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Stakeholders' Roles And Responsibilities In Corporate Governance

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Traditionally, corporate governance has been viewed through a relatively narrow lens: the board of directors is the custodian of governance, responsible for overseeing management, protecting shareholders' interests and ensuring that the company complied with its legal and regulatory obligations. Other stakeholders, however, were often only seen as external participants whose role was limited to engaging with the company only when their own interests were directly affected.

This perspective is becoming increasingly outdated as today's business environment has changed. Organisations now operate within a governance ecosystem where decisions made in the boardroom have far-reaching implications beyond financial performance alone. Employees influence organisational culture, investors shape governance expectations through stewardship, regulators establish standards of accountability, customers increasingly demand responsible business practices and suppliers contribute to the resilience of corporate value chains. Collectively, these stakeholders play an increasingly important role in influencing how organisations are governed; governance is no longer measured solely by legal compliance or the protection of shareholder value, but by whether business decisions have been made in consideration of other stakeholders.

The Board's Role In Corporate Governance

The Board of Directors is arguably the principal stakeholder in corporate governance as they hold the greatest influence. Pursuant to Section 211 of the Companies Act 2016 (CA 2016), the board manages and is responsible for all business and affairs of the company and has all the powers to discharge this duty subject to the Act or the company's constitution. Further, under Section 213(1) of the CA 2016, a director must at all times act in good faith and in the best interest of the company.

Following regulatory developments in Malaysia, directors are now expected to balance the interests of employees, shareholders, potential investors, and consumers in decision making to ensure the company's long-term survival and commercial viability. This is consistent with Guideline 4.1 of the Malaysian Code on Corporate Governance ("MCCG"), which suggests that the Board and management should continuously engage and consider the views of its internal and external stakeholders to better understand and manage the company's sustainability risks and opportunities.

The MCCG further outlines their responsibilities:

- **Practice 1.1**

  The board is responsible for setting the company's strategic aims, values, and standards, while ensuring obligations to shareholders and other stakeholders are met.

- **Practice 1.2**

  The Chairman of the board is responsible for instilling good corporate practices.

- **Guidance 1.1**

  Directors should, among others, ensure that the strategic plan of the company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability.

- **Practice 3.1**

  Together with management, establishes the company's code of conduct and ethics, and implements its policies and procedures to handle matters of conflict of interest, corruption, unethical behaviour and compliance.

Although corporate governance is often associated with the board of directors, effective governance cannot be achieved by the board acting in isolation. Recognising governance as a shared responsibility does not dilute the legal duties of directors. Rather, it acknowledges that governance outcomes are influenced by the quality of relationships between the board and its stakeholders. Boards establish the governance framework, but its effectiveness depends upon how faithfully it is implemented throughout the organisation.

Management: From Execution To Governance Partner

Management is responsible for implementing the strategy approved by the board and managing the company's day-to-day operations. Increasingly, it is recognised that the management plays a significant role as a link between board oversight and organisational execution.

The MCCG recognises that good governance extends beyond the boardroom and depends upon management's ability to implement the board's strategic direction and cultivate a culture of integrity throughout the organisation. In particular, this is recognised in Practices 3.1 and 4.1, read together with Guidance 4.1, where it outlines the collective responsibility of both the management and the board in implementing policies and setting strategies.

As the organisation's executive leadership, management is responsible for translating the board's strategic objectives into operational outcomes while ensuring that the company's activities remain consistent with its governance framework, risk appetite and legal obligations. In practice, management ensures that governance principles established at the board level are embedded throughout the business.

Effective governance depends not only on management's ability to execute strategy, but also on its willingness to escalate issues, disclose emerging risks and facilitate constructive challenge. The quality of board decisions is consequently dependent upon the quality of information presented by management. Incomplete, inaccurate or overly optimistic reporting for instance may even impair the board's ability to exercise independent judgment and fulfil its fiduciary duties.

In short, while the board sets the tone from the top, management determines how that tone is translated into practice. The MCCG therefore recognises that good corporate governance is not achieved solely through effective boards, but through an effective partnership and trust between the board and management, with clearly defined responsibilities, open communication and a shared commitment to the long-term success of the company.

Employees And Organisational Culture

Corporate governance is also reflected in organisational behaviour. Employees implement policies, operate internal controls and interact daily with customers, regulators and business partners. Consequently, they serve as stakeholders and a line of defence against corporate fraud, corruption, and mismanagement.

Boards increasingly recognise that ethical culture cannot be established solely through written policies. It requires clear leadership, psychological safety, effective whistleblowing mechanisms and incentives that reward responsible conduct rather than short-term financial performance. With that, the CCM released the 'Code of Ethics for Company Director & Company Secretary' which places the responsibility on directors to ensure that employees fully understand, respect, and appreciate the value of good corporate governance practices.

