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# Why do companies make attending AGMs so tough?

SGX could perhaps "nudge" listed companies here to engage their shareholders better through more accessible annual general meetings. **BY MAK YUEN TEEN AND CHEW YI HONG**

HOW difficult is it for shareholders in Singapore to attend general meetings? It can be quite difficult, especially in April, and if an investor owns shares of companies that hold their general meeting far away from the Central area.

The most challenging time for shareholders to attend an annual general meeting (AGM) in Singapore last year was on Monday, April 28, between 9am and 12 noon. During this time, 51 issuers started their AGM, spread throughout the island.

This is one of the findings in our new report titled *The Singapore Report on Shareholder Meetings: Re-engaging Shareholders,* a study of 874 general meetings, comprising all AGMs and extraordinary general meetings (EGMs) held by 702 issuers listed on the Singapore Exchange (SGX) in 2014.

In fact, 60 per cent of all 2014 AGMs in Singapore were held in April, and 76 per cent of all April AGMs were held in the last five business days of that month. These five days accounted for 46 per cent of all AGMs held in 2014.

However, Singapore is by no means alone when it comes to clustering of AGMs. Based on comparative data provided by Institutional Shareholder Services (ISS) for the Group of Seven (G-7) and seven Asia-Pacific countries, clustering of AGMs appears to be even more pronounced in Italy, Japan, South Korea and Thailand, and just as heavy in Australia.

When we looked at the clustering of year-ends and the deadline imposed on companies for holding their AGM after the financial year-end in different countries, it is evident that the bunching up of AGMs has a lot to do with the clustering of year-ends and the deadline imposed on companies to hold their AGM.

Clustering of financial year-ends is a common phenomenon, with only Canada, Malaysia and the UK having slightly less severe year-end clustering compared to Singapore. Of the five countries mentioned above where clustering of AGMs is just as, or more, severe than Singapore, Japan and South Korea have a three-month deadline for holding the AGM; Italy and Thailand have a four-month deadline like Singapore; and Australia has a five-month deadline.

All the other countries with less severe clustering of AGMs give issuers six months or more to hold their AGM after the financial year-end.

Therefore, there is an unsurprising trade-off between timelines and clustering of AGMs. An obvious step to reduce the clustering of meetings is to extend the AGM deadline, but this would then mean less timely AGMs and may be a retrograde step for Singapore to take. There is also no guarantee, of course, that issuers will not continue to hold their meetings in the last week if the deadline is extended.

Perhaps the issuers in the Straits Times Index (STI) can take the lead in reducing the AGM crunch. Of the 27 issuers in the STI with a primary listing, 20 now have a December year-end (with Olam announcing in January this year that they are changing from a June to a December year-end). These 20 issuers must hold their AGM by April 20.

12 of the 19 STI issuers that had a December year-end for 2013 held their AGMs during the last five business days in April 2014. Starhub and Keppel Corp are examples of STI issuers with December year-ends that held their AGMs before the last five business days of April. Since STI issuers tend to have many shareholders, holding their AGMs in the last week of April is likely to have a greater impact on the ability of those holding shares in multiple issuers to attend AGMs.

Perhaps SGX can consider a "sweetener" to nudge more issuers to avoid the last week of April. In a new governance rating for listed small and medium-sized enterprises to be launched soon, SMEs that do not hold their AGMs during the last week of the four-month deadline for three consecutive years are given bonus points to recognise that shareholders in such SMEs have a greater opportunity to participate in their AGMs.

Some market players believe that some issuers deliberately choose their AGM timing and location to make it difficult for their shareholders to attend. There may be some truth in this, as a recent study reported that US issuers that held their AGMs in locations further away from their headquarters and during unusual hours were more likely to have lower stock price performance and to report poorer financial results following the meeting.

