

## Attendance of directors at general meetings



### MCCG Intended Outcome 12.0

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### MCCG Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

*(The application of this Practice in its entirety entails the **attendance of all directors at General Meetings** and the **provision of meaningful response by the Chair of the Audit, Nominating, Risk Management and other committees** to the questions addressed to them.)*



The internalisation and application of the content “Why” and “How” should be read in tandem with the line of sight outlined by the Intended Outcome.

### Why

#### The case for change

Good corporate governance to a large extent depends on the role played by directors as stewards of the company. Directors are expected to maintain a high level of professionalism and integrity in steering management to achieve long-term business sustainability whilst reinforcing its accountability to shareholders.

Observations over the recent years have shown that shareholders are becoming increasingly unrelenting in their push for better disclosure and transparency from directors. General meetings are typically regarded as one of the few available avenues for shareholders to communicate directly with the board, and hence, it is paramount for directors to be present during these meetings to attend to shareholders’ questions and concerns.

The participation of all board members in general meetings will serve to distribute the responsibility of engaging with shareholders, to all directors of the company and not just the chairman of the meeting. This would enable the board to communicate with shareholders in a more holistic manner. In a similar vein, it also provides shareholders with an opportunity to seek pertinent clarifications from directors who are acting as custodians of their investments.



#### What could go wrong:

- Shareholders could perceive that a director is not committed in performing his or her responsibilities to the company if the said director is not in attendance during the general meetings.
- Communication between the board and its shareholders is ineffective which leads to unhealthy relationship between both parties.
- A director may not be re-elected during the general meetings although he or she may have contributed effectively to the board during the preceding year(s).

## How

### The practice in substance

It is therefore clear that all directors should attend the company's general meetings with the chairmen of board committees being present to facilitate discussion on matters such as audit, nomination, remuneration and risk management.

Key considerations relating to the application of this Practice are discussed below:

#### **How can communication between board committees and shareholders be enriched during general meetings?**

Issues such as board composition, directors' remuneration and financial performance are key areas which shareholders typically have a keen interest in. To this end, shareholders expect the directors who are directly involved in those committees to be present at general meetings and provide meaningful explanation or responses to questions addressed to them.

For example, the chairman of the nominating committee should provide an explanation on the review undertaken in recommending the appointment of new directors to the board. In this regard, the chairman of the nominating committee should disclose during the general meeting on how the nominating committee assessed the candidate and why the board finds him or her suitable for the said role. This in turn would allow shareholders to make informed decisions in casting their votes.

The aforementioned scenario also applies to the other board committees. Although the depth of communication may vary between companies, there should be a conscious effort made by companies during the general meeting to keep shareholders apprised of the activities of the various board committees.



#### **Dos**

- ✓ Carrying out advance planning and avoiding overlaps with the AGM dates of other companies that the directors serve on.
- ✓ Taking the opportunity of the occasion by interacting with shareholders before and after the general meetings, not just during the said meetings. This will help companies to gather insights from shareholders that would not normally be raised via formal channels.
- ✓ Providing explanation on why a director was unable to attend the AGM if he or she is not in attendance.



#### **Don'ts**

The following would render the application of this practice ineffective:

- × Reading out statements from the annual report to shareholders as a form of presentation without providing any additional information to shareholders.
- × Having multiple general meetings of various subsidiary companies on the same day. This could lead to expedited meetings without thorough consideration of issues.

## How can interaction during general meetings be improved?

It is commonly observed that questions posed by shareholders are predominantly answered by the chairman of the board (who also presides the general meeting) or the chief executive officer. In this context, as mentioned in the preceding page, the active participation of the chairmen of the various board committees would go a long way in making these meetings more interactive and informative to shareholders. Shareholders would be able to gather first hand views from the board committee members who have a deeper understanding of the relevant subject matters.

It is also essential for the board (including the board committees) to prepare adequate responses to any questions that have been submitted by shareholders in advance of the general meetings. This would allow “question and answer” sessions during the general meeting to be more productive with insights from both the directors as well as the shareholders.

In addition, in line with better practices such as that in Australia<sup>2</sup>, the board should ensure that the external auditor attends the AGM and is available to answer questions that are relevant to the audit process. It is important for companies to ensure that the partner signing the audit report or a representative of the external audit firm has sufficient information and experience to provide an adequate response to any question raised on audit matters.

Apart from the above, companies should also be guided by the recommendations set out in the section on “Improving directors’ participation” in the Introduction to this **Pull-out III**. Additionally, companies should refer to the guidance set out in Section 3.7 and Section 3.8 of the **Best Practice Guide on AGMs for Listed Issuers, 2016**<sup>3</sup> in dealing with shareholders at the AGM and the role of external auditors during the AGM, respectively.



### Hot-button issue

The clustering of AGMs could result in directors being unable to attend one or more scheduled AGMs on the same day.

A report by MSWG in 2015 highlighted that as many as 47 AGMs of various listed issuers were held on one particular day during the seasonal period of AGMs. This coupled with the fact that around 30% of the directors hold more than one directorships in listed issuers clearly represent a challenge for directors to attend competing AGMs<sup>1</sup>.

It is therefore incumbent on companies to plan the date of their AGMs in advance, taking into account the other directorships held by their directors.

<sup>1</sup> Rita, B & Salleh, H, 2015, *Report on AGM Practices by Malaysian Companies*, MSWG

<sup>2</sup> Australian Stock Exchange Corporate Governance Council’s Corporate Governance Principles and Recommendations, Recommendation 4.1

<sup>3</sup> *Best Practice Guide on AGMs for Listed Issuers*, 2016, was issued by the Malaysian Institute of Chartered Secretaries and Administrators (“MAICSA”) with the support of Bursa Malaysia Berhad

**Where**

**Regional/international perspectives**

As with Malaysia, selected jurisdictions including United Kingdom and Singapore have enumerated provisions for directors to be present at general meetings in order to engage with shareholders.



Country	Provision
United Kingdom	The chairman should arrange for the chairmen of the audit, remuneration and nomination committees to be available to answer questions at the AGM and for all directors to attend <b>(Provision E.2.3)</b> .
Singapore	All directors should attend general meetings of shareholders. In particular, the chairman of the board and the respective chairmen of the audit committee, nominating committee and remuneration committee should be present and available to address shareholders' queries at these meetings. The external auditors should also be present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report <b>(Guideline 16.3)</b> .