



# MAKING AGMs MORE MEANINGFUL



# PHYSICAL, VIRTUAL OR HYBRID?

## ANNUAL GENERAL MEETING (AGM)

*noun*

An Annual General Meeting (AGM) is a yearly gathering of a company's shareholders. At an AGM, Annual Report, containing, *inter alia*, information for shareholders about the company's performance and strategy is discussed. Also, shareholders with voting rights vote on the resolutions presented to them.

## VIRTUAL AGM

*noun*

A virtual AGM is an AGM held through audio-visual means.

## HYBRID AGM

*noun*

A hybrid AGM is an in-person AGM, with an additional option for shareholders to participate online.

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## WHO ARE THE ATTENDEES OF AN AGM?

- Board of Directors
- Top/Senior management of the company
- Statutory Auditor/his/her representative
- Shareholders
- Scrutiniser

# WHAT IS THE PURPOSE OF AN AGM?

- It is a platform through which Directors and management interact with shareholders, and shareholders can hold Directors, as their elected representatives, accountable.
- Board presents important information relating to the company - such as its strategy, past performance, achievements etc.
- Shareholders, in turn, can raise questions, concerns, or grievances, or give suggestions to the Board and the management.
- Shareholders can also ask questions to the Statutory auditors, who are elected by them.
- Traditionally, shareholders used to vote on resolutions presented by management. Nowadays, this has been replaced by e-voting on resolutions, which closes before the AGM. There is however a provision for shareholders who have not availed of e-voting, and who are present at the AGM, to exercise their votes.

- A mandatory statutory meeting, held once a year.
- Non-attendance by many Directors.
- Non-attendance by most shareholders, both institutional and retail.
- Confrontational, and not a collaborative, exercise between management and shareholders. In some cases, an opportunity to shower praise on the management.
- Attention seeking forum for some retail shareholders.
- Freebie seeking exercise for some retail shareholders.
- Answering of the relatively simpler questions by management.

# WHAT HAVE AGMS BEEN REDUCED TO?



AGMs are approached by both the managements and the shareholders as a **confrontational, and not a collaborative exercise**. This is because **shareholders basically distrust the company management**. Both the management and the shareholders should appreciate the fact that they are on the same side, and have to promote the best interests of the company.





# PROBLEMS AND POSSIBLE SOLUTIONS



# #1

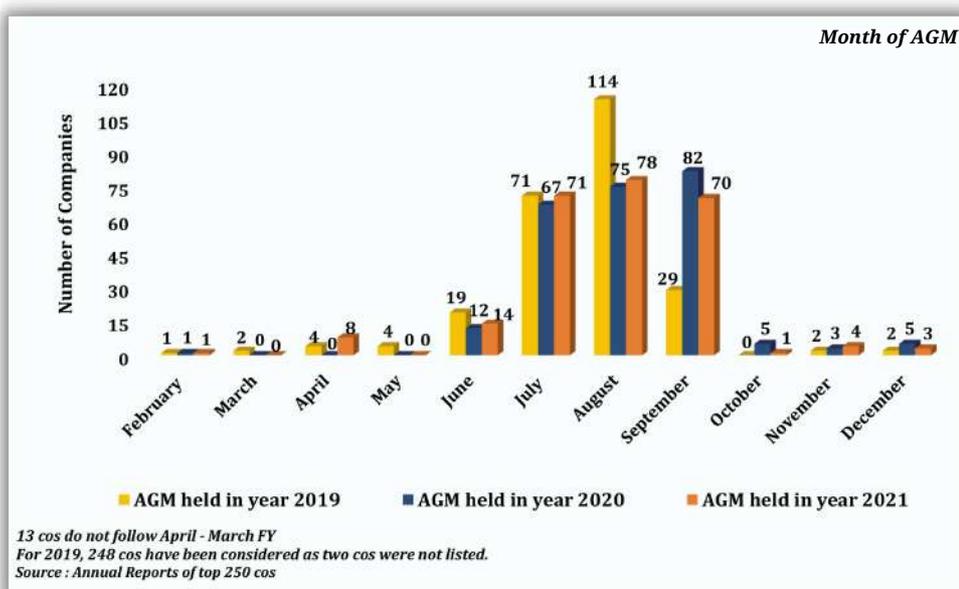
## AGMs dates are clubbed, and most of them are held around the same time

### Problems in physical AGMs

- Most AGMs were held in August/September.
- Reason cited was time taken for preparation and dispatch of Annual reports, as also finalising of physical venue.
- Smaller companies saw limited shareholder participation, if bigger companies had AGMs on the same date.

