

SPEECH

BY

YAB TAN SRI DATO' HJ MUHYIDDIN BIN HJ MOHD YASSIN

DEPUTY PRIME MINISTER OF MALAYSIA

AT

**MALAYSIAN-ASEAN CORPORATE GOVERNANCE FINDINGS AND AWARDS
CEREMONY 2014**

**SIME DARBY CONVENTION CENTRE,
KUALA LUMPUR
TUESDAY, 09 DECEMBER 2014**

Assalamualaikum warahmatullahi wabarakatuh, a very good evening to all.

Yang Berbahagia Tan Sri Datuk Dr Sulaiman bin Mahbob, Chairman,
Minority Shareholder Watchdog Group

Yang Berbahagia Datuk Ranjit Singh,
Chairman, Securities Commission

YAB Tun Mohamed Dzaidin bin Haji Abdullah,
Chairman, Bursa Malaysia Berhad

Puan Rita Benoy Bushon,
Chief Executive Officer, Minority Shareholder Watchdog Group

Tan Sri –Tan Sri, Dato-Dato,

Distinguished guests, members of the media, ladies and gentlemen.

1. First and foremost, I wish to thank the Minority Shareholder Watchdog Group for inviting me to join all of you here at the MSWG Malaysian-ASEAN Corporate Governance Findings and Award Ceremony 2014.

2. Next month marks the start of another new year for all of us. Time flies and we often take for granted how fortunate we are to be Malaysians. While there unfortunately remain pockets of war and strife around the world, ours is a peaceful nation that is chalking up relatively good achievements both regionally and internationally.

3. I am, of course, referring to the significant leaps and strides we have made in terms of the way we govern, regulate and manage good behavior in our corporate sector. Improvements, I dare say, that have not gone unnoticed internationally.

Malaysia's Performance in Corporate Governance

4. For example we will end 2014 by retaining fourth position in the CLSA-ACGA, Corporate Governance Watch 2014 Report. And we have done so by being the only market in Asia-Pacific that has consistently improved in scores. For this year, we have improved by another three points to 58 points from two years ago. An important key aspect of our efforts lies in the reputation that we have earned as one of the trusted business hubs in Southeast Asia.

5. In June 2014, the ASEAN Capital Markets Forum (ACMF) released the ASEAN Corporate Governance Scorecard Country Report and Assessments 2013-2014, which showed that PLCs from Malaysia continued to emerge as high scorers amongst six participating ASEAN countries, namely Malaysia, Singapore, Thailand, Indonesia, the Philippines and Vietnam .

6. The confidence of shareholders and investors can only be bolstered when the business environment is transparent, with a strong regulatory framework benchmarked against international standards of corporate governance.

7. Such a conducive business climate did not occur by accident. We have worked hard over many years, to create a fair and transparent operating climate and taken great pains to ensure it remains so, in order for Malaysia to become more competitive.

Malaysia's Practices in Supporting the Business Environment

8. Our attention and focus on building the best standards in doing business is starting to pay off. Malaysia has improved its business environment and is now ranked 18th out of 189 economies by the World Bank in their Ease of Doing Business Report 2015. Not only is this an improvement from a year ago, we are ahead of the likes of Taiwan, Switzerland and even Japan. Moreover, Malaysia is now ranked the first among emerging East Asia economies.

9. **Firstly**, we have scored highly in areas such as protecting minority investors, trading across borders, starting a business, getting credit, enforcing contracts, paying taxes, and resolving insolvency.

10. **Secondly**, Malaysia's net foreign direct investment (FDI) inflows continue to grow at a much faster pace than our peers in the region. We posted an impressive 22 percent jump in net FDI inflows to \$12.3 billion in 2013 from \$9.4 billion the year before, according to the World Investment Report published by the United Nations Conference on Trade and Development (UNCTD).

11. That amounted to the strongest growth in FDI inflows among ASEAN countries in 2013. Companies from China, Germany and even Spain have continued to express keen interest to bring their investments into the country.

12. **Thirdly**, Malaysia's approach to good corporate governance has led the country to become one of the brightest spots for capital-raising in the Asia-Pacific region. For the first nine months of this year, Malaysia topped Southeast Asia's most active list with equity issuances totaling \$6.4 billion, according to IFR Asia, a Thomson-Reuters publication.

13. **Fourthly**, good corporate governance has helped reinforce Malaysia's source of strength, our market differentiator: diversity. Under a slew of measures undertaken by the government, Malaysia's female labour force participation rate has increased to 52.4 percent in 2013 from 49.5 percent a year earlier. With Malaysia's ongoing effort to promote diversity, I have no doubt that we will achieve the target of having women make up 55 percent of the country's labour force by 2015.

