

# Rightsize pay gap between executive and non-executive directors — ICDM

Institute's CEO says this disparity must be addressed to ensure a higher quality, independence of directors

BY TAN XUE YING

KUALA LUMPUR: The huge disparity between the remuneration of executive directors (EDs) and independent non-executive directors (NEDs) in corporate Malaysia must be addressed to ensure a higher quality and independence of directors, according to the Institute of Corporate Directors Malaysia (ICDM).

In light of recent corporate scandals in Malaysia, questions have been raised about whether corporates are attracting the right talent as independent directors, ICDM president cum chief executive officer Michele Kytthe Lim said, noting adequate compensation plays a key role in such matters.

"All their responsibilities are the same under the Companies Act, but the pay is quite different. And we are trying to rightsize that imbalance," Lim, a trained lawyer, told reporters on the sidelines of its conference here yesterday.

"The reality is that EDs are paid quite well and without going through shareholders' approval, whereas independent or NEDs are not paid as much, but their fees get (have to be) approved by shareholders," she said,

adding that there is a misconception that all directors are handsomely paid in corporate Malaysia.

The average pay per NED ranges from RM150,000 to RM200,000 per year, and could go up to RM300,000 to RM400,000 for larger companies, said Willis Towers Watson Malaysia ED and head of HR advisory Tan Juan Jim.

Willis Towers Watson managing director and global practice leader of executive compensation, Mark Reid highlighted that the "rightsizing" of the pay gap between EDs and non-EDs must be done with awareness that NED fees should be kept simple and non-performance-related to avoid any conflict of interest.

"Getting that balance right between 'enough to be appropriate, and not so much that independence is compromised,' is important," he stressed.

Reid said that in the past, there had been a lot of scrutiny of executive pay because of the eye-catching high numbers. He opined that equal attention must be paid to NED remuneration as NEDs have seen their roles evolving throughout the years and are now expected to shoulder more responsibilities than before.



Lim: The reality is that EDs are paid quite well and without going through shareholders' approval. Photo by Shahrin Yahya

"Data show that typical NEDs are spending around 30% more time now in their role than they did 10 or so years ago. The degree of external scrutiny has gone up. There is [a] lot more disclosure now on fee levels and decisions and therefore the risks to reputation of directors — legal and financial — too have increased with the increased number of lawsuits.

"So, on the one hand, there is a lot of pressure on NEDs to do

more and take on more risks, which would naturally imply that fee levels should rise accordingly. But, on the other hand, there is a lot of societal pressure on equality, affordability and fairness," he said.

Another misconception is that NED roles are for retirees, when in fact their responsibilities are onerous and increasingly so, said the ICDM. This is as NEDs too have to comply with laws and regulations and keep up with the latest developments in corporate governance and how director duties are dispensed.

"The responsibility has always been there. It is not just a nice job to have when you are retiring, to attend board meetings and earn a fee and not have a huge responsibility," said Lim, adding that as attracting the right talent is becoming critical, the pay must be commensurate.

## Too much fee disclosure 'not necessarily good'

According to the ICDM, too much fee disclosure may not necessarily be a good thing, as it may have unintended consequences.

"First, disclosure has driven pay inflation, rather than pay moderation, as it gives executives ready

benchmarks to compare themselves. Secondly, it drives much greater individual scrutiny — which executives tend not to like — and reduces people's willingness to be on the board because it invades their privacy," said Reid.

"Also, as we have seen greater requirements of disclosure, not just of pay levels but pay design (as seen in the UK), it is requiring a level of granularity that is actually compromising confidentiality of strategy," he added.

Lim believes that stressing disclosure without a clear end goal may also discourage or disincentivise businesses — especially unlisted small- and medium-sized enterprises — from participating in the equity market.

There are a total of 8,000 EDs and NEDs among the 900-plus public listed companies, according to the ICDM, which was set up in October 2018 to enhance professionalism and effectiveness of corporate directors in the country.

The Malaysian Code on Corporate Governance 2017 stipulates that half of the board members of listed companies should comprise independent directors.

## Ministry targets 10% rise in local palm oil use

KUALA LUMPUR: The primary industries ministry targets a 10% increase in the use of palm oil and its products through the "Sayangi Sawitku" campaign.

Its Minister Teresa Kok Suh Sim said local use of palm oil products currently stands at 20% while about 80% is for export markets.

"We urge manufacturers of all downstream palm oil products to place the "Sayangi Sawitku" campaign label on their products to educate consumers that [the products] are made of palm oil," she said during a question and answer session with companies under the Cooking Oil Stabilisation Scheme (COSS) yesterday.

