

**KEYNOTE ADDRESS
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PERMODALAN NASIONAL BERHAD
NATIONAL INTEGRITY CONVENTION 2017
"REINFORCING CORPORATE INTEGRITY: TOP
DOWN AND ALL AROUND"**

9 NOVEMBER 2017

9.50 AM

KUALA LUMPUR CONVENTION CENTRE 2

YBhg Datuk Dr Anis Yusal Yusoff,
President & Chief Executive Officer of The Malaysian Institute of Integrity

YBhg Tan Sri Dr. Madinah Mohamad
Auditor General of Malaysia

YBhg Tan Sri Dr. Ahmad Tajuddin Ali
Chairman of UEM Group Berhad

YBhg Dato' Hj Ja'far bin Mahad
Chief Integrity Officer Petronas

Distinguished Speakers, Guests, Ladies & Gentlemen

Assalamualaikum Warahmatullahi Wabarakatuh and good evening

1. Let be begin by thanking Tan Sri Dr Ali Hamsa and Datuk Dr Anis Yusal as Chairman and CEO of Malaysian Institute of Integrity respectively for giving me the honour to deliver the keynote address at this National Integrity Convention 2017.

2. The theme for this year's convention is Reinforcing Corporate Integrity: Top Down And All Around. In delivering this keynote address, I will be drawing from my own experience and share my personal perspectives. Please therefore allow me to cover three areas in my address this morning :-

- i i. Integrity as one of the core values of a good & sustainable leader
- ii ii. Reinforcing Integrity in Society and Corporate Malaysia
- iii iii. Update on PNB

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Ladies & gentlemen,

INTEGRITY AS ONE OF THE CORE VALUES OF A GOOD & SUSTAINABLE LEADER

3. I was born as number nine in a family of eleven siblings. Coming from a low income household, we were determined to take the family out of poverty. Somehow when I was young, I was told accountants make a lot of money. Looking at the many successful accountants in the corporate sector today, I guess I was not wrong. Since I was relatively good in numbers, I decided to pursue accountancy as a profession. Alhamdulillah, with the scholarship from MARA, I graduated from ACCA and started my career in 1987 beginning with KPMG and subsequently with Bumiputra Merchant Bankers, Kumpulan FIMA and Amanah Capital Group.

4. As an accountant, my ultimate ambition was to be a Chief Financial Officer (CFO) of a major listed company. Alhamdulillah, I achieved that ambition when I was appointed as the CFO of Telekom Malaysia (TM) in March 2001. As it turned out, I got more than what I bargained for having led three large organisations as Chief Executive Officer (CEO), namely the UEM Group, TM and Maybank. And it didn't stop there. I was indeed honoured and privileged to be invited by the Prime Minister to serve as a Senator and Minister in the Malaysian Cabinet, the highest decision making body in the Country. An action-packed term of three years (2013-2016) I must say. And now as Group Chairman of Permodalan Nasional Berhad (PNB) since August 2016. Probably one of the most respected positions in Corporate Malaysia.

5. I have indeed been fortunate to have been exposed to the private sector, Government Linked Companies (GLC), the Government proper and now a Government Linked Investment Company. Many people have been asking, what does it take to be a good and sustainable leader? To my mind, beyond working hard and working smart, there are three prerequisites to becoming a good and sustainable leader; Unquestionable Integrity; Competency; and Humility. Humility is about treating people with mutual respect, about staying grounded to our roots and about being cognisant that we all serve a greater purpose. Competency is about having the necessary knowledge and skills to do the job.

