



The Observer

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CEO's Message

A Busy Year for MSWG



As 2010 draws to a close, I am looking back and reflecting on all of the exciting and beneficial work that MSWG has undertaken over the year. Several highlights include:

- Hosting a meeting on Privatisation and Corporate Governance of State-Owned Enterprises in May 2010, organized by the Organisation for Economic Cooperation and Development (OECD) in partnership with the Government of Japan.
- MSWG became a Securities Industry Development Corporation (SIDC) approved training provider, with the ability to offer continuing professional education (CPE) programmes for the benefit of Capital Markets and Services Representative License (CMSRL) holders
- The opening of MSWG's Training Centre, in November 2010, as a venue for our Investor Education programmes.
- The successful Malaysian Corporate Governance Index 2010 Awards Dinner, which was held on 14 December 2010 at the Renaissance Hotel, Kuala Lumpur, and attended by over 500 representatives of corporate Malaysia.
- The launch of MSWG's Independent Directors Pool (IDP) service which provides Malaysia's PLCs with access to a pool of qualified, professional individuals from which they can select independent directors for their boards.

As busy as MSWG was in 2010, our work continues unabated into the New Year. In the first quarter of 2011, MSWG will be releasing the full findings of the MCG Index 2010. We are also partnering with the International Corporate Governance Network (ICGN) on their mid-year conference in Kuala Lumpur scheduled for February 28 to March 2, 2011. The focus of the conference is on economic growth in Asia and its implications on corporate governance. Debates and prominent speakers will cover topics such as Asian IPOs, Related Party Transactions, stewardship codes, and much more. We will also be launching our revamped website, providing users with a new look and an easier to navigate interface.

On behalf of the Board and staff of MSWG, I would like to take this opportunity to wish you all a very Merry Christmas, and a safe and Happy New Year.

Cheers...

Rita Benoy Bushon

Direction Setters: MSWG Board

Chairman: Tan Sri Abdul Halim Ali



Tan Sri Abdul Halim Ali was appointed Chairman of MSWG on 10 April 2001. Upon his graduation from the University of Malaya in 1966, he joined the Ministry of Foreign Affairs and served on several diplomatic missions overseas. This included ambassadorial appointments to Vietnam and Austria. He was appointed Chief Secretary to the Government of Malaysia in 1996. Tan Sri Abdul Halim served as Chairman of the Employees Provident Fund (EPF) from 2001 until 2007. Currently, Tan Sri Abdul Halim is the Chairman of Malaysia Building Society Bhd, Malakoff Corporation Berhad, University Technology Malaysia and Multimedia Development Corporation Sdn Bhd. He also sits on the Boards of ESSO Malaysia Bhd and IJM Bhd.

Director: Tan Sri Dato' Lodin Wok Kamaruddin



Tan Sri Dato' Lodin Wok Kamaruddin was appointed Director of MSWG on 5 November 2001. Tan Sri Lodin graduated from the College of Business Administration, University of Toledo, Ohio, USA with a Bachelor of Business Administration and Masters of Business Administration. He is currently the Chief Executive of Lembaga Tabung Angkatan Tentera (LTAT). Prior to joining LTAT in 1982, he was with Perbadanan Kemajuan Bukit Fraser as its General Manager from 1973 to 1982. He has extensive experience in general management and fund management.

Tan Sri Lodin is the Chairman of Boustead Heavy Industries Corporation Berhad and 1Malaysia Development Berhad. He also sits on the Boards of Affin Holdings Berhad, Boustead Holdings Berhad, Boustead Plantations Berhad, Boustead Properties Berhad, UAC Berhad, Affin Investment Bank Berhad, AXA-AFFIN Life Insurance Berhad, Johan Ceramics Berhad, the University of Nottingham in Malaysia Sdn Bhd, Boustead Petroleum Marketing Sdn Bhd, Boustead REIT Managers Sdn Bhd, Boustead Naval Shipyard Sdn Bhd, Boustead Petroleum Sdn Bhd and Atlas Hall Sdn Bhd.

