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SHARESOC INFORMER

BIGGER IS THE ENEMY OF BETTER INVESTING

If you bet too much, your most likely outcome is to lose money.

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Editorial

I'm immensely proud of what we as a board have achieved over the half decade in which I have chaired ShareSoc. Your society is now recognised, heard and respected as the considered voice of individual shareholders in the UK. We provide a broad range of events, activities and information to our members. We boast a sound, stable financial position. We also enjoy the patronage of John Lee, Lord Lee of Trafford, which we regard as a great honour and as a coveted endorsement of our work.

We have achieved this through the immense efforts and dedication of unpaid directors, supported by a minimal administrative staff. But the demands of the organisation on those resources have increased over time, and we now need to make changes to leverage these foundations to ensure a continued growth and development trajectory.

These changes will inevitably mean more paid functions, and a greater separation between governance and day to day operation. The time has come for the board to delegate the day-to-day management of the society to dedicated managerial staff, and to focus on guiding, influencing, networking and enabling.

The next phase presents both huge opportunity and significant challenge. It is my view the board will benefit from fresh leadership, fresh blood, a new pair of eyes and renewed passion as it embraces the future, and that we are now in a position to attract the right talent to take us forward.

I will therefore be formally announcing my intention to step down as ShareSoc's chair at our upcoming AGM, effective on the recruitment and appointment of my successor. I will look to stay on the board and to give my full support to the new leadership for the foreseeable future.

We have already begun to put out feelers, and you can see the role specification here. We would, of course, be delighted to receive applications from members and from within your own networks.

Best regards,

Mark Northway

Mark Northway - Chairman

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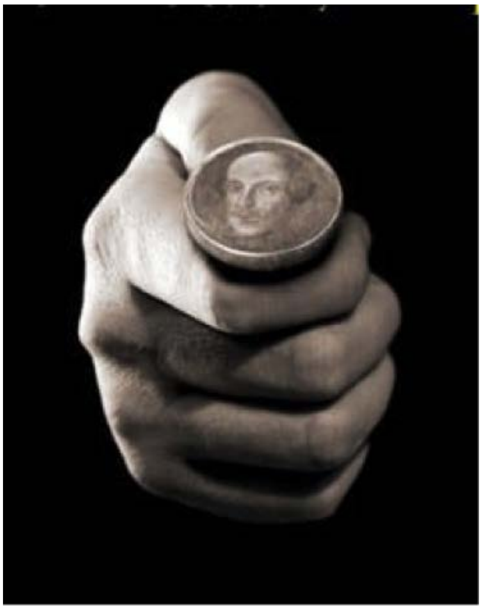
Feature Article

Bigger Is the Enemy of Better Investing

The more you bet on a series of favourable gambles, the higher your expected gain on each event. But if you bet too much, your most likely outcome is to lose money.

*By Victor Haghani and Richard Dewey**



Elon Musk has had a remarkable 12 months. His net worth sextupled, largely on account of his stake in Tesla Inc., which increased 740% in 2020. Musk isn't the only one rejoicing. Those with concentrated holdings in various technology companies and cryptocurrencies have likewise enjoyed once-in-a-generation returns. They should be celebrated for their achievements, but their outsized positions and gains are potentially sending the wrong message to ordinary investors.

Twitter and Reddit are replete with examples of individual investors who have become multimillionaires through concentrated investments that have increased a hundred-fold in a relatively short period of time. And many of them are proud to say they're keeping the faith and not reducing their exposure in the expectation of further massive gains.

Investing involves two decisions: what and how much. The first is to identify the most attractive investment opportunities, and the second is to size those chosen investments to an appropriate level of risk. Some who get the first decision right but the second wrong by taking too much risk inadvertently wind up on various lists of the world's richest people. Sadly, many more find themselves on the opposite end of the wealth distribution curve. Despite the critical nature of the sizing decision, it gets little attention. In the current environment, investors can reach the incorrect conclusion that bigger is always better as long as they have identified an attractive investment opportunity.

In research aimed at understanding how investors approach the sizing decision, we conducted a study in 2017 where graduate students and young investment analysts were given $25 and offered the opportunity to bet on a 60/40 biased coin and get paid their final balance in cash, subject to a $250 cap. The coin flip introduced uncertainty but removed the forecasting element, as participants could focus on how much to bet on a risky but positive expected return opportunity.

To our surprise, 30% of the participants lost their entire bankroll and only a handful placed their bets in a sensible and systematic manner. Following a simple rule of betting 10% to 20% of one's bankroll on heads on each flip generates a 95% chance of reaching the $250 cap. However only 20% of participants achieved this payout.

How does one lose money betting on a coin known to have a probability of landing on heads 60% of the time? Simple, just bet all of your money on each flip. What's perhaps more surprising is that if you bet, say, 50% of your wealth on heads on each flip, then the most likely outcome after 100 flips would be that you'd have lost 97% of your starting wealth. That's what you'd get if your wealth went up by 50% 60 times and shrank by 50% 40 times. Over many flips, the difference between betting the optimal 10% to 20% of wealth and the overly aggressive 50% bet is the difference between growing wealth and heading towards bankruptcy.

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The crux of the sizing decision is this: the bigger you bet on a series of favorable gambles, the higher your expected gain on each event. But if you bet too big, your most likely outcome over the series is to lose money.

Although our study was simply an illustration and no doubt suffered design flaws, the importance of investment size should be clear: even with a well-defined favorable opportunity it is easy to realize suboptimal outcomes by over-betting. This goes beyond an academic concern as financial markets offer plenty of examples where over-sized positions have led to extraordinary losses, despite ultimately being sound investments. One of us had just such an experience as a partner at the hedge fund Long-Term Capital Management.

Frameworks do in fact exist for helping investors think about appropriate investment sizing. John Von Neumann, one of the great mathematicians of the 20th century, together with the economist Oskar Morgenstern, proposed a scaling framework in their seminal 1944 book, Theory of Games and Economic Behavior, which also established the field of Game Theory. They provided the formal mathematical foundation to the hypothesis made by Daniel Bernoulli in 1737 that a rational investor's objective should be to maximize the expected welfare, or utility, that they derive from wealth, rather

Bigger Is the Enemy of Better Investing ...continued

than maximizing the expected monetary value of their wealth. Others such as Massachusetts Institute of Technology Professor Robert C. Merton and Bell Labs scientist John Kelly gave us simple formulas, the "Merton Share" and the "Kelly Criterion," for the optimal amount of risk to take for a given expected return.

Investors can skip all the elaborate math and still avoid the pitfalls of taking too much risk by following a few simple rules: avoid a concentrated portfolio and shun leverage. In short, diversify and don't borrow.

It's taken a long time for retail investors to help themselves to the free lunch of diversification extolled by Harry Markowitz in 1952. Numerous academic studies have documented the tendency of investors to hold significantly undiversified portfolios all through the pre-Vanguard era up to the early 1990s. In the 1950s, the median number of stocks held by an individual investor was just two!

We seem to be witnessing something of a return to those days among Robinhood investors.

Very concentrated holdings are not only suboptimal for the individual, but they also impose a broader social cost in increasing wealth inequality. We hope and expect that this most recent movement of retail investors taking concentrated equity bets will be just a hiccup on the continued path toward more efficient investing as evidenced by the large fraction of the $6 trillion of assets in retirement plans that are invested in diversified mutual funds, many of them indexed.

For those close to the technology who have a guiding hand in steering the future, concentration might indeed make sense, aligning incentives, motivating performance and helping maintain control. But when it comes to the long-term financial health of the vast majority of investors, history and simple math show that it pays to think carefully about sizing and concentration.

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Member Survey

Improve Access for Retail Shareholders

Give Growing Companies Better Access to Retail Capital

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A ShareSoc News Item by Mike Dennis, Director

A recent survey of ShareSoc members, undertaken in conjunction with Aquis Stock Exchange (AQSE), reveals that many individual investors do not feel they have good, equal access to growth stocks.

The survey was completed by over 450 of ShareSoc's 7,000 members, in January 2021. Half of the respondents have a significant proportion (>20%) of their portfolios in small caps and two thirds of those with significant small cap portfolios define themselves as experienced investors.

