

Bunching up of AGMs in April getting worse, says report

Nearly 100 held on each of the last two business days of April last year, worse than in 2015; this will worsen in 2017 as new requirements kick in

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LISTED companies are continuing to cluster their annual general meetings (AGMs) around the same handful of days a year – in particular, the last two business days of April.

And the situation is very likely going to get worse going forward, with new requirements – which could involve more board deliberations pushing back the AGM dates – kicking in.

However, there have also been positive developments in the holding of shareholder meetings. Regulators seem to be getting stricter in granting companies waivers from holding their AGMs within the stipulated time, and there is evidence of growing shareholder activism.

These were among the key findings of “The Singapore Report on Shareholder Meetings: Dawn of Activism”, authored by corporate-governance advocate Associate Professor Mak Yuen Teen of the National University of Singapore Business School and MBA graduate and active investor Chew Yi Hong.

Released on Monday, the report covered 893 meetings conducted last year by 703 issuers with a primary listing on the Singapore Exchange (SGX).

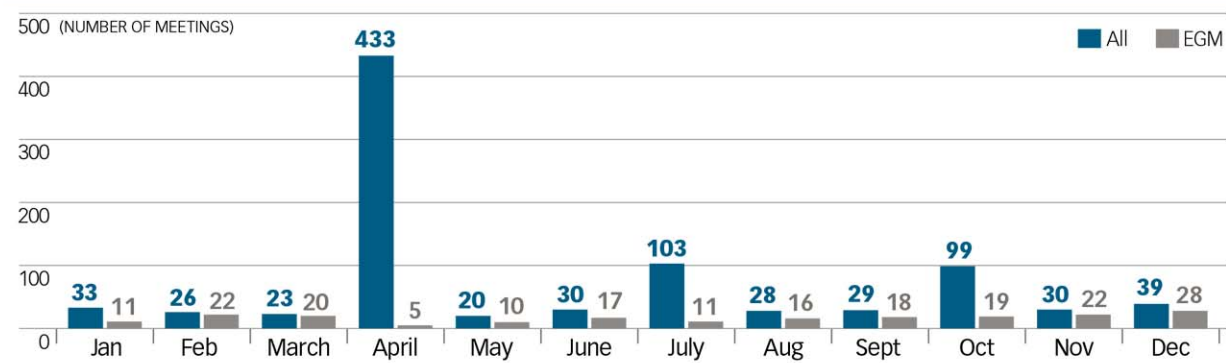
Of the 893 meetings, 694 were AGMs and 199, extraordinary general meetings (EGMs).

The report, the third such report in three years, continues to be supported by the SGX.

It throws the spotlight on the continued clustering of AGMs and EGMs around the traditionally popular period of April.

Most companies have Dec 31 as their financial year-end, and the Companies Act requires listed companies to hold their AGMs within four months of their year-end.

Shareholder meetings in 2016



Source: The Singapore Report on Shareholder Meetings: Dawn of Activism

The report noted that of the 433 shareholder meetings held last April, 428 were AGMs and five were EGMs. These accounted for 62 per cent of all AGMs and nearly half of all shareholder meetings.

There were actually eight fewer AGMs and six fewer EGMs held in April 2016 than in April 2015.

However, the number of meetings held in the last two business days of April 2016 was significantly higher than in the last two years. There were 97 meetings held on April 28 (a Thursday) and 95 on April 29 (Friday), the report noted.

This compares to about 80 AGMs on each of the last two days of April 2015.

“It is disappointing that, though there is a slight improvement in the clustering of AGMs in the last week of April last year, the last two business days of that month were significantly worse,” said Prof Mak.

“Clustering of meetings prevents shareholders from attending meetings and can affect the voting of shares. This results in reduced accountability of directors to shareholders and may affect access to information from AGMs.”

Mr Chew added: “There are simple

solutions available that can ameliorate the problems caused by clustering. We hope to see the Exchange encourage issuers to webcast their AGMs, to adopt online voting and to make the posting of detailed minutes of meetings available on SGXNet if the issuer chooses to hold its AGM on a peak day.”

But the report also named some listed companies which had held their shareholder meetings earlier and so avoided the AGM crush.

Ascendas Reit, Ascendas Hospital-ity Trust, Ascendas India Trust, Chemical Industries (Far East), Qian Hu Corporation and the SGX were cited as having held their AGMs within three months of their financial year-end.

Prof Mak warned that the clustering of shareholder meetings is likely to worsen this year, with the enhanced auditor’s report requirements kicking in for audits of financial statements for periods ending on or after Dec 15, 2016 (for Singapore-listed companies with Singapore-registered auditors).

“The enhanced auditor’s report will include a section on ‘key audit matters’. Given the sensitivity of these key audit matters, more time may be required for the audit and for

discussions among auditors, audit committees and management. Issuers may therefore delay their AGMs to allow the maximum time possible for the audit and preparation of the auditor’s report.”

Prof Mak and Mr Chew recommended in their report that regulators consider allowing issuers to hold their AGMs within five months of the end of their financial year-end, but to limit the number of AGMs that can be held on any single day.

Their report also took note of the more positive developments. One of these was that regulators appeared to have been stricter last year about approving applications by companies to waive the requirement that they hold their AGMs within the stipulated four months.

Forty-three issuers applied for a waiver last year; the most commonly cited reasons were accounting and audit issues and financial-related issues.

In some cases, applications for a waiver or a further waiver were rejected by the SGX; in other cases, the Exchange directed the issuer to convene its AGM as soon as possible.

In at least six cases, the issuer disclosed that the SGX had granted ap-

proval for a waiver or further waiver, subject to the Accounting and Corporate Regulatory Authority (Acra) also giving approval, and that Acra had subsequently rejected the application.

But the report added that listed companies were inconsistent in their disclosure of waivers. Some disclosed at the time of application and also when SGX informed them of its decision. Others disclosed only when they were informed by SGX.

Prof Mak and Mr Chew are recommending that issuers be required to make an announcement at the time of application for a waiver to delay the announcement of results or the holding of the AGM, in addition to making an announcement when they receive the decision from the regulators.

Regarding the growth in shareholder activism, a trend reflected in the title of the report, the authors cited last year’s rise in number of shareholder-initiated meetings as an indicator of this.

There were eight issuers whose shareholders requisitioned or called for meetings, as provided for by the Companies Act, up from six in 2015.

The authors pointed out that requisitioning meetings should be used only as a last resort when other means of engagement fail. It is preferable for boards to actively engage with shareholders to understand their concerns as early as possible, they said.

Tan Boon Gin, SGX’s chief regulatory officer, said in his foreword to the report: “There is always room for improvement and we welcome this report and any recommendations that will make the relationship between shareholders and listed companies even stronger.”

The full report can be found at www.shareholdermeetings.asia and at Prof Mak’s website at www.governanceforstakeholders.com.