

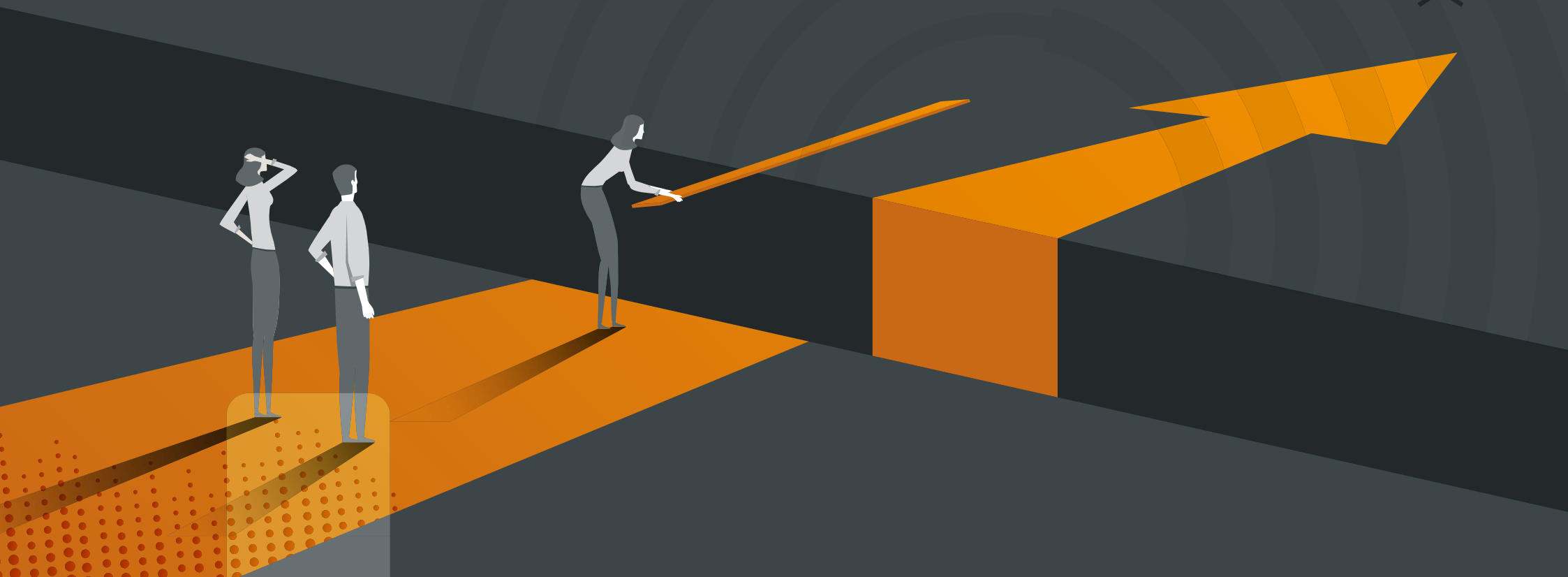


LUMI



Issuer roadblocks

Breaking down barriers to achieve
shareholder democracy



Foreword

from Pete Fowler,
Chief Operations Officer at Lumi

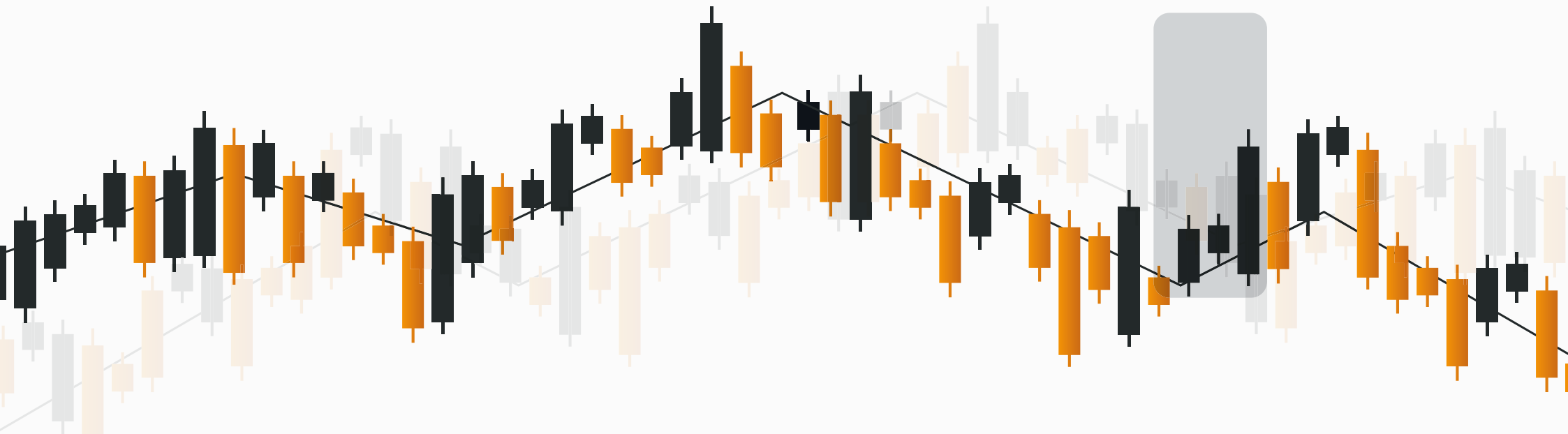
This year, shareholder democracy has taken centre stage.

