



**SURUHANJAYA SYARIKAT MALAYSIA  
COMPANIES COMMISSION OF MALAYSIA**

# **CORPORATE RESPONSIBILITY AS AN INGREDIENT TO ATTAINING NATIONAL ECONOMIC SUSTAINABILITY**

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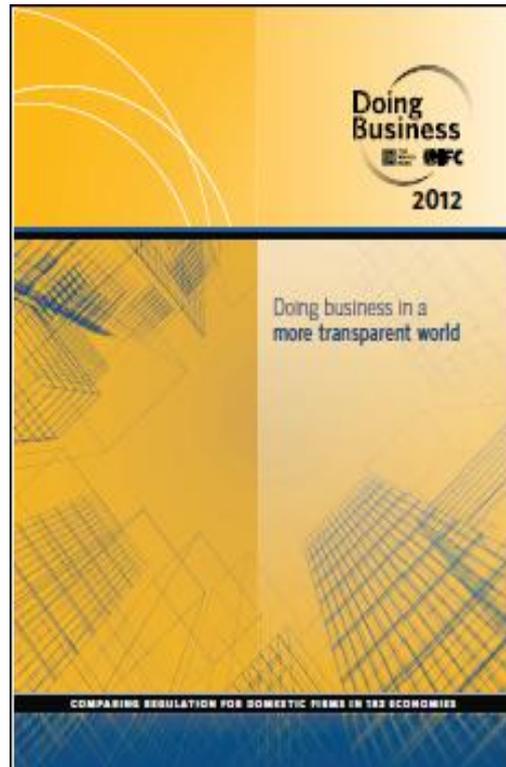
# WHAT MAKES A GREAT CHICKEN SALAD?



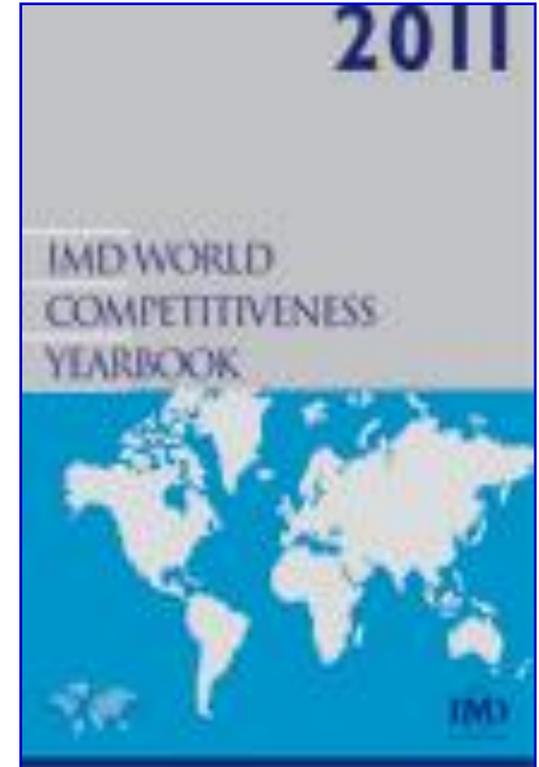
# HOW DOES MALAYSIA FARE SO FAR?



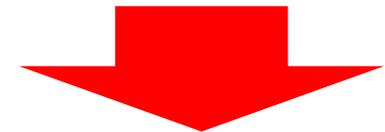
- 2009 - 2010: 26<sup>th</sup> out of 139 economies
- 2011 - 2012: 21<sup>st</sup> out of 142 economies



- Doing Business 2011: 23<sup>rd</sup> out of 183 economies
- Doing Business 2012: 18<sup>th</sup> out of 183 economies



- 2010: 10<sup>th</sup> out of 58 economies
- 2011: 16<sup>th</sup> out of 58 economies

