



# The Observer

Issue #1-10 / 01 November 2010

## CEO's Message

Welcome to MSWG's newsletter, **The Observer!**



As part of MSWG's efforts to increase awareness of corporate governance matters, I am pleased to launch this **monthly newsletter** for the benefit of MSWG's subscribers. I hope that the information presented in this issue will be useful to you. We will be refining our newsletter over time to better reflect your needs and interests, and I would encourage you to [send us an email](#) with your suggestions on topics and content for future issues.

I would like to introduce this first issue by sharing some information with you on the history and role of MSWG.

MSWG is recognised as a professional organisation, and possesses a Capital Market Services License issued by the Securities Commission Malaysia. MSWG was founded in July 2001 by five major institutional shareholders in Malaysia. The objective was to provide institutional shareholders (who are normally minority shareholders) a platform to advocate for good corporate governance in their investee companies.

The [Capital Market Development Fund \(CMDf\)](#), a trust fund that supports the development of Malaysia's capital market, took over the responsibility for funding MSWG in 2005. In 2009, MSWG began looking at ways of generating its own revenue as part of its efforts to supplement funding provided by the CMDf.

As for MSWG's role, we promote awareness of good corporate governance through shareholder activism and engagement. Good corporate governance is a shared responsibility, and we believe that all players must do their part to ensure that professionalism and discipline (be it self-discipline, market discipline, or regulatory discipline), are adhered to. The use of corporate governance best practices must become the cornerstone of conduct at PLCs.

MSWG provides minority shareholders, both institutional and retail, with a platform to act as one. It encourages them to speak with a common voice to ensure they are not sidestepped or disenfranchised. We believe that shareholder-driven moves can alleviate boardroom complacency to unlock long-term value. We also believe that a vigilant watchdog will encourage positive behaviour among PLC boards, helping to create sustainable, long-term value for all shareholders.

Cheers...

**Rita Benoy Bushon**

# Global Developments In Corporate Governance

## "Compliance Governance" versus "Strategic Governance"

In the 2010 issue of "Client Memo", published by [Sodali](#), company chairman John C. Wilcox suggested that a shift from "compliance governance" to "strategic governance" would be the next step in the evolution of the relationship between companies and their shareholders. Compliance governance, in its basic form, assesses how well a company's governance practices comply with identified best practices in corporate governance. It relies on the results of comparisons to external benchmarks and checklists, and is a reaction to investor concerns. Strategic governance on the other hand, integrates an awareness of governance issues into the corporate mindset with regard to performance, long-term value creation, and strategic business decision-making. It is a proactive means of addressing investor concerns.

Any shift from one type of governance to another at the corporate level will have implications for both companies and shareholders alike. Corporate boards will have to explain more about their business goals and their conduct inside the boardroom. This will require them to improve their communication with shareholders. Shareholders and their advisors will no longer be able to rely on standard analytics to determine a company's compliance with corporate governance. Instead, they will need to increase their knowledge of individual companies and their cultures and behaviours. The shift may also have implications for institutional investors, which may be pressed to examine their own governance regimes and incorporate governance criteria into their own investment decisions.

For a more in-depth discussion of the topic, see Wilcox's article [From Compliance Governance to Strategic Governance](#), published by the Conference Board in January 2010.

## South Africa Develops Draft Stewardship Code for Institutional Investors

The Committee on Responsible Investing by Institutional Investors in South Africa has developed a [Draft Code for Responsible Investing By Institutional Investors in South Africa](#). The Draft Code recommends the adoption of four principles by Institutional Investors:

Principle 1: An institutional investor should incorporate Environmental, Social, and Governance (ESG) considerations into its investment analysis and activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries.

Principle 2: An institutional investor should demonstrate its ownership approach in its investment arrangements and activities.

Principle 3: Where appropriate, institutional investors should consider a collaborative approach to promote acceptance and implementation of the principles of this Code and other codes and standards applicable to institutional shareholders.

Principle 4: Institutional investors should be transparent about their policies, how the policies are implemented, and how the Code is applied, to enable stakeholders to make informed assessments.

If adopted, South Africa would be the only country - besides the United Kingdom - with such a Code for Institutional Investors.

