



## MAICSA Syllabus Document – Module 1A

# Corporate Governance

January 2020

### 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.

### Before studying this module

It is assumed that candidates have some knowledge of corporate law topics, including directors' role and duties, legal construction of and requirements for companies/organisations and the, role of shareholders/stakeholders.

### 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 justify and promote awareness of, and be responsible for continuing self and personnel development on corporate governance themes
- 3 Be able to apply the concepts of disclosure in terms of accountability, transparency, corporate social responsibility, ethical standards and sustainability in governance
- 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.

**Module content**

Section A: Corporate governance – principles and issues	
<b>25% – 50 Learning hours</b>	
<p><i>LO.1: Be able to research and critically apply the growing global, regional and local information sources on corporate governance</i></p> <p><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.</i></p>	
Topic area	Potential content
<p>General principles of corporate governance</p> <p><b>[15% – 30 Learning hours]</b></p>	<p>Definitions of corporate governance – including well-known ones, such as the Cadbury report, OECD principles, and the King Report, as well as local variations and according to organisation type</p> <p>The nature of corporate governance and purpose of good corporate governance</p> <p>Separation of ownership and control</p> <p>Agency theory and corporate governance</p> <p>Stakeholder theory and corporate governance</p> <p>Principles of good corporate governance</p> <p>Local codes and reference to other codes such as Malaysian Code on Corporate Governance (2017), Cadbury report, OECD principles and the King Report</p> <p>Key issues in corporate governance</p> <p>Leadership and effectiveness of the board, accountability, risk management and internal control, remuneration of directors and senior executives, relations with shareholders and other stakeholders, sustainability</p> <p>Framework of corporate governance</p> <p>Legal framework</p> <p>Rules-based and principles-based approaches</p> <p>Codes of corporate governance and their application</p> <p>Benefits of good corporate governance</p> <p>Potential consequences of poor corporate governance</p>
<p>Other governance issues</p> <p><b>[10% – 20 Learning hours]</b></p>	<p>International aspects of corporate governance:</p> <ul style="list-style-type: none"> <li>Other models including US, Germany, Japan, China etc.</li> <li>Classification of corporate governance systems, or different approaches – for example, Scandinavian, German approaches</li> <li>Are corporate governance systems converging or diverging?</li> <li>Effect of the global financial crisis</li> <li>The diffusion of corporate governance practices</li> </ul>

Topic area	Potential content
	<p>Other issues; introduction to the following topics:</p> <ul style="list-style-type: none"><li>Governance problems for large global groups of companies</li><li>Corporate governance: unquoted companies and small quoted companies</li><li>Governance in the public sector</li><li>Governance in the not-for-profit sector</li><li>Family-controlled companies</li></ul>

**Section B: The board of directors and leadership**

**20% – 40 Learning hours**

*LO.2: Be able to justify and promote awareness of, and be responsible for continuing self and personnel development on corporate governance themes*

Topic area	Potential content
The board of directors and leadership	Role of the board Division of responsibilities on the board Matters reserved for the board Delegation to management Role and responsibilities of the chair of the board, chief executive officer and non-executive directors Independence and non-executive directors Role of the senior independent director Duties of directors: fiduciary, statutory, common law Conflict of interest, related party and rules on dealing in shares by directors: insider dealing; Model Code Liability of directors: directors’ and officers’ liability insurance Unitary and two-tier boards Directorship versus management Effectiveness of the board Role of the corporate secretary and other advisers in governance Size, structure and composition of the board: board balance and diversity Board committees: objectives, role and functions Appointments to the board: role of the nomination committee; succession planning and board refreshment Induction and development of directors IT governance: Information and support for board members Performance evaluation of the board, its committees and individual directors Re-election of board members Diversity on boards Impact of social media and changing communication Environment

