

**Welcome Note for the:**  
**ANNUAL ASEAN CORPORATE GOVERNANCE SUMMIT 2014**  
**1<sup>ST</sup> & 2<sup>ND</sup> October 2014**  
**Hotel Istana, Kuala Lumpur**

Honorable Participants  
Honorable Speakers

Good Morning & Welcome to MICG's second Annual Asean Corporate Governance Summit.

2015 promises to be an important year for many of us at this summit.

Malaysia will assume the chairmanship of ASEAN and preside over the birth of the ASEAN Economic Community (AEC).

The AEC will merge the economies of the 10 ASEAN nations into a unified production, trade and investment bloc.

The process will see the creation of a single market with a population of over 600 million people and a combined gross domestic product of US\$2 trillion.

It is a market rich in resources, be they minerals, hydrocarbons, agricultural, or the creativity and ingenuity of its peoples. It is a market which is rich in diversity of its peoples, languages, cultures, religions, social and political norms.

It is diverse, too, in its legal systems, in its corporate cultures and its responses to the concepts of sustainability and competition, all of which are key factors in shaping the reality of corporate governance.

Therein lies a challenge for Malaysia as it plays the leadership role in this important era for ASEAN.

The AEC Blueprint envisages the promotion of GOOD CORPORATE GOVERNANCE by establishing benchmarks and BEST PRACTICES across the region.

We are expected to develop community-wide norms for good governance, characterised by transparency, accountability, participation and effectiveness.

We are expected to foster and enable new ideas, concepts and approaches.

This Summit will explore some of the latest developments in governance within ASEAN.

It should encourage resourceful dialogue and provoke discussions between relevant stakeholders throughout the community.

It should provide a forum for delegates to network and discuss the latest developments and likely future trends in the corporate governance landscape within the ASEAN context.

Over the next two days, we will examine some of the more recent initiatives within the new ASEAN ECONOMIC COMMUNITY, because those who are involved in corporate governance in the region have not been standing still.

The ASEAN corporate governance index is a reality today. It seeks to adopt OECD corporate governance principles while also reflecting on the distinct governance

codes which guide a number of individual ASEAN member nations. It is still relatively young and will have to cope with the variety of interpretations and nuances of each participating country.

Importantly, it will face criticism from those it intends to measure.

There will be many who will say it is not sufficiently sensitive to local circumstances. Some amongst them will cry for the use of a different yardstick and, often, for purely selfish or parochial reasons, or to escape having a measure applied to themselves which may not make them look good.

And we will have to get beyond this kind of noise, because, others will raise real issues for us to address.

Soon enough, however, we will have to confront an enduring feature of corporate governance. It is a moving target and it defies the “one size fits all” approach, even within a single national constituency, let alone in a wider ASEAN community.

So, how can we bring it all together and accommodate the new drivers of environment, society and governance?

Yes, this is real too. In fact, Bursa Malaysia is working with Footsie (FTSE, for Financial Times Stock Exchange) to introduce a new index on the Exchange to showcase the top Malaysian ESG (environmental, social and governance) stocks. And that’s turning out to be a learning curve for those concerned, because they are having to adjust to the fact that Malaysian companies do not fit the templates Footsie applies to UK and European companies.

Indeed that's going to apply even more when there's an attempt to develop established templates to the broader community of ASEAN businesses. The simple fact is, we do business differently in ASEAN, when seen as a region and within our own national borders.

And even without ESG indices to concern us, what about accommodating the concepts of sustainability and competition in a way where all the ASEAN community agree their own sensitivities and ambitions have been respected?

Sounds like a very tough task.

And, while all this is going on, what are the new expectations imposed on directors of corporate enterprises across the region, and what are the tools available to them?

In Malaysia, the changes in our Companies Act in 2010 saw a quantum leap in the understanding of what constitutes a director's fiduciary duties. The scope of enquiry to establish diligence was enlarged and there were new stakeholders to include in the form of the community and the employees.

There is now a new range of concepts to deal with in terms of the modern approach to sustainability, corporate responsibility, competition and corruption.

And, across ASEAN, directors will address these issues differently.

So we must also be concerned about the roles of the advisers the directors use, and the internal control mechanisms that are available, which should help prevent the fraud and governance scandals which continue to be all too common-place – not just in ASEAN, but throughout the corporate world.

I spoke earlier about diversity in the AEC, and the richness that brings to the AEC. But, in terms of corporate governance, it will be obvious to all that the adoption of common principles, of the same regional benchmarks and behavioural norms is an enormous challenge.

Should that be a reason to abandon the goals?

Should we be put off by the difficulty of the task ahead?

I don't think so; we must have stronger resolve.

The diversity of ASEAN is a strength. We are a region of great creativity, and we are not afraid of defining and shaping our own world. We can rely on the many subtle differences between us which makes defining "Asian" so difficult, as being the rich resource of thought which will shape how we solve the corporate governance conundrum in an effective and uniquely Asian way.

So, I urge you all not to blindly follow Western norms in establishing the Corporate Governance benchmarks for the AEC. Be brave enough to develop our own models which reflect our way of doing things in ASEAN. Governance is only effective if it is employed willingly by those on whom it impacts. The ASEAN Corporate Governance model must reflect ASEAN realities.

Enjoy your summit, and thank you.

**David Berry**  
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**MICG**