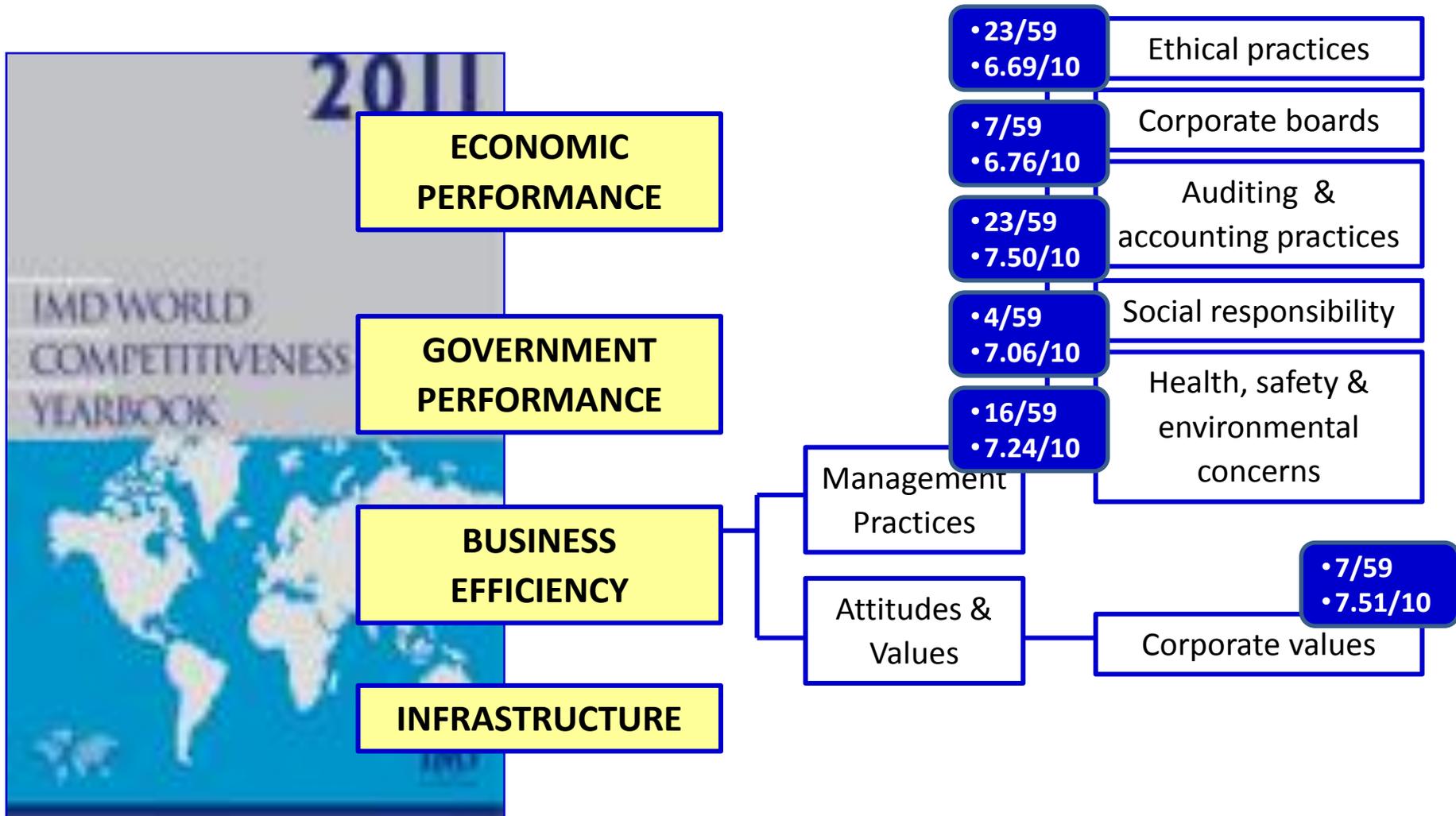


# CORPORATE RESPONSIBILITY IS A BUSINESS/ECONOMIC ISSUE



- Apart from the Global Competitiveness Index (GCI), the WEF is developing the Sustainability Competitiveness Index (SCI)
  - Competitiveness = *the set of institutions, policies, and factors that determine the level of productivity of a country.*
  - sustainable competitiveness = *the set of institutions, policies, and factors that determine the level of productivity of a country while ensuring the ability of future generations to meet their own needs.*
- The emergence of triple bottom line accounting in 1980s
- Nicholas Sarkozy in February 2008 established the Commission on the Measurement of Economic Performance and Social Progress - shift from measuring market activities to measuring wellbeing
- The Lisbon Strategy 2000 - revitalization of the EU economy through societal and environmental renewal
- European Commission's Sustainability Report
- 2009 ASEAN Summit – endorsement of corporate responsibility agenda

# CORPORATE RESPONSIBILITY IS A BUSINESS/ECONOMIC ISSUE



# CORPORATE RESPONSIBILITY AND COMPANIES LAW

## United Kingdom

- Section 172 of the UK Companies Act 2006 - Duty on part of the Director of a company to act for the benefit of its members and take into consideration:
  - Long term consequences
  - The interest of employees
  - Impact on the community and environment
- Section 417 of the UK Companies Act 2006 - a company's business review (with the exception of small companies) must contain information about:
  - Environment matters
  - Employees
  - Social and community issues

