DIRECTORS REMUNERATION, FIRM PERFORMANCE AND BOARD COMMITTEE RELATIONSHIP IN MALAYSIA

Mohammad Talha*, Abdullah Sallehhuddin**, Shukor Masoud**

Abstract

Researches on company directors' remuneration and its links with firms' performance have been carried out by a number of scholars. The issue has drawn wide attention as stakeholders are interested to find out whether directors received the right package of remuneration and whether it is always in line with the firm's performance. However more studies are needed to examine the relationship between directors' remuneration and firm performance with board committee characteristics. Thus, this study attempts to close this gap. This exploratory study, involving 20 top Malaysian government linked public listed companies and 20 top Malaysian non government linked public listed companies aim to examine these relationships. The result of this exploratory study indicates that ....

Keywords: directors' remuneration, firm performance, board committee, corporate governance, government linked companies

*Associate Professor, Department of Accounting & MIS, King Fahd University of Petroleum & Minerals, KFUPM P.O. Box. 366, Dhahran – 31261, Saudi Arabia, talha@kfupm.edu.sa
**Accounting Department, Faculty of Business and Law, Multimedia University, Malaysia, abdullah.sallehhuddin@mmu.edu.my
***Finance and Banking Department, Faculty of Business and Law, Multimedia University, Malaysia, shukor.masuod@mmu.edu.my

Introduction

Directors' remuneration has taken a center stage in discussions on the issue of corporate governance. In Malaysia particularly, after recovering from Asian Financial Crisis in 1997-1998 the subject is attracted much attention. The Malaysian Government, through its relevant authorities such as Securities Commission (SC), Ministry of Finance (MOF), Bursa Malaysia (previously known as Kuala Lumpur Stock Exchange (KLSE)) and Bank Negara Malaysia (Central Bank of Malaysia), has implemented and augmented corporate governance practices including rewarding the directors. Further emphasis is given to state-owned companies as a number of them were struggling during the crisis due to lack of boards' vision on controlling expenditure, acquiring short term debts to finance high cost development projects and improper management performance system. With the change of new regime under prime ministership of Abdullah Badawi in 2003, the reformation of government linked companies are being implemented with renewed vigor. The premiership government has launched several programs such as the Putrajaya Green Book Initiative in 2004 to further strengthen the performance of government linked companies. Among the applauded steps are appointments of Chief Executive Officers on contract basis with better remuneration and extension of contract made purely on the basis of meritorious performance, introduction of Key Performance Indicators (KPI) for board of directors and top management executives and the inclusion of more independent directors particularly with accounting qualification in the boards of companies. Meanwhile, for non-government linked companies, improvements in corporate governance are also being done aggressively. Companies' Commission of Malaysia, for instance, has required companies' directors to attend training to update them with the latest legal requirements. Besides, SC enhanced the Malaysian Code on Corporate Governance (MCCG) by requiring the companies to disclose directors' remuneration. Besides, Bursa Malaysia through its Listing Requirement rules public listed companies to disclose individual director remuneration in a band of RM 50 000, or they have to explain the reason to depart from the requirement. Failure to comply this latest ruling will result in hefty penalty. In addition, Malaysian Accounting Standards Board (MASB) continues issuing new standards to facilitate companies with regard to publishing their financial statement. In fact, beginning 2006, MASB made an outstanding effort by renaming several standards in accordance with International Financial Reporting Standards with a number of additional features, thus nudging Malaysian accounting standards towards harmonization of global accounting standard.

