



Asian Roundtable on Corporate Governance
Thursday, 14th September 2006
Grand Hyatt Erawan Bangkok

Opening Remarks
Mr. Vipul Bhagat
Country Manager for Thailand and Philippines

Deputy Prime Minister Somkid, Chairman Vijit of the Stock Exchange, Ms. Ervin of OCD, distinguished guests, ladies and gentlemen, a very good morning to you all.

IFC's global partnership with the OECD in the Corporate Governance Regional Roundtables across the emerging markets - from Latin America to Eastern Europe, the Middle East and, of course, Asia, has proven to be a very effective partnership - combining the OECD's policy focus and expertise in international best practices from developed markets, with IFC's practical experience of working on governance issues with companies in emerging markets.

IFC, as well as our sister organization, the World Bank, has been a regular and enthusiastic participant in the annual meeting of the Asia Corporate Governance Roundtable since the launch of the Roundtable in 1999. IFC is also pleased to support the Roundtable through our role in the Global Corporate Governance Forum, which is one of the sponsors of the meetings. (In fact, Phil Armstrong, Head of the Global Corporate Governance Forum, is the first speaker this morning.)

Combining the efforts of these three organizations (IFC, the Forum and the World Bank) the World Bank Group is able to participate in all aspects of corporate governance reform - implementing governance improvement programs in IFC's investee companies, facilitating international dialogue on best practices, and advising governments and regulators.

Two areas where IFC is placing particular emphasis in Asia are the governance of banks and the role of non-executive directors. As a major equity investor in banks across the region, IFC has had both the opportunity and the necessity to develop a deep understanding of some of the unique governance risk and complexities of banks - where both depositors and shareholders are exposed to governance weaknesses and where the failure of one bank can threaten the entire banking system.

Similarly, our extensive work with non-executive directors is both a necessity - IFC nominates non-executive directors to the boards of over 30 companies in the region - but also an opportunity since we know that this may be the most effective way for IFC to encourage better governance in our investee companies, by working from within the board. In our work with non-executive directors, we have benefited greatly from our collaboration with institutes of directors. (Incidentally, these institutes are also working with each other this week, with the Thai Institute of Directors hosting a meeting of IDEA.Net - the Network of Institutes of Directors in East Asia.)

The theme of this year's Roundtable meeting is Implementation and Enforcement. The focus on this topic is very timely. Since the late nineties, all the markets across the region have made

substantial progress in important areas of governance reform. This is borne out by evidence from the Asian Corporate Governance Association showing the reforms made since 1997 - we now take for granted that virtually every market in the region has a code of governance best practices, independent directors are required for all listed companies and audit committees are mandated. But in 1997, only Hong Kong had any kind of official corporate governance code, only Hong Kong, Malaysia and Singapore had any requirement for independent directors, and only Malaysia and Singapore required audit committees.

However, too often these new rules are not enforced effectively or there is a minimum compliance approach, where companies will do the bare minimum to comply, but with no real commitment to improving governance practices. So while there are still areas where regulations should be strengthened or improved, it is even more important to ensure that the potential of the existing governance structures is fulfilled.

Concerning "enforcement", there is obviously an important role for regulators and the legal system. But what about practical "implementation" at the company level? Here the emphasis should be on the work that must be done by companies themselves, as well as their investors (including IFC) and directors.

So, I hope the next two days will give us practical messages to achieve these outcomes. Thank you again and good morning.