Good governance guide: effective shareholder meetings

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Shareholder meetings, both the annual general meeting and other general meetings held throughout the year, provide the live setting for boards to engage in meaningful dialogue with shareholders. They are a chance to reflect not only on financial performance, but on the purpose, strategy, governance and future direction of the business. They can be both a challenge and an opportunity for boards and should always be diligently prepared for.

Historically, shareholder meetings have been held in physical venues, with shareholders required to attend in person. However, for many companies the recent Covid-19 pandemic accelerated the move to holding “hybrid” shareholder meetings, whereby shareholders can attend either physically or remotely via an electronic platform.

The adoption of new technologies has, in many instances, led to improvements in shareholder engagement, together with a new diversity of participation. This is undoubtedly something to be celebrated. But nothing is perfect, and the move to virtual participation has brought its own set of challenges, often highlighting the many benefits of in-person meetings that technology cannot replicate or replace. Whilst technology is often lauded as a means of enhancing engagement, it is important to ensure that, in practice, it doesn’t have the opposite effect and inadvertently disenfranchise shareholders.

Ultimately, companies must consider which approach is right for their shareholder base at any particular time. But in light of these changing habits and new opportunities, the Financial Reporting Council has recently put forward seven “good practice principles” that companies may wish to adopt in order to enhance the effectiveness of their shareholder meetings in whatever form they are held. This short briefing summarises those principles and the recommended “actions” to improve shareholder engagement whilst also ensuring transparency and fairness.

Before the meeting

1. Principle one: to enable effective stakeholder engagement, provide clear instructions on how to attend and participate in the meeting:

   - Clear and timely instructions for the process of attending and participating in the meeting (depending on its format) including access to the meeting (eg logging on to an electronic platform in order to attend and participate remotely), asking questions, and voting (whether physically, electronically or by proxy), should be provided to shareholders in advance of the meeting.
   - Details on how to appoint and instruct a proxy should be provided to shareholders well in advance of the deadline for return of proxy forms. Shareholders who are yet to opt-in to receive electronic communications should be informed of the process to do so.
In addition to the notice of the meeting, an area on the company website could be dedicated to informing shareholders of the details of the meeting, including providing timely updates and information about any changes as soon as possible.

2. Principle two: however the meeting is run (hybrid or physical) ensure shareholders can engage in the business of the meeting:

- Shareholders should have the same rights of participation in hybrid meetings as in physical meetings.
- Details of how and when to submit questions prior to the meeting should be given well in advance, with a clear timeframe explaining when and where questions should be sent and how questions will be answered. Companies could consider answering questions in advance of the meeting where practicable (either in an online / virtual Q&A or through published answers on a website), so that the responses can inform shareholders’ voting decisions.
- Where registration and verification are required to access the meeting, shareholders should be provided with their appropriate entry information through their registered / elected method of communication in advance of the meeting.

During the meeting

3. Principle three: the board should update the meeting on matters raised by stakeholder groups that materially affect strategy, performance and culture.

- Consider relevant matters that have been raised throughout the year, and explain how such matters have been taken into account by the board or influenced the board’s decision-making.
- Provide an update on stakeholder and (if relevant) investor engagement. This could be covered as a separate agenda point at the meeting or included in the opening statements made by the chair or CEO.
- Where actions have been taken, or are proposed to be taken as a result of stakeholder engagement, these should be highlighted at the meeting.

4. Principle four: ensure shareholders have the opportunity to raise questions pertinent to the meeting agenda.

- In relation to any virtual element of a meeting, companies should provide online functionality for real-time questions to be submitted during the meeting orally or in writing / electronically.
- The chair should make efforts to ensure a fair representation of questions are addressed and that (if relevant), questions are taken from all the available channels for submitting questions.
- The chair should ensure that, so far as practicable, board members attending the meeting respond to questions. Questions should be directed to those members of the board with relevant expertise.
5. Principle five: shareholders must be able to **cast their vote in real time or submit a voting instruction in advance** of the meeting via the appointment of a proxy:

- Avoid the need for shareholders to download specific software to view or participate in the meeting, where possible. If specific software or an app is required, clear information on how to obtain such software or download the app should be specified within the notice of meeting.
- Highlight what technical support is available and explain how to access such support.
- Consideration should be given to holding a live webcast (or audiocast) if the meeting is a physical-only meeting to encourage engagement with shareholders not able to attend, providing increased transparency.

**After the Meeting**

6. Principle six: ensure transparency with shareholders in relation to **matters discussed and issued raised at the meeting**:

- Shareholders should be able to follow up on any answer given to a question asked at the meeting via a specific email address. Consider creating written answers / summaries to submitted questions, regardless of whether these were answered on the day, and include an explanation as to why any particular question was not answered at the meeting.
- Where a meeting is recorded, the recording may be made available to shareholders for a defined period after the meeting. The recording could be made available on a website and all shareholders notified in advance that it will be placed there after the meeting.
- Make efforts to gather feedback from the meeting and analyse any trends in views.

7. Principle seven: engage with shareholders **throughout the year**, ensuring all shareholders have access to similar information:

- Members of the board should be encouraged to attend engagement days with shareholders, where appropriate.
- Shareholders may be offered the opportunity (via invitation) to observe non-confidential meetings with wider stakeholders.
- In the period prior to the meeting, after the notice of the meeting has been published, consider offering a separate shareholder event to discuss matters pertinent to making decisions on voting at the meeting, to enable shareholders to discuss matters related to the company and receive up-to-date information about the business prior to formal voting by proxy or at the meeting.

The seven principles are not mandatory, and companies may need to allow for a period of trial and error to work out what works and what doesn’t for their shareholders. It will be interesting to review the position in a year’s time, to see if good practice recommendations
change, and if the use of technology increases or lessens as we move further from the pandemic.