

## Rita Benoy Bushon

Minority Shareholders Watchdog Group CEO answers ...

## Your 10 questions

**1** Why did you take up the position at Minority Shareholders Watchdog Group (MSWG)? What was the driving factor(s)? *Mohd Husairy, PJ*

I had a passion to contribute towards the development of the capital market and am very aware of the environment I am in. But I had a strong belief that we can eventually be the leading nation with good corporate governance practices if all players were to put in the extra effort.

I had the right skills-set in corporate matters and the knowledge about markets, being in the investment industry for many years while in the EPF. Also my experience as a board member in two public-listed companies in Malaysia and one in the United States, gave me first-hand knowledge from the inside on what were the strengths and weaknesses of practices in our boards, rules and regulations and the capital market as a whole.

More importantly, I had a supportive board that was willing to give me the opportunity to make these changes and lend me a hand in the process.

**2** Aside from lawsuits, have you received threats for upholding the rights of minority shareholders? *Azlan Bakir, Perlis*

At MSWG we have been exposed to lawsuits. We have no real protection under the law and are still at risk of our work being interrupted by legal action. We hope to be given certain protection so that we can discharge our duties effectively, perhaps under the whistle-blowing provision.

If there are issues where the law is breached, we will inform the relevant authorities for them to take up the necessary actions. If it is a corporate governance issue involving a code of best practice, we will normally bring it up with the company's board through our questions at company meetings or during our engagement process. If a corporate proposal is deemed not in the interest of minorities we will vote against the resolution and get the support of all minorities to do so.

**3** What else can the local regulators do to safeguard minority shareholders without stifling the growth of capital market? *Jon Lee, Ipoh*

Currently Bursa Malaysia takes up breaches in listing requirements and imposes a fine or reprimands, the Companies Commission Malaysia for breaches in the Company's Act, the Securities Commission for breaches in the Capital Market and Securities Act and the police for criminal acts. There are many overlapping areas which need coordinated efforts so that effective enforcement actions can be taken. I believe a one-stop centre for enforcement need to be looked at to address this issue.

One other area which may warrant some changes is the timeliness of disclosures of corporate information to shareholders. Shareholders need sufficient time to review annual reports and documentation, understand the issues, and weigh the pros and cons of proposals in



order to consider their position in advance of company meetings of shareholders.

Another area which may warrant a review is the requirement for an independent report on "Risk Management". A comparison between industries in the banking and finance sector vis-a-vis other sectors reveal the disparity and approach taken by companies on risk management report.

**4** As a woman yourself, how do you view calls for more board seats allocated to women? *Why? Leong Hee Seng, PJ*

As the highest decision making level in a company overseeing management who are experts in running the day-to-day activities of the company, the board has a fiduciary responsibility to act in the best interest of the company such as appointing the right CEO. I believe that diversity at board levels in terms of expertise, geography, ethnicity and gender brings about better decision-making. Thus, I am very encouraged as regards to the call by the Government to have more women on boards. I do not think it is unreasonable for society to expect that corporate boards should be representative of the population and customers that they serve.

Since most nominations of directors tend to come from existing board members, and since over 90% are men, it's not surprising that they might tend to recommend those in their network, who normally are fellow men.

Without some impetus to get people looking beyond what already exists in the boardroom, things are not likely to change. So the Government's recent policy is a good catalyst to get people to talk about the issue and create channels to bring more women onto corporate boards.

For MSWG's part, we have established an Independent Directors Pool that public-listed companies can access when looking for independent directors to serve on their boards.

**5** What is your view on the fact that many major shareholders often disregard the rights or views of minority shareholders, either in AGMs or when deals are done in favour of the majority shareholders? *Bulbir Singh, Seremban*

Sometimes deals are in favour of majority shareholder or controlling shareholders to the detriment of minority shareholders, especially when companies are taken private and other corporate proposals where the price offered to the minorities is not fair or reasonable. If they had been reasonable in their dealings, they would have the support of their minorities easily. Investors too would give a premium to such shareholders and buy into their shares.

