MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
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MSWG aims to be the eyes of the unseen, voice of the unheard

BY **LIEW JIA TENG**

The Minority Shareholders Watch Group (MSWG) has long been a steadfast advocate of transparency and fairness in Malaysia's corporate landscape, particularly for minority shareholders who often find their voices overshadowed by larger interests.

At the helm of this minority shareholder protection group is Dr Ismet Yusoff, who took over as CEO six months ago. In an exclusive interview with *The Edge*, Ismet shares insights into his journey so far, the organisation's evolving role and the pressing issues facing corporate governance in Malaysia.

"We strive to be the eyes for the unseen and the voice for the unheard. Our goal is to enhance transparency and advocate for minority shareholders through detailed analysis and activism," he says.

Ismet acknowledges the foundation laid by his predecessor, Devanesan Evanson, but stresses that there is no unfinished business to speak of. "This is very much like a torchbearer in the Olympics. So, you pass the torch from one to another. And we can just continue running and make sure that the flame continues. And that's what we plan to do."

Ismet was appointed as the new head of MSWG in March, replacing Devanesan, who retired after helming the organisation for six years until December last year.

MSWG, formerly known as Minority Shareholder Watchdog Group, was set up in 2000 as a government initiative to be part of the broader capital market framework to bring about awareness primarily on minority shareholder interest and corporate governance matters through shareholder activism and engagement with stakeholders.

A self-governing and non-profit professional body licensed under the Capital Markets and Services Act 2007, MSWG is funded substantially by the Capital Market Development Fund (CMDF).

Under Ismet's leadership, the organisation aims to not only continue to be a crucial player in protecting minority shareholders from unfair practices, but also push the boundaries of corporate governance, focusing on emerging challenges like environmental, social and governance (ESG) standards and shareholder engagement in the digital age.

Ismet graduated from International Islamic University Malaysia where he wrote a doctoral thesis on the effect of corporate governance and capital structures on the performance of Malaysian public-listed companies (PLCs).

His 14-year stint with Securities Commission Malaysia (SC) commenced in September 2009. Starting as an executive, he rose to become assistant manager of the corporate governance unit, markets and products department in September 2012. His last role in the SC was assistant general manager of corporate governance department, market development, from May 2022 to August 2023.

For Ismet, moving to MSWG was a natural transition, given his extensive experience at the SC and his prior collaboration with MSWG. "It's been an interesting journey. I'm blessed to be a part of this role and to have a supportive team. MSWG is not alien to me. My background with the SC involved close collaboration with MSWG, so I was already familiar with its impact on the capital market and minority shareholders."

At the SC, Ismet was heavily involved in policy development, which provided him with the groundwork needed for his current position. "My previous role focused on policy development, particularly around governance and sustainability. I was involved in advancing guidelines and regulations like the guidelines on conduct of directors and of listed corporations and their subsidiaries, various amendments to Bursa Malaysia's listing requirements and the Malaysian Code on Corporate Governance."

MOHD SHAHRIN YAHYA/THE EDGE

Ismet: My motivation to join MSWG was to champion ESG issues on a more hands-on level. I wanted to see the impact on the ground and work directly with companies to influence change and protect minority rights.

At MSWG, he is taking a more hands-on approach to ensuring those policies are properly implemented and effectively protect minority shareholders.

Ismet's drive to focus on ESG issues has been a motivating factor in his transition from policy-making to active advocacy. "My motivation to join MSWG was to champion ESG issues on a more hands-on level. I wanted to see the impact on the ground and work directly with companies to influence change and protect minority rights."

One of the significant challenges MSWG faces under Ismet's leadership is ensuring that shareholders' meetings remain a platform for genuine shareholder engagement. While the Covid-19 pandemic pushed many companies to hold virtual general meetings, the format has persisted, raising concerns about transparency and shareholder participation.

"We've observed that many companies still hold fully virtual meetings (about 70% of the 529 meetings we attended in 2023 were in virtual format), which often leads to shareholder concerns being ignored," says Ismet.

He points out common issues, such as cherry-picking favourable questions and cutting question and answer (Q&A) sessions short, which undermines interaction between the board and shareholders.

MSWG has been vocal about the need to regulate the format of general meetings, and the group is encouraged by the regulatory moves that was announced at end-August that the PLCs will no longer be allowed to hold virtual-only shareholders' meetings beginning March 1, 2025.

"It is heartening to see that the SC and Bursa Malaysia took heed of our concerns, and we welcome recent regulatory moves to stop fully virtual formats as we believe it can undermine shareholder engagement," Ismet elaborates.

Pushing for fairness in privatisation deals

Another area of concern is the trend of providing steep discounts in privatisation deals. One such example is MPHB Capital Bhd (KL:MPHBCAP), where the offeror proposed to take the company private at a 48% discount to its revalued net asset value (RNAV). MPHB major shareholder Casi Management Sdn Bhd — the private vehicle of low-profile tycoon Tan Sri Surin Upatkoon's family — made an offer to privatise the company via a selective capital reduction (SCR) and repayment exercise at RM1.70 per share.

