

## MINORITY SHAREHOLDERS WATCH GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

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# SC's new AGM checklist to help enhance shareholder activism

BY CINDY YEAP

There was no fanfare last Wednesday as the Securities Commission of Malaysia released a checklist aimed at enhancing shareholder activism here.

Yet, the three-page Annual General Meeting (AGM) Corporate Governance (CG) Checklist may well help shareholders better understand the business, governance and performance of the company they have invested their money in by promoting meaningful dialogue at AGMs between shareholders and the board of directors, who are essentially voted in by shareholders to safeguard their investment.

“Shareholders play an important role in driving responsible corporate behaviour and the AGM is one of the platforms where they can raise material issues for discussion or seek explanation from the board and management. The AGM CG Checklist is meant to guide shareholders on key issues they may need to consider or raise at an AGM before they exercise their voting rights,” SC chairman Datuk Syed Zaid Albar said in a Feb 5 statement. He encouraged shareholders to participate, engage the board and senior management effectively and

make informed voting decisions at shareholder meetings.

To be sure, the AGM CG Checklist is not exhaustive and may even be deemed basic by seasoned investors. “But what is important is that, for the first time, investors in Malaysia will have a ready reckoner [checklist for AGMs],” Minority Shareholders Watch Group (MSWG) CEO Devanesan Evanson tells *The Edge*.

“We must think of the AGM Checklist as a prompter or a mind map of sorts — the more mature investors can articulate their questions with greater sophistication. The checklist seeks to balance complexity with utility. It is no point having a complex checklist that does not fulfil the utility perspective, especially to the more vulnerable investors,” he explains, noting that different items on the checklist will resonate with different investors.

The AGM, Devanesan says, is “the most important event when it comes to shareholder activism.”

“It is the annual formal statutory avenue for shareholders to hold boards accountable by questioning and seeking clarifications from them. The AGM should be treated with decorum by both the board and shareholders. Thus it is important that shareholders realise that there is more to an AGM than



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**Devanesan: Minority shareholders can always approach the MSWG to air their grievances**

door gifts and the food ... thankfully such shareholders are a rare minority,” he adds.

Iya Rahman, adviser to the Institutional Investors Council Malaysia (IICM), also emphasised the significance of the AGM to retail investors, calling it an “opportunity that only presents itself once a year”.

“Unlike institutional investors who normally conduct additional separate engagements, [the AGM] is the sole platform for retail



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**Iya: With shareholders becoming more knowledgeable and aware of their rights, issues raised cannot be ignored**

shareholders to seek clarification and answers to their concerns. As such, we always encourage retail shareholders to attend AGMs and ask the relevant questions, rather than go there for freebies and food,” says Iya, a seasoned and vocal participant at AGMs in Malaysia, as the former general manager of MSWG.

As such, shareholders “should be more well-prepared” by using the guide to analyse the information available to them and seize their once-a-year chance to get the information they require on a company’s performance and governance. The checklist, she reckons, “is sufficient as a start to create awareness amongst retail minority shareholders on what would be the right questions to be raised during AGMs”.

“With shareholders becoming more knowledgeable and aware of their rights in raising issues at the AGMs, the board cannot simply ignore the issues raised by these shareholders. There were instances in past AGMs where shareholders kept on pressing the board to provide clarification and answers to their questions. The concern is when the board just ‘noted’ but [took] no action thereafter. This happens all the time. What shareholders need to do is to keep raising those issues until action is taken by the Board and not just ‘noted’ without any action,” Iya says.

According to her, most board members have shown respect and deference to shareholders by allowing minorities to raise questions at the AGM.

“Company chairmen now patiently allow shareholders ample time to raise issues, unlike previously, [when] shareholders were irked by the action of company chairmen who tended to restrict the time for them to raise issues at AGMs. Nevertheless, there are still chairmen who tend to bull-doze their way in an AGM by restricting the time for questions

despite protests by shareholders,” Iya says, adding that shareholders should politely insist on their right to do so.

Minority shareholders whose questions are not entertained at the AGM “can always approach the MSWG to air their grievances”. “MSWG is not a regulator but will use its powers of persuasion and influence to enhance corporate governance practices by engaging with the PLCs. The aggrieved minority shareholders can also approach the regulators which include the SSM (Companies Commission of Malaysia), SC and Bursa Malaysia,” Devanesan says.

Apart from providing ample time for questions, chairmen should also ensure that every shareholder be given equal opportunity to raise relevant issues and not allow any party to dominate the question-and-answer session.

“The chairman play an important part in preserving the decorum of the august assembly. Chairman should be firm but fair to ensure that AGMs run smoothly without time wastage. Generally, most AGMs are well-run,” Devanesan says, noting that the Malaysian Code on Corporate Governance (MCCG) enunciates some practices as to how the AGM should be run.

Practice 12.2 of the MCCG, for instance, exhorts all directors to attend general meetings and calls on the chairperson of the audit, nominating, risk management and other committees to provide meaningful response to questions addressed to them.

“While the MCCG addresses the PLC perspective, what was needed was something to address the shareholders perspective, and the inaugural AGM Checklist fulfills this void perfectly,” Devanesan says.

There are already encouraging signs of more informed and articulate investors at AGMs.

“We see improvements in minority shareholders’ activism. We see increasing numbers of shareholders asking questions. We see more relevant questions being asked. We are encouraged. We see opportunities to encourage more shareholders to join the shareholder-activism bandwagon, and again, the AGM Checklist is a timely motivation for more shareholders to join the shareholder-activism bandwagon,” Devanesan says.

Developed by the SC in collaboration with the IICM and the MSWG, the AGM CG Checklist is downloadable from the SC’s website.

“The SC should be commended for initiating this checklist. And with the rise of shareholder activism in Malaysia, this checklist is definitely very useful to investors,” Iya adds. **E**