

## Still room to think small at AGMs - TIMES ONLINE

SIR RICHARD SYKES is not renowned for his high tolerance levels. As chairman of GlaxoSmithKline, it must have been agonising for him to have to endure the questioning of petulant shareholders at the annual meeting. Now he wants his revenge.

His suggestion that small shareholders should be banned from annual meetings will have the quiet support of boards of directors throughout the country. But they should be wary of voicing that view. While there are plenty of irritating characters who look on the annual meeting as their opportunity to grab the floor and bore for Britain before stocking up on coffee and sandwiches, shareholder democracy is not to be lightly dismissed.

As Sir Richard points out, institutional investors are “pathetic” in their apathetic approach to the companies they own. He is not the first to reach this conclusion. The Government has been highly critical of the passive attitude of institutional investors, and recently Paul Myners, in his report for the Treasury, highlighted the need for large investors to take a more active role.

Now Sir Richard is to lead an independent investigation into how this could be changed. But how keen was Sir Richard to have his investors taking a more active approach in the days when he was running SmithKline? Companies generally seem much happier if their investors leave them to get on with running the business and institutional investors still tend to take the attitude that they would rather avoid unpleasant encounters.

Thus it is that investors will mutter amongst themselves that they are unhappy about certain companies but fail to make mention of it to those responsible. A typical example is what is currently happening at Boots, where investors have every reason to be concerned after a succession of high level departures.

The news that the chairman, John McGrath, hoped that he would be succeeded by Sir Nigel Rudd, a current non-executive, went down very badly in some parts of the City. Several major investors admitted privately that they would like to see new blood coming in at the top of the company, preferably someone with knowledge of retailing. However, not one has apparently been brave enough to make this view known to Boots. The likelihood, therefore, is that Sir Nigel will take over as planned and come under immediate pressure to justify his appointment.

One institutional investor that is taking its governance responsibilities seriously is Hermes, custodian of the BT pension scheme. It is, however, a pity that its most high-profile target for some time should be one of the least deserving of its attention. Hermes surely has bigger fish to fry than Sir Angus Grossart, who yesterday retired as chairman of the Scottish Investment Trust after niggling allegations of a conflict of interest involving the trust's advisers, Noble Grossart.

The vast majority of investment managers are happy to sit on the sidelines. Their boldest threat — to sell the shares of the company with whose management they are unhappy — is rarely carried through, particularly in an industry that has become wedded to indexation and market benchmarks. Several fund managers were willing to express their dismay at the award of £10 million for Sir Christopher Gent on the completion of the Mannesmann acquisition, but few sold Vodafone stock in protest.

The reluctance of big investors to become involved in these issues is one of the strongest reasons why small shareholders should be encouraged to attend a company's AGM. If the people paid to manage their money are unwilling to ask the embarrassing questions, private investors should not be denied that right. Sir Richard and his peers should think hard before cancelling the sandwiches and coffee.