Previous studies have recognized that one of the key factors in ensuring that business entities achieve their profit maximization and adding shareholders' wealth objectives, is having an attractive director's remuneration. Better remuneration serves as a great motivating factor for directors to execute their duties well. Researchers and scholars are also concerned with the way how directors are awarded. Several questions rose pertaining to these concerns such as 'Is directors' remuneration parallel with companies' performance? Is directors' award made through comprehensive corporate governance requirement? To ensure this recommendation is put into practice, scholars also urge the enhancement of corporate governance structure such as splitting the role of board chairman and chief executive officer to two different personalities, hiring more outsiders and independent directors, and establishing board committee level. The idea to have board committee level such as audit committee, remuneration committee or nomination committee is to enhance the effectiveness of board director, in which majority of independent directors being the member of these committees deal with specific function independently. The Part 2, Section AA, Paragraph 23 of MCCG states the use of board committee as … *where the board appoints a committee, it should spell out the authority of the committee, and in particular, whether the committee has the authority to act on behalf of the board or simply has the authority to examine a particular issue and report back to the board with a recommendation.* However, several questions are being raised. How does board committee relate and affect directors' remuneration? Is board committee a significant force of effective corporate governance? Yet, there are lack of empirical evidence to analyses on the relationship of board committee and directors' remuneration in emerging economics environment like Malaysia. Thus, this study assists in fulfilling the gap in the literature by addressing this issue.

This exploratory study aims to examine the relationship between directors' remuneration, firm performance and board committee. The findings of this study will assist various interested parties like regulators, practitioners, researchers and policy making bodies. The following section discusses corporate governance settings in Malaysia focusing directors' remuneration and board committee aspects. Section three summarizes several related studies in the area. Section four elaborates the research method, followed by findings and analysis in section five. Lastly, section six is a conclusion and recommendation of future studies.

Corporate governance settings in Malaysia

Before being hit by the Asian Financial Crisis, several initiatives have been carried out by Malaysian authorities to address the corporate governance issues particularly with the introduction of new acts; for instance the setting up of the Banking and Financial Institution Act (BAFIA) in 1989, the Securities Commission Act (SCA) in 1993, and the Financial Reporting Act (FRA) in 1997. After the crisis, more aggressive corporate governance improvement programs were carried out. It is summarized in the following Table 1 based on Abdul Rahman (2006) findings.

Table 1. Corporate Governance Reforms Initiative in Malaysia
(After Asian Financial Crisis)

Year	Corporate Governance Reforms
1998	The formation of the high level finance committee to conduct a detailed study on corporate governance and to make recommendations for improvements
1998	Amendments were made to the Securities Industry (Central Depositories) Act with the view to enhance transparency in share ownership amidst other improvement
1998	The Malaysian Institute of Corporate Governance was established to look into the improvements for corporate governance practices in Malaysia
1999	A new Malaysian Code on Takeovers and Mergers was introduced to replace the previous code of 1987. The new code aims to ensure that minority shareholders have a fair opportunity to consider the merits and demerits of a takeover offer. It also imposes criminal liability on relevant parties for providing false or misleading information
1999	Directors and CEOs were required to disclose their interests in public listed companies (PLCs)
1999	PLCs were required to submit quarterly reports on their results and financial positions.
2000	The establishment of the Malaysian Code on Corporate Governance (MCCG)
2000	Amendments were made to the Securities Commission Act further streamlining the regulation by making Securities Commission (SC) the sole regulator for fund raising activities and the corporate bond market.
2001	Bursa Malaysia issued its revamped listing requirements which included new sections on corporate governance and continuing disclosure requirements. Amendments were also made to the KLSE Listing Requirements to strengthen provisions on related party transactions.
2001	Taskforce on Internal Controls issues guidance for directors on Statement of Internal Controls
2001	Establishment of the Minority Shareholders Watchdog Group (MSWG) to further protect minority shareholders' interests and to promote shareholder activism.
2001	Directors of PLCs were required to undergo training – Mandatory Accreditation Program (MAP)
2001	Stipulating that the audit committee must have a member who is financial trained
2001	The Malaysian Capital Market Masterplan was launched to further streamline and regulate the capital market and to chart the course for capital market for the next 10 years.
2001	The Financial Sector Masterplan was launched to chart the future directions of the financial system over the next 10 years and outline the strategies to achieve a diversified, effective, efficient and resilient financial system.
2002	Internal Audit guidelines for PLCs were issued to assist the Directors of PLCs

2002	SC licenses MSWG as an investment advisor and receives grant of RM 250 000
2003	Directors of PLCs were required to acquire 48 points of continuing professional education manually.
2003	SC introduces merit-demerit incentives in Guidelines on Issues/Offer of Securities.
2004	Amendments to securities laws to inter alia introduce provisions governing whistle blowing and enhance enforcement/redress mechanism for breaches of securities law.
2004	Best practices for corporate disclosure.
2005	Amendments to Listing Requirements: New policy of enforcement for delays in issuance of financial statements.