### Problems in virtual AGMs

- Same as physical AGMs.



Current Situation



## Way Forward

- With virtual AGMs, companies can try and choose a date before the peak season of AGM.
- Company Secretaries can consciously check how many, and which companies, are planning to convene their AGMs on the date chosen by company, and see if the date can be changed, to avoid/ minimise overlap.
- SEBI has mandated that the top 100 companies have to convene their AGM within 5 months of close of their FY. More companies should follow this trend.

## International Good Practices

While scheduling AGMs, companies should avoid peak periods when the meeting may coincide with those of other companies. In addition to AGMs, companies should consider other avenues of engaging with shareholders, such as through townhall meetings, briefings and roadshows, or webcasting meetings.



## Fixing venues for AGMs

### Problems in physical AGMs

- Venue to be the city of the registered office of the company (which could be in non-metro cities).
- Finding a large enough venue to accommodate as many shareholders as possible.
- Too many AGMs in August/September, and so limitation of availability of venues.

### Problems in virtual AGMs

- Finding a service provider who can help conduct an AGM smoothly, and with as few glitches, as possible.

Companies go through the motions of virtual AGMs, with a number of Directors and shareholders facing glitches. However, very few Boards hold the concerned management personnel accountable, so that the quality of service provider can improve.

### Current Situation

### Way Forward

- Hybrid AGMs are the way forward. Companies should use technology as far as possible to ensure that more and more shareholders can join AGMs. They can also use one way streaming platforms, such as YouTube, in addition to online platforms.
- In a hybrid setting, companies could also consider newer and more innovative locations, such as factories of companies or malls in the case of retail companies, to enthruse shareholders to attend AGMs.



## Information flow to shareholders

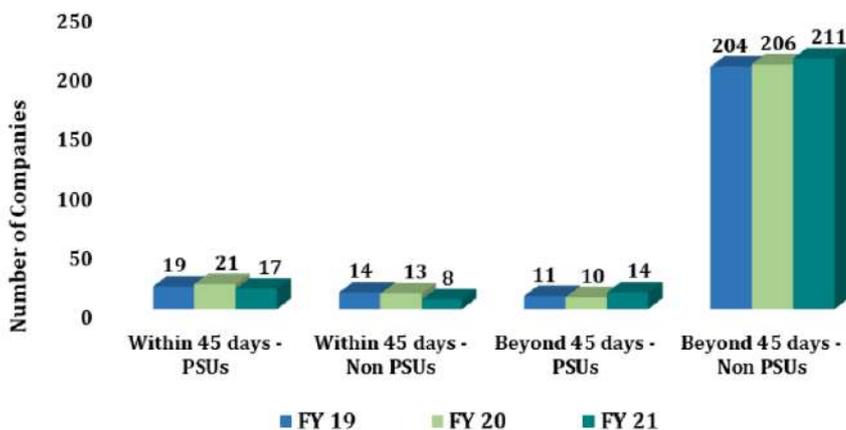
### Problems in physical AGMs

- Delay in receipt of Annual reports since a number of shareholders insist on hard copies of Annual reports.
- Too much jargon in notice and Annual reports.
- Notice not giving proper rationale for the resolutions.
- Lack of flow of meaningful information both before and during the AGMs.

### Problems in virtual AGMs

- In addition to the problems in physical AGMs, non-updation of email ids of shareholders for sending soft copies of Annual reports.

Duration between finalisation of accounts and AGM



- In FY 19, 248 cos have been considered as 2 cos were not listed.  
 - For companies other than PSUs, date of the audit report has been considered. For PSUs, date of the CAG report has been considered, since that is the date of finalisation of accounts for them.  
 Source: Annual Reports of top 250 cos Annual Reports of top 250 cos

### Current Situation

Once the financials are ready, it should not take companies very long to convene AGMs. Delay could be a sign of lack of seriousness.



