

MINORITY SHAREHOLDER WATCHDOG GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia – Company No. 524989-M)

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BY Cindy Yeap

David Webb is Hong Kong's champion of shareholder activism while South Korea's Jang Hasung advocates greater governance in a country dominated by chaebols or family-controlled corporations. Coming to her third year as Malaysia's face of minority shareholder advocacy, Rita Benoy Bushon, CEO of the Minority Shareholder Watchdog Group (MSWG), would not liken herself to Webb or Jang but says retail and institutional minority shareholders here are none the worse.

Though compared with the Australian Shareholder Association, which also sends representatives and raises issues at shareholder meetings, "there is no other MSWG anywhere in the world", says Bushon, referring to its legal set-up and the degree of independence enjoyed because it is funded by the Capital Market Development Fund (CMDf). Essentially, MSWG need not count on monetary support from the companies it watches, thus freeing it to do its job. "The MSWG model is being looked at by several countries in the region now. People ask us how we work because we're unique."

Yet Bushon longs for an even greater level of independence for

the watchdog. A drawback to its current structure is its founding members — Lembaga Tabung Angkatan Tentera, Lembaga Tabung Haji, Permodalan Nasional Bhd and the Social Security Organisation — which have nominees on MSWG's board. This is because they are interested parties, given their investments in the equity market.

But more than self-sufficiency in funding is Bushon's desire for MSWG to be able to "put its money where its mouth is".

"I would love for MSWG to have a corporate governance dedicated fund, in which anyone who believes in corporate governance can participate and see returns after perhaps two to three years," Bushon tells *The Edge*, pointing out that MSWG's measure of good governance includes delivering performance. "Corporate governance and performance go hand in hand. We believe shareholder value will emanate from well-governed companies.

"It should be a closed-end fund; US\$100 million would be enough to close it. That would turn MSWG into something of an institutional investor that invests based on corporate governance principles."

Income generated from the closed-end fund could help MSWG be self-funded in the long run, she adds.



PATRICK GOH/THE EDGE

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Wouldn't the need to generate profits for the fund distract MSWG from focusing on minority shareholder interests and promoting corporate governance through shareholder activism?

"No, generating returns through research and corporate governance principles is what the Malaysian

Corporate Governance (MCG) Index is about. The index is for anyone who believes corporate governance is important," says Bushon, 52, who was with the Employees Provident Fund for 23 years and was head of private equity and equity research before opting for early retirement in late 2007.

"We'll put our money where our mouth is. It has not been done before but that could drive a lot of positive elements. We can hire professional fund managers to do it, but MSWG will come up with the universe of stocks," she says, adding that the plan would need to be approved by the CMDf, among others, and all parties would need to be satisfied that there is no conflict of interest. "We have to manage not just behaviour but also perception. I don't want MSWG to be perceived as conflicted."

The groundwork for the fund has been laid with the MCG Index already in its third year, although the paperwork for its inception has not begun. Last Wednesday, MSWG released the third annual instalment of its top 100 list of companies measured by corporate governance, best practices, quality of disclosure, financial sustainability and corporate responsibility efforts. And the methodology can be replicated and expanded to cover Asean countries

and, in turn, create a universe of corporate governance-fit stocks for both retail and institutional investors here and abroad.

On the findings of the MCG Index, Bushon acknowledges that many companies have, over the years, become smarter about meeting corporate governance requirements in form rather than substance, but points out that the bar also keeps getting higher with greater awareness.

"Regulation is the minimum. Everything extra is best practices and everyone knows where the bar is. Companies are getting smarter, so those who stay where they are may find themselves relegated to a lower position. Twenty new companies came into the index this year, 20 had to go out. And it is not that easy to score because we don't just award marks for compliance but also deduct points where there is non-compliance [with principles in Securities Commission Malaysia's corporate governance blueprint]."

Among other things, Bushon was particularly pleased with the y-o-y drop in the number of companies that have independent non-executive directors serving for more than 12 years. "They resigned voluntarily. The percentage fell to 12.5% this year from 25.5% in 2010," she says,

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