

Virtual shareholder meetings are here to stay

Even the most sceptic will admit that virtual meetings are cheaper, greener and save time. But we should not let these pluses detract from the need to make shareholder meetings more relevant.



*“Satyug beeta, Kalyug aaya, par aap ka roop badal na paya,
Aap aaj bhi wahi ho, jo dhool mai phool khilade”*

(Good times give way to difficult days. Yet all through this period of momentous change, you have retained the ability to turn dust to gold).

Hearing these verses read aloud, you may believe that you are attending the Jaipur Literary Festival, till this is couplet is followed by the demand for a higher dividend payout. Last year this would have jolted you back to the meeting venue, this year to your desk at home - since the meeting was virtual¹. Nothing it seems has changed.

¹ Shareholder meetings, in this blog refer to Annual General Meetings, Extra-ordinary General Meetings and NCLT Convened meetings

For the occasional attendee, this bit of poetry might lighten the mood, and provide a welcome distraction from the regimented format set-forth well in advance of the meeting and based on regulations that govern their conduct. But for those retail investors who take their investments seriously, these meetings are the one annual forum to gain insights to the company's working and question its management. Company's they complain, are all too happy to have the meeting hijacked by a handful of investors, who have no interest in the actual working of the company and only show-up because it is something to do on an otherwise dull afternoon. And the refreshments.

The usual format today is some theatre - a demand for higher dividends and bonus shares, before moving on to business-end. Here the chairman's speech is taken as read, followed by a few hurried resolutions authorizing the company to do certain acts in accordance with the law and the company's byelaws. Then it's time to serve *chai* and *samosas*. And while a few years ago, directors and senior management mingled with small shareholders, they rarely do so today. Most shares are e-voted before, so it is no surprise that institutional investors have deserted annual general meetings (AGMs) in favour of one-on-ones with management, leaving diligent small investors orphaned.

Five years ago, the [IFC-BSE-IiAS Corporate Governance Scorecard](#) advocated that companies webcast these meeting to enable a larger set of shareholders to participate. The [Kotak Committee in Corporate Governance](#),² picked up on this, and mandated that the 100 largest companies do a one-way webcast from FY19. The cost and bandwidth availability were seen as constraints. The experience gained was meant pave the way for a wider roll-out. Unexpectedly, two years later virtual meetings have become the norm.

After the initial set of physical meetings started getting postponed from end-March, the Ministry of Corporate Affairs by early April issued [guidelines doing away with a physical quorum and spelling-out rules for virtual meetings](#). Companies and investors have been quick to embrace these: what has been accomplished in the last quarter was unimaginable when the MCA issued its guidelines in early April.

The smoothness with which all pieces fit together is remarkable. A big shout-out all around - MCA and SEBI (on being proactive and flexible), the depositories and technology providers (for virtually a glitch-free delivery), secretarial teams, IT teams and managements, to say nothing of auditors who toiled to finalize the

² Amit Tandon was a member of the Kotak Committee.

balance sheet (for the execution in the face of Covid-19 related operational challenges). Many may have put themselves at grave personal risk to ensure a timely completion.

For shareholders, not to travel either to vote or to participate in the proceedings ('Shareholder tourism') is a time-saver – a huge positive.

There were still a few who complaint about the difficulty of logging-in or not being able to see the chairman. But in the aggregate, these are minor knits. The Q and A with management, however, remains a sore point with investors. The same investors who dominated the physical meeting now commandeer the screen. More worrying, questions asked, more often remained unanswered - it is easier to do this now (- "there is an echo, let's move on to the next question please").

Change might happen for two reasons. One, there is now a recording of the meeting on the website. If none of the probing questions can be purportedly heard or go unanswered, it will be a red flag for the investor. Second, virtual meetings will pave the way for *hybrid* meetings (- a virtual and physical meeting combo). If some serious investors are physically present, supplementing those who participate remotely, it might keep the managements from muting investors. And once questions start getting answered, more investors will begin to participate. For many, reading the managements body-language is a strong reason to show-up. And if board members mix with shareholders, it will be a bonus. But more needs to change.

Virtual meetings have no doubt preserved the *form* of AGM's but have also provided us with a window to rethink their *substance*. We must be bold in reimagining how these meetings become relevant again.

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- [MCA allows holding of EGMs through video conferencing](#), April 2020
- [Covid-19: The virtual reality of shareholder meetings](#), April 2020
- [Are shareholder meetings dead?](#) June 2014

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