Key findings

- 55% of individual investors polled feel they don't have, or aren't sure they have, good access to growth companies
- Over 80% of respondents feel individual investors should be able to trade shares in any public company they choose, irrespective of the exchange it is on
- Around 50% of respondents commented that they do not believe that they have enough access to IPOs and fundraises
- Individual investors are frustrated about the privileged access afforded to institutional investors, often at discounted prices
- The Primary Bid service is recognised as a welcome improvement in access to IPOs and fundraises but not enough companies are yet using this service
- Respondents feel that the main barriers to investing in smaller growth companies on AQSE are:-
  - Lack of good quality/reliable information
  - Restricted access to trading through the most popular brokers
  - Poor liquidity and large spreads
  - Several respondents applauded efforts by AQSE to improve liquidity and transactional costs

Improved investor access will ultimately benefit the UK economy

These systemic problems of access have consequences, not just for the individual investors but for the issuing companies and for the UK economy as a whole.

- Liquidity, spreads, costs and ratings on UK exchanges compare unfavourably with their US equivalents which discourages many companies from seeking listings in the UK market.
- Lack of retail investor access to IPOs and fundraises starves companies of essential growth capital at reasonable cost.

Most respondents to the survey believe that the situation could be significantly improved by making it easier and simpler for retail investors to access IPOs and fundraises and to trade shares in ALL public companies on ALL exchanges.

Improve Access for Retail Shareholders ...continued

Regulatory changes will improve access to fundraises

Survey respondents made many suggestions for regulatory changes that would improve access to IPOs and fundraises – the most common being:-

- Removal of or significant increase in the cap of €8m for the retail market
- Radical simplification of the prospectus regs for secondary fundraises
- Scrap or reform Mifid2 – which is preventing availability of research
- Mandate all IPOs to be made available to retail investors
- Ban the disapplication of pre-emption rights

The results from this survey will feed into ShareSoc's policy development processes and I'd like to thank those members who took the time to respond – your feedback is very valuable to us.

ShareSoc in the Press

Shareholder Rights Campaign Featured in This is Money

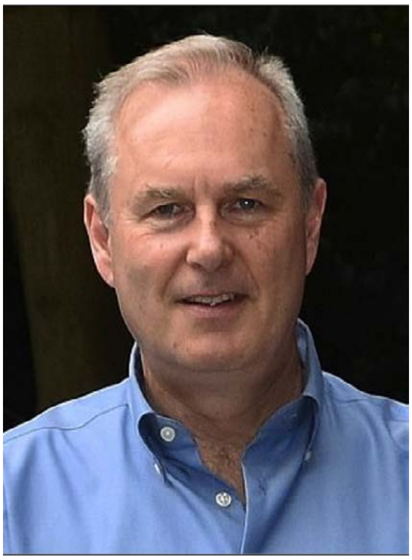
ShareSoc's chair Mark Northway wrote an exclusive article for This is Money highlighting the importance of shareholders exercising their rights:

Mark Northway is chairman of ShareSoc, a group that champions and lobbies on behalf of individual investors.

Here, he outlines what rights shareholders have over companies they own and how crucial it is to use them.

Shareholder stewardship has dwindled in recent years, allowing board director self-interest to develop to the point where many have come to regard shareholders not as owners, but as just one of many tiresome stakeholders.

A clear symptom of this governance drift can be seen in the egregious increases in executive remuneration which have been a feature of listed companies for some time.



Mark Northway

The diligent exercise of shareholder rights by both individual and institutional shareholders is essential, and below I explain what those rights are and how using them will mould the character, behaviour and thinking of a company board for the better.

What are the roles of shareholders and company executives?

Stock market investing relies on the separation of roles between the owners, or shareholders, of a listed or quoted company and its operators, the executives.

This separation allows the company to pursue its business independently of ongoing ownership changes through share transactions on the stock exchange.

Oversight of the day-to-day business is delegated by shareholders to an elected board of directors.

The board is tasked with acting in a way likely to promote the success of a company for the benefit of its members as a whole.

The board is responsible for the strategic direction of a company, for its culture, and for monitoring and controlling the company's executive, in all cases acting as agent for the shareholders with a fiduciary responsibility to them.

Like any complex system, the successful operation of a listed or quoted company relies on a set of checks and balances.

Under this system the company's executives are beholden to the board, and the board is beholden to the shareholders.

The board is required to report to its shareholders on a regular basis, generally through the AGM, and the shareholders are provided with several levers of influence and control – shareholders' rights.

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Shareholder Rights Campaign Featured in This is Money ...continued

What are shareholders' rights?

Key amongst them are the right to attend general meetings of the company, the right to vote at those meetings, the right to propose change, the right to ask questions, and the right to call a general meeting.

These are enshrined in the Companies Act 2006. However, the importance of the AGM and of stewardship in general has declined for various reasons.

Shareholder rights come with corresponding stewardship obligations, and these really do matter.

Yet regrettably, very few individual investors attend AGMs or vote their shares.

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The propensity of brokers and platforms to hold customers' assets in pooled nominee accounts, combined with flaws in the Companies Act, is largely to blame for this, although shareholder indifference undoubtedly plays a part.

Why does holding shares in nominee accounts affect your rights?

Under UK law, investors who hold shares via nominee accounts are not the legal owner of them, and therefore do not enjoy the rights which accompany ownership.

The law provides for 'information rights' for beneficial owners, but it is the choice of the nominee as to whether these are supported. In most cases they are not.

The Companies Act deals with information and voting rights under nominee arrangements. Crucially, it provides only that such rights MAY be passed to the beneficial owner.

'May' is not the same as 'must', and rights are not rights where they are subject to the discretion of an intermediary.

This means that companies are not able to communicate effectively with their owners. With few exceptions, communications mandated by law for the benefit of shareholders simply never reach the beneficial owner.

These owners, unless they specifically request it (often on a case-by-case basis and at a cost), don't receive annual reports, don't get invited to AGMs and don't get asked to vote.

It's a nonsense, but a nonsense which has been allowed to persist for many years.

Will shareholders start exercising their rights again?

The good news is that the recent increased focus on 'environmental, social and governance' (ESG) issues and sustainability has sparked a renewed focus on responsible stewardship within society and within governments.

Hopefully, this will translate into improvements in the legal and market framework, matched by an increased long-termism and responsibility on the part of individual investors.

So, when you buy shares, please bear in mind that share ownership brings important rights, and that those rights come with equally important obligations.

It's your company, and you should think and behave as an owner and as a steward. You should care how it behaves and use the levers of influence and control available to you. It's only right.

SUPERMAN and ShareSoc

Cliff Weight, Director, ShareSoc

It is good news that The Mail on Sunday MailOnline is supporting shareholders and shareholders' rights.

I get quoted....

Cliff Weight, director of investor campaign group ShareSoc, says wealth platforms make it so difficult for customers to engage that they are 'disenfranchising individual shareholders'.

He says: 'Most platforms don't even pass on information and if you want to vote the method offered is practically prehistoric. As a result they're throwing away millions of shareholder votes.'

Weight believes platform Interactive Investor is better than most. Eight per cent of its eligible customers voted last year at annual general meetings – a low turnout, but likely to be several times higher than most of its rivals.

It alerts customers who opt in for notifications of forthcoming annual general meetings when there is a vote and they can click through from the platform to exercise their right.

Be a superhero: Millions of investors have rights over the companies in which they hold shares.

But chief executive Richard Wilson admits there is still more to do. He says: 'ShareSoc kindly thinks we're the best of the bunch at encouraging voting, but that doesn't mean to say our process is perfect.'

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More ShareSoc press coverage in Mail newspapers

Mark Northway, ShareSoc Chair, is quoted extensively again in this article for new investors.

The Mail on Sunday and Daily Mail are doing a good job of educating their huge readership about investing in shares and funds.

Company News

DDDD – 4D Pharma placing
No Primary Bid offer to individuals

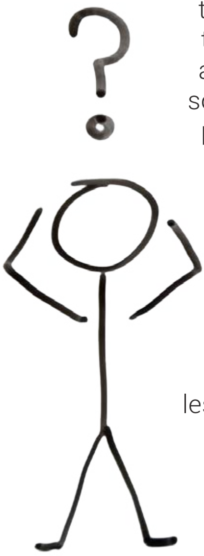
Cliff Weight, Director, ShareSoc

I am not sure whether to be happy or angry with 4D Pharma.

Duncan Peyton (Chief Executive Officer) and Alex Stevenson (Chief Scientific Officer) each subscribed £725,000 for shares in the placing, which in total raised £20m at a price of 110p. Their commitment and increased skin in the game is excellent and praiseworthy.

