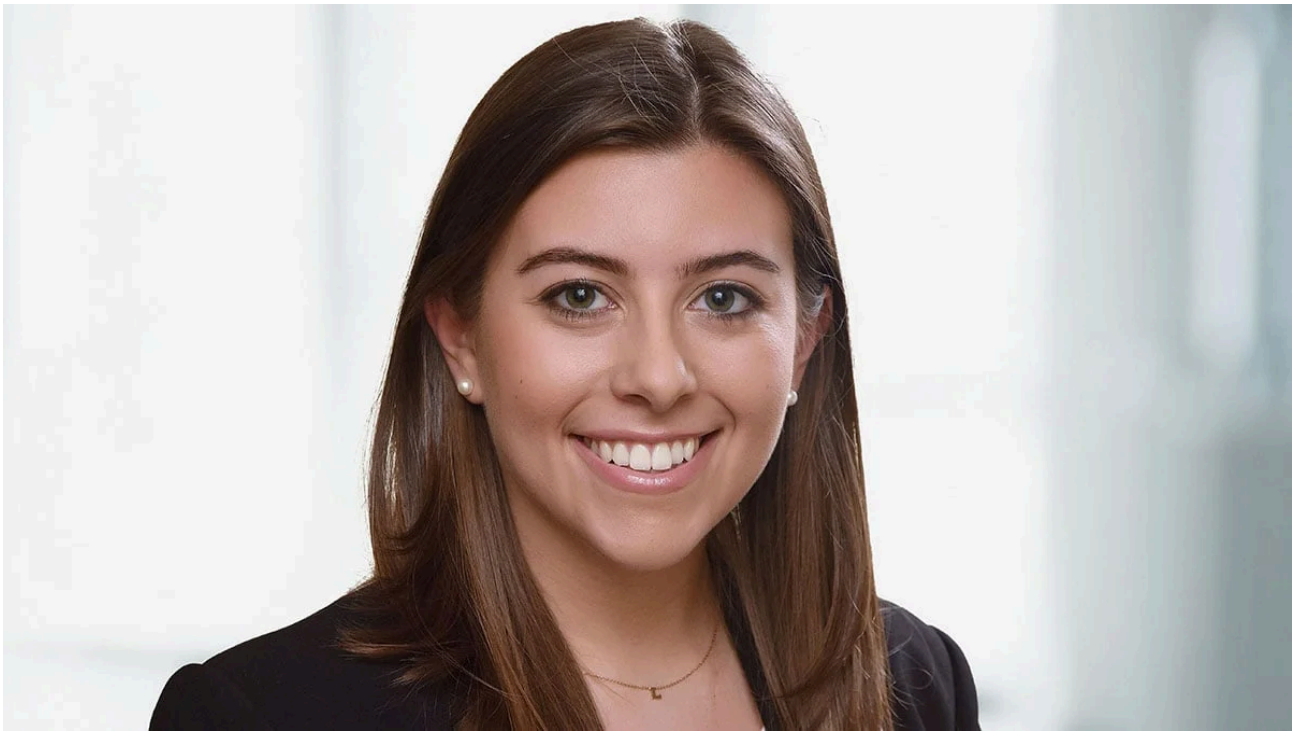
Comment: Are virtual AGMs weakening shareholder rights?

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Hybrid meetings should strengthen shareholder participation and investors must scrutinise them, write Jamie Hanley and Lisa Strejlau.



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Technology has transformed how investors access information, engage with companies and exercise their rights. Annual general meetings should be no exception.

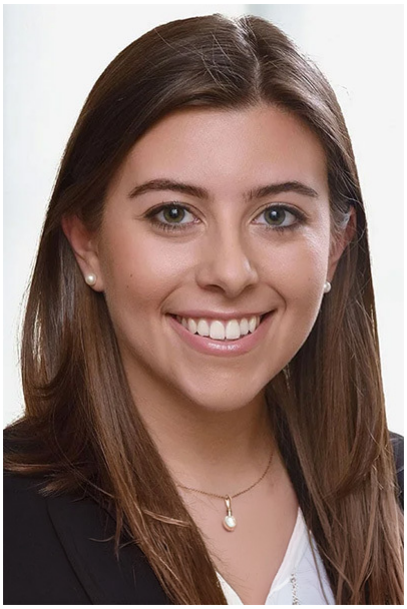
But as UK-listed companies consider moving towards virtual-only AGMs, an important question needs to be answered: does the ability to attend online necessarily mean shareholders have a meaningful voice?

The Investment Association's updated guidance recognises legitimate investor concerns. Its preference for hybrid AGMs reflects the importance of preserving accountability, inclusivity and interaction.

The challenge is to ensure that modernisation strengthens shareholder participation. Administrative convenience should not determine how shareholders exercise their rights.