Another way in which deals are done in favour of the majority shareholders is through their appointment of independent directors. Majority shareholders can nominate and vote on independent directors, and these directors can become aligned to the interests of the majority. Since one of the few avenues of safeguarding minority shareholder interests is through the oversight by independent directors, these minority shareholders who depended on their professional views are now disadvantaged.

What MSWG can do is to vote against such independent directors and influence the rest of the minorities to do so but they may still be voted in by the majority shareholders.

We hope that the regulators will look at having qualified, profes-

sional independent directors to be slated on every board which comes from a qualified repository or having a minority slate similar to one that is practised in Italy so that only shareholders with shareholdings below 2% can vote on the appointment of these independent directors.

**6** In light of the recent merger and acquisition exercises, what regulations need to be strengthened to ensure that minority shareholders are looked after? *Samantha Lee, Kajang*

As far as privatisation exercise and take-overs the issue is whether the offer price is fair and reasonable. This really depends on independent valuations, the method of valuations and the assumptions used which must be transparent and based on full disclosure.

The regulators must look at independent advisors to be appointed not by the company but by a body promoting minority interest like the MSWG so that they act in the interest of all minorities.

**7** How would you like to see corporate Malaysia develop in the next decade? What changes need to take place? *Ricky Cheng, Penang*

We would like to see companies really embracing corporate governance principles, complying not just in form but also in substance. This would set the foundation for self-governance and market discipline to play a bigger role in protecting our capital markets so that a less regulatory approach is required.

We hope to see Malaysian companies become good corporate citizens by adopting a sense of corporate responsibility with respect to the environment, the marketplace, and other areas touched by their operations.

**8** What else do companies need to do to make information on the company's running more transparent and accessible to minority shareholders? *Ahmad Ridzuan, Perak*

Although much information is currently available to minority shareholders, companies must ensure that the information is of high quality, that it is timely, and that it is easy to understand. These are all hallmarks of transparency in disclosure and will move companies forward from mere compliance to conformance with good corporate governance principles. This level of transparency can be accomplished easily by companies making more information available to shareholders through their websites.

**9** What are your thoughts on a possible move by the local regulator to reduce quarterly reporting to half yearly? *Why? Ruben Thana, PJ*

Although there are both pros and cons to moving from quarterly reporting to half-yearly reporting, our benchmark is and will continue to be the minority shareholders and their situation in the equity markets. Since quarterly reports are virtually the only snapshot that minority shareholders have into a company's health, this is reason

enough to maintain the reporting frequency. We would, however, welcome a half-yearly audit review to provide minority shareholders with some additional useful information.

**10** Since you came on board, what would you say is (are) the most significant achievements of MSWG in terms of upholding the cause of shareholder activism? *Sarah KL*

Over the past three years, I have seen a greater awareness of corporate governance among Public Listed Companies (PLCs). We see companies and major shareholders becoming more and more aware of minority-shareholder rights and the interest in protecting them for increased shareholder value. I like to add that many PLC Boards and CEOs are becoming more transparent in their dealings and willing to embrace good corporate governance practices.

Our efforts seem to have borne fruit as we have seen the level of corporate governance increase from 2009 to 2010 through our Malaysian Corporate Governance Index. The Index provides a measure of corporate governance conformance, performance and practices.

We have also been able to influence our policymaker to include changes in the legislation to address provisions that were detrimental to minority shareholders for example the 75% approval level for mergers and acquisitions and privatisation via the asset liability route, hitherto 50%. Since 2009 we have been advocating certain principles for better practices such as tenure limits for independent directors, poll voting for corporate proposals, limits on the number of directorships in PLCs, and the participation of more women on boards.

We also see that, Malaysia is on the radar of more foreign fund managers. It certainly speaks to the progress that Malaysia has made in the area of corporate governance in recent years.