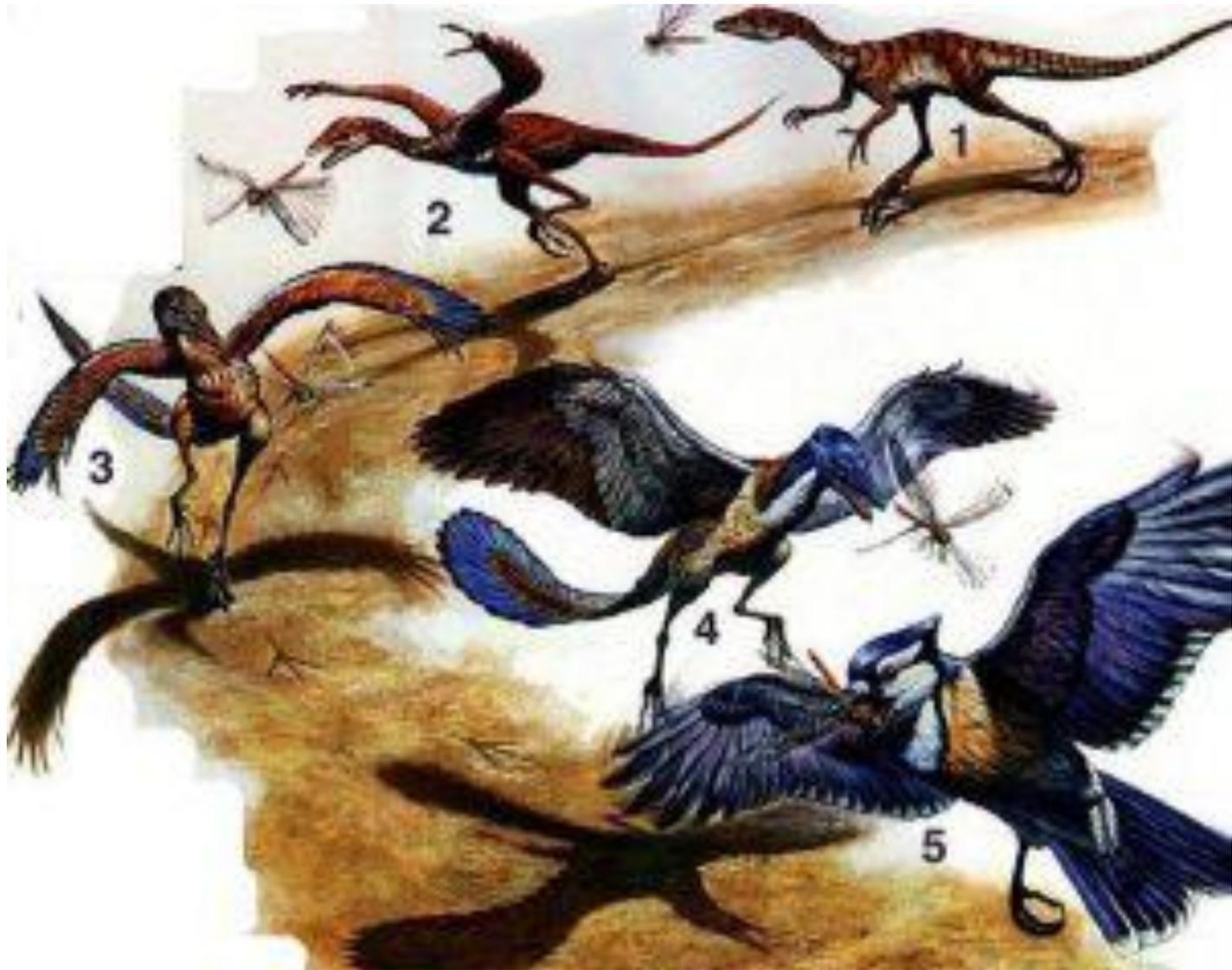




**SURUHANJAYA SYARIKAT MALAYSIA
COMPANIES COMMISSION OF MALAYSIA**

THE EVOLUTION OF BUSINESS ECO- SYSTEM: ENTER CORPORATE RESPONSIBILITY

**BY: AZRYAIN BIN BORHAN
Director,
Companies Commission of Malaysia Training Academy**

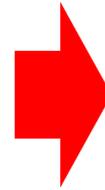




EVOLUTION IS INHERENT IN BUSINESS