The Malaysian Code on Corporate Governance (MCCG) in 2000 employed the model of United Kingdom's Code, which is based on Cadbury Report, Greenbury Report and Hampel Reports. The MCCG aims to encourage disclosure by providing investors with timely and relevant information upon which investment decisions are made and the evaluation of companies' performance. It also serves as a guide to board directors by clarifying their responsibilities as well as by providing remedy to strengthen the control, which they exercise (Abdul Rahman, 2006). The code has two parts, where Part 1 describes the 13 basic principles, which is further classified into four broad categories. The essence of this part of the code is to increase the efficiency and accountability of board directors in public listed companies. The four broad categories are (1) Director-related matters, (2) Shareholders-related matters, (3) accountability and audit, and (4) director's remuneration. Meanwhile Part 2 of the code indicates 33 best practices of board, which are classified into seven categories that are (1) principal responsibilities of the board (2) constructing an effective board, (3) size of non-executive directors and their participation, (4) board structure and procedures, (5) relationship of the board to management, (6) the audit committee and (7) relationship between the board and shareholders.

With regard to directors' remuneration, Part 1 of the MCCG clearly stated that the level of reward should be sufficient to attract and retain the directors needed to ensure the best performance of the company. The elements of remuneration should be established so as to link rewards to corporate and individual performance. In case of non-executive directors, the code mentions that the level of remuneration should reflect the experience and level of responsibilities undertaken by the particular non-executive concerned.

On directors' remuneration and corporate governance aspects, certain key issues continue to be debated. One of them is the role of remuneration committee at board level. The existing MCCG requires a company to set up a remuneration committee. The code urges the board to appoint remuneration committees consisting wholly or mainly of non- executive directors. They are responsible to recommend to the board the appraisal of the executive directors. Meanwhile, executive directors do not have any role to determine their own reward. For deciding the reward of non-executive directors, the decision should be a board consensus approval and the individuals concerned should abstain from discussing their own perks. The second issue of corporate governance on directors' pay is the need to have shareholders' approval in deciding the remuneration package. Bursa Malaysia Listing Requirement Part 7-08, paragraph 7.26 states that fees payable to directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given prior to the convening of the meeting. In the United States, New York Stock Exchange Listing Requirements and Securities Exchange Commission demand listed companies to obtain shareholder approval of equity-based compensation plans. In the United Kingdom, the government issued its Directors' Remuneration Report Regulations in 2002, where the companies must produce an annual directors' remuneration report that would be approved by shareholders at each general meeting. However, such voting right of shareholders on directors' remuneration is considered as an advisory shareholder vote. The shareholders are not able to have mandatory vote on each single director's compensation. Such vote may only affect the directors' remuneration general scheme, however the board of companies may decline if they prefer not to.

The third issue is disclosure of directors' reward and its transparency. In Malaysian perspective, Bursa Malaysia Listing Requirement Appendix 9C encourages stating the aggregate remuneration of directors. Such mention may be done through categorization of the aggregate remuneration into appropriate components, e.g. directors' fees, salaries, percentages, bonuses, commission, compensation for loss of office, benefits in kind based on an estimated money value distinguishing between executive and non-executive directors. Statement of the number of directors whose remuneration falls in each successive band of RM 50000 is also encouraged. This requirement is also strengthened by the MCCG which urges that the company's annual report should contain details of the remuneration of each director and companies should establish a formal and transparent procedure for developing the policy on executive remuneration and for fixing the remuneration packages of individual directors.

