

Disclosure on Annual General Meetings by Malaysian Public Listed Companies

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Abstract— This paper provides empirical evidence on the disclosure of the Annual General Meetings (AGM) of public listed companies in Malaysia. The content analysis on the annual reports and websites of the top hundred companies based on market capitalization was conducted to examine whether these companies comply with the international best practices on AGMs set by various globally recognized institutions. The analysis displays mixed results. Some of the international attributes such as the timing of AGM and post AGM announcements were well complied with by all or a majority of the companies while a few other practices such as detailed voting during the AGM was just ignored. The paper suggests that Malaysian firms need to work harder in meeting the highest standard of transparency expected by the global business community.

Keywords- annual general meetings; disclosure; transparency; governance; Malaysia; listed companies

I. INTRODUCTION

The Annual General Meeting (AGM) is the statutory meeting that must be conducted every year. It is a key forum where shareholders and directors can meet together. The shareholders also can obtain information and forward questions to directors regarding the affairs of the respective company. AGMs are important annual highlights and shareholders need to be knowledgeable of their companies. Some local newspapers disclose as a summary some information on the AGMs of the companies including the date, place, time and in brief the issues that would be raised during the AGMs. However, this is only applicable for “big and popular” companies such as government link companies and top performers of the stock exchange. This information provides one clear public signal and channel in ensuring the relevance of AGMs and the practical engagement of the shareholders’ activism.

As compared to the board meetings and board committee meetings such as audit committees, nominations and remuneration committee meetings, there is a lack of effort by researchers to explore and investigate the disclosure and effectiveness of the general meetings. Arguable, this meeting also has a similar level of importance with other company meetings while in certain circumstances, it is more important as the decision taken must invoke the concern of the majority of the shareholders and cannot be taken by the board of directors on their own.

This scarcity has motivated the current research to explore and examine the effectiveness of the AGMs, by concentrating on the information disclosed in the selected company annual reports, their corporate websites and also the company announcements in their websites of the Malaysian stock exchange, namely the Bursa Malaysia. We have selected a few international best practices as a benchmark for the study to be compared with the respective company’s disclosure. This study is significant and timely as the findings can be spread over countries for the companies to adopt or exercise good governance in relation with the AGM.

The rest of the paper is organized as follows. The literature review is explained in Section II. The methodology and results are discussed in Section III and Section IV consecutively. The concluding remarks and recommendations for future research are discussed in the last section.

II. LITERATURE REVIEW

Corporate governance disclosures can basically be divided into two major categories. First, mandated disclosures and second, voluntary disclosures. A mandated disclosure is the compulsory information to be disclosed in the annual report of the company in which it is required under laws and regulations. In many countries, some examples of the mandated information that needs to be disclosed include the board of directors, share ownership, material related party transactions and many others. Failure to disclose this information will make the company liable and would be penalized by the regulators and administrators.

Voluntary disclosures on the other way around does not have any legal implications but more on the own initiatives of the company. It is beyond the regulatory requirements, more detailed in terms of information available and normally known as best practices adopted by the company. Some of the popular examples of voluntary disclosures include corporate social reporting, environmental reporting and sustainable reporting.

A Malaysia incorporated company basically is regulated by the Companies Act 1965 (the Act) while the companies that are listed on the stock exchange also need to comply with stock exchange listing requirements namely the Bursa

Malaysia Listing Requirements. In terms of meeting requirements, since the Act only provides a brief requirement on company meetings, these requirements are listed in detail by the Bursa Malaysia Listing Requirements and supported by Best Practices.

For Bursa Malaysia Listing Requirements, there are no specific sections or paragraphs that explain the best way the PLCs should conduct their meetings. However, the requirements for disclosures and how companies should conduct the meeting are explicitly stated in several chapters of the Listing Requirements. These include Chapter 7 of Articles of Association, Chapter 8 of Continuing Listing Obligation, Chapter 10 of Transaction, and Chapter 15 of Corporate Governance [1]

Chapter 7 described on the procedures and requirements of notices, special resolutions, proxies and approvals of directors while Chapter 8 explained on the need for sufficient information with a statement and explanatory notes accompanying the notices of general meetings. Chapter 10 explained on the approval of related party transactions and finally Chapter 15 discussed on the audit committee meetings.

