



MAICSA Syllabus Document – Module 1A

Corporate Governance

January 2022

Introduction

The content for this module is an expanded version of the content specified in the *International Qualifying Scheme (IQS)* module entitled *Corporate Governance*. **All** (100%) of the content specified in the IQS syllabus is covered in this module.

Module 1A

Corporate Governance

Level: 6

Module type: **Specialist Governance – Part One (Level 6) Programme**

Total hours study time: **200**

Introduction

The aim of this module is to provide advanced knowledge and key skills necessary for the company secretary or governance professional to act as chief adviser to the board and other stakeholders on best practice in corporate governance, and as the facilitator for systematic application across a wide range of organisations.

Learning outcomes

After successful completion of this module you should:

- 1 Be able to research and critically apply the growing global, regional and local information sources on corporate governance
- 2 Be able to advise on the duties of directors as well as the role, membership, composition and effectiveness of the board, within legal and regulatory frameworks and ethical standards.
- 3 Be able to apply the concepts of disclosure (including accountability, audit and transparency), corporate social responsibility and stakeholder engagement.
- 4 Be able to critically appraise and apply corporate governance principles and best practices in risk management for the board in the employing or client organisation.
- 5 Be able to exercise appropriate judgment in the use of professional knowledge and skills to the resolution of practical issues and problems in the proper governance of an organisation, including shareholder engagement and directors' remuneration.

Module content

Section A: Corporate governance – principles and issues	
25% – 50 Learning hours	
<i>LO.1: Be able to research and critically apply the growing global, regional and local information sources on corporate governance</i>	
<i>LO.5: Be able to exercise appropriate judgment in the use of professional knowledge and skills to the resolution of practical issues and problems in the proper governance of an organisation, including shareholder engagement and directors’ remuneration.</i>	
Topic area	Exemplification
Definitions and issues in corporate governance	<ul style="list-style-type: none"> • Origins of the term corporate governance • Definitions of corporate governance • Theories of corporate governance: <ul style="list-style-type: none"> • shareholder primacy theory • agency theory: <ul style="list-style-type: none"> - agency conflict - agency costs • stakeholder theory • Approaches to corporate governance: <ul style="list-style-type: none"> • shareholder value approach • stakeholder approach • inclusive stakeholder approach • enlightened shareholder value approach • convergence of approaches to corporate governance • Principles of corporate governance: <ul style="list-style-type: none"> • responsibility • accountability • transparency • fairness • independence • Reputational management • The corporate governance framework: <ul style="list-style-type: none"> • applicable laws, regulations, standards and codes <ul style="list-style-type: none"> - rules-based approach - principles-based approach - hybrid approach - CARE approach • concepts of ‘comply or else’, ‘comply or explain’, ‘apply or explain an alternative’ • organisation’s constitution • structures • policies • procedures • Implementation of a governance framework: <ul style="list-style-type: none"> • the organisation’s purpose • assimilation of corporate governance practices • organisational success

Topic area	Exemplification
Definitions and issues in corporate governance (<i>cont.</i>)	<ul style="list-style-type: none"> • The importance of adopting good corporate governance practices • Consequences of weak governance practices • Governance and management
Corporate governance in Malaysia	<ul style="list-style-type: none"> • History of corporate governance in the UK: <ul style="list-style-type: none"> • The Cadbury Report to the Combined Code: <ul style="list-style-type: none"> - board of directors - non-executive directors - executive directors - audit committee - a ‘going concern’ statement - internal financial controls • History of corporate governance in Malaysia <ul style="list-style-type: none"> • Malaysian Code for Institutional Investor 2014 (MCII) • relevance of historic corporate governance developments • Malaysian Law and Governance: <ul style="list-style-type: none"> • Malaysian law and governance • Companies law • Capital Markets and Services Act 2007 • Bursa Malaysia: <ul style="list-style-type: none"> • Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”). • Disclosure and transparency rules (DTRs) • Malaysian Code on Corporate Governance • Bursa Malaysia Corporate Governance Guidelines • Guidance from Investors
Role of the company secretary/governance professional in governance	<ul style="list-style-type: none"> • The company secretary and corporate governance • The requirements for a company secretary: <ul style="list-style-type: none"> • Companies Act 2016 • Malaysian Code on Corporate Governance • CGI guidance on the corporate governance role of the company secretary • The role of the company secretary: <ul style="list-style-type: none"> • governance • statutory and regulatory compliance • advising the board and senior management • the board’s communicator • additional responsibilities • The company secretary as the ‘conscience of the company’ • The Company Secretary: Building trust through governance