At the time of writing, the share price is 118p so those who invested have seen a modest gain of 7%.

But those individual investors who bought in January and February this year at much higher prices may well feel aggrieved at not being given the chance to subscribe at 110p. I was one of those: I bought at 122p in January



to increase my DDDD holding. If I now want to top up my diluted holding I will have to pay a premium to the placing price, possibly to someone who participated in the mates-rates placing and is flipping their shares!

On balance, I think the placing was reasonably priced. The 7% profit so far is nice for those who participated, but arguably a requirement to get the extra £20m funding. Hopefully, next time there will be a Primary Bid style simultaneous offer to individual investors. Then I will have less reason for sour grapes.

This is yet another example of the reason for pre-emption rights for existing shareholders.

Note: The author holds shares in DDDD.

Campaigns

In brief:

1. **Woodford Campaign:** Leigh Day is the only claim with insurance and funding in place. Harcus Parker has funding but does not have ATE insurance. RGL has neither insurance nor full funding at this stage.
2. **Sirius Minerals Shareholder Group, Sirius Claim Group**: A 20 page review of the document trail was finalised in April.
3. **Voting Guidance and Shareholder engagement**: We continue to test our new ideas with a pilot study of FTSE30 companies (See AGM section in this newsletter).
4. **SVS/ITI**: we continue to provide a Support Group to help those whose assets were with SVS which went into administration and were transferred to ITI.
5. **FCA**: Mark Northway wrote to the FCA Chair asking for a meeting to discuss various concerns.

Comparison of Woodford Claims

Cliff Weight, Director, ShareSoc

The Investors Chronicle published an article containing a useful comparison of the 4 ongoing Woodford Claims:

Woodford legal claims					
Name of firm behind legal action	**Potential defendants**	**Number of WEIF investors on board so far**	**Stage of claim (eg letter before action sent)**	**Fee taken on success, including VAT (%)**	**Insurance/investors secured?**
Harcus Parker	Link Fund Solutions	6500-7000	Letter before action sent last year, issue of claim coming soon	42	Yes
Leigh Day	Link Fund Solutions	7,500 signed up and more than 10,000 registered interest	Letter before action sent this year	30	Yes
RGL Management	Hargreaves Lansdown and Link Fund Solutions	2750	Letter before action sent this year	25	Insurance "will be in place" for issuing proceedings. Pre-action funding in place
Slater and Gordon	Hargreaves Lansdown and Link Fund Solutions	3000 signalled interest	Preparing potential claims	Not disclosed yet	Not disclosed yet

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ShareSoc endorsed the Leigh Day Claim in November 2020.

The table highlights that the Leigh Day claim and Harcus Parker claim are both against Link, both have funding and insurance, and similar numbers of claimants, but Leigh Day is charging 30% of recoveries after VAT versus 42% for Harcus Parker.

RGL is only part funded and says on its website front page that the fee will be 25%, subject to funding and insurance. Slater and Gordon have not disclosed their fees and currently do not have funding or insurance in place. Both RGL and Slater and Gordon's claims are against Hargreaves Lansdown as well as Link and this may be attractive to some people.

Nelsons, which had considered cases against both, has opted not to proceed for commercial reasons.

Woodford Webinar questions answered

At the 9 March 2021 Woodford webinar, there were over 100 questions from the 947 people registered. Leigh Day has produced a set of answers, conveniently grouped into seven themes.

woodford

SIGnet

By Ray Williams

It is my intention to step back from the role of SIGnet Director when a suitable replacement is found. I intend to continue to be an active member of SIGnet and provide ongoing support to the organisation.

Additionally, the SIGnet steering group has recommended that we now need to put the building blocks in place to continue to build the value in SIGnet for the benefit of all our members. Accepting the steering group recommendations, we need some willing and able volunteers to step forward to help us make it happen.

SIGnet Director

We are inviting candidates from SIGnet and ShareSoc who would like to be considered to take on the position of SIGnet Director.

Key responsibilities are as follows:

- To develop/implement a strategic plan whilst maintaining the SIGnet culture
- Serve as a member of the ShareSoc board of management
- Establishing and monitoring an annual budget
- Ensure proper governance and protect brand values
- Serve on relevant ShareSoc committees
- Positively promote SIGnet and ShareSoc and be an ambassador for the organisation
- Liaise with SIGnet group convenors and relevant ShareSoc managers

Ideal qualities include a facility for thinking and acting strategically, communication skills, ability to cultivate relationships, integrity and ability to build consensus as well as energy and enthusiasm.

Shortlisted candidates will be invited to address a meeting of convenors to evaluate the best proposed candidate. Convenors will make a recommendation to Ray Williams as current SIGnet Director for him to agree with the Board of ShareSoc.

If you would like to apply, please email Ray Williams (raywilliams@blueyonder.co.uk) with your details and what skills and attributes you would bring to the role. The position is open to all members of SIGnet and ShareSoc; the only condition is that applicants will need to be paid up members of SIGnet when presenting to the Convenors and on taking up their position.

Applications would be appreciated by Friday 28th May.

New SIGnet Roles

We already have an editor for the SIGnet Newsletter, Terry Nalden, and Danny Wallace coordinating new members and groups, plus other members of the ShareSoc team looking after the membership administration and various technical functions.

The group considered that there were two key roles that did not currently exist and should be created, which were essential for the future development of SIGnet and would offer the right people the chance to enjoy both personal involvement while contributing to the success of SIGnet. Both roles are of equal priority:

SIGnet Website Coordinator

The SIGnet website is a key tool for SIGnet. It will be the face of SIGnet to the investing world, a shop window and a potent recruiting medium. For members, it will provide services which will add to the value of SIGnet and be a prime means of communication.

This role will fit someone who has an interest and experience in using a website to create attention and demand, combined with a level of technical experience to allow the practical application of ideas for the development of the website.

We are fortunate to have Mark Bentley as the ShareSoc webmaster with overall responsibility for the website. In the new role the Coordinator will be responsible for the maintenance and development of the SIGnet section of the ShareSoc website in cooperation with Mark.

Shows and Exhibitions Coordinator

Shows and exhibitions are key recruitment tools for SIGnet (when there is no pandemic!) and a shop window for potential members.

This role will fit someone with some organisational flair who can work with ShareSoc on an agreed SIGnet programme, coordinating suitable literature to promote SIGnet membership, arranging a stand and on the day support so visitors can talk to actual members of SIGnet face to face.

These roles are open to all members of SIGnet and ShareSoc. The only condition is the successful applicants will need to be members of SIGnet when taking up their positions.To apply, please email Ray Williams (raywilliams@blueyonder.co.uk) stating your interest and why you feel that the role fits your interests.

Applications would be appreciated by Friday 28th May.

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Regulation

What regulators are planning and how ShareSoc is influencing them.

FCA

Cliff Weight, Director, ShareSoc

We have written to the Chair of the FCA asking for a meeting to discuss various concerns, including the culture of the FCA, the time taken to review things, the lack of transparency, LCF, the Gloster Report and the Woodford scandal.

This meeting was not granted.

We did however meet FCA executives in the Primary Markets department on 23 April and had a constructive meeting where a number of our concerns were raised.

We have since asked for meetings with the Regulatory departments who deal with Woodford issues and closet indexing issues.

UK Listing Review – What's It All About?

Roger Lawson

The Chancellor has announced that the FCA will be consulting on Lord Hill's UK Listings Review to encourage companies to list in the UK and on changes to the listing and prospectus rules.

The reason for the review is a decline in the number of companies listed in the UK with many of those listed being "old economy" businesses. Too few world class technology or life science companies list in the UK. This is attributed to complex listing rules and long timescales that deter some companies from choosing London as a listing venue. There is also growing competition from financial centres such as Amsterdam.

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Particular issues include restrictions on dual share class structures that enable entrepreneurs to retain control of public companies they founded, minimum free float requirements and restrictions on SPACs (special purpose acquisition vehicles created to acquire businesses). Current UK listing rules do protect investors, but as Lord Hill's report says: "Our bottom line is this: it makes no sense to have a theoretically perfect listing regime if in practice users increasingly choose other venues". Lord Hill suggests there is a general demand for change and reform.