## South Africa

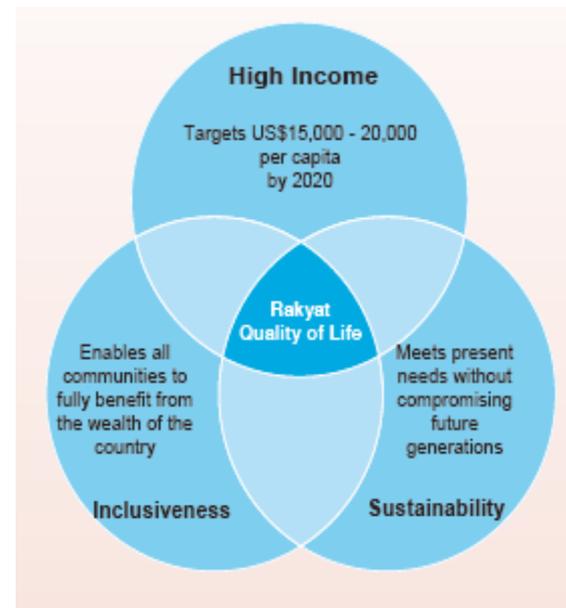
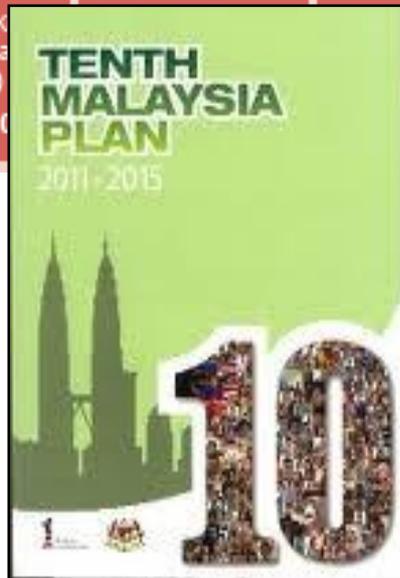
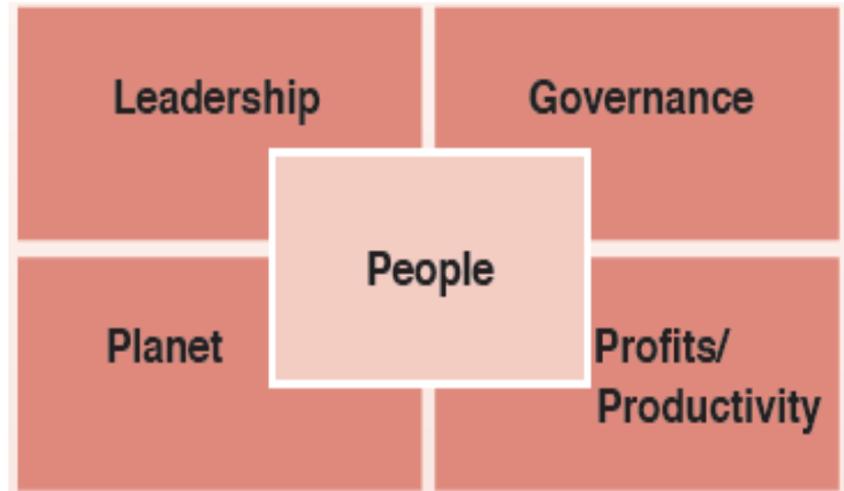
- Section 72(4) of the South African Companies Act 2008 - prescription by the Minister for a company/category of companies to establish a social and ethics committee

## Mauritius

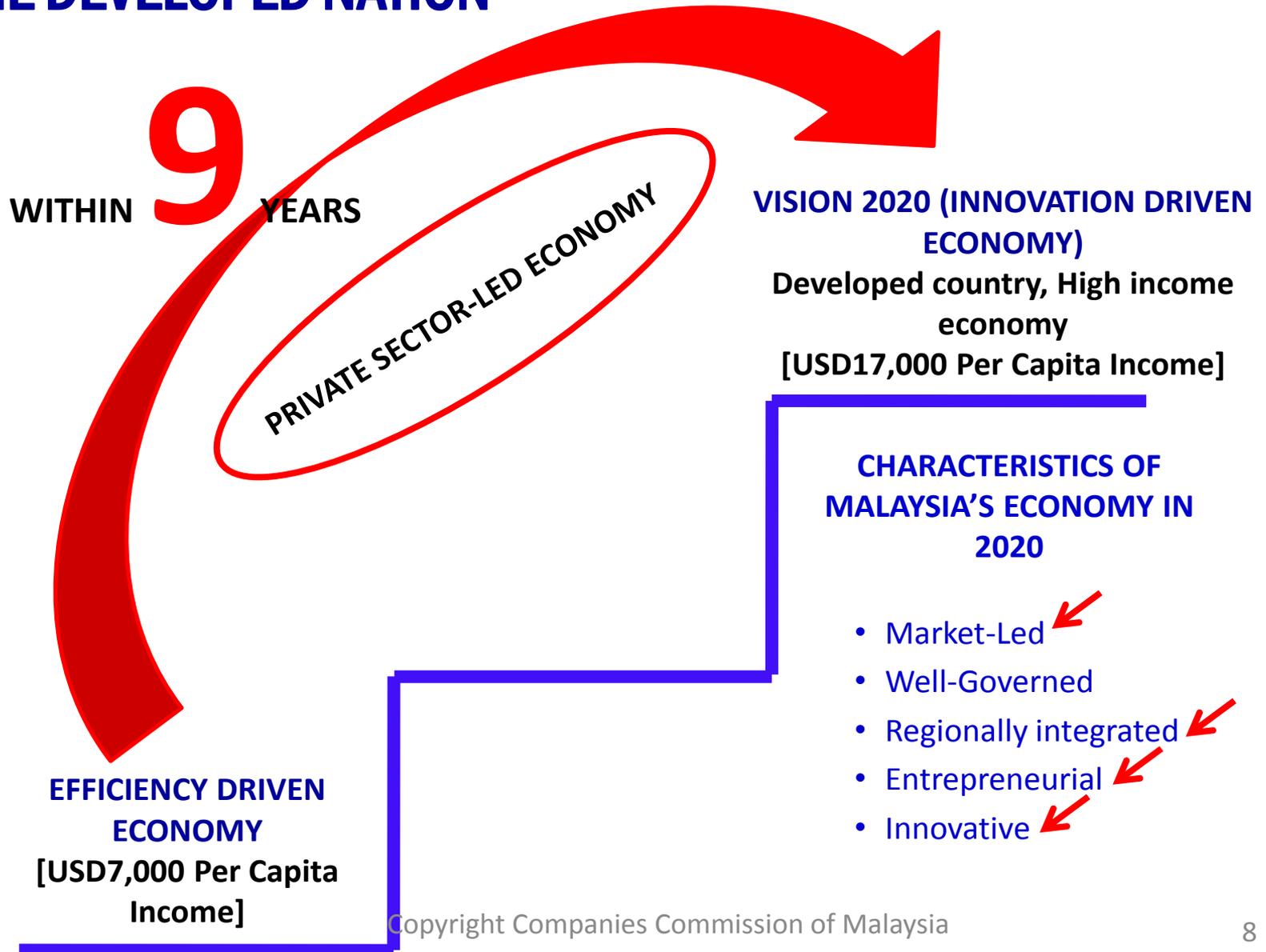
- Section 221(1)(f) of the Mauritius Companies Act - any donations made must be captured in the annual report
- Guidelines on Corporate Social Responsibility and section 50 of the Mauritius Income Tax Act - companies to pay 2% of their after tax profit for programmes which contribute to the social and environmental development of the country



