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# Fit-for-purpose? The future of the AGM

Making corporate governance fit for a purpose-driven investment system

**ShareAction»**



# Acknowledgements

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Any views expressed in this report should not be taken as the views of the companies they represent.

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We want a future where all finance powers social progress. For 15 years, ShareAction has driven responsibility into the heart of mainstream investment through research, campaigning, policy advocacy and public mobilisation. Using our tools and expertise, we influence major investors and the companies they invest in to improve labour standards, tackle the climate crisis and address inequality and public health issues.

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# Introduction

At a time when there are many urgent new questions for corporate boards to answer, four out of five FTSE 350 companies opted to hold their 2020 AGMs 'behind closed doors', with no external participants allowed to attend and ask questions to the board, other than by email.<sup>1</sup>

Yet even before this crisis, company AGMs had shortcomings. Many FTSE 100 companies held AGMs with less than a handful of attendees present, and occasionally no questions asked at all. Institutional investors, who generally own over 90% of the company's shares, are frequently absent. At the other end of the spectrum, some AGMs suffer from heated exchanges and unmet expectations as the major - but very brief - forum for contact between shareholders, stakeholders and company staff each year. Even the value derived by boards themselves has not always been clear. Many AGMs have ossified in style and content - but the AGM is not beyond redemption.

This report sets out a bold new vision for the purpose of the AGM of the future. It addresses how companies, shareholders, stakeholders and policy-makers can play their part in making the AGM of the future the backbone of corporate governance and investor stewardship. The report sets out recommendations for the future: it doesn't claim to have all the answers, but our recommended actions aim to paint an unfinished picture expressing the scale of ambition required, and generate further discussions on the nuances of the changes required. As such, this piece is a means to an end, and not an end in itself.

We believe that the AGM of the future should be regarded as a key component in an annual process that encourages robust engagement between shareholders, stakeholders and the company throughout the year. This process will align their interests in a sustainable way, and inform their respective decisions on key matters. In particular, the future AGM will be a discursive meeting, bringing together the events of the last year, with a particular focus on how the directors have fulfilled their responsibilities to both shareholders and stakeholders. The annual vote by shareholders on resolutions will take place several weeks after the AGM itself.

ESG is here to stay. Its impact on all the participants in the AGM of the future should not be underestimated. Companies will continue to raise their game with stakeholder engagement. Shareholders will hear the views of stakeholders at first hand to help inform their investment and stewardship decisions, including how they hold the boards of investee companies to account, and how they vote.

We would like companies, regulators, politicians, influential trade associations, and leading stakeholders and shareholders to be among those who read this report from cover to cover. We hope they will rise to the challenge of delivering our vision of the AGM of the future.

It has been our pleasure and privilege to lead ShareAction's Future of the AGM Working Group's discussions, which have led to the thought leadership proposals set out in this report. The Working Group sought to look beyond the shorter-term operational issues for AGMs arising from the Covid pandemic. Accordingly, the report does not seek to address the pros and cons of virtual versus physical AGMs. Instead, it addresses the fundamental long-term issues that will make AGMs of the future functional and useful for all concerned.

In closing, we take this opportunity to convey our thanks to all the members of the Working Group for giving their time, sharing their views and having the courage to challenge the status quo in a purposeful way.

**Lily Tomson and Guy Jubb, Co-Chairs of the ShareAction AGM of the Future Working Group**

# The Purpose of the AGM of the Future: A Bold New Vision

The first twenty years of the 21<sup>st</sup> Century have made the systemic impact of public corporations clearer than ever. Global changes in climate, work and health are now a defining feature of life, and companies play a material role in both perpetuating and addressing the crises and opportunities that characterize our times. The COVID-19 pandemic has shown the enormous effect of companies on our societies: they provide many of us with work and wage, and provide for our health, for example in the way in which they operate social distancing measures in their premises and operations. Companies provide both for our retirement, and for the world we will retire in to, through their decision-making. Far more than simply making profit and accruing capital, public companies underpin the world that we live in.

This is understood by many in the corporate and investment communities.