Topic area	Exemplification
Role of the company secretary/governance professional in governance (<i>cont.</i>)	<ul style="list-style-type: none"> • Qualifications and skills: <ul style="list-style-type: none"> • Companies Act 2016 • interpersonal skills • commercial and business acumen • Position in the organisation: <ul style="list-style-type: none"> • reporting line • remuneration • evaluation • Independence of the company secretary: <ul style="list-style-type: none"> • dual roles • Liability of the company secretary • In-house versus outsourced company secretary <ul style="list-style-type: none"> • reasons to outsource • reasons not to outsource
Other governance issues	<ul style="list-style-type: none"> • Corporate governance outside Malaysia • The USA and Sarbanes-Oxley Act 2002: <ul style="list-style-type: none"> • role of the Investor Stewardship Group (ISG) • South Africa and the King Codes • Corporate governance frameworks in: <ul style="list-style-type: none"> • Germany • Japan • China • Scandinavia • The Netherlands • Governance in other sectors: <ul style="list-style-type: none"> • governance in the public sector: <ul style="list-style-type: none"> - Nolan's seven principles of public life • governance in the not-for-profit sector • Governance for family-controlled companies • Global principles of corporate governance: <ul style="list-style-type: none"> • G20/OECD Principles of Corporate Governance • Basel Corporate Governance Principles for Banks • International Corporate Governance Network (ICGN) principles • Quoted Companies Alliance (QCA) Corporate Governance Code 2018 • Key issues in corporate governance: <ul style="list-style-type: none"> • composition of boards • financial reporting • stakeholder relations • corporate culture • social responsibility and sustainability • sexual harassment in the workplace • remuneration of directors and senior executives • shareholder dialogue • performance of directors • risk management

Topic area	Exemplification
Other governance issues (<i>cont.</i>)	<ul style="list-style-type: none">• tax planning• technology and information governance• Corporate governance issues in developing and emerging markets

Section B: The board of directors and leadership	
30% - 60 Learning hours	
<i>LO.2: Be able to advise on the duties of the directors as well as the role, membership, composition and effectiveness of the board, within legal and regulatory frameworks and ethical standards.</i>	
Topic area	Potential content
Directors' duties and powers	<ul style="list-style-type: none"> • Powers of directors: <ul style="list-style-type: none"> • general management powers • special powers • power to delegate • shareholders' reserve power to give directions • General duties of directors under the Companies Act 2016: <ul style="list-style-type: none"> • common law and fiduciary duties of directors • summary of the general duties of directors • consequences of a breach of the general duties • Duty to act within powers and for proper purposes • Duty to promote the success of the company: • Company Act 2016 Fifth Schedule (Section 253) Part III Content of Business Review • Duty to exercise independent judgement • Duty to exercise reasonable skill, care and diligence: <ul style="list-style-type: none"> • delegation and the duty of skill and care • Duty to avoid conflicts of interest: <ul style="list-style-type: none"> • managing conflicts of interest • Duty not to accept benefits from third parties • Duty to declare interests in transactions: <ul style="list-style-type: none"> • interests in proposed or existing transactions or arrangement • declarations of interest • related party transactions • Who can bring an action for a breach of the general duties: <ul style="list-style-type: none"> • derivative actions • Fraudulent and wrongful trading • Directors' and officers' insurance: <ul style="list-style-type: none"> • indemnities • funding of legal expenses
Role and membership of the board	<ul style="list-style-type: none"> • Role of the board: <ul style="list-style-type: none"> • governance role under the Malaysian Code on Corporate Governance • functions carried out through committees • critical management decisions • matters required by law • Matters reserved for the board • Composition of the board: <ul style="list-style-type: none"> • balance of executive and non-executive directors • reporting on board composition • Role of the chair: <ul style="list-style-type: none"> • duties and powers of the chair under the law • chair should be independent on appointment • the chair's time commitments • appointment of the chair • typical background and characteristics of a FTSE chair