Employees therefore play an essential role in identifying governance failures before they develop into legal or reputational crises.

External Stakeholders

Outside the organisation, the broader governance landscape is continuously being shaped by an ecosystem of external stakeholders whose expectations increasingly influence corporate behaviour. Regulators, customers and the wider community each contribute to defining what constitutes good governance, often extending expectations beyond minimum legal compliance.

Although regulators play a critical role in establishing the minimum standards expected of organisations, governance has gone beyond legal compliance. Customers, suppliers, creditors, communities and civil society organisations all influence corporate behaviour through commercial relationships, public expectations and reputational pressures.

In Malaysia, regulatory developments such as the Companies Act 2016, the MCCG, Bursa Malaysia's Listing Requirements and the National Sustainability Reporting Framework (NSRF) reflect an increasing emphasis on transparency, sustainability and board effectiveness. Beyond regulation, the inclusion of the Securities Commission Malaysia's Capital Market Masterplan for 2026–2030 (CMP4) further illustrates the evolving expectations placed on boards and management. It promotes a capital market that is inclusive, resilient and internationally competitive by emphasising sustainable value creation, responsible leadership and enhanced regional connectivity. These frameworks encourage organisations to consider not only what is legally permissible, but also what constitutes responsible corporate conduct in the interests of long-term value creation.

Requirements further reinforce these expectations through:

- Mandatory disclosure obligations
- Governance reporting
- Risk management frameworks
- Sustainability guidelines.

Collectively, these frameworks also establish both the legal standards and governance expectations against which boards and management are assessed. With key strategies outlined by the CMP4, boards are expected not to merely ensure compliance with prescribed legal obligations, but to exercise strategic oversight that enables organisations to anticipate emerging risks, adapt to changing stakeholder expectations and create sustainable long-term value, recognising that sound governance contributes not only to regulatory compliance, but also to market confidence, responsible leadership and the long-term competitiveness of Malaysian companies.

Customers, business partners, pressure groups and the media likewise are also becoming more discerning. Many organisations are now expected to demonstrate responsible business conduct, ethical supply chain management and robust data protection practices before commercial relationships are established or maintained.

In parallel, lenders, credit rating agencies and insurers increasingly incorporate governance considerations into their assessments of corporate risk.

One such risk that has come to the forefront of corporate governance is climate change, which is no longer just another environmental concern, but a governance issue that falls squarely within the oversight responsibilities of the board. The Commonwealth Climate and Law Initiative (CCLI) further stresses this by emphasising that directors' fiduciary duties extend to the governance of climate-related risks and opportunities, requiring boards to integrate climate considerations into corporate strategy, risk management and decision-making.[1]

Civil society has likewise become increasingly active in shaping governance expectations surrounding climate action. In Malaysia, youth-led organisations and students have become more vocal in advocating for stronger environmental accountability, extending beyond public advocacy to legal action. In 2026, six Malaysian youths, including university students and climate advocates, commenced judicial review proceedings against the Government to compel it to uphold its long-standing commitment to maintain at least 50% forest cover and reduce deforestation.[2] Although directed at public authorities, such developments reflect a broader shift in societal expectations that institutions, both public and private, should be accountable for their climate commitments.

In an environment characterised by rapid information flows and heightened public scrutiny, governance failures may attract significant reputational and financial consequences even where no legal breach has occurred. Allegations relating to unethical conduct, environmental practices or inadequate oversight can quickly erode stakeholder confidence. As a result, organisations are now expected to also demonstrate transparency, responsiveness and sound corporate stewardship.

These developments reflect the fact that good governance is no longer measured solely through compliance, but by whether it is able to maintain the confidence of those who invest in, work with and are affected by the organisation. They create an external governance ecosystem that encourages organisations to move towards accountability, resilience and sustainable long-term value creation.

Conclusion

All in all, effective corporate governance cannot be achieved through board oversight alone. While directors remain legally accountable for the governance of the company, sustainable governance depends upon meaningful contributions from management, shareholders, employees, regulators and other stakeholders whose actions collectively shape organisational behaviour.

[1] https://commonwealthclimatelaw.org/wp-content/uploads/2022/07/CCLI-Malaysia-Legal-Opinion-Key-findings-Final.pdf
[2] https://theedgemalaysia.com/node/798862

Organisations should move beyond viewing stakeholders as groups to be managed or consulted and recognise that governance is strengthened when each stakeholder understands both their rights and their responsibilities within the broader governance framework.

Ultimately, good corporate governance is not defined by the effectiveness of any single participant. It is measured by how successfully the board, management and stakeholders work together to manage risk and create sustainable long-term value. Governance, in its truest sense, is therefore a shared responsibility built upon collective stewardship rather than individual authority.

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