

MAKING AGMs MORE MEANINGFUL

4th Edition

ANNUAL GENERAL MEETING (AGM)

The shareholders sit at the apex of the hierarchy of any company. The Board of Directors acts on their behalf, to hold the management accountable for running the company in their interest. However, the shareholders do not get to interact with the Directors and the management on a regular basis. The Annual General Meeting (AGM) is a yearly gathering of a company's shareholders. Prior to an AGM, the Annual Report of a company, containing, *inter alia*, information about the company's performance and strategy, is sent to the shareholders, to facilitate informed discussions. Also, shareholders with voting rights, vote on the resolutions presented to them.

VIRTUAL AGM

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

HYBRID AGM

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

ATTENDEES OF AN AGM

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

PURPOSE OF AN AGM

To provide a platform for

- Shareholders to interact with Directors and management, and to hold Directors accountable.
- Board to present important information relating to the company, such as its strategy, past performance, achievements etc.
- Shareholders to raise questions, concerns, or grievances, or give suggestions to the Board and the management.
- Shareholders to ask questions to the Statutory auditors, who are elected by them.
- Shareholders to raise any questions relating to any of the resolutions.
- Shareholders to vote, if they have not voted electronically.

AGMS – PRODUCTIVE OR NOT?

AGM is a mandatory statutory meeting, held once a year. This has been reduced to a sub-optimal interaction because of

- 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 disproportionate 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, and leaving the rest unanswered.

PROBLEMS AND POSSIBLE SOLUTIONS

ISSUE#1

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

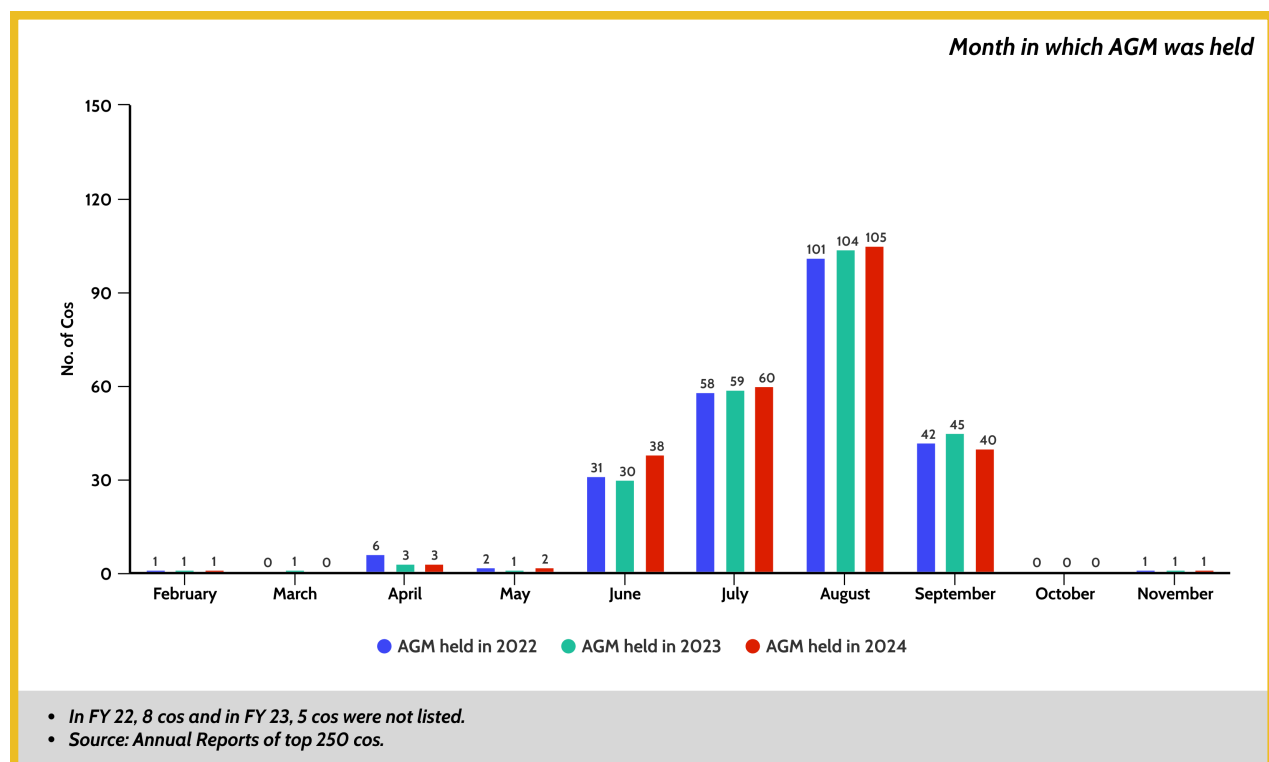
Problems in physical AGMs

- 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, and a number of shareholders were common.

Problems in virtual AGMs

Since no physical venue is required, the problem with respect to the conduct of a virtual AGM is much less. Further, with soft copies of Annual Reports being sent, the time taken for sending them is much less.

Current situation



Way Forward

- With virtual AGMs, companies can try and choose a date before the peak season of AGM.
- Company Secretaries can check how many, and which all 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 practice

In addition to AGMs, companies should consider other avenues of engaging with shareholders, such as through townhall meetings, briefings and roadshows.