Topic area	Potential content
Role and membership of the board (<i>cont.</i>)	<ul style="list-style-type: none"> • Role of the chief executive officer (CEO) • Separation of the roles of chair and CEO: <ul style="list-style-type: none"> • CEO should not become chair of the same company • non-compliance with the MCCG on separation of the roles • Role of other executive directors • Non-executive directors (NEDs) – role and independence: <ul style="list-style-type: none"> • role of NEDs in transactions • independent non-executive directors • NEDs – effectiveness: <ul style="list-style-type: none"> • time commitments • lack of effective challenge • delays in decision-making • Senior independent director • Board committees and NEDs • Role of the corporate secretary: <ul style="list-style-type: none"> • governance role of the company secretary • appointment and removal of the secretary • reporting lines and remuneration
Balance, composition and succession planning	<ul style="list-style-type: none"> • Board size: <ul style="list-style-type: none"> • requirements for a ‘balanced board’ • requirements of the MCCG on composition • servicing board committees • ability of the board to hold productive, constructive discussions and make prompt rational decisions • Balance of skills, knowledge and experience • Diversity: <ul style="list-style-type: none"> • current MCCG principles and Guidance • gender diversity – Women on Boards review • ethnic diversity • recruiting non-executives from diverse backgrounds • reporting on diversity • diversity policy disclosures under the DTRs • Nomination committee: <ul style="list-style-type: none"> • membership of the nomination committee • role of the nomination committee • description of the work of the nomination committee in the annual report • Appointments to the board: <ul style="list-style-type: none"> • led by the nomination committee • appointment process • time commitments • inspection of service contracts and terms of appointment • Accepting an offer of appointment • Succession planning: <ul style="list-style-type: none"> • succession planning in the MCCG • what succession plans should cover • overseeing the development of a diverse pipeline

Topic area	Exemplification
Balance, composition and succession planning (cont.)	<ul style="list-style-type: none"> • reporting on succession planning • Refreshing board membership • Annual re-election: <ul style="list-style-type: none"> • MCCG requirements • biographical details
Board effectiveness	<ul style="list-style-type: none"> • Bursa Malaysia Corporate Governance Guidelines on Board Effectiveness • Regular meetings • Decision-making processes: <ul style="list-style-type: none"> • dynamics at board meetings • Supply of information: <ul style="list-style-type: none"> • board packs • other information • Board portals, electronic board papers and virtual meetings • Use of social media by boards • Corporate culture: <ul style="list-style-type: none"> • how corporate culture is reflected in the MCCG • monitoring culture • Business ethics • The role of the company secretary in building an ethical culture: <ul style="list-style-type: none"> • speaking out against bad governance and unethical behaviour • ensuring the board sets standards of ethical business • developing a code of ethics: <ul style="list-style-type: none"> – contents of a code of ethics • communicating the expected standards of ethical behavior • alerting board management to the professional ethical standards of advisers and others • ensuring compliance with values and code of ethics is monitored and breaches are reported to the board • ensuring ethical values and code of ethics are reviewed • ensuring the board approves and monitors implementation of whistleblowing policies and procedures • Independent professional advice: <ul style="list-style-type: none"> • independent advice for board committees • Performance evaluation: <ul style="list-style-type: none"> • general guidance • externally facilitated board evaluations • internal evaluations • what should be evaluated • role of the company secretary/governance professional • Induction and professional development: <ul style="list-style-type: none"> • CGI guidance on induction • professional development • encouraging senior executives to taking up non- executive posts

Section C: Disclosure, corporate social responsibility and stakeholders	
25% – 50 Learning hours	
<i>LO.3: Be able to apply the concepts of disclosure (including accountability, audit and transparency), corporate social responsibility and stakeholder engagement.</i>	
Topic area	Exemplification
Financial reporting to shareholders and external audit	<ul style="list-style-type: none"> • Financial and reporting • Requirements for financial reporting: <ul style="list-style-type: none"> • Companies Act 2016 • Listing, Disclosure Guidance and Transparency Rules • Standards • Malaysian Code on Corporate Governance • Investor confidence in financial reporting: <ul style="list-style-type: none"> • BMLR review of corporate reporting • BMLR: A matter of principles: The Future of Corporate Reporting • Role of the board in financial reporting • Role of the company secretary/governance professional in financial reporting • Audit committee requirements: <ul style="list-style-type: none"> • requirements for an audit committee • composition of the audit committee • Role and responsibility of the audit committee • Meetings of the audit committee • Audit committee relationship with the board • Audit committee relationship with shareholders • Audit committee report • Role of the company secretary/governance professional in relation to the audit committee • External auditor: <ul style="list-style-type: none"> • auditor’s liability to third parties • criminal liability of auditors • Role of the external auditor • Auditor independence: <ul style="list-style-type: none"> • threats to auditor independence • measures to protect auditor independence • Non-audit services: <ul style="list-style-type: none"> • Restrictions • By-Laws (on Professional Ethics, Conduct and Practice) by the Malaysian Institute of Accountants (“MIA”) • role of the audit committee • Auditor rotation: <ul style="list-style-type: none"> • rotation of audit partner • rotation of audit firm • The report of A Guide to Understanding Auditing and Assurance: Malaysian Listed Companies • Audit and Guidance on Effective Audit and Risk Management • Restoring trust in audit and corporate governance • Role of the company secretary/governance professional in relation to external auditors

