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# Voluntary Disclosure of AGM Minutes among Publicly Listed Companies

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## Abstract

The research on voluntary disclosure among developed and developing countries has established a number of increasing studies. However most of the researchers focus on the factors and determinants of the voluntary disclosure. Besides, there is little known on the study on voluntary disclosure involving annual general meeting (AGM) minutes among publicly listed companies. Therefore, the intention of this paper is to highlight the disclosure of AGM minutes practices among publicly listed firms in Malaysia. The reports by the Minority Shareholder Watchdog Group between period 2012 to 2016 will act as a concrete reason for the study to proceed. As the awareness toward publication on the AGM minutes of the Malaysian publicly listed companies is still lagging, the aim of this conceptual paper is to discuss the importance the voluntary disclosure of the AGM minutes in the company's website. The gap between those firms that disclose AGM minutes and non-disclose AGM minutes into the company websites will be a trigger for investors. In the nutshell, Malaysia-ASEAN CG Report in 2015 highly encourages Malaysian public listed companies to publish their AGM minutes as soon as practicable after the conclusion of the AGM event.

**Keywords:** voluntary disclosure, annual general meeting minutes, company's website, Malaysia

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## 1. INTRODUCTION

Transparency, accountability, and sustainability become the main benchmark for a good corporate governance. Disclosure is an indicator of the company transparency (The Star Online, 2016; MSWG Newsletter, 2017; MICG, 2017<sup>1</sup>). Disclosure can be divided into two categories namely mandatory and voluntary (Ben Prince & Dwivedi, 2013; Iatridis, 2013). In the Malaysian context, voluntary disclosure acts as extensive information for the investors to know in details about the firm performance. In contrast to the mandatory requirement, voluntary disclosure act as information that not governs by the rules and regulation but highly recommended by the regulatory bodies, professional bodies and statutory bodies to champion a bright corporate governance perspective (Solomon, 2007).

Section 340(1) of the Companies Act 2016 stressed that, "*every public company shall hold an Annual General Meeting (AGM) in every calendar year in addition to any other meetings held during that period, to transact the business: (a) the laying of audited financial statements and the reports of the directors and auditors, (b) the*

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<sup>1</sup>Retrieved from: <https://www.thestar.com.my/business/business-news/2016/07/14/mswg-transparency-index-set-to-see-further-increase-this-year/> dated July 14, 2016.

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*election of directors in place of those retiring, (c) the appointment and the fixing of the fee of directors, and (d) any resolution or other business of which notice is given in accordance with this Act or the Constitution.*

Bursa Malaysia amendment on the Listing Requirement under Chapter 9.21 Paragraph 2(b) stated that...“A listed issuer must publish the following information on its website...(b) a summary of the key matters discussed at the AGM, as soon as practicable after the conclusion of the AGM.” It is expected that most of the companies either will publish an extract of key matters, key matters discussed or full AGM minutes of the companies starting from 2017 onwards<sup>2</sup>.

Minutes act as a written evidence of what had been discussed during the meeting, capture the follow-up issues and/or outstanding documents for self-reading and audit trail of actions taken<sup>3</sup>. AGM minutes refer to the formal record of proceedings and prima facie evidence as a safeguard for the boards and shareholder member (Simon Mort, 1991)<sup>4</sup>.

Wang and Hussainey (2013) reported that among the voluntary disclosure of the financial and non-financial information focus on the determinants and the decision usefulness (Wang & Hussainey, 2013). Besides, Ghazali and Weetman (2006) and Hossain and Hammami (2009) also recommended for further studies of another prospect of voluntary disclosure that not widely discussed in the worldwide. AGM minutes disclosure can be considered as one of the new prospect voluntary disclosure that been given less attention by the researchers either locally or globally.

The remaining part of this paper is structured as follows: report by Minority Shareholder Watchdog Group are presented and elaborated. Next, followed by the importance of the voluntary disclosure and why AGM minutes become main heading discussion of this paper. Thereafter, a case study of Asean countries regarding AGM minutes voluntary disclosure was described and finally, the paper is closed with a conclusion and future work.

## 2. REPORT BY MINORITY SHAREHOLDER WATCHDOG GROUP BETWEEN PERIOD 2012 TO 2016

From the table 1, the report showed that 48% of the Top 100 Malaysian publicly listed companies published AGM minutes in 2016 which is slightly better compared to the period from 2013 to 2015<sup>5</sup>. Rita Bushon and Salleh Hassan (2016) findings further elaborate that willingness of the companies to published AGM minutes into their corporate website as a good assessment for the corporate governance indicator.