Many of the rules that govern listings, such as that for the content of prospectuses, were devised by the EU; but Lord Hill says: *"It is not, however, the case that simply leaving the EU will mean that all UK regulation will automatically become proportionate, adaptable and fleet of foot. British Ministers and regulators are just as capable of constructing over-complicated rules that discourage business investment as their European counterparts. It is, for example, a very widely held view that regulatory requirements on business and the liability profile of companies and their directors have increased significantly over time: indeed, this is one of the frequently cited reasons as to why there has been a trend of companies shifting from the public markets to private ones or never accessing the public markets at all".*

His key proposals:

1. Permit dual-class structures, but with some safeguards. Dual class structures enable directors to run the business as if it is a private company rather than a public one. He suggests safeguards might include a maximum duration of 5 years, but will that really satisfy entrepreneurs who wish to retain control? Giving control of a company to insiders is fine as long as the business is doing well, but when in difficulties it can obstruct change or enable a company to be easily delisted and taken private.

2. Remove the barriers to SPACs, but with additional safeguards. SPACs have become very popular of late in the USA, and in Amsterdam as a quicker way to raise money.

3. A complete rethink of prospectus regulations. That may include the provision of forward-looking financial information and the relaxation of prospectus exemption thresholds. But there is surely a big danger here that directors might make wildly optimistic statements about a company's future prospects when there is no risk of liability for doing so. In addition he suggests "alternative listing documentation" where a further issuance from an existing listed issuer is being done. The latter is a very sensible change as it's exceedingly bureaucratic and pointless to require a full prospectus when more shares are being issued to existing holders who are already familiar with a company.

4. He also makes recommendations "to try to empower retail investors, recognising their changing expectations and the way that developments in technology create new possibilities of engagement". He reminds readers of the problem of retail investors exercising their rights in intermediated securities.

This is a useful report, but I am not convinced that it faces up to some of the real issues. Will companies flock to list in London simply because of the changes proposed? Companies list in markets which they perceive as attractive for a wide range of reasons, including valuation metrics. You can't fix that problem by changing the listing rules. Also, there are more onerous corporate governance requirements in the UK than in other countries, which can deter public listing, but it would be a pity to lose the good aspects of that.

You can read Lord Hill's Listing Review here.

Please note the above are Roger's views and not necessarily the ShareSoc view. ShareSoc's response to the Hill consultation can be accessed here.

FRC: Draft Plan, Strategy and Budget 2021/ 2022.

Cliff Weight, Director, ShareSoc

A ShareSoc News Item by Cliff Weight, Director ShareSoc and the UK Shareholders Association made a joint response to the FRC's Draft Plan and Strategy and Budget 2021/ 2022.

You can read our response here.

Restoring Lost Trust

Roger Lawson

The Government's BEIS Department has published a white paper entitled "Restoring trust in audit and corporate governance". It's an acknowledgement that the trust of investors in the directors who manage their companies has long ago been lost, along with the trust that the accounts issued by their companies are accurate and give a fair view of a company's financial position.

Few stock market investors have been unaffected by scandals or frauds in the UK in recent years. However diligent you are researching companies and checking their accounts, you are unlikely to have avoided them all. Fiascos such as Autonomy, BHS, Carillion, Conviviality, Patisserie Valerie and numerous small AIM companies give the impression that the business world is full of rogues and incompetents.

Indeed, in the first chapter of my book "Business Perspective Investing" I hold that accounts don't matter - because they cannot be relied upon. I suggested other aspects of a business that should be examined in order to pick successful investments. But it would be much better if we could trust company directors and auditors.

Proposals

The Government has accepted most of the recommendations contained in past reviews of this area. They plan to tighten up the accountability of company directors and propose *"new reporting and attestation requirements covering internal controls, dividend and capital maintenance decisions, and resilience planning, designed to sharpen directors' accountability in these key management areas within the largest companies".*

The audit profession, which has been a barrier to change, comes under attack: *"Central to achieving [reform] is the proposed creation of a new, stand-alone audit profession, underpinned by a common purpose and principles – including a clear public interest focus – and with a reach across all forms of corporate reporting, not just the financial statements. Alongside this the Government is proposing new regulatory measures to increase competition and reduce the potential for conflicts of interest, by providing new opportunities for challenger audit firms and new requirements for audit firms to separate their audit and non-audit practices"*. The Government proposes to put the new ARGA body on a statutory basis with stronger powers to be financed by a new statutory levy.

There is a new focus on the internal controls in a business and proposals to ensure their adequacy. A lack of internal controls is often the reason why fraud goes undetected. These proposals are similar to the Sarbanes-Oxley regulations introduced in the USA.

For investors, a big change is that: *"Companies (the parent company in the case of a group) should disclose the total amount of reserves that are distributable, or – if this is not possible – disclose the "known" distributable reserve, which must be greater than any proposed dividend; in the case of a group, the parent company should provide an estimate of distributable reserves across the group; and directors should state that any proposed dividend is within known distributable reserves and that payment of the dividend will not, in the directors' reasonable expectation, threaten the solvency of the company over the next two years".*

There are existing rules to prevent dividends being paid out of capital (a common reason for the collapse of companies in Victorian times), but clearly these are ineffective. The BEIS report says: *"high profile examples of companies paying out significant dividends shortly before profit warnings and, in some cases, insolvency, have raised questions about its robustness and the extent to which the dividend and capital maintenance rules are being respected and enforced".*

There is also the problem of large bonuses being paid to directors when they should have known the financial position of their company was precarious. This is tackled by new proposed rules to strengthen malus and clawback provisions within executive directors' remuneration arrangements.

There are proposals to reduce the dominance of the big four accounting firms and introduce more competition.

The 226 page report contains many detailed proposals, and is now open to public consultation. Overall I support the main proposals as a step forward; I just wish the Government would get on with it!

NOTE: ShareSoc is grateful for Roger's insights into this important consultation and will be submitting a response to the consultation in due course. If you have any comments, background information etc, please send them to us at info@ShareSoc.org . We very much welcome members' input as this helps our consultation responses reflect all member views.

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FRC consultation Audit Quality issues

A ShareSoc News Item by Cliff Weight, Director.

ShareSoc and UKSA made a joint response to this FRC consultation. Our key points:

1 - We believe most shareholders look to audits of annual financial statements to underpin their confidence and trust in their companies, management and the numbers they report. Most of the thousands of audits each year are carried out at an adequate quality level, but conclusions from the FRC's July 2020 summary of audit inspections suggest that firms are still not consistently achieving the necessary level of audit quality and that further progress is required. We welcome the FRC's move to tighten up the UK's audit quality management standards.

2 - The AGM is the best opportunity for shareholders, unless for example conflicting AGMs prevent attendance, to question the Chair, Audit Committee Chair and the Auditor about audit and accounting judgments, and potential risks – both those that have been highlighted to the Board by the Auditor and ones where shareholders have concerns.

The full response is available here.

Patisserie Valerie: The SFO Needs You!

Mark Bentley

The SFO has recently been in touch with registered shareholders of Patisserie Valerie (CAKE). But if, like most shareholders, your shares were held in a nominee account, they probably won't have been able to contact you.

They are asking for shareholders to complete a questionnaire to assist them with their enquiries into allegations of fraud at that company. You can find full details and the questionnaire here.

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New Pre-Pack Rules

Roger Lawson

Pre-pack administrations, where the assets of a company are sold within hours with no publicity, often to "connected" persons (e.g. existing management) has been widely criticised. It's often a simple way for companies to dump their liabilities and yet continue in business.

This is what I said in the case of the pre-pack at House of Fraser: "There can be a number of reasons for doing so but in essence it's very typical of what happens with pre-packs where the rush to complete the deal prejudices obtaining the best outcome other than for the secured creditors. So stuff the pensioners, stuff the trade creditors who have supplied goods they won't now be paid for, stuff the property owners and stuff everyone else so long as the banks get paid".

There have been a number of cases where pre-packs have been exploited in public companies, often by dominant shareholders, but they are even more widespread and abused among small businesses. They enable companies in difficulties to arise phoenix-like from the ashes with their trading assets intact. One advantage is that jobs are often retained, but in many cases the assets are sold below fair value.

But from this month there are new rules in place that might prevent the worst abuses. They include:

- Stricter independent scrutiny where connected parties are involved. The regulations will introduce mandatory independent scrutiny by an "Evaluator" and a responsibility on an Administrator to obtain creditor approval before concluding a pre-pack sale to a connected party.
- Improved transparency during pre-pack sales, ensuring the general public and creditors' interests are protected.

