



Good Governance Guide: No. 4.1

Category: Resolutions

Subject: Directors' Circular Resolutions

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Decisions or resolutions of the Board of Directors are normally reached at a meeting. However, most Companies' Articles of Association also provide for the passing of resolutions without having to hold a meeting. Resolutions passed in such a manner are referred to as circular resolutions.

Companies who adopt Table A as their Articles of Association would have the following provision relating to circular resolutions:

"A resolution in writing, signed by all the directors for the time being entitled to receive notice of a meeting of the directors, shall be as valid and effectual as if it had been passed at a meeting of the directors duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more directors."

However, the signing manner provided in a company's articles of association could vary in the following ways:

- Signed by a majority of directors;
- Signed by all directors who are in Malaysia for the time being;
- Signed by two directors.

Where a decision is to be passed by special resolution, the following is considered good governance practice:

- 1) All circular resolutions should be numbered to ensure a proper record of all resolutions which have been circulated.
 - 2) Relevant information and documentation (i.e. contract, declaration of interest by director) pertaining to the resolution to be passed should be attached to the circular resolution which is circulated to the directors, so as to enable the directors to make an informed decision.
 - 3) Circular resolutions, which do not require the signature of all directors, should still be circulated to the entire Board. This is to ensure that the Board as a whole is aware of decisions that are being made.
 - 4) At Board meetings, circular resolutions, which have been passed since the last Board meeting, should be circulated for notation of the Board.
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