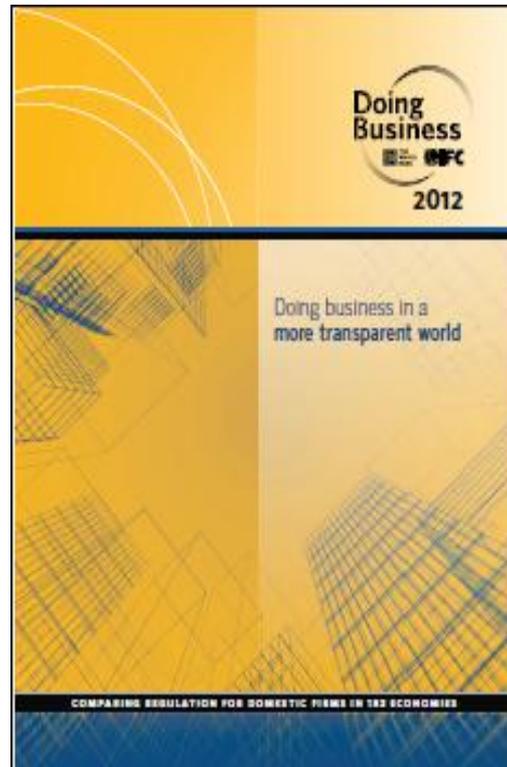
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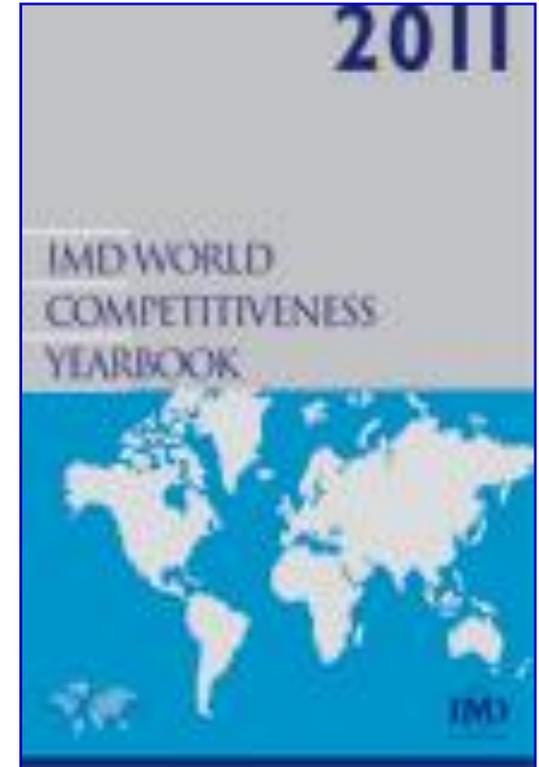
CORPORATE RESPONSIBILITY IS A BUSINESS/ECONOMIC ISSUE



- 2009 - 2010: 26th out of 139 economies
- 2011 - 2012: 21st out of 142 economies



- Doing Business 2011: 23rd out of 183 economies
- Doing Business 2012: 18th out of 183 economies



