

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are illuminated from within, with warm yellow lights visible through the windows, contrasting with the cool blue tones of the twilight sky. The perspective creates a sense of height and architectural grandeur.

# Fully Virtual and Hybrid Annual General Meetings

KPMG Management and Risk Consulting Sdn Bhd (“KPMG”) and  
V-Cube Malaysia Sdn Bhd (“V-Cube”)

# Introduction



The AGM is an opportunity not to be missed by the leadership of listed issuers and the shareholders. However, with the current COVID-19 pandemic leading up to the enforcement of the Movement Control Order (MCO) and accentuated by an economic crisis, listed issuers are seeking ways to leverage technology to conduct general meetings either fully virtual or hybrid modality. Towards this, **KPMG and V-Cube have established an integrated approach to provide a suite of fully virtual/hybrid AGMs services (i.e. governance advisory and technology solution) in an affordable manner.**

The AGM is an excellent platform for the listed issuer's board and management to **communicate its achievements in the past financial year, challenges and various strategies that the board has been putting in place to safeguard** and grow its investments in a sustainable manner.



In some respects, the board of the listed issuer are stewards of its shareholders, tasked with ensuring that the management team performs its task well, with a deft hand, to grow the business sustainably.

At the same time, listed issuers are also expected to live up to high standards of good corporate governance and ethical leadership.

From the perspective of the shareholders, they would want to know if their investment is providing the expected yield. Shareholders would also want to know if the leadership is effective in its role as stewards of their investment.

Under the current challenging milieu, the AGM becomes an excellent opportunity for the board and management team to meet its shareholders and communicate effectively on its way forward.

In this white paper, we address our observations, challenges and inherent opportunities for listed issuers to conduct a fully virtual or hybrid AGM method.

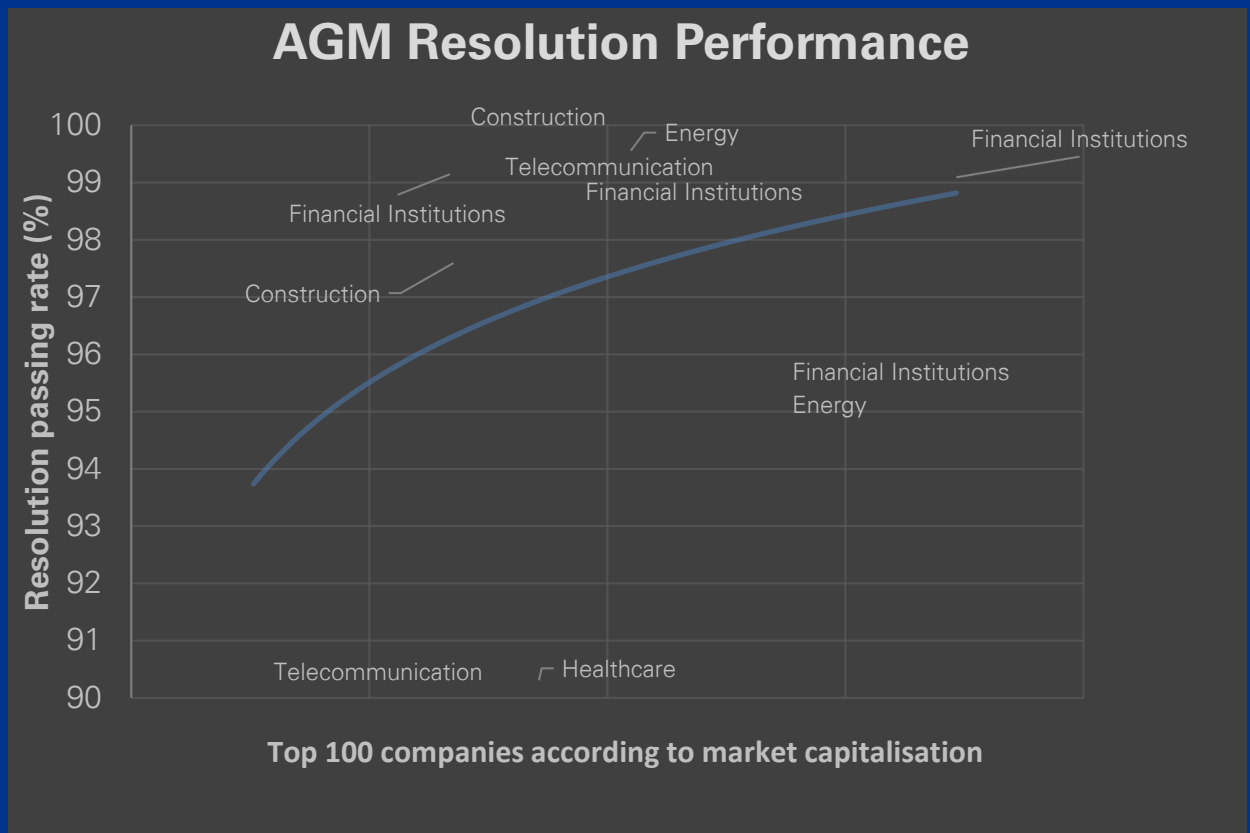
**All these make the AGM a very exciting event not to be missed by company leadership and shareholders.**

