

Corporate governance often ignored by GLCs

Dr M: We need to know if they are conforming

KUALA LUMPUR: There is a higher level of awareness of corporate governance but for many government-linked companies (GLCs), corporate governance is very often ignored, according to Tun Mahathir Mohamad.

"I have been looking at some of the GLCs. I find it difficult to identify. We need to know more about GLCs to see if they are conforming to our needs of corporate governance," the former prime minister told reporters after officiating the Corporate Governance Summit 2009 themed *Truth, lies and corporate governance* yesterday.

"I don't know how they make some

of their decisions," he said. Earlier in his opening address, Mahathir said government power was often used to steamroll decisions and to brush aside the interests of others.

"Requisitions are made not through proper bids but by the assumption of the Government's power. The private sector finds itself at a disadvantage.

"Some are made to surrender shares without due compensation. Others are denied access to projects as the GLCs arbitrarily assumed rights not provided for. Then the GLCs may actually fail to implement the projects they have taken over," he said.

This disregard for corporate governance had led to anarchy and loss of confidence on the part of the private sector, he said, adding: "The growth of the economy cannot be stunted because of this."

Mahathir, however, prided Petronas as a corporation with a system of corporate governance that was clearly respected.

"Although it is 100% owned by the Government, the Government never interfered with the management of the corporation."

On Transparency International's suggestion that local companies reveal if they funded political parties, he said: "Political parties need funds. Without funds they just cannot function. In every country funds have to be raised by political parties. Where do we get the funds if it's not from the business people?"

"It's not a question of it happening only in Malaysia. It's happening all over the world even in Japan."

Mahathir said companies should be transparent and show in their accounts where they were spending their funds.

Meanwhile, World Council for Corporate Governance president Dr Madhav Mehra said frauds occurred because of a culture of cosiness, concealment and conceit that stemmed from the way independent directors were appointed.

"Disrupt the status quo and bring diversity in the boardrooms and the fraud would be minimised. Bring different sets of people to the board as it is the difference that creates value not conformance," he said, adding that dissent created value.

Minority Shareholder Watchdog Group chief executive officer Rita Benoy Bushon, who spoke on directors' responsibilities and duties and role of independent directors in light of recent scandals, said shareholder activism was on the rise and here to stay.

"It is an important market discipline towards better governance," she said, adding that companies with active and engaged shareholders were more likely to be successful in the long term delivering enhanced shareholders' value.