6. On Integrity, people often ask how do you describe Integrity? Well, to me Integrity is about "doing the right thing even when no one is watching". A competent leader with unquestionable integrity and who works very hard will enjoy a reputation that will precede him. Even the competitors will acknowledge it. I can certainly vouch for that as the person who approached me to join Maybank while I was at TM was none other than Tan Sri Megat Zaharuddin, the then Chairman of Maxis Communications, Celcom's main competitor. Tan Sri Megat was at that time in 2007 a board member of Maybank and later became my Chairman at Maybank. On the other hand, a leader without integrity is certainly not sustainable. If indeed a leader has committed an act of dishonesty, it will be found out eventually. I understand from the program, there will be a session this afternoon with the title "The Future of Corporate Ethics: You Can Run but You Cannot Hide" with Mr Albern Murty and Dr Mark Lovatt as speakers to be moderated by Ms Josie Fernandez a member of MII.

Ladies & gentlemen,

7. Fundamentally the words Integrity and Trust are closely related. Trust is often used to interpret what people say, to describe behaviour, to decide if we feel comfortable sharing information or to indicate whether we feel other people have our interests at heart. We all know what trust means but we often take the word for granted. Recently I came across the concept of Trust Equation developed by Charles E Green of Trusted Advisor. The Trust Equation uses four objective variables to measure trustworthiness, namely; Credibility, Reliability, Intimacy and Self Orientation, where Trustworthiness or Trust Quotient or TQ (similar to the concept of Intelligence Quotient or IQ if you like) is measured by the formulae $(C+R+I)/ S$.

8. The "C" or Credibility in the equation is about whether the person has the competency or authority to speak on the subject matter. The "R" or Reliability is about whether the person has delivered on what he promised in the past. Dependability and track record if you like. The "I" or Intimacy refers to the personal commitment of the leader towards his staff or constituency. And the denominator "S" or Self Orientation refers to whether the leader has vested interest in the outcome of the issue at hand. Of late the term Trust Deficit is often used. Indeed a person will suffer from Trust Deficit if he doesn't have the competency to speak on the subject matter, or if he has not delivered on his past promises, or if he does not demonstrate humility and takes no interest in the wellbeing of his people or if he has vested interest in the outcome of a particular initiative he is promoting.

9. I must say this concept of Trust Equation has helped me understand better why sometimes a very competent leader suffers from trust deficit and is unable to engender support from his stakeholders to make the transformation of his company or organisation successful or sustainable. It is therefore important for leaders to embrace the prerequisite values of a good and sustainable leader i.e. Integrity, Competency and Humility and work towards improving his Trust Quotient or TQ.

Ladies & gentlemen,

REINFORCING INTEGRITY IN SOCIETY AND CORPORATE MALAYSIA

10. Let me now move to the second part of my address and talk about Reinforcing Integrity in Society and Corporate Malaysia. For Malaysia to progress towards becoming a developed nation, it is important for society to rid itself of corrupt practices. I am indeed heartened by the recent anti corruption drive by the Malaysian Anti Corruption Commission (MACC).

11. MACC has arrested 939 people in 2016 for various corruption offences. This represents 11.7% increase over the 841 people arrested in 2015. The intensity of MACC's actions continued with 785 arrests made as at October 2017. Among the people recently arrested include senior civil servants and prominent personalities involved in some high profile cases. The MACC must be supported in their anti corruption drive without fear or favour.

12. Unfortunately though, we are still suffering from poor perception. Malaysia's ranking in Transparency International's Corruption Perceptions Index in 2016 dropped from number 54 to number 55 out of 176 countries. Among ASEAN, Malaysia was ranked well below Singapore at number 7 and Brunei at number 41. It is our hope that with MACC's relentless anti corruption drive and zero tolerance attitude towards corruption, Malaysia's Corruption Perceptions Index will improve over time.

13. Zero tolerance towards corruption must begin with all of us, civil servants and corporates alike. For such anti corruption drive to be sustainable, it is important for both the givers and recipients of bribes to be charged and punished. Corruption would persist as long as there are parties who are prepared to pay their way into lucrative contracts and favours. The time has come for the Civil Service and Corporate Malaysia to say no to corruption. I'm sure we are all familiar with the anti wildlife poaching campaign with the tagline "When the buying stops, the killing will stop too". The same thing applies to corruption or acts of dishonesty in society too. As the anti corruption saying goes, "When the giving stops, the taking of bribes will stop too".

