Short study

ESG success factors for shareholders' meetings

Shareholders' meetings – physical, virtual and hybrid

With the advent of the COVID-19 pandemic, many companies have had to make a rapid transition from face-to-face to virtual collaboration. This shift has extended to shareholders' meetings, creating new challenges, such as ensuring secure and compliant voting processes and facilitating meaningful shareholder engagement.[1] However, virtual shareholders' meetings also offer significant opportunities, such as enabling participation from any location, reducing event costs, and lowering travel-related greenhouse gas emissions. Thus, companies now face a complex decision: whether to hold physical, virtual, or even hybrid shareholders' meetings in the post-COVID era.

The ESG approach provides a valuable framework for assessing the pros and cons of physical, virtual, and hybrid meeting formats across environmental, social, and governance dimensions. In a recent short study, we identified key ESG success factors for shareholders' meetings and compared the different meeting formats based on a brief literature review and expert discussions.

ESG success factors of shareholders' meetings

Selected ESG success factors of shareholders' meetings are (see overleaf for more):

- Environmental: Reducing greenhouse gas emissions, energy, water, and material use caused by the meeting.
- Social: Ensuring smooth and safe participation for all shareholders and including company representatives from diverse backgrounds (e.g., positions, ages, and genders) to promote inclusive and unbiased discussions.
- Governance: Providing shareholders with all relevant information in a transparent and timely manner, granting opportunities to voice criticism, and ensuring integrity in decision-making.

Strict compliance criteria apply to certain aspects. For example, legislators and financial markets set clear disclosure and quorum requirements that must be met regardless of the meeting format.[2] In contrast, environmental and social criteria are generally less stringent.

Advantages and disadvantages of meeting formats

The virtual format avoids greenhouse gas emissions and energy consumption for travel, venues, hotels, and catering.[3] These can also be reduced in physical formats but not entirely eliminated. Virtual meetings are more easily accessible, regardless of resources or location, and save time for all participants. However, some may find it difficult to use the required digital tools.[4] Physical meetings offer richer interaction opportunities for in-depth discussions, important decisions, and networking.[5,6] Some studies suggest they are also better for building trust, reaching agreements, and increasing participant satisfaction;[7,8] however, this is may change[1] as meeting technology and skills evolve.

The pros and cons also depend on company-specific factors, such as financial performance, the extent to which the board wishes to involve shareholders, the concentration of ownership, the number and type of shareholders, e.g., institutional vs. retail, and their geographical distribution. Physical meetings seem to be more appropriate when ownership is concentrated among a few shareholders, in critical situations, and for far-reaching decisions. Conversely, the higher the proportion of retail shareholders and the better the company's situation, the more appropriate virtual meetings are, as the focus is likely to shift to information provision rather than in-depth discussion.

The hybrid format currently offers the most flexibility to simultaneously meet varying ESG and stakeholder requirements. However, it is also the most challenging to implement, as it requires the seamless integration of both physical and virtual elements. As such, there is no one-size-fits-all approach. Companies need to tailor the meeting format to their specific situation to meet the diverse needs of shareholders and stakeholders while minimizing environmental impact. We hope this short paper provides a suitable basis for doing so.

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Overview of ESG criteria for shareholders' meetings

The table provides an overview of the ESG criteria for shareholders' meetings and an initial assessment of the three meeting formats. Greener boxes indicate more favorable meeting formats. If all fields are the same color, none of the formats is clearly advantageous. The rating should be interpreted with caution as it also depends on company-specific factors (e. g., ownership distribution).

	Criteria	Description	Physical	Hybrid	Virtual
Environment	GHG emissions and energy use	Reducing emissions and energy caused by travel, venue utilities, catering, materials; and utilizing renewable energies.			
	Water use	Reducing water use for catering, venue utilities and accommodation of participants.			
	Materials and waste	Reducing waste from documentation, decoration, and catering; utilizing recyclable materials and recycling them.			
Social	Inclusion	Simplifying participation regardless of participants' location, background, skills, or resources.			
	Health and safety	Taking measures to protect the physical well-being of all participants.			
	Responsible procurement	Considering ESG criteria in procurement of required goods and services.			
	Staff diversity	Ensure diversity in organizational and speaker roles, e. g. regarding gender, age, ethnicity, and background.			
	Economic value	Contributing to (local) economic value generation through expenditures for venue, catering, ICT, and staff.			
Governance	Transparency	Providing comprehensive and accurate company information before, during, and after the meeting for informed decisions.			
	Accountability	Providing shareholders the opportunity to critique the board's actions before, during and after meetings.			
	Shareholder democracy	Ensuring diverse opinions are represented, with fair opportunities to share views and vote.			
	Compliance and integrity	Adhering to regulations, e. g. regarding notice periods, disclosure, and voting procedures.			
	Security and privacy	Ensuring data security, access control, shareholder safety, and vote integrity.			
	Efficiency and effectiveness	Making efficient and effective use of shareholder time and company resources.			
	Stakeholder engagement	Including relevant perspectives of external stakeholders like suppliers, customers, and partners.			
	Continuous improvement	Continuously gathering and implementing feedback on meeting organization and conduct.			

References

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