ISSUE#2

Fixing venues for AGMs

Problems in physical AGMs

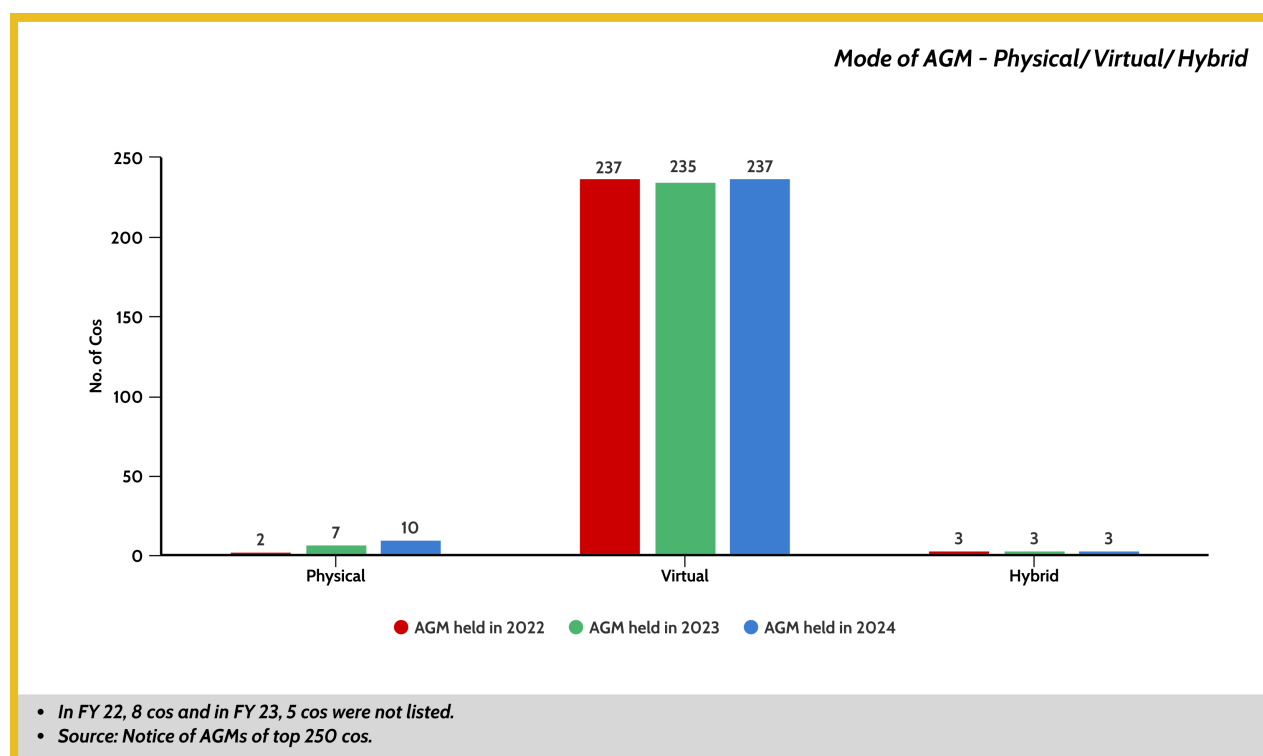
- Venue to be the city of the registered office of the company (which could be in non-metro cities).
- Finding a large enough venue to accommodate as many shareholders as possible.
- Too many AGMs in August/ September, and consequent limitation of availability of venues.

Problems in virtual AGMs

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

Current situation

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, ensuring thereby that the quality of service provider improves.



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.

International good practice

- Law should provide for companies to pass a periodic resolution in order to continue holding virtual-only AGMs.
- In addition to hybrid meetings, companies should conduct meetings of their members at one or more physical venues.

