Electronic voting

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 12.3
Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate –

- voting including voting in absentia; and
- remote shareholders’ participation at General Meetings.

(The application of this Practice in its entirety entails the following two actions by listed companies with a large number of shareholders:

- leveraging on technology to facilitate voting including voting in absentia; and
- leveraging on technology to facilitate remote shareholders’ participation at General Meetings.)

⚠️ 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

General meetings serve as a key platform for shareholders to exercise their rights and hold directors accountable for their actions. It is an avenue for shareholders to challenge the board on issues of concern, discuss strategies for achieving the companies’ goals and objectives and have their “voices” heard through the votes cast by them.

Traditionally, voting during general meetings has been carried out either by a show of hands, which represents “one person, one vote” or by poll, which is reflective of an individual or entity’s shareholding of the company (“one share, one vote”).

A transition to full-fledged poll voting in Malaysia took place in the year 2016 whereby Bursa Securities Listing Requirements were amended to require resolutions in a general meeting, to be voted by way of poll.

Paragraph 8.29A(1) of Bursa Securities Listing Requirements

A listed issuer must ensure that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll.

What could go wrong:

- Lack of communication between the board and shareholders which results in an unhealthy relationship (caused by poor participation of shareholders at general meetings).
- Inability of the company to gather meaningful feedback of shareholders, thus, representing a missed opportunity for the company to leverage on insights of shareholders.
Whilst the rights of shareholders to attend, speak and vote at general meetings are well-defined in the law, there are many constraints that pose a challenge in the exercise of their rights. These include the common practice of voting at general meetings which has to be cast through the physical attendance of shareholders or proxies. In certain instances, the location of the meeting itself can be a hindrance. Some companies have held their meetings without giving due consideration to shareholder demographics and accessibility. This may deter shareholders from attending or they may appoint a proxy to attend on their behalf instead.

It is therefore incumbent on companies to undertake measures, including facilitating voting in absentia to encourage greater shareholder participation during general meetings. Voting and participating in absentia would be particularly helpful for foreign shareholders or shareholders who are relatively distanced from the venue of general meeting, to exercise their rights.

In addition, companies, particularly those with a large shareholding base should consider adopting electronic voting (explained in detail in the ensuing pages of this write-up) as this would enable the proceedings to be managed in a more seamless manner when there is a high turnout of shareholders for the general meeting.

### Point for reflection

Whilst the adoption of electronic voting will result in an outlay of initial costs, it is envisaged that companies may benefit from long term savings as electronic voting would substantially reduce administrative procedures and paper work as well as save time.

Additional benefits of electronic voting are outlined below:

- the electronic voting platform provides more reliable, transparent and faster results as compared to the manual counting of ballot papers;
- results are often tabulated and released at a faster pace (often within minutes after the voting process is completed); and
- the electronic voting process helps companies to reduce their carbon footprint by minimising the usage of paper.

It should be noted that the use of technology to facilitate the conduct of general meetings is permitted by **Companies Act 2016** subject to the company’s constitution.

### Section 327(1) of Companies Act 2016

Subject to the constitution, a company may convene a meeting of members at more than one venue using any technology or method that enables the members of the company to participate and to exercise the members’ rights to speak and vote at the meeting.
The practice in substance

As stated in Guidance to Practice 12.3 of MCCG, the board should take proactive measures to ensure that shareholders are able to participate in general meetings. In facilitating greater shareholder participation, it is important for the company to consider leveraging on technology such as webcast and/or electronic voting that could enhance the quality of engagement with shareholders.

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

What are the commonly used electronic voting methods?

The traditional poll voting involves a manual process of collecting and tabulating votes that are exercised via printed papers. This process typically takes a longer period of time and could lead to an extended general meeting session.

To this end, the electronic voting system serves as an alternative platform to expedite the voting and tabulation process. Whilst the manner in which the electronic voting process is carried out may vary from company to company, it may be useful to highlight the following electronic voting methods which are commonly deployed by companies:

- Voting via mobile application

  This method requires shareholders to download the e-voting application onto a mobile device, either via a mobile phone or tablet, and connect to a prescribed Wi-Fi network. A slip containing the code for shareholders will be issued upon registration. The shareholder will have to scan the slip to register for the voting process. When the chairman of the general meeting makes an announcement for the votes to be cast, the application allows shareholders to cast their votes from their mobile devices. The results are usually announced within 10-15 minutes upon conclusion of the voting.

- Voting via handheld device

  This process involves shareholders using a specific device provided upon registering for the meeting. The device would contain a card that carries the shareholder’s identity and number of shares registered. Similar to the mobile application, the device allows users to key in their voting options (for/against) for each resolution when the chairman makes an announcement for the votes to be cast. The results are shown at the end of voting for each resolution before moving on to the next resolution. Upon conclusion of the meeting, the devices are returned and the process is completed.