Ladies & gentlemen,

14. As we all know, many efforts have been done to enhance corporate governance and integrity in Malaysia. Let me perhaps mention five of them:

Firstly, in April 2017, the Securities Commission released the new Malaysian Code on Corporate Governance (MCCG). The purpose of the MCCG is to strengthen corporate culture anchored on accountability and transparency. The code has 36 practices to support three principles namely board leadership and effectiveness, effective audit, risk management and internal controls, and corporate reporting as well as relationship with stakeholders;

Secondly, the Government-linked companies (GLCs) Transformation Programme, which was introduced in 2004, has successfully led to better governance, improved performance and effective nation building among GLCs. GLCs like Maybank, Sime Darby, Tenaga Nasional, TM, UEM Group and Axiata are now at the forefront when it comes to putting good corporate governance into practice;

Third, the Malaysian Institute of Integrity (MII) has been facilitating efforts to strengthen the integrity of the public and private sectors in the country with the focus on the implementation of the National Integrity Plan and serving as think tank and centre of reference on integrity matters;

Fourth, the introduction of Corporate Integrity Pledge (CIP) in 2011. The CIP is a declaration by a corporate organisation in Malaysia to support the corruption prevention effort in the country. By signing this pledge, a corporate organisation makes a unilateral decision to uphold the corruption prevention principles. Currently, some 1,119 signatories which include 190 from public sector, 903 private sector and 26 NGOs have signed CIP with MACC. This

includes Maybank which signed the CIP in 2011, the first financial institution in Malaysia to sign the CIP; and

Fifth, the introduction of no gifts policy by MACC in an effort to enhance the integrity of the government and the corporate sector. PNB, together with many other corporate entities such as Petronas, Telekom Malaysia and MAHB have also adopted a no gift policy to deter both employees of the companies and external parties from being involved in bribery. In doing so, however, it is important for us to embrace the spirit and intention of the policy rather than form. All stakeholders need to take a pragmatic approach in implementing the no gifts policy.

Ladies & gentlemen,

15. For all these efforts to reinforce corporate integrity and governance to be successful, the 'Tone at the Top' and 'Leadership by Example' must be there. In other words, these efforts must be driven and championed by the Chairman, the Board and the CEO while being supported by the management, employees and all stakeholders. This is what we mean by 'top down all around' in the corporate sector.

Ladies & gentlemen,

UPDATE ON PNB

16. Let me now move to the third part of my address which is an update on PNB. It has been fifteen months since I joined PNB and Alhamdulillah, things are progressing well. Our President Dato' Abdul Rahman Ahmad and I are fortunate to have received the baton from Tun Ahmad Sarji and Tan Sri Hamad Kama Piah a very solid national institution with high integrity. PNB today is the largest fund management company in Malaysia with some RM271 billion of funds under management, having grown by 12.9% CAGR since 1981. Two-thirds of the funds or RM186 billion are invested in Malaysian public equities representing 10.1% of the total market capitalisation of companies listed on Bursa Malaysia. This includes the 6 strategic companies of Maybank, Sime Darby, UMW Holdings, SP Setia, CCM and MNRB. Plus many other Core companies where we own at least 10% shareholding or RM1 billion in value.

17. In November 2016, we announced our Strategic Plan 2017-2022 aimed at transforming PNB into a Distinctive World Class Investment House. The Plan involves executing 15 initiatives under 3 strategic pillars of Enhancing Sustainable Returns, Effective Investment Management and Driving Operational Excellence. Since then, we have been busy executing the strategic plan focusing on the first 4 initiatives under the first strategic pillar i.e. Optimising asset allocation, Boosting domestic public equity performance, Increase exposure in private equity and fixed income instruments and Rationalising our property investments. Alhamdulillah, the transformation of our Strategic Companies is gathering momentum with a number of corporate exercises announced. I must say the outcome has been very encouraging. The value of our 6 strategic companies has increased by RM24 billion in the first ten months of 2017. This will inspire us to do more to derive greater shareholder value from our strategic companies initially and later from our core companies.