ISSUE#3

Information flow to shareholders

Problems in physical AGMs

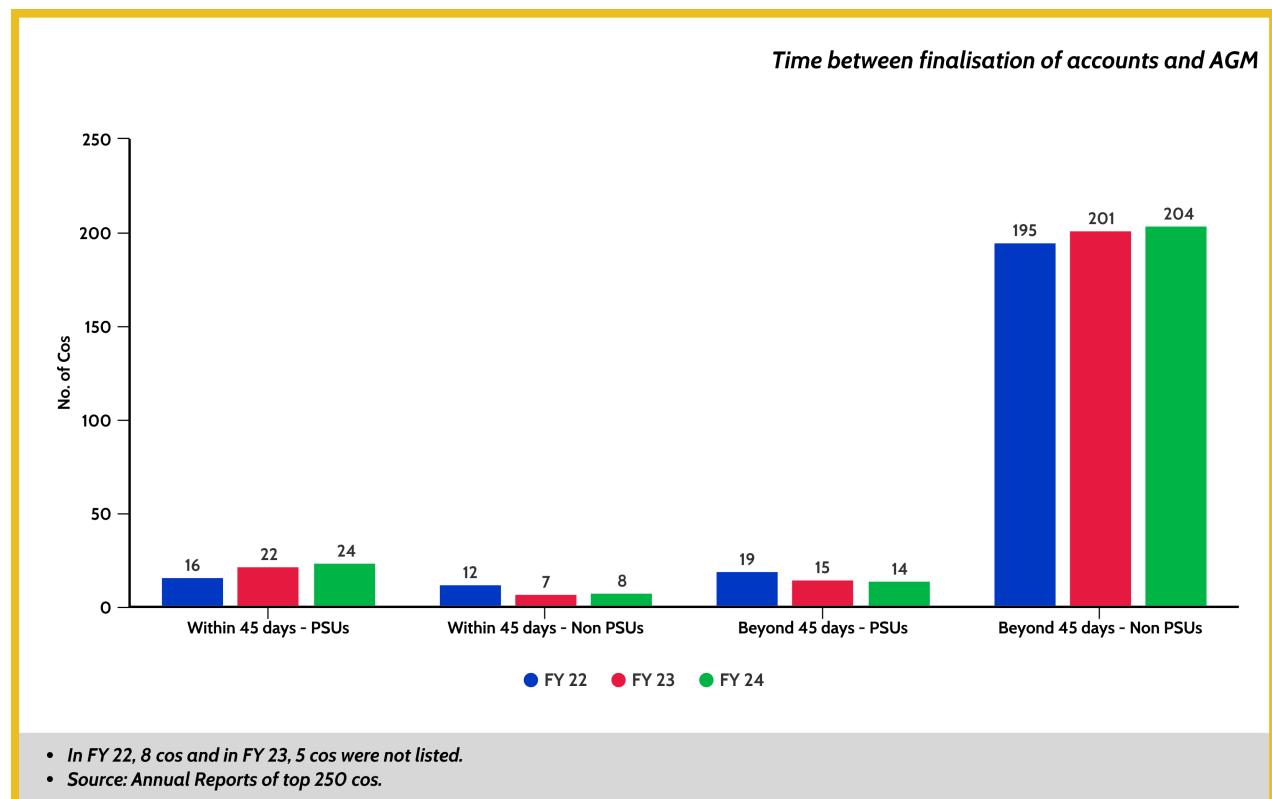
- Delay in receipt of Annual reports since a number of shareholders insist on hard copies of Annual reports.
- Too much jargon in notice and Annual reports.
- Notice not giving proper rationale for the resolutions.
- Lack of flow of meaningful information both before and during the AGMs.

Problems in virtual AGMs

- In addition to the above, non-updation of email ids of shareholders for sending soft copies of Annual reports.

Current situation

- Once the financials are ready, it should not take companies very long to convene AGMs. A 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.
- Websites should be made more user friendly.
- QR codes can be provided to give quick access to AGM related information or updates about the company. These QR codes can be placed in advertisements in the newsletter. In the notice of the meeting, QR codes can be used to access FAQs.
- 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) chapter can give the strategy of the company, as also the achievements of the company in the previous year.

- Management presentations should be interactive, easier to follow and contain meaningful information. If possible, these can be sent in advance, so that shareholders can come to the meeting well informed.
- Each Annual report should have a section which highlights any major changes from the previous financial year. This could include any major events, governance improvements and the like.
- 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 an easy to read language, so that shareholders can comprehend the same, and take better decisions. Information given in resolutions should be complete.
- 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 should 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 other important updates from time to time.
- Companies can also publish abridged or smaller versions of their Annual reports, collating all the key highlights.

International good practice

- *In the notice of 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.*
- *If a Director is standing for appointment/ re-appointment, he/she can introduce himself/herself, and mention why the shareholders should vote in his/her favour.*
- *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 reasonably 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.*