The calls by MSWG on the publication of the AGM minutes respond positively by the Malaysian publicly listed companies as most of the companies in the process to publish AGM minutes within 30 days after the conclusion of the AGM event (Malaysia-ASEAN CG Report, 2015).

**Table 1:** Table extract of Minority Shareholder Watchdog Group between period 2012 to 2016.

Other Disclosure	2016 (%)	2015 (%)	2014 (%)	2013 (%)	2012 (%)
Companies having Board Charter	94	97	80	70	38
Companies having Code of Ethics	90	77	68	57	58
Companies that published AGM Minutes	48	37	26	7	1
Companies that published M&A	41	28	22	11	8
Companies disclosing individual director remuneration	43	33	35	39	34
Companies with Dividend Policy	41	38	35	38	34
Companies with Whistle Blowing Policy	86	70	51	48	42
Companies with Corporate Responsibility Policy	94	93	97	94	90
Companies disclosing training attended by each Director	80	65	59	65	56
Annual Financial Report released within 4 months	99	99	82	81	81

Source: Media Release (2016)

<sup>2</sup>The MSWG newsletter dated August 4, 2017 point out the important of the AGM minutes to be upload and posted into the company website for inclusion and assessment of MSWG annual ASEAN CG Scorecard.

<sup>3</sup>Shackleton, F., Cordes, M., & Caulfield, G. (2011). *Shackleton on the Law and Practice of Meetings*. Sweet & Maxwell.

<sup>4</sup>Section 343(1) Companies Act 2016 Records as evidence of resolution. Malaysia, Suruhanjaya Syarikat. (2016).

<sup>5</sup>Minority Shareholder Watchdog Group or MSWG established in 2000 as one of the government initiative to protect the interests of minority shareholders through shareholder activism by encourage good governance amongst public listed companies with the objective of raising shareholder value over time.

### 3. AGM MINUTES VOLUNTARY DISCLOSURE

Over the last few years, it was reported that shareholder activism or relationship investing had evolved as an important characteristic of financial markets (Gillan & Starks, 2000). In fact, shareholders also acted as a proxy for a formal mechanism between corporate governance and good governance. In addition to that, report survey conducted by McKinsey and Company in 2002 concluded that investors be more cautious about their investment especially due to the global corporate scandal and the Asian financial crisis in 1997/1998.

Recent corporate scandals of Enron, Lehman Brothers, Tyco, and WorldCom demand more investor protection especially in term of accountability and transparency (Collett & Hrasky, 2005). Malaysia also faced scandals such as Perwaja Steel, Technology Resources Industries, Transmile, Megan, Malaysian Airlines System (MAS) and Port Klang Free Zone (PKFZ).

The importance of voluntary disclosure on AGM minutes cannot be neglected even though only a little attention had been given to the publication of the AGM minutes into the company's website. It was noted that currently MSWG actively promotes Malaysia Top 100 publicly listed companies to publish their AGM minutes as soon as possible after the meeting held (Rita Bushon on Focus Malaysia, December 2016). Bursa Malaysia and Security Commission also encourages the public to actively engage with the company in the discussion during AGM meeting<sup>6,7</sup>.

### 4. DEMAND FOR AGM MINUTES VOLUNTARY DISCLOSURE

In Malaysia, every public companies', whether listed or non-listed should hold its AGM once in every calendar year in accordance with Companies Act, 2016 laid under section 340(1). Hence, the act further elaborate that the actual AGM must be conducted within six months of the company's financial year-end and not more than fifteen months after the last preceding AGM<sup>8</sup>. AGM minutes also provide meaningful discussion and decision during the meeting and action taken by the Boards to catalyst shareholder demand and needs (Securities Commission, 2012).

According to The Malaysian Association of the Institute of Chartered Secretaries and Administrators (MAICSA), among the functions of the AGM minutes are to summarise main points highlighted on the conduct of the AGM, disclosed total voting results together with total vote counts of each agenda item and responsibility of the chairman to ensure the accuracy of details in the minutes for the signature and confirmation as a true record of the AGM.

Generally, most prior studies only focus on the corporate governance information disclosure and non associated with voluntary disclosure. There is a notable lack of empirical evidence on the voluntary disclosure especially involving AGM minutes worldwide. This paper is one of the first that investigates the voluntary disclosure of AGM minutes from the perspective of the Malaysian publicly listed companies.

Voluntary disclosure used to signal companies responses to changes in the business environment. Besides that, the voluntary disclosure in the annual reports and management information guided shareholders to assess the importance and effectiveness of each firm's corporate governance system (Bujaki & McConomy, 2002; Abdur Rouf, 2011; Lokman, Mula, & Cotter, 2014). In general, disclosure information in corporate annual report comprises of mandatory information and voluntary information. Previously, prior studies most likely focused on mandatory disclose (Abdur Rouf, 2011).

