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CFO JOURNAL

U.K. Regulator Finds Companies Often Mute Shareholders in Remote Meetings

A majority of British businesses asked investors to vote in advance, and not all permitted questions ahead of the vote

British companies limited shareholders' ability to ask questions during their virtual investor meetings, raising concerns about accountability, the Financial Reporting Council found.

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By [Mark Maurer]
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Britain's biggest businesses limited shareholders' ability to ask questions during their virtual investor meetings, raising concerns about accountability, the Financial Reporting Council said Tuesday.

The U.K. regulator for audit and accounting reviewed about 200 annual general meetings that were held remotely because of the coronavirus pandemic. It found that for 30 of those shareholder meetings, companies made no arrangements for investors to pose questions to the board before or during the event, the FRC said.

About 80% of companies listed on the FTSE 350 index conducted closed meetings, in which all shareholders had to vote on proposals and motions in advance, the FRC said. Of those companies, 81.6% made some arrangements allowing investors to ask questions to board members. This was mainly facilitated through questions emailed ahead of the event.

The FRC analyzed materials from investor meetings held between March and the end of July.

Closed meetings restrict shareholders' rights to hold boards accountable and do not align with the U.K. Corporate Governance Code—a rulebook on good corporate citizenship—the FRC said. The regulator called companies' actions "disappointing" and said it is concerned that a permanent move to remote shareholder meetings could disenfranchise shareholders.

In its report, the FRC advised companies to make efforts to ensure shareholders have the ability to vote after presentations from the board. Companies should also increase the use of technology to facilitate interaction with shareholders during virtual annual meetings, the FRC said.

The FRC's findings mirror those of an earlier study by the Hebrew University of Jerusalem published in August that analyzed remote shareholder meetings held by U.S. companies in the S&P 500 index.

Those meetings were on average seven minutes shorter than in-person shareholder meetings held in 2019. Company executives also allocated less time for business updates and for answering shareholders' questions compared with in-person meetings in 2019, the study said.

Many companies asked for questions in advance, responded only to a select number of them and didn't disclose how many queries were received, according to the study.

"AGMs are not simply about voting, they are also an important mechanism for shareholders to gain an understanding of board decision-making, strategy and company culture," said David Styles, director of corporate governance at the FRC.

The FRC said it would look into measures to improve virtual and hybrid shareholder meetings in 2021, including potential regulatory changes.

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