

**SC-BURSA MALAYSIA CORPORATE GOVERNANCE WEEK
SUSTAINABILITY: TAKING CORPORATE GOVERNANCE A STEP
FURTHER**

**WELCOME REMARKS BY YABHG TUN MOHAMED DZAIDDIN HAJI
ABDULLAH, CHAIRMAN OF BURSA MALAYSIA BERHAD**

30 NOVEMBER 2010

YBhg Tan Sri Zarinah Anwar,
Chairman of Securities Commission

YBhg Dato' Tajuddin Atan,
Chief Executive Officer of Bursa Malaysia Berhad

Tan Sri-Tan Sri, Dato'-Dato'

Distinguished guests,

Members of the media,

Ladies and gentlemen,

Assalamualaikum warahmatullahi wabarakatuh and a very good afternoon.

It is my honour and privilege to welcome you to Bursa Malaysia, to an event of great interest to everyone, from investors to regulators, to corporations and the media.

This is the third year that both the regulators, the Securities Commission and Bursa Malaysia, have organised the Corporate Governance Week. The theme of the annual conference this year is “Sustainability - Taking Corporate Governance A Step Further”, and is indeed timely given the business environment we are currently operating in.

As you may be aware, the ongoing volatility in the global financial markets has highlighted the importance of maintaining market confidence. This can be achieved when investors feel that they can rely on, among many other things, high standards of corporate governance to prevail in the market.

Over the past decade, significant strides have been made to improve the standards of corporate governance in the country. The changing and more enlightened attitudes of investors, regulators and the public have combined to demand more accountability from companies as corporate citizens. On the domestic front, we want to become a high income nation. Change has arrived at our doorstep and corporate Malaysia needs to embrace this change for us to succeed as a nation.

The corporate governance scores of Malaysia’s public listed companies in the Malaysian Corporate Governance Index for 2010 have improved marginally from last year. The Index Score for the Top 100 companies in 2010 was 66 points and this was an increase of 3.8% over the 2009 Index Score of 64.4. There were improvements in terms of board composition for example, the separation of roles between the Board

Chair and the CEO, proportion of Independent Non-Executive Directors and women on the board.

While there have been improvements, there are also areas that can be enhanced. It has been observed that boards need to pay more attention to behavioral challenges in boardrooms. These challenges include the evolving role and required style of an effective chairman, team dynamics, and relationship between independent and executive directors, enhancing diversity, and above all, the creation of a positive and thriving culture in the boardroom. On board diversity, there is no doubt that women are severely under-represented in the boardroom. The lack of women on boards is a reflection of a wider problem with diversity; it is one of age, international perspective and more.

Healthy businesses need comprehensive diversity. In order for boards to be effective and to encourage healthy discussion, debate and action, there needs to be independence and diversity in thought and deed. Board diversity will aid scrutiny and transparency as well as provide a more rounded approach to board dynamics.

Another observation is that most companies tend to focus on the forms of corporate governance as opposed to the actual practices. While we have seen improvements, more needs to be done to build the strong culture of corporate governance within the company. This simply means that directors need to focus on the actual practices, for example if you have a risk management framework, the mere existence is inadequate. Directors must obtain assurance that the risks facing the company are adequately addressed.

Our market quality is obviously dependent on the quality of our product offerings, particularly the growth and sustainability of companies listed on Bursa Malaysia. Longer term sustainable value creation requires governance and sustainability practices to be better integrated into the strategy, operations, and stakeholder communications of an organisation.

Good sustainability practices have become key drivers for business success and continuity, and can be attributed for improving access to capital, enhanced risk management and brand protection, increased employee engagements, increased cost savings and creation of new business opportunities.

Ladies and Gentlemen,

The capital market we aspire to build for Malaysia is one that is distinguished by the quality and integrity of its governance, and our annual CG Week events are a manifestation of this aspiration. Corporate governance is a shared responsibility. It is not the sole preserve of the regulators but the obligation of all participants to exercise greater care and responsibility in promoting value creation and sustainability through mutually-reinforcing efforts.

The recent five year Corporate Governance Blueprint emphasises that corporate governance is a shared responsibility. The Blueprint seeks to enrich the governance process by promotion of more extensive and proactive participation by a broader range of stakeholders.

We want to build up this market further. We want our listed companies to appreciate the greater value that comes in underscoring corporate governance practices into the core of business operations. This creates good business sustainability. The duties imposed on directors under the law have certainly increased over time and will continue to evolve in response to business complexity, public attitudes and expectations towards corporate governance practices. To meet these expectations, corporate leaders and board members are being held to increasingly higher standard of behavior. We need business leaders who are individuals of integrity - people who will walk the talk in demonstrating their commitment to a strong value system.

The Exchange has taken efforts to raise corporate governance standards in the many governance programmes for directors in the past year through greater engagements and advocacy sessions with boards, as well as deterrent enforcement actions. The Exchange will continue with our efforts with greater rigor in assisting with the evolution of an effective leadership in the boardroom. We are encouraged to note that the advocacy sessions for directors which we held was well received, indicating directors' willingness to update their knowledge in key areas of importance to build an effective board.

Ladies and gentlemen,

The challenges the corporate world faces today should not keep you from your obligations to adhere to the best ethical practices. As companies find their way through challenges of operating in an ever-

evolving business environment and changing moral values, it is increasingly evident that good corporate governance will demand a premium from all stakeholders, not just investors.

Being an effective director requires commitment. It is not an easy task and one should not underestimate the role of directors. But to have an effective board and good corporate governance culture in the company, directors would need to step up on their performance of the actual practice of corporate governance and reporting of the same, through better understanding and embracement of strong practices that can enhance business sustainability.

On that note, I would like to thank Tan Sri Zarinah Anwar and the Securities Commission for their continued support of the CG Week. I would also like to express my gratitude to the distinguished speakers and panelists participating in this year's CG Week. To all the participants, I hope that you will come away with substantial insights on corporate governance and business sustainability at the end of this week, and that these are put into practice to enhance our governance standards.

Thank you.