



The Observer

(Since the imposition of Movement Control Order (MCO) by Malaysian government beginning from 18 March 2020, public listed companies have postponed their general meetings while some have proceeded with virtual general meetings.)

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COVID-19 expedites the transition from physical to virtual AGMs

In tandem with the “new normal” in conducting business, Ranhill Holdings Berhad created history by holding Malaysia’s first virtual annual general meeting (AGM) on 21 April. The meeting managed to attract “more shareholders this year than it had done in the past two years”, according to its Group President and Chief Executive Tan Sri Hamdan Mohamad.

On 29 April, Bursa Malaysia Berhad joined the fray by conducting its 43rd AGM virtually with shareholders voting remotely using the remote participation and voting (RPV) facilities. Last year, the stock exchange conducted a hybrid AGM where shareholders had the option to attend the AGM physically or via remote participation.

This new development follows the Securities Commission’s (SC) call that companies should conduct fully virtual general meetings during the Movement Control Order (MCO) period which came into force beginning March 18 (the MCO has since been extended to May 12).

In its Guidance Note on the Conduct of General Meetings issued on 18 April, SC stated that there should not be more than eight essential individuals physically present at the broadcast venue for fully virtual general meetings.

They include the company’s chairman who may be joined by the CEO, the chief financial officer, the company secretary, the auditor and individuals providing audio-visual support. Those present must observe all social distancing guidelines.

At a glance, staging virtual AGMs is a welcome development given the take-up rate has been very slow despite the Malaysian Code on Corporate Governance through its Practice 12.3 has as far back as 2017, advocated the practice of remote participation at general meetings (both virtual and hybrid).

As the AGM season for companies with financial year ended 31 December is under way, it is envisaged that more companies will experiment with this virtual method which is seen as unprecedented for corporate Malaysia.

This is considering listed companies cannot postpone their AGMs indefinitely as the annual report and financial statements which require shareholders' approval will become dated to enable a meaningful discussion.

Malaysia is not alone in this trend-setting situation. While virtual meetings have been commonplace in the US for years, most companies across Europe and Australia have almost been universally stuck with the traditional format.

As it is, Berkshire Hathaway held its first virtual annual meeting on 2 May, as with Amazon, Johnson & Johnson, Bayer, Commerzbank and BMW.

Benefits and drawbacks

As per the Guidance and FAQs on the Conduct of General Meetings for Listed Issuers, SC has called on listed companies to review and update their constitutions to enable the use of technology to conduct general meetings and to facilitate communication and engagements with shareholders electronically.

This is considering Section 327 of Companies Act 2016 allows the use of technology for the conduct of general meetings unless the listed companies' constitution requires the general meeting to be organised at a physical venue.

Companies may enjoy instant cost advantages by carrying out virtual AGMs for they can save the cost of hiring a venue, food and beverages, arrange for security or even door gifts.

Additionally, more shareholders in remote locations are able to participate in a virtual AGM than it is for them to travel afar and attend in person. Shareholders would save travelling time and the related cost.

However, not all shareholders – especially the minority shareholders – will welcome the shift to holding virtual AGMs given the elderly generation particularly may not be technologically-savvy enough to navigate the RPV facilities. Needless to say, some may not have the necessary Internet connection to participate remotely.

Seasoned shareholders will miss the aura and ambience of the physical meeting – with the door gifts and hospitality – and the ability to articulate their thoughts energetically to the board of directors on a face-to-face basis.

Virtual AGMs may also be more impersonal and allow firms to filter out inconvenient questions, according to experts. A likely outcome thus is that

some of the responses to pre-submitted questions are prepared beforehand with little possibility to ask follow-up questions.

Contrast this to a physical AGM when it is very difficult not to give the microphone to someone who seems insistent on asking even tough questions. Moreover, shareholder collectivism may be lacking in a virtual AGM given participants may not be able to see or interact with one another.

“This can become a problem if the meeting chairman favours certain shareholders by cherry-picking their questions,” opined Associate Professor Lawrence Loh, director of National University of Singapore’s Business School’s Centre for Governance, Institutions and Organisations.

“Tough questions can be ignored if there are no safeguards to enable all participants to see all questions,” he added.

Probably, the aforementioned drawbacks can be fixed as virtual AGMs gradually become a norm in the near future.

Elements of successful virtual meetings

Certain conditions are pre-requisite for companies and shareholders to embrace virtual shareholders meeting openly.

1. Good internet speed

Availability of good internet speed at both broadcasting and participating venue is important to deliver ideal meeting experience. Good internet connectivity should support the live streaming and voting process without interruption.

2. Reliable and cost efficient platform

There are a number of platforms available in the market that serve virtual meetings and conferencing purpose. However, not all platforms are reliable, secure and auditable in the current market. Recall that video conferencing app Zoom embroiled in a wide array of security issues earlier.

Besides, as supply and demand play their role, the cost of getting a reliable platform may not be reachable by small companies, especially in this challenging time.

3. Mindset of shareholders

For virtual meeting to be widely acceptable, a call for change of investors’ mindset is essential. Shareholders must embrace the changes from physical face-to-face meeting to virtual interaction. Despite the change in setting, shareholders should actively engage with company directors as usual instead of simply streaming the meeting.

MSWG AGM/EGM Weekly Watch 11 - 15 May 2020

For this week, the following are the AGMs/EGMs of companies which are in the Minority Shareholders Watch Group's (MSWG) watch list.

The summary of points of interest is highlighted here, while the details of the questions to the companies can be obtained via MSWG's website at www.mswg.org.my.

Date & Time	Company	Quick-take
12.05.20 (Tue) 10.00 am	United Plantations Bhd (AGM)	It recorded lower revenue and PAT of RM1.17 billion and RM384 million respectively in FY19 compared to FY18. As palm oil prices and market demand remain the key factors determining its performance, how will the Company fare in FY20 against the backdrop of COVID-19 pandemic?
12.05.20 (Tue) 10.00 am (to be held immediately after the conclusion or adjournment of the AGM)	United Plantations Bhd (EGM)	UP proposed bonus issue of 208.13 million shares on the basis of one bonus share for each UP Share held. The bonus issue is to reward shareholders for their continuous support towards the company.

One of the points of interest to be raised:

Company	Points/Issues to Be Raised
United Plantations Bhd (AGM)	<p>The consequences of the Covid-19 virus may also result in a change in the otherwise bullish scenario when looking at the current supply and demand side of vegetable oils. It is still early days, however, it is a risk factor the Company need to reckon with and keep a close eye on as demand may be significantly impacted, especially from China (page 27 of Annual Report 2019 ("AR2019")).</p> <p>Besides China, how has the Covid-19 pandemic impacted the demand of palm oil from Europe and other countries?</p>

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•With regard to the companies mentioned, MSWG holds a minimum number of shares in all these companies covered in this newsletter except for Ranhill Holdings Berhad.

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