

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

New Straits Times, Business Times – Thursday, June 2, 2022 (A)



**DEVANESAN  
EVANSON**

**INSTITUTIONAL INVESTORS**

# RISING SHAREHOLDER ACTIVISM

**P**ERMODALAN Nasional Bhd (PNB) and the Employees Provident Fund (EPF) have voted against Axiata Group Bhd's proposed acquisition of a 66.03 per cent stake in Indonesia's PT Link Net Tbk for 8.72 trillion rupiah.

Nevertheless, the resolution for the investment was carried out as the telecommunication company managed to garner 57.83 per cent of the votes at the extraordinary general meeting (EGM) on May 26.

Both PNB and EPF have their nominee directors on the board of Axiata who sit as non-independent, non-executive directors. They are considered non-independent because they are the nominees of the shareholders, i.e. PNB and EPF.

Typically, institutional investors have private audiences with the board and management of their investee companies. At such meetings, the institutional investor will highlight its concerns and displeasure on a particular course of action that an investee company intends to take — normally through a resolution at a general meeting.

And typically, if the institutional investor has a nominee director on the board of the investee company, that nominee director would have also echoed the institutional investor's concerns and displeasure. Only then does

the institutional investor exercise its vote against the resolutions proposed.

PNB disclosed how it voted at the EGM on its corporate website. EPF also disclosed how it voted at the EGM.

But what is commendable about PNB is that it disclosed the reason for its voting decision.

It said it voted against the Link Net deal because "PNB group has concerns over the proposal having an adverse impact on the financial performance of the company in the immediate term due to the potential increase in debt levels weighing on its cash flow and earnings coupled with lack of visibility on the impact of geopolitical developments on some of Axiata's international operations".

Some other institutional investors disclosed how they voted but did not give reasons. It is common to find that some institutional investors did not even disclose how they voted.

Thus, going forward, disclosing the reasons why they vote in a certain way can only be good for shareholder activism.

Then there is the question of whether an institutional investor should disclose how they are going to vote well in advance of the general meeting.

This question was posed to an institutional investor.

The reply given was that it was

their policy to hold their cards close to their chest and not indicate how they were going to vote. They prefer to spring a surprise with their vote.

Why? So that the counter-parties cannot lobby and garner votes to defeat the intention of the institutional investor. The element of surprise is a necessary strategy for some institutional investors.

Disclosing ahead the reasons for a particular voting stance can persuade other shareholders to vote accordingly if they find the disclosed rationale convincing.

In fact, the institutional investor can lobby other shareholders to vote alongside them. However, in the above case, there were no signs of such lobbying by the institutional investors having taken place.

## **BlackRock**

Contrast this with how United States investor BlackRock operates.

BlackRock is one of the world's leading providers of investment, advisory and risk management solutions.

In relation to a Malaysian public-listed company (PLC) involved in the glove business, BlackRock had stated that the board of directors of the PLC had failed to protect its workers from Covid-19.

BlackRock called for the re-

moval of the board of directors.

It cited workers' accounts of working and living conditions, the firing of the whistleblower and the virus cluster at the glove company in its criticism of the board.

It also voted against re-electing six board members at the PLC's annual general meeting.

"We view the board's ineffectiveness in Covid-19 mitigation and inadequate oversight of worker health and safety issues as especially egregious with potentially serious implications for its reputation as a supplier of such equipment to hospitals around the world," said BlackRock in a statement.

## **Better for shareholder activism**

It is refreshing that PNB has decided to voice its concerns in public when it comes to voting against a resolution.

Such an approach must definitely be good for the development of corporate governance in the capital market and for shareholder activism and transparency.

It is hoped that more institutional investors will follow suit. They have the votes to dish out effective market discipline.

The writer is chief executive officer of Minority Shareholders Watch Group

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