

TIMES ONLINE

Shareholder meetings

Sid's AGM outing comes under fire from top table

BY JON ASHWORTH AND NEELAM VERJEE

Voices are being raised against small investors attending the annual gathering that City players snub

THE privatisations of the 1980s introduced wide-eyed investors to that curious ritual, the annual general meeting (AGM). They turned up in their thousands to exercise their democratic right to consume tea and biscuits before retiring to hear the chairman reflect on the year's events.

Those early AGMs were great jamborees that cost the companies hundreds of thousands of pounds to stage. British Telecom and British Gas both hired the National Exhibition Centre (NEC), Birmingham, for their inaugural annual meetings in 1985 and 1987, respectively. The events attracted 7,000 shareholders between them.

A loyal army of "Sids" still turns up each year in the hope of commandeering the microphone for a fleeting moment of fame, but the question is being asked: is the AGM a waste of time and money? Sir Richard Sykes, the former chairman of GlaxoSmithKline, argued this week that small shareholders should be excluded from annual meetings. He went on to criticise institutional investors for being inactive and apathetic.

Few institutions bother to attend the AGM, even though their votes carry the day on major decisions. Sir Richard, who is to oversee a review of the relationship between investment and wealth creation, believes that major shareholders should use the forum of the AGM to put management on the spot.

Sir Richard asked: "Why should one person with one share be able to have a cup of coffee and a sandwich and disrupt the company when the investors with control are not bringing it to task?" He went on to add that small shareholders should, of course, have some platform for raising issues of concern to them.

Many companies would love to see the last of AGMs. They are time-consuming, expensive and quite often embarrassing, as many chairmen will testify. Boards of directors have encountered everything from strippers protesting about Third World loans to a disgruntled Barclays customer engaged in a mock crucifixion. Directors have had paint thrown over them and been assailed by rabid environmentalists and endured death by a thousand waffling questions. However, few would argue for an end to this great corporate tradition.

Mark Goyder, director of Tomorrow's Company, the independent think-tank behind the investment review, says that Sir Richard was making a general point about shareholder dialogue. "There are issues concerning institutional shareholders contributing to the better management of companies," he says. "It was in that context that Sir Richard expressed huge frustration about AGMs.

"Here was the one occasion in the year when you've got the board there, publicly exposed to accountability, with no hiding place. Not to go after them about their strategy, strengths and weaknesses seemed to him to be a terrible waste."

Annual meetings may be little more than public relations exercises, held to fulfil a legal obligation, but few companies countenance scrapping them. BT said that the AGM gave its shareholders a forum to express views and ask questions.

Allied Domecq, the drinks group behind Ballantine's whisky and Sauza tequila, says that AGMs

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play a valuable role. "AGMs are useful arenas in which to raise legitimate questions, to have a dialogue and put views across," a spokesman said.

Shareholder lobby groups have equally strong views. "To say that small shareholders shouldn't go is frankly ridiculous," says Sarah Wilson, managing director of Manifest, the proxy voting agency. "Every shareholder has a right to call the managers to account. Sometimes the managers forget that the shareholders are the owners of the business."

Wilson agrees that institutions should make more of the annual meeting. "Sometimes it's the small shareholders that ask the tricky questions," she says. "With big institutions, it's other people's money. It doesn't quite concentrate the mind quite as much as when it's your own."

AGMs typically cost £20,000 to £200,000. Companies need to procure a venue, distribute notices, arrange security and bring in catering. AGMs tend to be in May, June and July, after the company year-end, with up to 30 major meetings on any given day. The main meetings tend to be in London, for reasons of access. Venues include the Brewery, in Chiswell Street, the Barbican, the Queen Elizabeth II Conference Centre, and Le Méridien Grosvenor House.

BT's meeting travels around the UK. In recent years, it has been held in York, Birmingham, Manchester, Nottingham and Edinburgh. In contrast to the early BT annual meetings, between 500 and 900 people attend.

Tim Spencer, of Ten Alps Events, an AGM organiser, says that attendance has undoubtedly declined since the 1980s. British Gas once hired four halls at the Birmingham NEC. Only 300 people turned up. He says: "We've been doing Corus, the former British Steel, for 15-odd years. We've gone from completely filling the Grosvenor House Great Room, with 1,200 people, to no more than 250 people in the Westminster Central Hall."

Many companies have reduced costs by shifting AGMs to the afternoon, knowing that fewer shareholders will turn up if no lunch is promised.

Nicky Havelaar, development director of Crown Business Communications, which organises AGMs for Equitable Life, BT and other big companies, believes that regional shareholder roadshows might provide a more effective forum. She says: "We have done tours round the country with Equitable Life where members had the opportunity to speak to the board. That takes it outside the legal constraints of the AGM."

The Government considered abolishing AGMs as part of the company law review launched in the late 1990s. It was suggested that the annual general meeting be replaced with less formal "shareholder information meetings" held around the UK and with Internet links allowing greater participation.

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