



EQUINITI

AGM TRENDS  
2015

## EQUINITI'S ANNUAL REVIEW OF TRENDS DURING THE 2015 AGM SEASON

**Welcome to AGM Trends 2015, the annual review of trends and developments during the 2015 AGM season compiled by Equiniti's Registration Services and Company Secretarial teams.**

Whilst 2015 has been a relatively quiet year in terms of legislative developments impacting on quoted companies during the AGM season, market practice continues to evolve in response to investor expectations and other factors.

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**Based on our analysis, we consider the key questions to bear in mind when planning 2016 AGMs will be...**

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The preference for poll voting over voting on a show of hands is now spreading through FTSE350 companies and into the mid and smaller cap sections of the market.

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Revised Pre-Emption Group Guidelines on the allotment of shares on a non-pre-emptive basis were implemented by some companies in 2015 and will not doubt be much more widely applied in 2016.

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There were a higher number of companies than might be expected seeking shareholder approval for remuneration policies in 2015; with over 85% of companies seeking shareholder support for their remuneration policy achieving a 90% or more vote in favour.

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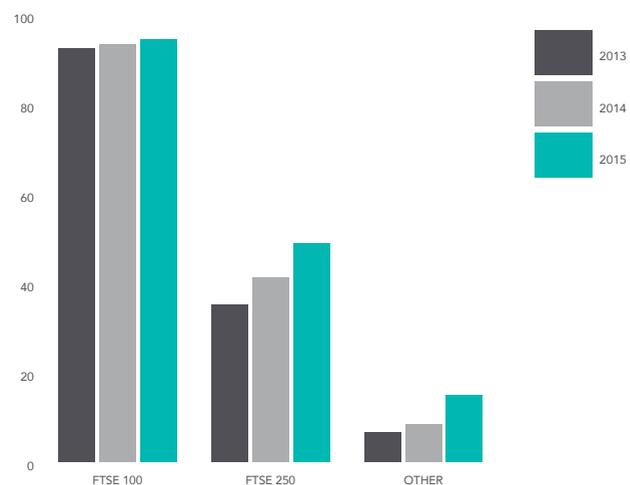
Areas to watch for the future will be voting on the re-appointment and the remuneration of auditors and the activities of activist shareholders in response to reporting changes introduced through 2015 e.g. supplier payment practices, modern slavery and gender pay.

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## VOTING METHODS

The voting methods used at AGMs continue to move increasingly away from voting on a show of hands towards poll voting. Poll voting has been the method of choice for FTSE100 companies for some time but there is clear evidence that poll voting is now becoming more popular among FTSE250 and mid/smaller cap issuers.

Percentage of Companies Using a Poll<sup>1</sup>

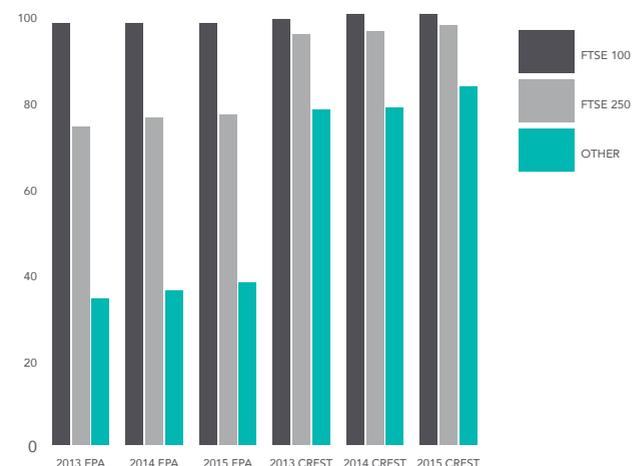


Percentage of companies surveyed using a poll

	FTSE 100	FTSE 250	OTHER
2013	92.48%	35.24%	6.73%
2014	93.41%	41.29%	8.49%
2015	94.38%	48.80%	15.00%

The use of electronic proxy voting methods prior to the AGM, which for some time has been very common amongst FTSE100 companies is also beginning to gain greater traction among smaller cap companies. The use of CREST, in particular, as a medium for submitting proxy votes is moving towards universal usage although this is clearly driven by the institutional investors. Private investors still continue to use paper methods of proxy voting.

Percentage of Companies offering EPA/CREST<sup>1</sup>



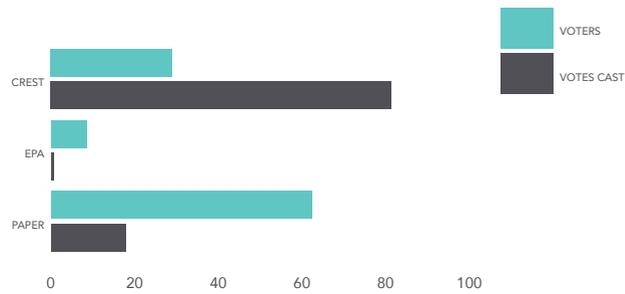
Percentage of companies surveyed offering EPA (electronic proxy appointment)