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*Responsible investors understand that if corporate actions produce negative outcomes for stakeholders, those actions will eventually be detrimental to shareholder investment outcomes.*

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The growing diversification and interconnectedness of the investment system means that investors are increasingly 'universal owners' and cannot therefore stock-pick their way out of systemic crises. If they are to navigate growing systemic uncertainty, shareholders must understand the purpose and impact of the companies in which they invest more intensively than ever before, and to do this, they must listen to the stakeholders of their investee companies.

Section 172 of the Companies Act is the legislative bedrock of this, stating that a company's directors must have regard to a number of different types of stakeholder in the pursuit of promoting the long-term success of the company. This is also reflected in the UK Corporate Governance Code<sup>2</sup>, which says that the role of a company board is "to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society." One recent example is the UK Pensions Schemes Bill, which will require pension schemes to report on climate-related financial disclosures - however, there is still much that can be done by regulators, investors and companies.<sup>3</sup>

## Companies Act Section 172: Duty to promote the success of the company

- 1 A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to—
  - a the likely consequences of any decision in the long term,
  - b the interests of the company's employees,
  - c the need to foster the company's business relationships with suppliers, customers and others,
  - d the impact of the company's operations on the community and the environment,
  - e the desirability of the company maintaining a reputation for high standards of business conduct, and
  - f the need to act fairly as between members of the company.
- 2 Where or to the extent that the purposes of the company consist of or include purposes other than the benefit of its members, subsection (1) has effect as if the reference to promoting the success of the company for the benefit of its members were to achieving those purposes.
- 3 The duty imposed by this section has effect subject to any enactment or rule of law requiring directors, in certain circumstances, to consider or act in the interests of creditors of the company.

We propose a bold new vision for the corporate Annual General Meeting, to support companies and investors to make these shifts successfully. In the AGM of the future, companies and their boards will create a purposeful, on-going, values-based AGM process, through which they will gather insight and input from shareholders and stakeholders. A revamped agenda will facilitate structured and respectful multilateral dialogue during the meeting. Shareholders will be able to hear, challenge and discuss the views of stakeholders impacted by corporate activity. This will be underpinned by a combined physical and online venue, which will transform the AGM into a genuinely accessible event. The tools with which shareholders can hold companies accountable will be strengthened, through refining the sequencing of the AGM process, and the development of an annual calendar of communications between companies, shareholders and stakeholders. A key element of this transformation will be separating the discursive elements of the AGM from shareholder voting, which will occur after the AGM.

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*This is our vision for the new purpose of the AGM: a forum for stakeholders, companies and shareholders to engage in transparent, accountable communication, which crystallises how a company's board is fulfilling its organisational purpose and meeting its Section 172 requirements, and helps participants to find common values and a shared vision with which to take the company forward to tackle the challenges it faces.*

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We believe that this new values-based purpose for AGMs will empower stakeholders to speak up and share their experiences, which will better inform shareholders when holding companies and their boards accountable for their impacts. A focus on values will help companies develop practical and sustainable solutions to their greatest challenges.

For too long, AGMs have been poorly attended, inaccessible and at times unproductive. The AGM of the future will no longer be an expensive waste of time and money. Rather, it will be the vibrant, cost-effective forum, which delivers value to stakeholders and shareholders alike, and enables boards of directors to deliver the long-term sustainable success of the company, which is their primary responsibility.



# Companies and investors at the AGMs of the future

The AGM of the future will be one of the most important dates in the diaries of CEOs and their executive leadership teams, and will provide an enhanced role for non-executive directors, in particular those tasked with specific responsibility for the environment, workforce and/or community. Currently, most investor engagement outside of the AGM is with CEOs, CFOs and company chairs, rather than with non-executive board members. In the values-based AGM of the future, non-executive board members will be far more engaged in interactions with shareholders and stakeholders throughout the year. This will involve a greater demand on NED time, with governance consequences such as potentially increased pay, and greater scrutiny on overboarding and NED skill sets. This will also result in a commensurate increase in their confidence – and that of shareholders and stakeholders – that their responsibilities are being fulfilled.

The AGM of the future will provide clear value to investors, not least in enhancing their understanding of the approach their investee companies take on environmental, social and governance (ESG) issues and risks. Both retail and institutional investors will remain at the centre of the AGM process. They remain crucial to corporate governance, with the AGM existing in large part to support them in their ability to act as effective stewards of companies. Ultimately, the board of directors will continue to be legally accountable to the company's shareholders, not its stakeholders.