- 2010: 10th out of 58 economies
- 2011: 16th out of 58 economies



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

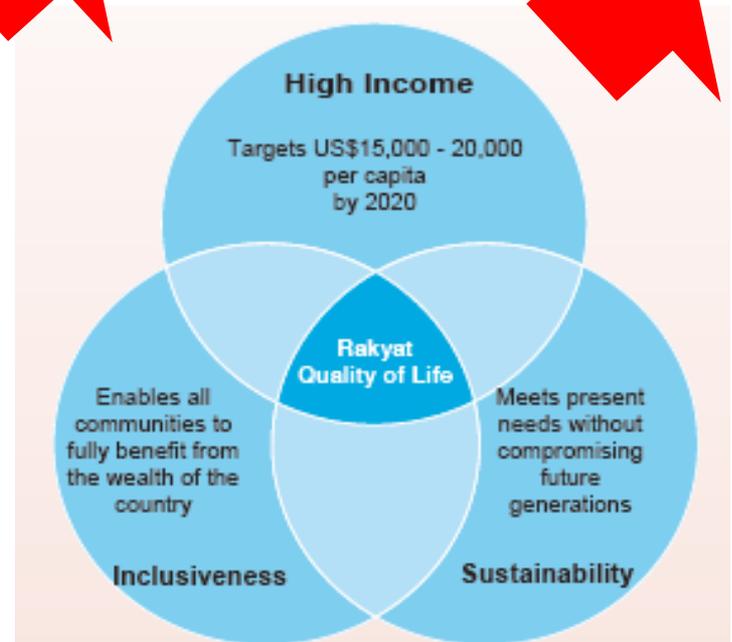
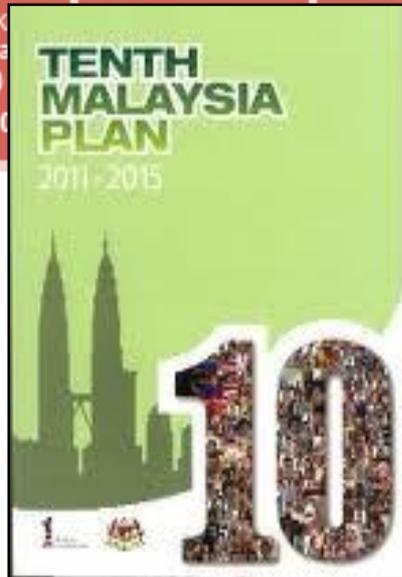
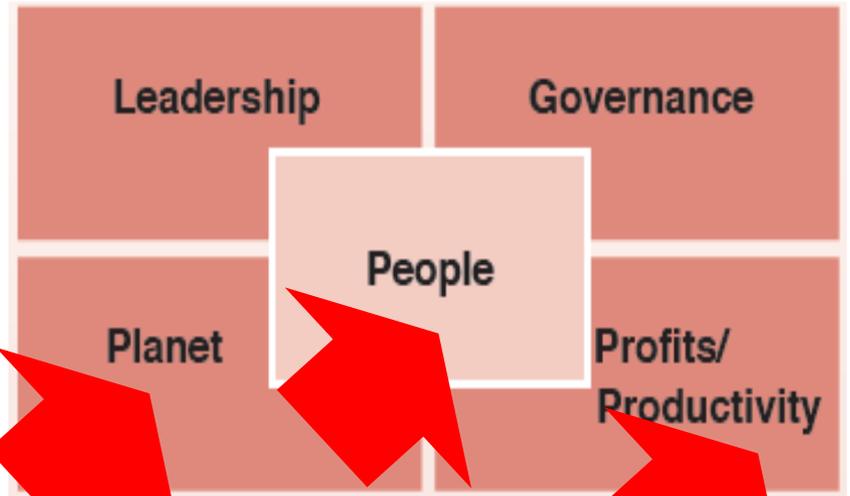
- Section 72(4) of the South African Companies Act 2008 - prescription by the Minister for a company/category of companies to establish a social and ethics committee

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



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)