	FTSE 100	FTSE 250	OTHER
2013	98.00%	74.00%	34.00%
2014	98.00%	76.12%	35.85%
2015	98.00%	76.77%	37.79%

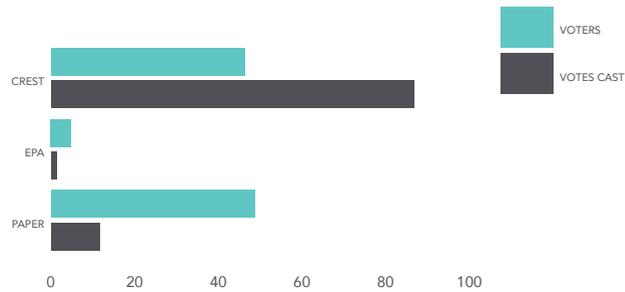
Percentage of companies surveyed offering CREST voting

	FTSE 100	FTSE 250	OTHER
2013	99.00%	95.41%	77.91%
2014	100.00%	96.03%	78.44%
2015	100.00%	97.61%	83.33%

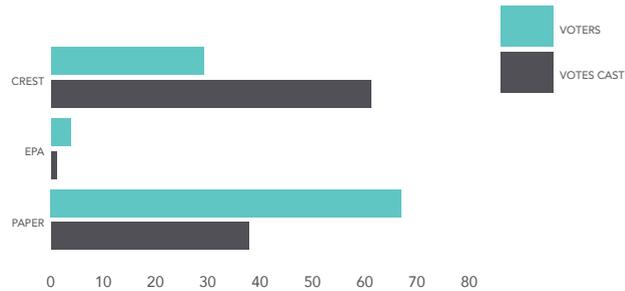
### FTSE 100 Percentage of Voters/Votes Cast by Voting Medium<sup>2</sup>



### FTSE 250 Percentage of Voters/Votes Cast by Voting Medium<sup>2</sup>



### 'Other' Percentage of Voters/Votes Cast by Voting Medium<sup>2</sup>



#### Percentage of votes (voters) cast by medium

	FTSE 100	FTSE 250	OTHER
CREST	81.40% (28.98%)	87.19% (46.35%)	61.20% (29.15%)
EPA	0.48% (8.55%)	1.28% (4.83%)	1.00% (3.78%)
PAPER	18.12% (62.47%)	11.53% (48.82%)	37.80% (67.07%)

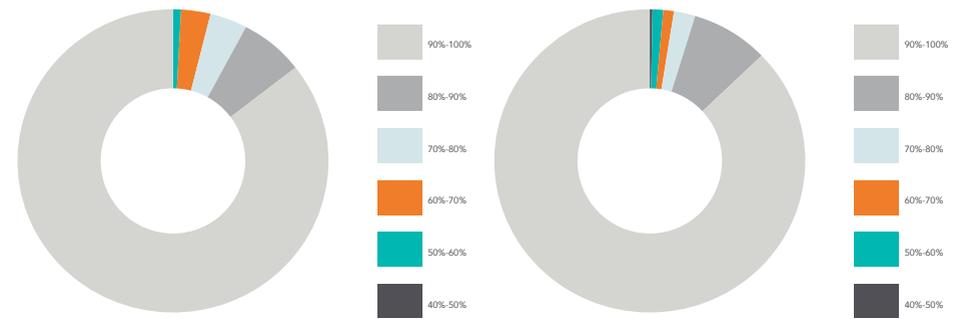
## BUSINESS OF THE MEETING

### Directors Remuneration Policies and Implementation Reports

Whilst AGM life seemed to settle down a little after the rush to approve remuneration policies in 2014, there were still a significant minority of companies who nevertheless had reason to propose a remuneration policy to shareholders. Despite the three-year cycle for approving remuneration policies, it seems that there will always be a significant number of companies renewing their policies each year.

In 2014, 436 out of 505 companies surveyed put a remuneration policy to shareholders for approval. Of 418 companies surveyed so far in 2015, 102 have put a remuneration policy to shareholders for approval. With over 85% of companies achieving a 90% vote in favour of the remuneration policy when it is put to shareholders for approval, it would seem appropriate for the board of any companies achieving a lower percentage than that to consider whether such levels of voting constitute a "significant proportion of votes" for the purposes of Code Provision E.2.2 of the UK Corporate Governance Code.

### 2015 Votes in Favour of Remuneration Policy<sup>1</sup>    2014 Votes in Favour of Remuneration Policy<sup>1</sup>



Remuneration Policy Approvals	2015	2014		
% Vote in Favour	No. of Companies	% of Companies	No. of Companies	% of Companies
40%-50%	0	0.00%	1	0.23%
50%-60%	1	0.98%	4	0.92%
60%-70%	3	2.94%	5	1.15%
70%-80%	4	3.92%	10	2.29%
80%-90%	7	6.86%	35	8.03%
90%-100%	87	85.29%	381	87.39%

### Authority to allot shares on a non-pre-emptive basis

The other area which attracted attention was the resolution to allot shares on a non-pre-emptive basis which was impacted by the decision by the Pre-Emption Group to update their guidelines on such resolutions mid-way during the period when most companies were preparing their AGM notices.

