

Shareholder activism, engagement improve, but not enough: study

Report by academic also details eight recommendations to improve AGMs in Singapore, which SGX says will carefully consider

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12 good AGM practices

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SHAREHOLDER activism and engagement in Singapore appear to be growing, slowly but surely, if a report released on Monday by well-known corporate governance advocate Mak Yuen Teen is anything to go by.

The report, his second yearly independent research on shareholder meetings, shows, among other things that: more shareholders voted at annual general meetings (AGMs) last year; they made their views about directors known in their votes on director elections; and more companies made an effort to hold their meetings outside the usual peak periods.

The Singapore Report on Shareholder Meetings: Shareholders Awaken? covers 906 meetings - 711 AGMs and 195 extraordinary general meetings (EGMs) - held in 2015 by 715 issuers with a primary listing on Singapore Exchange (SGX).

The report - co-authored by active investor and MBA holder Chew Yi Hong, and supported by SGX - was undertaken at a time of significant regulatory changes, many of which are aimed at improving shareholders' rights, shareholders' participation in meetings and market quality.

For example, poll voting became mandatory in August, while the minimum lot size for SGX-listed shares has been reduced from 1,000 to 100 - making it more viable for potential investors to buy into companies and meet them through AGMs. The minimum trading price (MTP) requirement was introduced, and the age limit for directors has been removed.

Against this backdrop, the report revealed some improvements and exemplary practices by companies at their meetings, but also many areas in which companies desperately need to make greater strides.

A small number of companies - 16, to be exact - have improved the timing of their AGMs by moving them to outside the last week of a peak month (April, July and October) for at least their last three AGMs.

These aside, Ascendas Real Estate Investment Trust, Chemical Industries (Far East), Qian Hu Corporation and Roxy-Pacific Holdings were singled out for particular praise - for having held every meeting since 2010 within three months of their financial year-end and outside of the peak periods.

The clustering of AGMs during the busiest AGM season of the year - the last week of April - was, however, still severe, with 74 per cent of April AGMs and 46 per cent of all 2015 AGMs held then. The clustering of AGMs in July and October has also not improved much, with the study noting that any "improvement (in the last two to three years) is too small to make a difference to the ability of shareholders holding shares in multiple companies to attend more meetings".

In terms of AGM notices, the study said Thai Beverage Public Co, SGX and Singapore Press Holdings (SPH) were the fastest to issue them, doing so within 60 days of the financial year-end. And SGX, SPH Reit, Ascendas Reit, Chemical Industries, Qian Hu and Roxy-Pacific were among the fastest to hold their AGMs, that is within three months of their financial year-end.

More issuers adopted the practice of posting detailed minutes soon after their AGM. SGX was singled out for even posting an audio recording of its AGM on its website last year; the study noted, however, that the adoption of this practice remains very low.

Prof Mak pointed out that Singapore-listed companies still have some way to go in providing greater detail in their meeting minutes, with issuers in developed markets often providing much better explanatory notes for key resolutions, such as those relating to director elections and any increases in directors' remuneration, including the rationale for such resolutions.

Of note was the finding that full poll voting results were disclosed for 63 per cent of meetings in 2015 - a marked increase from the 44 per cent in 2014. This was mainly due to poll voting becoming mandatory in August. A total of 274 meeting results announcements - or 30 per cent of issuers - also disclosed the identity of the scrutineer for poll voting results.

The study also illustrated levels of shareholder participation in Singapore. For the 415 AGMs for which detailed poll voting results were disclosed in 2015, the average percentage of issued shares voted was about 58 per cent - compared with 55 per cent in 2014.

Shareholders also made their voices heard when it came to director elections. For issuers that disclosed detailed poll voting results, directors standing for election received 99 per cent of votes, on average.

But at Changjiang Fertilizer Holdings, Chosen Holdings and Nobel Design Holdings, shareholders voted against the election of a director. Guo Zhen Kai, an independent director at Changjiang Fertilizer, received the lowest support for a director standing for election in 2015 - 92 votes in favour versus 40.88 million shares voting against.

ComfortDelGro Corporation, DBS Group Holdings, Grand Banks Yachts and IX Biopharma saw lower levels of support for certain directors, though they were eventually elected. At ComfortDelGro, for example, independent director Wang Kai Yuen received just 53.59 per cent of votes in support, compared to the other five directors up for election who all received more than 98 per cent.

Prof Mak observed: "Even though we can see that in a small number of cases shareholders have voted out directors, and in some other cases, shareholders have differentiated among different directors when they vote, I believe that shareholders in general are not discerning enough when it comes to voting for directors. For example, directors who are extremely busy, have very long tenures or who have patchy track records - such as being quick to resign from boards when things become challenging for the company, or who have presided over long periods of deteriorating performance - often still receive very high levels of shareholder support.

"And, even though Singapore companies are generally very poor in justifying why a director is being proposed for election, unlike other countries like Australia, shareholders are still voting for these directors. Over time, this makes directors complacent and dilutes their accountability to shareholders. I would urge all shareholders to carefully consider the directors who are being proposed for election and to use their voting rights in a more discerning manner," he added.

The study detailed eight recommendations to improve AGMs here. Among them are suggestions for: issuers to provide clear and appropriate reasons for delaying results announcements and the holding of AGMs; regulators to consult stakeholders as to whether some form of "say on pay" for senior executives should be introduced; and regulators to consider stating in the Corporate Governance Code or listing rule that independent directors who have served beyond nine years should be subject to annual election or to an annual vote on their independence.

SGX chief regulatory officer Tan Boon Gin said: "A successful AGM needs to achieve the following purposes: reporting to shareholders about company matters; providing an opportunity for shareholders to ask questions and enabling shareholders to exercise an informed vote. This study takes a good hard look at how the timing, running and form of an AGM can affect the degree to which these purposes are achieved. SGX will work together with companies and their stakeholders to carefully consider the recommendations of the report."

The full report is available at www.shareholdermeetings.asia.

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