

## **Kuala Lumpur Stock Exchange Corporate Awards 2001**

Mandarin Oriental Hotel, Kuala Lumpur 5 March 2002

I would like to thank the host, Kuala Lumpur Stock Exchange for inviting me to the KLSE Corporate Awards 2001. On this auspicious occasion, we gather to celebrate the success and achievements in the effort to promote excellent corporate conduct among public listed companies.

2. I must commend the effort by KLSE and public listed companies in enhancing the standard of corporate conduct through the KLSE Corporate Awards.
3. The success of the corporate sector in Malaysia has contributed not only to the economic development of this country, but also to national development.
4. In setting the framework and policies for the on-going progress and improvement in the Malaysian corporate sector, the government also has in mind the need for the corporate sector to continue to work hand in hand with the government to achieve social, economic and national objectives.
5. Thus, it is important for the corporate sector to remain strong and responsible in order to provide the impetus and contribute towards further growth of the nation.
6. Although the corporate sector is primarily profit oriented and seeks to serve shareholders' objectives, participants in this sector must always remember that it is society and its prosperity which make their businesses possible and profitable. No good business is possible in a poverty stricken unstable society.
7. Having said that, I hasten to reassure the business community that we do not believe in a socialistic welfare state where workers are favoured and businesses are discriminated against.
8. Although the current thinking is that Governments are superfluous and that the market should be left to regulate itself, in Malaysia we still believe that Government has a role to play. The market is not free from the corruption of power if power is given to it exclusively. We have seen what happened to LTCM which nearly brought the financial state of a whole country to the brink of disaster. The Government had to move in to prevent this happening. Lately, we have the Enron case where apparently there was massive fraud and fixing of accounts. And there are other cases which make

nonsense of the belief that the markets can regulate themselves and even disciplines governments. The market needs the Government because the market is all about making profits while the Government is concerned about the well-being of the people and the country as a whole.

9. Governments too can be corrupted. But in a democratic system, Governments which are corrupted will not stay in power for long. Obviously a corruption free Government and a properly regulated and transparent private sector will give the best results; will ensure rapid growth of a country. But this is too much to expect. The Government will have to be checked by the private sector through refusal to invest and the private sector will have to endure the regulations and supervision of the Government.

10. This does not mean that the private sector should not try to regulate itself; to establish high ethical standards and to discipline the recalcitrants. The establishment of guilds in the past was intended to do this. Members were admitted only if they had a track record and were willing to subject themselves to the rules and regulations of the guilds. The granting of a Royal Charter added dignity and authority to the guilds.

11. The understanding was that the maintenance of certain standards would contribute towards business. Dealing with members of a guild would ensure reasonably fair prices and good quality. There is a cost to this of course. But in the end doing business with members of a respected guild would ensure less risk of being given a raw deal.

12. Today we do not have guilds of this nature anymore. We have chambers of commerce which are not overly concerned about ethics and high standards of behaviour among the members. In any case, the number of businesses and businessmen has grown so big that it is impossible for chambers of commerce to set standards and to oversee that good practices are maintained by the members.

13. It has become the duty of the Government to set standards and to regulate business practices. The Government is aware of the need to avoid putting corporations into straight jackets and would want to minimise regulation as much as possible. With the cooperation of the business community this can be done.

14. It is for this reason that the Government supports efforts to encourage good conduct on the part of boards of directors, corporate managers and management through conferring awards and general recognition. If these awards

are judiciously given they would help the business of the corporation concerned.

15. The last financial crisis has showed up the weaknesses and the malpractices of many public companies. Yet some companies have been so well managed that the crisis had hardly affected them. The crisis has therefore shown the importance of good management.

16. Good management can be mastered by all. It requires honesty and skills which can be easily learnt. Provided that the rules, statutory or otherwise, are religiously followed, good management should result. Unfortunately, in the market competitiveness and profitability require innovation and risk taking. The rules and standard practices may then be ignored and risks taken. Sometimes actual fraud may be committed in the belief that the return will cover the departure from acceptable practices. When there is a crisis the expected results may fail to materialise and losses would reveal the malpractices involved.

17. Supervision over management is therefore important. The internal audit, the board of directors and periodical audit by the professional accountants play a very important role in ensuring ethical management. Innovative action can still be taken but it should be in a definable way and within the regulations provided.

18. The failure of several big public listed companies following the financial crisis and economic downturn of 1997-98 has shown the importance of good corporate governance. The tycoon mentality which has contributed to the very rapid growth of some corporations and conglomerates is not necessarily bad but the management must always be in accord with good corporate governance. It is important to remember that ownership of a substantial share in a company does not mean the interest of the minority shareholders can be ignored. Together the minority share-holders may own a majority of the shares and their rights must be protected. In addition, there are workers whose welfare depends on good corporate governance.

19. The Government had stepped in to rehabilitate several major public corporations following their difficulties mainly in overcoming their loans problems. This move was castigated by the international press which labelled this as bailing out apparently mismanaged companies. If there is any bailout at all it is the bailout of the workers, the minority shareholders and the public in general. Of course now there is not so much criticism of the Malaysian Government's action. It is so easy to be critical when something happens

to others. But when the same thing happens in countries associated with the foreign press, the need for the Government to step in and rescue seems less like a bailout.

