

# Company directors: Coping with the rising expectations

- ICDM aims to promote the diversity of boards in terms of gender, age and skill sets
- It is also advocating the interests of directors on policy matters



by  
**Stephanie Jacob**

These days, being a corporate director may not be a glamorous job. If directors fail to do their job, they might find themselves facing serious consequences.

The recent move by plantations player FGV Holdings Bhd to sue its ex-CEO and several directors for damages in relation to the acquisition of Asian Plantation Ltd (APL) in 2014 is a reminder that more is expected from company directors.

"The company brought this action for loss suffered from their failure to discharge their respective fiduciary duty, duty of fidelity and/or duty to exercise reasonable care, skill and diligence," said FGV in a filing to Bursa Malaysia on Nov 23.

It is likely that more corporate directors of government-linked investment companies and government-linked companies may face the music from regulators as more dirt is being dug up by the authorities.

The Malaysian Anti-Corruption Commission (MACC) is in the process of amending its Act to make directors liable for their employees' corruption unless they can prove they actively tried to take steps to prevent such behaviour.

Institute of Corporate Directors Malaysia (ICDM) CEO and president Michele Lim says that the regulations emphasise that being a director is not an easy job and it comes with a lot of responsibility.

"Times are changing and we need to keep up with the (regulatory) changes, or directors will have to face the consequences," Lim tells *FocusM*.

## Times are changing

In the past, becoming a director of a company used to be regarded as almost an end of career reward of sorts.

In some instances, a corporate directorship is handed to those headed towards retirement and as a source of continued income.

Sometimes, getting a direc-



Board of directors of companies are no longer a tightly knit cosy club; Onerous responsibilities abound

torship could also mean one is somehow related or connected to the owners or had been a loyal employee of the company.

More often than not, the candidates were male, in their late 50s and upwards and who generally moved in the same social circles.

But all this has changed amid industry disruptions, demand for better corporate governance and an increase in a director's exposure to liability.

Combined with increasing evidence that a diverse and well-composed board can have a significantly positive impact on a company, companies now need to rethink how they appoint directors.

That is where the ICDM comes in. The institute was launched on Oct 1, 2018 under the aegis of the Securities Commission of Malaysia, Bank Negara Malaysia, Bursa Malaysia and the Capital Market Development Fund (CMDF).

## Board diversity

Among ICDM's key roles is to help companies, both public-listed and others, to diversify and improve their board composition.

"(What it means to be a director) is starting to change, moving away from being a boys' club," says Lim.

"ICDM is trying to change the boys' club mindset and open up boards to diversity in every sense of the word - gender, experience, skill sets and age groups, which I think is very important."

Board diversity is important because such boards tend to be more robust in their decision making, says Lim.

She adds that better decision-making means better leadership from the board, and this ultimately translates into better companies.

To achieve this, ICDM is working to develop a pool of diverse talents that companies can tap to fill their boardrooms.

"We are focusing on building a pipeline of directors to ensure that younger generations of directors are coming in.

"This is so that boards do not have the old prevailing mindset, (that no new candidates are available), that there is no pipeline, and therefore fall back on choosing people they know or their friends to fill board positions," says Lim.

ICDM is also working with present company directors to raise their skill sets to ensure that they remain relevant and can continue to contribute in an ever-changing business landscape.

"We have developed, and are further developing, a whole suite of services for the entire scope and journey of a direc-

tor," highlights Lim.

"So, when we talk to the mature directors, we are looking at building their awareness of the disruptions taking place in their industry and assessing if their boards are ready."

Aside from disruptions arising from technology, ICDM is also preparing directors to handle sustainability and climate governance issues, among other topics, adds Lim.

The institute is also focusing on developing and improving the boards of SMEs. She notes that many of these companies often have good products but are not very mature in terms of governance. Improving their boards will help strengthen these companies.

"We want to target SMEs to bring them (their boards) up because some of them may want to move towards listing in the future and for that, their govern-

ance will need to be developed as well," she argues.

ICDM also conducts board evaluations to help companies assess if there are gaps in their composition. It then helps them plug those gaps through its director sourcing programme.

"We help assess if there are competency, skills or diversity gaps. If there are gaps, then we can help them fill them through our director sourcing service which will help them find the requisite directors," she explains.

## Directors taking up liability insurance

Aside from improving the standard of directors and boards, the institute also plays an advocate's role. When participating in discussions and on policy matters, it speaks up in the interest of the members.

With regulators placing increased emphasis on corporate governance at the board and executive levels, directors today are more exposed than ever to liabilities stemming from poor management and leadership of companies.

Many directors nowadays take up liability insurance to protect themselves in the event they are faced with legal action against them.

This has led to some claiming that the burden on directors has become too great and is impeding their ability to effectively do their jobs as they are constantly worried about job hazards and repercussions.

Lim acknowledges that directors are much more exposed to liabilities these days but says that the recent examples of the failure of boards to carry out their duties have made tougher regulations a necessity.

"Yes, it is very onerous to be a board member. But look at recent cases of companies suing their directors and it (the regulations) seem necessary," she says.

## Self sufficient

ICDM was born out of seed money from the CMDF. ICDM is expected to eventually generate its own income and Lim says the institute hopes to become self-sufficient in five years.

Joining the institute is not mandatory and ICDM has no regulatory powers. Instead, it hopes to become a one-stop centre for directors to access development programmes and improve their marketability.

It also hopes to serve companies looking to improve the strength and diversity of their boardrooms.

Individual directors are charged an annual fee, as are corporations which use ICDM's services. Lim hopes to grow ICDM's membership by about 500 individual directors annually over the next few years.

While membership dues will be an important source of income for the institute, it will not be the main component.

Lim says much of its funding will be generated from the programmes it runs, such as on board evaluation.

ICDM will also conduct summits and conferences that will supplement its coffers. **FocusM**



ICDM can help companies source new directors to fill diversity gaps on their boards, says Lim