Topic area	Exemplification
Corporate social responsibility and stakeholders	<ul style="list-style-type: none"> • Definition of corporate social responsibility (CSR): <ul style="list-style-type: none"> • corporate citizenship defined • sustainability defined • ESG (environmental, social and governance) defined • History of CSR • Business case for CSR: <ul style="list-style-type: none"> • organisations • governments and bilateral organisations • investors • shareholder trade associations • ‘greenwashing’ • impact of the millennial generation • Categories of CSR activity: <ul style="list-style-type: none"> • creating CSR partnerships • CSR frameworks: <ul style="list-style-type: none"> • UN Guiding Principles on Business and Human Rights • UN Global Compact • SIGMA Project • Equator Principles • OECD Guidelines for Multinational Enterprises: • Measuring CSR initiatives: <ul style="list-style-type: none"> • CSR and senior executive remuneration • sustainable development goals • CSR benchmarking <ul style="list-style-type: none"> • Dow Jones Sustainability Indexes (DJSI) • FTSE4Good Indexes • Business in the Community (BITC) Responsible Business Tracker • Integrated thinking • Advising the board on being socially responsible • Engagement with stakeholders: <ul style="list-style-type: none"> • ways to engage with stakeholders • engagement with the workforce • CGI and The Investment Association: The Stakeholder Voice in Board Decision Making • Role of the company secretary/governance professional in stakeholder engagement: <ul style="list-style-type: none"> • explaining to the board the business case for stakeholder engagement • assisting the board with stakeholder engagement • advising the board on reporting on stakeholder engagement • alerting the board and/or management to opportunities and risks associated with stakeholder engagements • advising the board on the setting up of a committee responsible for stakeholder issues

Topic area	Exemplification
<p>Reporting on non - financial issues, including corporate social responsibility reporting</p>	<ul style="list-style-type: none"> • Non-financial reporting: <ul style="list-style-type: none"> • narrative reporting • corporate governance report • Sustainability reporting • CSR reporting and the law: <ul style="list-style-type: none"> • Companies Act 2016 (Part II Content of business review) • Bursa Malaysia: Sustainability Reporting Guide • Drivers for voluntary CSR reporting • Triple bottom line reporting • Integrated reporting: <ul style="list-style-type: none"> • the importance of ‘integrated thinking’ • responding to stakeholder issues • difference between sustainability reports and integrated reports • Global Reporting Initiative (GRI) <ul style="list-style-type: none"> • GRI Universal Standards • topic-specific GRI Standards • Sustainability Accounting Standards Board (SASB) • International Integrated Reporting Council (IIRC) reporting framework • Corporate Reporting Dialogue • Climate change reporting • Moves to single reporting standard • External assurance • Environmental Profit & Loss Accounts (EP&L) • The governance professional’s role in CSR reporting

Section D: Risk management and internal control	
<i>10% – 20 Learning hours</i>	
<i>LO.4: Be able to critically appraise and apply corporate governance principles and best practices in risk management for the board in the employing or client organisation</i>	
Topic area	Exemplification
Systems of risk management and internal control	<ul style="list-style-type: none"> • Corporate governance, risk and internal controls: <ul style="list-style-type: none"> • relevance of risk management and internal control systems for corporate governance • Malaysian Code on Corporate Governance • Guide Pull-out II Guidance on Effective Audit and Risk Management • Risk: <ul style="list-style-type: none"> • business risk versus governance risk • Internal controls: <ul style="list-style-type: none"> • internal control risks • Elements of a risk management and internal control system: <ul style="list-style-type: none"> • Committee of Sponsoring Organizations of the Treadway Commission (COSO) • Developing a risk management system: <ul style="list-style-type: none"> • risk identification • risk categories • methods of identifying risk • risk assessment • risk response • selecting a response • risk monitoring • risk reporting • Benefits of risk management • Role of the board in risk management and internal control • Common failure of boards • Long-term viability statement • Corporate sustainability • Advising the board on planning for sustainability
Risk structures, policies, procedures and compliance	<ul style="list-style-type: none"> • Structures: <ul style="list-style-type: none"> • board committees • risk management committee • internal audit • Governance players: <ul style="list-style-type: none"> • company secretary/governance professional role • CEO role <ul style="list-style-type: none"> • chief risk officer (CRO) role • internal auditors' role • Policies and procedures: <ul style="list-style-type: none"> • risk policy and manual • procedure for monitoring and reviewing risk management and internal control systems • Whistleblowing: <ul style="list-style-type: none"> • introducing a whistleblowing procedure