14. Moving forward, the Government's seriousness in showing support for 'Women on Boards' is evidenced through the grant given to ensure their board readiness. With that said, the latest statistics of 'Women on Boards' as of November 2014 from MSWG's survey is a paltry 10 per cent.

15. I would like to urge the Malaysian Corporate Boards to be cognisant of the diversity agenda, especially the gender gap, and ensure that qualified women are appointed to the board as it is indeed a risk management parameter.

Ladies and Gentlemen;

Fostering the Culture of Good Governance

16. Good corporate governance, nevertheless, is not just about setting rules, gaining awards and achieving milestones. In Malaysia, we have successfully enhanced corporate governance in areas ranging from implementing mandatory poll voting for related party transactions to mandating nomination committee and enhancing the disclosure of director training.

17. We have improved our enforcement with successful prosecution of cases and issuance of public and private reprimands against directors, public listed companies and also government-linked companies. However, these improvements alone cannot assure us of high standards of corporate governance, nor the prevention of white-collar fraud.

18. What is of paramount importance is the adoption of the right culture of governance. It has to start from the top, by the company's leaders. Setting the right pace and the right example is important in establishing an effective environment with the highest standards of accountability.

19. In Malaysia we have managed, against all odds, to instill a culture where people of diverse races and religions live in harmony - naturally. A good culture of governance is no exception. Hence, I urge all corporate leaders to go beyond their call of duty of just meeting the demands of regulators.

20. They can and must lead their organisations in the genuine spirit of the law – this will help foster a stronger and more effective corporate governance culture that could build investors and shareholders' confidence over the longer term.

Malaysia's Role in ASEAN

21. Next year also marks Malaysia's chairmanship of ASEAN – a challenging yet interesting task. It will be challenging because Malaysia will lead ASEAN's efforts to become an internationally recognised and competitive trading bloc, moreover during this period of global economic uncertainty.

22. It will also be undoubtedly exciting as the end of 2015 marks the forecasted realisation of the ASEAN Economic Community. It is my belief that with Malaysia's reputation for good corporate governance and integrity, we can contribute significantly towards the future direction of ASEAN and its bid to become the next regional giant.

MSWG's Initiatives and Role in the Capital Market

23. I would like to take this opportunity to commend the strong contributions that the Minority Shareholder Watchdog Group has made towards driving Malaysia to become one of the top countries in Asia Pacific with the best practices in corporate governance. Initiated by the

Government in 1999, it has since become an important player in the capital market.

24. The MSWG has been very successful when participating in Public Listed Companies' AGMs and EGMs, where it highlights concerns and issues relevant to minority shareholders. I am greatly encouraged that MSWG has successfully galvanized itself as an important think-tank on corporate governance matters.

25. I hope the Capital Market Development Fund will continue its financial support to MSWG as it has indeed brought added value to the capital market.

26. The MSWG's role in the ASEAN Corporate Governance initiative is notable, and I am very confident that together with the Securities Commission and Bursa Malaysia, they can take the country to greater heights in the near future.

27. I am also pleased to note that in June 2014, the Securities Commission and MSWG launched the Malaysian Code for Institutional Investors which is the first such initiative in the ASEAN region. This code of best practices was developed together with stakeholders from both the Government and private sector, led by MSWG.

28. The Code reflects the aspirations and best practices of institutional investors and as a signatory, companies would enhance their reputation and branding as one that has adopted international standards, thus garnering the trust and confidence of the public.

29. As such, I urge more institutional investors, especially our largest institutions such as Kumpulan Wang Simpanan Pekerja and Kumpulan Wang Persaraan, to sign up to our Malaysian Code for Institutional Investors to lead the way so that others will follow suit. It is a worthwhile cause that can bring immense benefits to our capital market.

30. I have also been informed that the next step for MSWG is to facilitate the formation of an umbrella body or Council for institutional investors. They would essentially be a dedicated representative group

that will not only monitor the effective adoption of the Code but to also be a platform that shapes the wider sphere of corporate governance culture in Malaysia.

Ladies and Gentlemen;

31. In summation, enhancing corporate governance is not a one-man show; it is fostered through collective effort and shared responsibility. If Malaysia were to inculcate this culture and continuously improve its reputation for accountability and integrity, it is crucial for all corporate leaders to lead by example.

32. There is an old saying: money cannot buy trust, and indeed it is true. Trust takes time to build but takes only seconds to lose. So we must strive to build upon this principle.

33. There are challenging tasks ahead of us, but they are not insurmountable. It is imperative that we maintain our pace of progress and continue to build Malaysia's brand and reputation as one of the most trusted corporate hubs in the region.

34. Before I conclude my speech, I would like to congratulate all the Corporate Governance winners tonight. I hope they will continue to be the forerunner in corporate best practices to serve as role models for others to emulate. Thank you.

Wabillahitaufik Walhidayah Wassalamualaikum Warahmatullahi
Wabarakatuh.