

MINORITY SHAREHOLDER WATCHDOG GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia – Company No. 524989-M)

The Edge Financial Daily– 16 January, 2014 (C)

SC, MSWG issue consultation paper on code for institutional investors

by **Charles Yong**

KUALA LUMPUR: Apart from economic considerations, institutional investors should invest in a way that promotes corporate governance and sustainability, such as board diversity, board independence, business ethics, employee benefits and environmental impact.

Such is the aim of the Malaysian Code for Institutional Investors 2014 that the Securities Commission Malaysia (SC) and the Minority Shareholder Watchdog Group (MSWG) yesterday issued a joint consultation paper to seek public feedback on the draft code.

The code advocates the adoption of standards that goes beyond the minimum prescribed by regulations, and institutional investors

are encouraged to be signatories, said the paper.

“They should explain how they have complied with the eight principles in the code. They are allowed to determine the best approach to adopting the principles, as there is no ‘one size fits all’ approach to stewardship.”

Signatories are expected to report annually on the application of each of the principles. The effective date for reporting is Jan 1, 2015. If there is non-observance of a principle, signatories are expected to provide explanations.

Under the eight principles, institutional investors should:

- Disclose the policies on their stewardship responsibilities. Stewardship includes the responsible management and oversight of assets.

- Monitor their investee companies. Monitored areas should include key risk areas, leadership, and quality of company reporting, for example.
- Engage with investee companies as appropriate. This is typically an extension of monitoring and arises when institutional investors have understanding of the specific circumstances of the investee company and identify concerns about its performance, governance or risk management.
- Adopt a robust policy on managing conflicts of interest which should be publicly disclosed.
- Incorporate corporate governance and sustainability considerations into the investment decision-making process.
- Publish a voting policy. Institutional investors are also encour-

aged to disclose a summary of their voting activities.

- Consider acting collectively with other investors where appropriate, such as when there are issues affecting basic shareholder rights and governance, or when there are risks threatening to destroy significant shareholder value.
- Engage in the development of relevant policies and best practices.

The formulation of the code follows recommendations in the SC's Corporate Governance Blueprint 2011 and is in line with global governance developments to promote responsible investments by institutional investors. Such investors, according to the paper, are major players who can exert significant influence over their investee companies.