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Corporate Governance Strategic Priorities

| by Christie Wong Yi Shen |

The Securities Commission Malaysia (“**SC**”) recently launched the Institute of Corporate Directors Malaysia (“**IDCM**”).^[1] The IDCM was established by the SC to enhance the effectiveness of directors in Malaysia and represents part of the three-year Corporate Governance Strategic Priorities 2017-2020 (“**CGSP**”).^[2] Recognised by the SC and Bank Negara Malaysia, the IDCM’s role reflects that of an institute of directors,^[3] thus placing the Malaysian corporate governance regulatory framework on par with international standards.

The CGSP provides an extensive review of the state of corporate governance in Malaysia public listed companies (“**PLCs**”) following the implementation of the new Malaysian Code of Corporate Governance 2017^[4] (“**MCCG**”), and sets out strategic priorities in addressing corporate governance concerns in Malaysia, including:

- (a) enhancing the corporate governance regulatory framework;
- (b) strengthening the corporate governance ecosystem;
- (c) promoting greater diversity on boards;
- (d) embedding the corporate governance culture early in the life cycle of companies and among youth; and
- (e) leveraging technology to enhance monitoring of corporate governance practices.

One of the CGSP’s priorities is aimed at strengthening the overall corporate governance ecosystem. At present, corporate governance is largely associated with PLCs in Malaysia. The CGSP recognises that there is a need to establish standards of behaviour and best practices in all segments of the financial system and capital market. Further, in recognising SMEs as a pivotal driving force of economic development in Malaysia, the SC will work with relevant bodies to develop a corporate governance toolkit that will serve as a point of reference for investors. Also recognised is the need for diversity on boards, particularly gender diversity. The CGSP refers to the progressive participation of women on boards, and has indicated that it will be

adopting several measures to achieve gender diversity.^[5]

The CGSP demonstrates the SC's efforts in advancing Malaysia's corporate governance framework to be in tandem with other jurisdictions.

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^[1] The IOD Malaysia launched the Institute of Corporate Directors (IOD) in October 2018. See the media release by the Securities Commission at <https://www.sc.com.my/post_archive/institute-of-corporate-directors>

^[2] The CGSP was published in September 2018 and can be viewed at <https://www.sc.com.my/wp-content/uploads/eng/html/cg/cg_priorities_2017-2020.pdf>

^[3] An Institute of Corporate Directors (IOD) is an organisation for professional leaders, and is a concept that exists in countries such as the US, UK and Hong Kong (see page 15, para 2.2.1 of the CGSP).

^[4] The Malaysian Code of Corporate Governance can be view at <<https://www.sc.com.my/wp-content/uploads/eng/html/mccg2017.pdf>>

^[5]