



26 April 2020

To:
Chris Thresh, BEIS
Jen Sisson, FRC
Henry Postlethwaite, FCA

AGMs - A joint letter on behalf of Private Investors from ShareSoc and UKSA

We are writing to call for a review of the guidance on company AGMs. In these difficult and uncertain times it is vitally important that companies continue to engage with investors, that they keep them up to date with events and foster their support and commitment. Never has the importance of the AGM been so high.

It is now a month since the current lockdown due to Covid-19 was introduced. This has coincided with a particularly busy period in the annual reporting season with many AGMs taking place. The regulators moved commendably quickly to put guidance in place to ensure that AGMs continued to go ahead using a 'virtual AGM' approach wherever possible. The intention was to help ensure a continued flow of relevant and meaningful information to investors. This remains entirely appropriate.

The situation we are in has no precedent and much of the action taken has, of necessity, been introduced on a trial-and-error basis. It is important, therefore, that we keep the guidance under review and that we make appropriate adjustments as necessary. Examples of good and poor practice are now emerging and can be used to inform further refinement of the guidance. We have appended brief notes on some of those examples.

While the current lockdown is set to last for at least another two weeks, it could go on longer and there is also the possibility that large gatherings of people (such as AGMs) will be prohibited for much longer. Further lockdowns might have to be imposed if there is a resurgence in the pandemic. It really is important, therefore, that the guidance on AGMs is regularly reviewed and adjusted to ensure that it is achieving its intended outcomes.

Based on experience so far, we have the following observations:

- Separating the formal business from the rest of the AGM is really not satisfactory. It may be necessary for shareholders to ask questions (and/or hear a presentation, where provided) before taking a final decision on voting. If only pre-submitted proxy votes are accepted, then the AGM becomes largely a rubber stamping exercise. The best AGMs involve shareholders questioning the directors, and expressing their views, about the resolutions they're being asked to vote on. This is especially important for resolutions on remuneration and such matters as share buybacks. Not only does it mean that shareholders vote in an informed manner, but it can also offer valuable feedback to the board about shareholder views.
- Companies should ensure that their AGMs are broadcast on the web live so that all shareholders can see the AGM. It is preferable that remote shareholders can be allowed to ask questions and enabled to do so, via modern technology.
- We worry that underpinning some companies' actions is the view of many companies and fund managers that AGMs are a waste of time and unnecessary, apart from the formalities required by the Companies Act. We most strongly disagree. It is crucial that BEIS and the FRC do not allow companies to move down this slippery slope.
- Individual investors are an important constituency in this, but their needs and interests are not appropriately covered by the guidance on AGMs. Too much is left to the discretion of individual companies.

To summarise, we think you should tell all UK quoted (including AIM) companies to:

1. Hold virtual AGMs; or
2. If their Articles do not allow them to hold a virtual AGM, to hold a virtual meeting before the formal AGM;
3. Ensure questions from shareholders can be raised and answered before the time when proxy votes have to be lodged.
4. Follow the approach [the FRC have published in an infographic](#) of what companies should be thinking of and communicating to shareholders- as a minimum.

We would add that many of the changes that we are calling for should not be treated as temporary 'fixes' to see us through the pandemic. A move towards the live broadcasting of AGMs on the web is long overdue. The current system of having only a 'physical AGM' ensures that many shareholders who live a long way from the AGM venue are, for all practical purposes, excluded from the proceedings. Quite apart from this, the sheer time and cost involved in travelling to AGMs for those who can manage it is hugely wasteful. The current crisis, provides a real prompt for change. That change must not be allowed to pass us by. It needs to be reinforced and embedded.

We would be pleased to meet with you (by video conference call) to discuss these proposals and to explain our ideas in further detail, together with our supporting rationale. We also understand that the FRC's Reporting Lab is likely to be considering the uses of modern technology in the delivery of AGMs in future. We will be pleased to discuss participation in these projects with the FRC.

Yours sincerely,

Cliff Weight
Director
ShareSoc

Peter Parry
Policy Director
UKSA

Attachment

Some examples of good and poor practice

In these difficult and uncertain times, shareholders want to question directors about the impact of the lockdown, the effect it is having on company liquidity and solvency and the actions that directors are taking to address these issues. It is vital that questions from shareholders can be raised and answered before the time when proxy votes have to be lodged. Companies should continue to engage with shareholders. The current guidance on AGMs is clearly intended to achieve this. However, it is not always being interpreted like this.

There are some companies, such as **Rio Tinto** and **Taylor Wimpey**, which are setting a commendable example by organising virtual AGMs. However, there are others such as **Barclays**, **HSBC**, **Direct line Group**, **Mpac** and **Bunzl**, which are opting for AGMs behind closed doors.

We applaud [Shell for Leading the Way for AGMs in Covid Times](#). Shell [on 24 April announced a webcast for all shareholders](#), ahead of the proxy voting deadline for its AGM. There are limitations in that only written questions can be taken, preferably submitted ahead of the webcast, and it is also a bit of a concern that the webcast is only two days before the proxy voting deadline, which may not be sufficient time for those holding shares in nominee accounts to submit their votes. Nevertheless, we feel that Shell is making a serious attempt at giving shareholders an opportunity to question and hear from management before making their final voting decisions.

RBS, on the other hand, has announced a shareholder virtual meeting on the day of the AGM, but **following** the actual AGM, with a promise that further information about future shareholder events will be made in the coming months. The lockdown means shareholders cannot physically attend the AGM, so votes have to be lodged by proxy 3 days before the AGM. Information received after that date, including the board's replies to shareholder questions put to the AGM, will therefore not be reflected in the votes. Q1 Results will be announced on 1st May, 3 days after the AGM. **This is a most unsatisfactory sequencing of events**. It would be far more helpful for the company to provide a trading update before the AGM. A week beforehand would give time for shareholders to digest the information and make their voting decisions.