Director: Dato' Larry Gan



Dato' Larry Gan was appointed Director of MSWG on 20 July 2005. He is a Fellow of the Association of Chartered Certified Accountants, and a member of the British Institute of Management, the Malaysian Institute of Accountants, and the Institute of Management Consultants. He was appointed as an Independent Director of Tanjong plc in May 2005. He retired in December 2004 from the Global Accenture organisation, a leading management and technology consulting firm. He spent 26 years with the firm - 16 years as a partner - and held many global leadership roles. He was the managing partner for Malaysia from 1989 to retirement, managing partner for ASEAN (1993-1996), managing partner for Asia (1997-1999) and managing partner for Corporate Development, Asia Pacific (1999-2002). Between 1997 and 2004, he was a member of the Global Management Council, and sat on the many global management committees governing partner admission, and rewards and compensation. Dato' Larry Gan sits on the Board of Redtone International Berhad, Cuscap Berhad, Ambank (M) Berhad, Tien Wah Press Holdings Berhad, AMDB Berhad, AmIslamic Bank Berhad, and Saujana Resort(M) Berhad. He has also served as Chairman of the Association of Computer Industry Malaysia (PIKOM), as a member of the Copyright Tribunal and on the Labuan International Financial Exchange Committee.

Director: Mr. Philip Koh Tong Ngee



Mr. Philip Koh Tong Ngee was appointed Director of MSWG on 2 June 2005. He graduated with a Bachelor of Laws Degree (LL.B) (Hons) from University of Malaya and holds a Masters of Laws Degree (LL.M) from the University of London. He also holds a Masters of Arts Degree (Theology) from the Australian Catholic University. Mr. Koh is a member of the Private Sector Advisory Group International Finance Corporation/World Bank. He was a visiting Fulbright Scholar attached to Professor Oliver Hart of Harvard University, Economics Department in 1999. Mr Philip Koh commenced his legal career in 1980 and is currently senior partner of Messrs Mah, Kamariyah, & Philip Koh. He served in the EXCO of the Federation of Public Listed Companies and is currently an Adviser to the Malaysian Institute for Corporate Governance and a member of the Corporate Law Reform Committee. He served as member of Ethics Committee which looked into the IFAC Code of Ethics for the Malaysian Institute of Accountants and also as a member of Ethical Advisory Panel of Ethical Fund Maybank. Mr. Koh was also a member of the Kuala Lumpur Stock Exchange Audit Sub Committee from 2002 to 2004.

Director: Datuk Abdul Aziz Ismail (alternate director to Tan Sri Dato' Lodin Wok Kamaruddin)



Datuk Haji Abdul Aziz Ismail was appointed as the Alternate Director to Tan Sri Lodin Wok Kamaruddin on 5 November 2001. He is currently the Deputy Chief Executive of LTAT, a post he has held since 8 January 2001. He graduated from Eastern Illinois University, USA with a Master of Business Administration. He also holds an Advanced Diploma in Information Systems from Canberra University Australia on a Colombo Plan Scholarship. In 1993, he attended the Advanced Management Programme at Wharton University of Pennsylvania, USA and participated in the INSEAD Advanced Management Programme at Fontainebleau, France in July 2005. During his initial years with LTAT, he was the Assistant Chief Executive of LTAT heading the Administration and Finance Division.

Datuk Haji Abdul Aziz was appointed as the General Manager for Ex-Serviceman Affairs Corporation (PERHEBAT), a subsidiary corporation of LTAT from January 1995 till December 2000. Prior to joining LTAT, he was a Senior Auditor attached to the Auditor General's Office of Malaysia from 1977 to May 1985. He sits on the Boards of Affin Fund Management Berhad, Affin MoneyBrokers Sdn. Bhd., DKSH Holdings (Malaysia) Berhad and Ketengah Jaya Sdn. Bhd.