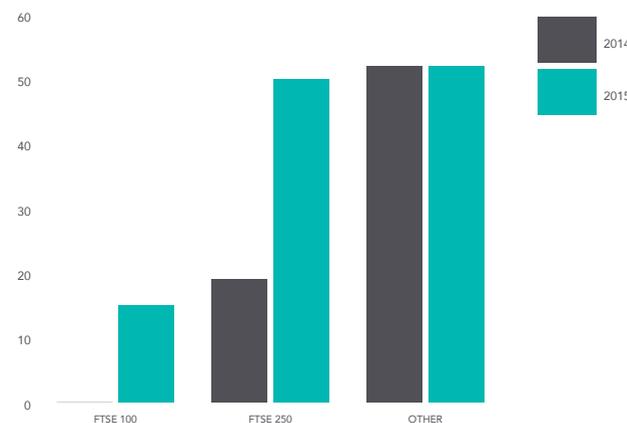
In March 2015, the Pre-Emption Group published a revised statement of principles for the disapplication of pre-emption rights. In addition to the general authority to disapply pre-emption rights over up to 5% of the issued ordinary share capital, companies may seek authority to issue shares non-pre-emptively for cash up to an additional 5% of the issued ordinary share capital in any one year in connection with an acquisition or specified capital investment.

Our evidence suggests that there were a number of companies who reacted quickly to the new guidance and took advantage of the facility to be able to issue up to 10% of the shares on a non-pre-emptive basis. The voting patterns for such resolutions suggest that the voting agencies were, for the most part, supportive of the change.

In 2014, 71 out of 505 companies surveyed requested approval of a 10% authority to issue shares on a non-pre-emptive basis (14.06%). The average vote in favour 97.72%.

Of 418 companies surveyed so far in 2015, 117 (27.99%) have requested a 10% authority, with an average vote in favour of 97.21%.

### Number of companies seeking 10% non-pre-emption authority<sup>1</sup>



### Number of companies seeking 10% authority to allot shares on a non-pre-emptive basis

	FTSE 100	FTSE 250	OTHER
2014	0	19	52
2015	15	50	52

In 2016, we would expect to see a much higher number of companies seeking authority to allot up to 10% of shares capital on a non-pre-emptive basis as application of the new Pre-Emption Group Guidelines is applied more widely.

### Shareholder Questions

In relation to the types of questions asked at AGMs, we have seen Share Action (typically using holdings registered through Share Nominees Limited, who make a proxy appointment in the name of Fairshare Educational Foundation) attend the majority of our FTSE 100 AGMs. Their questions have usually focussed on living wage, tax reporting and more recently environmental issues. Whilst most other questions tend to be company specific, directors' remuneration continues to be a popular subject for questions.

<sup>1</sup> All statistics quoted in this report are taken from research undertaken by Equiniti's AGM Team. All companies in the FTSE100 and FTSE250 Indices are monitored as well as Equiniti clients outside those categories (referred to as Other). All 2015 statistics are taken as at 31 August 2015.

<sup>2</sup> Statistics based on Equiniti clients only.

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## FUTURE TRENDS?

**We see two new trends impacting the areas which shareholders may begin to focus on in 2016 – the position in relation to the appointment and remuneration of external auditors and the focus of activist shareholders on aspects of corporate social responsibility as a result of legislative changes in 2015.**

### **Auditors**

Companies subject to the UK Corporate Governance Code have been aware of the requirement to put the external audit contract out to tender at least every 10 years (or explain why they have not done so). As time passes, absence of progress in this area will increasingly come under scrutiny. This could impact on how shareholders vote on the resolutions to re-appoint the auditor and possibly the resolution to re-elect the Chairman and other members of the Audit Committee.

A Competition and Markets Authority Order applying to financial years beginning on or after 1 Jan 2015 now reinforces this. As well as requiring FTSE 350 companies to put audit contract out to tender at least every ten years, it also requires that, where a competitive tender process has not been organised in the previous five years, an explanation as to when it proposes to carry out a competitive tender process and the reasons why that is in the best interests of shareholders.

Additionally this Order seeks to mandate that only the audit committee or audit committee chair may negotiate and agree audit fees and influence the scope of audit work and other aspects of the work of the external auditor. This may have implications for the use of and voting on resolutions authorising the audit committee to set the fees of the external auditor.

### **Shareholder Activists**

Legislative changes in 2015 mean that listed companies will need to enhance their reporting in relation to payment practices and policies, their policies in relation to and monitoring of human trafficking and slavery within their supply chains, and equal pay between genders. We anticipate that these levels of disclosure will be reviewed and questions raised at future AGMs where shareholders feel that information is deficient. Other areas which shareholders may want to focus on at AGMs are tax transparency and disclosure issues, particularly in companies involved in the extractive industries.

For more information  
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