These new rules might involve delays of some weeks before the administration can be concluded when time may be of the essence, but will give those who object to the pre-pack time to mount a legal challenge when at present they are often presented with a fait accompli.

These are welcome changes which may prevent the worst abuses, but I still feel that a more substantial reform of the UK insolvency regime is required along the lines of the US Chapter 11 process. A process of reorganisation and restructuring to enable the business to continue while providing some protection to creditors would be preferable. At present the UK regime overweights the interests of preferred creditors such as bank lenders as against all the other stakeholders.

Platforms

Platform Transfers: Worserer and Worserer

Roger Lawson

I commented recently on an article in Investors Chronicle by Mary McDougall on the subject of platform transfers, and how they are inordinately slow. Despite past efforts by the FCA, the situation does not seem to be getting any better. My latest transfer, which was commenced on the 12th of January, is still not complete. The shareholdings have recently been transferred to the selected new platform but not the substantial cash holding in the portfolio.

But according to the latest article by Mary, other investors have even worse experiences. Six months is how long it took in two examples reported to her. Hargreaves Lansdown, who otherwise have a good reputation for service, seem to be no better in doing transfers than other brokers, although none seem to be exactly fast. Both sending and receiving brokers need to act quickly to expedite a transfer, so they tend to pass the buck if you complain.

Mary would like readers to send her examples of their own experiences with broker/platform transfers at mary.mcdougall@ft.com so that she can take up this problem with the regulators. Please help her so we can get this problem fixed.

VCT Corner

VCT INVESTORS GROUP: Update and report on 23 March 2021 webinar

A ShareSoc News Item by Cliff Weight, Director

117 people registered for our webinar, much higher than the 26 the previous year at the East India Club. The organisers received much positive feedback, for which they are grateful, suggesting that similar events would be welcomed in future. At the webinar:

- Cliff Weight did a brief introduction to the VCT Investors Group and it's objectives – to lobby on poor performance, poor governance, high fees, directors with long tenure and questionable independence, and to improve the VCT investment experience.
- Mark Lauber presented very interesting data on historic returns and discussed the question of whether VCTs remain a good investment.
- Robin Goodfellow explained the background to the Edge Performance VCT campaign, how directors had been voted off the Board and how he came to be invited to join the Board as a result of the ShareSoc campaign.
- Nick Curtis presented on the Campaign against the Ventus VCTs, how he became a director and updated us on the latest development, which involves a plan to dispose of all the remaining assets and close the funds so as to maximise shareholder value.
- We then had a lively panel session, in which the presenters were joined by VCT experts Tim Grattan and Roger Lawson.

A recording of the webinar can be accessed here, and copies of the presentations are available here.

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Ventus and Ventus 2 VCT: Update

Cliff Weight, Director

At the August 2019 AGM ShareSoc supported a campaign, fronted by Nick Curtis, to remove the directors and institute governance changes. There had been concerns from shareholders around the length of director service, investment management fees, performance fee calculations and high management costs.

Whilst the majority of the directors remained, Paul Thomas, the Temporis representative, was removed and, given the high level of shareholder dissatisfaction (at nearly 50% of the vote), Nick Curtis was invited to join the board of Ventus. Since then there has been positive news flow with the renegotiation of the investment management agreement and reduction in fees to 1.15% of NAV.

On 1st March 2021 a further RNS was issued in which the directors unanimously recommended that the assets of the Companies be sold. The associated resolution requires a simple majority to pass and a circular with further information will be sent to shareholders shortly.

ShareSoc considers this a positive development and recommends a vote in favour. Due to VCT rule changes, the funds can make no further investments in renewable assets and are becoming increasingly sub-scale. The cost ratio will only increase over time. The assets are wasting both economically (as the subsidy periods end) and physically. Although shareholders are currently receiving a c.8% tax free yield this will be offset by capital losses as NAV falls, followed by reduced dividends.

Reverse enquiry for the assets appears to have given the directors confidence in predicting a sale premium of 25% to 32% over the pre-announcement share price. EY has been appointed to run the sales process, and this should give shareholders comfort that it will be well managed. The full announcement can be found on the company's website here.

Maven VCT: Long Serving Directors

Roger Lawson

I have long complained about directors serving on boards for longer than 9 years. The UK Corporate Governance Code says that any director who serves for more than 9 years cannot be considered independent and that there should be a majority of independent directors.

This principle of avoiding long-serving directors was introduced when the Code was drafted, and I consider it a very sound principle. But investment trusts (including Venture Capital Trusts) continue steadfastly to ignore it. An extreme example of this is that of Maven Income & Growth VCT 4 (MAV4).

In the latest Annual Report (the AGM is on the 12th May), it appears that two of the five directors (Malcolm Graham-Wood and Steven Scott) were first appointed to the board in 2004 and another director (Bill Nixon) is a managing partner of the fund manager. The explanation given to excuse this breach of the Code is feeble (see page 57 of the Annual Report).

I did raise this issue before the last AGM and was told that the FRC considers compliance with the AIC Code to be sufficient, although I have never seen any official pronouncement on this. As the AIC represents the fund managers effectively and not the shareholders in trusts, it is hardly an unbiased body either.

No action has been taken to refresh the board since the last AGM so we have the same cosy arrangement continuing. I have therefore voted against the aforementioned directors and also against the Chairman, Peter Linthwaite, for allowing this situation to persist.

The company's AGM is being held in Glasgow but no shareholders are permitted to attend and no alternative online or hybrid meeting is being provided. Here again the board is avoiding accountability to shareholders.

This is a good example of how investment trusts (particularly VCTs) can become poodles of the fund manager and ignore good corporate governance principles.

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AGM Season

Accessing Virtual Shareholder Meetings

Mark Bentley, Director, ShareSoc

Regrettably, many companies have used the waivers contained in Covid regulations to avoid meeting with their shareholders at AGMs.

It is therefore gratifying to see that some companies are at least making some effort to provide a virtual forum to meet investors.

Two companies which have offered such forums are the RIT Capital Partners investment trust (RCP) and AstraZeneca (AZN). Unfortunately, however, there is a snag. RCP say:

> *You will be able to listen to the Annual General Meeting remotely by phone or online using your Shareholder Reference Number and your unique Confirmation Code on your enclosed Form of Proxy. In addition to the formal business of the Annual General Meeting, there will be a short presentation given by the Executive Committee of our Manager, J. Rothschild Capital Management Limited, and shareholders may submit questions to the Board and also to the Manager in advance of the meeting by sending an email to: InvestorRelations@ritcap.co.uk.*

and AZN say:

> ***Pre-General Meeting shareholder engagement event***
>
> *On 30 April 2021 at 2:00 p.m. BST, the Company will live-broadcast online a presentation from certain members of the Board and invite shareholders to participate in a live Q&A session should they wish to do so.*
>
> *If you wish to access the event, please go to https://web.lumiagm.com on the day.*
>
> *On accessing the website, you will be asked to enter a Meeting ID which is 145-523-877. You will then be prompted to enter your unique SRN and PIN which is the first two and last two digits of your SRN. These can be found printed on your Form of Proxy.*
>
> (AZN are exemplary, arranging their event sufficiently in advance of the AGM to allow shareholders to cast their votes having heard answers to questions at the engagement event).

Accessing Virtual Shareholder Meetings ...continued

The Catch 22, of course, is that shareholders whose shares are held in a nominee account (most individual investors) will not have SRNs and so will not be able to access these events directly.

I contacted both companies to find out how beneficial shareholders could attend these events. This turned out to be more straightforward with RCP than AZN. In the former case, RCP just asked me to provide evidence of my shareholding. I sent them a copy of my investment account statement and they responded with a confirmation code allowing me to access their online AGM.

I received the following response from AZN's registrars:

> *In order to participate in the Shareholder Engagement Event on 30th April, you will need to request that your nominee/ broker appoints you as a corporate representative. Once the valid appointment had been made/received we will then issue the SRN and PIN required to participate. Access to the event will be available from 1.00pm on 30th April.*

I have therefore had to contact my broker (Interactive Investor) and ask them to make the necessary appointment. They did indeed do so and I was able to participate and ask questions, which the board answered.

This is another clear example of how shareholders with shares held in nominee accounts are disadvantaged relative to those whose shares are directly held, with the latter option now becoming increasingly difficult and expensive for individual investors. Of course, those with shares in ISAs and SIPPs have no choice but to hold their shares in nominee accounts.

