



**“Redefining Boards, Empowering Shareholders”**

**Welcome Remarks by Tan Sri Zarinah Anwar**

Chairman

Institute of Corporate Directors Malaysia Official Launch

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Bismillahirrahmaanirrahim

YB Tuan Lim Guan Eng, Minister of Finance Malaysia

YBhg Tan Sri Ranjit Ajit Singh, Chairman Securities Commission Malaysia

YBhg Datuk Seri Tajuddin Atan, Chief Executive Officer, Bursa Malaysia

Distinguished guests, members of the media, ladies and gentlemen

A very good morning.

1. It is my pleasure to welcome all of you to the launch of the Institute of Corporate Directors Malaysia (ICDM). Before I proceed, I wish to thank Yang Berhormat Tuan Lim Guan Eng, the Honourable Minister of Finance, Malaysia for his presence here this morning and for graciously accepting our invitation to deliver the keynote address and to launch the Institute of Corporate Directors Malaysia. Thank you Yang Berhormat for making time for us given your extremely busy schedule.

Ladies and Gentlemen

2. Expectations of good governance continue to occupy the focus of regulators, investors and other stakeholders all of whom demand that companies commit to ethical behaviour and act with integrity. Built on a foundation of transparency, accountability and trust, good corporate governance practices are fundamental to a company's success, enabling access to capital, mitigation of risks and safeguarding against mismanagement.
3. Corporate governance simply must start in the boardroom. The devastating consequences of the disconnect between governance and strategy on the long-term sustainability of business has been amply demonstrated, and continue to be reflected today in markets both at home and globally.
4. There needs therefore to be continued appreciation for the inextricable link between governance and sustainability. Boards must continue to review governance standards especially in terms of weaknesses in risk management practices, incentive structures, board composition and its oversight responsibility.
5. Investors have shown willingness to hold boards accountable for company performance and to take action to ensure high standards of corporate governance. In 2018, key governance concerns have focussed on quality and composition of boards. This has been an overriding theme that has emerged from various studies conducted across the globe, with gender diversity, directors' skills and experiences, refreshing board

composition and the appointment of board members able to dedicate time to the company being the indicators of quality prioritised by institutional investors. PWC's Governance Insights Centre highlighted the particular importance of directors' ability to add value by ensuring the alignment of board members' skills with the company's strategy.

6. Investors are also increasingly measuring the sustainability and impact of their investment along the three dimensions of environment, social and governance to help them better determine the future financial performance of companies. They believe that sound corporate governance practices, including how the company manage the environment and social aspects of its operations are key to better risk adjusted returns.
7. Thus corporate governance is not a matter of compliance, but is a matter of leadership provided by the board of directors and the quality of management in overseeing the impact of ESG risks and opportunities over the long term to ensure sustainable financial performance.
8. Investors have shown that they are not averse to taking strident action for shortcomings in governance practices, especially on gender diversity. During 2017, State Street Global Advisors, the world's third largest asset manager voted against the re-election of directors at about 400 companies due to their failure to address gender diversity. Glass Lewis, a leading independent provider of global governance services, announced that in 2019 they will recommend investors vote against the nominating committee chair of a board that has no female members.
9. At home, EPF has voted against the re-election of male directors in companies without women on board and recently also voted against the re-election of directors due to concern over pay. It is pertinent to note EPF's declaration of its commitment to the promotion of strong governance practices and its expectations that the same be practised by its investee companies.

Ladies and gentlemen

10. It is against this background of rising expectations in corporate governance practices that made the birth of ICDM an imperative as regulators continue to respond to the need to put in place the key components of the corporate governance eco-system that will strengthen self and market discipline.
11. At the heart of ICDM's work is the development of capacity to facilitate professional and ethical management and oversight of companies, which I strongly believe is the first line of defence against corporate misbehaviour and malfeasance. This of course is complemented by laws and regulations.
12. But the law provides for "not doing the wrong thing" whilst we must build and nurture a governance culture that prevails upon us to "do the right thing". Between the two, we need to up-skill and provide Boards with strategic, leadership and governance skills to oversee a sustainable business.

13. ICDM's objective is to change ineffective board cultures by imbuing board effectiveness and directors' professionalism through directors' education, competency-based sourcing of directors, board effectiveness evaluation and feedback, and research and advocacy. Our programmes are designed to ensure boards are *the* drivers of holistic governance in their businesses. We are set up to help boards address the issues of quality and composition that I highlighted earlier, converging the need for selection through our directors' registry and placement services, training reflecting a well-established structured Directors' Competency Framework, and evaluation and feedback processes to ensure highly effective boards capable of driving excellence in performance.
14. Feedback is by far one of the most crucial tools in ascertaining the culture and effectiveness of the board; but a recent McKinsey survey on Board effectiveness showed that only about 25% of boards regularly engage in formal evaluations. Our Corporate Governance Code requires periodic independent board evaluation and this is an area the ICDM is particularly well placed to assist boards with.
15. I wish to emphasise that the ICDM, whilst initiated and fully supported by the regulators, is an institution that has no regulatory function. It is in fact established to assist boards and individual directors to equip themselves with the skills and competencies required to comply with legal and regulatory requirements. The ICDM is a member organisation and aims to be the voice of members in advocating on issues of common interest as may be raised by members.
16. As part of our governance structure, we have also established Committees comprising of experienced and competent persons that will undertake in-depth studies and propose recommendations to deepen our research and advocacy and our learning and development capacity. We are also building affiliations with international IODs to enable us to broaden the scope of services we offer to our members.
17. At this juncture I would also like to emphasise that the ICDM membership is not just for boards and directors of PLCs. We encourage all companies including unlisted GLCs, SOEs and SMEs of a certain size and their directors to become our members and subscribe to our products and services. At the end of the day the ICDM is committed to enhancing the capacity of boards and directors of all companies to enable them to better contribute to the country's economic growth.
18. I wish to take this opportunity to thank the Securities Commission, especially the Chairman Tan Sri Ranjit Ajit Singh, for initiating the establishment of the ICDM and for the immense support they have given, including the hosting of this launch event. I would also like to thank Bank Negara Malaysia and Bursa Malaysia for their support; we look forward to working together to achieve common objectives. The ICDM is grateful to the Capital Market Development Fund for providing us with a start-up grant. We intend to be self-sufficient as soon as possible with the fee-based programs, membership and services we offer. I also wish to thank the Board and my team at ICDM for their tireless efforts in getting this institution on to its feet. We look forward to the support of all our stakeholders, not least the boards and individual directors whom we hope will avail themselves of the benefits and value of membership. Finally I would like to extend my utmost appreciation once again to YB Tuan Lim Guan Eng, Minister of Finance Malaysia for his support and presence today.

19. In the final analysis no amount of regulation can supervise basic human values like honesty and integrity. This is self-regulated and emanate from a values-system fortified by strong board selection criteria, its diversity, capacity as well as its evaluation and feedback mechanisms. At ICDM, we aim to assist boards to do just this.
20. I put it to you that sound corporate governance is not a burden nor a cost but is a means for enhancing shareholder value, building brand premiums and increasing the investment quality of your companies.
21. Thank you.