



Druk Holding and Investments

Progress on implementing reform priorities

Network on Privatisation and Corporate Governance
Kuala Lumpur
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Recommendation II.4

Avoiding Government Interference with SOE Management

- A. DHI as an SOE
- B. DHI Subsidiaries as SOEs

Recommendation II.4

DHI as SOE: *Royal Charter*

1. Board Director appointment through Blue Ribbon Panel
2. CEO appointed by the Board of Directors
3. Performance Agreement with MOF
4. Investment , Divestment and Financing require consultations
5. Subsidies for social projects provided by Government
6. DHI independent to set salary
7. Semiannual Reports
8. Report to Parliament by MoF
9. AGM

Recommendation II.4 ... contd

B. DHI Subsidiaries as SOEs : *Ownership Policy*

DHI is the interface between the Govt and Companies and provides insulation from Govt. Interference.

1. Boards appointed by DHI
2. CEO approved by DHI
3. Control areas clearly defined
 1. Long Term Strategy and Divestments
 2. Dividends, 5 year investment Plans, Financing Plans
3. Guidelines on roles of Chairman, Board and CEO
4. Annual performance compacts linked to variable pay
5. Company Boards empowered decision making
6. Semi-annual Reporting and AGMs.

Recommendation V1.1

Clarifying & reinforcing SOE board mandates and functions

- ▶ Ownership policy clarifies board mandates and functions
- ▶ Annual Performance Compacts introduced
 - ▶ Targets are more objective
 - ▶ Performance based incentives introduced
- ▶ DHI/DOC Board level visioning exercise
- ▶ Chairperson and CEO are separate
- ▶ Most companies have directors from private sector
- ▶ Board level committees instituted (Audit, CEO Nominations)

Recommendation VI.7

Developing performance evaluation for SOE boards

- ▶ Was absent prior to DHI
- ▶ Sensitive subject. Part of Ownership Policy
- ▶ Needs to be well thought out and executed
- ▶ World Bank assistance being sought

Issues:

- ▶ Shortage of Directors
- ▶ Private sector not very keen as not highly incentivised
- ▶ Trainings required

Thank You