ShareSoc recently held a webinar on voting at AGMs. If you missed it, you can view it here.

DISCLOSURE: I hold shares in RCP and AZN

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Strategic Equity Capital - General Meeting

Cliff Weight Director ShareSoc

SEC still sits at a 20% discount to NAV at the time of writing, and the Directors still own pitifully few shares so have little incentive to sort this out.

I registered my protest vote via interactive investors' excellent voting platform (*NOTE TO HARGREAVES LANSDOWN – you really ought to provide a better voting service to your customers*), but the directors won the day.

The shareholders' discontinuation proposal and rationale was reported here, and the company view here.

DISCLOSURE: I own shares in SEC

ITV - Access to All Investors on Results Call

Mark Bentley, Director, ShareSoc

Kudos to ITV plc for making its March results call fully accessible to all investors.

They did this by making their results presentation available on their website and by offering a Zoom webinar at 9am to all investors in which participants could ask questions live, orally.

I didn't try to ask any questions myself, so cannot confirm whether individual investor questions would have been taken in the same manner as the analyst questions. Everyone was able to use the Zoom "raise hand" feature to ask questions live of the CEO and FD (using video as well as audio).

Other companies of all sizes should follow this excellent example.

DISCLOSURE: the author holds shares in ITV

Company Information & Vote Guidance

ShareSoc is delighted to provide a new service to its full members. We are piloting reports for a selection of main market companies, providing useful commentary on those companies and voting suggestions.

The full reports can be found on our website, with all reports being listed here: Voting and Company Information - ShareSoc or by using the "Company Research" feature https://www.sharesoc.org/company-research/ to search for all information ShareSoc holds on a specific company, including these reports. Further information about this service was included in the last edition of the Informer.

We are very grateful to Minerva for providing us with access to their reports. Minerva, a leading global corporate governance firm, is generously supporting ShareSoc in this initiative.

We have also included the Stockopedia report for the company and are very grateful to Stockopedia for giving us permission to republish their reports. Readers are reminded that ShareSoc members can obtain a discount on a new or upgraded Stockopedia Subscription.

Summaries of the reports issued this month for the following companies are below:

- Rio Tinto
- Aviva
- Bae Systems
- Glaxo
- RELX Group
- British American Tobacco
- London Stock Exchange Group
- NatWest Group (formerly RBS)
- Glencore

Rio Tinto Company Information & Vote Guidance

Cliff Weight, Director, ShareSoc

Rio Tinto summary of voting issues.

The AGM was on 9th April. This has been a difficult year for Rio in terms of Governance and several directors/executives have resigned and executives have had their bonuses cut (and this has been significant, unlike the tokenism that Aviva has applied following their very serious reprimand from the FCA in respect of the Irredeemable Preference Shares Scandal, alleged market manipulation and negative impact on the reputation of the London Stockmarket).

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Click to read the full Minerva report.

AVIVA Company Information & Vote Guidance

Cliff Weight, Director, ShareSoc

Aviva AGMs used to be exemplary and interesting, with good presentations, excellent access to the directors before and after the meeting and lots of long term shareholders asking difficult questions about why the company was underperforming so badly.

Irredeemables Scandal

And then came the Irredeemables Fiasco, a scandal of amazing incompetence.

We wrote to the FT who published our letter:

Individual shareholders are deeply upset and appalled at the reckless and cavalier announcements by Aviva about the possible repayment of irredeemable preference shares (200 million issued by Aviva and 250 million by General Accident). Not only did the Aviva preference share price drop from 170p to 120p, but the whole asset class suffered a 25% fall as a consequence of the announcement.

To suggest that it is acceptable to use an obscure loophole to repay irredeemable high-coupon securities at or near their par value is highly immoral, and to make such an announcement in the full knowledge of the likely market impact is completely irresponsible.

The news that the FCA is investigating is welcome. But the issue is wider. The Board of Aviva needs to explain itself. A Parliamentary Select Committee should investigate.

This type of behaviour should not be allowed to sully the high esteem in which most of our UK institutions are held.

It is the clearly established principles that are the foundations of the wonderful reputation of the London Stock Exchange.

AVIVA Company Information & Vote Guidance ...continued

They make it pre-eminent in the world. Investors and shareholders need to feel that they can sleep safely in their beds in the knowledge that their rights will not be stolen for the convenience of others. Both institutional and individual investors need to shun institutions that are prepared to behave in such a disingenuous manner.

After a thorough and detailed review the FCA publicly censured Aviva, for the way it had handled the preference shares debacle – a 'significant oversight that confused the market for preference shares'.

Aviva announced they were in the light of this reviewing their remuneration.

Remuneration Consequences

ShareSoc warned Aviva in an Open Letter that a trivial remuneration adjustment would not be acceptable.

But disappointingly the 2020 Annual report contains scant reference to the FCA censure, which has almost been airbrushed out of existence. This public censure is not mentioned at all in the three page letter from the Chair of the Remuneration Committee summarising the key events.

Aviva appointed Allen and Overy LLP to review the remuneration decisions made in 2018, who reported that the minuscule (5%) downward adjustments were "reasonable in the circumstances and these adjustments were applied after careful and thorough consideration by the Committee". These decisions had been made before the regulatory censure. Surely if the Remuneration Committee had known of the public censure they would have applied more than a 5% reduction?

Voting issues

The AGM was on 6th May. The share price has reduced by 60% over the past 20 years.

I have voted against resolutions:

2 Remuneration Report
3 Remuneration Policy
10 Re-election of Patricia Cross (Chair of Remuneration Committee)
11 Re-election of George Culver (the Company Chair who presided over this mess)
24 and 25 changes of Bonus and LTIP
28 and 29 which would allow Aviva to repurchase its irredeemable shares

Click here to read the full Minerva report.

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Bae Systems Company Information & Vote Guidance

Cliff Weight, Director, ShareSoc

The AGM was on 6th May.

The Stockopedia data shows a pretty positive picture, even though the share price has lagged – in my view, which is based on a cursory glance at the numbers. If I were not anti-this sector, I might investigate further.

The Minerva reports highlight various issues:

- Report & Accounts: No confirmation that non-executive directors meet separately.
- Declare Dividends: Dividend represents relatively small percentage of Free Cash Flow.
- Elect Directors (Carr): Poor progress on Board gender diversity.
- Elect Directors (Tyler): High previous dissent.
- Auditors (Deloitte LLP): No detailed breakdown of non-audit fees.
- Political Donations Authority: £100,000 authority.
- Virtual Annual Meeting: Amendment to governing documents. Provisions to ensure attendees have the same rights, whether or not they are attending at the same place. Provisions to postpone general meetings. Provisions to permit Hybrid Meetings.
- Remuneration Report: Discretion exercised in determination of vesting. Excessive severance provisions. High bonus potential. High level of LTIP awards during the year. High salary increase proposed. Low Director Shareholding. Minerva Executive Remuneration Assessment grade 'E'. Pension accrues at accelerated rate. Poor annual bonus target disclosures. Potential excessive levels of incentive pay. Retention incentive.

Click here to read the full Minerva report.

GlaxoSmithKline Company Information & Vote Guidance

Cliff Weight, Director, ShareSoc

The AGM was on 5th May. The share price has gone nowhere over the past 20 years. Drugs giant GlaxoSmithKline says it's making good progress on plans to split into two parts next year as part of moves by boss Emma Walmsley to deliver more value for shareholders.

The Minerva report highlights nine issues about Remuneration, Agenda Item RES 2:

- Benefit concerns.
- High bonus potential.
- High level of LTIP awards during the year.
- Minerva Executive Remuneration Assessment grade 'E'.
- Performance measures not clearly linked to KPIs.
- Poor disclosure of LTIP performance conditions.
- Potential excessive levels of incentive pay.
- Salary peer group concerns.
- Targets may be insufficiently challenging.

Click here to read the full Minerva report.

BAT Company Information & Vote Guidance

Cliff Weight, Director, ShareSoc

The AGM took place on April 28th, 2021. Minerva have reservations about many things:

Agenda Items

RES 1 Report & Accounts:

Political donations have been made during the year which have not been subject to shareholder approval.

RES 2 Remuneration Report:

Buybacks undertaken and EPS performance condition utilised. High bonus potential. High previous dissent. High weighting for short-term incentives. Minerva Executive Remuneration Assessment grade C. Poor annual bonus target disclosures. Potential excessive levels of incentive pay. Remuneration targets – ESG factors not noted. Severance payment.