# THE STRATEGIC FRAMEWORK FOR THE COUNTRY



# THE NATIONAL CHALLENGE: ATTAINING THE STATUS OF HIGH-INCOME DEVELOPED NATION



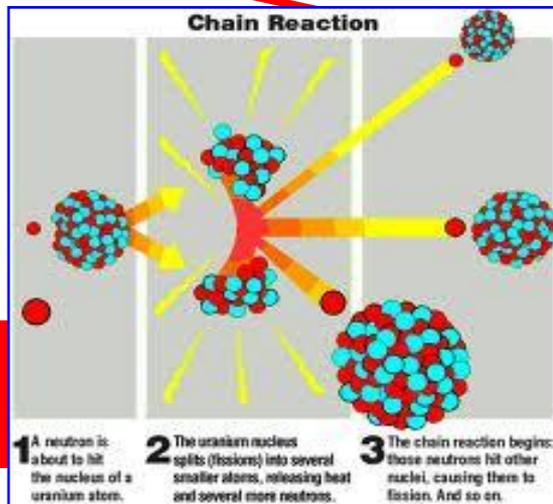
# SCALABILITY OF THE NEM'S END-STATE DESCRIPTIONS

COUNTRY LEVEL

CHARACTERISTICS OF  
MALAYSIA'S ECONOMY IN  
2020

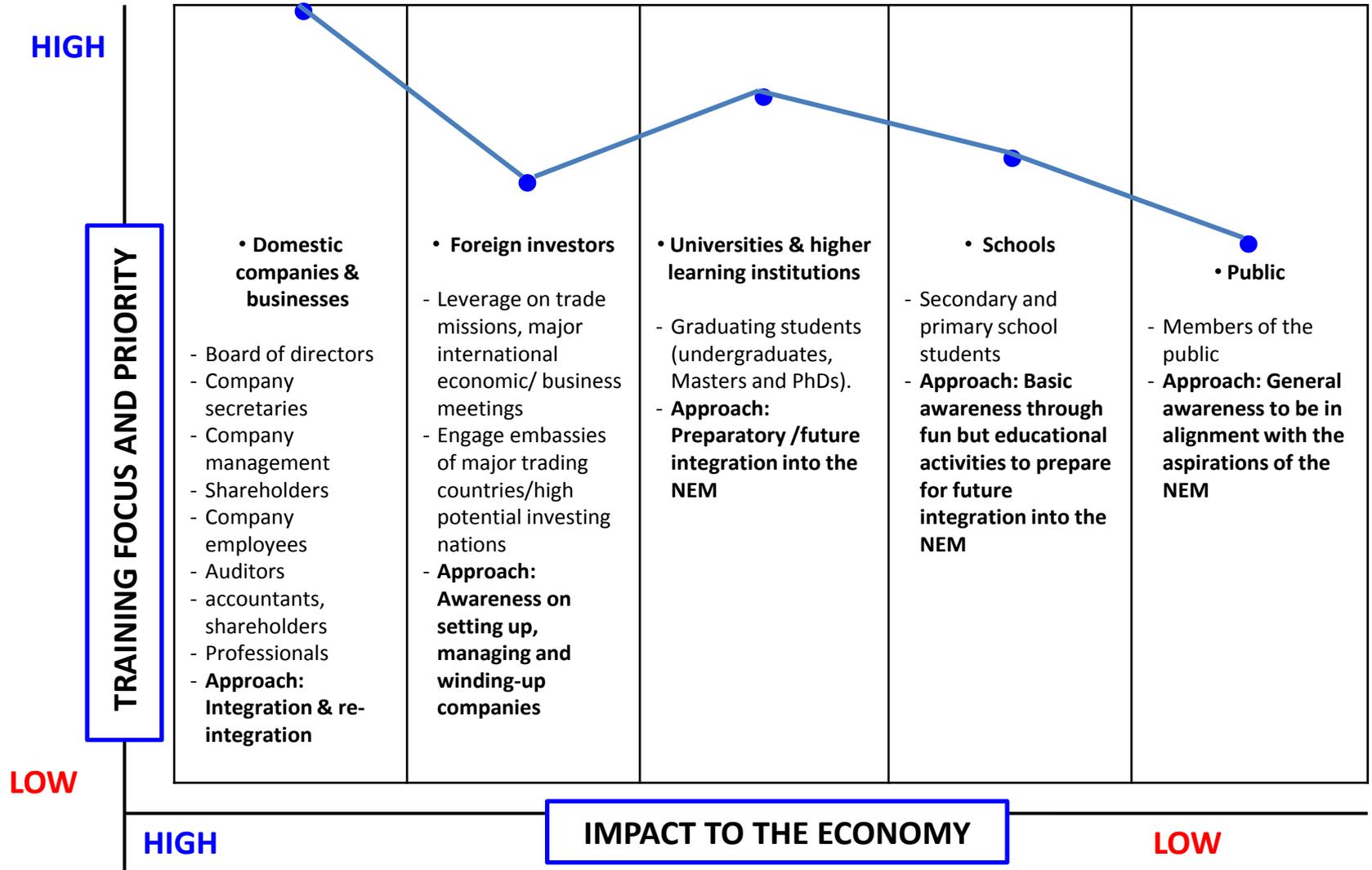
COMPANY LEVEL

- Market-Led
- Well-Governed
- Regionally integrated
- Entrepreneurial
- Innovative





# GETTING OUR PRIORITIES RIGHT FOR CORPORATE RESPONSIBILITY



# CORPORATE GOVERNANCE 3.0

## SHAREHOLDERS PRIMACY

- Profit oriented