Director: Encik Nor Hizam Hashim



Encik Nor Hizam Hashim was appointed Director of MSWG on 2 December 2009. He graduated from the University of Western Australia with a Bachelor of Commerce. He is a Chartered Accountant by profession. Between 1975 to 1981, he was employed as an accountant and financial analyst in ESSO Malaysia Berhad. From 1982 to 1985, he served as the Financial Controller in a subsidiary of the Unilever Group before joining Raleigh Berhad as General Manager (Finance) in 1986. From 1988 to 2003, he held various senior management positions in Telekom Malaysia Berhad (TM) group of companies. Among senior positions held were as Chief Financial Officer of Telkom South Africa and CEO of TM International Corporation, as well as board member of several TM subsidiaries.

Director: Puan Rita Benoy Bushon

Puan Rita Benoy Bushon was appointed MSWG's Chief Executive Officer on 1 January 2009 and became a Board Member of MSWG on 18 May 2009. She holds an MBA from Henley Management College (1993) and has an Honours Degree in Economics (Statistics) from UKM (1984). She served the Employees Provident Fund (EPF) for 23 years since 1984 in various senior executive positions and

was the Head of Private Equity and Equity Research until her optional retirement in 2007. She was a founding director of MSWG from 2001 until 2007. She was a non-executive director in KFC Berhad from 2003 to end 2007. She was also a non-executive director in Land & General Berhad from 2003 to end 2006 and re-designated as the executive director from December 2006 to August 2008. She is currently on the Ethics Standards Board of the Malaysian Institute of Accountants. She is also a member of the Corporate Governance Working Group Committee and a member of the International Corporate Governance Network's (ICGN) Shareholder Responsibilities Committee (SHREC).

Global Developments in Corporate Governance

Collective Shareholder Engagement or Acting in Concert?

Shareholders often have common concerns and issues when it comes to corporate governance practices and how these practices might affect the value of their investments. Acting together, through collective shareholder engagement, is often the most efficient and effective way of expressing concerns and getting attention and action.

The line between collective shareholder engagement and acting in concert is a somewhat blurred one. Generally, acting in concert occurs when shareholders commit themselves to a common action to try and gain, keep, or strengthen control over corporations. But even if shareholders come to a decision to act together on certain issues, there are some questions as to whether the issues are related to control of the company. Unfortunately, there is no harmony or consensus regarding the rules surrounding acting in concert, so this creates some legal uncertainty for shareholders seeking to engage with corporations on a collective basis.

Shareholder advocates suggest that discussions and agreements among shareholders about submitting slates of board candidates to represent their interests should not be assumed to be acting in concert. The coordination of shareholders that are exercising their voting rights on issues of importance should not also be considered acting in concert. Shareholder advocates agree that collaboration should respect rules and laws regarding acting in concert, but that enforcement of the rules should not be done in a way that inhibits reasonable collaboration or constructive dialogue between shareholders.

MSWG would like to know what you think about the issue of collective shareholder engagement. Send us a letter or email and share your thoughts with us.

Corporate Governance Developments in Malaysia

Malaysia has made significant strides in improving corporate governance standards over the past decade. Major overhauls and enhancements were made to laws, regulations and codes in 2007 to strengthen the regulatory framework of the capital market. Additional reforms and initiatives have been undertaken since then to ensure that Malaysia's corporate governance framework and practices remain strong to protect the integrity and credibility of the country's capital markets.

Reforms since 2007

Action was taken in 2009 and 2010 to provide additional protection to investors. The Capital Markets & Services Act (CMSA) passed by Malaysia's parliament in 2009 gave the Securities Commission the ability to take effective enforcement action against errant directors and officers of PLCs and their related entities. Section 317A of the CMSA gave SC the ability to take enforcement action against anyone who does anything (or causes anyone else to do anything) that would intentionally create a wrongful loss. Section 320A of the CMSA made it an offense for directors and officers to influence preparers or auditors to cause financial statements to be false or misleading. Hefty jail terms of 10 years and fines of up to RM10 million were included as deterrents. Sections 368 and 371 of the Act

made it an offense to falsify or destroy the books or accounting records of a PLC or its related entities.

