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**MSWG****MINORITY SHAREHOLDER WATCHDOG GROUP****Badan Pengawas Pemegang Saham Minoriti Berhad**

Incorporated in Malaysia \* Company No. 524898-M

# The Observer

**Issue #14-12****27 April 2012**

## MESSAGE FROM THE CEO



We successfully conducted one of our signature seminars, “**Corporate Governance - The Competitive Advantage**”, on 16 April 2012. We were pleased with the response to our seminar, and noted that participants consisted mainly of directors and senior management from public listed companies. In their evaluation of the event, participants rated the seminar “above average”.

Issues discussed during moderated panel sessions at the seminar included, among others:

- i) the findings from MSWG’s Malaysian Corporate Governance Index 2011.
- ii) areas for improvement in CG practices among Malaysian PLCs.
- iii) the challenges of CG scorecards and how they provide value to stakeholders.
- iv) the sharing, by independent directors, of information on their roles and how their contribution adds value to their companies.
- v) the opportunities and challenges faced by small and mid-cap companies in adopting CG best practices.

Key seminar takeaways were:

- i) that scorecards do indeed provide vital information on a company’s corporate governance and CG practices.
- ii) independent directors add value to companies.

In other news...

Enter the PRS, or Private Retirement Scheme.

This is a welcome move.

As the nation matures, PRS - in theory - should provide a deeper and wider variety of retirement schemes to cater to different segments of contributors. With central governance, it could also offer much-valued choice. It is anticipated that the PRS will also add more depth and variety to our capital markets.

We also welcome the recently announced plans by the Audit Oversight Board to implement remediation plans, responding to calls to improve the overall quality of audit work. And deservedly so, since the AOB (which oversees the auditors of public-listed firms) audits over 98 per cent of the market capitalisation of public-listed companies, and 86 per cent of the total number of Malaysian PLCs.

In other words, the AOB's work is critical in capturing potential breaches early, thus reducing the potential of losses to minority investors.

In the same vein, after a recent assessment of the accounting and auditing environment in Malaysia, the World Bank has concluded that there ought to be changes in how the Malaysian Institute of Accountants (MIA) is governed.

The report on the observance of standards and codes noted, among other things, that the Institute's governance structure and lack of resources were "posing some challenges". The report focused on accounting and auditing standards and practices in corporate Malaysia, as well as the institutional framework that underpins the corporate financial reporting system. These twin thrusts should see further improvement in auditing standards.

Separately, and over the next few days, our analysts will be attending the AGMs of many consumer-focused stocks, which should hopefully give our subscribers some insight as to the health of our Malaysian economy.

On 30 April 2012, we shall also be attending the AGM of Silver Bird Group Berhad, where hopefully too, some clarity will be offered on the recent issues surrounding the company's accounts.

Regards...

*Rita*

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## MSWG's Quick Take on Ongoing Corporate Transactions

**Bintulu Port Holdings Berhad (BIPORT):** An interesting resolution put forth by the BIPORT board for consideration at the Company's upcoming AGM raises some concerns and a **RED FLAG**. The Board has, under *Resolution 9*, recommended to shareholders to approve a retirement benefit/gratuity for all of the Company's directors. This is on top of the present directors' fees, meeting allowances, and other benefits and reimbursements enjoyed by board members in carrying out their duties.

### Special Business

*"Resolution 9 – To approve Directors' Retirement Benefit/Gratuity for Bintulu Port Holdings Berhad Group"*

If approved by the shareholders, the proposal will cost the Company RM832,800 based on the formula of 20% of the last approved Directors' fees, multiplied by the number of years of service for each director.

**MSWG's Comment:** Notwithstanding the rationale, merits and grounds stated and considered by the board in the "Explanatory Notes", the proposal raises some corporate governance concerns/issues.

Presently, all board members have already been compensated for their responsibilities and time through the payment of directors' fees and meeting allowances. In addition, other incidental expenses and insurance benefits in the course and performance of their duties were also well taken care of by the Company.

As for gratuity payments, these are normally provided as compensation to long-serving Executive Directors, for retirement purposes. Non-Executive Directors are not Executive Directors of companies.

