

PRESS RELEASE

The 2020 shareholders meetings harmed shareholder rights and often severely

A survey of EU individual shareholders by BETTER FINANCE and DSW

15 December 2020 - The annual general meeting (AGM) is the cornerstone of shareholder democracy and an essential part of sound corporate governance. Not only are AGMs the place where shareholders get to vote on key decisions, it is also the only time board members and management are held to account, having to answer directly to their shareholders and report on their performance and decisions. In 2020 the Corona pandemic and the ensuing stringent limitations to gatherings of people and freedom of movement, had a dramatic impact on AGMs across Europe and the world.

Together with its German Member organisation DSW, BETTER FINANCE investigated how selected EU Member States reacted to the Corona pandemic with regard to the general meetings of listed companies and how the measures taken in each case have been perceived by shareholders.

Emergency laws in most EU member states prohibited the physical attendance to general meetings. In response, governments decided to relax the rules governing the participation in general meetings, allowing companies to hold purely virtual general meetings, leading to an unprecedented rise in virtual or totally closed-door AGMs across the EU. In most cases this has resulted, one way or another, in an infringement of shareholders' rights.

A survey conducted among individual shareholders and their representative organisations throughout the EU indicates that shareholders had mixed experiences, citing both advantages and weaknesses for both traditional on-site AGMs and their virtual counterparts.

While shareholders shared concerns that conventional on-site meetings are not easily accessible for non-residents, involve costs and are time-consuming, they agreed that physical meetings give individual, non-professional shareholders a unique opportunity for "in-person" direct interaction with both management and other shareholders. Such meetings are also very transparent, with questions from shareholders and answers from the board being heard by everyone in the room.

Virtual-only meetings, on the other hand, are not conducive to transparent and open discussions and, to some extent, reduce shareholders' rights to speak and ask questions, in particular during the meetings. But they also have their advantages such as the fact that they can be accessed from anywhere in the world, have a lower environmental impact, are less costly and time-consuming for shareholders and can be recorded for future reference.

It would seem, from the mixed responses to the survey, that hybrid AGMs would be the best way forward, combining the best of both worlds by incorporating the positive aspects of both virtual and physical meetings and removing the barriers to the exercise of shareholders' rights that exist in both models. To achieve this, lessons from the 2020 AGM season need to be drawn and the weaknesses of the respective formats addressed.

One such weakness, reiterated by many survey respondents, was the failure by many companies to provide the necessary technical infrastructure to accommodate all shareholder rights in good time, hampering constructive exchanges and their right to vote based on appropriate information.

In worst cases like France, the process turned into sham shareholders meetings: all closed-door, the exercise of voting rights only possible until one day before the date of the meeting, and with the only legal obligation to broadcast the closed-door meeting on the internet and not even in real time.

Guillaume Prache, Managing Director of BETTER FINANCE, looks forward now: *“Whereas the emergency laws instated by member states in response to the health crisis have negatively impacted fundamental shareholders’ rights, this was presented as of a temporary and emergency nature. Going forward, the format of the AGMs needs to return to one that acknowledges and ensures their deliberative function, and which enables shareholders to exercise all of their rights regardless of their means of participation, including the rights to ask questions during the AGM and to vote after having heard the replies from the management and from the board.”*

What shapes should future AGMs take then? The view of shareholders and their representatives is very clear in that respect: an overwhelming majority of both groups prefers to maintain on-site annual general meetings, ideally, but not necessarily, coupled with virtual components.

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