## Way Forward

- Companies should take proactive steps to update contact details of shareholders, so that more and more shareholders can be sent soft copies of Annual reports.
- Letter from the Chairperson is an important part of the Annual report. This can provide an excellent outlook of the economy and the sector in which the company operates.
- The Management Discussion and Analysis (MDA) can give the strategy of the company, as also the achievements of the company in the previous year.
- Management presentations should contain meaningful information. If possible, these can be sent in advance, so that shareholders can come to the meeting well informed.
- Each Annual report can have a section on FAQs, which could be used to address important topics such as resolutions that have been proposed, governance, value creation and the way forward for the company. This may aid in better quality of decision-making, as also better questions being raised at AGMs.
- Annual Reports, including the financial statements, should be drafted in simple language, and in a reader-friendly format, to enable shareholders to understand better.
- Notice should lay down rationale for each resolution in easy to read language, so that shareholders can comprehend the same, and take better decisions.
- Bullet points, instead of running text, to be used, where possible.
- Institutional investors and Directors should also spend adequate time in reading the Annual reports.
- Managements could interact with institutional investors ahead of AGMs to respond to any questions that they may have.
- Information flow should not be restricted to only Annual reports, but also be shared as important updates from time to time.



## International Good Practices

- In the notice for the AGM, companies should provide inter alia the following details relating to Directors who are standing for election/ re-election -
  - the details of any interest in the securities of the listed issuer and its subsidiaries;
  - the family relationship with any director and/or major shareholder of the listed issuer;
  - any conflict of interest that they have with the listed issuer;
  - other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any.
- Shareholders can submit written questions to the auditors regarding content of the auditor's report and the conduct of the audit of the financial report. These questions have to be passed on to the auditor, even if the company believes the question is not relevant to the matters specified therein. The listed company must, at or before the start of the AGM, make copies of the question list available to the members attending the AGM.
- Annual report to be disseminated latest within 4 months after end of each FY in some jurisdictions, and within 60 days after end of FY in some others.



## Attendance of shareholders

### Problems in physical AGMs

- Most AGMs are held on similar dates in August/ September.
- Physical meetings were held in the city of registered office of the company.
- Cost of travel.
- With e-voting, a number of shareholders feel that an AGM is a mere formality since the result of voting is apparent even before the meeting.

### Problems in virtual AGMs

- Some shareholders are not tech-savvy.
- Connectivity issues for shareholders.
- The Companies Act, 2013 requires companies to offer facility for at least 1,000 shareholders to attend the AGM. In practice, several companies have a 1,000 member limit on attendance, on a first come first served basis, thus restricting access.

Companies go through the motions of virtual AGMs, with a number of Directors and shareholders facing glitches. However, very few Boards hold the concerned management personnel accountable, so that the quality of service provider can improve.

### Current Situation

- Companies should make the platform easier, to get more shareholders to join, without any connectivity related issues.
- Companies need to move beyond 1,000 member limit.
- One way streaming using platforms such as YouTube or Company's website or at city offices of companies should be facilitated, so that more shareholders can attend.
- Attendance of institutional investors should increase. They should ask the tougher questions. This would help the retail shareholders too.