18. On our unit trust funds, we are pleased that Malaysians now own collectively 217.7 billion units of various ASNB funds via 13.2 million accounts. Notwithstanding 2016 was a challenging year for us with FBM KLCI declining 3%, we were still able to pay competitive dividend rate amounting almost RM13.9 billion across all 12 unit trust funds. We hope to increase the number of unitholders so that one day, every single Malaysian will have an account with us.

19. In this respect, as announced by YAB Prime Minister during the 2018 Budget presentation, PNB will introduce Amanah Dana Anak Malaysia (ADAM50) which will be implemented beginning 1 January 2018. ADAM50 is for all Malaysian babies born from 1 January 2018 to 31 December 2022 whom will receive 200 free incentive trust fund units as seed investment, which will be credited automatically in the unit trust funds after the registration process is completed by their parents or guardian. The ADAM50 will involve two funds namely Amanah Saham Bumiputera (ASB) for Bumiputera babies and Amanah Saham 1Malaysia (AS 1Malaysia) for non-Bumiputera babies.

20. Prior to this announcement, ASNB unit trust funds are readily open to individuals as early as six months of age. But with ADAM50 now, all Malaysian babies born in 2018-2022 will have an account with the Government and PNB providing the initial incentive units. The 200 incentive units and all dividends received on this initial amount can only be redeemed when the child reaches 18 years of age.

21. Additionally, as part of PNB's effort to encourage additional investments in the infants' account, the parents or guardians of non-Bumiputera infants can invest up to 50,000 units. For Bumiputera unit holders, PNB is proposing to increase the investment limit of Akaun Remaja ASB from 50,000 units to 200,000 units, subject to compliance requirements.

22. Through ADAM50, PNB provides the platform which will encourage them to continue investing in the future, in line with the Transformasi Nasional 2050 (TN50)'s aspirations. ADAM50 is expected to benefit some 2.8 million Malaysian infants expected to be born in the next five years.

23. Sorry for that short 'commercial' on PNB. I'm sure you would agree that I wouldn't be doing my job if I did not promote PNB this morning. After all, most of you are also unitholders of our unit trust funds.

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Ladies & gentlemen,

24. I hope each and every one of us will play our part not only in embracing Integrity as one of the core principles and values, but also in putting integrity into action. This means, among others, choosing the right leaders for our respective organisations, ensuring the integrity of our records and financial statements, ensuring we do not perpetuate corruption by paying bribes in order to secure contracts or favours and to whistleblow when we see acts of dishonesty. I believe if each one of us were to play our respective part, top down and all around if you like, then we can all move closer towards a crime-less, corruption-less and inclusive society.

25. In the spirit of NegaraKu and Rukun Negara, let us all reflect on what we have achieved together and where we have perhaps not done well. I know we are not perfect and there are many things we need to rectify and improve. But we should feel proud that this Country of ours has also progressed in many ways. More recently the Malaysian Government's adoption of Blue Ocean Strategy in improving its service delivery system such the Urban Transformation Centres (UTC), Malaysian Global Innovation and Creativity Centre (MAGIC) and the Community Rehabilitation Program has received global recognition. The National Blue Ocean Strategy (NBOS) initiatives have received special mention in the latest book "Blue Ocean Shift" written by renowned management gurus Prof Chan Kim and Renee Mauborgne. Just like the earlier book "Blue Ocean Strategy" which sold 3.6 million copies, this book is expected to sell millions of copies too, hence increasing the profile of Malaysia globally. This is certainly a big deal for Malaysia and we should all be proud of it. Congratulations to YAB Prime Minister (as the Big Chair), the Deputy Prime Minister (the Medium Chair), our very own Tan Sri KSN (the Small Chair) for being the main drivers of NBOS. And congratulations too to everyone involved in the NBOS initiatives.

26. Thank you and have a productive forum.

Abdul Wahid Omar

9 November 2017