

A series of interfaces with the entire range of stakeholders of Corporate Governance, has given rise to a number of questions, issues, concerns and, happily, some suggestions and solutions. In each issue of this monthly newsletter, we will be getting two experts to articulate their thoughts on a specific topic. The fourth issue is now with you. Needless to add, we welcome your feedback.

Editor

MAKING AGMs MEANINGFUL



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**"The votes were cast, ere the speeches were made
No questions were answered, no fears allayed."**

(M. Damodaran)

It is AGM season again. It is that time of the year, when shareholders make their way to their annual meetings with the men and women of substance, who manage and direct the companies, that they partly own. More often than not, theirs are journeys not of expectation but of hope. Managements sometimes see these as confrontational rather than collaborative interactions. Stakeholder democracy is premised, among other things, on meaningful AGMs. Subodh Bhargava and Shailesh Haribhakti offer their take on value-adding practices and possibilities.

"If hopes were dupes, fears may be liars."

A 'meaningful' AGM for shareholders should enable them to get detailed information in respect of the business of the company - products, operations, processes, talent, market, competition, financials, values, strategies, technology, and future direction and also share their assessment on these aspects and the company.

For the Board and the management, the AGM would be 'meaningful' if the shareholders give constructive feedback, and suggestions about the status and performance of the company. When the interaction results in reinforcing shareholders' confidence and trust in the Company / Management and its strategy, sustained growth and handsome returns will be ensured.

Presently, the transparency and the granularity of information falls short of shareholder expectations. Often, shareholder interventions tend to be trivial such as time, date and venue of the meeting, possible handouts, and delayed receipt or non receipt of the report.

The following could make AGMs meaningful:

- Annual Report including the accounts to be presented in a reader friendly manner with transparent and comprehensive disclosures.
- Shareholders need to be persuaded to accept soft copies.
- Management should make crisp and informative presentation about the company in an interactive manner.
- To maximize participation, the time allotted for each shareholder intervention must be strictly observed.
- To avoid repetition, only shareholders who are present at the commencement of the meeting should be permitted to speak.

AGMs are annual occasions for shareholders to meet the Chairman and Board members to discuss the year gone by and to take home some thoughts about future prospects. Most Companies treat this opportunity as a ritual to be completed as soon as possible. The salutary intention of increasing shareholder participation has caused AGMs to become even more ritualistic as shareholders know that all decisions are already voted on and their speeches are an empty formality. Can this be transformed? Emphatically, yes. The AGMs of two Groups reinforce this belief.

The Chief Promoter of one Group himself makes a presentation on the past and the future of the business. Extraordinary effort goes into making this presentation a collector's item. New concepts, strategic choices and the emerging challenges are shared and a vibrant Q&A session ensues. Clarifications are given and the shareholders experience a sense of fulfillment. Shareholders may speak at length but are requested to avoid repetition. This is a model worth following.

In another company, the Executive Chairman makes a statement which is both a comprehensive review of the year past and a peep into the future. Running videos and audio presentations enhance shareholder interest. Recognizing shareholders by name and a sentence or two of conversation create a lasting bond.

Forward looking statements that may bind future Boards should be avoided. The key elements to make AGMs more meaningful are valuable insights outside the Financial Report, a human touch which creates a relationship and a belief that every shareholder matters.

READERSPEAK

"S.Rajgopal, Former Cabinet Secretary"

"Thanks for sending me a copy of Expert Expressions. It is timely, short and crisp. The views are of experienced professionals. I hope it is read by decision makers."

"G. Pradeepkumar, CEO, Union KBC Asset Management Company"

"Thank you for sharing these well articulated views. Mr Satwalekar's suggestion of giving shares to IDs of listed firms seems to make sense. However, that still leaves out unlisted."

Do let us know of any specific issues you would like to see addressed in subsequent issues.

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