

REPORT ON THE OECD 2006 ASIAN ROUNDTABLE ON CORPORATE GOVERNANCE 13 - 15 SEPTEMBER 2006, BANGKOK, THAILAND

The Minority Shareholder Watchdog Group (MSWG), represented by the Chief Executive Officer and Senior Manager, Client Services Division were invited to participate in the Asian Roundtable on Corporate Governance organized by the Organisation for Economic Co-operation and Development (OECD) and co-hosted by the National Corporate Governance Committee of Thailand, the Securities and Exchange Commission, the Stock Exchange of Thailand, Thai Institute of Directors Association, Listed Companies Association and Federation of Thai Capital Market Organisations.

The 2006 Roundtable continued to follow-up the recent years' discussion on enforcement and implementation, where participants were presented with case studies from Thailand, Singapore, Chinese Taipei and Japan. There appears to be progress in terms of enforcement actions taken against errant directors, although several critical issues in terms of the enforcement power of regulators, effectiveness of the enforcement system, clarity of the law, speed of legal process, access to civil action and jurisdictional issues still needs to be addressed.

The OECD and participating countries are still on the stock-taking phase of the progress and implementation of corporate governance reform in Asia. The stock-taking of policy developments were based on the six priorities formulated in the 2003 Asian White Paper on Corporate Governance. The final version of the stock-take report, Implementing the Asian White Paper on Corporate Governance in Asia, will be issued by OECD in October 2006.

The Roundtable also focused on board of directors, including the role of non-executive and independent directors. Issues on boardroom challenges and practices were also addressed, as discussed in the draft OECD Boardroom Guide to the OECD Principles of Corporate Governance. The participants were also presented with the approach used by the Thai Institute of Directors for non-executive directors' training and certification in Thailand.

Encik Abdul Wahab Jaafar Sidek, CEO, MSWG participated as one of the panelists in the discussion regarding independent non-executive directors (INEDs). Encik Abdul Wahab shared the Malaysian experience with regards to role and duties of the Board, including INEDs. He also stressed on the commitment to deliver as the key role of the Board. Other panel members comprised of the Director, Research Centre, Shanghai Stock Exchange, China; the Deputy Director, Ministry of Finance, Vietnam and the President, Pakistan Institute of Corporate Governance. Among the issues discussed were usefulness of INEDs who do not have specific knowledge about the company, expectations of INEDs in terms of their functions, impact of INEDs on the company performance and "where" and "how" to recruit INEDs.

An interim report on the Asian state-owned enterprises (SOE) was also presented at the Roundtable. The report amongst others identified challenges on the role of the state as

shareholder, challenges regarding ownership function of the organization, challenges regarding accountability. Moving forward, issues on development of clear ownership policies, having the right persons on board and corporate governance were identified as crucial steps to be taken by SOEs.

The final session of the Roundtable discussed on related activities and next steps to be taken moving forward. Reports on related activities were presented which included:

- Activities of The Asian Institute of Corporate Governance (AICG) which included academic research and projects, conference and seminars and education programs in corporate governance and finance.
- Activities of The Institute of Directors in East Asia Network (IDEA.net), which included amongst others, a regional scorecard in corporate governance and a regional director certification program.
- Activities of The Institute of Internal Auditors.

The 8th Asian Roundtable is really useful to Asian economies, particularly Malaysia to further benchmark itself against other Asian countries for standards of corporate governance practice, enforcement and implementation of CG and also identifying the challenges lying ahead. Papers and case studies presented were very relevant and comprehensive, reflecting surveys and practical experiences in corporate governance reforms of various participating countries.

Moving forward, the Roundtable also identified several issues to be considered for further discussion in the next Asian Roundtable. These include the boardroom guide, regulatory quality and corporate governance of SOEs, equitable treatment of shareholders, investor education and the role and responsibilities of investors. The CEO of MSWG also highlighted the need to look at investors' role and protection, particularly the rights and protection of the minority shareholders.

The Roundtable meeting was very fruitful as we were able to learn from the experiences of other countries' efforts in corporate governance reforms. The meeting has also given us some insights into activities that could be undertaken by MSWG to improve corporate governance reforms in Malaysia. We were also able to share information on similar activities undertaken by MSWG, for example, conducting the corporate governance survey/rating of companies and areas that could be improved.

On the sidelines of the Roundtable meeting, MSWG has also been approached by the International Corporate Governance Network (ICGN) to consider taking a lead in the development of rights and protection of minority interests at the regional level.

Prepared By:

Noraida Maria Mohd Hatta

Senior Manager, Client Services Division

Minority Shareholder Watchdog Group (MSWG)