## MSWG Subscriber Services

MSWG offers a Subscription Service providing access to key information to help minority shareholders make informed decisions about their investments. Services available by subscription include the following:

1) Monitoring of MSWG's pool of public-listed companies (PLCs). MSWG will provide the following documents prepared by its analysts, who specialise in matters relating to corporate governance issues:

- MSWG Letters to PLCs
- Replies from PLCs
- Pre-AGM Reports
- Post-AGM/EGM Reports

2) Online access to the MSWG Tracker service, which provides detailed information on PLCs, including:

- Corporate Action on all PLCs
- My Watchlist Alerts
- 10-year Financials of PLCs
- Benchmarking by Sub-Sector for Comparison

3) Online access to the Malaysian Corporate Governance Index, compiled and released annually by MSWG.

4) Information on conglomerates and groups of companies.

5) Complimentary copies of MSWG publications and seats at MSWG events.

6) Discounts on MSWG publications and attendance at MSWG events.

7) Priority booking for MSWG events.

Additional information, including Subscription Forms, is available on the [MSWG website](#).

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## MSWG Online Discussion Forums

We invite you to participate in MSWG's online Discussion Forums. The forums are a great way to post questions, comments, provide feedback, and discuss issues of interest and importance to minority shareholders. MSWG will also answer your questions about the work that our organisation does. The forums are moderated, so posts are screened before they are added to the forums. This ensures that discussion takes place in a dignified and respectful manner.

To begin posting, simply sign up at the MSWG Discussion Forums webpage at:

<http://www.mswg.org.my/forum/index.php>

## Minority Shareholders Learn Their Rights

MSWG's latest Investor Education Program seminar, entitled "**Minority Shareholders' Rights, Oppressions, and Remedies**", was held on 18 October 2010. The full day seminar, delivered by Dr. Jayati Roy, provided participants with practical knowledge to help them understand their rights and the legal provisions and remedies available to protect them against oppression at the hands of majority shareholders.



(above: Dr. Jayati Roy observes group discussions)

The event was held at the University of Nottingham's Teaching Centre in Chulan Tower, Kuala Lumpur. Participants included a mix of PLC directors, legal staff, and company secretaries.



(above: participants engaged in lively discussion)

## Upcoming Investor Education Seminar: "Investigative Audit and Forensic Accounting"

**Coming up on 25 November 2010!**

Mark this date on your calendar and plan to attend MSWG's upcoming Investor Education seminar dealing with **Investigative Audit and Forensic Accounting**. This seminar will provide participants with insight into some of the methods used by investigators to establish the facts or determine modus operandi in fraud investigations. Some practices may appear innovative but are generally based on centuries-old accounting tricks meant to fool auditors and investors. The seminar will help investors to detect them on a timely basis.

The seminar will be facilitated by Mr. Prabhat Kumar, Senior Consultant, Forensic & Investigative Accounting Services, with Alliance IFA (M) Sdn Bhd. The event will take place at the MSWG Training Centre located at MSWG's corporate offices. A fee of RM470 will be charged to attend the seminar. Special discounts will be given to MSWG subscribers, and for group bookings.

For more information or to register, please [download an Event Brochure / Registration Form in PDF format](#).

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## Save The Date for Upcoming Events!

### Malaysian Corporate Governance Report 2010 - Index and Findings (Kuala Lumpur, 14 December 2010)

We invite you to the unveiling of MSWG's **Malaysian Corporate Governance Index 2010** on 14 December 2010 at 7:30pm. Additional details regarding the venue and programme will be available on the MSWG website starting 14 November 2010.

### 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 ICGN website](#) or contact:

Ms. Lya Rahman  
General Manager, Corporate Services, MSWG  
Phone: 603 2070 9090  
Email: [lyarahman@mswg.org.my](mailto:lyarahman@mswg.org.my)

Ms. Tina Chande  
Head of Events, ICGN  
Phone: +44 (0) 20 7612 7093  
Email: [tina.change@icgn.org](mailto:tina.change@icgn.org)

## Future Newsletter Topics

MSWG is planning future newsletters around the following topics:

- The People Behind MSWG
- Corporate Governance
- Related-Party Transactions
- State-Owned Enterprises
- Corporate Governance Index
- Independent Directors
- AGMs / EGMs
- Mergers and Takeovers
- Privatisations
- Selective Capital Repayment
- Share Buy-Backs

If you have suggestions for items that you would like to see included in future issues, please [send us an email](#).

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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](mailto:watchdog@mswg.org.my).