

Inaugural Corporate Governance Conference 2018 "Building Trust in a Transforming Economy

I. Building Trust through Addressing the needs of Investors

- a. To build trust through addressing the needs of investors we need 3 important things which are (1) Tone at the top (2) Value creation & stakeholder expectations (3) Long term thinking & sustainable business
- b. Tone at the top is important as the business must have clear purpose, why you have this mission in the organization and what would be the outcome of mission for the investor. Once the tone is clear, it would be easier to create the right value and set the right outcome. Lastly, the organization also needs to have long term thinking that would lead the organization to sustainability.
- c. The result of having these 3 important things in the organization is that the investors are ensure that the organization will run effectively and have confidence in the future operation of the organization
- d. To achieve trust of investors and stakeholders in the long run, it is not by making them see but to believe in what you do and where you will go.

II. Importance of Board Diversity

- a. Board diversity helps avoid group think, which will foster constructive debate and the company will be able to cope with the disruptive and rapid movement of economy.
- b. In term of age diversity, it would help the board gets new perspectives, especially, if the age gap is between 10-15 years. However, more than 15 years difference on the board may lead to dysfunctional behaviour, as a debate on the board may not be easily come to solution.
- c. There are some difficulties in achieving board diversity, for example, groupthink mentality in Asia, rigid tradition in Asia.

III. Corporate Culture – a Board Priority?

- a. There are three important matters to consider in the transforming world, which are 1) ID governance 2) business disruption 3) corporate culture
- b. The company needs strong culture to help company reach its objectives. Weak corporate culture can undermine trust of the organization.
- c. The board can take 3 simple steps to achieve better corporate culture: 1) the board should give more time and launches proper policy such as having code of ethics, having internal audit committee and promoting integrity in the organization 2) the board should lead by example 3) If something happens inconsistent with the corporate culture, the board should take action/ make correction.
- d. Stakeholder engagement is priority in setting up good corporate culture. The board should keep in mind the needs and benefits of its employees, clients, sellers, and customer.

IV. Driving Strategy for Long-term Success while Facing Short-Term Needs

- a. 4 main themes to drive strategy for long-term success while still facing short-term needs are (1) globalization (2) demographics (3) Technology (4) Climate change
- b. For globalization, we focus on how the company adapt itself in the mist of things happening all around the world at the moment. For examples, the impact of the trade

situations, the regulation that has been recently launched such as EU regulation on data privacy, financial crime and corruption, company tax liability, cyber security standard, and how to support global supply chain

- c. Demographics focuses on how the company behaves with respect to the shifting of investor, employee and customer expectations. The expectations now heighten attention on the management of the company towards the responsible investment & stewardship, the environment – whether there is any way to reduce the use of plastic in the production on a product, human capital – whether there is a reliable standard to evaluate the performance of employees, shared economy – companies change its business model to include this emphasize this issue in their operation.
- d. Climate change has an effect on the company operation and how the company produce their product. This issue creates liability and impact to the company to integrate climate impact insurance in their product and project
- e. Technology, the company now finds ways to use technology like AI, blockchain, big data to improve and facilitate its operation and products

V. Driving Business Value & Sustainability Through Active Investors

- a. Black Rock uses passive style of investment. As selling is not an option, it makes the company a long-term investor. The company aims to create better financial future for clients and help them achieve better investment outcome.
- b. Black Rock has 4 pillars of sustainability, which are integration- integrate sustainability into investment process, stewardship-engaging company on the issue of sustainability, solution-delivering investment solutions that help client achieve financial objectives, operation that ensures long-term sustainability of the company to deliver the best outcome for clients.
- c. The company takes “engagement-first” approach to investment stewardship. The engagement priorities (for 2017 and 2018) are governance, compensation that promotes long-termism, disclosure of climate risks, disclosure of climate risk, and human capital management.

VI. Corporate Culture and Long-term Success

- a. Corporate culture is what describe who we are as an organization, our attitudes, standard, and behavior. It also reflects the characteristics and the values of the company. Employees own corporate culture while the CEO is the one setting the tone with the board making sure that all the employees behave according to the company’s corporate culture.
- b. Corporate Culture is not an option. It must link to the company objectives. Like going to the gym, you cannot go there once a week, you must practice and spend effort every day. No one size fits all for the corporate culture.