In the future, institutional investors will increasingly participate in the AGM process through an ESG lens – seeking to understand how a company is fulfilling its Section 172 obligations alongside other issues they would like to explore with a company. Investors will be represented by individuals familiar with the company and its ESG issues, and able to participate authoritatively in the AGM and enrich the discussions. As such, they will attend AGMs far more regularly than they currently do: this will be the new normal. While in ideal terms we would like to see institutional investors participate in the AGMs of all the companies they hold, we recognise the resource limitations faced by those who hold shares in thousands of companies. Therefore, in the AGM of the future these investors will work collaboratively and in coalition with each other where possible, including retail investors when appropriate, to ensure that there is a visible and vocal investor presence at as many AGMs as possible. Investors will embrace the value of AGMs and be transparent about their engagement with them.

Many investors hold company shares indirectly, for example through collective investment vehicles where the shares are owned by a custodian or broker. As a consequence, they face many practical barriers to AGM entry. However, they are just as dependent on company performance as direct shareholders who are on the share register. Pension savers are example of this group, as are many retail investors, and institutional investors such as charity trustees who often invest in collective investment vehicles, such as pooled funds. Through a process of overcoming the many current practical barriers in this space, these indirect investors will have hassle-free access to the AGMs of the future.



## Recommendations for the future

We recognise the asymmetries between investors that affect their ability to attend. Asset owners and managers will have varying sizes of holdings and staff capacity that will influence how many AGMs they can attend. As such, we do not propose a 'one size fits all' solution. Institutional investors will have robust and transparent AGM attendance policies to govern their attendance at and participation in the AGMs of their investee companies. Investors of the future will recognise the following considerations as significant in determining their policies for which AGMs they attend:

- The top 10 companies they hold in terms of market value
- Any company where they hold more than 3% of the total share capital
- Companies where investors have significant ESG concerns

Investors will publish the names of the companies whose AGMs they have attended on their website, provide a rationale as to why they attended these AGMs, and provide an account of their participation.

Indirect investors will be able to attend AGMs of the future by providing easily obtained authoritative evidence to enable their attendance and participation. We welcome further research into this important and complex area, particularly into evidencing shareholdings for pension savers, where levels of transparency around holdings are currently very low.

Regulators will have clear guidelines which set out their expectations as to what institutional investor AGM attendance policies should address, promoting transparency and a proactive approach. They will monitor compliance and take appropriate action if there is insufficient compliance by institutional investors in respect of AGM attendance policies.

# Stakeholders at the heart of the AGM of the future

The current AGM is the only regular company forum where companies, their entire shareholder base and – should circumstances permit – stakeholders, can come together to meet and exchange views. Despite the need for companies and shareholders to engage with stakeholders, it is rare that stakeholder views are actually aired in front of shareholders: stakeholders have no right to attend AGMs unless they have bought or been lent company shares to give them entry. Even if stakeholders attend, the big battalion investors are rarely present to hear what stakeholders have to say.

Companies will weather the storms that we are experiencing as a society through building deeper trust and dialogue with those who they impact, directly or indirectly. The ability of companies to respond to the challenges and responsibilities they face will be enhanced through working in collaboration with shareholders and stakeholders, who will bring valuable expertise and perspective to the table. As is already outlined in the UK Corporate Governance Code, in order for the company to meet its responsibilities to stakeholders, it should “ensure effective engagement with, and encourage participation from, these parties.”<sup>4</sup> Companies will take an active interest in the input of stakeholders, encouraging them to participate in the AGM process and recognising the benefits of aligning stakeholder, shareholder and company views to their business outcomes. One need only look at the recent controversy around Boohoo’s working conditions to understand the damage that can be done all round, should conversations of this type not take place.<sup>5</sup> Companies of the future will take active and enthusiastic ownership over the process, and proactively engage with their stakeholders, to ensure that the AGMs of the future are a well-attended and genuinely useful forum.

