

PLANNING FOR YOUR 2023 AGM

The 2023 AGM season is kicking off in earnest and thankfully there is a strong sense that company meetings are firmly in the post-pandemic world, meaning companies no longer need pandemic-related adaptations to their meeting notices or procedures. However, in some cases pandemic practices from the past two years continue to be widely adopted.

As always, there have been various regulatory and market-driven developments since last year's AGM season, which Company Secretarial teams will need to bear in mind when preparing for this year's AGM.

In this briefing note, we flag the five key areas PLCs should consider for the 2023 AGM season.

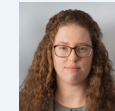
AT A GLANCE

- 1. What is the right meeting format?** – Is it hybrid, physical only, or physical with some opportunity for shareholders to follow the event remotely?
- 2. What are your contingency plans?** – With high-profile disruption becoming increasingly common, planning in advance is essential.
- 3. How will you manage shareholders' Q&A?** – The pandemic practice of asking shareholders to submit questions in advance seems set to remain, so how will this be co-ordinated with the live questions on the day itself?
- 4. Will you take advantage of the new enhanced pre-emption rights disapplication?** – Companies now have greater flexibility but it may not be appropriate for every company to take advantage of this.
- 5. Will you propose a "say on climate" resolution?** – we are expecting to see fewer of these tabled this year, with more focus being on cost of living and energy crises.

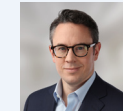
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Further information on 2022/3 Corporate Reporting and AGM Season

If you are interested in hearing more about the 2022/23 Corporate Reporting and AGM season, we have written a detailed update for our clients, available [here](#).

1. What is the right format?

Will the meeting be hybrid, physical only or physical with some opportunity for shareholders to follow the event remotely. The right format is likely to be influenced by the type of meeting the company has held in the past and attendance levels, any investor calls for hybrid facilities and the level of retail shareholder participation. We do not expect a significant increase in the number of hybrid meetings in 2023, as companies balance the added cost and complexity against the likelihood of increased shareholder participation.

In line with the FRC Good Practice Guidance for Company Meetings, the AGM notice should clearly set out details of the format and what shareholders need to do to take advantage of any electronic facility.

2. What are your contingency plans?

Since the pandemic, the list of contingencies to consider has grown to include: What happens if electronic facilities fail? Is there back-up Wi-Fi, and how will electronic participants receive updates? How long can you legitimately pause the meeting to troubleshoot before adjourning the meeting? What happens if there is disruption (or threatened disruption) at the venue from activists? What additional security staff and procedures would be required?

With high-profile disruption becoming increasingly common, the FRC guidance recommends that companies make it clear in their AGM notices that unacceptable behaviour will not be tolerated and will be dealt with accordingly.

3. How will you manage shareholders' Q&A?

The pandemic practice of asking shareholders to submit questions in advance with responses provided either via the website or separately in writing seems set to remain.

Last year approximately 75% of FTSE 350 companies encouraged shareholders to submit questions in advance, although this does not seem to have resulted in a corresponding increase in the number of questions asked.

The FRC guidance suggests:

- Where there is a virtual element, questions should be invited by the chair from all channels. Companies will need to consider how best to co-ordinate with the chair on this.
- Companies should explain how the advance questions will be grouped together.

4. Will you take advantage of the new enhanced pre-emption rights disapplication?

The new Pre-emption Group Statement of Principles provides companies with greater flexibility to disapply pre-emption rights on an annual basis (up to 10+2% for general purposes and 10+2% for an acquisition or specified capital investment, with the additional 2% being for follow-on offers to retail shareholders).

Whilst the Statement of Principles is supported by the major investor groups and the market, companies may wish to ascertain major shareholders' views (either directly or via their brokers) and also consider whether there has been any historic resistance or objection to the pre-emption disapplication resolution at prior AGMs before deciding to seek the increased authority.

5. Will you propose a "say on climate" resolution?

Whilst we have seen a significant increase in climate resolutions at AGMs over the past four years it is unclear whether this will continue as companies and investors refocus on the cost of living and energy crises in 2023. This shift might lead to more resolutions being proposed on the living wage (as at the J Sainsbury plc 2022 AGM) and/or demonstrations by unions demanding higher wages (as at the Lloyds Banking Group 2022 AGM), and fewer on climate policies.

Where a 'say on climate' resolution is included, consideration should be given to whether this will be advisory only, and also to whether it will be a vote on the company's climate policy or a vote on the reported outcome of that policy.

Shareholder engagement - to sum up

Shareholder engagement has definitely been an area of focus for the FRC during 2022. In addition to issuing good practice guidance for company meetings, companies were reminded in the FRC's annual review of the need to allow shareholders the opportunity, including at the AGM, to give their views, ask questions and raise concerns.

Effective engagement allows shareholders to understand how their feedback has been taken into account in Board discussions and decision-making, and minimises the risk of unwelcome surprises when votes are cast.

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