

Adopted - Securities Commission Malaysia - Code on Corporate Governance

In April the Securities Commission (SC) of Malaysia issued the new [Malaysian Code on Corporate Governance](#) (MCCG). While targeted at listed companies, others are encouraged to adopt it as well.

A major change in the new MCCG is the shift from a “comply or explain” approach to “apply or explain an alternative” approach. The change means a company may no longer just explain why it is not in compliance, but instead must implement alternative measures to the requirement. The Code also introduces the Comprehend, Apply and Report (CARE) approach, to ensure a better understanding of the spirit and intent of disclosure requirements to help companies to apply them with the objective of improving their governance culture.

In addition to the launch of the MCCG, the SC announced a three-year corporate governance strategic plan. The strategic plan supports three key initiatives:

- Strengthening the governance culture, notably through the creation of the Institute of Corporate Directors Malaysia and enhanced collaboration with small and medium enterprises
- Leveraging enforcement technology for corporate surveillance measures
- Promoting gender diversity on boards, with a goal of 30% female representation by 2020

Next steps

The MCCG is effective immediately. Reporting on the applications of practices in the MCCG will be required for financial years ending 31 December, 2017.

PwC Commentary

The MCCG will likely increase transparency and accountability by making information more accessible. Key new features of the MCCG and the SC three-year corporate governance plan should promote a more meaningful application of practices and deepen understanding of the importance of corporate governance.