

The Rt Hon Alok Sharma MP
Secretary of State for Business, Energy and Industrial Strategy
1 Victoria Street
London
SW1H 0ET
United Kingdom

25th March 2020

Dear Mr Sharma,

We hope you are keeping well in these difficult times.

We are writing to comment on the proposals to allow companies to hold virtual annual general meetings, due to the restrictions on public gatherings currently in place due to COVID-19. The Government's main focus at present should, of course, be on limiting the spread of COVID-19 and supporting people in the UK through the difficult economic times ahead of us. However, corporate governance is a vital part of ensuring that the UK economy is equipped to handle difficult times such as these. In particular, at a time when many retail shareholders' investments will have plummeted, it is more important than ever that investors can engage with companies about how boards are handling the crisis.

We broadly welcome these proposals: given the present crisis, it is eminently sensible to move AGMs to a digital format. A key function of company AGMs is to fulfil the legal requirement of facilitating a vote on company issues and the selection of the company's board of directors, and this should be achievable online. However, AGMs have a broader purpose that is equally important: to shine a light on company decision-making and ensure that those who provide the company's capital are able to hold the executive board to account.

We would argue against allowing companies to use digital methods alone to host AGMs, once the restrictions on public gathering have been lifted. Moving to a purely digital format could prevent many shareholders from attending. A significant proportion of retail shareholders are older people who tend to be less comfortable with using the kind of technology required to host a digital AGM. In addition, physical AGMs allow retail shareholders and the board a unique and unscripted opportunity to meet and have conversations in person. Company boards may be tempted to use a digital AGM purely to broadcast information about the company, meaning that companies and shareholders alike could miss out on valuable conversations about strategy. For these reasons, [we urge the Department for Business, Energy and Industrial Strategy to ensure that purely digital company AGMs are only a temporary measure.](#)

In the meantime, BEIS should take steps to ensure the process for asking questions and voting at digital AGMs continues to be easy and accessible to all shareholders. BEIS should think carefully about how to prevent obstacles to registration and attendance at AGMs, ensuring that both those who hold shares directly, and through a nominee account with a retail investment platform, can attend, speak and vote. Shareholders should still be permitted to nominate proxies to attend in their place, and those holding shares through a nominee account should be allowed access to the AGM.

BEIS should also issue clear guidance on how questions can continue to be raised and answered at digital AGMs, to ensure that AGMs maintain their usual standards of transparency. For example, if attendees can only submit questions in advance and cannot 'raise their hand' and ask them in real time, this could allow companies to cherry pick which questions they answer. It would also mean that attendees have no opportunity to respond directly to comments made by the executive board during the course of the AGM. Asking questions in real time can also be beneficial for companies. For example, company executives can ask for clarification about the meaning of questions from attendees and check that the answer is helpful.

By way of example, Rio Tinto has proposed changes to its Articles of Association to state that '[a]n Annual General Meeting shall be held... at such place, date and time, and with such additional means of attendance and participation (including at such other place(s) **and/or by means of such electronic facility or facilities), as may be determined by the Directors.**' [Our emphasis.] This means that they are enabling electronic participation without clarifying whether this is in place of physical participation. This sets a concerning precedent for the future, for the reasons explained above.

Meanwhile, Lloyds Banking Group have said that attending their 2020 AGM in its physical location is unlikely to be possible, and that 'if you are unable to attend the AGM, or would prefer not to, you can still ask questions or raise matters of concern for you as a shareholder by emailing ShareholderQuestions@lloydsbanking.com with the subject line "AGM 2020".' We are concerned that any questions sent to that inbox will get an email reply, rather than being aired at the AGM. This would mean that other shareholders would not hear the questions raised, weakening the company's sense of public accountability.

Bunzl has chosen yet another approach: an in-person AGM at their offices with social distancing measures implemented. This seems highly problematic since the Government has asked people to avoid large gatherings. It is unlikely that shareholders will attend an in-person AGM at the current time and Bunzl has not indicated they will provide another means of attending. Therefore, companies such as Bunzl may evade any accountability at all.

These examples indicate that companies are taking an inconsistent approach to holding AGMs and this may be detrimental to investors and other stakeholders.

We look forward to hearing from you. Please let us know if it would be helpful to discuss these comments in further detail over the telephone.

Yours sincerely,

Rachel Haworth

Policy Manager, ShareAction