ISSUE#4

Attendance of shareholders

Problems in physical AGMs

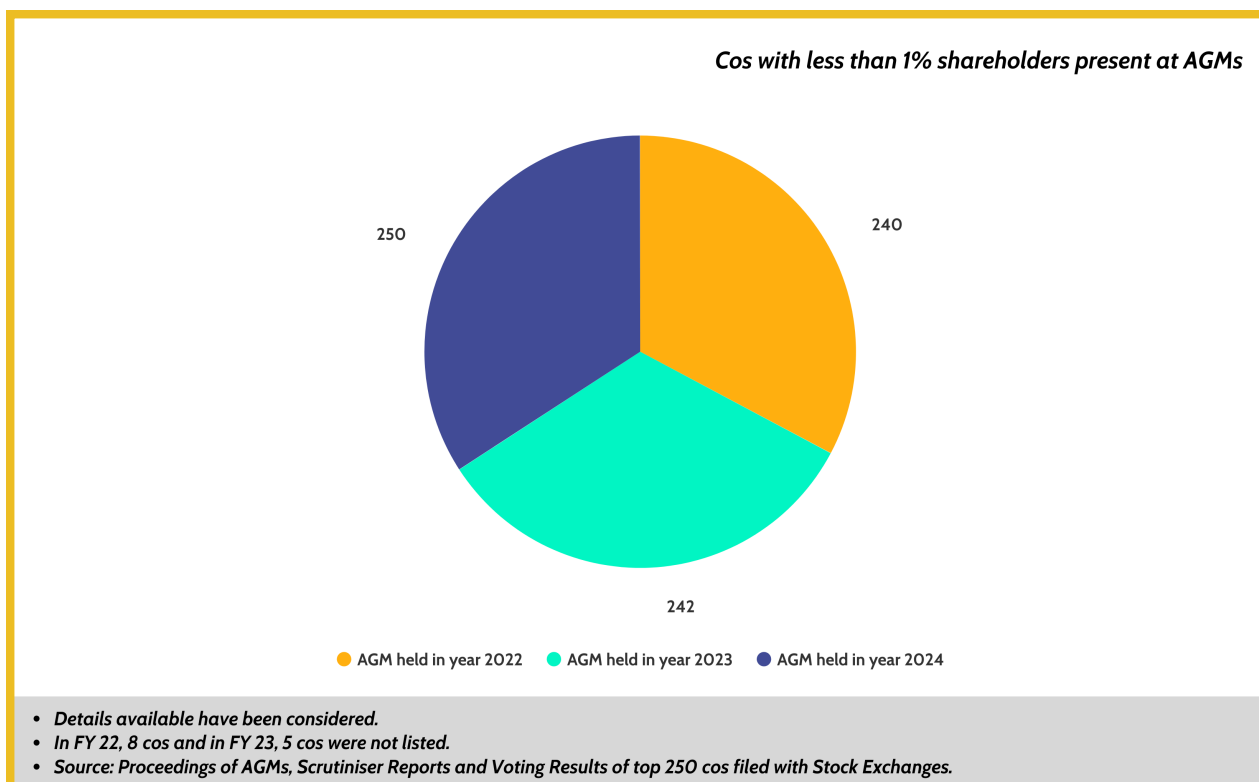
- Most AGMs are held on similar dates in August/ September.
- Physical meetings were held in the city of registered office of the company.
- Cost of travel.
- With e-voting, a number of shareholders feel that an AGM is a mere formality since the result of voting is apparent even before the meeting.

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.

Current situation

- While attendance is facilitated with virtual AGMs, attendance of shareholders is low.
- Non tech-savvy shareholders find it difficult to join, and some who do, face connectivity issues.



Way forward

- Companies should make the platform easier to access, 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.