Accountability

The attraction of virtual AGMs is obvious. They can remove geographical barriers, reduce travel costs and enable investors to participate without spending a day travelling. For internationally diversified institutional investors, these advantages are particularly relevant.



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But participation should not be measured simply by the number of shareholders who log in. The more important question is what they can actually do once they arrive.

A meaningful AGM allows shareholders to question directors directly, challenge explanations, pursue unsatisfactory answers and assess how the board responds under scrutiny. These opportunities are part of the accountability shareholders should expect from those entrusted with their capital.

A virtual meeting can facilitate these interactions. Yet participation depends on the platform, the rules governing questions and, above all, the company's willingness to permit genuine challenge.

A facility for submitting questions is not necessarily a facility for holding directors to account.

Shareholder questions

The handling of shareholder questions is perhaps the most important test of meaningful engagement.

Companies should permit questions to be submitted and answered in real time, with clear procedures explaining how they are selected, prioritised and grouped. Shareholders should know whether their questions will reach the board, receive written answers or remain unanswered.

> "Without the opportunity to probe incomplete or evasive answers, engagement risks becoming a sequence of prepared statements"

There is a legitimate role for moderation. Meetings need to be orderly, and directors cannot reasonably answer unlimited repetitive or irrelevant questions. But moderation must not become a means of avoiding difficult issues. The prospect of criticism is not a reason to restrict participation.

Investors should expect transparent selection criteria and publication of questions submitted, including those unanswered during the meeting, subject to appropriate privacy protections. Where questions are consolidated, companies should preserve their substance and explain the extent of shareholder concern.

Crucially, shareholders must be able to ask follow-up questions. Without the opportunity to probe incomplete or evasive answers, engagement risks becoming a sequence of prepared statements.

For sustainability professionals, this matters when testing whether climate commitments, workforce policies or supply-chain assurances withstand scrutiny. A broad answer about corporate ambition should not displace a specific question about delivery, risk or board responsibility.

Accountability and scrutiny

Virtual AGMs are not inherently incapable of supporting effective scrutiny. A well-designed meeting, with the full board visible, reliable technology and robust interaction, can provide meaningful engagement.

But procedural safeguards alone do not establish accountability. Were difficult questions addressed? Were follow-ups permitted? Could shareholders hear one another's concerns? Were unanswered questions addressed afterwards, with explanations for any omissions?

There is also a wider concern about the balance of power. In a virtual-only meeting, the company typically controls the platform through which shareholders participate. Even with appropriate safeguards, the board and its advisers determine how the event is structured and administered. Investors need confidence that this control will not be used, deliberately or otherwise, to narrow the scope of debate.

> "Institutional investors should not assume that their own access to management makes AGM arrangements unimportant"

The danger is not necessarily formal exclusion. It is that participation becomes less influential, with awkward questions easier to manage and challenging exchanges less likely to develop. Shareholder scrutiny should not depend on the discretion of those being scrutinised.

For pension funds and other institutional investors, AGM participation forms part of a broader stewardship framework. Engagement, voting and escalation are complementary – where misconduct causes investor losses, legal action can provide a further route to accountability and recovery.

The AGM contributes something distinctive: a public forum in which directors must explain their decisions, including where private engagement has failed. That public dimension allows investors to assess both the board's answers and the concerns raised by other shareholders.

Institutional investors should not assume that their own access to management makes AGM arrangements unimportant. Smaller shareholders may have far fewer opportunities to question directors. Effective stewardship should defend shareholder voice across the market.

Hybrid meetings

The appropriate response is to ensure that technology expands access without diminishing accountability.

Hybrid AGMs offer the most convincing solution. They preserve opportunities for direct interaction and spontaneous challenge while enabling participation by overseas investors, people with mobility constraints and those unable to travel.

Remote participants should have equivalent opportunities to ask questions, follow proceedings and vote. Companies should provide technical support, transparent

moderation, adequate time for scrutiny and clear arrangements for interruptions that materially prevent participation.

Institutional investors should scrutinise these protections before supporting changes to companies' articles of association. Companies seeking greater flexibility should explain how it serves shareholders and demonstrate that effective challenge will be preserved.

Shareholder approval should not become a standing permission to weaken participation. Investors should review meeting outcomes and be prepared to oppose restrictive arrangements, seek stronger protections and reflect persistent failures in votes on responsible directors.

The ultimate test is straightforward: does the format empower shareholders to hold directors to account?

Virtual technology can improve engagement. But accessibility is not the same as accountability, and attendance is not the same as influence.

The objective should be to give more shareholders a meaningful voice, not simply a screen through which to watch proceedings. Hybrid meetings should be the preferred model and the benchmark against which any move to virtual-only AGMs is judged.

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