Click here to read the full Minerva report.

RELX Company Information & Vote Guidance

Cliff Weight, Director, ShareSoc

The AGM took place on April 22nd, 2021. Minerva have reservations about Governance and Remuneration:

Agenda Items

RES 1 Report & Accounts: No confirmation that non-executive directors meet separately. Political Donations of £107,031 were made in the US.

RES 2 Remuneration Report:

High bonus potential.
High level of LTIP awards during the year.
Minerva Executive Remuneration Assessment grade 'E'. (This is a scale of A "Absolutely excellent" to F "Flipping dreadful")
Performance measures not clearly linked to KPIs.
Potential excessive levels of incentive pay.
Remuneration Committee – majority are serving CEOs of listed companies.
Targets may be insufficiently challenging.

RES 6 Elect Director (Walker): Political Donations.

Click here to read the full Minerva report.

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London Stock Exchange Company Information & Vote Guidance

Cliff Weight, Director, ShareSoc

The AGM took place on 28th April. The share price almost reached £100, but has dropped back to £77 on concerns about the all paper takeover of Refinitiv and the presence of three Blackstone related non-independent directors.

Minerva has reservations about many things, including several issues about remuneration:

RES 2 Remuneration Report:

Benefit concerns. High bonus potential. High level of LTIP awards during the year. High salary increase proposed. Minerva Executive Remuneration Assessment grade 'D'. Performance measures not clearly linked to KPIs. Potential excessive levels of incentive pay. Recruitment/retention incentives. Significant upward ratchet in total pay. Targets may be insufficiently challenging.

Click here to read the full Minerva report.

NatWest Group Company Information & Vote Guidance

Cliff Weight, Director, ShareSoc

The AGM took place on April 28th, 2021.

The share price almost reached £52 in 2007 (adjusted to today's terms for subsequent consolidations, etc), but has dropped back to £2 following the disastrous takeover of ABN Amro and various scandals, including RMBS, LIBOR, FX, PPI, GRG, treatment of SME and the disastrous 2008 rights issue, for which no-one has yet been prosecuted! There is a list of legal claims in note 26 of the accounts on pages 314 to 319. In previous years the accounts have shown a table of estimated claims and changes therein, but this year transparency has been reduced and no such table is available.

Directors own pitifully few shares. Sir Howard Davies has 100,000, currently worth less than £200,000 against annual remuneration of £762,000, setting a very poor example.

ShareSoc launched a Campaign against RBS in 2016, because we were concerned about poor governance and the lack of focus on shareholders, particularly individuals. We submitted shareholder resolutions aimed at improving the company's engagement with - and acknowledgement of - its investors. We have paused this campaign because NWG announced a programme of 4 individual shareholders events per year. In 2020 and 2021 the company has provided these events online, a positive initiative.

In 2008, the bank's balance sheet mushroomed to £2trillion. This was reduced to £723bn by 31/12/2019, but has grown by 10% again in the last year to £799bn. This still seems sizeable for a company with a market cap of only £23bn. Of further concern is the shrinking revenue, down to an estimated £10.7bn for 2021 from £15bn in 2019.

Minerva has reservations about several things. Click here to read their report.

DISCLAIMER: I own NWG shares

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Glencore Company Information & Vote Guidance

Cliff Weight, Director, ShareSoc

The AGM took place on April 29th.

Since its 2011 IPO, Glencore has been a great destroyer of shareholder value. Those who bought in 2011 at £5.20, saw the share price halve, although it has recovered from its nadir, when the CEO threatened to take it private in 2016 of 73p, to its current 293p. At this price, the dividend yield is a respectable 4.8%.

Governance has always been an issue at Glencore, with key directors and shareholders snubbing the norms of the UK stock market. The company operates in some of the most difficult regions in the world, in countries where there is much corruption and poverty. Environmental, Social and Governance (ESG) issues are complex. Glencore has the potential to do much good for the local people and other stakeholders, so it is too simplistic to simply blacklist the share on ESG grounds. Personally I do not hold Glencore shares; I am more comfortable with BHP, Rio Tinto and Anglo American in this sector. In particular, the BHP approach to engaging with shareholders is much more open and transparent.

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On a separate point, the UK Government is thinking of relaxing the listing rules for listing on UK markets. Glencore is probably a good example of why the rules should not be relaxed further, and instead the current rules should be applied more firmly.

Minerva has reservations about several things:

Governance

- No confirmation that non-executive directors meet separately.
- Reduction of Share Premium Account.
- Hayward has served on the Board for more than 9 years and cannot be considered independent.
- Coates has served on the Board for more than 9 years and cannot be considered independent.
- Marcus holds no shares in the Company.
- Madhavpeddi holds no shares in the Company.

Remuneration

- Restricted Share Plan (2021 Incentive Plan): High individual participation limit.
- Policy: Alignment concerns – insufficient shareholdings. All LTIP awards not performance related. Disimprovement in remuneration policy. High bonus potential. High salary increase proposed. High weighting for short-term incentives. Insufficient discount rate. LTIP awards not all performance-based. Potential excessive levels of incentive pay. Significant upward ratchet in total pay.
- Report: High bonus potential. High salary increase proposed. High weighting for short-term incentives. No All-Employee Share Plan. Remuneration advisor disclosure concerns. Significant upward ratchet in total pay.

Litigation

The Company is subject to a number of investigations by regulatory and enforcement authorities including:

- The US Department of Justice is investigating the Company with respect to compliance with various criminal statutes, including the Foreign Corrupt Practices Act, US money laundering statutes and fraud statutes related to the Company's business in certain overseas jurisdictions.
- The US Commodity Futures Trading Commission (CFTC) is investigating whether the Company may have violated certain provisions of the Commodity Exchange Act and/or CFTC Regulations including through corrupt practices in connection with commodities trading.
- The UK Serious Fraud Office is investigating the Company in respect of suspicions of bribery in the conduct of business of the Company.
- The Brazilian authorities are investigating the Company in relation to 'Operation car wash', which relates to bribery allegations concerning Petrobras.
- The Office of the Attorney General of Switzerland is investigating Glencore International AG for failure to have the organisational measures in place to prevent alleged corruption.

The timing and outcome of the various investigations remain uncertain.

Click here to read the full Minerva report.

DISCLAIMER: I do not own shares in GLEN.

ShareSoc Members' Network

Mark Bentley, Director, ShareSoc

It is now more than a year since we released a major upgrade to ShareSoc's website, fully described here. A key aspect of this upgrade was the integration of forum functionality previously provided by our separate members' network website based on the Ning software service.

As our new forums have been operating successfully for more than a year, we will now discontinue the old Ning site. Before the transition recent/important content was migrated from Ning to our current website. However, not all older forum content was migrated.

Therefore, if members would like to preserve any other content from the old members' network, please repost it to the new forums as soon as possible. Any orphaned content not reposted will be lost when we discontinue our Ning subscription.

If you became a ShareSoc Full Member after April 2020, you will not have had access to our old members' network and this issue is not relevant to you.

ShareSoc Member Satisfaction Survey - December 2020

Mike Dennis, Director, ShareSoc

I'd like to thank the many members who took the time to respond late last year. Without your efforts it would be very difficult for us to know what we need to do to improve and develop our services for you.

SOME DEMOGRAPHICS

- The vast majority of respondents were 55 years of age or older.
- All membership categories continue to be heavily weighted toward the male gender.
- At least 60% of respondents in all categories were retired; it may be that this is not fully representative of our membership base because retirees generally have more time to respond to surveys than those who are in full time work. The good news is that this suggests we have many members with some spare time on their hands who could be potential volunteers for the many things we need to achieve.

GENERAL SATISFACTION

Around 87% of all responding Combined, Full and SIGnet members were Completely or Somewhat satisfied with their membership.

Around 65% of Associate Members were Completely or Somewhat satisfied with their membership.

INDIVIDUAL SERVICE RATINGS

We asked members to score our services for "usefulness" and also for "quality". The following points were of note:-

- The services that came out most favourably on both counts were :-
  - SIGnet meetings
  - Company Webinars
  - Emails about our events

- The following services were scored acceptably for "quality" but noticeably lower for "usefulness":-
  - Company and Regulatory Campaigns
  - Online Investor Academy
  - Masterclasses

It seems that many members think we do quality work in these areas but they don't necessarily see why it's relevant or useful to themselves. So, in campaigns, we concluded that we need to make more effort to demonstrate a link between the work we do and the benefits to members at a personal level. In the online academy and the masterclasses, we think we need to ensure we pick the topics with the broadest appeal.