Best Practices is made up of further two elements; Secretarial Practices and Voluntarily Disclosures. For this research, Secretarial Practices are referred to as the recommended Best Practices developed by The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and the Institute Of Chartered Secretaries and Administrators (ICSA, UK). The meeting Best Practices is based on the series of Good Governance Guides and Guidance Notes that are prepared by MAICSA [2] and ICSA [3] respectively, aim to help the company to comply with applicable legislations especially on the grey areas not covered by legislation and case law.

The other element of Best Practices is Voluntary Disclosure. Consistent with the spirit of good governance, the company should disclose as much information when it is necessary and crucial for the shareholders particularly and for the stakeholders generally to understand the conduct of the business. This is also an opportunity and a good option for the company to show its credibility of the disclosures pertaining to compliance with sound corporate governance that is beyond the regulatory requirements.

There are many sources of voluntary disclosures either locally or internationally. The Malaysian Code of Corporate Governance (Revised 2007) is the main local source for the companies to guide them in achieving the optimal governance framework. The international sources are drawn from international guidelines and code of corporate governance which include amongst others, The Institute of Corporate Governance Network (2005), The Organisation for Economic Co-operation and Development (2004), Combined Code (2003), Hampell Report (1998) and Cadbury Report (1992).

Below are the some examples of the regulatory requirements and international best practices on the AGM

which are highlighted in the various sources mentioned previously:-

A. Notices

The Bursa Malaysia Listing Requirement stipulates that companies must ensure all notices convening general meetings contain sufficient information to enable members to decide whether to attend the meeting or not. This also is in agreement with the Best Practices as informative notices will give members a clear picture of the matters to be discussed in the AGM and enable them to make the necessary preparations such as comments or arguments to be voiced out during the meeting.

The Best Practices in relation to notice requires more information to be provided such as voting procedures, dividend approvals, proxies and notice of book closures. These include that the companies should provide in detail the minimum requirements for vote by hand for the election or re-election of the directors aged 70 years or above, and explain in their annual report the type of persons who are eligible to be proxies in the meeting. The company also should state the requirement of $\frac{3}{4}$ majorities or that 75% must be present to pass a special resolution and provide a statement allowing shareholders to make any decisive decision on the Chief Executive Officer's Review of Operations. It would be beneficial to shareholders if the company specified these requirements to encourage shareholders to come for the meeting and participate in the voting process.

B. Explanatory Notes on Special Business

Any notice of a general meeting called to consider special business must be accompanied with an explanatory note which contains the necessary information to enable the members to make an informed decision. The necessary conditions are not specifically defined by any regulatory requirements. Therefore, again the spirit of international Best Practices of providing more information are applicable here where a company needs to provide at least the basic information on special business and its explanatory notes either in the text of notice, Chairman's Statement, Managing Director's, Chief Executive Officer's Review of Operation or Explanatory Letter from Chairman or Company Secretary. However, more information is expected and this indeed a commendable practice by international principles.

C. Information on Proceedings of the AGM

Although information on proceedings of the AGM is not regulated under the Bursa Malaysia Listing Requirements, such information is a matter of Best Practices. Information on resolution passed during the AGM should be provided by all the companies in their Annual Reports and immediately under the announcements section on the Bursa Malaysia's website.

D. Post AGM Announcements

Post AGM Announcements in the Bursa Malaysia's website and other forms of electronic communications are the norm of most PLCs in Malaysia to promote investor relations. The companies do announce the post AGM results but at varying degrees of disclosure levels. The detailed information on announcements is expected from the company. Brief disclosures can be provided indicating the resolutions in the agenda approved or otherwise by the shareholders. Specific resolution passed in the AGM can be stated as this will make it easier for shareholders or the public to obtain information on the outcome of AGMs without having to make any reference to the earlier announcement made by the company on the resolutions to be tabled at the AGM.

E. Dividend Entitlement and Payments

Best Practices require that explanatory notes on dividend entitlements and payments be made either in the Notice of AGM or under special headings. It is good practice if the company is willing to provide more information such as the comparative figures on the dividends paid out in the previous years. The graph showing the trend can be supplemented for the shareholders information.