Investors of the future will recognise their natural interest in supporting stakeholder attendance and voice. They will understand that fulfilling holistic investment objectives requires a ‘universal owner’ mindset – it is no longer possible to steal from one pocket to satisfy another, as investment portfolios mirror an increasingly interconnected world. Investors already have a fiduciary responsibility to take account of their impacts on a company and on society, to achieve better outcomes across the board. This will generate a more ‘listening’ and collaborative approach to corporate governance, as investors understand better how both their capital allocation and their stewardship decisions affect increasingly volatile global systems. Investors will spend more time listening directly to stakeholders, as well as to what companies tell them through established engagement channels. This will enable investors to truly understand the social and environmental context of the company, the risks that it faces as a consequence, and the impact that it is having on present and future generations. The AGM of the future is designed as a venue to facilitate this, with robust dialogue between interested parties giving shareholders the reassurance they need that the company’s board is taking ESG and its Section 172 obligations seriously.

Section 172 of the Companies Act refers to the importance of directors having regard to the interests of employees, fostering the company’s business relationships with suppliers, customers, and others, and the impact of the company’s operations on the community and the environment.<sup>6</sup> This is a starting point for defining stakeholder groups, but the AGM of the future will invite in a wider range of stakeholders who are affected by company activity.



## Recommendations for the future

In the AGM of the future, a core list of stakeholder groups will be given a ‘right to register’ as stakeholders of a particular company, building directly on those named in Section 172. The concept of registered stakeholders will be recognised in company law and incorporated into companies’ articles of association. Section 172 will be updated to embrace directors’ responsibilities toward a refreshed list of registered stakeholder groups. A company will maintain a list of registered stakeholders on its website and be responsible for updating the list in a timely manner. There will be a mechanism in place to deal with any disputes around stakeholder registration - such as a Stakeholder Ombudsman - and we welcome further research into this important area.

The list of stakeholder groups eligible to register will include:

**Workers:** The Companies Act’s use of the phrase ‘employees’ no longer describes many of those who provide labour to companies. Research from the TUC evidences that one in nine UK workers are in insecure forms of work.<sup>7</sup> ‘Workers’ of all types will be invited to register as stakeholders, including those in traditional forms of employment, alongside ‘self-employed’ workers in the gig economy, those employed through third parties, those working as contractors, and as seasonal workers, and those in supply chains.

Given the intrinsically imbalanced nature of the relationship between workers and companies, many workers may not want to speak out individually, especially if they lack job security. **Trade unions** provide a democratic means for workers to speak collectively and with one voice and as such trade unions and similar bodies will be eligible to register as stakeholders and to engage with companies on behalf of workers, with the legal protection that enables them to stand up for the rights of workers.

**Suppliers:** Consistent with the Companies Act, suppliers will be given access to the AGM of the future. Power imbalances exist between suppliers and companies, just as they do between companies and workers. However, in contrast to workers, there isn’t an obvious body that can represent suppliers in the AGM process, should a supplier not want to participate as a consequence of that imbalance. Supplier trade associations will be eligible to register, however it is unlikely that they will want to carry out their negotiations in public. Other avenues exist for suppliers in some sectors should they want to raise an issue with a company – such as the Groceries Code Adjudicator – however, these aren’t aired in front of shareholders. As a consequence, we welcome further research to understand how best suppliers can be represented at the AGM of the future.<sup>8</sup>

**Communities directly affected by corporate activity:** While the Companies Act makes reference to ‘the community’, it doesn’t refer to specific communities. Communities will be given access to the AGM process, and include:

- Those affected in a local, geographical sense by corporate operations.
- Those affected in a global sense by corporate operations and activity on the climate crisis. This includes but is not limited to communities bearing the frontline impact of the climate crisis, whether from flooding, drought, crop failure or other natural disasters.

- Communities who have historically been, and continued to be, oppressed because of a company's actions, including but not limited to the LGBTQIA+ community, racially oppressed people, the disabled community, and women and non-binary people.

**Communities indirectly affected by corporate activity:** The complexity of the systemic challenges that we face, and the interconnectedness of a globalised world, means that individuals and organisations can be affected by corporate activities at great geographical and temporal distance. Those who are indirectly severely affected by company activities will attend the AGMs of the future, for example to speak as representatives of health and climate crises, as well as on behalf of future generations.

