



How to Run a General Meeting of a Public Company

Preface

As a frequent attendee at the General Meetings of public companies, I have generally found them enormously useful events. You learn many things that you did not know before, and it does enable you to influence the directors, both directly (by voting) and indirectly.

But it is undoubtedly true that some people perceive General Meetings of UK public companies to be moribund affairs, with an archaic format and often populated only by those who have the time to spare. Indeed General Meetings are sometimes run by company directors with little obvious enthusiasm which reflects no doubt their similar views.

One of the reasons why General Meetings are occasionally not as interesting as they should be is that they can be badly organised and run. In addition, shareholders attending do not know what they should be expecting to see so they accept sloppy procedures and casual responses to questions when they should not. Indeed some General Meetings, particularly in smaller companies such as AIM stocks, are run by Chairmen who should know better how to do it. They also clearly lack guidance as to how to make a success of such events which this document is aimed to provide.

This note therefore suggests best practice for the organisation and management of such events, both for those running them, and for those attending.

ShareSoc would like to see some reforms to General Meetings to make them more relevant to the modern world, such as routine video web casting for those who cannot attend in person. And we would certainly like to see the voting arrangements improved, particularly for those in nominee accounts.

But even today, General Meetings can be exceedingly useful and interesting events if they are properly chaired and managed. I hope you find this document serves the purpose of improving such Meetings for everyone, but do let me have your comments if you can identify any useful additions.

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Introduction

This note has been written so that shareholders in public companies know how General Meeting should be run, and their rights at such Meetings. For example how they can ask questions at such Meetings, request polls, get the voting results and how they might expect the Chairman and other directors to behave. It also provides a useful guide to Chairmen as to what shareholders expect to see and best practice that they might wish to follow. It therefore provides guidance for both the directors of companies and the shareholders - for the latter, on their obligations and rights at such Meetings. Note that where "Chairman" or "Chairmen" are mentioned in this document, this does of course include female Chairpersons as is conventional practice.

This note covers both Annual General Meetings and other General Meetings (what used to be called Extraordinary General Meetings) to deal with specific matters. There is now no legal difference between them and they are run in the same way.

The general law for Company Meetings (GMs) is laid down in the Companies Act (see Ref.1), although there is also past Common Law and established practice that also needs to be taken into account. Certain aspects can also be amended by what the Articles of the Company lay down (for example, the number of persons required to support the calling of a poll). If you are attending a critical or contentious meeting of a company, it can be useful to have a copy of the Articles with you (see Ref. 2 for how to obtain).

Preparation in Advance

Before shareholders attend a General Meeting it is important to have the relevant information with you - the Notice of the Meeting, and any other relevant documents such as the Annual Report & Accounts. It's worth noting who the directors are and the name of the Chairman as you may want to address them personally.

Make sure you get to the venue in plenty of time. General Meetings almost always start on time, and the fact that you and lots of other people have been delayed by transport difficulties will not usually cause the Chairmen to delay the start. However Chairmen should note that they do have discretion to do so, but obviously will not want to keep others waiting unnecessarily for a few laggards.

One of the key points of course is to ensure that you will be allowed into the meeting and be able to speak in it. To be able to do so you either need to be a "member" of the company (i.e. a shareholder on the register), or be appointed as a "proxy" by someone who is, or have a "letter of representation" from a corporate body (for example, the operator of a nominee account containing shares of which you are the beneficial owner).

Some companies may allow you to attend a meeting as a “guest” if you do not fall into any of those categories (and ShareSoc considers it best practice to allow this), but you will not have the legal right to vote or to speak and might be refused entry at any contentious meetings. To differentiate shareholders with voting rights from others, sometimes companies issue coloured voting cards which are asked to be displayed on a “show of hands” vote. If a poll is likely to be called, polling cards are issued to members.

To be a “member” of a company you must be on the share register and there are only two ways to ensure that: 1) be a Personal Crest Member (highly recommended); or 2) hold a paper Share Certificate. Registrars (or Company Secretaries in small companies) will usually have a copy of the register of members with them at the GM and will check your name against that register. You should not normally need special proof of identity but very occasionally you will be asked to show a driving licence or credit card as proof.

If a shareholder has been appointed as a proxy by another member on the register, this should be known to the person checking people attending the meeting, but persons who have been appointed as proxies will find it worthwhile to take a photocopy with you as sometimes they get lost. Proxy appointments do need to get into the hands of the registrars some days before the Meeting – it’s no good turning up on the day of the Meeting with the original.