### 5. AGM MINUTES VOLUNTARY DISCLOSURE ACROSS ASEAN REGION

ASEAN CG Scorecard stressed five areas of concern such as rights of shareholders, equitable treatment of shareholders, and the role of stakeholders, disclosure and transparency and responsibilities of the board as the main focus of the international scorecard on disclosures in annual reports and companies' websites<sup>9</sup> (ASEAN CG Scorecard, 2015; 2017).

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<sup>6</sup>Bursa Malaysia Berhad or Bursa Malaysia is an exchange holding company approved under Section 15 of the Capital Markets and Services Act 2007. It operates a fully integrated exchange, offering the complete range of exchange-related services including trading, clearing, settlement and depository services.

<sup>7</sup>Established on 1 March 1993 under the *Securities Commission Act 1993*, the Securities Commission (SC) is a self-funding statutory body with investigative and enforcement powers. It reports to the Minister of Finance and its accounts are tabled in Parliament annually.

<sup>8</sup>It was notable that on January 31, 2017 the implementation of new Companies Act 2016 as a benchmark toward a sound good governance will take effect in all sections except section 241 and Division 8 of Part III.

<sup>9</sup>ASEAN CG Scorecard was introduced by the ASEAN Capital Markets Forum (ACMF) and funded by the Asian Development Bank (ADB) involved six (6) ASEAN countries such as Malaysia, Thailand, Indonesia, Singapore, Philippines and Vietnam. ASEAN CG Scorecard aims to benchmark the region's corporate governance frameworks based on international best practices.

From the Malaysian perspective, the disclosure AGM minutes was still lagging compared to other ASEAN counterparts. For instance, in Indonesia, detailed minutes of meeting is provided in their annual reports, while Thailand and Philippines both provide detailed explanations for each item in the annual general meeting notice and also featured comprehensive minutes (Malaysia-ASEAN CG Report, 2015). In Indonesia, their publicly listed companies practice that shareholder entitled to a copy of the meeting minutes and annual reports after the AGM meeting ends. Whereas for Thailand and Philippines, their publicly listed companies prepare a detailed explanation of the AGM notice and comprehensive minutes. Compared to Malaysia, Philippines encourage a publication of AGM minutes into the company website within five business days after the AGM meeting.

Malaysia also encourages for more voluntary disclosure such as publication of the AGM minutes into the company website. Besides, since 2000, Securities Commission of Malaysia has introduced and established Malaysian Code on Corporate Governance (MCCG) milestone revised MCCG 2007, a new dimension of the MCCG in 2012 and 2017 as a signal of new landmarks perspectives corporate governance in Malaysia. Through this paper, the foregoing of the study is intended to explore the level of disclosure of the AGM minutes.

## 6. RELEVANCE THEORIES: AGENCY THEORY & SIGNALLING THEORY

Among the common traditional economic theory that commonly used in the literature to explain a firm's or manager's disclosure decisions are agency and signaling theories. The pioneer of agency theory was Jensen and Meckling that posit the principal and agent relationship between managers and shareholders or the management and the company (Jensen & Meckling, 1976).

This theory recognizes that the agency conflicts may happen due to the separation of ownership and control in a firm. Rule of thumb, the managers act on behalf of the investor's order to maximize the company's profitability. Meanwhile, from the investor's view, the concern about how their investment can contribute to the company's performance.

Meanwhile, signaling theory focuses on the importance of investors to have a full disclose of information about a firm's future prospects compared to a firm's managers who normally possess superior information. Thus, signaling theory will occur once information asymmetry problems among parties in terms of the allocation of firm funds (Akerlof, 1970; Levin, 2001). The voluntary disclosure provides an extension information to the shareholders and signal of good governance practice. By providing beyond the necessary required information, the company can establish shareholders confident and attract more investors in the future.

## 7. CONCLUSION

The concerns on the AGM minutes as voluntary disclosure publish on the company's website as a practical guide for the investors in order to understand the features of the companies. Regulatory bodies and independent bodies also encourage for the publication of AGM minutes into the company website as being practiced by other ASEAN regions such as Singapore, Thailand, and Indonesia to catalyst the doing business in Malaysia. The voluntary disclosure of AGM minutes indicated a new paradigm for the future research on the importance of the AGM minutes into the company website. By examining the factors that influence the disclosure of the AGM minutes, the paper act as a catalyst for the AGM minutes disclosure among Malaysian publicly listed companies. As a conclusion, this paper highlights the importance to publish AGM minutes so that the investors can gain strong confidence on how their investment is utilized. In addition to that, AGM minutes also is one of the aspects of corporate governance that should be the focus of the future study.

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