- Voting via polling stations

  This is a common platform for companies with a smaller shareholder base as it necessitates shareholders to line up and cast their votes via an electronic screen or a computer. Each shareholder would be provided with a wristband upon registration which would be scanned during the voting process. The scanned code allows the shareholder to access the voting page and register his or her vote. The process would then be completed and the results would be announced later.

Dos

- Investing in electronic voting platforms to enable greater participation of shareholders during general meetings.
- Enabling shareholders to participate in general meetings without being present at the meeting in person or by proxy.

Don’ts

- No proper consideration given to the location of the general meeting.
- Deliberately changing the location of general meetings year-on-year with the intention to discourage shareholder participation.
What are the challenges faced by shareholders in attending general meetings?

The following are common factors that contribute to shareholders’ inability to attend a general meeting:

- venue or location of the meeting is unable to cater to the crowd in attendance. Companies where attendance of shareholders are usually in large numbers should consider the comfort and welfare of their shareholders;
- insufficient parking or public transport access;
- competing general meetings of other companies that are scheduled on the same day;
- meeting is scheduled at remote location. According to a publication by MSWG in 2015, 5 listed issuers held their AGMs in “hard to reach” locations. In addition, 9 listed issuers held their AGMs at locations that were inaccessible by public transport; and
- high cost of attending the meeting (especially when meeting requires shareholders to travel long distances).

How can a company leverage on technology to facilitate greater shareholders’ participation in general meetings?

The world took notice in 2016 when Jimmy Choo PLC (United Kingdom) attempted and successfully executed the first electronic AGM. The company was motivated to provide an opportunity for all of its shareholders to attend and participate in its AGM. The company worked together with Equiniti, the first registrar in United Kingdom to oversee a fully electronic AGM. The company also engaged with the regulatory authorities on how they could make the transition from a physical AGM to a full-fledged electronic AGM.

In order to cater to the needs of the general meeting, an application was developed to be used on a mobile, tablet or desktop. The application was integrated with the AGM registration system, allowing shareholders to submit questions and vote on the resolutions tabled during the meeting. A unique meeting code, known as the “meeting ID” was provided to each shareholder in order to access the system. A shareholder will not be permitted to enter the “virtual meeting” if his or her credentials could not be verified. This allowed shareholders to be “present” during the meeting without actually having to be physically present at a venue. Shareholders were also free to raise questions prior to the meeting and receive responses in real time through the online platform.

Another country that has strived for greater participation by shareholders in general meetings is Taiwan. The Financial Supervisory Commission (“FSC”) has mandated all listed companies on the local main board and the over-the-counter market to adopt electronic-voting by the year 2018. This move was to allow shareholders who are unable to attend AGMs in person to participate in the voting process, especially when they have shareholdings in multiple listed companies that have competing AGMs on a particular day.

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1 Rita, B & Salieh, H, 2015, Report on AGM Practices by Malaysian Companies, MSWG
2 Annual General Meeting Practices 2016, Equiniti & Prism
3 Provision E.2.2 of United Kingdom’s Corporate Governance Code
The first introduction of the electronic voting platform in Taiwan was in 2009, whereby the Taiwan Depository & Clearing Corporation ("TDCC"), established an electronic voting platform called "StockVote". This system allowed shareholders to cast their votes ahead of the general meetings.

The diagram below illustrates the process of electronic voting in Taiwan using the "StockVote” platform:

**Operations of “StockVote” platform:**

1. Companies would have to sign an agreement with "StockVote" and make an application each time they wish to use the electronic voting service provided by "StockVote". Companies would also need to provide details of shareholders that are relevant to the voting process.

2. When shareholders receive their notice of the general meeting, they will be informed that the company deploys electronic voting and a certificate outlining the identification number will be provided to them.

3. Shareholders would then have to log-in to the "StockVote" platform and enter the identification number provided. Once the platform verifies their identification, shareholders are allowed to view the agenda of the general meeting and vote on the resolutions tabled.

4. Shareholders are allowed to verify the votes cast through the platform for up to 30-days after the general meeting.
Regional/international perspectives

As in the case of Malaysia, selected jurisdictions, such as United Kingdom, have recognised technology as a potential enabler of general meetings.

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| United Kingdom | (1) Nothing in this Part is to be taken to preclude the holding and conducting of a meeting in such a way that persons who are not present together at the same place may by electronic means attend and speak and vote at it.  
(2) In the case of a traded company the use of electronic means for the purpose of enabling members to participate in a general meeting may be made subject only to such requirements and restrictions as are —  
(a) necessary to ensure the identification of those taking part and the security of the electronic communication; and  
(b) proportionate to the achievement of those objectives.  
(3) Nothing in subsection (2) affects any power of a company to require reasonable evidence of the entitlement of any person who is not a member to participate in the meeting. (Section 360A) |