F. Voting

Every shareholder has the right to vote at any general meeting of the company. There are two ways of voting, namely voting by a show of hands and by poll. The companies are more comfortable to have a voting process by a show of hands. It is easier and quicker to calculate the votes. However, the weaknesses of this way of voting is that the shareholders have a tendency to be influenced by the others and number of hands rising up during the process.

Therefore, Best Practices recommended that the voting process should be conducted by using of poll. Voting by poll means voting by a written ballot. Although it is time consuming and incurs more cost, it is more transparent as votes are seen to be counted according to the number of shares held, produces an exact and definitive result. Shareholders during the voting process also will vote based on their own decisions.

Detail information on the number of votes for and against the resolution tabled also are highly recommended so that members can evaluate which passed resolution received very strong support from the shareholders, indicated by a higher number of supporting votes

G. Resolutions

A resolution is a motion to be passed and agreed by the members in the general meeting. There are two types of resolutions namely an ordinary resolution and a special resolution. The Best Practices (example recommended by [8]) clearly stated that not only should the company come out with a resolution but the shareholders also have the right to propose any resolution, but it subject to reasonable

limitations imposed by the company. In order to encourage the shareholders' participation in general meetings, companies should improve the ability of shareholders to place items on the agenda by simplifying the process of filing amendments and resolutions. Shareholder resolutions that are approved and fall within the competence of the shareholders' meeting should be addressed by the board.

III. RESEARCH METHODOLOGY

We developed a scorecard to assess the level of compliance of the company's AGM as stipulated by various international best practices. These include best practices drawn from various international guidelines and the global code of corporate governance. These include the Cadbury Report [4], the Hampell Report [5], the Combined Code [6], the Myners Report [7], the MAICSA Good Governance Guide [2], the ICSA Guidance Note [3], the Organization for Economic Co-operation and Development (OECD) Principles [8] and the Institute of Corporate Governance Network (ICGN) [9]

The companies that omit or do not comply with the criteria set above will receive zero score (score= 0) while any company that complies will receive one score (score=1)

Due to certain limitations, we only chose one hundred (100) PLCs based on the top hundred (100) market capitalizations that are listed in Bursa Malaysia as at 31 December 2005 as a sample for the study. Using the scorecard, the latest available annual reports of the companies were analyzed and their level of compliance was computed. The annual reports published up to the financial year ending as at 30 June 2006 were used in the survey. The distribution sample of the companies (in percentage) based on industries is as per Table I.

TABLE I: SAMPLE OF THE COMPANIES BY SECTORS

Sector	No of Companies
Trading/ Services	29%
Finance	17%
Industrial Products	14%
Consumer products	12%
Plantation	10%
Property	7%
Construction	5%
Infrastructure Project	5%
Technology	1%
Total	100%

IV. FINDINGS

In general, the compliance on disclosures on the annual general meetings provides a mixed picture. A few practices were well complied by all the companies while on the other hand, some of the dimensions were not disclosed by a majority of the companies. The summary of the findings as per Table II.

TABLE II: AVERAGE SCORES OF THE BEST PRACTICES OF AGM

	Dimensions of Best Practices	Average Score
1.	Timing of AGM less than 6 months	100%

	Dimensions of Best Practices	Average Score
2.	Information specifying place, date and time of AGM	100%
3.	Post AGM announcement	100%
4.	Statement on effect of proposed resolution on special business	93%
5.	Specific resolution passed during AGM	29%
6.	Explanatory notes on dividend entitlement/payment	90%
7.	Details vote for and against resolution	0%

A. Timing of AGM

The AGM should be conducted at an appropriate time; not too late and not too early. So far, there is no such exact time or month recommended by the International Best Practices under review. If it is conducted too late i.e. more than 6 months after the financial year end the shareholders are unable to get valuable feedback from the management as the questions raised related to the account during the AGM is already outdated. However, conducting the AGM too early is also not commendable as the shareholders especially institutional shareholders do not have ample time to make the necessary preparations for any arguments during the AGM. The current survey finds that all companies conducted their AGM not more than 6 months later.(Table III).

