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ICDM calls for better balance between directors' remuneration and duties

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KUALA LUMPUR, March 13 (Bernama) -- Non-executive directors (NEDs) are poorly paid in Malaysia amid the changing nature and complexity of the business environment in light of recent corporate scandals in the country.

Hence, Institute of Corporate Directors Malaysia (ICDM) president and chief executive officer Michele Kythe Lim said there was a need to balance their duties and fees to ensure right-quality people were attracted to become NEDs.

At present, Malaysia's medium to large companies are paying a NED between US\$30,000 and US\$40,000 per year (RM123,000 to RM163,000), while a NED in big capitalisation companies is receiving remuneration of between US\$80,000 and US\$100,000 (RM327,000 to RM408,000), both far lower than the amount received by executive directors.

Speaking to reporters after ICDM's third PowerTalk here today, she said there was a misconception that all directors were paid handsomely.

"Yes, the reality is that executive directors are paid quite well but, as has come out during our discussion today, that does not have to go through shareholders' approval, whereas NEDs or independent directors are not paid as much as the executive directors but their fees need to be approved by shareholders.

"When we talk about directors, all their responsibilities are the same (under the Companies Act), but the pay is different," she said.

Hence, she said values and various perspectives needed to be taken into account in determining board remuneration.

"Based on feedback, we decided to have this particular topic (remuneration of board members) as part of our session, which is relevant in the current climate, with directors being taken to court and sued in their capacity as director.

"So this raises the questions: are we attracting the right people to become independent directors, are we paying enough to attract the right talent, and are NEDs being adequately competitive (in board participation)?" she added.

Meanwhile, Willis Towers Watson global head of reward, Mark Reid, who earlier gave the talk on Revisiting the Misconception of Board Remuneration, told reporters that the roles of a NED had evolved globally with many countries, including Malaysia, introducing new governance requirements to support good corporate governance and transparency among the corporates.

"In reaction to the corporate scandals, expectations on NEDs have gone up and their responsibilities have increased. NEDs are spending 30 per cent more time in their roles now than they did years ago," he said.

Beside the disclosure push, NEDs are also facing rising legal and financial risks, according to him.

"There is a lot of pressure on NEDs to take more risks and this naturally implies that the fee level should rise accordingly. On the other hand, this would start to put pressure on their quality and fairness, in order to help companies to make the right decisions at board level," he added.

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Contact us : 03-2693 9933 (General) E-mail : helpdesk@bernama.com, 03-2050 4466 (Sales/Service Enquiries) E-mail : portal@bernama.com