- Sole consideration - shareholders

### **Dodge v Ford Motor Company 204 Mich. 459, 170 N.W. 668 (1919)**

- Michigan's Supreme Court confirmed that the Director's decision led by Henry Ford who refused to pay dividend in favour of reduced price to consumers was not an act of subjugating shareholders interest

### **Unocal Corp v Mesa Petroleum Co. 493 A2.d 946 (Del. 1985)**

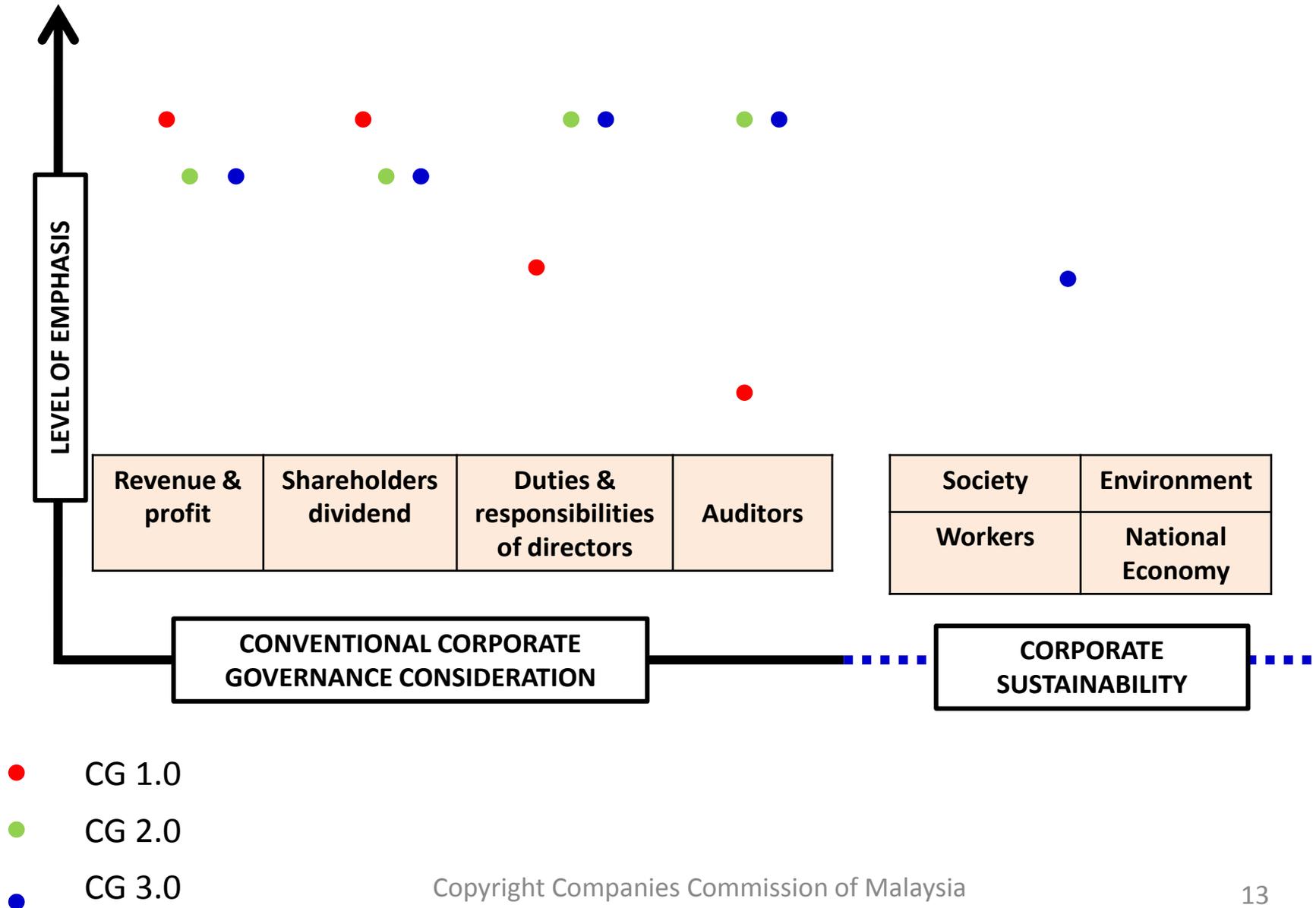
- The Supreme Court of Delaware held that a takeover defence must be reasonable where the Directors may consider the impact on '*constituencies*' apart from shareholders

