



The Securities Commission. Self-governance will take a bigger and more proactive role as espoused in the Corporate Governance Blueprint 2011

Driving boardroom stewardship

Combined efforts from minority shareholders can be a considerable force for positive change



By Rita Bonny Bushon
Chief Executive Officer,
Minority Shareholder
Watchdog Group (MSWG)

WITH the launch of Malaysia's first-ever Institutional Investors Code we can soon witness our country's further progress on regional corporate governance. Self-governance will take a bigger and more proactive

role as espoused in the Corporate Governance Blueprint 2011. This will help to further develop the local corporate governance landscape.

When combined efforts come from minority shareholders, both large and small, it can be a considerable force for positive change. Minority shareholders can and will be able to influence and drive performance and accountability at board level, driving long-term sustainable shareholder value.

I have seen numerous cases, here and abroad, where active share ownership yields significant benefits. Examples include having a strong influence over how companies behave, the improvement of management systems and processes or the forging of lasting Environmental, Sustainability

and Governance (ESG) standards and reporting.

The collaborative and consensual environment we live in now means engagement with public policymakers is increasingly seen as an integral part of active ownership. Additionally, this drive towards shareholder activism should be used as an opportunity for institutional investors to begin a dialogue with investee companies on broader governance matters.

And I would like to add this with a measure of caution: We do not wish to see the institutional shareholders getting involved in their investee companies' operational and business strategies nor telling them how to run their business. Their domain expertise is in portfolio management and to play an oversight role as stewards.

Thus, it is imperative for institutional investors being custodian of other people's money to be transparent on how they conduct their own affairs. A universal set of best practice principles on how they conduct themselves is thus codified so that the ordinary people on the street understand how their monies are protected. Also the investee companies need not second guess their institutional investor's mind. This can be achieved by increasing company

dialogue, managing potential conflicts and incorporating solid governance and sustainability considerations into the decision-making process.

The code, while voluntary, exhorts the institutional investor to become signatories so that commitment is shown and to engage in the following six principles as enshrined:

- A clear disclosure of policies relating to stewardship responsibilities;
- Active monitoring of investee companies;
- Meaningful, regular engagements with investee companies;
- Robust policies on managing publicly disclosed conflicts of interest;
- Incorporating corporate governance and sustainability considerations into investment decision-making processes; and
- Published voting policy

Given that the application of the code is still being discussed, its adoption among institutional investors in Malaysia is expected to take some time. After nine months of its launch, there are only six signatories to the code. We hope to see our own asset owners as signatories.

Ensuring widespread adoption among institutional investors is the task of the institutional investors themselves. This is hardly an insurmountable challenge, given the enormous benefits on hand, such as the sustained delivery of long-term value to stakeholders and clients.

We are encouraged to see some recent examples where minority shareholders have chosen to take a much more active role in some of their investments.

One recent case was Perak Corp's active involvement in the competing and differing bids (by Amin Halip Rasip and Tenaga Nasional) for its stake in Integrax Bhd. Another such example is Tanjung Offshore, where minority shareholders have raised concerns over, and initiated investigations into irregularities.

The intervention by minority shareholders in these two cases and the ensuing media attention have introduced important precedence into how companies should conduct themselves.

Greater transparency leads to increased responsible company behaviour and ultimately, more value creation.

By collaborating with various market stakeholders, minority shareholders will be able to promote correct and proper business practices that will in turn encourage responsible investment, contributing to well-functioning and legitimate markets: a win-win situation for all concerned. **FOCUSM**