### Way Forward



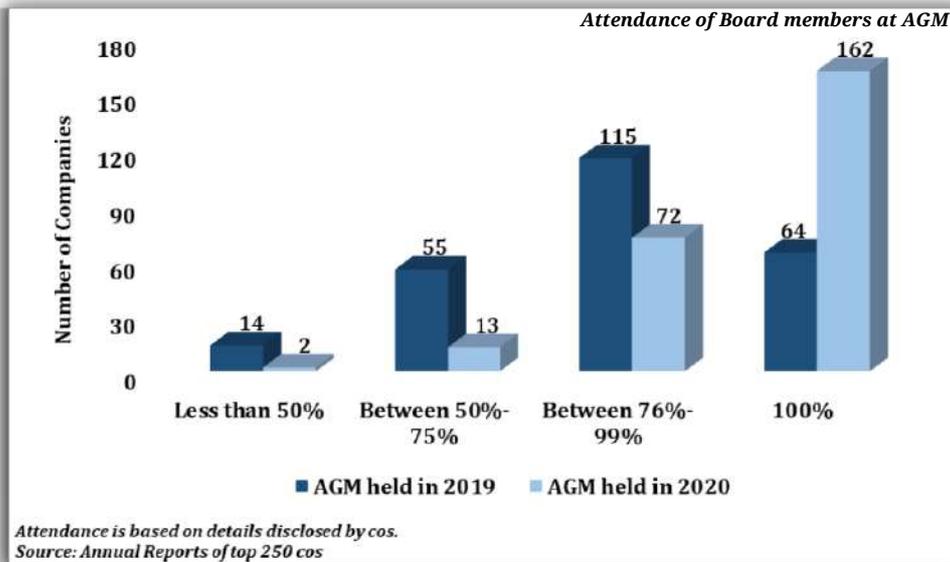
## Non-attendance of some Directors at AGMs

### Problems in physical AGMs

- A number of Directors do not attend AGMs

### Problems in virtual AGMs

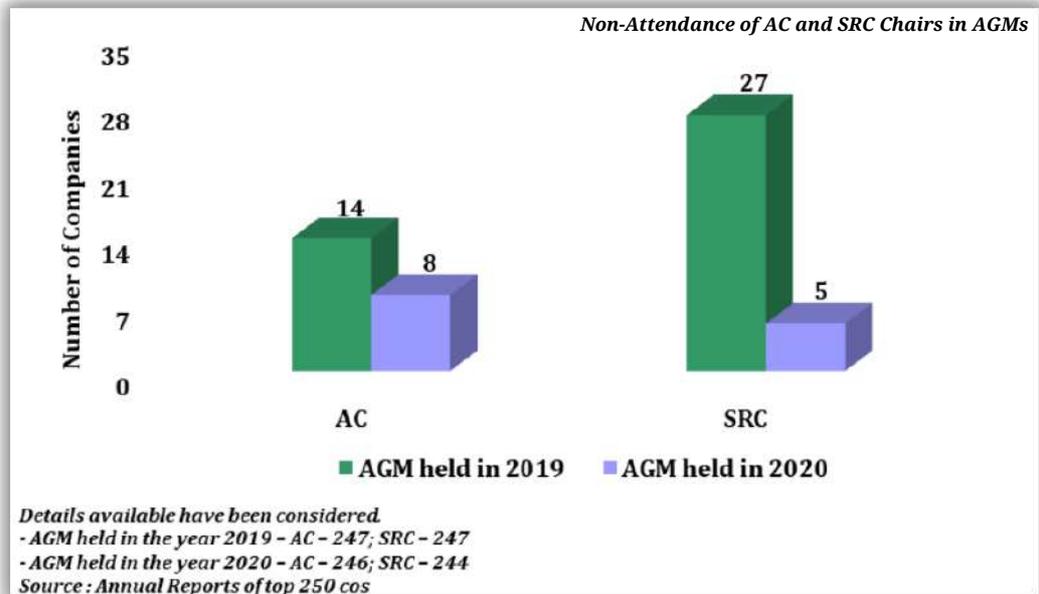
- Even though travel is not involved, a number of Directors, especially nominee Directors, do not attend AGMs.



### Current Situation

Lowest overall attendance of a company's Board in 2019 was 14% and in 2020 was 10%.





## Way Forward

- Date of AGM must be fixed sufficiently in advance to facilitate attendance.
- Directors must attend AGMs since this is the only time that they can interact with shareholders.
- Nominee Directors, representing large institutions on the Board, should attend, if not as a Director, but as a member.
- Attendance of Directors at AGMs should be considered before they are re-appointed.