20. In a crisis even the best managed of companies will fail. Currency devaluation and the collapse of share prices cannot but affect businesses adversely. It is easy to say let the fittest survive. Let the failed businesses be gobbled up by people from countries not affected by the crisis at a fraction of the value.

21. But the loss of wealth in a crisis is real and affects the economy of the country and its future. Rebuilding an economy is not a matter of adjusting interest rate alone. A whole lot of measures has to be taken by the Government and the business community before the process of recovery can really begin.

22. But of course, good conduct on the part of the business community is not confined to good corporate governance alone. The companies and corporations must also care for the community and the environment.

23. As I pointed out companies do not exist in a vacuum. They have to operate within the society. A poor society which is unstable, given to irresponsible actions will not enable companies and corporations to thrive, much less to make profits. On the other hand a stable society which is orderly and law abiding will enable business to be done at lower costs and therefore with better profits.

24. A stable society can only be achieved if, among other things, employers are fair to their workers, and businesses do not profiteer. In addition, the stable society needs to be rewarded by companies and corporations through charitable work and support for deserving public activities.

25. I am glad that in Malaysia companies and corporations are by and large responsible and caring. They do treat their employees well and they do support deserving causes. There is never an occasion when a charity dinner for example is not fully supported and generous donations made by companies and corporations in Malaysia. Of course some foreign companies are also generous.

26. There are certain activities which need extra support. The F1 race and the Tour de Langkawi are not profitable shows and they cannot be held without support by the business community. But they are beneficial for Malaysia and for Malaysian businesses. They help bring in tourists and sports enthusiasts and obviously those in the hotel industry stand

to gain much. But more than that, these events help make Malaysia better known to the world because the events are fully covered by TV stations worldwide as well as by sporting and other publications. A one-minute advertisement on some foreign channels cost as much as RM 1 million. But the F1 and Le Tour de Langkawi are viewed by over 350 million people daily for up to 10 days. Le Tour de Langkawi really gives a tour of Malaysia's beautiful countryside, towns and cities which help dispel the negative publicity we normally get.

27. There are other events which can actually help increase Malaysia's GDP and Per Capita Income and by extension increase the profitability of Malaysian businessmen at all levels. Good companies and corporations should therefore support these events in one way or another. I am glad that in fact we have seen much support on the part of Malaysian businessmen for the numerous Malaysia-promoting events that have been held in the country.

28. The environment is another area where good companies can play a positive role in preserving and promoting. Sometimes there is a conflict between business and the care for the environment. The construction industry seems plagued with this conflict of interests.

29. In Malaysia there is a belief in the convenience of constructing on absolutely flat land. And so beautiful hills are levelled in order to fill valleys and render the site completely flat. The result is absolute monotony as rows and rows of houses are built without any care for aesthetics. What good is it to build in the highlands if you are going to chop down all the trees and flatten the land. The whole beauty of the tree-covered hilly lands would be lost. Yet we are still doing this and making Malaysia a featureless boring landscape.

30. Industries on the other hand are prone to pollute the rivers and the atmosphere. Yet with a little effort and expenditure all these can be avoided. Of course solid wastes should be properly disposed of and not dumped on empty land when no one is looking.

31. Malaysia wants to be beautiful. If it cannot always be so naturally then it must be made beautiful by deliberate effort. We want the whole of Malaysia to be beautifully landscaped. The Government expressed this wish a long time ago. I am glad that people are responding. Malaysian towns are better looking now with quite innovative landscaping. Houses in Malaysia have landscaped gardens and they even landscaped the road border in front of their houses.

32. Factories used to be built for utility only and so are buildings. But now efforts are being made to landscape the grounds and the fronts of the office buildings in the cities. We think we can do more and we think that buildings in the cities, Kuala Lumpur especially, should have floodlighting included in the building plan. This way on special occasions we can light up and enhance the attractiveness of the cities. I believe it is good for business to beautify the city and companies and corporations will profit from it.

33. Clearly there are lots of things that can be done by companies and corporations which will gain recognition for them as good corporate citizens. Corporate awards by the KLSE are meant to continuously upgrade the quality of corporations in Malaysia.

34. With better quality of corporations the country must become better and be more prosperous. And the prosperity of the country itself will contribute towards good business for the corporations.

35. Everyone stands to gain from the upgrading of the business conduct of the corporations. I would like to congratulate beforehand the recipients for the KLSE Corporate Awards for 2001. I am sure the awards will encourage the companies to improve the conduct of their business and will result in a Malaysia where business can be conducted with such confidence that it will attract more businesses. Malaysia cannot but be a most attractive place for business by both locals and foreign investors with these awards being given yearly.

36. I would also like to commend all those companies which had been nominated for the awards.

37. Thus, the KLSE Corporate Awards is a significant event in the move not only to set excellent standards in corporate conduct, but to provide models of excellent corporate conduct for Malaysian companies to follow and practise.