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The Institute of Chartered  
Secretaries & Administrators



# 21st Century Annual General Meeting

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# Introduction

The future of the annual general meeting (AGM) has been a focus of some concern, as declining attendance and voting at AGMs globally has led to questions about whether they are fit for purpose in the 21st century. The Thought Leadership Committee (TLC) of The Institute of Chartered Secretaries and Administrators (ICSA) has prepared this paper and a descriptive video summarising the issues at stake for the various ICSA divisions globally to raise any potential concerns and highlight best practice solutions over time. As you would expect, the law and regulations concerning AGMs, together with accepted market practices, vary among the jurisdictions of the ICSA divisions. Nevertheless, there are common themes in terms of the problems facing the AGM as a vehicle for shareholder engagement, and the solutions that technology can offer to these problems. The paper and video have been developed to spur the debate on the use of technology, particularly around the potential offered by hybrid meetings as a way to get the AGM back on track. ICSA believes that hybrid meetings will:

- Provide a greater opportunity for all interested shareholders to engage with the company
- Promote long-term shareholder retention, and
- Streamline company administrative processes in dealing with shareholders.

These are underlying assumptions throughout this paper.

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Chair, Thought Leadership Committee &

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# The AGM

To recap, a company is generally collectively owned by its shareholders. Shareholders are supposed to come together to meet every year at the AGM to hear the company's formal report and decide on issues that are relevant to their investments in the company. The intended purpose was also for them to contribute ideas and shape company strategy; however, these aims are rarely achieved in practice. Do shareholders really engage in a strategic or policy discussion with the company at the AGM?

In many cases, there is often no real two-way communication at the AGM. In fact, the TLC had consistent feedback that for many companies, the AGM is treated as a formality. Some may even treat it as a nuisance especially as to floor time given to push special interests as distraction from the prime purposes of the meeting. This means that even where shareholders have valid questions or concerns, or simply good ideas, these may be lost without a proper channel of communication. Company management, with the assistance of the company secretary, should explore ways to remedy this situation. The AGM, if properly handled, could be a major resource for companies as a source of ideas from the shareholder base on strategy and as a means of improving communications between shareholders and the company.

## Hybrid meetings

Technology has started to transform the way AGMs are held. Many companies today have adopted electronic polling and proxy voting systems over a show of hands, for example, but it is the use of online meeting platforms to provide better access to the AGM which may represent the biggest contribution of technology to the 21st century AGM. There is growing interest from companies globally on the possibility of holding hybrid meetings – meetings that are part physical and part virtual. This is seen as a potential way to attract shareholders to attend remotely, and vote at, the AGM.

As hybrid meetings become more commonplace, some best practice issues have already surfaced regarding the importance of replicating the benefits of in-person attendance for shareholders. For example, the online platform should allow for questions to be raised prior to, or at, the AGM. Shareholders joining the meeting online must be able to hear and see the proceedings at the meeting and to post questions online. It is the role of the chairman of the meeting, with the help of the company secretary, to collect questions before and during the meeting, to summarise them and to answer them with the help of management. For questions that do not require an immediate answer, such as those not relating to the matters considered at the meeting, the chairman of the meeting could direct these to be followed-up at a later stage if appropriate.

## Hybrid or virtual meetings?

When a company is looking at holding a hybrid meeting, a question arises as to whether companies should abandon physical meetings and simply rely on a virtual meeting. Although virtual meetings for smaller AGMs are used in the US and have been used in the UK, there is resistance among some shareholder representatives and investor bodies who have recommended voting against changes in company constitutions to virtual only meetings. Likewise, the TLC believes that in most cases there is still a need for a physical meeting venue, so that shareholders have a choice whether to attend in person or 'log in'. Also many chairmen and directors like to communicate with shareholders face to face. Over time this may change and virtual meetings may become more common, running side by side with hybrid meetings.

## Cost/benefit analysis

There are additional cost implications for the use of online platforms. Companies that wish to move to the hybrid AGM model will need to use a trusted service provider or consider investing in technology. Cost savings from hybrid meetings are dependent on whether savings to venue costs can actually be achieved, as the online meeting will need to run in parallel with a physical meeting and the number of shareholders choosing to attend online may take time to build up. This is as opposed to virtual meetings where much larger savings can be made on administrative, venue, logistics, security and personnel costs.

However, even where there are additional costs adopting a hybrid meeting structure, this has to be set against the benefits from enhanced shareholder engagement, reduction in the carbon footprint where some shareholders choose not to travel, and access for shareholders who find it extremely difficult to attend. The last factor is especially important in geographically large countries, such as the US, Canada, Australia, South Africa and China, as well as for cross-border investors.

## Regulatory perspective

Analysis shows that there are few legal or regulatory impediments in many jurisdictions to allow hybrid meetings to be held, though certain changes may be necessary. Changes are still required in a number of jurisdictions to permit virtual only meetings. Generally, regulators are likely to be favourably disposed to facilitating hybrid meetings since shareholder empowerment can attract capital inflow and improve the general strength and reputation of a financial market.

## Implementation issues

As emphasised, there is no one size that fits all on the topic of how to structure an AGM. There are companies that would like to continue to hold physical AGMs only for as long as it is permissible. But increasingly, hybrid meetings are being seen as a good way to encourage greater participation by the general shareholder base at AGMs.

At this stage, hybrid meetings entail adding some technology to the way AGMs are currently run. The TLC has identified the following practical aspects for implementation of hybrid meetings:

- Companies need to ensure legal and regulatory compliance where applicable.
- Companies need to check their constitutional documents and amend as necessary to enable the use of hybrid meetings. Such amendments should also deal with the unlikely event of technology failure.
- Companies need to engage relevant service provider(s) to set up and handle the hybrid meeting. This is crucial for the interface between the physical meeting and the online platform on the day of the meeting.
- Companies should consult major shareholders before any change to ensure they are agreeable especially when they move towards virtual meetings.

- Companies and their registrars should work closely with relevant service provider(s) at all stages, in the planning and preparation, and in the creation of detailed shareholder guidance both in the notice of meeting and at the meeting itself, and hold a rigorous rehearsal for all those involved, particularly the chairman, covering comprehensive scenario planning.
- Reliable identity verification mechanisms must be adopted to identify shareholders who 'log in' and vote through online channels at the appropriate point of the hybrid (or virtual) meeting.

## Related development

Adjusting the traditional format of the general meeting could potentially allow for different ways for communicating key messages to shareholders and companies should consider other innovative ways to engage with shareholders at the meeting itself.

*The issues raised in this paper are for discussion purposes only. Further discussion of the issues surrounding the implementation of hybrid meetings is available in the White Paper 'The future of shareholder meetings is virtually here' released by Computershare (ASX: CPU) on 21 September 2017. (<https://www.computershare.com/us/news-insights/insights/the-future-of-shareholder-meetings>)*

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The Institute of Chartered Secretaries and Administrators (ICSA) is the premier global qualifying organisation for professionals aspiring to become a Chartered Secretary and or a Chartered Governance Professional. With over 125 years of history, we assist company secretaries, governance advisers, non-executive directors and others in the development of their skills, knowledge and experience. The Institute is an international organisation with divisional offices in nine countries and 29,000 members living and working in over 80 countries. Most importantly, it brings its influence to bear on international trade bodies, governments, regulators, NGO's and companies to represent the views and current thinking of those involved in governance.

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