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AGMs: virtual, but not unilateral, please

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FOR many investors, 2020 could be considered the year of the annual general lecture, rather than the annual general meeting (AGM) – as most companies chose to talk at, rather than with, their shareholders.

The Singapore Report on Shareholder Meetings: The Rise of Virtual Meetings out last week showed how investors were kept at an unhealthy distance, with most companies failing to actively engage their shareholders on virtual platforms.

And, while one could argue that companies could be excused for being ill-prepared last year – the onslaught of the pandemic caught just about everyone off-guard – it's going to be much tougher to make that same case this year; companies have since been given ample opportunity to offer a more dynamic experience and their failure to do so will say much about their intentions.

From a distance

The Singapore Report on Shareholder Meetings covered all Singapore-listed companies that held at least one general meeting between 2017 and 2020. It said there were 630 listed companies that held at least one meeting last year, making for a total of 744 meetings (of which, 623 were AGMs, and 121 were extraordinary general meetings or EGMs); of these, 682 meetings were conducted virtually.

But less than 1 per cent of the 630 companies – a grand total of just six, to be exact – held virtual AGMs with a "live" question-and-answer (Q&A) session; the other 581 opted for a web/audio-cast of the meetings without a "live" Q&A.

And only one company (of the six) – Azeus Systems, which is, notably, 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.

This means that, in 2020, the shareholders of over 99 per cent of listed companies here could not interact with and/or talk to the board of directors, key personnel and other shareholders during the meetings.

It wasn't totally a one-way street in that shareholders were allowed to ask questions before the meetings – regulators have mandated that issuers give their shareholders the opportunity to ask questions within a reasonable time period prior to the commencement of the meeting. All substantial and relevant questions, and subsequent clarifications and follow-up questions, were to be addressed prior to or at the meeting.

But because most companies chose to omit the option of a "live" Q&A at their meetings, it meant that their shareholders were relegated to a passive role during the meeting, merely able to listen to what the company chose to answer or deal with, but unable to ask further questions, to push for greater clarity, certainty or accountability.

Investor distancing in 2020

Key findings from the report

Only 1 company held a virtual meeting that had both live Q&A and live voting.	Only 6 companies offered their shareholders a chance to interact during meetings.	11 companies held AGMs lasting less than 10 minutes; 2 companies held the shortest AGMs at under 8 minutes long.	Retail investors have a clear preference for hybrid meetings, followed by face-to-face meetings, compared to fully virtual meetings, for the post-Covid era.

Source: The Singapore Report on Shareholder Meetings

We don't talk anymore

The immediate consequence of such a unilateral encounter can be seen in some of the meeting times covered in the report: likely the result of a lack of interaction between both sides, 263 AGMs last year were under 20 minutes long. Two companies held AGMs that were just seven minutes long, and another six had meetings that lasted just eight minutes.

As Mak Yuen Teen, an associate professor of accounting at the NUS Business School, who authored the report, had quipped: "For some AGMs, the directors wouldn't have been able to finish singing *American Pie* by the time the meeting ended."

Still, all jokes aside, it's clear that this worrying development needs to be arrested. If companies are allowed to continue conducting meetings in such a fashion, that would have a debilitating effect on our markets: issuers will end up being markedly less accountable for their actions, raising the risk of poor decisions being pushed through; shareholders will become disenfranchised, potential investors will be turned off, and the levels of shareholder participation, engagement and activism – already far from ideal levels here – will dive.

Singapore regulators have stepped forward to issue updated guidance on the conduct of virtual meetings, which now encourage issuers "to adopt enhanced digital tools at their general meetings, such as allowing for real-time remote electronic voting and real-time electronic communication".

They ought to go one step further and make this a mandatory requirement – the technology exists and is readily available, after all. With many companies already regrouping after the initial onslaught of the pandemic, it is time for the Singapore market to work on restoring the rights of shareholders, and to focus our efforts on continued progress in this area.

It is also important for the market to note that electronic online voting is already commonplace in many markets and compulsory in key markets such as China, Taiwan and India; keeping pace with such international developments ought to be a serious consideration.

A whole new world

It should be acknowledged that there are those who feel such an investment is unnecessary at a time when a return to physical meetings in the near future – as pandemic control measures ease – appears likely.

One, it is important to realise that technology in this form – through the use of electronic voting – can be used to enhance and develop shareholder participation whether meetings are physical or virtual; two, hybrid meetings – a blend of the virtual and physical – could be the way to go, even in a post-pandemic world.

Electronic voting can broaden the base of shareholder participation, in general, and attract more of the younger, tech-savvy generation of voters, in particular. And help can be provided to those who have difficulty understanding some of these processes.

Hybrid meetings have their advantages, when conducted well and on appropriate occasions: by giving shareholders the option to join these meetings virtually, it cuts down their travelling and allows them to attend more meetings, and permits those who are unwell or lack mobility to still take part.

An online survey of 186 retail investors, included in the report, showed a clear preference for hybrid meetings. When asked how companies ought to conduct shareholder meetings in a post-pandemic environment, 69 per cent of respondents said they prefer hybrid meetings, compared to 28 per cent who want face-to-face meetings and 3 per cent who prefer virtual-only meetings.

For this year, at least, it looks like virtual meetings are here to stay. One hopes that companies will have learned from last year's experience, and do right by their shareholders this year by offering them a more interactive encounter that will preserve their rights, instead of just aiming for the lowest hanging fruit.

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