Another development in 2009 was the launch of the Unified Board and ACE Market by Bursa Malaysia. Listing rules and processes were streamlined to create clarity and certainty, shorten a company's time to market, and lower regulatory costs. The listing requirements for national and foreign companies were also amalgamated.

Malaysia recently established the Audit Oversight Board (AOB) with the goal of strengthening the independent oversight of auditors. The AOB assists the SC in overseeing the auditors of PLCs and helps to protect the interests of investors by ensuring that audited financial statements are reliable and of high quality. The AOB registers auditors of PLCs and monitors as well as inspects these auditors to ensure their compliance with ethical and professional standards. Auditors who do not meet these standards can be sanctioned. As a result of the establishment of the AOB, Malaysia was admitted to the International Forum of Independent Audit Regulators in September 2010. The AOB is only the second body in ASEAN to be admitted to the Forum.

New and Ongoing Initiatives

Work is under way to establish the Securities Industry Dispute Resolution Centre (SIDREC). The purpose of the Centre is to provide a forum where the small monetary claims of investors against members of the securities and capital markets industries can be resolved through mediation and other dispute resolution mechanisms.

The latest revision to the Malaysian Code on Takeovers and Mergers was undertaken in 2010 and published recently. The revised Code enhances overall transparency, protects minority investors, boosts structural rigidity and lubricates the administrative workings of the Malaysian capital market framework.

Bank Negara Malaysia has developed the Financial Institutions Directors' Education (FIDE) programme for directors of banks and financial institutions. The Malaysian Alliance of Corporate Directors (MACD) was formed to promote strategic corporate performance, best practices in corporate governance and the development of directors with a high level of entrepreneurship.

The Institute of Internal Auditors Malaysia is currently revising its publication, "Statement on Internal Control: Guidance for Directors of Public Listed Companies", which was issued in 2000.

Following the Prime Minister's 2011 Budget announcement, a task force led by the SC is developing a framework for the establishment of private pension funds.

A new five-year corporate governance blueprint is expected to be released in 2011. An International Corporate Governance Consultative Committee (ICGCC), has been formed to obtain feedback on corporate governance trends and developments, recommend policies and advise on key focus areas.

MSWG's Initiatives

Through its analyses of issues of concern to shareholders and its attendance at the General Meetings of PLCs, MSWG has been proactively engaging with the Boards and management of PLCs on issues related to financial performance, corporate governance and corporate social responsibility. MSWG also actively encourages minority shareholders to play their role in ensuring that Boards and Management are running the business in the best interest of the company.

Another of MSWG's initiatives has been the creation of the Independent Directors' Pool (IDP). The purpose of the pool is to increase and complement the existing pool of independent directors available to PLCs in Malaysia. The IDP service matches qualified individuals interesting in serving on boards, with PLCs looking for such individuals.

MCG Index 2010 Awards Held 14 December 2010

MSWG Celebrates Excellence in Corporate Governance

The Malaysian Corporate Governance Index 2010 Awards Ceremony was held on 14 December 2010 at the Renaissance Hotel Kuala Lumpur. The event, attended by over 500 leaders and representatives from Malaysian PLCs, was an occasion to recognize corporate governance achievements during the year. The Guest of Honour for the event was Deputy Finance Minister YB Senator Datuk Dr. Awang Adek Hussein, who delivered the evening's Keynote Address and presented the Awards to the winners.