However to date, there is no specific accounting standard covering directors' remuneration disclosure in Malaysian environment. In fact, MASB in its recent reviewing process overlooked the importance of such issue. Other professional bodies including Malaysian Institute of Accounting (MIA) and Malaysian Institute of Management (MIM) also did not address the issue. However, both the bodies expressed the importance of such disclosure particularly in enhancing corporate governance culture in Malaysian environment. In addition, MIM and Price Waterhouse Coopers of Malaysia did a research study jointly to investigate the level of remuneration received by the directors for the past five years.

Meanwhile, the roles and functions of nomination committee are explained in Part 2, Section AA, Paragraph 8,910 and 11 of the MCCG. Paragraph 8 stipulates that the members of nomination committee compose of exclusively non-executive directors, a majority of whom are independent. It also describes the primary role of the committee to propose new nominees for the board and for assessing existing directors on an on-going basis. Besides, Paragraph 9 also encourages the committee in annually basis to review board's required mix of skills, experience and competencies. This review needs to be tabled in the board, before being published in company's annual report. Furthermore, Paragraph 10 describes the role of nomination committee to annually assess the effectiveness board as a whole and evaluate the contribution of individual director. In order to execute these functions, Paragraph 11 allows the committee members to seek Company Secretarial assistance to furnish the required information of individual directors or potential candidates.

Meanwhile, the roles and functions of remuneration committee are described in Part 2, Section AA, Paragraph 23 of the MCCG. It states that the members of this committee shall consist wholly or mainly of non-executive directors. The primary role is to recommend to the board the remuneration of the executive directors in all its forms. The paragraph also allows the members to seek external opinion like industry experts or human resources consultants in preparing the remuneration proposal of executive directors. This is essential, to ensure that the board offers the competitive package in order to retain the excellent directors or to attract qualified candidate from outside. The paragraph also expresses the need of executive directors to not being the member of the committee, thus to avoid potential conflict interest like taking part in decisions on their own remuneration. It also explains that the remuneration for committee members should be discussed at board level as a whole, including remuneration for non-executive chairman.

The role and function of audit committee is clearly explained and discussed in length in Part 2, Section BB, Paragraph 1, Paragraph 2 – which contains 9 sub-paragraphs, Paragraph 3, 4,5,6,7 and 8 of the MCCG. In Paragraph 1, the code states that there should be at lest three members of audit committee, a majority of whom are independent, and the chairman of the committee is an independent non-executive director. It also urges the establishment of formal terms of references of audit committee, which deals with its authority and duties. Paragraph 2 describes nine major roles of audit committee which are (1) to consider the appointment of the external auditor, the audit fee and any question of resignation or dismissal, (2) to discuss with external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved, (3) to review the quarterly and year-end financial statements of the company, (4) to discuss problems and reservations arising from the interim and final audit, and any matter the auditor may wish to discuss, (5) to review the external auditor's management letter and management response, (6) to carry out internal audit function, (7) to consider any related party transactions that may arise within the company or group, (8) to consider the major findings of internal investigations and management's response and (9) to consider other topics as defined by the board. From paragraph 3 until 9, it stipulates the activities that shall be carried out by the audit committee. It includes the needs to work closely with chief financial officer, head of internal audit division, relevant authorities and the frequency of committee meeting.

