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Meeting of minds

Justin Reynolds offers recommendations on winning over investors at AGMs

Q We're coming up to our annual meeting. How can I get investors on our side?

A The case has never been stronger for European boards of directors and their management to focus attention where it belongs: on corporate strategy. When the storms of governance scandals began whipping across the corporate landscape, boards turned inward to deal with their companies' problems. Now, by and large, they have come to terms with the new governance environment, but many boards still have trouble getting this strategy through the annual meeting.

Boards may set strategy but, sadly, they have only minimal involvement in shaping and developing it. They still need to get their shareholders' approval and, at the end of this expensive and time-consuming process, shareholders and sometimes bondholders can stop the strategy being implemented at the general meeting.

Governance reforms have been extraordinarily effective in bringing more independence to boards and restoring investor confidence. Yet we often find boards and their management do not engage with their shareholders to participate effectively in shaping strategy. In the post-scandal chill, even as the business landscape has become more complex, many boards have taken to playing defense, while investors go on the offensive.

Swing the pendulum back and engage with your shareholders before, during and after the AGM. Make sure they buy into the one, three or five-year strategy before the general meeting.

During the engagement process you need to understand the equity and governance reasons that have a bearing on your shareholders' investment in your company. You need to know who is making the governance policies.

It is widely accepted that if each resolution does not get at least 90 percent support and if more than 60 percent of a company's free float does not participate at the meeting, investors have not given the CEO and the board the full backing of their strategy.

Academically this has been proven to affect share price and possible future activism, and can result in an extraordinary general meeting, or a need to change strategy. This is a cost most firms can avoid by planning their AGM in detail from about six months before the date of the meeting. ■

Email questions to advice@thecrossbordergroup.com.