If shareholders hold their shares in a nominee account then please read this page of our web site for the complexities of ensuring how they can attend and vote: www.sharesoc.org/nominee_accounts.html .

Lastly, it’s worthwhile of course for shareholders to read the key parts of the Annual Report to formulate any questions which they may have, study the resolutions on the Agenda and provisionally decide how to vote. Some tips on the common resolutions and how they should be approached are given on our web site here: www.sharesoc.org/voting%20at%20general%20meetings.html . The Directors of a company are more likely to listen to what shareholders have to say if they appear well informed about the affairs of the company and the questions are well considered.

It is best for shareholders to submit a proxy form giving the Chairman as the proxy in advance even if you plan to attend the Meeting in person because you may get delayed or fall sick and hence miss a critical vote. The proxy vote will ensure your wishes are taken into account, and you can always change your vote if a poll is called if you are physically present. This only applies of course to those who are personally on the register, and does not apply to those who hold shares in a nominee account or have been appointed as a proxy by someone else (in the latter case, the appointer may have given you discretion on how to vote or indicated how you should vote on the form). Shareholders whose holdings are held in nominee accounts can instruct their nominee to submit a proxy vote on their behalf in advance of the meeting. It is important to do so if you want your views to be known.

The Location and Timing of Meetings

General Meetings should ideally be in a convenient location and at a convenient time. Shareholders do not like attending meetings set for 9.0 am in the Isle of Man, even if the company is registered there. Companies registered in England should preferably hold their meetings in London, or at their own offices (or nearby). It can actually help shareholders to get some impression of the affairs of the company if an AGM is held on the company's premises with a tour of the venue or a demonstration of operations/products thrown in. Scottish registered companies might prefer to hold their GMs in Edinburgh or Glasgow but as many shareholders of such companies may reside in England, some rotation between venues from year to year may be helpful. Ideally shareholders should be listened to on this matter and their preferences taken into account. Shareholders typically are cash rich and time short, so a venue that can be reached quickly and easily is the ideal.

Likewise timing should be set for 11.00 onwards because travelling in the rush hours of London or other locations is not ideal and as many private shareholders are retired it can ensure they can use cheap train fares. This is particularly important for shareholders who will have some distance to travel.

If companies do not wish the expense of providing lunch, then set the time for 2.00 pm. Providing refreshments will encourage attendance but lack of will not deter serious investors. Tea/coffee should be provided as a minimum.

Companies should try to avoid GMs in bank holiday weeks, around Christmas or July/August when many people are on holiday.

A particular problem of late, now that so many companies have a December year end, is that several AGMs will often be held on the same day. Try to avoid such conflicts, or at least avoid overlapping timings. Note that there is no problem with late afternoon meetings.

Meeting venues should be accessible to the disabled, and if a large attendance is anticipated or there are contentious matters likely to be raised then adequate security provisions should be made.

Meeting Basics (who should attend and how)

It is important that all directors of a company physically attend a General Meeting, unless they are incapacitated by ill health or family emergencies, and this is particularly so for the company Chairman (someone else can chair the GM of course but it's not ideal). Explanations of "pre-booked holidays", the "cost of travel where one or more directors is based overseas", the "sales director is busy closing a deal" and similar explanations will not be viewed positively by shareholders. There is of course no reason why a director cannot attend the Meeting via video or phone link, but this is far from preferable and should only be used in exceptional circumstances.

Holding the whole Meeting via video link to a remote board (Hiscox in Bermuda, Shell in Holland) should be avoided as in practice it undermines the vitality of the event. Note though that providing a video web broadcast of a GM to shareholders who cannot attend in person is highly recommended by ShareSoc.

The company's auditors should attend Annual General Meetings in the person of the Audit Partner and be willing to answer shareholders questions.

If the Meeting is held on company premises, there is of course no reason why senior management or employee shareholders should not attend the Meeting and they should be encouraged to do so.

The directors should ideally mingle with and chat to shareholders before the Meeting commences rather than suddenly appear out of a side room when the meeting is scheduled to start. Likewise they should remain after the formal Meeting closes to talk to shareholders, not dash off to hold a board meeting. Individual conversations can be useful to shareholders to ask particularly detailed questions, or to give their views on a matter privately (which they might not prefer to do in the public forum of the formal Meeting). Some detail questions might not be of interest to all the shareholders attending.