# Shareholder participation in fully virtual/hybrid AGM are expected to increase

Historically, in most AGMs, shareholders typically approve most of the resolutions tabled in a convincing manner, as per the graph below. Resolution passing rates are typically above 94% for the 100 companies by market capitalisation.

The present situation may be different due to factors such as the challenging economic situation and the attendant low dividends declared. Insufficient explanation to queries and a poor virtual AGM experience can compound the situation.

There are early indications that shareholders may channel their sentiments by voting in an unfavourable manner if companies are not proactive to address the current situation. Resolutions such as directors election/re-election and approval of directors remuneration are high on the radar of shareholders.



Source: Analysis from annual reports and announcements on Bursa Malaysia Securities Berhad

# Regulators allowing and encouraging leveraging technologies to conduct AGMs

Due to the enforcement of the MCO and CMCO thereafter, companies are unable to hold AGMs as planned. As a result, the regulators moved to grant relief measures for listed issuers to comply to listing requirements as below.

## Bursa Malaysia



Listed issuers with deadlines for release of Annual Report & Quarterly Report on 30 April 2020 have been granted an **extension till 30 June 2020**.



A listed issuer **is not required to update its Annual Report disclosures necessitated by Part A, Appendix 9C** of Listing Requirements in the event the issuance of the AGM notice is delayed by more than six weeks (e.g. directors' details, Management Discussion and Analysis, Sustainability Statement).



AGM notice may be **issued separately** from the Annual Report (**21 days in advance based on Listing Requirements or 28 days on MCCG**)

## Suruhanjaya Syarikat Malaysia

The Companies Act 2016 states that a public company **must hold its AGM within 6 months after its financial year end** and no longer than 15 months after its preceding AGM. Companies may apply to Companies Commission of Malaysia for extension of time up to an **additional 3 months** from their statutory deadline **on grounds of:**



Compliance with government's advisory note.



The company needs to take preventive measures as a result of the COVID-19 outbreak.



Lack of quorum

# Regulators allowing and encouraging leveraging technologies to conduct AGMs – con't

## Guidance Note by Securities Commission Malaysia (issued on 18 April 2020 and updated on 14 May 2020)



Unless expressly prohibited by the company's constitution, a listed issuer should conduct **a fully virtual general meeting** (i.e. a broadcast venue with only the Chairman as well as maximum of nineteen other essential individuals present) during the CMCO period or a **hybrid general meeting** thereafter where safe distancing requirements remain.



There must be a **reliable infrastructure** which accords shareholders with the **right to speak** (verbal or non-verbal) and **right to vote** during the general meeting



Companies must **provide guidance** to shareholders on the requirements and method of participating in the general meeting using the selected platform



**Scrutineers must validate** the votes cast online

# Heightened scrutiny by shareholders expected

The delay in holding AGMs has caused concern among shareholders and investors. Some shareholders are concerned that:

- i. they may not be able to engage/query the company's board effectively;
- ii. some listed issuers may attempt to avoid responding to genuine queries; and
- iii. corporate governance may take a backseat when conducting virtual/hybrid AGMs



## Addressing shareholders' concerns

Boards and management must be prepared to **answer complex questions** regarding the company's propositions and operations.

How is the company prepared to face the next new normal in business operations?

How can the company satisfy specific obligations and covenants relating to its debt?

If demand and production rates go downhill, what are the contingency plans in place?

How can a company maintain a robust supply chain, taking into account operational disruptions?