ISSUE#5

Non-attendance of some Directors at AGMs

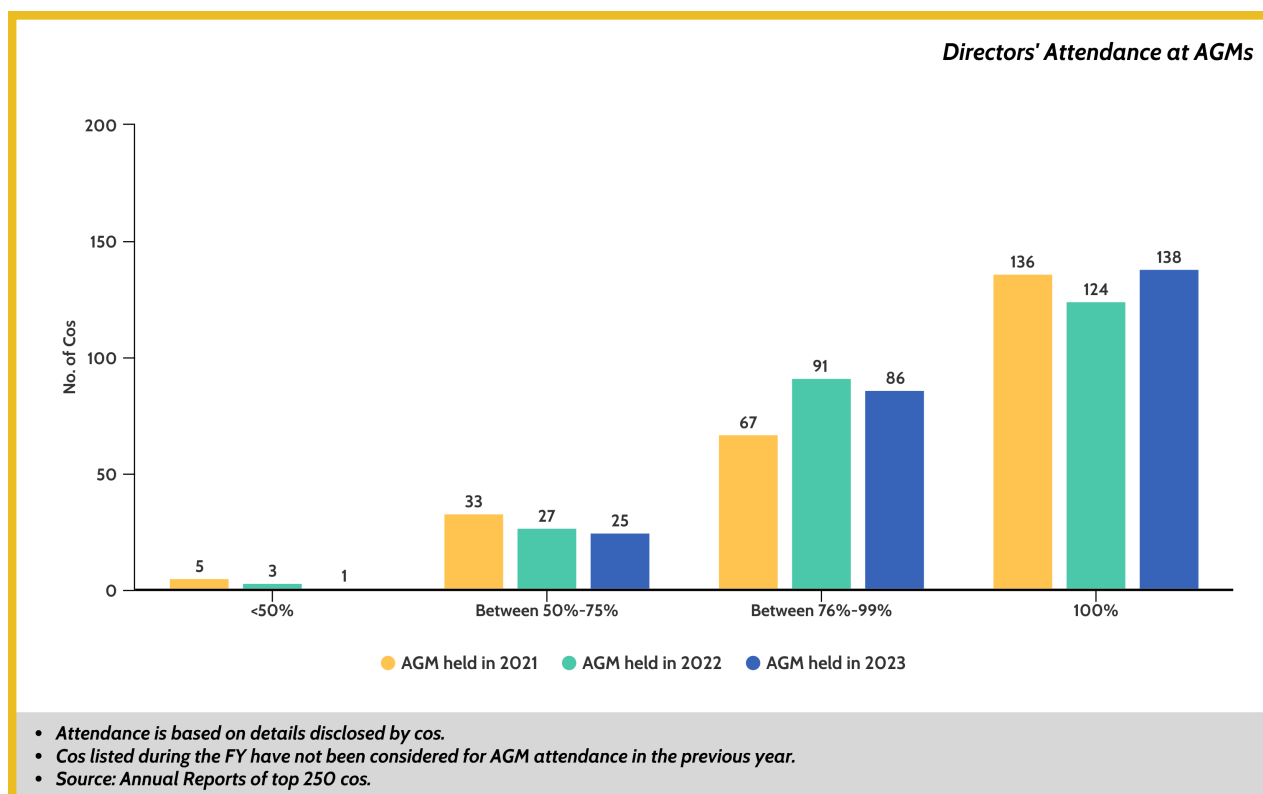
Problems in physical AGMs

- A number of Directors do not attend AGMs

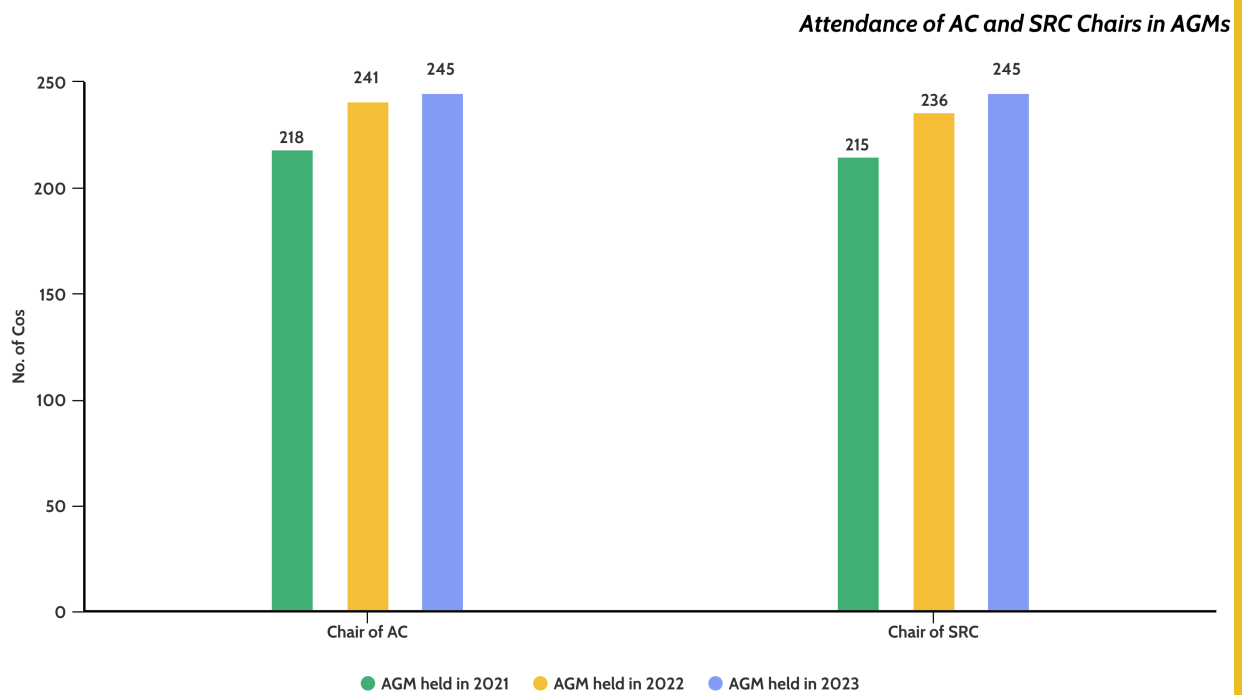
Problems in virtual AGMs

- 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 Directors in 2021 was 22%, in 2022 was 40% and in 2023 was 44%.



- Details available have been considered.
- Cos listed during the FY have not been considered for AGM attendance in the previous year.
- Source: Annual Reports of top 250 cos.

Even though it is mandatory for Chairpersons of Audit Committee and Stakeholders Relationship Committee to attend AGMs, some of them have not attended AGMs.

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 Directors, but as members, given the stewardship responsibilities.
- Attendance of Directors at AGMs should be considered before they are re-appointed.