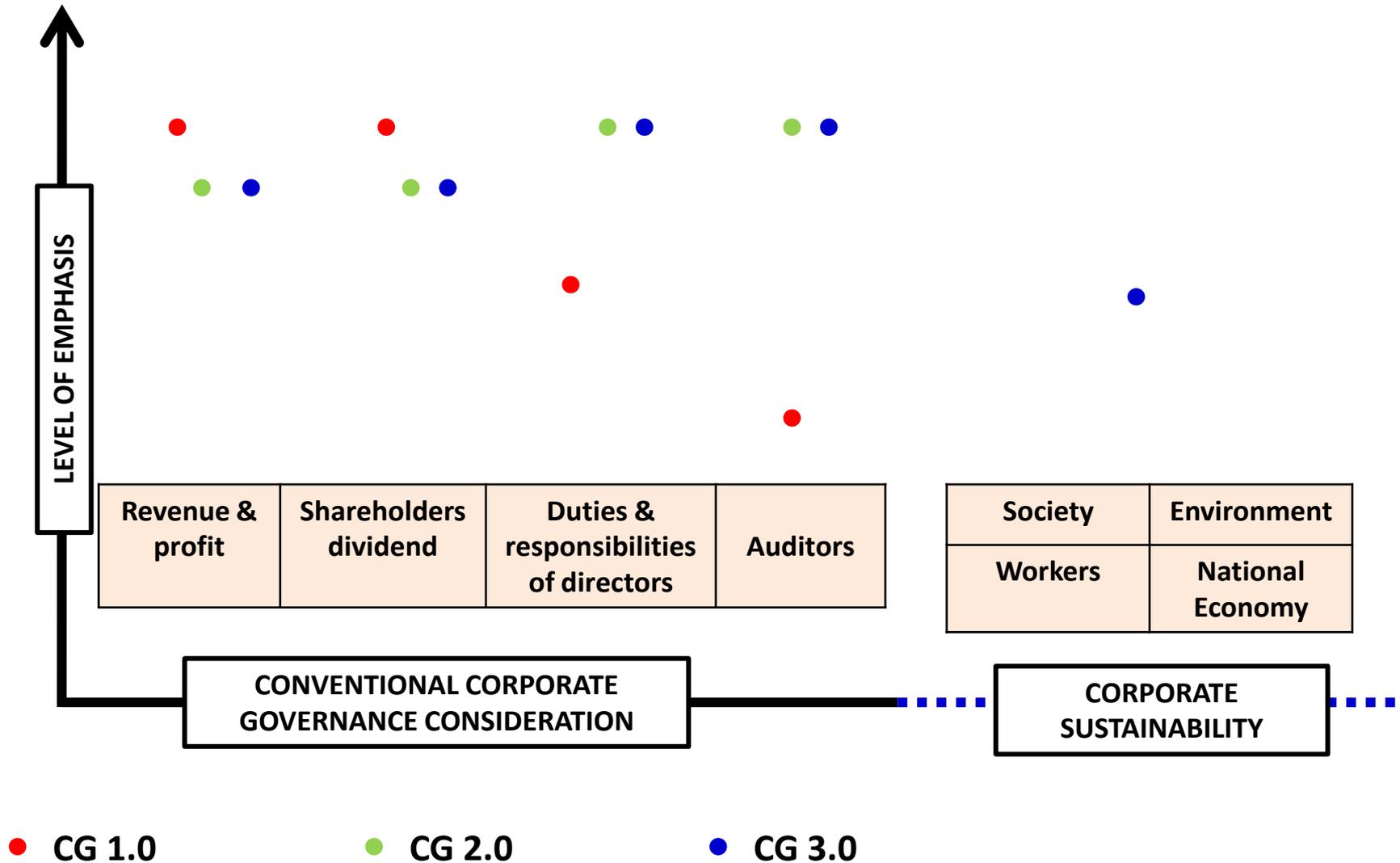
- The Supreme Court of Delaware held that a takeover defence must be reasonable where the Directors may consider the impact on '*constituencies*' apart from shareholders

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>FORUM 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>JOIN OUR CONTESTS AND WIN EXCITING PRIZES</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>SPECIAL APPEARANCES BY GLC CEOs</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

