Making the most of AGMs

by Eric Chalker

Recently, I had the dubious pleasure of attending the Balfour Beatty AGM. This is a company which last year had six profit warnings, has stopped its dividend and changed some of its board – a board mainly comprising non-executives at a staggering cost of £750,000. I went because some things needed to be said and I was not alone. About a quarter of the 54 shareholders present asked questions and four of these were UKSA members. All were pertinent.

We should not under-estimate the effect that determined questioning can have, nor shy away from the opportunity to comment. Although there are good exceptions, company chairmen have a tendency to see AGMs as a gracious concession to those in front of them, not to be over-indulged in. Balfour Beatty has a new chairman, appointed after the annual report was signed, so it was easy for him to suggest that the past was "another country" and of little relevance now, but he had the grace to smile when one member said he was glad his predecessor had gone. He may not have smiled to see as many as 32% of votes cast against the remuneration report and equivalent to another 4% withheld.

This was one of those AGMs where those who had bothered to attend were denied the chance of showing their opinions by raising their hands. Everything went to a poll. I protested, as we all should do on such occasions. The chairman had the cheek to say this was done out of consideration for *us* – to save us the bother of going through the voting process. What rot. This practice is adopted by those who don't want to see hands raised against them. They claim it is more democratic and no-one would deny that ultimately the number of shares should decide issues rather than hands, but the ability to *show* one's opinion is also a democratic right and this can't be done when swamped by institutional shareholdings.

As policy director, I am beginning to see corporate governance as falling under two separate headings, one being reporting requirements and the other being how the directors – chairmen in particular – behave towards the ordinary members, namely us. I've commented above on one aspect of behaviour, but another aspect is what we are asked to approve every year in the AGM resolutions. This is a subject that needs some examining and I intend to do this in a series of articles over coming months. As I do so, I invite other members to comment on my thoughts in the letters pages of this magazine.

Talking of AGMs - why not come to UKSA's AGM next year?

Let's begin with a simple one. The EU decided that all general meetings should be preceded by 21 days' notice, but (presumably under pressure) it allowed companies to escape this requirement, on a one-year-only basis and except for AGMs, if shareholders vote to reduce the requirement to 14 days. So important is this, however, that such resolutions have to be 'special' resolutions requiring majorities of 75% or more. Routinely, we are asked to approve this reduction, but in my opinion we should routinely vote against. It cannot be in our interest to be told of a proposal, which has to be major because it requires our consent, with two weeks' notice rather than three. This may be fine for institutional investors with staff to look after things, but not for ordinary investors who have to look after their own affairs. It is but one example of the way private investors' interests are disregarded.

Policy Survey – DRIP's from Eric Chalker

It is often said that the best way of growing wealth is through dividend reinvestment. When this is done automatically, it can be both efficient and cheap. Some brokers provide such a facility, but only for nominee accounts, which doesn't help investors who prefer to own their shares. Some companies do provide such a facility (usually called a DRIP) for their own shares, but these don't get a lot of attention in the press (and are less valuable when using a personal - ie sponsored - Crest account because one can't pick and choose).

I asked if you know of any companies which do offer DRIPs, or offer dividends in scrip form (ie shares instead of cash). There is a list of companies, details of which have been supplied to me. Space does not allow me to print the details here, but the table on Page 24 encompasses the information which your healthy response to my query has engendered. Thank you.