

June 2012 (Lum)

assess Crispin's view that the Lum family will 'lose the freedom to manage the company as they wish' after the flotation

a)

Lum family will lose the freedom to manage the co as they wish after the flotation bcos they intend to make available 80% of the shares to the public, thus after the flotation the family only hold 20% minority shares thus losing control of the co. With minority shareholding, the board members will comprise of members not from the family as well.

Once floated, it is a requirement for a listed co to have NED as part of its board members, this will also result in the family unable to manage the co as they wish as they r now required to manage the co on behalf of shareholders rather than just for the family interest.

Previously, the decision making can be done within 4 members of Lum family, without bringing all the issue to full board meeting. However, once floated they cannot do so bcos its a unitary board. Thus, their decision are subject to scrutiny by other board members.

b)

Induction for NED

Allows the NED to understand the company operations and culture. As the NED is frustrated with the culture and management style in Lum Co. This programme would give them a better understanding of Lum.

Building relationship with executive directors at Lum to enable them to work together with the ED to be more accountable to its stakeholders as the co was previously family owned.

Lum was a private co for many yrs, thus the need for NED recently is due to the flotation. Thus, the induction is necessary for the NED to have a greater understanding of Lum and also for the ED to understand the role NED can play within Lum.

Induction also helps the NED towards greater understanding of key stakeholders within Lum for NED to provide greater contribution to the co.

CPD for executive

CPD helps existing BOD to udnerstand how their role changes as the co turns into a listed co, where they will be responsible to the sahreholders interest isntead of the family interest.

CPD will allow the executive director to realise taht they need to work with NED. This will enable better working relationship with NED.

Since Lum Co is privately owned for many yrs they may not have a good knowlege about the compliance requirement of a listed co. Thus, CPD helps the director understand all the governance,r eporting and listing requirements that they are to comply with.

(c)discuss the difficulties that the Lum family might encounter when introducing a unitary boar

Lum family might encounter difficulties during the decision making process. An unitary board will combine supervisory board and operating board into one board, thereby now the decision made have to take into consideration of the opinion from other non-family directors.

Besides that, introducing the unitary board will result in Lum family no longer can make decisions in their favor as decision will be subject to the ED & NED scrutiny which comprises shareholders not from the family.

Lum will encounter difficulties in ensuring the family interest as well. It is because non-family directors within the unitary board will priorities the shareholder's interest for the company future growth but not its family interest.

June 2013 (BOOM)

a)

Propose how the components of a reward package might be balanced to 'incentivise medium to long-term growth whilst retaining the existing executive board in place as long as possible

Several methods can be used to ensure that the reward package can achieved a balance between incentivise medium to long-term growth whilst retaining the existing board in place such as offering ESOS. With ESOS, we encourage the executive to ensure Boom is able to achieve long-term growth which contributes to positive share price movement.

The committee need to ensure that when setting the reward, there is a target that is linked to medium to long-term gorwth of Boom. Thus, this will ensure that the ED takes into consideration of medium & long-term growth.

The company can provide director that worked for certain amount of years a private retirement scheme to motivate the directors to work longer or till their retirement.

When setting the reward, the committee need to ensure taht the directors are not just evaluated based on the company financial performance which is short-term target. Thus, having longer term target will help to ensure a balanced with medium term target.

The reward package offered must be compared to the market rate. Having a reward package taht is based on the market will allow Boom to retain their existing board members for longer period.

b)why non-executive directors should not receive performance-related elements in their rewards as Sam South enquired.

IF NED is reward based on performance, they are having a conflict on interest as NED should be taken care sharedholder interest.

NED should not received reward base on performance related, because role of NED is to safeguard shareholders interest in Boom. If NED received reward base on performance related will arise self - interest threat, they no longer to discharge their duty effectively.

The independence of NED would be doubt if they get paid based on the performance, as they be supporting the ED in ensuring that most strategy are approved to improve company performance but at greater risk.

NED should not received company's performance related rewards as it will impact their independency. NED will be unable to make independent judgements towards ED's decision making as they might be directly impacted if their rewards are based on co's performance-related.

NED should not receive performance-related elements because there will cause the agency problem to occur. Performance-related elements will induce NED to maximize the company's benefit while it is deviate from their role which maximize the shareholder's interest.

8/29/22, 12:14 PM

NED did not in charge of planning the company business strategy that was tailored for the company's long-term growth, as NED's primary duty is to supervise, not manage.