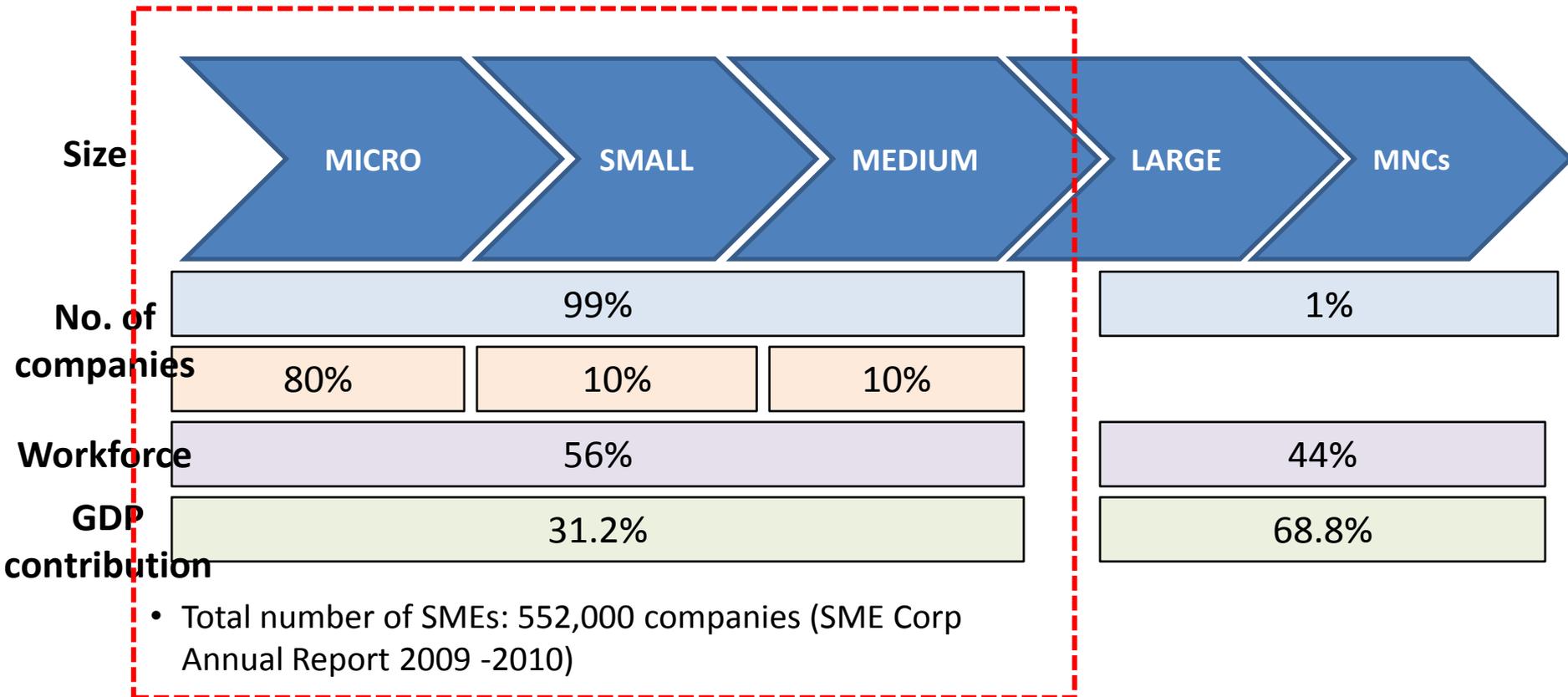
NATION-BUILDING, TOUCHING LIVES

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

PURPLE BOOK -
Optimizing Capital Management Practices

KEY ISSUES FOR CORPORATE RESPONSIBILITY

SMEs hold the key.....