Paradigm shift

## STAKEHOLDERS PRIMACY

- Wider scope
- Protection of interest and promotion of benefits beyond shareholders
- '*Other constituencies*' include creditors, consumers, workers, the environment, society
- **Corporate sustainability**

# CORPORATE GOVERNANCE 3.0



# CG 3.0: The Case of Deepwater Horizon Spill

- 20 April 2010 - largest accidental marine oil spill in history.
  - Oil flowed for 3 months, 11 men killed, 17 injured, 4.9 million barrels of crude oil leaked
- Disastrous effect to wildlife, fishing industry, tourism.
  - Estimated loss to tourism - 400,000 travel industry jobs adversely affected which generates USD34 billion annually
- BP's economic loss - spent USD3.12 billion to clean-up the spill, estimated losses ranged from USD12 to 30 billion.
  - Total value loss of USD105 billion, share value shrunk by 54%
  - BP's Q2 2010 reported a loss of USD17 billion - first loss in 18 years
- BP gas station operators suffered sales loss between 10% - 40% due to backlash effect of the oils pill
- Gulf of Mexico's real estate prices decreased significantly
- Adverse effect on all British companies operating in the US.
- Causes:
  - (i) Absence of safety culture and procedure
  - (ii) Approach to repairs: to be achieved within short time and lower costs
  - (iii) Failure to heed to sign and advice by workers
  - (iii) Ineffective Government oversight



# BENEFITS OF CORPORATE RESPONSIBILITY

## GREEN BOOK -

Enhancing Board Effectiveness

## RED BOOK -

Reviewing & Revamping Procurement Practices

## YELLOW BOOK -

Enhancing Operational Efficiency & Effectiveness

## BLUE BOOK -

KPI & Performance Mgt

## ORANGE BOOK -

Strengthening Talent Management Practices

## SILVER BOOK -

Achieving Value Through Social Responsibility



- Establishment of Putrajaya Committee on GLC High Performance in January 2005
- Launching of the GLC Transformation Programme in July 2005
- Khazanah Nasional's *Prudent Aggression* approach:
  - Realisable asset value rose from RM50.9 billion in May 2004 to RM112.6 billion as at Dec 2010
  - Net worth adjusted rose from RM33.3 billion in May 2004 to RM75 billion as at Dec 2010

AN EVENT TO SAY **YES! MALAYSIA**

**GLC OPEN DAY**  
KL CONVENTION CENTRE  
24-26 JUNE 2011

participating companies:

Aptly themed "Nation-building, Touching Lives", the GLC Open Day 2011 is a showcase of five Government-linked Investment Companies (GLICs) and 18 Government-linked Companies (GLCs) which will share how they have contributed towards the development of the Malaysian economy and in doing so, touched the lives of every Malaysian.

The inaugural event will be held from 24-26 June 2011 at KL Convention Centre. Public admission is FREE.