Literature review

Directors' remuneration consists of various remuneration packages. They include basic salary, bonus, share options, restricted share plans, pension, and meeting fees and in- kind benefits such as vehicles, healthcare and leave. A study by Abdul Rahman and Mohd Zawawi (2005) report that Malaysian directors receive appraisal like employer's contribution, medical, company car, stock options or profit sharing, life insurance, gratuity, housing loan and others. A survey conducted jointly by *Malaysian Business* and KPMG (2006) on 1000 listed companies at Bursa Malaysia in 2005 finds a wide disparity in earnings: the lowest earning executive directors getting RM 53, 760 per annum while the highest earning getting RM 4.125 million. On compensation for non-executive directors, the annual income ranges from RM 10, 785 to RM 1.236 million. The same study reveals that for gross annual salary which includes all monetary remuneration such as basic monthly salary, fixed fees, monetary allowances and incentives provided, an executive director can earn between RM 63,616 to RM 8.1 million, while the non-executive directors get between RM 36,085 to RM 1.236 million. The study also finds that in term of benefits in kind, directors received gratuity payment, telephone allowances, staff discounts, retirement scheme, loans, insurance coverage, leave passage, housing provision, company car, club membership and annual leave, which ranges 10% to 20% of the basic salary paid. The same report shows that 67% of directors are in the 46 to 65 year range stipulating that past experience is a key factor in indicating the level of competencies and abilities. It also shows that half of the directors of Bursa Malaysia companies are qualified accountants while 12% have technical engineering qualifications. The reports indicates that the chairman of board directors usually holds the longest tenure, averaging nine years, and boards meet on an average five times a year, and a director of a listed company holds an average of four executive directorships and seven non-executive directorships in other companies.

Meanwhile, a number of previous studies indicate that directors' reward should be linked to companies' economic performance. In a study on 2000 Chief Executive Officers (CEOs) listed in Forbes magazine from 1974 to 1986, Jensen and Murphy (1990) reveals that there is a significant association between directors' pay to firms' performance. Similar finding emerges out of studies carried out by Tosi (2000), Crespi and Gispert (1998), and Miller (1995). However, studies carried out by Veliyath (1999) and Firth, Michael, Lohne, Johan, Ropstad, Ruth and Jarle (1996) show that there is no association between directors' reward and companies' economic performance. In the recent study by Clarkson, Nichols and Walker (2005) on 48 Australian firms, they find a significant positive relation of salary and bonus for CEOs with companies' return on assets. The same study, however, does not find any association between option and companies' performance. Another latest research by Firth, Fung and Rui (2006) reveals that China's listed firms that have a state agency as the major shareholder do not appear to use performance related pay. In contrast, firms that have private blockholders or state owned enterprises (SOEs) as their major shareholders relate the CEO's pay to increase in stockholders' wealth or increases in profitability. Another interesting finding by Talha and Sallehhuddin (2007) reveals that of 488 companies listed in Bursa Malaysia, 40 of them registered loss in 2005, but still increased the directors' remuneration while 184 companies that recorded profit slashed the payout to their directors. The study also reveals that 180 companies enhanced their directors' compensation as their financial performance improved, while 43 of them reduced the compensation as their performance became poorer.

On disclosure of directors' remuneration, several recent studies by Malaysian scholars show that a majority of companies are reluctant to disclose individual directors' remuneration. Abdul Rahman et al., (2005) indicate that in 2002 only 8.9% or 22 companies disclosed the exact amount of individual directors' reward in 2002, while the figure in 2001 settled at only 8! The study shows that a majority disclosed the aggregate remuneration of directors in successive bands of RM 50 000, in accordance to Bursa Malaysia's requirements. Abdul Rahman and Mohamad Yusoof (2005) then revealed that only 56 of the 246 listed firms disclosed executive directors' remuneration from 2000 to 2002. The most recent survey by *Malaysian Business* and KPMG (2006), shows that only a minority of public listed companies were transparent in 2005 while some have remained consistent during the last couple of years in disclosing their directors' remuneration. However, there are some companies which act transparently in one year and becoming secretive the following year. Most of the companies in the study choose to comply with minimum band disclosure requirement in 2005.

