

Effective shareholders' communications

By Daniel Or Lay Huat, Executive Director, OKP Holdings

As the global economy continues to stride towards economic growth, it is important for companies to re-focus on the fundamental principles of corporate governance – value creation and economic growth for their stakeholders.

Corporate governance in Singapore remains a *spirit of law* rather than a *letter of law* as the various principles are non-obligatory in nature. Listed companies are required under the Singapore Exchange listing rules to disclose corporate governance practices and explain any deviations from the code of corporate governance in their annual reports.

The importance of and emphasis on corporate governance arose out of the 1997 Asian Financial Crisis. The Singapore Code of Corporate Governance (Code) was created in the aftermath of the crisis and first came into being in 2003. Since then there has been two revisions, with the latest one issued by the Monetary Authority of Singapore (MAS) in May 2012 (the revised Code).

Much still remains to be done. One area highlighted in the 2013 ASEAN Corporate Governance Scorecard where Singapore public-listed companies (PLCs) fared badly among its ASEAN neighbours was in the "Role of Shareholders". Singapore companies had an average score of just 44.6% whereas Indonesia and Malaysia were above 58%¹.

Among the various principles outlined in the revised Code to enhance corporate governance, communication with shareholders is but one new paradigm gaining importance². Traditionally,

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¹ The ASEAN Corporate Governance study assessed 529 listed companies in Singapore, Indonesia, Malaysia, Philippines, Thailand and Vietnam. Within Singapore, the study assesses the largest 100 Singapore PLCs by market capitalisation, Joint Initiative of the ASEAN Capital Markets Forum and the Asian Development Bank

² "Building relationships with your shareholders through effective communication", James D.C. Barrall, Latham & Watkins LLP, November 2012



the shareholder vote has served as a primary means of shareholder communication and seldom includes systematic engagement go beyond quarterly earnings calls and investor conferences. In addition, voting at annual general meetings (AGMs) or extraordinary general meetings (EGMs) have historically served as the main mechanisms for expressing shareholder preferences and influencing corporate directions.

In this article, I would like to share how OKP, a publicly listed transport infrastructure and civil engineering company on the Singapore Exchange which has won several awards for investor relations and transparency³, uses effective communications to enhance its corporate governance.

One of the key channels of communication with investors is the AGM where investors would have the opportunity to raise concerns and seek clarifications with the Board of Directors and senior management team on the company's recent developments and strategic direction going forward. Since listing, OKP ensures the attendance of all directors, especially Chairpersons of the Audit, Nominating and Remuneration committees, at these general meetings.

In addition, the management informs shareholders of AGMs through notices published in the newspapers, reports or circulars sent to all shareholders and via the company's website. The length of time between the notice of AGM published in the newspapers and the date of the AGM is more than the regulatory requirement of 14 days. This is to provide shareholders ample time to make arrangements to attend the company's AGM. For instance, this year, OKP sent out its Notice of AGM on 1 April 2014, four weeks before the AGM which was scheduled for 28 April 2014. For shareholders who were unable to attend in person, they were given the option to nominate up to two proxies to attend on their behalf.

In a bid to achieve a high standard of transparency and promote effective investor communications, the Board encourages active participation at the AGMs and EGMs since these are the principal forums for dialogue with shareholders. Shareholders are actively encouraged to attend to ensure a high level of accountability of the Board and to stay updated on the company's strategies and goals.

OKP also facilitates an online Q&A forum after the full year announcement of financial results and before the AGM. This has been a practice of the company since its IPO in 2002, allowing investors and shareholders to pose questions to the senior management of the company in an open forum for up to one week. This also helps those shareholders who may have multiple AGMs to attend. In order to increase the outreach to shareholders, an SGX announcement is made to notify the public of the opening and closing dates of the online Q&A forum. All responses from the senior management would be publicly available within one week of closing the online forum which is hosted via OKP's investor relations channel on the financial portal, shareinvestor.com, and its own corporate website.

OKP believes in regular and timely communication with shareholders as part of its organisational development to provide clear and fair disclosure of information about the Group's business

³ These include the Best Investor Relations Award in the Small Cap Category in the Singapore Corporate Awards in 2008 (Silver), 2009 (Gold), 2012 (Bronze) and 2013 (Bronze), as well as the Most Transparent Company in the Mainboard Small Caps Category of the Investors' Choice Awards 2012 and 2013.

developments and financial performance which would have a material impact on the share price or value of the company.

In order to provide investors with an accurate and balanced account of the Group's operational and financial performance, OKP uses multiple communication channels to engage effectively with its shareholders, investors and other stakeholders. Senior management at OKP and its dedicated investor relations (IR) team consistently maintain open modes of communication through email and telephone with the shareholders, media and investment community which comprises financial analysts and investors. The contact details of OKP's IR function is clearly stated in its website and this allows close proximity to relevant stakeholders.

OKP believes that shareholders' interests are its priority and makes a conscious effort to keep its shareholders updated of all major corporate developments as it believes that all shareholders should be treated fairly. As such, OKP is also concerned about the rights of its minority shareholders and consistently reviews governance arrangements to ensure that all shareholders are well protected. The committed IR function at OKP keeps its shareholders and investors updated by issuing announcements on contract wins, strategic developments and other important material information through SGXNET, press releases and email alerts. On its corporate website, shareholders could also view all quarterly financial results and annual reports with ease.

As part of OKP's efforts to continuously grow the company, it is important to maintain strong relations with both the investment and media community. The onus therefore falls on the IR team who arranges for meetings between senior management, fund managers and analysts to allow them a better understanding of the Group's operations. In addition, the management also conducts media interviews to provide shareholders and the public a deeper insight of the Group's business and management perspectives when the opportunities avail.

Despite the challenging business operating conditions within the construction industry in which it operates, OKP continues to create value for its shareholders through various avenues such as higher standards of corporate governance. This aids in amplifying its corporate reputation. An aspect often overlooked, corporate reputation is a collective perception of a company by its stakeholders which translates to a valuable intangible asset for companies. Having a good reputation is beneficial as it draws customers, repeated purchases and favourable treatment by suppliers, bankers, media and investors⁴.

While corporate governance remains non-mandatory in Singapore, OKP diligently strives to exceed expectations. This is reiterated in OKP's IR policy "to ensure fair, open and ethical business dealings with all stakeholders, including shareholders, customers, employees, suppliers, business partners and the general public".⁵ ■

⁴ "Amplifying corporate reputation through corporate governance", Dr Wilson Chew, BTInvest, 7 March 2014

⁵ "Investor relations policy", Pg 67, OKP Holdings Limited Annual Report 2013

