

**SPEECH BY
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI
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1. I would like to thank the Kuala Lumpur Stock Exchange (K.L.S.E.) for giving me the honour of speaking here and presenting this year's corporate awards. It is a distinct privilege for me to be able to share my thoughts with the many industry leaders and corporate captains gathered here today, as we celebrate private sector excellence in the country. As leaders, your collective knowledge and wisdom, as well as your culture and mindset, will determine the future of our corporate sector. As leaders, your able stewardship of our companies will shape the nation's progress and development to first-world status.

2. Any corporate leader worth his salt will know that the road ahead will be even more difficult and demanding. The nature and degree of competition will continue to change and intensify. Globalisation, advances in science and technology, changes in investor/consumer preferences, even global politics - all these factors will change the business "rules of the game". We must be quick, nimble and flexible to meet these challenges head-on. Above all, we must develop ourselves and pursue excellence.

3. As you may be aware, I have just announced ten measures to stimulate and enhance the Malaysian capital market. These measures are a result of the partnership and cooperation between the government and industry, in the true spirit of Malaysia incorporated. These measures seek to mitigate the current global and regional uncertainties in the market - including the threat of war in Iraq. But beyond that, these measures aim to build upon our previous achievements and to push for greater quality and value, enhanced transparency and accountability, and better skills and services, in the country's capital market.

4. The K.L.S.E. corporate awards complement the measures just announced. By recognising the best-in-class companies, these awards seek to encourage better corporate governance and superior shareholder value and returns. As such, I have every confidence that the new capital market measures and the K.L.S.E. corporate awards will help foster a more vibrant and dynamic commercial environment for investors and issuers in Malaysia.

Ladies and gentlemen

5. There are many facets to advancing the capital market and corporate environment in the country. However, in the interest of time, I would like to focus upon three matters today: good corporate conduct, increased shareholder value and improved shareholder activism.

6. I believe that integrity and good conduct should be the foundation for corporate Malaysia. And when we speak of good conduct, it should be more than compliance with rules and regulations alone. Strict legal compliance is, of course, critical to the proper functioning of the market. But proper conduct involves having the appropriate people, structures, systems and processes to do the right thing - whether it involves legal requirements, or safeguarding the interests of stakeholders, society and the environment.

7. We have seen many high-profile corporate scandals overseas recently. These companies had all the right procedures in place, but they failed because of the human element. Consequently, honesty and integrity must be given the utmost priority in the governance of our companies, as excellent corporate conduct adds value, while poor conduct incurs costs. In fact, in a 2002 global investor survey (conducted by McKinsey & Co.), investors stated that they assessed corporate governance issues on a par with financial indicators in arriving at an investment decision. Investors were willing to pay a 22 percent premium for well-managed companies in Malaysia, when compared to poorly-managed ones. Indeed, for many investors, corporate governance considerations were contemplated first before they invested in companies or even countries.

8. Corporate governance also goes beyond individual companies. It is a collective responsibility. It is not enough for a handful of Malaysian companies to practice good conduct; all Malaysian companies must do so. After all, it takes only one company to destroy the credibility and confidence of the whole market; sometimes, of the whole economy. ("kerana setitik nila, rosak susu sebelanga"). Years of hard work can be undone in a flash, while it takes significant effort, time and cost to restore confidence and bring back interest and participation.

9. Stakeholders and peer companies should therefore work hard to ensure that everyone toes the line. In addition, the authorities should bring to book all offenders. We have some of the best rules and regulations for good corporate governance in Malaysia; we must give them effect by enforcing the rules without fear or favour.

Ladies and gentlemen

10. Malaysian companies should take every effort to enhance shareholder value and maximise investor returns. One of the avenues available is to consider a more attractive dividend policy. I understand that in recent times, some companies have adopted a policy of increasing dividends to make them more attractive to investors. I believe more companies should follow this lead.

11. A more substantive way of creating shareholder value is to enhance the quality of directors and management of companies. For example, the government has injected more capable, professional managers in a number of government-linked companies. We have taken the next step today by introducing a mechanism in government-linked companies whereby their management staff will be assessed against certain key performance indicators. If they consistently meet or exceed these indicators, they will be rewarded with share options. On the other hand, if they consistently fail to meet the indicators, they will be asked to leave.

12. In other words, the government has introduced appropriate measurement and reward systems to align the interests of management staff with those of shareholders. We will reward performance and dismiss for non-performance. We will encourage excellence and not tolerate mediocrity and less so, incompetence. With this move, I expect there will be renewed interest for qualified personnel to join government-linked companies. I urge other companies to adopt the same stance. We must change the mindset and relentlessly pursue performance and excellence. We cannot expect to get the best and brightest to work for us if we sting on recognition and rewards.

13. When Malaysian companies are managed effectively and profitably, the effects will be tremendous. All stakeholders - in particular shareholders and employees - will be amply rewarded. Investors will have a larger choice of high quality stocks. The economy will be spurred on to better and higher growth.

Ladies and gentlemen

14. I strongly believe that shareholders themselves should protect their own interests through improved shareholder activism. They cannot abrogate their responsibilities to others, including to the government. Only when shareholders clearly voice their aspirations and concerns can they hope to obtain better corporate governance and higher returns.

15. Shareholders should be vigilant and actively question the actions of the board and the management. The quality of shareholder scrutiny must be augmented several-fold. We should ensure that shareholder activism in the form of attending annual general meetings for the refreshments or to complain about the door gifts, a thing of the past. All investors, particularly institutional shareholders, should meaningfully play their part to ensure that the companies they invest in are compliant with the rules and are well-managed.

16. In addition, the supporting framework and mechanism for shareholder activism must be strengthened further. In particular, provisions on issues such as conflict of interest transactions, shareholder equality or protection of minority interests should be improved and enforced fully.

Ladies and gentlemen

17. I wish to once again remind those in the audience that trust and confidence are precious commodities that can so easily be lost but almost impossible to regain. We must do more to live up to the ideals of corporate responsibility and corporate accountability. We must not fail those who have invested their hard-earned savings with us in the hope of obtaining reasonable returns.

18. The K.L.S.E. corporate awards therefore recognise companies in various sectors of business which have consistently and successfully practised exemplary corporate conduct. Indeed, these awards showcase our finest companies, those that can rightly serve as examples and role models for others to emulate.

19. My heartiest congratulations go to the winners. You have worked hard and deserve all the accolades that will come your way. I hope your high standards will remain so, or even be exceeded in the years ahead. Congratulations also to the K.L.S.E. for successfully organising these awards. May these awards act as a catalyst for the creation of even more profitable and well-run companies listed on our exchange.

Thank you.