For Ismet, this sets a worrying precedent. MSWG advocates for stricter regulations to ensure fairness in these privatisation offers. "We suggest that regulations should ensure offers are fair before being put to a vote. When it comes to privatisation and voluntary delisting, we believe the offer should be fair and reasonable, then only should the board (of directors) table it for resolution in shareholders' meetings," he says.

However, Ismet acknowledges that shareholder interests vary, which can influence how they perceive the fairness of such offers. "It's always about the individual shareholders' interests. What might seem unfair to one could be seen as an opportunity by another. The concept of 'fair and reasonable' should guide these decisions, ensuring that at least the offer is equitable when it's being tabled."

MSWG's advocacy for fair and reasonable offers has been a key focus for some time, especially with new rulings in Singapore prompting further discussion on this issue in Malaysia. "Our push for fair and reasonable offers isn't new; it has been evolving since earlier privatisations," Ismet notes.

While MSWG has yet to formally approach regulators with this concept, recent public forums have shown alignment on the need for a more robust discussion on fair and reasonable offers. "During a recent public forum, there was clear alignment on the need to discuss and consider fair and reasonable offers. This is a step forward, particularly for regulators to consider," he says.

Looking ahead, MSWG has ambitious plans to expand its coverage and deepen its analytical capabilities. Currently, the organisation monitors 450 companies, representing 80% of Bursa Malaysia's market capitalisation.

"We have about 20 staff, including nine analysts. We plan to expand MSWG's coverage and enhance our analytical capabilities. We plan to increase our coverage to 500 companies and consider expanding the team of analysts from nine to fifteen," Ismet shares.

MSWG is looking to leverage technology, including artificial intelligence (AI), to improve the efficiency and effectiveness of its analysis.

Concerns about frequent fund-raising exercises

One of the ongoing concerns MSWG continues to address is the frequent issuance of new shares through placements and rights issues by PLCs. This practice often leads to the dilution of minority shareholders' interests. "Even now, there are a lot of PLCs that frequently issue new shares through placements and rights issues. Most of it is to meet some special funding requirements, like acquisitions, working capital, or debt payments," Ismet observes.

While the issuance of new shares is sometimes justified, he points out that some companies use these mechanisms for questionable purposes, such as rewarding specific individuals within the company. "We've observed instances where it's done for specific individuals in the company, which we question. We also see some companies giving it to independent directors, which we are against and vote against."

Frequent share issuances, especially through private placements, can erode the value of minority shareholders' stakes in the company. "The frequent issuance of private placements is very detrimental to minority shareholders because it causes dilution. If they keep doing it, it affects us more and more," Ismet says.

He also emphasises the importance of independent directors in safeguarding the interests of minority shareholders. "They must fulfil their fiduciary duties by thoroughly evaluating board proposals and ensuring that transactions are in the best interest of all shareholders."

Another issue that MSWG frequently raises is the increasing remuneration of directors and CEOs, even when the companies they lead are making losses. Ismet suggests that remuneration, especially in the form of bonuses and share issuance, should be closely aligned with actual performance, rather than future potential.

"The justification for high bonuses and shares often relies on future performance, but if the results aren't immediate, the rewards should be delayed until the contributions materialise. It's crucial to align rewards with actual performance," he explains.

Moving forward, MSWG is also intensifying its efforts to promote corporate readiness in addressing climate crises and other ESG-related issues. "We need companies to address climate-related issues seriously and strategically, as these crises impact their supply chains and revenues."

Through initiatives like the National Corporate Governance & Sustainability Awards (NACGSA), MSWG assesses PLCs using various corporate governance scorecards. "We recognise the top 50 companies based on performance scoring. All assessments are done independently by MSWG. We ensure our analysis is comprehensive and free from any entry fees," Ismet explains.

Ismet remains optimistic about the group's future. "We aim to support the national ESG agenda and enhance MSWG's profile. This involves moving beyond traditional analysis to focus more on ESG principles, strengthening our outreach, and leveraging data to advocate for change."

The group's work, as evidenced by its recent handling of the conflict-of-interest issue with Sapura Resources Bhd (KL:SAPRES), demonstrates its growing influence in the corporate governance space.

To recap, Sapura Resources had in July last year signed a non-binding conditional heads of agreement with RoyalJet LLC for the proposed disposal of its entire stake in Sapura Aero Sdn Bhd.

RoyalJet reportedly was planning for Asian expansion through the potential acquisition of Sapura Resources' aviation business at Sultan Abdul Aziz Shah Airport (LTSAAS) in Subang. In December 2023, it was reported that Explorer Group Sdn Bhd and RoyalJet had signed a memorandum of understanding to collaborate on private flight operations based at LTSAAS.

What raised eyebrows was the fact that Sapura Resources managing director Datuk Shahriman Shamsuddin was a shareholder and executive director of Explorer Group.

Eventually, Sapura Resources acknowledged potential competition if Explorer Group, in partnership with RoyalJet, entered the hangarage, ground handling, aircraft management, and private jet maintenance, repair and overhaul (MRO) sectors. As a result, Shahriman has been asked to abstain from managing its aviation business.

"We raised a conflict-of-interest issue regarding Sapura Resources. The company has announced changes to address this, and we will continue to monitor the situation," Ismet notes, adding that this case highlights MSWG's ability to hold companies accountable. E