ISSUE#6

Inadequate time for shareholders to raise all relevant questions

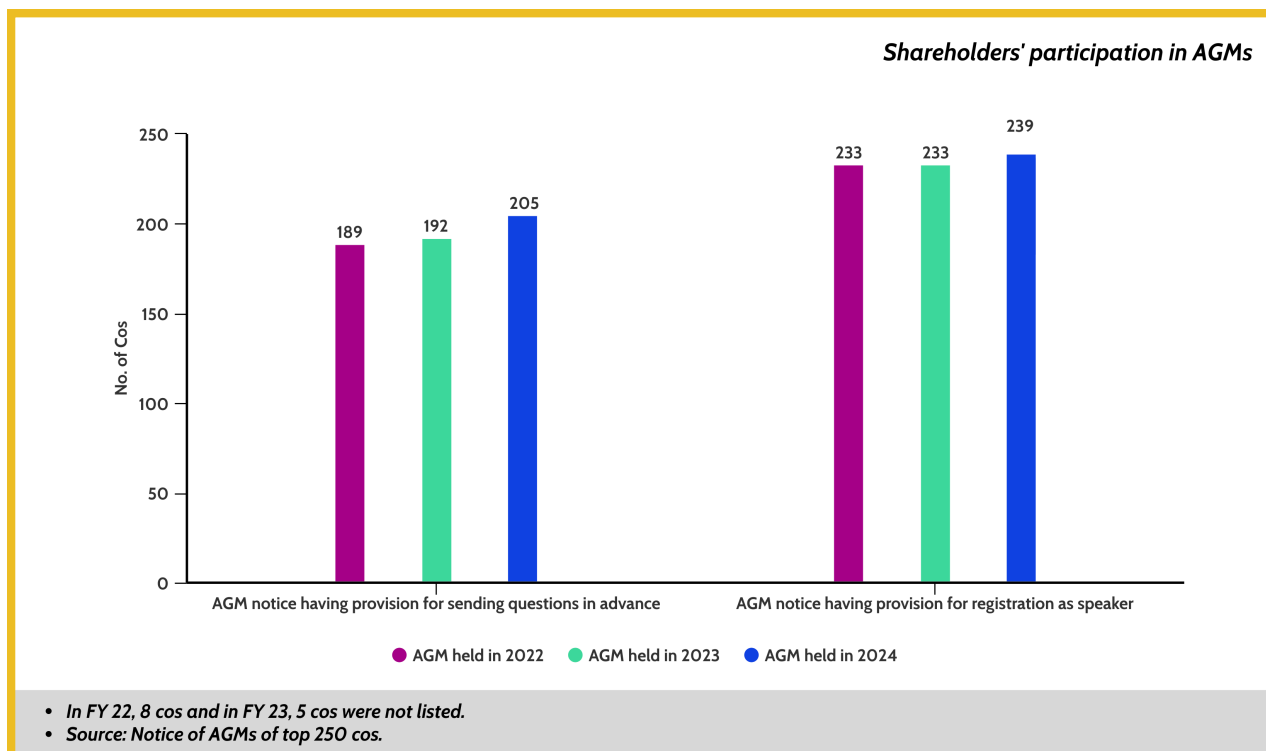
Problems in physical AGMs

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

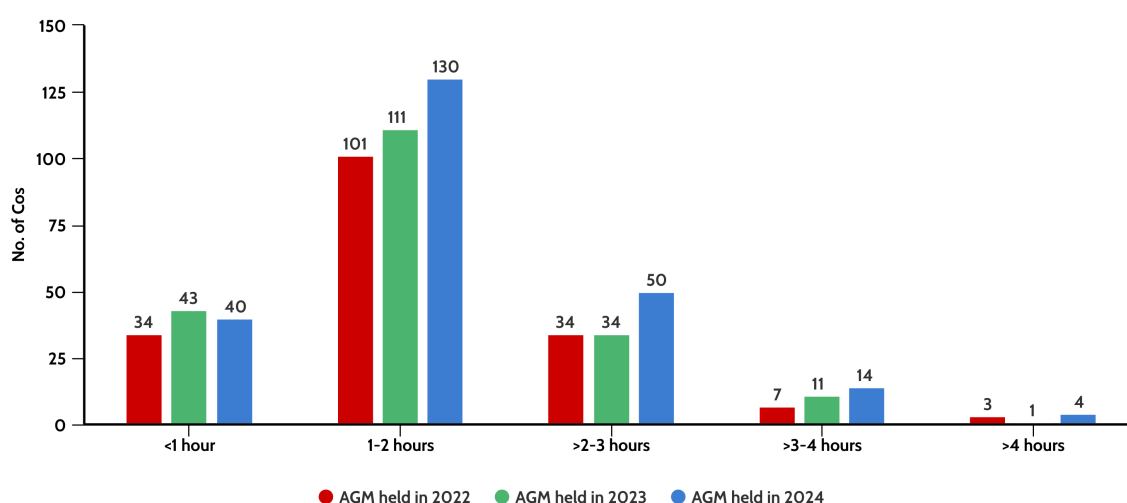
Problems in virtual AGMs

- While a number of companies invite questions from shareholders in advance, only some shareholders 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 ask questions, even if time is available.
- 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 probing questions get skipped.

Current situation



Duration of AGMs



- Details available have been considered.
- In FY 22, 8 cos and in FY 23, 5 cos were not listed.
- Source: Proceedings of AGMs and Scrutiniser Reports of top 250 cos filed with Stock Exchanges.

- Minimum duration of AGMs
 - 2022 – 21 minutes
 - 2023 - 25 minutes
 - 2024 – 18 minutes
- Maximum duration of AGM
 - 2022 – 4 hours 45 minutes
 - 2023 – 4 hours 45 minutes
 - 2024 - 4 hours 55 minutes

Way forward

- Managements should proactively invite questions from shareholders.
- The company should have a proper code explaining how questions would be grouped, whether questions would be answered live or later in writing, and how it would ensure that all questions are treated equally.
- The character limit, while sending the questions in advance, should not be restricted.
- If possible, shareholders should be invited to ask questions themselves, rather than having their questions read out by management.
- 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 and detailed transcript, with all the responses, should be uploaded on the company's website. Comprehensive webcast, covering the entire proceedings, too should be available.
- 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 practice

- AGM agenda should provide for any matter raised by shareholders, with or without advance notice to the company.
- The Chair of an AGM must allow a reasonable opportunity for the members as a whole at the meeting to ask questions or make comments. If there a contravention, there should be strict liability imposed on the company.

