

AGMs: WHAT INVESTORS WANT TO KNOW

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The annual general meeting (AGM) is arguably the most important event for listed companies in the year. On this day, the company's board and key management meet their investors to provide an account of its performance and seek their approval on various matters.

During AGMs, boards can address queries and strengthen relationships with investors who want to know that they have put their money in the right place.

Managing the AGM and investors well will ensure their continued support. One key aspect of this is anticipating and preparing for questions that will be raised by shareholders.

Here's my take on the key topics that investors are currently really interested in at an AGM.

COMPANY STRATEGY

Investors are always keen to know more about the company's strategic direction, insights and plans. They turn up at AGMs particularly to find out how the company has mapped out its growth strategies, and how it will put those plans into measurable action.

Most importantly, investors want to see returns on their investments, and to understand how the company's strategic plans and performance are reflected in the value of its share price and dividend.

Boards should use the AGM well by taking time to describe the company's business, its growth plans and how it will allocate annual profits between reinvestment for future growth, and dividends to be returned to shareholders.

BOARD COMPOSITION

Shareholders care about who the directors of their companies are. This is reflected in their questions on board composition and ultimately their votes on the appointment of directors.

An ideal board comprises suitable members with the necessary expertise and know-how to lead the company in achieving its performance goals. Evidence of diversity in skill sets, experience, expertise and perspectives can help investors understand the rationale behind the composition of the board and how each member contributes to its optimum performance.

Gender diversity is getting more play. So, be prepared to answer questions on the board's thinking and plans if your company's board is without a single female director.

Tenures of directors are also increasingly being called to account.

Institutional investors, in particular, reflect their objections to long tenures through their votes.

EXECUTIVE COMPENSATION

This has never been a more sensitive topic. The global financial crisis launched executive remuneration into the limelight, particularly in cases of vast discrepancies between the company's performance and executive pay.

The average investor's dissatisfaction and scepticism over executive pay has made companies think more seriously about compensation packages and, perhaps more importantly, the level of transparency in the disclosures of their compensation model. Essentially, investors want assurance that the levels and structure of executive compensation are aligned with the long-term interest and risk policies of the company.

The AGM is the platform to make a convincing case for how compensation must be attractive enough to retain and motivate executives for business performance, yet not cross a tolerance line for this purpose.

RISKS AND CONTROLS

Under the Singapore Exchange listing rules, directors are required to opine on the adequacy of the company's internal controls to address financial, operational and compliance risks, including IT risks. So, the board must be prepared to discuss how it, together with the audit committee, has discharged its oversight role in the areas of internal controls and risk management.

Additionally, Principle 11 of the Code of Corporate Governance highlights the board's responsibility for risk governance. For this

purpose, some boards establish a separate board risk committee, while others opt to have the audit committee cover risk oversight as part of its responsibilities.

Boards must be mindful that board risk and audit committees cannot work separately from each other; otherwise the board will receive differing recommendations on the business, its risks and standards of reporting. Boards must be prepared to address investor questions on how they marry opinions from both functions to arrive at decisions that are best for the company.

SUSTAINABILITY

With social and environmental concerns gaining traction globally, companies increasingly look to better manage sustainability-related opportunities and risks. Forward-looking firms now explore ways to embed sustainability into their company's core strategy and culture. They integrate sustainability metrics into financial reporting and executive compensation, and into supply chain risk management, particularly those related to gas emissions and resource usage.

Singapore's recently passed laws, aimed at companies that contribute to trans-boundary haze, are a good example of how such a directive can impact a company's relations with investors, especially if its operational practices are deemed to worsen the environment.

Integrated reporting, which seeks to make sustainability issues mainstream, is currently in the limelight. While it is optional today, informed and socially conscious shareholders may ask the company when it intends to embrace the Integrated Reporting Framework to communicate how it creates value over time. ■