<b>Section C: Disclosure</b>	
<b>20% – 40 Learning hours</b>	
<i>LO.3: Be able to apply the concepts of disclosure in terms of accountability, transparency, corporate social responsibility, ethical standards and sustainability in governance</i>	
<b>Topic area</b>	<b>Potential content</b>
<p>Governance and accountability <b>[15% – 30 Learning hours]</b></p>	<p>Financial and business reporting and corporate governance</p> <p>The need for accountability and transparency</p> <p>The need for reliable financial reporting: true and fair view, 'going concern' statement</p> <p>Responsibility for the financial statements and discovery of fraud</p> <p>Role of the external auditors</p> <p>Auditor independence: threats to auditor independence, auditors and non-audit work</p> <p>Reporting on non-financial issues: narrative reporting, strategic reporting</p> <p>The nature of corporate responsibility and corporate citizenship</p> <p>Corporate responsibility and stakeholders</p> <p>Internal and external stakeholders</p>
<p>Corporate social responsibility (CSR) sustainability &amp; business ethics <b>[5% – 10 Learning hours]</b></p>	<p>Elements of corporate social responsibility: employees, the environment, human rights, communities and social welfare, social investment, ethical conduct</p> <p>Formulating and implementing a policy for corporate social responsibility</p> <p>Reporting to stakeholders on sustainability and corporate social responsibility issues</p> <p>Voluntary social and environmental reporting</p> <p>Nature of sustainability</p> <p>Sustainability reporting, triple bottom line, Global Reporting Initiative (GRI) guidelines</p> <p>Integrated reporting</p> <p>Ethical issues in business</p> <p>A framework for ethical decision-making and managing conflicts</p> <p>Organisational culture and ethical decision-making</p> <p>Codes of Ethics</p>

<b>Section D: Risk management and internal control</b>	
<i>15% – 30 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>	
<b>Topic area</b>	<b>Potential content</b>
<p>Role of the board in risk management and internal control</p>	<p>Risk management as a primary responsibility of the board                      The difference between ‘business risk’ and ‘governance risk’ (internal control risk)                      Internal control risks: financial, operational and compliance risks                      Elements of an internal control system: Turnbull and other guidance                      Opportunity risk governance                      Risk and return: identifying, monitoring and reporting key risk areas, risk appetite and risk tolerance                      Responsibilities for risk management and internal control: the board, executive management, audit committee, internal and external auditors                      Risk committees of the board                      Role of internal audit with an internal control system                      Whistleblowing policy and implementation                      Reputation risk: placing a value on reputation, identification and management                      Disaster recovery plans                      Conflict prevention and resolution                      Compliance and enforcement                      Governance of information                      Reviewing and reporting on the effectiveness of the risk management and internal control systems                      Role of the corporate secretary as adviser to the board on risk, and having responsibilities with implementation of policies and compliance</p>

<b>Section E: Corporate governance systems, controls and issues</b> <span style="float: right; color: red;">20% – 40 Learning hours</span>	
<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</i>	
Topic area	Potential content
Relations with shareholders <span style="color: red;">[10% – 20 Learning hours]</span>	The equitable treatment of shareholders, protection for minority shareholders Rights and powers of shareholders Dialogue and communications with institutional shareholders or major stakeholders Role and relevance of institutional shareholders or major stakeholders; Minority Shareholders Watchdog Group and Malaysian Code for Institutional Investors 2014 Constructive use of the annual general meeting Shareholder activism  <i>Note: Students will be required to have an awareness of the benefits of electronic communications between companies and their shareholders, but will not be required to know the detailed law and regulations on electronic communications.</i>
Remuneration of directors and senior executives <span style="color: red;">[10% – 20 Learning hours]</span>	Principles of remuneration structure: elements of remuneration Remuneration policy Elements of a remuneration package and the design of performance-related remuneration. Candidates will not be required to discuss performance targets in detail, but need to be aware of short-term incentives (e.g. cash bonuses) and longer-term bonuses (share grants, share options). They also need to be able to discuss the difficulties of designing a suitable remuneration structure Role of the remuneration committee Compensation for loss of office Disclosures of directors’ remuneration – candidates will be expected to show an awareness of issues relating to the disclosure of directors’ remuneration in the annual report and accounts, but not the detail (e.g. not the detail of the directors’ remuneration report) Shareholder approval of incentive schemes and voting rights with regard to remuneration The recommendations or guidelines of institutional investor groups and corporate governance codes on matters relating to directors’ remuneration.