

SfC's appeal against AGMs behind closed doors or virtual-only¹

The Annual General Meeting (AGM) is an important forum for corporate boards and management to convey the company's financial position, performance, strategy, and long-term prospects to shareholders. It serves as a key mechanism for accountability and an opportunity for constructive dialogue in a formal setting.

All parties have an interest in ensuring that AGMs are efficiently, democratically and securely facilitated. The AGM allows for the approval of resolutions directing a company's affairs, such as dividend proposals, share issuance authorisations, director elections and auditor appointments. Additionally, it provides any shareholder the opportunity to submit questions or proposals to the company's management.

As Shareholder for Change, we recognised the necessity of virtual-only AGMs during the Covid pandemic when limitations on gatherings were in place for health and safety reasons. Emergency legislation enabled this approach and we continue to acknowledge its continued relevance in the event of further 'emergency' situations.

Since we are no longer in an 'emergency' situation, we strongly believe that **it is no longer necessary to restrict AGMs to a virtual-only format**. Regulators and companies must recognise that **this choice weakens shareholders' rights**.

Virtual only meetings, for instance, limit shareholders' direct interaction with boards and management and the ability to view materials presented at the meeting, ask unmoderated questions and make statements from the floor.

We have experienced it firsthand over the last few years.

We advocate for a hybrid approach that allows both in-person and virtual participation by shareholders.

This format could replicate the in-person AGM experience most effectively, preserving constructive and democratic interactivity between shareholders and the board.

Shareholders should have the option of virtual or live participation.

The preference for virtual-only AGMs also appears to be in contrast with the purpose of the Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies, which

¹ This appeal takes inspiration from ICGN's [Statement on Post Covid AGM Practices and Shareholder Rights](#) published on 19 April 2023.

contains provisions aimed at facilitating and extending the possibilities of participation and the exercise of voting rights by the shareholder, rather than limiting them.

Consequently, virtual-only AGMs should be reserved for extreme situations, especially audio-only meetings which limit facial expression.

For all these reasons, our requests are as follows:

1. **A hybrid format is the optimal AGM format**, allowing in-person presence and access to the meeting via electronic or virtual means. Companies should choose the virtual-only AGM format only in emergency situations. In such cases, the board should be required to explain to shareholders its necessity.
Board members and senior management are expected to attend the AGM in person, in particular if they present reports to shareholders or are candidating for the board.
2. **The use of reliable technology to allow democratic, secure, and efficient access for all participants to the AGM must be ensured**. All the participants should be able to fully see and hear AGM deliberations as well as vote on the spot or remotely during the AGM.
3. **Shareholder questions should be permitted either in advance or during the AGM, allowing sufficient time for discussion and any follow-up questions or statements**. The board and management should address all questions at the AGM itself, rather than following up by email.
Controls to prevent exclusion of unpopular views must be removed and 'live' questions should be unmoderated. To avoid any bias in the ordering of questions, a 'queue' system can be helpful, or alternatively, a ranking system identifying questions that receive the most 'likes' on a virtual chat system.
4. **Voting results must be published promptly on the company website after the meeting**, detailing the voting outcome and the voting levels for each resolution.
If a board-endorsed resolution has been opposed by a significant proportion of votes (e.g., 20% or more), the company should explain what actions were taken to understand and respond to shareholder concerns soon after the meeting. At the following AGM, the board should report how the views from shareholders were considered and actions taken.
5. **The meeting minutes must include all proposals, any questions and answers**. They must also be recorded and made available to all company shareholders.