THE EVENT WILL BE LAUNCHED BY THE PRIME MINISTER  
YAB DATO' SRI MOHD NAJIB BIN TUN HJ ABDUL RAZAK ON 24 JUNE, 3.00 PM

<p><b>FORUM</b> FEATURING NOTABLE SPEAKERS</p> <p>Notable speakers from government and private sectors will all come together to discuss issues like the new corporate DNA for Malaysia, the role of social media in promoting public interests, social entrepreneurship and managing talents.</p>	<p><b>JOIN OUR CONTESTS AND WIN EXCITING PRIZES</b></p> <p>e-Perabean, Coloring Contest, Pop Quiz, Picture Hunt, Puzzle Competition</p> <p>Don't miss the chance to grab one of these fabulous prizes and more!!</p>	<p><b>SPECIAL APPEARANCES BY GLC CEOs</b></p> <p>Learn more about our GLCs and get to know our corporate leaders</p>
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for more information, please visit our website at [www.glcopenday.com.my](http://www.glcopenday.com.my)

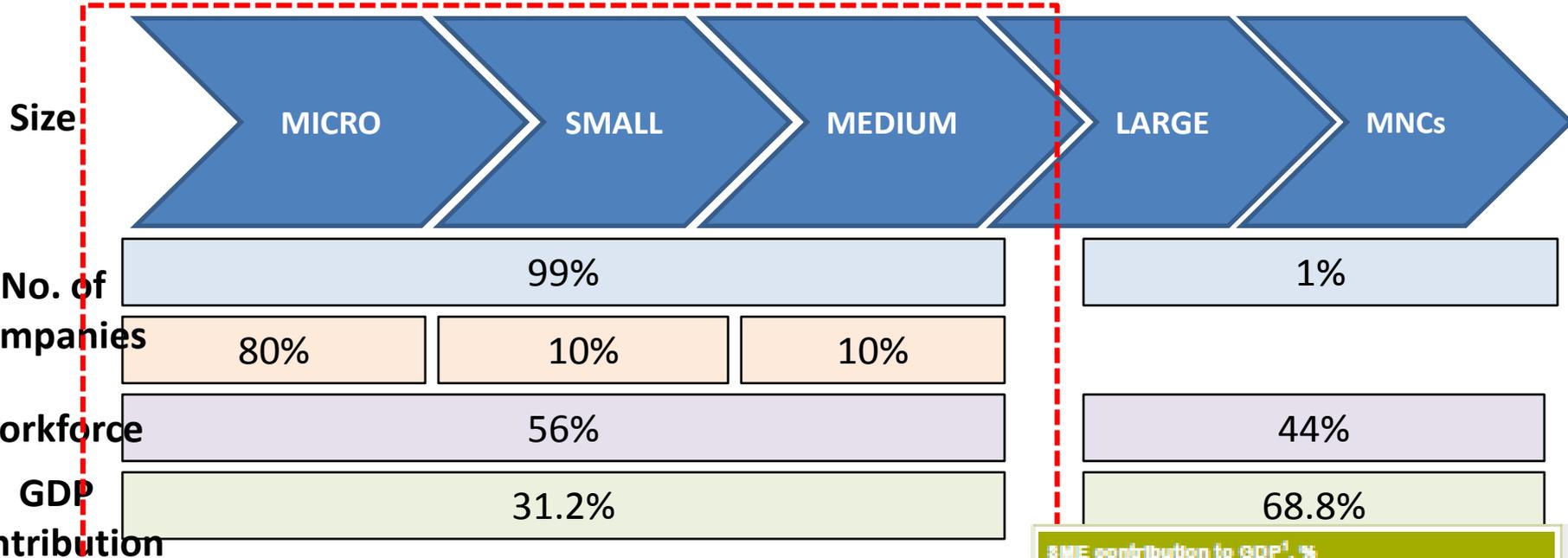
**NATION-BUILDING, TOUCHING LIVES**

Establishment of the Malaysian Institute of Directors (**MINDA**)

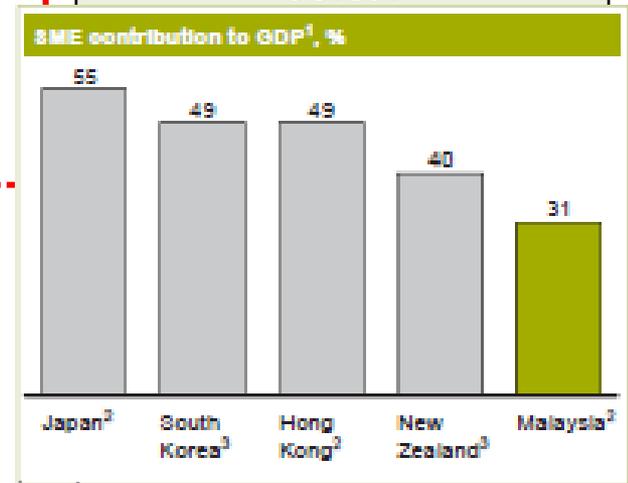
**PURPLE BOOK -**  
Optimizing Capital Management Practices

# KEY ISSUES FOR CORPORATE RESPONSIBILITY

SMEs hold the key.....



