, accountancy or company secretarial practices and has he/she kept abreast on relevant developments?
<b>Board appointment and re-election</b>	
E.3.9	Does the company disclose the criteria used in selecting new directors/commissioners?
E.3.10	Did the company describe the process used to appoint new directors/commissioners?
E.3.11	<p>Are all directors/commissioners subject to re-election every three years or five years for listed companies in countries whose legislation prescribes a term of five years<sup>(2)</sup> each?</p> <p>(2) The five-year term must be required by legislation that pre-existed the introduction of the ASEAN Corporate Governance Scorecard in 2011</p>
<b>Remuneration matters</b>	
E.3.12	Does the company disclose its remuneration (fees, allowances, benefit-in-kind, and other emoluments) policy/practices (i.e. the use of short-term and long-term incentives and performance measures) for its executive directors and CEO?
E.3.13	Is there disclosure of the fee structure for non-executive directors/commissioners?
E.3.14	Do the shareholders or the board approve the remuneration of the executive directors and/or senior executives?
E.3.15	Does the company have measurable standards to align the performance-based remuneration of executive directors and senior executives with the long-term interests of the company, such as clawback provisions and deferred bonuses?
<b>Internal audit</b>	
E.3.16	Does the company have a separate internal audit function?
E.3.17	Is the head of internal audit identified or, if outsourced, is the name of the external firm disclosed?
E.3.18	Does the appointment and removal of the internal auditor require the approval of the audit committee?

ID	Question
Risk oversight	
E.3.19	Does the company establish sound internal control procedures/risk management framework and periodically review the effectiveness of that framework?
E.3.20	Does the annual report/annual corporate governance report disclose that the board of directors/commissioners has conducted a review of the company's material (including operational, financial, and compliance) controls and risk management systems?
E.3.21	Does the company disclose the key risks to which the company is materially exposed to (i.e. financial, operational, IT, environmental, social, economic, etc.)?
E.3.22	Does the annual report/annual corporate governance report contain a statement from the board or the audit committee commenting on the adequacy of the company's internal controls/risk management systems?

#### 4) E.4 People on the board

ID	Question
Board chairman	
E.4.1	Do different people assume the roles of chairman and CEO?
E.4.2	Is the chairman an independent director?
E.4.3	Is any of the directors a former CEO of the company in the past two years?
E.4.4	Are the role and responsibilities of the chairman disclosed?
Lead independent director	
E.4.5	If the chairman is not independent, has the board appointed a lead/senior independent director and has his/her role been defined?
Skills and competencies	
E.4.6	Does at least one non-executive director/commissioner have prior working experience in the major sector in which the company operates?

## 5) E.5 Board performance

ID	Question
<b>Director development</b>	
E.5.1	Does the company have orientation programs for new directors?
E.5.2	Does the company have a policy that encourages directors to attend ongoing or continuous professional education programs?
<b>CEO/executive-management appointments and performance</b>	
E.5.3	Does the company disclose how the board of directors plans for the succession of the CEO/managing director/president and key management?
E.5.4	Does the board of directors conduct an annual performance assessment of the CEO/managing Director/president?
<b>Board appraisal</b>	
E.5.5	Did the company conduct an annual performance assessment of the board of directors/commissioners and disclose the criteria and process followed for the assessment?
<b>Director appraisal</b>	
E.5.6	Did the company conduct an annual performance assessment of the individual directors/commissioners and disclose the criteria and process followed for the assessment?
<b>Committee appraisal</b>	
E.5.7	Did the company conduct an annual performance assessment of the board committees and disclose the criteria and process followed for the assessment?

## Appendix B

### List of Companies

Asia World
City Mart Holding Co. Ltd.
Dawei Development Public
Ever Flow River Group of Companies Public
First Myanmar Investment Co. Ltd.
First National Insurance Public Co. Ltd.
First Private Bank
Good Brother Agriculture Services
Global Treasure Bank
Golden Myanmar Airlines
Grand Guardian Insurance
Great Hor Kham
Hantharwaddy Development
Mandalay Myohta Industrial Development
Max Myanmar
Myanmar Agro Exchange
Myanmar Citizens Bank
Myanmar Economic Holdings
Myanmar Forest - JV
Myanmar Information and Communication
Myanmar Thilawa SEZ Holdings
National Development Group
Shwe Taung Group
TMH Telecom