MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
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LISTED COMPANIES

HAVING A DIVERSE BOARD

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A 23-YEAR-OLD was appointed to the board of four Bursa Malaysia listed companies in just seven months.

And rightly so, many have asked what he is bringing to the board — a pertinent question. Since then, on March 21, he has resigned from one of the listed companies where he was an independent director.

He now holds board appointments in three listed companies.

In fact, regardless of age, what a newly appointed director brings to the board is a question that shareholders should ask at an annual general meeting (AGM) whenever they have doubts on a director's potential contribution.

A very young director is but one of the directors on a board. No one director has veto power at the board. As such, one should not be unduly worried when a young director is appointed to the board.

As stated earlier, a shareholder should question that director, the nomination committee and the board as to what that director can bring to the board — how that director can contribute.

And when a director holds executive director positions in more than one listed company, shareholders should find out at the AGM how that director is able to stay focused and discharge his duties and responsibilities diligently in the listed companies where he sits as an executive director.

An executive director, by implication, is a full-time job.

Age diversity

The Malaysian Code on Corporate Governance (MCCG) advocates that board appointments should have due regard for diversity in skills, experience, age, cultural background and gender.

Thus, age diversity is advocated, though the range of ages is very much left to the shareholders to decide.

Take the case of Public Bank Bhd. It is a near unanimous opinion that it is one of the better banks in town returning very good shareholder value.

The age profile of its directors is interesting. There is one director who is over 90 years old. Three are in the 70 to 79 age bracket, four are in the 60 to 69 age bracket and the youngest is 55.

In a strange way there is an element of diversity — the youngest is 55 and the oldest is over 90!

The proof of the pudding is in the eating. Ask the shareholders and they will almost swear by their investment in the bank.

Attending their physical AGM is a rousing experience as there is a standing ovation for the chairman.

Looking at abroad, there is the leadership of Berkshire Hathaway Inc. On March 16, Berkshire Hathaway Class A shares closed above record at US$500,000 a share, resulting in the company's market cap exceeding US$730 billion.

Warren Buffett serves as the chairman and chief executive, and Charlie Munger is the vice-chairman. They are 91 years old and 98 years old, respectively. To them, age is just a number.

This does not conclusively mean older directors contribute to successful companies, or having a diversity of directors ranging from the 20s onwards will result in better companies.

It all depends on what directors bring to the board. And there will never be a substitute for honesty, integrity and competence.

An older director can be young in thought and knowledge. Older directors have the benefit of the many mistakes that they have made, and mistakes pave the path to success through the learning process.

A young director can bring robust new information technology (IT) savvy perspectives to the board.

Blended with a substantially older board, there can be exciting deliberations, challenges and viewpoints.

Populating the board

So, if we are to populate a board with requisite diversity, the accountant or finance person is a must.

The Listing Requirements of Bursa Malaysia states that at least one member of the audit committee must be a member of the Malaysian Institute of Accountants (MIA). If he is not a member of MIA, he must have fulfilled any of the other criteria specified in the Listing Requirements with regard to that mandatory position.

One or more candidates to the board should be someone with some industry experience.

As companies take on other businesses on the premise of diversification, there will be a need for more directors who have experience in the various business sectors that the company is involved in.

It is common to find a legal person on the board as many deliberations and decisions may require legal input.

IT is here to stay, and it is common to find a board member who is IT-savvy, especially if the company is heavily reliant on IT as a value proposition or as an integral part of its business.

This is where the younger generation can contribute in relation to metaverse, blockchain, bitcoin and digitalisation.

Many companies realise that their people are their most valuable assets. As such, one is likely to find on the boards of bigger companies, directors who have some exposure on human resource matters.

Employees are important stakeholders. This has been highlighted in recent cases involving forced labour which has affected the bottom line of some big listed companies.

Some public-listed companies (PLCs) are in highly regulated sectors, like those regulated by Bank Negara Malaysia (financial institutions) and the Securities Commission (capital market intermediaries).

These companies will have to have in place a compliance function, internal audit and risk management.

Such PLCs may find it beneficial to have directors who can share experiences and contribute in such areas.

We also find PLCs with directors from other countries — foreign nationals. This has been found to be useful as people from different cultural backgrounds add different perspectives and experiences to board deliberations, resulting in better decisions.

Incidentally, cultural background is mentioned in the MCCG as one of the desired diversities.

The age factor

It was Henry Ford who said anyone who stops learning is old, whether at 20 or 80.

Anyone who keeps learning stays young. The greatest thing in life is to keep your mind young.

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The writer is chief executive officer of Minority Shareholders Watch Group