General Meetings should generally not be allowed to go on for more than 2 hours, however contentious the issues. After that point in time shareholders can get restive and the questions tend to be repetitive. The Chairman should manage the event to ensure it completes within that timescale and they do of course have wide discretion to maintain good order and ensure that as many as possible of the attending shareholders who wish to speak can do so. The Chairman should limit the questions from any one person, and the length of their "speeches" to ensure that no one person dominates the event excessively. Shareholders should normally not ask more than 3 questions and should keep them brief and to the point. Complex technical questions are best put in writing before the meeting with a response requested at the meeting. Shareholders and Chairmen should be careful not to bore the audience. Shareholders should note that an AGM is a good place to make one or two key points or questions, to which the board can respond. It is not the best place to conduct a debate with the directors or make a long winded speech.

Maximising Meeting Attendance

To summarise, there are a number of ways that companies can ensure maximum attendance at General Meetings. These are:

- A – Ensure the meeting is in a convenient location and at a convenient date and time.
- B – Provide some refreshments, even if it's only tea/coffee.
- C – Try to avoid the date/time conflicting with other AGMs of public companies.
- D – Provide a presentation of the affairs of the company (see below), or some other attraction such as a tour of the facilities of the company or product/service demonstrations.

- E – Provide a trading statement or “AGM statement” on the day of the meeting.
- F – Make the attendees feel welcome, and encourage them to turn up next year (if they learn something from the meeting that they did not otherwise know, this will encourage them to do so).
- G – Provide a covering letter to shareholders with the voting papers and General Meeting Notice specifically inviting them to attend and explaining the meeting.
- H – Encourage your major institutional investors to attend to ensure their views are adequately represented in the meeting.

You don't have to bring on the dancing girls to make General Meetings lively events, but directors should consider them as a public relations opportunity – not just a tedious and onerous affair where they might be asked awkward questions by ignorant investors. Annual General Meetings provide one of the few opportunities for the directors to talk to private investors who are often a substantial proportion of shareholders.

Opening the Meeting and Questions

The Chairman should open the Meeting by introducing the directors and outlining how the Chairman is to conduct the Meeting (i.e. when questions are going to be taken on general matters), and some other basic matters such as reminding attendees to turn off their mobile phones. Sometimes a Chairman will have been provided with a script by the company's advisors, in which case he should try to stick to it although it is not legally binding and he has discretion as to how to conduct the meeting so long as he complies with Company Law (Chairmen who lose their place in the script, or skip resolutions are not uncommon which does not reflect well upon them).

If there has been an announcement (e.g. an “AGM Statement” giving a trading statement or what the Chairman is going to say at the meeting) on the morning of the Meeting, this should be covered at the start of the meeting with at least the key elements covered by the Chairman, without necessarily reading it all out verbatim. It is of course generally a good idea to publish trading statements, or “interim management statements” on the morning of an AGM because that adds topicality to the event and will encourage attendance. It is best to ensure that such statements are issued electronically in an RNS announcement at 7.00 am, and a printed copy available to attendees at the meeting. What should be avoided is issuing such statements on the same day but after the meeting has finished (not an unknown event).

It is particularly worthwhile to both encourage attendance and educate shareholders to do a presentation on the company's results and activities, and future strategy at this point. This can simply be a copy (condensed if necessary) of what was given to analysts when the preliminary results were announced, or has otherwise been used recently. Fifteen to twenty minutes would be the ideal duration.

Note that it is best practice to invite all questions from shareholders to be put at the start of the meeting, particularly those of a general nature. Questions on specific resolutions should also be invited when they are reached. It is bad practice to defer general questions to the end of the meeting as some Chairmen like to do and shareholders should object if that is suggested – it is important that shareholders can ask their questions before they vote on the resolutions (such as re-electing the directors) because the answers to the questions might affect their decisions.

The Directors should attempt to answer questions fully and honestly. There are a few exceptions though. The directors should avoid giving sales, profit or dividend forecasts (best reserved for RNS announcements or trading statements) in General Meetings, and should certainly avoid giving any advice to shareholders about whether the share price over or undervalues the company (and shareholders should avoid asking them). However, there is nothing in law that stops directors disclosing “price-sensitive” information in a General Meeting. They may need to make a public announcement immediately afterwards if they do, but shareholders should object to directors refusing to answer questions on the grounds that the answers might be price sensitive. Almost any information about the operations of the company can be classed as such if the directors wish to be obstructive.

The directors should limit the disclosure of information that is commercially sensitive and hence confidential, in other words information that might be of use to competitors. However some common sense has to be applied. It is quite likely that the competitors already know quite a lot about the affairs of a company, and in theory almost anything could be potentially seen to be commercially sensitive. It is not an adequate excuse if answers to reasonable questions from shareholders are refused on those grounds. Shareholders should be informed about the affairs of the company, and directors should not refuse to answer questions unless there are real and serious reasons not to do so.