ISSUE#7

Voting records

Problems in physical AGMs

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

Problems in virtual AGMs

- Same as physical AGMs.

Current situation

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

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.
- 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.

International good practice

- *When 20 per cent or more of votes have been cast against a resolution, the company should explain, when announcing voting results, what actions it intends to take to consult shareholders in order to understand the reasons behind the result. An update on the views received from shareholders and actions taken should be published no later than six months after the shareholder meeting. The Board should then provide a final summary in the Annual Report and, if applicable, in the explanatory notes to resolutions at the next shareholder meeting, on what impact the feedback has had on the decisions the Board has taken, and any actions or resolutions now proposed.*

ISSUE#8

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

Current situation

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

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 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 practice

- *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 Director 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.*
- *In addition to formal general meetings, the Chairperson should seek regular engagement with major shareholders, in order to understand their views on governance and performance, against strategy. Committee Chairpersons should seek engagement with shareholders on significant matters related to their areas of responsibility. The Chairperson should ensure that the Board has a clear understanding of the views of the shareholders.*

ISSUE#9

Feedback from AGMs not taken/ not acted upon

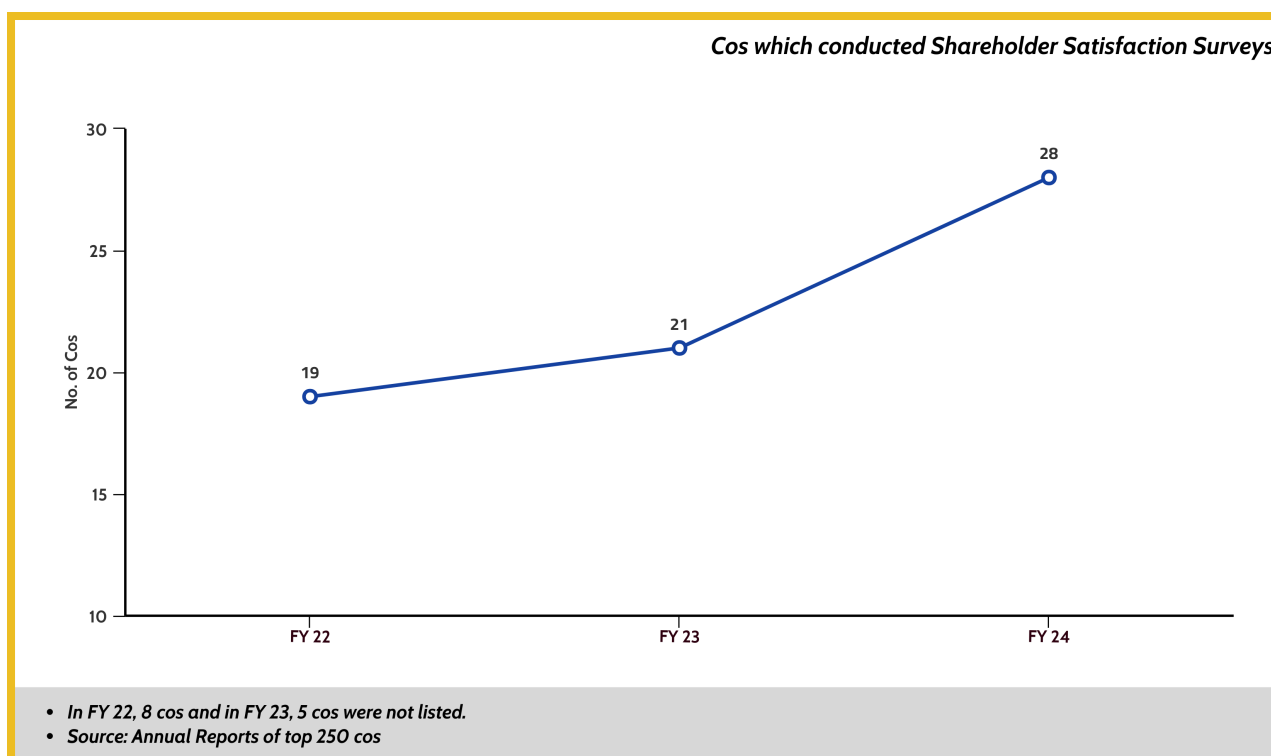
Problems in physical AGMs

- 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 is 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.

International good practice

- Companies should circulate to the shareholders, the complete minutes of the general meeting, detailing the meeting proceedings, including issues or concerns raised by the shareholders, and responses by the Board and the management. This should be done no later than 30 business days after the completion of the general meeting.
- The minutes should be published on the corporate website.

