

UK Shareholders position on company Annual General Meetings

Background

Section 336 of the Companies Act 2006 requires every public company to hold its annual general meeting within six months of its financial year-end. The intention is to ensure transparency and accountability, to provide shareholders with an opportunity to question the board on the company's annual report and financial statements, and to elect the board of directors.

Individual shareholders value the AGM as an opportunity to:

- gain direct access to the executive team, enabling them to ask questions challenging the board and to better understand the company's strategy and performance.
- network with other shareholders
- make better informed investment decisions.

Additionally, individual shareholders believe that a well-run AGM provides a unique opportunity for the board to hear a range of perspectives on the company's strategy and performance.

Issues

In recent years, there has been a tendency for companies to place less emphasis on the AGM and do less to encourage attendance. Examples of changes include:

- Early start-times making attendance impractical for shareholders with a distance to travel
- Holding AGM's in less accessible locations;
- Little or no refreshment offering.

Some have argued that companies have used such means to actively discourage AGM attendance!

There is a further debate about whether AGM's should be held in-person, wholly on-line or hybrid. Technological advancements have allowed a move to more AGM's being held wholly on-line or in hybrid format. The relative merits of the various approaches include:

- In-Person AGM's offer face-to-face interaction but may present challenges related to location and travel

- Hybrid AGM's combine in-person attendance with online participation and can offer accessibility and flexibility whilst retaining a degree of personal interaction
- Online AGM's enable wider participation from shareholders who cannot travel but limit the opportunities for networking.

Additionally, on-line and hybrid AGM's allow the company a degree of control over which questions are put to the board and how they are phrased, potentially blunting the impact of a well-worded AGM question.

UK Shareholders position

It is the view of the UK Shareholders' Association that:

- AGM's should always offer an opportunity for in-person attendance
- Timings and locations should be set to encourage the widest possible participation
- There should always be an opportunity for unmoderated questions to be put to the board. This is particularly important in respect of on-line and hybrid AGM's.

Additionally, the UK Shareholders' Association believes also that UK company law should ensure underlying beneficial owners of shares are on registers and, as a result, have access to AGMs, rather than depending on their intermediaries for this.