Note that there are common law precedents that shareholders can both ask questions and speak at meetings. In addition there is a legal obligation to answer questions put at company meetings which was introduced in 2009 via the Shareholder Rights Regulations (Section 319A of the Companies Act - see Reference 5). That applies to all traded companies. There are some exceptions that permit the directors not to answer (such as the disclosure of confidential information), but in general they must answer any questions put to them by shareholders.

Quorums, Points of Order, Resolutions and Minutes

There should be a required minimum of shareholders in attendance at General Meetings to form a quorum. The number is usually defined in the Articles of the company and in many cases the fact that the directors (who are commonly shareholders) turn up provides the necessary quorum. However, if insufficient shareholders are present the Articles should be consulted, and usually the Meeting should be adjourned.

Shareholders can raise “points of order” about the conduct of the meeting at any time (these are not simply questions). The Chairman must deal with points of order and rule on them immediately, but he can consult advisors first if necessary. Shareholders should not hold back from pointing out defects in procedure or bad practice if they identify any problems.

Resolutions to be put to Meetings are circulated in advance, and new resolutions cannot be introduced at the Meeting (it would be wrong to do so because obviously many shareholders do not attend meetings and would have no way of voting on new resolutions). Shareholders can of course propose or requisition resolutions for General Meetings but this needs to be done well in advance (and is quite a complex topic and hence outside the scope of this note).

Resolutions can sometimes be amended on the spot though. For example if there is a typographic error in the circulated resolution, it would be correct for the Chairman to put an amended version to the Meeting. Likewise minor amendments that do not materially affect the scope of the resolution might be accepted – for example for the purpose of clarification. However Chairmen should probably take some legal advice at this point and should put agreement to accept the change to a vote of the meeting, before putting the resolution itself. See Ref. 3 for more information.

Note that Resolutions should relate to single issues and not combine more than one issue together. Likewise they should be put to the meeting and voted upon separately (no short cuts please).

Resolutions should be read out before questions are invited and the vote on them taken, but long resolutions should be taken “as read” unless there are objections.

There should be Minutes made of General Meetings, usually by the Company Secretary and these are open to inspection by any member of the company at any time thereafter. However they may simply record the Resolutions passed, any rulings on points of order and other key aspects of the meeting. It will not necessarily be an accurate or verbatim transcript of events and shareholders attending may wish to keep their own notes if they want to have a detailed record of questions and answers. Some companies will record the meeting (audio and/or video), but should ask permission of attendees to do so at the start of the meeting.

Passing Resolutions – to Poll or Otherwise

Resolutions are traditionally passed on a “show of hands” vote, i.e. by the Chairman simply asking members attending to raise their hands, FOR, and then AGAINST, each resolution. The clear majority FOR or AGAINST is then used to determine the outcome with a count of the raised hands being noted. In most cases this works well as there is usually a large consensus in support of resolutions, so this is a quick and efficient procedure to determine the result.

However, if the result is at all close, or the Chairman has other reasons to call a poll (for example, he may be aware that the proxy votes he has received differ or are also not clear cut), then he can call a poll at any time. Chairmen have absolute discretion on taking a poll.

A poll requires the company secretary, or the registrars, to get the attendees to complete poll cards and add their votes to the valid proxy votes received in advance of the meeting. In addition, if there are proxies appointed other than the Chairman, it is necessary to determine how they are choosing to vote. This can take some time and often means there is a delay of more than an hour in declaring the result. In some cases, shareholders might even have to wait to the next day to obtain the result.

Note that shareholders who have submitted their votes by proxy in advance of the meeting, but who also attend the meeting, can change their vote at this point if they so desire. If they do not wish to do so, they should not complete a poll card.

A Show of Hands Vote is Best Practice

An initial “show of hands” vote is always useful in the view of ShareSoc as it shows the mood of the meeting after shareholders have heard the questions and answers in the Meeting. We are strongly opposed to the practice of moving straight to a poll as some companies are doing as it destroys the vitality of General Meetings. The suggestion that it is “best practice” so as to reflect the wider shareholder base is nonsense and no reputable public body has ever said so. The only exception that ShareSoc supports is where an electronic voting system is provided so that the poll results are immediately available.