**Customers and users:** The Companies Act refers to customers, which are of course the lifeblood of the company. Consumer associations are one way that customers come together, and they will be welcomed at the AGM of the future. In order to reflect the growth in business practices (such as in the technology sector) where advertisers are the customer, paying for the attention of users, product users will be eligible to register, as a group that are significantly affected by what a company does.



# A rhythm of engagement and communication throughout the year

The current AGM is a condensed affair, generally consisting of a few short hours, held once per year. Much of the interaction between companies, shareholders, and stakeholders (attending as shareholders) is crowded into this event. This has a number of challenges. In particular, it can lead to combative interactions, and questions and answers can operate at a superficial level rather than going into the factual detail and nuance required. Moreover, should key participants – notably institutional investors – not attend, they miss the discussion altogether, due to the lack of recording or minutes. Furthermore, with the majority of resolution votes cast by investors prior to the AGM, the interactions between participants at AGMs rarely influence this key corporate governance mechanism. Retail shareholders do currently attend and cast their votes at AGM, however, this is currently very rarely the case for institutional investors. AGMs are often disappointing in both substance and form for boards, shareholders and stakeholders alike.

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*Participants find common values and a shared vision with which to take the company forward to tackle the challenges it faces.*

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The AGM of the future will be designed to help participants find common values and a shared vision with which to take the company forward to tackle the challenges it faces. To do so, will sit as the centre-piece of an annual calendar of communication between those parties. Elements of the current one-day event will be transformed into outputs spaced through the year. The AGM will be situated as the culmination of a year-long period of transparent dialogue between companies, stakeholders and shareholders, and the start of the next cycle – whilst also engaging with the multi-year time horizons of many ESG issues. This aspect of our vision for the AGM looks to build on the UK Corporate Governance Code's provision<sup>9</sup> that “the chair should seek regular engagement with major shareholders outside existing general meetings to understand their views on governance and performance against the strategy,” by providing a structure for stakeholder communication with companies and shareholders.

The outputs that the current AGM will be broken up into include:



**A process of engagement with registered stakeholder groups throughout the year**

Companies will develop specific solutions based on the unique make-up of their key constituents. Stakeholders that have registered will have the right to meet in-person or by video call and have a substantive discussion with the company at least once, to discuss overlapping areas of interest and concern. These meetings will be led by the chair, and have at least one board member present, with relevant non-executive directors encouraged to attend. This should be understood as separate from and independent to internal processes of engagement such as collective bargaining.

In best practice cases, companies will arrange shareholder and stakeholder events throughout the year. This will take inspiration from the replacement shareholder engagement sessions that supplemented ‘behind-closed-doors’ AGMs in 2020, such as Standard Chartered’s ‘Virtual Retail Shareholder Event 2020.’<sup>10</sup> This will enable companies, shareholders and stakeholders to engage throughout the year. These meetings may be general in theme, or focus on regional or thematic topics. Nationwide’s series of ‘Member TalkBacks’, which give members the opportunity to engage with the board at a general and regional level at various points throughout the year, could be a blueprint.<sup>11</sup>



**Pre-AGM Q&A**

Following the publishing of the annual report, stakeholder and shareholder participants will be invited to submit a question to the company via email. The company will publish all questions, as well as their responses to them, on their website in advance of the AGM. This will both create a public domain overview of key questions to companies, and enable shareholders and stakeholders to continue the conversation on the day of the AGM, offering praise, challenge, and providing more valuable interaction between participants. The FRC has recently provided recommendations around good practice when it comes to AGM email questions, which companies will adhere to.<sup>12</sup>





## The AGM

The event will present the opportunity for all participants to meet, and give shareholders and stakeholders the opportunity to continue nuanced dialogue with the board and share information with other participants. (See the next section for more detail on the structure of the day.) Companies will post a summary of the discussion and a list of action points on the company website shortly after the AGM. These will then be considered at the annual learning review during the AGM in the following year.



## Annual shareholder vote

To give shareholders the opportunity to assess and interrogate company performance in advance of voting, resolution voting will happen after the AGM, rather than taking place in the run up to and on the day. This will also give shareholders an improved opportunity to gauge stakeholder views, as well as board responses to them. To support shareholders unable to attend the AGM to make an informed vote, voting will only be opened once the AGM event summary and action points are posted on the company website. Voting rights on resolutions will continue to be granted only to shareholders.