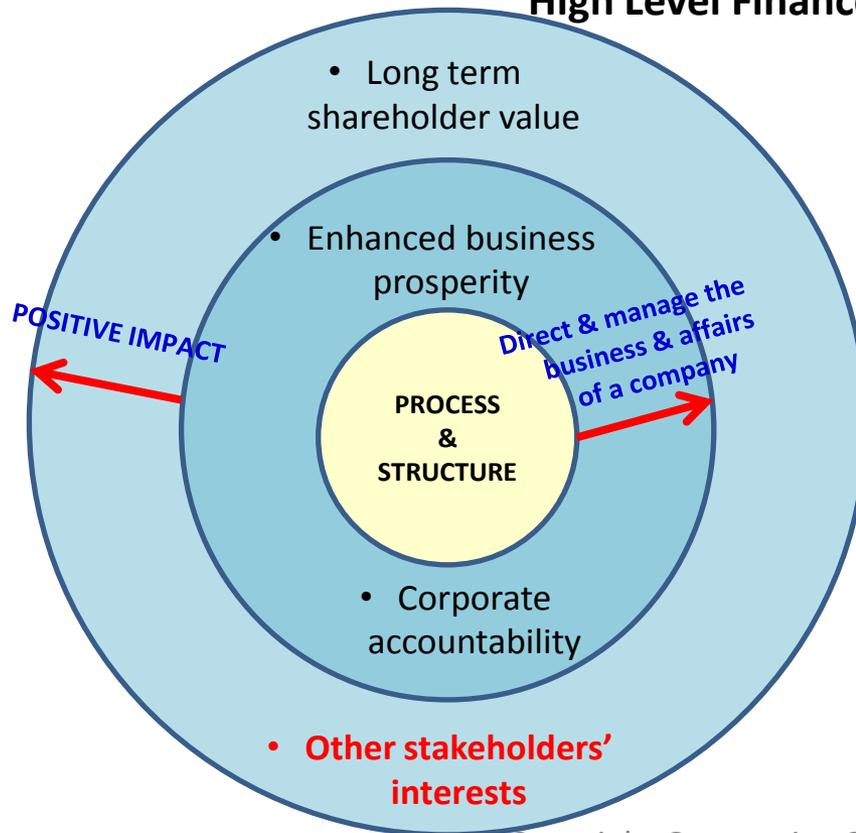


KEY ISSUES FOR CORPORATE RESPONSIBILITY

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



**CORPORATE
RESPONSIBILITY IS
EMBEDDED WITHIN THE
NATIONAL DEFINITION OF
CORPORATE GOVERNANCE!**

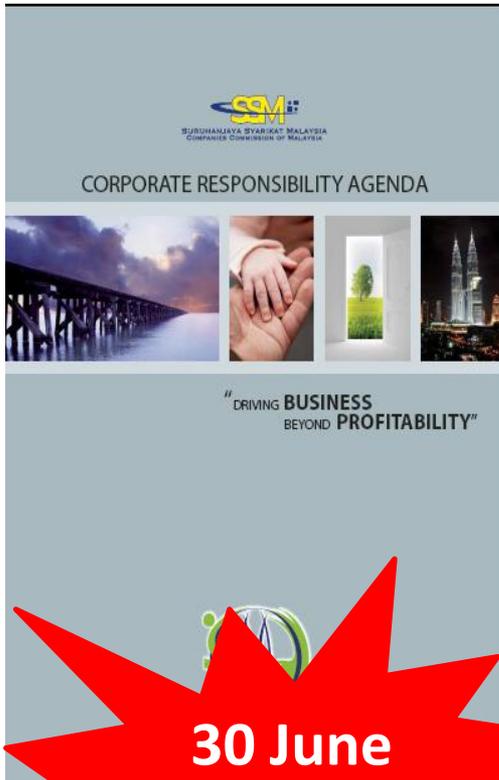
CORPORATE RESPONSIBILITY MAKES GREAT BUSINESS CASES



SSM's DEFINITION & CONCEPT OF CORPORATE RESPONSIBILITY

SSM's Definition of Corporate Responsibility

Commitment by corporations and businesses towards achieving sustainability in the social, economic and environmental conditions in furtherance to the pursuit of profitability



**30 June
2009**

SSM's Organizational Statement on Corporate Responsibility

"CR is a noble pursuit by companies and businesses towards achieving sustainability and conduciveness in the country's state of social affairs, the environment and the economy. The conduct of modern business can no longer be centered on the issue of profitability but must also be conscious towards the needs of future generations. CR is not confined to the notion of philanthropy and may include a wide array of initiatives towards creating long term sustainability vis-à-vis the triple bottom line concept. SSM believes that the concept of CR is applicable to everyone in the business community and that everyone can play an important role towards strengthening the national CR framework. A corporate and business environment who are CR-conscious and proactively pursuing the CR agenda as part of their business concern contributes towards nation building apart from enhancing the country's competitiveness as a business destination. CR is a culture which must be nurtured through multi-party co-operations and initiatives"



THANK YOU

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