

Code for institutional investors launched

> Adopt its six principles in interest of good corporate governance, says MSWG

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KUALA LUMPUR: Institutional investors should apply the Malaysian Code for Institutional Investors in the interest of their beneficiaries, despite it being voluntary, said the Minority Shareholder Watchdog Group (MSWG).

“A good take-up and application of the code by institutional investors will encourage good governance and long-term sustainability of their investee companies,” MSWG chairman Tan Sri Dr Sulaiman Mahbob (pix) said at the launch of the code here on Friday.

The Malaysian Code for Institutional Investors is a code and set of best practices collectively developed by Malaysia's largest institutional investors. MSWG was appointed by the Securities Commission to lead this initiative and a steering committee to drive the development of this code.

The six principles of the code are disclosing policies on stewardship, monitoring investee companies,

engaging investee companies, managing conflicts of interest, incorporating sustainability considerations and publishing voting policy.

The adoption of the code's principles by institutional investors demonstrates their intent towards good corporate governance.

By providing a framework for collective action, the code enables institutional investors to have a cohesive voice in engaging companies on issues such as board governance and accountability as well as transparency and sustainability.

MSWG CEO Rita Benoy Bushon said institutional investors are custodians of huge funds and it is upon them to ensure that investee companies are performing.

“We hope to see all institutional investors becoming signatories. It's not difficult for them to adhere to those principles. It's about disclosure and transparency,” she told reporters.

Starting from 2016, signatories to the code are expected to report annually on their application of the principles of the code in their website, annual report or in other publicly accessible documents.



An institutional investor council will be established as a platform to discuss stewardship matters undertaking the oversight role of monitoring the take-up and application of the code.

Securities Commission chairman Datuk Ranjit Ajit Singh said in the UK, for example, almost 90% of all public equity is held by institutions.

The institutional public equity shareholding in Malaysia is 83% with domestic institutions making up over three quarters.

The release of the code puts Malaysia alongside several advanced economies including the UK and Japan, which have recognised the need to inculcate sound stewardship practices in listed companies by leveraging on the ability of institutional investors to effect meaningful change in their investees through active engagement and setting a benchmark for other investors.

For example in Japan, its signatories on the first list consist of 127 institutional investors, including all major domestic institutional investors and 50 foreign institutional investors.