

**By : DATO' SRI MOHD NAJIB TUN ABD RAZAK**  
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**Title: MALAYSIAN BUSINESS CORPORATE GOVERNANCE AWARD 2003**

YBhg. Datuk Jalaludin bin Bahaudin, Chairman, Berita Publishing Sdn. Bhd.,  
YBhg. Datuk A. Kadir Jasin, Chief Editor, Berita Publishing Sdn. Bhd.,  
Board of Directors, Berita Publishing Sdn. Bhd.,  
Mr. Y.C. Lee, President The Chartered Institute of Management Accountants (CIMA) Malaysia,  
Ladies and Gentlemen,

1. The true test of the resilience of a company, as the saying goes, is its ability to withstand sudden shocks. There have been plenty of that in recent years. Sept 11, the Bali bombings, the SARs outbreak, the Iraq war and more recently the soaring prices of crude oil, have all provided challenging times to the world's financial markets.

2. Such shocks can be weathered to a large extent if a company is soundly and professionally managed. In other words, companies that adhere to good corporate governance practices will certainly be in a better position to ride out of a crisis.

3. Why shouldn't they be? Corporate governance protects minority shareholders, enhances transparency, and also helps to outline the responsibilities of the board of directors. Since it means adopting good practices, systems and processes in an organisation, it would ensure there are proper risk management, audit and internal controls.

4. Corporate governance has been gaining momentum these last few years. Today, it is no more just a buzzword or a passing fad. Rising instances of mismanagement and fraud among listed companies have put the management of companies all over the world on high alert.

5. Indeed, after Enron and WorldCom fiacos, there is now greater awareness among the regulators and corporate players on the need to adhere to the best corporate practices. This is important if we want the local bourse to attract both domestic and foreign funds on a sustained basis.

6. But, while listed companies today are governed by

Bursa Malaysia's listing requirements, companies voluntarily adopt the Malaysian Code on Corporate Governance, as what is compulsory is the disclosure on the extent of compliance.

7. What it means is that we have taken a hybrid approach. Certainly, there is wisdom to compel disclosure on such practices that are voluntary in nature so that there will be greater acceptance in the long term, as laws and compulsion alone cannot deter malpractices and corporate malfeasance.

8. Therefore, conforming to and striving for higher levels of corporate governance practices should be one of the main priorities of listed companies and their stakeholders. It requires the commitment of all. We can never be satisfied. It should only get better and better.

9. Nonetheless, the authorities have their role to play. They have, on their part, put in place the set of guidelines for companies to follow and also stepped up their enforcement efforts. These are slowly but surely bearing fruit. They have not only brought to book the perpetrators, but also put fear in the hearts of those who might be thinking of breaking the law.

Ladies and gentlemen,

10. To keep up with the changes, there have been constant reforms of the law, rules and regulations so that our legislation and standards will be higher or on par with international standards. It can be said that our Code is already at par with the best in the world.

11. But, as I've said, legislation and rules alone cannot lead to higher standards of corporate governance. There must be a sense of responsibility and integrity among the practitioners to act without fear or favour, as very often there is a tendency to ignore the usefulness of a higher standard of corporate governance. Of course, as a government responsible in creating a dynamic business environment, we have to strike a balance between stifling good entrepreneurship and nabbing the crooks. The laws are not there to hinder or obstruct business. On the other hand, these laws should be used to our advantage as a tool to become more attractive.

12. Today, directors of a company have a heavy responsibility. Their fiduciary duties, obligations and roles cannot be overstated. They have to realise the importance of updating themselves with the latest information, training and education as a means of

improving themselves and thus better serve shareholders of the company.

13. It is heartening to note that since 2001, around 3,800 directors of listed companies have undergone a mandatory accreditation programme while 2,000 directors have attended the Continuing Education Programme (CEP) implemented last year. In terms of reporting quarterly results by listed companies, there is almost 100% compliance since the ruling was implemented. For non-listed companies, the Companies Commission of Malaysia (CCM) has conducted 2,128 training programmes attended by 100,578 company directors. We must not stop here. The authorities must continue to monitor the situation and continue to introduce new legislation if need be. Seeking to better ourselves must be a continuous process. The learning never stops.

14. This is why we have recently introduced a new set of legislations. For example, it is now mandatory for auditors to report to the relevant authorities, breaches of securities laws and rules. The Securities Commission has introduced legislation to protect whistle blowers, are individuals who expose mismanagement and misdeeds, in listed companies. This will soon be followed by the CCM for non-listed companies.

15. It is important that whistle blowing must no longer be viewed with contempt. Employees who intend to blow the lid on their employers unethical practices need not worry as they will accorded protection against victimisation.

16. Another new noteworthy development is the warning against listed companies that pre-emptive action could be taken against them if they were found to have contravened securities laws. Thus, these ground breaking preventive legislations will stop the crime before the damage is done.

Ladies and gentlemen,

17. I am glad that the media is playing its role in helping promote good corporate governance practices in the country. Policing the capital markets must not be solely left to the authorities.

18. In the past, the media have highlighted instances of fraud, mismanagement, unfair business practices, market manipulation, insider trading and other corporate malfeasance. This not only helps combat these crimes, but also creates awareness among the investing public.

19. In this respect, I congratulate Malaysian Business for initiating this Corporate Governance Award and making it an annual event. I understand this is the first such award by a business publication in the country. Awards such as this will spur listed companies to attain a higher level of corporate governance.

Ladies and gentlemen,

20. The authorities will continue to crackdown on mismanagement and crime in the capital market. With some of the best legislations in place for the securities industry, enforcement will be stepped up. Last year alone, the SC charged 11 individuals for various offences and is seeking convictions for a number of pending cases this year. It has prosecuted 110 people the last 10 years.

21. The majority of the convictions in 2003 were for market manipulation, providing misleading information to the SC and misuse of funds. Examples of corporate governance-related offences included providing false or misleading information relating to proposals or dealings, fraud involving directors or management, misuse of proceeds, breach of condition of SC's approval, and trading offences involving either directors or management staff.

22. However, I am glad to note that overall, Malaysian listed companies have show improvement over the years in adhering to corporate governance standards. Similarly, this year's finalists have shown a higher adherence to best corporate practices and governance compared to last year's finalists. This is encouraging. But there is always room for improvement. We cannot be complacent. More and more investors are placing a premium on good corporate governance practices as a yardstick when deciding where to put their money. Shareholders value is achieved through greater transparency and accountability.

23. There are many areas that can be further improved. For example, we can look into the issue of remuneration of directors. Is directors' remuneration commensurate with their effort? Why is that some directors are paid seemingly exorbitant salaries and fees while the company is languishing, with unhappy minority shareholders?

24. Then, we have the continuing issue of independent directors and whom they serve. How independent are these directors if they are appointed by the controlling shareholder? Certainly, we do not want them to be mere rubber stamps hiding behind a cloak of ignorance rather than upset those who appointed them.

25. So at the end of the day, good corporate governance practices are not about having a good set of laws, rules or codes. It is also about ethics, integrity, and honesty.

26. Once again, I congratulate Malaysian Business and Berita Publishing for their efforts in helping promote good corporate governance practices.

Thank you.