



Good Governance Guide: No. 6.1

Category: Chairman & CEO

Subject: Different roles and responsibilities of the Chairman and CEO

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The combined roles of Chairman and Chief Executive Officer (CEO) constitute a concentration of power that may give rise to conflicts. As a matter of good governance, it is a best practice that, except where special circumstances such as the following exists, the roles of the Chairman and the CEO should be separated:-

- Small and medium sized companies which cannot afford the additional cost in separating the two roles;
- Wholly-owned subsidiaries of parent companies incorporated overseas.

The Malaysia Code on Corporate Governance advocates that the positions of Chairman and CEO be separated with clearly accepted divisions of responsibilities, to ensure a balance of power and authority, such that no one individual has unfettered powers of decision.

The respective roles of the Chairman and the CEO will depend on various factors such as the manner in which the Board functions as a group and the relationship between the Board and Management. This is a crucial partnership as it dictates the long-term success of the Company. Each role has functions, which should be clearly defined and understood.

The Chairman plays a crucial leadership and pivotal role in ensuring that the Board works effectively. The key roles of the Chairman are:-

- Ensuring that there is a balanced board, comprising executive, non-executive and independent directors;
- Ensuring full participation of the executive, non-executive and independent directors in the Board's decision making processes and activities;
- Facilitating the effective contribution of non-executive and independent directors and building a strong bond and trust between them and the executive directors;
- Ensuring that the whole Board plays a full and constructive part in developing and determining the company's and/or Group's strategy and overall business and commercial objectives;
- Ensuring that all relevant, material and timely information is made available to the Board for Board meetings;
- Effectively leading the Board as a whole and in particular during Board meetings and general meetings;
- Setting the agenda to be tabled for discussion, in consultation with the CEO and the Company Secretary, taking into consideration the important issues facing the company and/or Group with emphasis to strategic, rather than routine issues;



(key roles of the Chairman continued...)

- Ensuring that there are sufficient channels for effective communication between the Board and the shareholders at general meetings.
- Ensuring that complete, timely and clear information on the company and/or Group affairs are provided to the Board;
- Ensuring that the advice of the Company Secretary on compliance, procedures and rules are considered and acted upon;
- Ensuring effective communication between the company and/or Group and its shareholders, executive management, committees and other stakeholders;

The position of CEO is equivalent to the more commonly known term of a Managing Director for smaller companies. Broadly, the CEO is responsible to the Board for the day-to-day management of the Company. The Board gives direction and exercises judgement in setting the Company's objectives and overseeing their implementation. The key roles of the CEO are:-

- Ensuring that the Company and/or Group's business is properly and efficiently managed by ensuring that the executive team implements the policies and strategies adopted by the Board and its Committees;
- Assisting the Chairman in drawing up the agenda for Board meetings by providing input in relation to important strategic issues facing the business;
- Highlighting and updating the Chairman on complex and sensitive issues that might affect the company and/or Group, and maintaining a dialogue with the Chairman of the Board;
- Consulting with the Chairman and the Company Secretary on board-approved procedures and matters reserved for the board's decision;
- Ensuring that operational planning and control systems are in place;
- Ensuring that objectives and standards of performance are understood by management and employees;
- Monitoring performance results against plans;
- Taking remedial action, where necessary;
- Leading the management team and employees; and
- Managing the company generally.