## Inadequate time for shareholders to raise all relevant questions

### Problems in physical AGMs

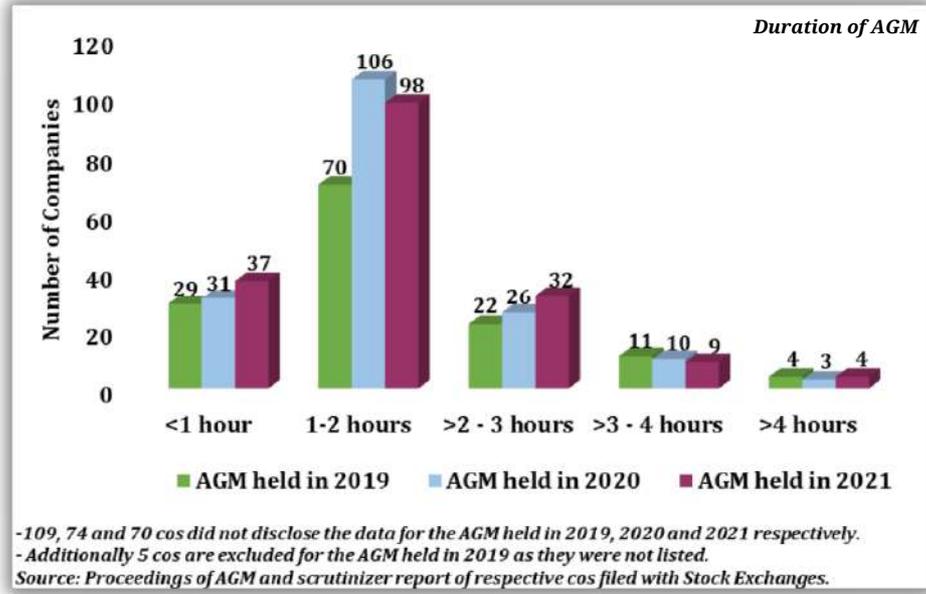
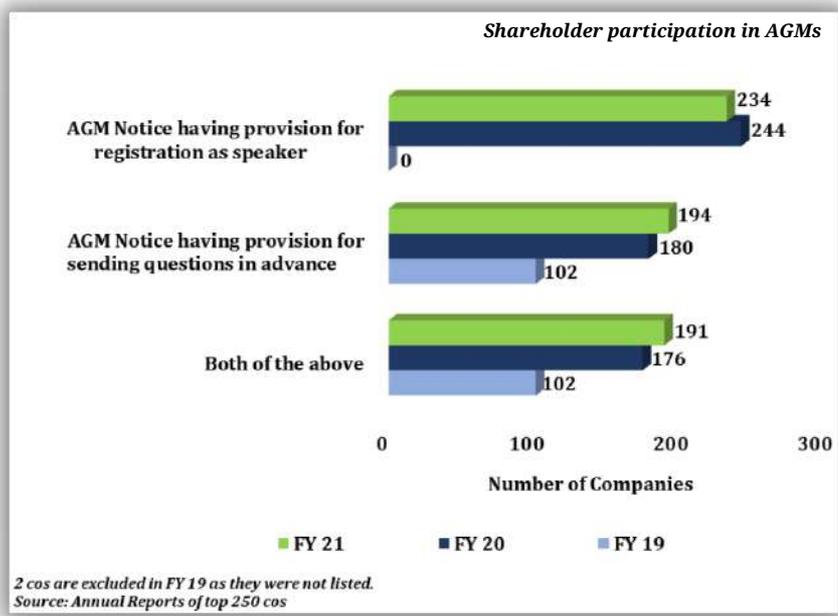
- Inadequate time given to shareholders to raise questions.
- Number of shareholders who could raise questions was limited due to time constraints.
- Earlier speakers took too much time, and most often than not, did not raise any worthwhile issues.
- Some questions got skipped due to time constraints.

### Problems in virtual AGMs

- While a number of companies invite questions from shareholders in advance, only some of them send the questions.
- A number of companies do not allow the shareholder to read his/her own question, thereby denying him/her the right to feel that it is a meeting of shareholders.
- Only shareholders who send their questions in advance / who register as speakers in advance, are allowed to participate.
- Some managements claim that they bunch similar questions, but in the process, some specifics get skipped.
- Some managements address the easier questions, and a number of good questions get skipped.