Topic area	Exemplification
Risk structures, policies, procedures and compliance (cont.)	<ul style="list-style-type: none"> • questions for boards • Cybersecurity: <ul style="list-style-type: none"> • market abuse regulation • Personal Data Protection Act 2010 (“PDPA”) • Governance of information • Disaster recovery plans • Malaysian Anti-Corruption Commission Act 2009 • Conflict prevention and resolution • Senior executive remuneration and risk

Section E: Shareholder rights, shareholder engagement and directors’ remuneration

10% – 20 Learning hours

LO.5: Be able to exercise appropriate judgment in the use of professional knowledge and skills to the resolution of practical issues and problems in the proper governance of an organization, including shareholder engagement and directors’ remuneration.

Topic area	Exemplification
Shareholders rights and engagement	<ul style="list-style-type: none"> • Definitions • Separation of ownership and control • Powers and rights: <ul style="list-style-type: none"> • sources • shareholder rights • Common abuses of shareholder rights: <ul style="list-style-type: none"> • market abuse and insider dealing • insider dealing: criminal offence: <ul style="list-style-type: none"> - disclosure of inside information - insider lists and control of inside information - dealings by directors and persons discharging managerial responsibilities (PDMRs) - dealing code and policy • dilution • tunnelling • related party transactions • Anonymity of shareholders • Institutional shareholder responsibilities <ul style="list-style-type: none"> • CGI Shareholder Engagement • shareholder activism • Malaysian Code for Institutional Investors 2014 (MCII): <ul style="list-style-type: none"> • principles and guidance • Shareholder representative bodies: <ul style="list-style-type: none"> • Investment Association • international shareholder advisory bodies • Responsible investment versus socially responsible investment: <ul style="list-style-type: none"> • pursuing a socially responsible investment (SRI) strategy
Board engagement with shareholders	<ul style="list-style-type: none"> • Shareholder engagement <ul style="list-style-type: none"> • CGI guidance on engagement • Annual General Meetings (AGMs) <ul style="list-style-type: none"> • Hybrid and virtual AGMs • AGM trends • Electronic communication: <ul style="list-style-type: none"> • shareholder communications • CGI guidance on electronic communications • Best Practice Guide - AGMs – MAICSA

Topic area	Exemplification
Remuneration of directors and senior executives	<ul style="list-style-type: none"> • Remuneration as a corporate governance issue: <ul style="list-style-type: none"> • importance of remuneration of directors • overview of the governance framework on directors' remuneration in Malaysia • Elements of remuneration for executive directors and senior executives: <ul style="list-style-type: none"> • components of executive remuneration • short-term performance-based incentives • long-term incentives: share options • long-term incentives: grants of shares ('performance shares') • long-term incentive scheme performance measures • problems with linking rewards to performance • the use of benchmarks • drawbacks of share option schemes • MCCG principles and guidance on remuneration: <ul style="list-style-type: none"> • no director should be involved in deciding their own remuneration outcome • levels of remuneration • performance-related remuneration • Remuneration committee: <ul style="list-style-type: none"> • membership of the remuneration committee • duties of the remuneration committee • delegated powers or recommendations to the board • consultation with shareholders • remuneration consultants • conduct for remuneration consultants • remuneration committee report • Directors' remuneration report • Directors' remuneration policy: <ul style="list-style-type: none"> • general requirements regarding remuneration policy • contents of directors' remuneration policy • Annual remuneration report: <ul style="list-style-type: none"> • advisory vote on the annual remuneration report • content of the annual remuneration report • Annual remuneration reports in practice • Compensation for loss of office and rewards for failure: <ul style="list-style-type: none"> • length of service contracts • disclosure of unexpired contract term in the annual report • use of discretion • malus and clawback provisions • Listing Rule provisions on long-term incentive schemes: <ul style="list-style-type: none"> • requirement for shareholder approval • prohibition on discounted share options • Non-executive remuneration <ul style="list-style-type: none"> • procedure for setting NED fees • levels of NED fees • additional fees • performance-related awards for NEDs

Topic area	Exemplification
Remuneration of directors and senior executives <i>(cont.)</i>	<ul style="list-style-type: none"> • Other guidance on remuneration <ul style="list-style-type: none"> • Institutional Shareholder Services (ISS) Proxy Voting Guidelines • Pull-out 1 Remuneration policy and procedures for directors and senior management