Moreover, the issue of directors' remuneration and the implementation of effective corporate governance policies have been much discussed. Core, Holthausen and Larcker (1999) indicate that CEOs earn excess compensation when governance structures are less effective and, that the predicted component of compensation arising from board and ownership characteristics has a significant negative relation with subsequent firm operating and stock returns. MCCG (2000) requires the setting up of remuneration committee to ensure the company's policy on executive remuneration and specific compensation packages for the executive directors, including pension fund rights, and any other compensation payments. Clearly, the intention was to prevent executive directors from designing their own pay package. As for non-executive directors, it is in the power of board to decide their compensation. Remuneration committees may have non-executive directors in majority but whether such an arrangement enhances the propensity to exercise independent judgment and act in the best interests of the company is still debatable. In summary, extensive studies have been carried out in the area of directors' remuneration and corporate governance. These include examining the relation between corporate governance structure and company financial performance, the link of corporate governance structure and directors remuneration, the association of corporate governance structure and disclosure of directors' remuneration, thus overlooking the importance of board committee. This creates opportunity to examine the link between directors' remuneration, firm performance and board committee.

Research method

Sample of study and data source

The sample of study consists of 20 top government linked companies in terms of directors' remuneration and 20 top non government linked companies in term of directors' remuneration listed at the main board of Bursa Malaysia. All the information gathered to support the variable analysis of the study is obtained from the companies' 2005 annual reports, which are available from Bursa Malaysia's online resources. The firm performance information include return on assets (ROA), return on sales (ROS), return on equity (ROE) and earnings per share (EPS). Meanwhile, information on board committee include number of committee members, number of independence director as a committee member and duality role of board committee chairman.

Variables of study

The variables of the study are summarized and presented in the following Table 2.

Table 2. Variables' Description and Measurement

Variables	Description	Measurement
TDR	Total directors' remuneration is the aggregation of remuneration received by directors of companies in the sample of study. These remunerations consist of salary, bonus, options and benefits in kind	It is stated in terms of Malaysian monetary value (RM).
ROA	Return on assets during the year. ROA is considered to be superior to any other performance measurement because it shows the effectiveness of the manager in utilizing the assets at the manager's disposal (Weygandt, Kieso and Kimmel, 1998)	Net income/Total assets
ROE	Return on equity during the year. The ratio shows the ability of companies to enhance the shareholders' wealth given the profit.	Net income/ Shareholders' fund
ROS	Return on sales during the year measures the companies' ability to generate profit from each unit of sales.	Net income/ Turnover
EPS	Earnings per share during the year	Net income/Number of share
CIBOD	It measures the composition of independent directors in board room. As highly recommended by to Bursa Malaysia Listing Requirement, independent directors should make up at least 30% (0.3) of board size	(Number of independent directors/ Total members in board room) x 100
AUDITCOM	Characteristics of audit committee at board level	Percentage of independent member in the committee and frequency of meeting per accounting year
NOMCOM	Characteristics of nomination committee at board level	Percentage of independent member in the committee and frequency of meeting per accounting year
REMCOM	Characteristics of remuneration committee at board level	Percentage of independent member in the committee and frequency of meeting per accounting year

Findings and analysis

The descriptive statistics for variables are as reported in Table 3. The mean for director payout is RM 10,275,446. It indicates that on an average top forty Malaysian companies pay such an amount to their directors. The rewards are in terms of monetary compensation like salary, wages, bonus, options and allowance as well as non monetary compensation such as car, holiday package, and insurance coverage. The maximum total directors' payout is RM 79,058,000 while the minimum payment by those companies in the study is RM 1,463,000. Of the independent variable, two companies do not disclose whether they have board executive committee within the boardroom itself, and one company does not indicate having both corporate governance and employee share option committee at board level. As for financial performance indicator, the results indicate favorable outcome where in average, return on asset (4.42); return on sales (15.59), return on equity (13.41) and earnings per share is (0.30). As for corporate governance perspective, the composition of independent directors in boardroom, the mean is 0.43, which is higher than the recommended rate of 0.30 (30%) by the monitoring agencies like Securities Commission of Malaysia, Kuala Lumpur Stock Exchange Listing Requirement and the Malaysian Code of Corporate Governance itself. There are sound corporate governance mechanisms at least at board level by the setting up of audit committee (1.00); nomination committee (0.88), and remuneration committee (0.88).

