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Get moderators in virtual AGMs

MSWG calls for ways to enhance accountability

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By **EUGENE MAHALINGAM**
eugenicz@thestar.com.my

PETALING JAYA: With virtual AGMs becoming the new normal in the face of a global pandemic, there have been calls by experts and observers to enhance such meetings in the interest of corporate governance.

Minority Shareholders Watch Group (MSWG) chief executive officer Devanesan Evanson said virtual AGMs are susceptible to abuse, as virtual questions can be ignored to the exasperation of the shareholder.

"This has happened to MSWG analysts who have attended virtual AGMs and their virtual questions were ignored. The questions are not even read out by the chairman.

"The good news is that most public listed companies are responsible to permit adequate time for questions, the board would read out the questions and provide the answers. But a handful of companies use the virtual AGMs as a means to frustrate shareholder activism," he told *StarBiz*.

Devanesan said the "gold standard practice" advocated in the Malaysian code on corporate governance (Practice 12.3) would be a hybrid AGM.

"This is where there is a physical AGM, whilst simultaneously leveraging technology to facilitate voting in absentia and remote shareholders participation. This may cost a bit more but it provides the best of both worlds."

To help listed companies hold their meetings online, the Securities Commission (SC) had issued a guideline to ensure that companies continue to meet their obligations under the law and to shareholders during the move-

ment control order (MCO) period.

Post-MCO, listed issuers were asked to adopt a fully-virtual or hybrid method of general meetings, with social distancing maintained at all times.

Ranhill Holdings Bhd became the first company in the country to hold a virtual AGM, garnering good response.

Lawyer Phillip Koh emphasised the importance of the SC's guidelines on virtual AGMs.

"Under the SC's guidelines, the recommendations reflect the concern of the regulators that virtual meetings should not erode, weaken or undermine shareholder participation," he said.

An industry observer said one way to improve virtual AGMs is to have an independent moderator to help facilitate the meetings.

"An independent moderator is not bound by the company. That means questions that are sensitive to the directors would not be dismissed. Since virtual AGMs commenced last year, many companies did not have independent moderators at their meetings."

He said many companies have been approached to have independent moderators at their AGMs.

Devanesan said virtual AGMs need to replicate physical AGMs as far as possible.

"It would be ideal if shareholders can question the boards via live video or at least live audio instead of typing in questions in chat boxes. This should be possible as although there are many participants, as long as they switch off the video and/or audio when they are not speaking.

If this is not possible, Devanesan suggested that all virtual questions be read out at the AGM for the shareholders.

"Independent moderators handling the questions and answers help to some extent,

but there is no guarantee that the chairman will answer the questions forwarded by the independent moderator."

He added that regulators should sanction companies that do not answer shareholders virtual questions, as there is no point of having an AGM when the shareholders questions are ignored with impunity.

"The virtual AGM, in the hands of a board with ill-intent, can be used as a convenient tool to frustrate shareholder activism."

Another industry observer said while the number of participants at meetings had dipped slightly since virtual the AGMs were implemented, he added that the quality of shareholders attending had, however, improved.

"During physical AGMs, many questions asked were pertaining to food, drinks, goodie bags and door gifts that are offered by the company. Since the MCO, there are questions that are substantive in nature, such as the outlook of the company, its sustainability during the pandemic, branding or financial-related matters."

Devanesan pointed out that physical AGMs allow for greater shareholder activism, as shareholders can raise questions directly to the board in the presence of other attending shareholders.

"There is no risk of questions being ignored, which is possible with virtual AGMs. The shareholder can insist on an answer and continue to question till they are satisfied with the answer. The shareholder is better able to articulate the questions verbally using tone, pitch and body language, as opposed to typing them through a chat box. We all know that it is more effective to ask a question as opposed to typing one," he said.

Watch the video
TheStarTV.com

