

MINORITY SHAREHOLDERS WATCH GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia – Registration No.: 200001022382 (524989-M))

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POLITICALLY LINKED COMPANIES

MSWG: Understand risks

KUALA LUMPUR: Shareholders who have invested in politically linked companies must be aware of the risks associated with the stock market as the share prices tend to fluctuate in response to political fortunes.

“We need to define what is ‘political risk’. The phrase should be elaborated to mean political intervention that is against the company’s best interests,” said Minority Shareholders Watchdog Group (MSWG) chief executive officer Devanesan Evanson.

“Shareholders’ confidence in a sector or company is a product of many considerations, one of which is ‘political risk’. As such, the absence of ‘political risk’ by itself cannot exude shareholder confidence,” he told the *New Straits Times*.

On shareholders’ sentiment and concerns with the current economic and political landscape, Evanson said certainty, in-

cluding political certainty, was good for any capital market.

“This is understandable as uncertainty does not breed confidence. With prolonged uncertainty, the market tends to drift lower. As a result, there will be concerns among investors and sentiment will be poor,” he said.

On political appointees in government-linked companies (GLCs) and the impact of the current situation on shareholders, Evanson said the Malaysian Code on Corporate Governance, issued on April 28, had guided the board of directors to be mindful of the Organisation for Economic Cooperation and Development guidelines on corporate governance of state-owned enterprises.

He said a listed company was discouraged from appointing an active politician as a director on its board.

“Going forward, we expect more GLCs to be mindful of this.”