# Current Situation



- Minimum duration of AGMs
  - 2019 – 20 minutes
  - 2020 – 20 minutes
  - 2021 - 22 minutes
- Maximum duration of AGM
  - 2019 – 4 hours 45 minutes
  - 2020 – 4 hours 25 minutes
  - 2021 - 4 hours 23 minutes



## Way Forward

- Managements should proactively invite more questions from shareholders.
- The character limit, while sending the questions in advance, should not be restricted.
- If possible, shareholders should be invited to ask questions themselves.
- Shareholders, who have not registered in advance, should be allowed to ask questions, after the registered speakers have done so, subject to limitation of time.
- All the questions should be answered, if not at the AGM, then later. The Board should ensure this.
- Proper transcript, with all the responses, should be uploaded on the company's website.
- FAQs, answering some of the anticipated questions, should be uploaded on the website.
- Special initiatives, such as specific time slots for shareholders who are above the age of 75 years, should be considered.

## International Good Practices

AGM agenda should provide for any matter raised by shareholders, with or without advance notice to the company.



## Voting records

### Problems in physical AGMs

- Voting records of shareholders, both institutional and retail, is very often very low.

### Problems in virtual AGMs

- Voting records of shareholders, both institutional and retail, is very often very low.

With more rights being given to shareholders, there is a need for more shareholders to vote, and vote intelligently.

### Current Situation

### Way Forward

- For effective voting, the resolutions, as also the commentary and notes, should be written in simple language, with proper punctuation and without any technical phrases or jargon.
- Institutional investors should be encouraged to vote. The responsibility should for this should be fixed on the fund manager.
- Abstaining from voting should not be allowed for institutional investors.
- Companies should proactively educate shareholders on their rights, and the need for them to vote. They can take the help of investor associations, if required.
- E-voting facilities can be provided in multiple cities to help shareholders who are not tech-savvy.



## Lack of active involvement of Board members in preparation / conduct of AGMs

### Problems in physical AGMs

- Lack of involvement of most Board members, as AGMs are considered to be events that are to be handled by the Company Secretary.

### Problems in virtual AGMs

- Same as physical AGMs.

No accountability in case the arrangements are not up to the mark.

### Current Situation

### Way Forward

- More effective role of the Chairperson of the Board
  - In handling of AGM.
  - In overseeing arrangements.
  - In ensuring that all Directors attend.
  - In ensuring that the AGM starts on time.
  - Chairperson's address should be a comprehensive note on the industry, the sector, the happenings of the past year and a peep into the future.
  - His/ Her presentation can be a mix of video, audio and speech.
  - There should be a personal connect with shareholders, by remembering the names of shareholders with substantial shareholding, or those who come each year.
- More effective role of Stakeholders Relationship Committee
  - Since this committee focuses on security holders, it can oversee the AGM arrangements, and post AGM feedback.



- Directors should ensure that they go through the Annual report carefully before the AGM. At present, it is often taken as read in Board meetings.
- Engagement between Independent Directors and shareholders too could be improved by organising meetings, in addition to AGMs, between the two. This will go a long way in increasing the confidence of the investors.

## International Good Practices

- Onus for conduct of smooth AGM, and meaningful interaction between the Board, senior management and shareholders is on the Board. This would include smooth broadcast, interactive participation, and questions posed by shareholders to be made visible to all meeting participants during the meeting itself.
- Lead Independent Directors should be available, when appropriate, for consultation and direct communication with stockholders.
- Where there is a Lead Independent Director, the company should provide information as to how shareholders can contact him/her directly, rather than having to go through the company.



