

MINORITY SHAREHOLDER WATCHDOG GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

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

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Malaysia's corporate governance scores show improvement

PETALING JAYA: Malaysia's scores for the corporate governance macro category have improved in four out of five areas while the overall score rose three percentage points to 55% in 2012 from 52% in 2010.

Sharing the fourth position with Japan among the 11 capital markets surveyed, Malaysia has made progress since Corporate Governance (CG) Watch 2010, according to Asian Corporate Governance Association and CLSA Asia-Pacific Markets who produced the CG Watch 2012.

In the report, it said: "The Government has taken a long-term view and the securities regulator has published a five-year Corporate Government Blueprint last year that covers everything from shareholder rights, the role of investors and board governance to the role of gatekeepers and intermediaries."

Companies seem to be taking

more interest in improving corporate governance practices while it could be due to pressure from regulators to be more transparent and improve on governance culture.

CG culture saw the greatest improvement this year with a rise of six percentage points from 32% in 2010 to 38% in 2012, mainly moved by initiatives from companies.

Awareness increased among corporations, including small, medium enterprises of the importance that shareholders followed CG practices including the need for transparency, the need to answer questions at meetings and to be seen as responsible corporate members, it said.

Under the CG rules and practices category, the score rose three percentage points to 52% this year as both financial and non-financial reporting standards have improved. It said Malaysia was one of the few

markets in Asia that completed a major overhaul of corporate governance code this year.

Another area which also increased three percentage points was political and regulatory environment which saw a new five-year Corporate Governance Blueprint published by the Securities Commission (SC) in 2011, pushing it to 63%.

Enforcement was one of the scopes that improved marginally by one percentage point to 39%. Some of the improvements included the role of Minority Shareholder Watchdog Group took to voice out for retail investors and the regulators' announced amendments to the listing requirements on the privatisation of listed companies through disposal of assets.

The only unchanged area is IGAAP (accounting and auditing).

It remained at 80% as a more sciep-

tical view was taken of account preparation, audit quality and audit regulation across the region, it said.

While there was considerable effort by big firms to improve reporting practices, it also noted that the consistent quality of auditing among external was challenging.

Factors that could downgrade the rating included no evidence of improvement in regulatory enforcement, absence of improvement in the quality of audit and no improvement in the way votes were counted at shareholders meetings.

Scoring could be enhanced should the Government and companies give better disclosure in annual reports, start voting by polls in meeting, provide director trainings for listed companies, disclose enforcement actions on the SC and Bursa Malaysia websites and audit annual results within 60 days.