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FOREIGN INVESTMENT

FOREIGN INVESTORS NEED TO CHANGE PERCEPTIONS ABOUT MALAYSIA

KUALA LUMPUR, March 22 (Bernama) -- Foreign investors should change their perceptions about Malaysian companies including the capital market as the country is much better than some of its neighbouring economies in terms of corporate governance, the president of the Federation of Public Listed Companies, Datuk Megat Najmuddin Khas, said today.

"Corporate governance in this country is okay...a minority of companies may not be okay in terms of corporate governance, but there are so many good companies out there," he told reporters during a seminar on Corporate Governance in the Unit Trust Industry here.

The one-day seminar was jointly organised by Malaysian Institute of Corporate Governance (MICG) and the Federation of Malaysian Unit Trust Managers (FMUTM).

Some of the good companies are Sime Darby, Maybank, Public Bank and Petronas Dagangan, he said.

Megat Najmuddin said: "Why are they focusing on the handful of companies that got this aberration in regard to corporate governance?"

He also added that he agreed with Prime Minister Datuk Seri Dr Mahathir Mohamad who had said that foreign investors should be focusing entirely on the corporate governance issues.

Echoing the same sentiment at the seminar, president of FMUTM, Datuk Abdul Azim Mohamad Zabidi, said that if poor corporate governance was the case for Malaysia's stock market performance then, "There was poor corporate governance all over the world because Nasdaq has fallen, Wall Street has fallen and Tokyo has fallen.

"Surely corporate governance was not the key factor in the fall of the Composite Index of the stock exchange," he said.

The Kuala Lumpur Composite Index has been hovering between the 640 and 700 points level this week.

Megat Najmuddin said the current sluggish performance of the KLSE was related to the worldwide bearish sentiment mainly brought on by the slowdown in the American and Japanese economies.

Asked whether other fund managers like the Employees Provident Fund (EPF) needed corporate governance, Megat Najmuddin said: "Definitely corporate governance is needed everywhere especially when you are dealing with other people's money. You have to exercise prudence, due diligence and the highest standard of responsibility, irrespective of whether you are government or non-government."

The government bodies must exercise high standards because they are the role models, he added.

Megat Najmuddin pointed out that the EPF was also subjected to the Auditor General's scrutiny where the standard of auditing was very high and that it was also accountable to Parliament.

Asked about the rights and interests of minority shareholders, Megat Najmuddin said the concept of independent directors was very important as that would ensure representation for the interests of all the stakeholders and not just the minority shareholders.

He added, "Whatever companies do now affects all of us. Whatever the water company does in Selangor it would affect all of us who drink the water. The same thing for TNB (Tenaga Nasional Bhd). Although we are not the shareholders, we have an interest (in what happens) because it would affect our lives."

Meanwhile, Azim said that there was a need to improve some existing structure and laws with regards to minority shareholders.

He said some unit trust management companies were also minority shareholders in some companies where they own one or two percent of the company's stake but not substantial enough for them to have board representation or vote.

This has to be changed so that the unit trust management companies as well as other fund managers can vote in a company's annual general meeting, he said.

He added that the EPF had been mandated to form a minority shareholders watchdog committee and hoped that it would be formalised, launched and operational this year. He said this would pave the way for further improvement in corporate governance. -- BERNAMA

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