COMPARISONS OF SERVICE RATINGS WITH PREVIOUS SURVEYS FROM 2016 AND 2018

The following observations were noted when comparing our latest survey with the previous two:-

- The perceived usefulness and quality of the Website continues to improve.
- There has been a decline in perceived usefulness of the Informer Newsletter, although the quality rating has remained stable.

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ShareSoc Member Satisfaction Survey - December 2020 ...continued

COMMENTS FROM OUR MEMBERS

We received many verbatim comments – a few themes are summarised below:

- Some members have the impression that we don't cater for people who invest in funds and trusts. This isn't the case, but clearly we need to communicate this better.
- The Newsletter generates the widest divergence of opinions. Some think it superfluous whilst others find it useful and very interesting.
- We had several pleas for more presentations from large caps and also a return to physical seminars.
- There was plenty of praise for our regulatory and company campaign work.
- A couple of pleas for us to merge with UKSA (again).
- Several pleas to use more volunteers.

"Sharesoc is an essential part of any serious private investors ecosystem giving access to opportunities and essential representation to companies and regulators."

"The campaign work you do on behalf of ordinary shareholders is very valuable. I will endeavour to be more supportive in future."

"managing my pension income via a sipp has brought into stark relief knowledge gaps and the lack of an even playing field as a private investor - stumbling across sharesoc has provided some comfort."

"It (ShareSoc) is a valued source of unbiased financial information."

"As a long-standing SIGnet member I am new to ShareSoc but am becoming more impressed as time goes by"

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CONCLUSIONS AND ACTIONS

Your responses suggest that we prioritise our efforts around the following :-

- Prioritise rolling out the SIGnet service across the whole of ShareSoc's membership. Resources within SIGnet for absorbing new members are limited and so, ideally, we need to find more volunteers to set up new groups.
- Provide a steady stream of good quality company webinars, including more large caps.
- Promote the work that we do in Regulatory Campaigns and consultations and relate this more explicitly to benefits to individual investors.
- Identify Masterclass topics that have wider appeal within our membership base.
- Focus on key elements of the online Investor Academy that are unique to ShareSoc.
- Review newsletter content, style, production, format and distribution to ensure it remains relevant and accessible to our members.

If you would like to help us with any of the work that we have listed above and you think you have relevant experience, please get in touch at info@sharesoc.org.

Events

Mike Dennis, Director, ShareSoc

Since our last newsletter we have been churning out more webinars with interesting companies and also several campaign and education related webinars. I found the "Investing in Asia" masterclass most interesting with such diverse markets across the region – the focused presentations on the contrasting markets of Japan and Vietnam were fascinating and it's clear I have a lot more to learn about the region. For those of you invested in VCTs, I found the VCT Campaign Update hosted by Cliff Weight very useful and it's well worth a watch if you missed it.

There was plenty of variety in our recent company webinars from GCP Infrastructure (a solid looking income play at an interesting discount) to MGC Pharma and their new Cannabinoid drug development work. The Strix presentation was very popular and I was amazed to see what returns on capital they have achieved from selling a humble, everyday kettle control system – the big question is will they be able to make the same margins from their recent acquisitions in adjacent markets? And, speaking of acquisitions, I had my first chance to run my slide rule over Halma who have very successfully grown in the life-saving technology markets through a combination of acquisitive and organic growth. Growth rates have been impressively steady over many years and they seem to have a formula that works very well for them.

For those of you that are not in the habit of using your rights to vote at AGMs, I hope you watched the information session on AGM Voting on 10th May and picked up a few tips about the best way to exercise your rights. It's extremely important that you, the owners of the investee companies, ensure that boards of directors are held to account and that they operate as effectively as possible on our behalf.

Coming up over the next few weeks we have several companies including Diurnal, Ideagen, Lloyds Bank, Harbourvest, Time Finance, Impax Asset Management, Tek Capital and British Land and we shall continue to bring more to your attention so please keep your eyes on our events page. And don't forget to tell us if you have a favourite company that you'd like to see presenting at a ShareSoc webinar and we shall do our best to get them along – just put your suggestions here - and we promise to contact any company that gets a few mentions in the forum.

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Catch-up Corner: Recent Webinars On-Demand

- Webinar with MGC Pharmaceuticals (MXC) - 5 May 2021
- Webinar with Law Debenture Investment Trust - 29/4/21
- Webinar with Strix Group plc (KETL) - 20/4/21
- Webinar with Halma Plc (HLMA) - 31/3/21
- Masterclass - Listed Private Equity, 25/3/21
- Campaign Update: VCTs, 23/3/21
- Webinar with GCP Infrastructure Investments - 18/3/21
- Masterclass - Investing in Asia, 4/3/2021
- Webinar with Anexo Group PLC (ANX) - 2 /3/21
- Webinar with Cambridge Cognition (COG) - 24/2/21
- Webinar with Ultimate Products (UPGS) - 23/2/21

UPCOMING WEBINARS

SHARESOC WEBINAR WITH IDEAGEN (IDEA)
20 MAY 2021
Click here to register: https://bityl.co/6rC3

SIGNET AFTER-MEETING ON IDEAGEN (IDEA)
20 MAY 2021
Click here to register: https://bityl.co/6rCC

SHARESOC/YELLOWSTONE WEBINAR WITH LLOYDS BANKING GROUP PLC (LLOY)
24 MAY 2021
Click here to register: https://bityl.co/6rDe

SIGNET AFTER-MEETING ON LLOYDS BANKING GROUP PLC (LLOY)
24 MAY 2021
Click here to register: https://bityl.co/6rDh

SHARESOC WEBINAR WITH TEKCAPITAL PLC (TEK)
8 JUNE 2021
Click here to register: https://bityl.co/6rDm

SIGNET AFTER-MEETING ON TEKCAPITAL (TEK)
8 JUNE 2021
Click here to register: https://bityl.co/6rDp

SHARESOC/YELLOWSTONE WEBINAR WITH ELEMENTIS PLC (ELM)
9 JUNE 2021
Click here to register: https://bityl.co/6rDs

SIGNET AFTER-MEETING ON ELEMENTIS PLC (ELM)
9 JUNE 2021
Click here to register: https://bityl.co/6rE1

SHARESOC WEBINAR WITH GETECH (GTC)
9 JUNE 2021
Click here to register: https://bityl.co/6rE3

SIGNET AFTER-MEETING ON GETECH (GTC)
09 JUNE 2021
Click here to register: https://bityl.co/6rE6

SHARESOC WEBINAR WITH CITY OF LONDON GROUP (CIN)
14 JUNE 2021
Click here to register: https://bityl.co/6rEN

SIGNET AFTER-MEETING ON CITY OF LONDON GROUP (CIN)
14 JUNE 2021
Click here to register: https://bityl.co/6rER

SHARESOC WEBINAR WITH TIME FINANCE (TIME)
16 JUNE 202
Click here to register: https://bityl.co/6rEk

PARTNER EVENTS

MELLOTUESDAY, 24TH MAY 2021
Click here to register: https://bityl.co/6rEd

SHARES INVESTOR EVENING (WEBINAR), 8 JUNE 2021
Click here to register: https://bityl.co/6rEh

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News and social media

Join the discussion!

The ShareSoc home page (www.sharesoc.org) contains links to our Twitter, Facebook and LinkedIn pages - see the bottom left hand corner of that page. This makes it easy to sign up and follow the news or add comments.

Support

ShareSoc with a Donation

Are you finding your ShareSoc membership of value? If so, please consider donating to help us continue to support individual shareholders. Go to this page for more information: http://bit.ly/2tFYvyc

Protection of your personal data

Sometimes ShareSoc sends emails that promote third party events or offerings, but we never share your personal data with other companies. If you do not wish to receive promotional emails, do let us know.

Publication and Contact Information

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Address Changes

Please notify ShareSoc’s Membership Secretary of any change of postal or email addresses (do that using the Contact page on our main web site).

Not that we write to people usually, but if an email address stops working, then we do send a letter to you. Paid subscription reminders may also be sent by post, so make sure your details are up to date!

ShareSoc

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Visit www.sharesoc.org for more