If a poll is taken on all resolutions, and the results are not immediately available, or the proxy counts are not displayed, then shareholders should request them for each resolution. Otherwise the meeting can close without shareholders being aware that there is major opposition to some resolutions and being able to question the directors on it. For example, why did the directors almost lose the remuneration resolution, why did one director get a lot of votes against him? These are often questions that get interesting responses. For Chairmen, our recommendations are that if a poll is taken, then the proxy counts should be immediately displayed if the poll results are to be given after the meeting closes.

Requesting a Poll

Members present in the meeting can also request a poll be performed on any resolution at any point, and legally the Chairman must undertake such a poll if there is sufficient number of members supporting the request. That is typically 5 members in person or by proxy, but the Articles will spell out the number.

If shareholders know in advance that they intend to call a poll, it is best to ensure you have the required number of supporters and warn the Chairman in advance – or at least at the start of the meeting.

In small companies, these requests can sometime baffle the Chairman so you might have to explain the legal requirements and even how a poll should be conducted. This can cause particular difficulties if there are no legal advisors or the company's registrars present.

If another member requests a poll (and does not already have the necessary number of votes to force it, bearing in mind that if they have a few proxy appointments they might already have the required support), then other shareholders should support them if you think the vote might be at all close or you wish to ensure that the overall vote is clear. Polls are not difficult to undertake and you don't necessarily have to wait around for the results.

Disruptive Shareholders and Contentious Meetings

Note that some General Meetings can turn into forums for those who wish to make political points and such "shareholders" (who often only have nominal holdings they have acquired simply to attend the meeting) can effectively disrupt the meeting and prejudice those real investors who wish to ask questions or hear what the directors have to say. The Chairman has the right to limit debate or the number of questions that are posed (particularly if it is on the same topic or is irrelevant to the affairs of the company). In addition disruptive attendees can be removed. Slaughter and May have published a very useful note on "The Law of Difficult Meetings" (see Reference 4) which is worth reading by all directors of companies that might suffer from this problem.

Proxy Vote Numbers

It is recommended best practice (see the UK Corporate Governance Code) for the proxy vote counts on a resolution to be given to attendees immediately after each resolution is taken (not before, which might influence the vote in the meeting). This is best done by doing it on some Powerpoint slides, which are moved through as the resolutions are taken, but otherwise the Chairman should read out the key figures (votes for, against and abstentions in number). The company secretary should also have a printed summary sheet of all the results available at the end of the meeting in case anyone asks for a copy.

The results of a poll must legally be displayed on the company's web site for Quoted Companies (see the Companies Act), and of course should also be made available upon request to the company secretary. Likewise we consider it best practice that the proxy count results, where resolutions have been passed on a show of hands, are so recorded. There is an obligation for a summary of the resolutions passed or rejected to be published in an RNS announcement as soon as possible (we recommend that poll or proxy counts be included there also).

After the Meeting

After all resolutions have been taken, the Chairman should ask if there are any further questions. If resolutions were voted down, he may care to comment on that and whether the directors will consider what to do about it.

The directors should not immediately disappear after the formal part of the meeting has closed, but should mingle with attendees in case they have individual questions to put to particular directors.

Conclusion

We hope this document is useful to both company directors of public companies, and shareholders who attend General Meetings. ShareSoc encourages shareholders to attend such meetings as they improve the “engagement” of companies and their shareholders, and can be enormously informative to investors. ShareSoc does of course publish many reports on General Meetings of particular companies as a valuable resource for our members and we would welcome additional contributions. These reports are available from the AGM Forum of the ShareSoc Members Network – it contains a number of both good and bad examples of past such events.

If you have any comments on this document or suggestions for improvements, please send them to info@sharesoc.org .

References

Reference 1. The Companies Act 2006 -

www.legislation.gov.uk/ukpga/2006/46/contents .

Sections 318 onwards cover the procedures at General Meetings.

Reference 2. Companies House - www.companieshouse.gov.uk (use the "Find Company Information" tab, search for the company under consideration, select "Order Information on this company" and search for new Article adoption or similar to see the latest Articles. There is a fairly nominal cost for this information).

Reference 3. The ICSA Directors Handbook. Published by ICSA Information and Training Ltd. Chapter 11 covers shareholder meetings in some depth.

Reference 4. The Law of Difficult Meetings. Published by Slaughter and May.

www.slaughterandmay.com/media/803989/the-law-of-difficult-meetings.pdf

Reference 5. The Companies (Shareholders' Rights) Regulations 2009.

www.legislation.gov.uk/uksi/2009/1632/pdfs/uksi_20091632_en.pdf

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