BIPORT's proposal to further compensate and reward directors **without** differentiating between Executive and Non-Executive Directors must also take into consideration the policy issues relating to the existence and role of the Non-Executive Directors vis-a-vis the Executive Directors. Blurring the separate roles, where the Non-Executive Directors play more of an oversight and governance function versus the Executive Directors, could compromise the "check and balance" aspect of corporate governance.

Non-Executive Directors, especially Independent Directors, should not participate in any form of these types of incentives. They should, however, be paid a fee commensurate with their roles and responsibilities, and based on the company's size of operation.

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## On MSWG's Watchlist...

**Esso Malaysia Berhad (ESSO):** On 25 April 2012, Esso announced that the closing date for acceptance of the Offer has been further extended from 30 April 2012 to 14 May 2012 ("Final Closing Date"). The Offeror does not intend to extend the Final Closing Date. The level of acceptance of the Offer as at 25 April 2012 is 69.66%, of which 1.57% is subject to verification. The increase from the earlier offer closing date was 4.66%, indicating that not many additional shareholders had accepted the offer.

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## Local News and Developments

### [Malaysia is not afraid of IMF scrutiny](http://www.btimes.com.my/Current_News/BTIMES/articles/rup250b/Article/index_html)

[http://www.btimes.com.my/Current\\_News/BTIMES/articles/rup250b/Article/index\\_html](http://www.btimes.com.my/Current_News/BTIMES/articles/rup250b/Article/index_html)

### [Malaysian Institute of Accountants needs to change](http://biz.thestar.com.my/news/story.asp?file=/2012/4/23/business/11155783&sec=business)

<http://biz.thestar.com.my/news/story.asp?file=/2012/4/23/business/11155783&sec=business>

### [US trade chief sees Malaysia as investment magnet](http://www.btimes.com.my/Current_News/BTIMES/articles/20120425003809/Article/)

[http://www.btimes.com.my/Current\\_News/BTIMES/articles/20120425003809/Article/](http://www.btimes.com.my/Current_News/BTIMES/articles/20120425003809/Article/)

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## Global News and Developments

### [UK financial watchdog calls for better corporate governance](http://www.efinancialnews.com/story/2012-04-25/uk-financial-watchdog-calls-for-better-corporate-governance)

<http://www.efinancialnews.com/story/2012-04-25/uk-financial-watchdog-calls-for-better-corporate-governance>

### [Study finds company boards focus on compliance, not better governance](http://www.livemint.com/2012/04/24215227/Studyfindscompany-boards-foc.html?atype=tp)

<http://www.livemint.com/2012/04/24215227/Studyfindscompany-boards-foc.html?atype=tp>

### [James Moore: Corporate rules flouted by the cosy club at the top of SABMiller](http://www.independent.co.uk/news/business/comment/james-moore-corporate-rules-flouted-by-the-cosy-club-at-the-top-of-sabmiller-7670614.html)

<http://www.independent.co.uk/news/business/comment/james-moore-corporate-rules-flouted-by-the-cosy-club-at-the-top-of-sabmiller-7670614.html>

### [Banks falling behind on corporate governance, Sants](http://www.ftadviser.com/2012/04/24/regulation/regulators/banks-falling-behind-on-corporate-governance-sants-6WXgDizg6qgRYhHifJuEaK/article.html)

<http://www.ftadviser.com/2012/04/24/regulation/regulators/banks-falling-behind-on-corporate-governance-sants-6WXgDizg6qgRYhHifJuEaK/article.html>

### [SAB brews corporate governance row](http://www.guardian.co.uk/business/niels-pratley-on-finance/2012/apr/23/corporate-governance-row-sabmiller)

<http://www.guardian.co.uk/business/niels-pratley-on-finance/2012/apr/23/corporate-governance-row-sabmiller>

### [Early filings show enhanced transparency around corporate governance practices](http://www.marketwatch.com/story/early-filings-show-enhanced-transparency-around-corporate-governance-practices-2012-04-23)

<http://www.marketwatch.com/story/early-filings-show-enhanced-transparency-around-corporate-governance-practices-2012-04-23>

### [At Facebook, Zuckerberg Poised for Corporate Governance Crash Course](http://www.foxbusiness.com/business-leaders/2012/04/20/zuckerbergs-crash-course-in-corporate-governance/#ixzz1t8ZybSdk)

<http://www.foxbusiness.com/business-leaders/2012/04/20/zuckerbergs-crash-course-in-corporate-governance/#ixzz1t8ZybSdk>

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