In her speech, Kok said since the pre-launch of the national-level "Sayangi Sawitku" campaign, various activities and programmes had been carried out with locals and students from schools, colleges and universities.

"The objective of this campaign is to cultivate the spirit of love and pride towards Malaysian palm oil as well as the appreciation of the commodity's contribution towards the economy," she added.

Kok said the mandatory implementation date of the Supply Chain Certification Standard (SCCS) for palm oil processing facilities involved in the COSS is June 30, 2019.

For palm oil processing facilities

which are not involved in the COSS, they need to get the SCCS certification before Dec 31, 2019," she said.

Meanwhile, Domestic Trade and Consumer Affairs Minister Datuk Seri Saifuddin Nasution Ismail said the government had allocated RM600 million this year to subsidise cooking oil.

"The allocation involves 60,000 tonnes or 3.69% of subsidised cooking oil, involving 280 cooking oil packagers under the COSS scheme nationwide.

"The government will give them (the oil packagers) a 60 sen subsidy for every one kg of RM2.50 cooking oil packet," he said. — *Bernama*

## 'BIMB Invest to increase size of global Shariah-ESG equity fund to RM1b'

KUALA LUMPUR: Bank Islam Malaysia Bhd's unit BIMB Investment Management Bhd (BIMB Invest) aims to increase the size of its global syariah-environmental, social and governance (Shariah-ESG) equity fund, BIMB-Arabesque i Global Dividend Fund 1 (BigDF1), to RM1 billion this year from RM800 million at present.

BIMB Invest chief executive officer Najmuddin Mohd Lutfi said having accessed Singapore early this year, BigDF1 is poised for further market expansion in the region.

"We are looking at the Indonesian and Bruneian markets by 2020, as well as other supportive global Islamic markets," he told reporters at the ESG & Sustainability Investing with Big Data Technology and Artificial Intelligence official launch with CIMB Islamic yesterday.

The collaboration with CIMB Islamic would enable the funds' subscription network to expand further throughout CIMB branches.

Najmuddin said BIMB Invest's Shariah-ESG was launched in partnership with Arabesque Asset Management, the world's first ESG Quant specialist located in the UK.

"This enables BIMB Invest to pioneer artificial intelligence (AI) and big data technology, offering the next generation of investment

management," said Najmuddin.

With the collaboration, BIMB Invest's Shariah-ESG is the largest Shariah-ESG fund manager in Malaysia and the fourth largest globally in terms of Islamic equities.

It is the first ESG sukuk fund in the world, as well as the first Shariah-ESG equity fund in Malaysia to have an AI fund, global equity ESG fund, global Shariah-ESG fund and Asia-Pacific Shariah-ESG fund.

The Shariah-ESG has three key fundamentals which are active management 2.0 — an investment strategy that combines sustainability, a sophisticated fundamental stock selection process and investment management technology.

Secondly, it has globally-accepted syariah principles, in accordance with the standards set by the Accounting and Auditing Organization for Islamic Financial Institutions.

Thirdly, it has integration of non-financial information on ESG and human rights, as well as labour rights, environmental matters and anti-corruption measures.

The ESG data enables BigDF1 to assess sustainability performance of companies and have insights into the companies' management quality, comprising strategic decisions and better informed financial decisions. — *Bernama*

## PRG's HK unit to diversify into PVC foam board business

BY SAMUEL LIM

KUALA LUMPUR: PRG Holdings Bhd's 63%-owned subsidiary Furniweb Holdings Ltd, which is listed on the Hong Kong Stock Exchange, has proposed to acquire Meinaide Holdings Group Ltd for HK\$140 million (RM72.88 million) to be fully satisfied via the issuance of shares.

Furniweb believes that the acquisition provides an excellent opportunity for it to expand its business port-

folio to include production and sale of polyvinyl chloride (PVC) foam boards, polystyrene foam boards, PVC construction templates and other plastic products, which have high growth potential.

In a filing with Bursa Malaysia, PRG said Furniweb had entered into an agreement with Triumph Star Global Ltd for the proposed acquisition.

Under the deal, Furniweb will issue 56 million new shares to Tri-

umph Star Global at HK\$2.50 per share, which represents an 11.03% discount to the closing price of HK\$2.81 per share on Tuesday.

The agreement also entails a profit guarantee from Triumph Star Global to Furniweb that the consolidated net profit of Meinaide will not be less than 10 million yuan for the financial year ending Dec 31, 2019.

On completion, Meinaide will become an indirect wholly-owned subsidiary of Furniweb.