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Shareholder engagement a victim of 2020's slew of virtual meetings

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IT WAS a year, not just of social distancing, but also of "investor distancing", as virtual shareholder meetings here created more than just a physical chasm between companies and their shareholders.

"The Singapore Report on Shareholder Meetings: The Rise of Virtual Meetings", published on Wednesday, found that investor participation and shareholder engagement in Singapore took a beating in 2020, as listed companies, regulators and investors alike struggled to come to terms with a new way of conducting meetings.

Mak Yuen Teen, an associate professor of accounting at the NUS Business School, who authored the report, said: "For years, we'd been advocating a greater use of technology among listed companies, such as through the webcasting of meetings and electronic online voting, to enhance shareholder participation. But regulators have done little to promote greater use of technology, and issuers have not been proactive.

"Then, the Covid-19 pandemic struck and suddenly, most meetings held in 2020 were virtual ones, and many were unprepared. These meetings were almost exclusively conducted using webcasts, which did not allow for interactions at the meetings. Social distancing became investor distancing at shareholder meetings."

His report looked at all listed companies that held at least one general meeting between 2017 and 2020. (Secondary listings and issuers with dual primary listings that complied with the rules of other stock exchanges were excluded.)

There were 630 listed companies that held at least one meeting last year, making for a total of 744 meetings. This figure comprised 623 annual general meetings (AGMs) and 121 extraordinary general meetings (EGMs), and of these, 682 meetings were conducted virtually.

Many of the arrangements, however, left much to be desired; notable disappointments included a significant lack of "live" question-and-answer (Q&A) sessions during meetings and electronic voting for meeting resolutions.

> "Providing shareholders with the opportunity to ask questions 'live' not only improves shareholder engagement, but also helps to increase transparency, as issuers will find it more difficult to cherry-pick specific questions to answer."
>
> **Prof Mak Yuen Teen, on virtual meetings often not providing opportunities for shareholders to ask questions 'live'**

Of the issuers that held virtual meetings, 581 opted for a webcast/audio-cast of the meetings without a "live" Q&A.

Six issuers ran their AGMs through a "live" webcast/audio-cast with a "live" Q&A, but, of these, only one company, Azeus Systems, a provider of IT consultancy services such as those that help companies hold virtual meetings, held an AGM that had both a "live" Q&A and "live" electronic voting.

Prof Mak said: "Providing shareholders with the opportunity to ask questions 'live' not only improves shareholder engagement, but also helps to increase transparency, as issuers will find it more difficult to cherry-pick specific questions to answer.

"Live Q&As should also be fully interactive, not just via chat messages that aren't visible to all.

He noted that regulators here issued an updated guidance last October, encouraging issuers "to adopt enhanced digital tools at their general meetings, such as allowing for real-time remote electronic voting and real-time electronic communication".

But he remains concerned that many companies will be content to simply carry on as they have begun.

Other issues raised by the report included: companies not giving shareholders sufficient opportunity to ask questions and not answering shareholder questions in a timely manner to inform voting; and the substantial decline in shareholder attendance and voting, as virtual meetings took over.

The report highlighted the example of Raffles Education Corporation (REC), which failed to post its response to questions raised by a substantial shareholder on an REC joint venture and a proposed transaction until after the deadline for shareholders to vote their shares.

"Shareholders who voted their shares would not have been aware that a substantial shareholder had raised substantive questions. If they had known, it could have influenced the way they voted. Further, REC's responses raised further concerns and questions that could also have influenced how other shareholders would have voted.

"We believe that issuers should continue to accept questions even during the meeting as a best practice, by providing 'live' Q&A. They should also allow shareholders to vote 'live' at the meeting. Only then can a virtual meeting preserve the rights available to shareholders for physical meetings."

The lack of interaction at virtual meetings also means that meetings were short – some lasted no more than seven minutes.

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"For some AGMs, the directors would not have been able to finish singing 'American Pie' by the time the meeting ended," Prof Mak quipped.

As for shareholder attendance at meetings, exact numbers were not obtained as listed companies are not required to disclose the number of shareholders present at meetings. However, the report cited service providers who said that attendance at last year's virtual meetings fell 70 to 80 per cent from previous years.

This anecdotal evidence was echoed in an online survey of retail investors conducted by Prof Mak's team and included in the report; 186 investors responded with their views on virtual shareholder meetings.

The percentage of respondents who attended six or more meetings in 2020 was substantially lower than in 2019, and more respondents did not attend any AGMs last year, compared to 2019. They also voted less frequently at meetings which were held virtually last year. Other findings from the online survey:

- Four-fifths of the respondents (149 out of 186) said they want virtual AGMs to have both "live" Q&A and "live" voting;
- The bulk of those who attended virtual meetings (78 out of 110) said they found them unsatisfactory, with a number citing issues such as technical difficulties and problems with logging in to the meetings;
- There was a clear preference for hybrid meetings, with 69 per cent of respondents preferring this mode, compared to 28 per cent who want face-to-face meetings and 3 per cent who prefer virtual-only meetings.

Prof Mak said: "Hopefully, we do not have to wait for another pandemic for issuers to more fully embrace technology in conducting shareholder meetings. Technology, however, should not undermine the ability of shareholders to hold issuers and directors accountable and to exercise their rights."

The full report can be found at www.governanceforstakeholders.com

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COUNTRIES across the globe have scrambled to find alternative ways to conduct shareholders' meetings when the Covid-19 pandemic made face-to-face interactions challenging.

The Singapore Report on Shareholder Meetings: The Rise of Virtual Meetings found that most markets now allow listed companies to hold virtual shareholder meetings; some had already permitted them before the onset of the pandemic, while others decided to keep them as a permanent feature.

This was one of the findings from a segment of the report, which consisted of a desktop study of 18 other markets – Australia, Belgium, Brazil, Canada, China, Finland, France, Germany, Hong Kong, India, Italy, Malaysia, Taiwan, Thailand, Vietnam, the United Arab Emirates (Dubai), the United Kingdom and the United States (Delaware). This was supplemented by inputs from experts in certain markets.

It reported that, despite the ongoing pandemic, China, Hong Kong and Taiwan are still not allowing companies to hold fully virtual meetings, but will permit them to hold hybrid ones.

In contrast, markets such as Brazil, Canada and the US (Delaware) have allowed their companies to conduct purely virtual annual general meetings (AGMs), not just during the pandemic, but permanently.

As to how shareholders can vote on resolutions, nearly all markets have permitted online voting, either in advance of, during, or both in advance of and during, the AGM. In China, India and Taiwan, electronic online voting must be made available.

Associate professor of accounting at the National University of Singapore (NUS) Business School, Mak Yuen Teen, who authored the report, said: "Singapore regulators should strongly encourage issuers to introduce online voting before and during shareholder meetings, and explore the possibility of making it mandatory in the near future.

"This will bring us in line with many other overseas markets, where the availability of online voting is common practice and, in some cases, mandatory.

"Traditional methods of voting in person or by proxy may be impediments to promoting interest in share investing among the younger, more technology-savvy generations. Online voting can also improve shareholder engagement and promote greater accountability, which can in turn lead to better corporate governance."