TABLE III: TIME OF AGM CONDUCTED AFTER FINANCIAL YEAR-END

Time of AGM (months)	Number of companies
1-2	1
>2-3	3
>3-4	23
>4-5	40
>5-6	33
Total	100

B. Information Specifying Place, Date and Time of AGM

The company must clearly communicate to the shareholders informing the place, date and time of the AGM. Apart from the international best practices, this also becomes part of the regulatory requirements for PLCs in Malaysia. It is not surprising that this requirement is well complied with by all the companies. Normally the companies will mention the above required information in the Notice of AGM and a majority of the companies also disclosed the fact in the newspapers.

In addition, the location and the venue of the meeting should be easily accessible by all including the disabled or handicapped shareholders. The date and time should not clash with other major events that may result in the shareholders being unable to attend the meeting [2].

C. Post AGM Announcement and Specific Resolution Passed During AGM

Shareholders expect and demand more added values from the company with regards to the general meetings. Any specific resolutions passed in the AGM should be

stated and disclosed as this will make it easier for shareholders or the public to obtain information on the outcome of the AGM without having to make references to the earlier announcement made by the company on the resolutions to be tabled at the AGM. Brief disclosures can be provided indicating the resolutions in the agenda approved or otherwise by the shareholders. The survey finds that all companies announced the post AGM results. However, only 29% of the companies give more details i.e. stating specific resolutions passed in the AGM.

D. Statement of Effect on the Proposed Resolution on Special Business

The AGM also can be used as a platform to transact any business that is beyond the ordinary. This matter may not fall under the ordinary business and is called special business. Examples of these matters may include change of company name, amendment of company's object clauses, amendment of the company's Article of Association and approvals for recurrent related party transactions [2]. Any special business that requires shareholders approval must be accompanied with an explanatory note explaining those businesses. The best practice requires companies to provide as much information so that the shareholders are able to understand the nature and effect of the proposed resolution.

The current survey finds that out of 95 companies that held a special business agenda, only 93% of them (or 88 companies) provided explanatory notes on the stated business agenda. It is recommended that this information is provided in the text of notice so that it is easier for shareholders to refer to the further information rather than that disclosed in the information scattered in the Annual reports such as in the Chairman's Statement, Managing Director's, Chief Executive Officer's Review of Operation or Explanatory Letter from Chairman or Company Secretary.

E. Explanatory Notes on Dividend Entitlement/Payments

Best Practices requires that explanatory notes on dividend entitlement and payments be made either in the Notice of AGM or under special headings. It is good practice if the company is willing to provide more information such as the comparative figures on the dividends paid in the previous years. The graph showing the trend can supplement the shareholders information. The current research finds that 90% of the companies that provide resolution for dividend entitlement/payments did provide explanatory notes on the said dividends. However, the information is highly summarized and just limited to amount, percentage of dividends and type of shares only.

F. Details Vote For and Against Resolution

This information is also relatively important not only to the company but also the shareholders. The members of the company can evaluate which passed resolution received very strong support from the shareholders, indicated by higher number of supporting votes. For the directors, less

votes received from the shareholders mean that the resolution is not popular and in the worst scenario, when it is rejected, the directors must reconsider the resolution or more accurately, their decision after their AGM.

V. CONCLUSIONS AND RECOMMENDATION

It does not matter whether the company is big or small, family owned or non-family owned, a government link company (GLC) or non-GLC, multinational company or not, transparency and integrity must be the most important agenda for any company. More disclosures on relatively important information is expected from the company to remove the doubt not only from the shareholders but also the potential investors.

Any questions, issues, complaints, proposals and anything raised during the AGM regardless by whom, either by retail or institutional shareholders, either well known or the public, the issues must be disclosed by the company. Again, greater transparency is expected from the top management to answer and give satisfactory feedback on the matters raised during the general meeting. Perhaps, by having this kind of information, directors and shareholders will be aware of any recurring matters and long time unresolved problems. Therefore, the shareholders will certainly be able to assess whether the directors are really “working” or not, on the subject matters.

VI. LIMITATION AND SUGGESTIONS FOR FUTURE RESEARCH

This study only limits its study on the disclosure of information which is available for public consumption such as annual reports the websites of the company and stock exchange announcements. Field studies can be employed in the future to understand the actual settings and practices of the AGM by the company. These include the procedures of the meeting such as voting, interaction between shareholders and directors, quality of information presented by the management, level of understanding of the shareholders with regards to their investment in the company, the intensity of questions posed by the shareholders and the behavioral of the participants.

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