

From: Phillip Clarke [<mailto:pjejclarke@outlook.com>]
Sent: 01 June 2020 14:29
To: Cliff Weight; 'Peter Parry'; Nick; Andrew Girvan
Subject: FW: Annual General Meetings

Hope you're all well, and enjoying the weather, even if being forced to socially distance. I don't know whether you folks have been engaging with the AGM season this year. It has been a bit bleak, so I penned the following to the FRC making constructive suggestions.

No idea if UKSA/ShareSoc were planning to attempt to intervene further, so I didn't mention UKSA in my note. It is rather lengthy, but the management summary would be "most companies are taking the piss and doing the minimum necessary". A worrying sign, if digital AGMs were to take-off.

All the very best,
Phil

Sent from [Mail](#) for Windows 10

From: [Phillip Clarke](#)
Sent: 01 June 2020 11:53
To: [frccommunications](#)
Subject: RE: Annual General Meetings

Sara, all at FRC.

I hope you are all keeping well and healthy during these difficult times. I wanted to follow up on our earlier communication now we are part of the way through the AGM cycle.

First of all, so we are clear, can I set out how the AGM process works as a sequence of events in NORMAL circumstances.

1. First the company publishes its Annual Report and Accounts and an Agenda for the meeting with the proposed resolutions
2. At the meeting, it is normal for the Chairman, Chief Executive and sometimes other senior managers to give presentations on the performance and outlook for the business
3. It is then normal for shareholders to ask questions in public so that all shareholders and directors (especially the non-execs) can hear the questions and answers. This gives shareholders an opportunity to hold directors to account if there are issues of concern to the shareholder.
4. Finally, then shareholders vote on the resolutions, based on what they have read, seen & heard.
5. After the meeting, there is normally an opportunity for shareholders to mingle with directors over a cup of tea or something similar. This allows those shareholders less comfortable with raising questions in public an opportunity to have their concerns addressed, or for further follow up to answers given during the meeting.

When we communicated in April, I was concerned the FRC's guidance addressed 1) and 4), but completely omitted 2), 3) and 5), ie completely failed to address shareholder engagement.

Given I have now had some experience of the way companies have applied the guidance, I thought I would feed back to you as to how it has panned out. I have tried to engage with some 40 companies

in which I am invested from April to the end of May, so a decent sized sample. These companies are a mixture of FTSE-100, FTSE-250, operating companies and Investment Trusts.

1. All companies prevented shareholders physically attending AGMs, in line with government guidance on face to face meetings.
2. Out of the 40 companies, only 10 webcast or broadcast their AGMs, most held them behind closed doors.
3. Out of the 40 companies, only 11 communicated with shareholders by providing management presentations, some in real time, but many by posting a video on their websites following the meeting. ASTONISHING, given events this year.
4. All but one company allowed questions to be submitted prior to the meeting (surprising that one FTSE-100 company did not invite questions!), but had very different approaches to answering questions. Most sent email replies, some answered questions during a broadcast meeting or in a video after the meeting, and some “lost” questions submitted and failed to answer them in the manner they proscribed. I asked questions of 34 of the 40 companies, 9 of these have yet to reply, some of these are a month overdue. It is important for all shareholders and directors to hear all questions and answers, but the approach taken by most companies was to reply to my questions directly by email. Consequently I am not aware of the questions asked by other shareholders except in only 6 instances where the companies answered questions publicly. This is awful, as in most cases I am not aware of other shareholder’s concerns, and have NO IDEA whether any of the directors ever saw my, or other shareholders’, questions.
5. Other question problems included
 - a. Some companies used “forms” on their websites to collect questions which were largely problematical, for example requiring a Shareholder ID number (impossible if shares held via a nominee), or limiting questions to under 150 characters (impossible to comply with if asking a detailed question)
 - b. One FTSE-100 company held a live meeting, but restricted Q&A time to an arbitrary 35 minutes. This irritation was exacerbated when pre-submitted questions were not answered, and the meeting was curtailed early.
6. Very few companies allowed live real time voting (probably sensible as would require technology to be 100% reliable, which is implausible). This meant all voting had to be completed several days before the meeting, meaning that the logical sequence of events I set out above could not happen – shareholders had to vote before they could listen to management or ask questions.
7. Other – there is definitely a massive problem for shareholders who hold shares via a nominee. In order for me to attend one meeting and vote, I had to ask the nominee to raise a letter of representation, then the nominee had to phone the company registrars to get a code so I could log on, and then communicate that to me securely. Unsurprisingly this could never work, as nominees have very clearly been impacted by lockdown, and their limited staff are unable to attempt anything so complicated. Inevitably, disenfranchisement is the consequence.

As you can see, most companies sought to disengage from shareholders through limited management interaction or having questions fielded by (such as) investor relations. I appreciate these are difficult times, but most companies deliberately used FRC guidance to reduce shareholder interaction to an absolute minimum. I haven’t identified the worst performers in this note, but I would like to highlight a few companies that really made an effort to engage.