47 per cent of all AGMs and EGMs in Singapore last year were held in the Central area, comprising Orchard and the Central Business District (CBD). There may be valid reasons for some issuers to hold their meetings away from the Central area – cost and allowing shareholders an opportunity to view the issuer's facilities, for instance. Some issuers – such as AusGroup, Qian Hu, Stamford Tyres, Sembcorp Marine and Yeo Hiap Seng – went the extra mile and provided a shuttle service for shareholders attending their meetings.

In 2014, eight foreign issuers with a primary listing on SGX held a total of 10 meetings overseas. Although SGX rules allow these foreign issuers to hold their meetings abroad under certain limited circumstances, the rules require such issuers to provide a video conference or webcast of their meetings and to hold separate information meetings. We found that two issuers did not disclose that they provided such a facility. Two Thai issuers disclosed that they were advised by SGX that they need not provide a video conference or webcast because Thai law does not allow Singapore shareholders holding shares through the Central Depository (CDP) to attend general meetings even if they are held in Singapore. The issuers cited possible legal restrictions in allowing Singapore shareholders to participate through a video conference or webcast. This raises the question of whether SGX should allow foreign issuers as primary listings if they cannot even provide Singapore shareholders the basic right of attending general meetings whether in person, by proxy, or by video conference or webcast.

If foreign issuers holding meetings overseas are required to provide a video conference or webcast of their meetings for their Singapore-based shareholders, perhaps we should also encourage our Singapore-based issuers, especially those with global shareholders, to provide such facilities too. Global companies such as Disney, McDonald's, Nike, Starbucks and Walmart provide live webcasts/streams of their shareholder meetings. In fact, Starbucks' recent three-hour AGM was webcast in full HD and transcripted, and can be viewed by all. With technology making this possible at relatively low cost, mindset is really the only constraint.

Although many issuers notified shareholders of general meetings ahead of the requisite 14 "clear days" for meetings with only ordinary resolutions, many issuers can do more in informing shareholders about meetings in a more timely fashion, especially if they have global shareholders. Some issuers were extremely fast in notifying shareholders about the AGM after their year-end. For example, Singapore Press Holdings (SPH) and Chemical Industries did this within two months, and SGX on the first day of the third month.

Issuers were also generally fast in announcing the results after the meetings. Two issuers were so fast that they announced the results within the first hour after the scheduled start of the meeting and 22 other issuers announced the results within two hours. Fast is good – provided meetings are not so rushed that shareholders have no chance to ask questions.

One area where there is significant room for improvement is to have better information for key agenda items. Although most AGM notices include explanatory notes for some agenda items, more can be done to improve the frequency and quality of notes being provided. For instance, for the election or re-election of directors, issuers should explain the selection process, the qualities a director brings to the board, and the reasons for appointing or retaining long-serving independent directors and busy directors. Shareholders should consider voting against resolutions, or at least abstaining, if they feel that issuers have not provided the necessary information and rationale for the resolution that they are asked to vote on.

Based on issuers that disclosed detailed poll voting results, at least 45 per cent of issuers have adopted poll voting on all resolutions, ahead of the SGX-imposed deadline of Aug 1, 2015. For the issuers that disclosed detailed poll voting results, the average support exceeded 90 per cent for all resolutions, with the adoption of performance share plans receiving relatively less support on average. However, there were instances where shareholder support was significantly less than 90 per cent, and in some cases, resolutions were not passed.

Looking at those issuers that disclosed a detailed breakdown of shares that voted in favour or against resolutions, only about 55 per cent of issued and outstanding shares were, on average, voted at AGMs. This means that ownership of about 28 per cent of the voting shares would, on average, translate to a majority of votes to pass ordinary resolutions at meetings.

We should strive to raise the percentage of shares voted at general meetings, especially by minority shareholders. Otherwise, large shareholders with far less than a majority stake can end up with de facto control of important shareholder decisions.

Issuers, regulators, shareholders, service providers and other stakeholders can all play a role in enhancing shareholder participation in general meetings and in making these meetings more effective.

The writers are, respectively, an associate professor at the NUS Business School and an active investor. The full report that this article is based on can be downloaded from www.shareholdermeetings.asia or www.governanceforstakeholders.com