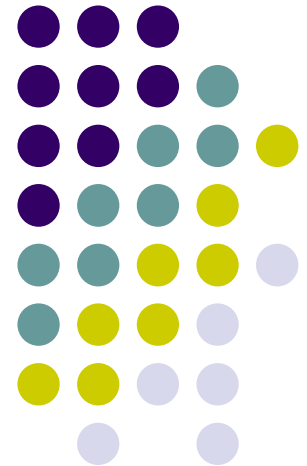


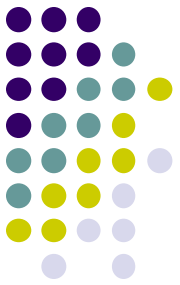
# THE 15TH MALAYSIAN CAPITAL MARKET SUMMIT

## CORPORATE GOVERNANCE & BUSINESS ETHICS:

*Making Corporate Boards & External  
Auditors more Effective and Accountable*

*David Berry  
December 2010*



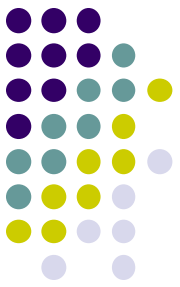


# Governance?

***“A set of rules that establishes decision-making authority **and expectations of conduct within a group.**”***

- the coordination of many activities
- a specific part of a leadership and/or management process
- a separate undertaking designed to check & control compliance with good (management) practices

***It involves making choices***



# How do we learn to make choices

- **It's about people & things that influence us:**
  - Parents, family & teachers
  - Peers
  - Managers, supervisors & business colleagues
  - Society values, the environment & the media
  - The desire to be accepted and the need for success
  - Social & material priorities
  - Economic opportunity and competition
  - Financial standing

***Survival***

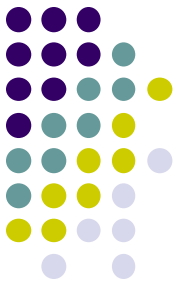


# Where Governance & Ethics collide

- Respect for the *spirit* of laws & regulations
- Focus on sustainability of self and those who rely on you – inside & outside the company
- Resisting the “want it all & want it now” syndrome
- The evils of instant reports and performance tables
- Understanding & respecting the rights and objectives of other stakeholders
- The willingness to speak up and break ranks

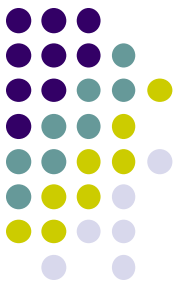
***“All that is necessary for the triumph of evil  
is that good men do nothing”***

***Edmund Burke***



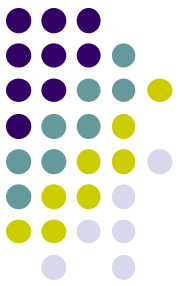
# A crisis induced confession?

- **Failings in the banking industry** (*Stephen Green, HSBC Chairman: Annual Report 2008*)
- *“Underlying all these events is a question about the culture and ethics of the industry. It is as if, too often, people had given up asking whether something was the right thing to do, and focused only whether it was legal and complied with the rules. The industry needs to recover a sense of what is right and suitable as a key impulse for doing business.”*



# Conform vs. Perform

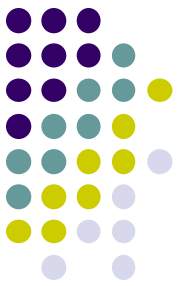
- Getting it right is not the same as doing it right
- Move from “comply or explain” to **“*apply and explain*”**
- The third question is the killer!
  - Do you do it? (Initial enquiry)
  - How do you do it? (Request confirming data)
  - Does it work? (Validation of the implied assertion)
- The process demands proactive disclosure and transparency: **“*need to know*” is unacceptable**



# The guilty party?

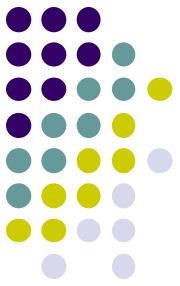
- Boards & auditors (as experts) are equally responsible
- We must move away from the “disclaimer syndrome”
- The avoidance of liability is the denial of accountability
- It is inadequate to test numbers and not test controls
- Governance is the root of the numbers
- Why do we audit numbers and leave governance without scrutiny beyond the compliance check?
- We must be willing to shine a light brightly
- Shareholders must be responsible as well – demand transparency and high standards

# Two key components to better performance



- The New UK Code suggests rigorous external reviews of Director performance at least once in three years
- This addresses only part of the issue
- A governance review conducted by independent external professionals is also required
- The objective is to answer the third question: ***“Does it work?”***

# Priceless Attributes



***Reputation***  
***Dignity***  
***Integrity***

***Thank you !***