1. The Man Group – held a high quality video meeting featuring all directors, management presentations AND answered pre-submitted and live questions. Undoubtedly the BEST response by any company. Heroes.
2. BP – high quality video meeting, with limited directors, good management presentation and answers to pre-submitted questions
3. Taylor Wimpey – held a very good audiocast, with management presentations, and answers to pre-submitted and live questions.
4. Standard Chartered – recognised shareholder engagement is vital, and committed to a shareholder event later in the year.

To conclude, my request of the FRC is to update its guidance as follows

1. All companies should hold a video or audio meeting where management update shareholders.
2. A mechanism be provided so that shareholder questions are answered in an open manner, so that other shareholders, and directors hear and understand concerns being expressed. Ideally all Q&A should be posted on the website.
3. Companies are flexible so as to engage with shareholders in nominees without excessive, unrealistic bureaucracy.
4. Electronic, on-line real time voting is unrealistic as the technology is not sufficiently reliable, so we should (regrettably) persist with current practices.

Please let me know if you will take action.

I am happy to discuss any or all of the above.

Regards,

Phil Clarke

Disappointed Shareholder

Sent from [Mail](#) for Windows 10

From: [Phillip Clarke](#)

Sent: 17 April 2020 16:22

To: [frccommunications](#)

Subject: RE: Annual General Meetings

Sara,

Thank you very much for this, it was exactly what I was looking for.

I fully recognise that we are living in extraordinary times, and that extraordinary measures are necessary to protect the safety of company employees and shareholders. However, I must confess

to a number of disappointments in respect of the approach to Annual General Meetings of public companies.

1. I read the supplemental advice attached to the website you sent me below. Clearly lawyers (Slaughter and May?) have been engaged to find a way through the problem of how to cope with the current difficulties, and the paragraph numbered 3 in the supplemental advice provides a mechanism to justify exclusion of shareholders from an AGM, namely safety. However the document as a whole fails to address the underlying issue, that is that the purpose of an AGM is to allow shareholders and directors to interact, and further to allow shareholders to hold directors to account for their activities, and then vote on those matters required by law, such as re-election of those directors. The mechanism for voting has been addressed, but the more important matter of shareholder/director engagement seems to have been completely disregarded. No one can possibly suggest that holding a meeting between 2 people in a closed room can possibly replace the intention behind an AGM. The proposed solution does NOT allow the shareholders to influence the future direction of their company.
2. I have now received notifications of a large number of AGMs to be held over the next month or so. Almost all companies have chosen to hold closed meetings with shareholders explicitly excluded rather than any of the other options the FRC identified in its original document (ie there seem to be NO companies arranging video or audio meetings, only two companies to my knowledge have postponed their AGMs, and none have adjourned their meetings). Most, but not all, companies have a Q&A mechanism, but NONE allow questions to be answered before shareholders decide how to cast their vote by proxy.

I expect it is too late to do anything about this now, but I hope the FRC monitors how companies are addressing the problem, and more importantly, expressly forbids exclusion of shareholders from AGMs once the government restrictions have been sufficiently lifted.

I do hope you and your colleagues remain well through the current nightmare, and hope we can get back to normal before long.

Kind Regards,
Phil

Sent from [Mail](#) for Windows 10

From: [frcommunications](#)
Sent: 14 April 2020 12:47
To: [Phillip Clarke](#)
Subject: RE: Annual General Meetings

Dear Phil,

Thank you for your email.

Please check this [page](#) which has been updated.

I also advise you to sign up [here](#) to receive our latest updates and news.

Kind regards,
Sara



@FRCnews



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Please consider the environment before printing this e-mail.

From: Phillip Clarke <pjeclarke@outlook.com>

Sent: 12 April 2020 17:08

To: frccommunications <FRCCcommunications@frc.org.uk>

Subject: Annual General Meetings

I am a retail investor who ordinarily attends AGMs. I was looking on your website to find your guidance under the current circumstances of Covid-19.

I found this page on your website:-

<https://www.frc.org.uk/about-the-frc/covid-19>

This appeared to be helpful, and I read the most recent piece issued 9th April entitled “Updated Guidance on AGMs and the impact of Covid-19”. However, this only referred to a note issued on 27th March on the subject of AGMs. Unfortunately there is no publication dated 27th March on the above webpage.

There was however a note on 18th March with a well written and thoughtful document attached which I thought gave good guidance to companies. However, I am confused as to whether this document has any weight, or if it was superseded by a document published on 27th March.

I should be grateful if you could clarify, because as far as I can see, companies are not taking advantage of the entirely sensible recommendations made in your note of 18th March.

Many thanks and regards,

Phil Clarke

Retail shareholder

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