Awards were presented in the following categories:

- ✓ Corporate Governance Hall of Fame
- ✓ Top Three Overall
- ✓ Distinction
- ✓ Industry Excellence (various sectors)
- ✓ Top Small Cap Company
- ✓ Most Improved Company
- ✓ Special Transparency
- ✓ Most Diverse Board
- ✓ Best CSR
- ✓ Best Conduct of AGM
- ✓ Most Prompt AGM

The list of the Top 100 Companies was announced during the event, along with Special Mention of companies that had achieved an "A" rating

More information on the Awards Ceremony and the MCG Index 2010 can be found on [MSWG's website](#).

Photo: Deputy Finance Minister YB Senator Datuk Dr. Awang Adek Hussein presenting the Corporate Governance Hall of Fame Award to Tan Sri Dato' Sri Tay Ah Lek, Managing Director of Public Bank Berhad. Also in photo: Tan Sri Abdul Halim Ali (Chairman, MSWG) and Puan Rita Benoy Bushon (CEO, MSWG).



MSWG Delivers Successful Investigative Audit and Forensic Accounting Seminar

Over 60 people attended the Investigative Audit and Forensic Accounting Seminar at MSWG's Training Centre on 25 November 2010. Delivered by Mr. Prabhat Kumar, Senior Consultant with Alliance FA (M) Sdn Bhd, the seminar provided participants with insight into methods used by investigators to detect financial statement fraud and recognize various tricks and means used to deceive investors and regulators. In their feedback to MSWG, participants told us they appreciated the use of relevant case studies to illustrate and reinforce the concepts presented during the seminar.

Earn Continuing Professional Education (CPE) Points at MSWG Seminars and Workshops

MSWG now an SIDC-approved training provider

MSWG was recently approved as a training provider by the Securities Industry Development Corporation (SIDC). As an approved training provider, MSWG can now offer CPE points to Capital Markets Services Representatives License (CMSRL) license holders participating in MSWG programmes approved by SIDC.

MSWG Training Centre Available for Events

MSWG's Training Centre is available for rental to groups during times when it is not being used for MSWG's investor education events. The Centre can comfortably accommodate up to 50 people in a classroom or seminar setting and comes complete with an audio video system allowing for computer-based presentations.

For additional information, including availability and rates, please call MSWG at 603 2070 9090.

Save The Date for Upcoming Events!

Lessons from the Investment Gurus: Learning From Benjamin Graham and Warren Buffett

Our first Investor Education Programme event of 2011 will be held 26 January 2011 at MSWG's Training Centre. Speaker Mr. Ooi Kok Hwa, Managing Partner of MRR Consulting, a Chartered Financial Analyst, and SC-licensed financial advisor, will be providing programme participants with insight into the investing philosophies and principles used by two of the most successful investors: Benjamin Graham and Warren Buffett. At the end of this full-day programme, participants will be able to:

- 1) Understand the key differences between value and growth investing.
- 2) Adopt and modify the investment philosophies and principles for investing in the Malaysian market.

- 3) Analyse the past performance of the Malaysian market from the perspective of value and growth investing strategies.

The cost to attend is RM470. MSWG subscribers can take advantage of a 30% discount, while members of MSWG's Independent Directors' Pool and group registrations of 3 or more receive a 10% discount. Additional information on the Programme will be available on MSWG's website during the first week of January 2011.

International Corporate Governance Network (ICGN) Mid-Year Spring Conference (Kuala Lumpur, 28 February to 01 March, 2011)

The ICGN will be holding its Mid-Year Spring Conference at the Shangri-La Hotel, Kuala Lumpur, from February 28 to March 1, 2011. The event is being hosted by the Employees Provident Fund (EPF) of Malaysia, with MSWG as its premier partner. For more information, please visit the [Conference webpage](#) on the ICGN website, or contact:

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Feedback or Questions?

We would love to hear from you with feedback or questions on this newsletter, or about any aspect of our work. You can reach us by **phone** at 603-2070-9090, by **fax** at 603-2070-9107, or by **email** at watchdog@mswg.org.my.

The MSWG Board, Management, Staff, and Associates would like to wish everyone a very Merry Christmas and a Joyous and Prosperous New Year!