## Fostering meaningful engagement with shareholders via technological means

As stated in Practice 12.3 of the Malaysian Code on Corporate Governance ("MCCG"), companies should deploy technology to facilitate **remote shareholders' participation**.

The technological modality must enable secured voting by shareholders as well as authenticated real-time **online platform** to **observe and participate** in the AGM proceedings.

Companies with strong fundamentals and a long-term outlook weather crises more successfully. As such, the **AGM represents an ideal opportunity to highlight** the company's long-term value creation propositions.

# An example of challenging situation if AGM is delayed

The election and re-election of board directors and the accompanying payment of directors' fees and benefits are major resolution items in an AGM. Merely delaying the AGM due to the MCO does not solve the problem. In fact, it could exacerbate the problem further, especially in retaining board directors and paying them to continue to monitor the management team.

The **integrated approach to hold fully virtual and hybrid AGMs in an affordable manner by KPMG and V-Cube** can help companies to navigate such challenges.

## Resolution: Directors Remuneration



Many companies seek **prospective approval of Directors' remuneration with a fixed quantum till expiry at the next AGM**



Delay in AGM proceedings would **incapacitate the companies from releasing Directors fees**

### KPMG's recommendation (recheck standing authorities)

- ❑ Companies must seek **retrospective approval for the quantum relating to post-AGM stop date** to release the accrued payment of Directors fee or run the risk of being in "technical breach".

In addition to the election, re-election and remuneration of the board directors, under the current challenging economic scenario, listed issuers may want to embark on defensive strategies vis-à-vis its share price. One common method used by most listed issuers is to continue with share buybacks. However, companies may require shareholder's approval to embark on share buybacks. In this regard, delaying the AGM could prove to detrimental to the listed issuer to support its share price via share buybacks.

# An integrated approach by KPMG & V-Cube

Under the integrated approach, the collaboration between **KPMG and V-Cube provides a one stop solution to conduct fully virtual/hybrid AGM**. KPMG provides AGM governance advisory services while V-Cube is the technology solution provider. Guided by the moniker of "**SOUND PROOF**", companies can approach the proceedings of their inaugural virtual AGM in an integrated manner:

**S**

## **Stable & Secure**

A secure platform which only requires a browser.

**PR**

## **Preparing**

Preparation pre-virtual AGM phase

**O**

## **Online Platform**

A Cloud based platform for LIVE AGM Broad casting

**O**

## **Observing**

Facilitate observations of virtual AGM proceedings

**UN**

## **Unique Network**

Unique URL that ensures security of shareholders going online

**D**

## **Dependable**

Able to support a large scale delivery

**OF**

## **Officially finalising**

Finalisation through post-AGM analysis

The "**SOUND PROOF**" approach draws upon better practices espoused for fully virtual / hybrid general meetings across global jurisdictions which amongst other include:

- ❖ **Guidance Note - AGMs and impact of Covid-19 by Financial Reporting Council and The Chartered Governance Institute (United Kingdom)**
- ❖ **Virtual AGM Guidelines by Securities Investors Association (Singapore)**
- ❖ **Guidelines for meeting upcoming AGM and financial reporting requirements (Australian Securities and Investment Commission)**
- ❖ **Staff Guidance for Conducting Shareholder Meetings in light of COVID-19 Concerns (United States)**



# SOUND approach by V-Cube

V-Cube technology platform is both versatile and secure, enabling shareholders access via a secure link, live voting, proxy voting, two-tier voting feature among various other features.

In addition, the advancement of good governance is observed through collaboration with KPMG's corporate governance advisory services.



**STABLE & SECURE.** Friendly user interface, with push technology, makes it easy for even the most tech-averse shareholder.

- 4 level of security authentication
- Multi server and multi device operation
- Single Platform with 1000 Online Participation Occupancy
- Secure Live Streaming and Chatbox with Immediate Verifiable Polling Results



**ONLINE PLATFORM.** A Cloud based platform for LIVE AGM Broad casting. V-Cube's system allows the conduct of both fully virtual and hybrid AGMs. AGM Q&A sessions moderated by KPMG, by ensuring quality shareholder engagement.



**UNIQUE NETWORK.** Unique URL that ensures security of shareholders going online. The platform securely undertakes the entire AGM proceeding from shareholder registration, identity validation, push technology, compatibility with various browsers and provision of pre-environment test kit.