## Recommendations for the future

### Access to information

- Access to information is paramount. Companies, shareholders and stakeholders have access to different types of information. Companies should look to make available further information to shareholders and stakeholders to support them to come to a well-informed position on the company's Section 172 responsibilities. Annual and Sustainability reports should talk more about the challenges companies face. For example, companies should be more transparent and open about which risks are material to them, presenting them as a 'risk register' which would expose weaknesses in governance if they weren't previously disclosed.
- To ensure that pre-AGM stakeholder interactions with boards are accessible to shareholders, companies could report on these meetings in a Section 172 statement in their annual report. This will be build on the findings of the Financial Reporting Lab in their tips regarding Section 172 Reports.<sup>13</sup> It will outline which stakeholder groups were engaged with, how often they met, and what the contents and outcome of those engagements was. Stakeholder groups will be requested to write a short statement responding to the company's own account of points relevant to them in the annual report, which will be published alongside it in the report. Alternatively, this could be posted on the company website.

### Annual Shareholder Vote

- The current set of standing resolutions at the annual general meeting does not relate closely to Section 172, and the AGM of the Future could see a re-shaping of the resolution agenda to better align the discursive and voting elements of the AGM process. For example, recommendations from the Brydon Review could be revisited and voted on as standing resolutions. This might include the publishing of a company Resilience Statement, which outlines a company's understanding of its short, medium and long-term risks, and the publishing of an annual Public Interest Statement – which sets out how a company perceives its responsibilities to the public interest. Investors will engage with both standing and special resolutions, and should adopt an approach to supporting ESG resolutions on a 'comply or explain' basis.<sup>14</sup>

# The AGM itself – the culmination of a year of engagement

Participants will arrive at the AGM ready to have nuanced and constructive conversations, equipped with detailed information about a company's actions and engagements, and ready to work with others with a stake, job or share in the company. As opposed to being a one-off opportunity for boards, shareholders and stakeholders to engage with each other as can currently be the case, it will be the culmination of a year of dialogue. The AGM, as with all previous communication throughout the year, will aim to help participants understand how a company board is fulfilling its organisational purpose and meeting its Section 172 requirements, and will help them to find a shared vision with which to take the company forward to tackle the challenges it faces.

The agenda of the AGM of the future will be structured as follows:

- 1 Company board present their annual report, including a report on Section 172 obligations and engagements, and their annual learning review.
- 2 Questions from stakeholders and shareholders on company strategy and what has been presented.
- 3 Presentations from investors and stakeholders, as well as any company presentations. Any questions and input from all other participants to follow each presentation.
- 4 Anonymised poll on the application of Section 172 throughout the year, voted on by all attendees.
- 5 Further free discussion between participants; with provisions made for those attending virtually to be able to participate too

The company will begin the AGM by presenting its annual report, with particular emphasis on how it has met its Section 172 obligations and engagements. The company will follow up on this with an annual learning review, providing an update on key issues and points of discussion from the previous year's AGM. It will outline where action has been taken and where it hasn't been, reflecting on progress made and challenges faced. The purpose of this annual learning review is to ensure that there is a continuous link from one AGM to the next, further contextualising the event as part of an ongoing dialogue. This is key given that many ESG issues have multi-year time horizons. By reflecting on the past AGM and actions since, companies, shareholders and stakeholders can track progress on a multi-year as well as annual basis.

Participants will then move into a dialogue, building on the company's presentation and previous engagement throughout the year, aiming to take the conversation to a greater depth. Shareholders and stakeholders will ask questions on company strategy and what has been presented by the company, and they will be explored in all of their nuance, without grouping by topic as is the habit for some companies. Speakers value the ability to ask spontaneous questions at AGM due to the insights it gives around what knowledge is at the fingertips of the respondent, as well as the opportunity to engage in dialogue. As such, questions at the AGM will be asked live, and companies will take steps to be able to respond in depth, for example by giving a more prominent role at the event to non-Executive Directors with responsibility for areas such as sustainability, workforce and the community. Companies will increase the event length accordingly if they anticipate many questions.