ISSUE#10

Presence of Statutory and Secretarial Auditors in AGMs

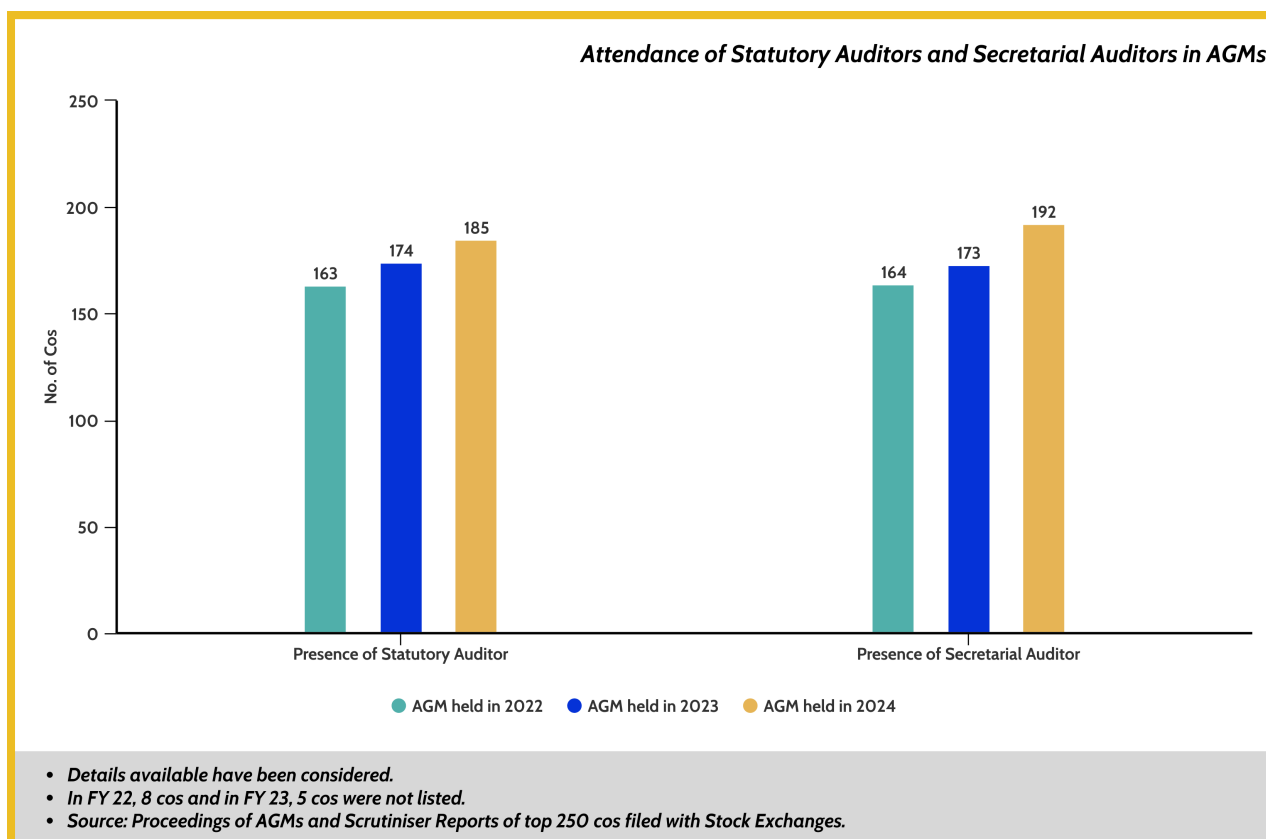
Problems in physical AGMs

- It is mandatory for Statutory Auditors and Secretarial Auditors to be present in the AGM, to address any query of shareholders. Since a number of AGMs might happen on the same day, presence of Auditors was found to be difficult.

Problems in virtual AGMs

- Even though travel is not involved, it seems that a number of signing partners from the firm of Statutory Auditors and a number of Secretarial Auditors, do not attend AGMs. This conclusion is drawn from the proceedings/ transcripts of AGMs published by companies.

Current situation



Way forward

- Managements must ensure that the signing partners from the firm of Statutory Auditors and the Secretarial Auditors attend the AGMs.
- The Secretarial team must ensure that their presence should be properly captured in the proceedings/ transcripts of AGMs.

SOME OTHER PROACTIVE STEPS

Companies can consider inviting the following to AGMs

- Internal auditors
- Non-shareholders such as students of law and management can be invited, as observers.

Quality of Annual Reports

- While the Regulator has prescribed a number of items to be included in Annual reports, the focus should be on quality of information and disclosures in Annual reports. Language should not be used to conceal information. More information should be presented in bullet points, rather than in running text.

Quality of Annual Reports

- Technology can be used to collect shareholder feedback pre-AGM, analyse it to understand key concerns.

ANNEXURE 1 –

LEGAL PROVISIONS RELATING TO AGMs

Sr No	Particulars	Companies Act, 2013	SEBI LODR Regulations, 2015
1	Timeline for the 1 st 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, on or before the commencement of dispatch to its shareholders.</p> <p>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 and upload the same on the company's website.
11	Submission of Voting Results of AGM	The voting results shall be placed on the website of the company.	Within 2 working days of conclusion of AGM.
12	Power to Registrar to extend the time for conducting AGM	Maximum 3 months	-

ABOUT EXCELLENCE ENABLERS

We are a niche Corporate Governance advisory firm. We do not attempt to be all things to all persons. Improving Corporate Governance policies and practices is our *raison d'être*. Our mission is to demystify Corporate Governance and to persuade corporates that it is nothing more than doing the right things at the right time in the right manner for the right reasons.

We do not tick boxes. We help you think out of the box.



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