- Total number of SMEs: 552,000 companies (SME Corp Annual Report 2009 -2010)

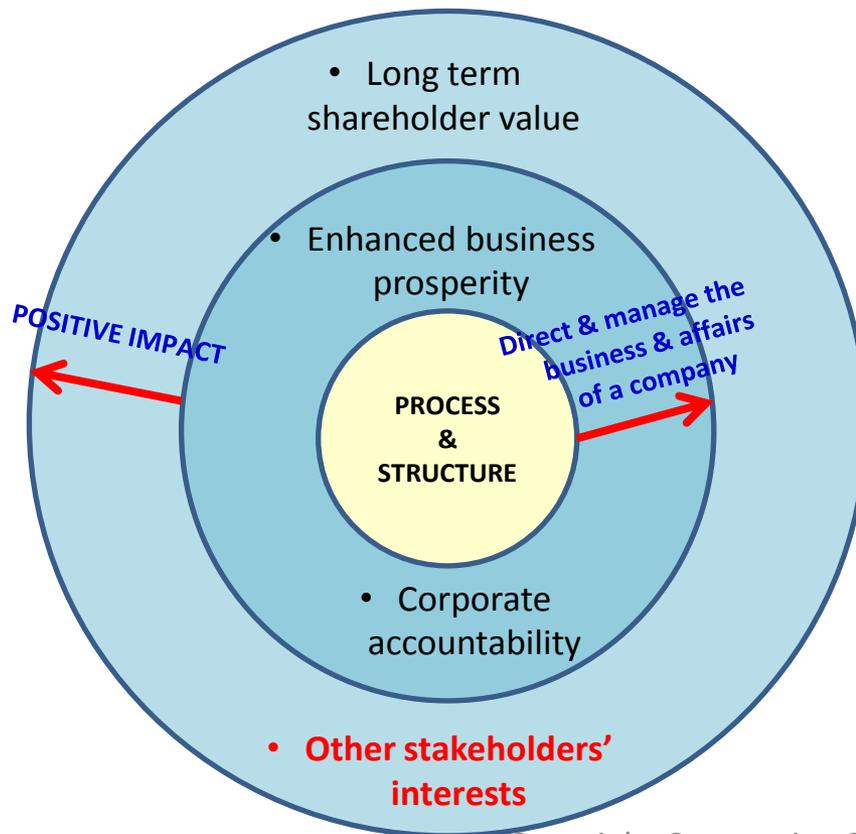


# KEY ISSUES FOR CORPORATE RESPONSIBILITY

## Separating the myths and facts in relation to corporate governance

*“The process and structure used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interests of other stakeholders.”*

High Level Finance Committee Report on Corporate Governance,  
February 1999

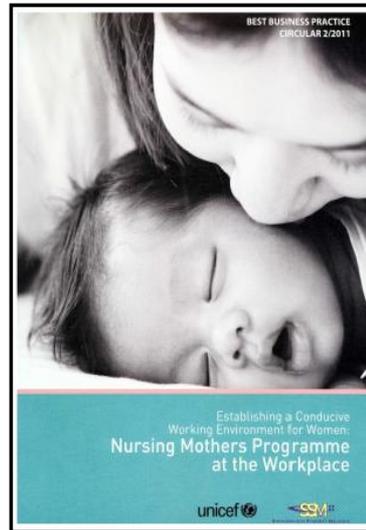
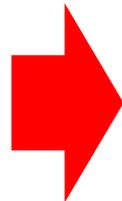
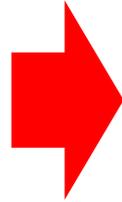
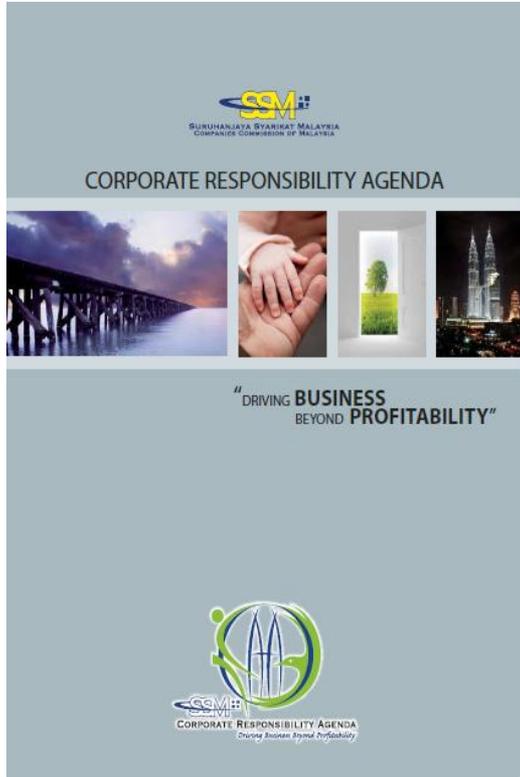


**IT'S EMBEDDED WITHIN THE NATIONAL DEFINITION OF CORPORATE GOVERNANCE!**

# CORPORATE RESPONSIBILITY MAKES GREAT BUSINESS CASES



# THE SSM CORPORATE RESPONSIBILITY AGENDA



- Long term economic development and sustainability
- Enhanced productivity - creates peace of mind to the relevant workers, boost staff morale
- Positive reputation and goodwill
- Achieve work-life balance

- Reduced employees health costs
- Decrease in absenteeism
- Enhanced productivity - creates peace of mind to the relevant workers, boosts staff morale
- Positive reputation and goodwill
- Achieve work-life balance
- Higher rate of returning to work after maternity leave

**THANK YOU**

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