The AGM of the future will be a dialogue from all directions, offering investors, the company and stakeholders the opportunity to make short presentations of speech and slides/video to their peers and the board, where appropriate. Participants will then respond to what has been presented, asking questions to clarify and stating their own views. This would enable participants to share and

be questioned on their views, leading to a clearer sense of the relative positions of participants. In this section of the AGM, companies will actively seek the views of participants on 'live' elements of strategy, welcoming questions and feedback from participants. We view this multilateral dialogue as a prerequisite for participants finding a strong collective way forwards. AGMs in Germany use a similar format, where participants can submit and present counter-motions to resolutions, which aren't voted on, but help to crystallise relative positions.<sup>15</sup>

The formal event will conclude with an anonymised poll of all attendees which asks: "*Has the company fulfilled its Section 172 obligations in the past year?*" There will be no binding consequence of this poll on a company. However, it will send a signal to voting shareholders in advance of the annual shareholder vote as to how well participants feel that the company is fulfilling its responsibilities.

Lastly, following the conclusion of the formal event, further free discussion will be facilitated between participants. This will build on the existing ways in which companies coordinate post-AGM discussion, ensuring that a mechanism is in place for those attending virtually to be able to participate too. These conversations are vital for building connection and trust between diverse participants. Moreover, an informal setting gives space for participants to clarify anything that was unclear during the event, and to build personal rapport on key topics.



## Recommendations for the future

- To take the positive aspects of both virtual and in-person AGMs, while mitigating against their respective negatives, and best ensure access and meaningful engagement, AGMs will take a hybrid format, with both in-person and virtual attendance possible. However, the devil is in the detail, and hybrid meetings face significant challenges in their implementation – especially around achieving equitable participation for those attending in different ways. We welcome further research on this area to better determine how this can be made possible, and point to the valuable work being done by the FRC in this area.<sup>16</sup>
- Hybrid AGMs will be supported by enabling regulation and government guidance, and implemented by companies where physical attendance is not possible from a public health perspective.
- Companies will support participants to attend virtually, should they not have the means to do so.

## Closing note

We believe that the AGM of the future will support companies, shareholders, and stakeholders to find a shared vision with which to take the company forward to tackle the challenges it faces. The AGM will be transformed from an often lacklustre and frustrating event, into the centrepiece of a multilateral dialogue between these key parties.

To reach this vision, discussions around AGM reform must not shy away from thinking creatively and in broad terms. This conversation has been triggered by the way that COVID-19 has shaken up company AGMs in 2020, but it must be a longer, considered discussion. There is an exciting case for AGMs to be reshaped, with it becoming the peak of an ongoing process of engagement between companies, shareholders and stakeholders.

We hope that this vision inspires regulators, investors, stakeholders and companies to start on the path with practical short-term steps for the AGM season in 2021. We hope that this piece further inspires them to investigate what longer-term changes ought to be made to create the AGM of the future.



## Appendix: Working Group members

Our Working Group on the Future of the AGM included 11 individuals across policy, corporate, investment and civil society sectors. They participated in a personal rather than organisational capacity and include the below individuals. The ideas from the Working Group informed the report, written by ShareAction.

Any views expressed in this report should not be taken as the views of the companies they represent.

Dominic Burke – Lankelly Chase Foundation  
Soulla Kyriacou – Blueprint for Business  
Matt Crossman – Rathbone Investment Management  
Ashish Ray – Jupiter Asset Management  
Cliff Weight – ShareSoc  
Maureen Beresford – Financial Reporting Council  
Helen Hayes – Member of Parliament  
Janet Williamson – TUC

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ShareAction is a campaigning organisation pushing the global investment system to take responsibility for its impacts on people and planet, and use its power to create a green, fair, and healthy society.

We want a future where all finance powers social progress. For 15 years, ShareAction has driven responsibility into the heart of mainstream investment through research, campaigning, policy advocacy and public mobilisation. Using our tools and expertise, we influence major investors and the companies they invest in to improve labour standards, tackle the climate crisis and address inequality and public health issues.

Visit [shareaction.org](https://shareaction.org) or follow us [@ShareAction](https://twitter.com/ShareAction) to find out more.

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