

Olam: On a New Course

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Group Mates

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- Myat Thu- Introduction & Transparency Watchdogs
- Faith- Index Scoring & Case Study of WorldCom
- Alan- Case Study of Olam
- Sandy- Case Study of Noble and Future of Transparency
- All- Q & A

Introduction

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Anyone can name the BIG 5 accounting firms in the world?



Roles of Watch Dog

Agency International-Worldwide

- Fight against corruption
- Assess transparency of the world's 100 largest public companies

The Centre for Governance
(CGIO) - Singapore

- Disseminate best practices, whistle blower
- Assess transparency of Singapore listed companies through Governance & Transparency index (GTI)

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Methodology of Governance & Transparency Index

- Board matters
 - Remuneration matters
 - Accountability & Audit
 - Transparency Scoring at 25pts
 - Communication with shareholders
- Bonus Points
- Penalties Points
- Thecases

bonus Points
Penalties Points

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WorldCom Scandal (2002)

-
- WorldCom Scandal
- Company**
- USA's second largest telecommunication company (after AT&T)
- Scandal**
- CEO inflated assets by US\$11 billion
 - Overstated income by US\$5 billions thru fraud reducing reserves and capitalizing operating expenses
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Clare International (2012)

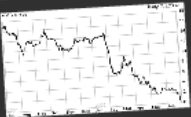
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WorldCom Scandal (2002)

Results

- CEO was sentenced to 25 years for fraud
- Company became bankrupt
- 30,000 lost their jobs
- Investors lost US\$180 billions
- US Congress passed the Sarbanes-Oxley Act

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Noble Group (Current)

Noble Group (Current)
Company founded in 1966. Singapore public listed commodity trading company
with middleman business model as source of income
at US\$6.6 billion
and profits deriving from "mark-to-market"



Noble Group (Current)

Future hold for Noble?
• Short call

- Short sellers claim target price of \$0.10
- Noble trying to increase its transparency
- Unlikely to improve on its own
- Hope for white knight with ending like Glom
- Bankruptcy looming in

Future of Transparency

Future of Transparency



- Adoption rate to increase in Asia
- Realizing the benefits between lenders, investor, suppliers and shareholders through increase transparency



- What is tipping fraud?
- Why are companies slow in adopting integrated reporting?
- Future of Nobel Group?
- Should Mark-to-Market stay or go?

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- Governance Scoring at 75pts
- Board matters
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Bonus Points

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WorldCom Scandal (2002)

- Company
- USA's second largest telecommunication company (after AT&T)
- Scandal
- CEO inflated assets by US\$11 billion
- Overstated income by US\$4 billion thru fraud
- reducing reserves and capitalizing operating expenses

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Olam International (2002)

Company
 Founded in 1984, Singapore public listed commodity trading company
 First as a subsidiary of Singaporean parent as source of income
 Listed on the Singapore Stock Exchange (SGX)
 100% owned by the Singaporean parent
 Main business: Commodity trading
 Main products: Rubber, Sugar, Wheat, Oilseeds, Grains
 Main markets: Asia, Europe, Africa, Americas
 Main competitors: Cargill, ADM, Bunge, Louis Dreyfus, etc.
 Main financial ratios: P/E ratio, ROE, etc.
 Main financial performance: Revenue, Profit, etc.

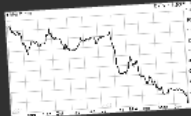
Olam International (2002)

Results
 Q1 2002: Revenue dropped 40%
 Q1 2002: Net loss of \$1.1 million
 Q1 2002: Share price fell from \$1.10 to \$0.80
 Q1 2002: Analysts downgraded the company to 'sell' rating
 Q1 2002: Shareholders lost confidence in the company
 Q1 2002: The company's reputation was severely damaged
 Q1 2002: The company's future was uncertain

WorldCom Scandal (2002)

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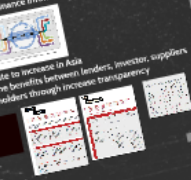


Noble Group (Current)

- Future hold for Noble?
- Short sellers claim target price of \$0.10
 - Noble trying to increase its transparency
 - Unlikely to improve on its own
 - Hope for white knight with ending like Olam
 - Bankruptcy looming in

Future of Transparency

Integrated Reporting (IR)
 Including non financial information into annual reporting
 Adoption rate to increase in Asia
 Realizing the benefits between lenders, investors, suppliers and shareholders through increased transparency



- What is Integrated Reporting?
- Why are companies now adopting integrated reporting?
- Future of Noble Group?
- Should Mark-to-Market stay or go?

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Do you know?

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Five basic types of financial statement fraud through:

- Fictitious sales
- Improper expense recognition
- Incorrect asset valuation
- Hidden liabilities and unsuitable disclosures

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- **Assess transparency of the world's 100 largest publicly listed companies**

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Governance Scoring at 75pts

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Transparency Scoring at 25pts

- Communication with shareholders

Bonus Points

Penalties Points



GOVERNANCE		
SN	DESCRIPTION	POINTS
1	1. Board composition and structure a) Board size b) Board independence c) Board diversity d) Board tenure e) Board refreshment rate	2
2	2. Board committees a) Remuneration committee b) Audit committee c) Nomination committee d) Sustainability committee	3
3	3. Board effectiveness a) Board evaluation b) Board performance c) Board engagement d) Board training e) Board development	3
4	4. Board independence a) Board independence b) Board diversity c) Board tenure d) Board refreshment rate	3
5	5. Board effectiveness a) Board evaluation b) Board performance c) Board engagement d) Board training e) Board development	3

TRANSPARENCY & INVESTOR RELATIONS		
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