**DEPENDABLE.** Able to support a large scale delivery. This includes:

- Compliant: Reconciliation and audit testing
- Clear: All recordings are published on company website
- Transparent: Extraction of CSV file for shareholder trail

# SOUND approach by V-Cube – con't

V-Cube technology platform provides a hassle-free and secure environment for the shareholder registration process

## Registration Proceedings

Shareholders provide their **NRIC, CDS number, valid email address** for pre-authentication purposes



A **unique security link is sent to each shareholder**. If the link is forwarded in any capacity, it becomes void



Shareholders **who do not receive an email response will be able to call** for further assistance



The voting process enabled by V-Cube is methodical, authenticated and traceable through a four-pronged approach as below:

Voting data based on the CSV form is used to ensure compliance against the Registrar records.

Double voting is negated and poll will be closed upon conclusion of voting period.

Shareholders must submit the e-vote during the live polling session for each resolution .

Click on the secure unique link before the virtual AGM starts and enter your identified number correctly. A wrong number would cause the vote to be void



# PROOF approach by KPMG

**“PR” Phase:** the most critical, as it prepares the board and management on acclimatising to the fully virtual /hybrid AGM interface. This phase also include training, documentation of AGM playbook (user guide with do’s and don’ts) and briefing on compliance to governance regulations

## Preparing

Preparation in pre-virtual AGM phase

‘PR’

- Facilitate **pre-engagement sessions** with institutional investors and corporate governance advocates
- Co-ordinate with **share registrar and technology service provider** on the aspect of **participation instruction to shareholders** and input to the virtual polling system
- Develop **virtual AGM playbook, cue sheet and checklist** (including do’s and don’ts for a virtual AGM)
  - Draft speech transcript for the Chairman
- Prepare a list of **pre-empted questions** that may be raised by shareholders alongside the suggested responses
  - **Resolution analysis** by understanding specific nuances surrounding proposed resolutions (i.e. background analysis of social, economic and political context)

### Point for consideration

In its recently held virtual AGM, Levi Strauss & Co which usually uses the annual general meeting to recap the past year, had to tear up the script. “Talking about last year felt irrelevant to some degree. Instead, we focused on the company’s response to the crisis” – Levi Strauss & Co -

# PROOF approach by KPMG – con't

**“O” Phase:** the second phase facilitates and observes compliance to governance rules and regulations.

## Observing

Facilitate observations of virtual AGM proceedings

‘O’

- Provision of governance advice on the conduct of the **virtual AGM proceedings (e.g. buffer time for voting, advanced submission of questions, moderation of questions raised, setting up of online help desks etc)**

- Assist to **facilitate the conduct of the virtual AGM** in accordance with the company's constitution, Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad
- Monitor the proceedings based on the planned order of the day
- Facilitate the **transcribing of AGM minutes** and summary of key matters arising from the virtual AGM

### Point for consideration

A practical guide on fully virtual AGMs as published in the Harvard Law School Forum on Corporate Governance has called upon companies to mull over the possibility of effecting Parkinson's law (i.e. leaving incidental proceedings to the tail-end and maximising the initial period for key presentations, important Q&A and voting so as to minimise the impact occasioned by the risk of a technological failure disrupting the meeting).



# PROOF approach by KPMG – con't

**“OF” Phase:** the third phase provide analysis and detailed report for better insights and management of future meetings.

## Officially finalising

Finalisation  
through post-AGM  
analysis

‘OF’

- **Contextualise and synthesise the outcome of the AGM** including shareholders’ gestures and sentiment, questions raised as well as voting results (may include **understanding drivers of dissenting votes** despite non-defeat of resolution concerned)
- **Analyse voting outcome** against marketplace benchmarks/ trajectory and trend of shareholder voting over a defined horizon
- **Contextualise formal/informal feedback** by shareholders outside the normal course of AGM proceedings as well as **comments on the operationalisation/conduct of AGM**
  - Document findings in a **post-AGM analysis report**

### Point for consideration

When circumstances permit and subject to governmental orders on movement control, companies may consider organising a shareholder event (i.e. not a general meeting) to be held later in the year to offer shareholders, particularly retail investors, the opportunity to physically engage with directors and management [Guidance Note - AGMs and impact of Covid-19 by Financial Reporting Council and The Chartered Governance Institute (United Kingdom)]