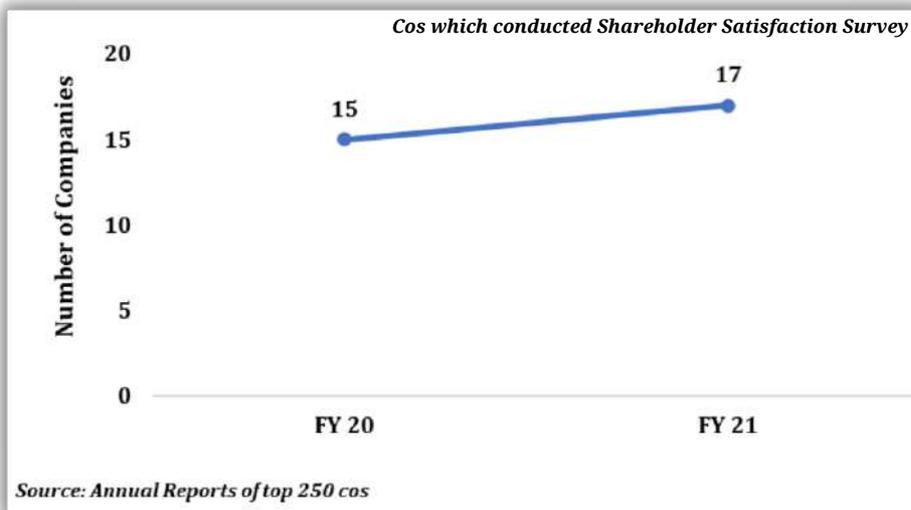
## Feedback from AGMs not taken/acted upon

### Problems in physical AGMs

- Very few companies seek feedback from shareholders.
- Most Boards do not reflect on AGM proceedings to ascertain key takeaways, so that AGMs can improve. This is left to the Secretarial team.

### Problems in virtual AGMs

- Same as physical AGMs



**Current Situation**



## Way Forward

- Companies should conduct shareholder satisfaction survey, and the result should be presented to the Board or to the Stakeholders Relationship Committee.
- Survey questionnaires should contain questions that are open-ended, and invite the respondents to express, in their own words, their thoughts, ideas, and concerns. The multiple-answer format may not yield the desired results.
- Board should conduct a meeting after the AGM, to identify the key takeaways from the AGM, including areas of improvement, and actions to be taken thereon.
- Any suggestions from shareholders, that are acted upon, should be presented to them in the following AGM.
- The minutes of the AGM, and responses to questions that could not be responded to, should be uploaded on the company's website.



# Some other proactive steps

## Companies can consider inviting the following to AGMs

- Internal and Secretarial auditors
- Non-shareholders such as students of law and management.

## Regulator

- While the Regulator has prescribed a number of items to be included in Annual reports, the focus of the Regulator should also be on quality of Annual reports. Language should not be used to conceal information.



# Annexure 1 – Legal provisions relating to AGMs

Sr No	Particulars	Companies Act, 2013	SEBI LODR Regulations, 2015
1	Timeline for the 1 <sup>st</sup> AGM of a company	Within 9 months from the date of closing of the first FY	-
2	Timeline for conducting AGM each year	Within 6 months from close of FY	Within 5 months from close of FY (top 100 listed entities)
3	Maximum time between 2 consecutive AGMs	15 months	-
4	Notice for AGM	21 days	
5	Day and Time of AGM	During business hours, between 9am and 6pm on any day except a National Holiday	-
6	Venue of AGM	<p>Either at the registered office of the company or at some other place within the city, town or village in which the registered office of the company is situated. Unless a special permission is taken from the Central Government.</p> <p>Relaxation due to Covid – AGM can be held through Video Conferencing (VC) or through other audio-visual means (OAVM).</p>	
7	Live Webcast	-	Top 100 listed entities to provide one-way live webcast
8	Annual report dispatch	At least 21 days before the date of AGM to all shareholders	<p>Submit to Stock Exchange, and publish on website of company, not later than the day of commencement of dispatch to shareholders.</p> <p>Relaxation due to Covid – Companies can dispense with the printing and despatching of physical copies of Annual Reports to shareholders.</p>
9	Attendees	Members, Directors, Statutory Auditor (himself or through his authorised representative), Chairperson of Nomination and Remuneration Committee, and Stakeholders Relationship Committee (or, in his absence, any other member of the committee authorised by him)	Members, Directors, Chairperson of Audit Committee and Stakeholders Relationship Committee (mandatory), and Chairperson of Nomination and Remuneration Committee (or a Director nominated by him/her)
10	Submission of proceedings of AGM	Report on AGM to be filed with the Registrar within 30 days of the conclusion of the AGM.	Disclose the proceedings of AGM to the Stock Exchange within 24 hours of the event.
11	Submission of Voting Results of AGM	-	Within 2 working days
12	Power to Registrar to extend the time for conducting AGM	Maximum 3 months	-



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