Table 3. Analysis of Variables (N = 40)

Variable	N	Min	Max	Mean
TDP	40	1,463,000	79,058,000	10,275,446
ROA	40	-19.98	34.49	4.42
ROS	40	-15.79	100.74	15.59
ROE	40	-62.53	154.22	13.41
EPS	40	-1.01	2.08	0.30
CIBOD	40	0.29	0.79	0.43
AUDITCOM	40	1	1	1
NOMCOM	40	0	1	0.88
REMCOM	40	0	1	0.88

The analysis then was extended to compare the situation in government linked companies and non government linked companies. These were summarized in the following Table 4 and Table 5.

Table 4. Analysis of Variable for Government Linked Companies (N = 20)

Variable	N	Min	Max	Mean
TDP	20	1,463,000	11,96,2000	3,150,750
ROA	20	-19.98	8.86	1.46
ROS	20	- 15.79	100.74	16.60
ROE	20	- 62.53	154.22	10.72
EPS	20	- 1.01	0.673	0.119
CIBOD	20	0.3	0.778	0.469
AUDITCOM				
% of independent member	20	0.6	1	0.72
Frequency of meeting	20	4	16	6.35
NOMCOM				
% of independent member	20	0.33	1	0.68
Frequency of meeting	20	0	9	2.684
REMCOM				
% of independent member	20	0.33	1	0.63
Frequency of meeting	20	0	10	2.789

Table 5. Analysis of Variable for Non Government Linked Companies (N = 20)

Variable	N	Min	Max	Mean
TDP	20	6,391,000	79,058,000	16,842,174
ROA	20	0.54	34.49	7.37
ROS	20	2.67	31.75	14.58
ROE	20	0.91	95.92	16.09
EPS	20	0.015	2.076	0.489
CIBOD	20	0.286	0.667	0.390
AUDITCOM				
% of independent member	20	0.60	1	0.73
Frequency of meeting	20	4	46	7.7
NOMCOM				
% of independent member	20	0.60	1	0.85
Frequency of meeting	20	0	12	1.8
REMCOM				
% of independent member	20	0.33	1	0.74
Frequency of meeting	20	0	13	2.2

In terms of director remuneration, in average this top 20 government linked companies paid RM 3,150,750 in 2005, while the average of top 20 non government linked companies was 5 times larger or RM 16, 842, 174. From firm financial performance perspective, these non government linked companies were performing better in all aspects i.e. ROA (7.37), ROE (16.09) and EPS (0.489), except ROS – in which government linked companies were better at 16.60. These top 20 government linked companies had bigger independence director at 0.469 compared to their counterpart at 0.390. For board committee performance in government linked companies, in average, number of independent director in audit committee was 0.72 and frequency of meeting was 6.35; for nomination committee the results were 0.68 and 2.684 and for remuneration committee the results were 0.63 and 2.789 respectively. Meanwhile, for non government linked companies, the results for audit committee in average were 0.73 in terms of independent director as committee members, while the frequency of audit committee meeting was 7.7. The outcome for nomination committee was 0.85 and 1.8 and remuneration committee was 0.74 and 2.2 respectively.

Conclusion

Summarizing this study, which involved top 20 government linked companies and top 20 non government linked companies in Malaysia, in terms of directors remuneration, it can be concluded that the later companies paid higher remuneration to their directors and they were also outperformed the counterparts in terms of financial performance except in ROS. However, in the aspect of board independence, these top 20 government linked companies were better than the non linked companies. In average, they also held more meeting for both nomination and remuneration committee, except for audit committee. Meanwhile, it is also concluded that non government linked companies' audit, nomination and remuneration committee have larger independent directors as committee member.

It is expected that the outcomes of this exploratory study will encourage further research in future, which employ greater number of samples and more sophisticated analysis. A comparative analysis between Malaysia and other countries shall enhance the value of a study in similar area.

Acknowledgement:
The authors would like to gratefully acknowledge the excellent research facilities and other support provided by King Fahd University of Petroleum & Minerals, Dhahran, Saudi Arabia, to carry out this work.

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