In the last few months alone, the Government Digitisation Taskforce has called for a new shareholder ID system, aimed at providing companies with better insights into their investors. Meanwhile, the online investment service Interactive Investor wrote an open letter to FTSE 100 chairs advocating for improved communication with investors throughout the year.

Additionally, Lumi pioneered a groundbreaking first-of-its-kind pilot project with M&S and Interactive Investor, providing nominee shareholders with access to the AGM.

We've also seen retail shareholders stepping into the spotlight with newfound influence, thanks to companies like BlackRock, eToro, and Hargreaves Lansdown, who are making strides to boost shareholder rights by providing proxy voting.





Despite progress, significant hurdles remain on our journey toward achieving genuine shareholder democracy. The current landscape means businesses and shareholders continue to grapple with a complex web of red tape.

Last year, we delved into the reasons retail shareholders have been excluded from AGMs. These individuals are eager to participate but face exclusion due to the complexities of the share ownership structures in the UK. In short, if you buy shares through a broker, your name is not directly registered with the company you've invested in. This means that retail investors must contact the broker to be appointed as a proxy if they wish to attend or vote at a company meeting. However, this process is convoluted, resulting in the vast majority being locked out.

But this issue is only the tip of the iceberg.

Because of the barriers that exist, the ripple effect is that companies looking to engage with retail investors can't directly connect with

their shareholders. On the flip side of the coin, companies looking to engage with retail investors face barriers and can't directly connect with their shareholders.

We're calling for industry wide change to achieve true shareholder democracy. This involves updating legislation, encouraging a shift in board mindsets, and cross-industry consensus with issuers, trading platforms and registrars to break down barriers for retail shareholders.

The current system isn't just leaving retail investors in the shadows, it's also causing businesses to miss out on some valuable advocates and partners.

So, if you're interested in discussing our research or joining our cross-industry group advocating for change, please contact me directly.

Pete Fowler

Chief Operations Officer at Lumi

A look back

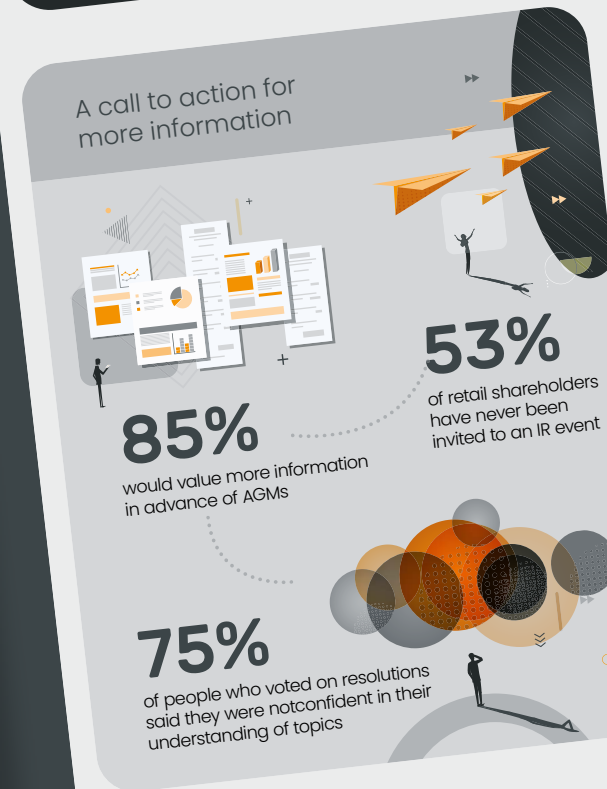
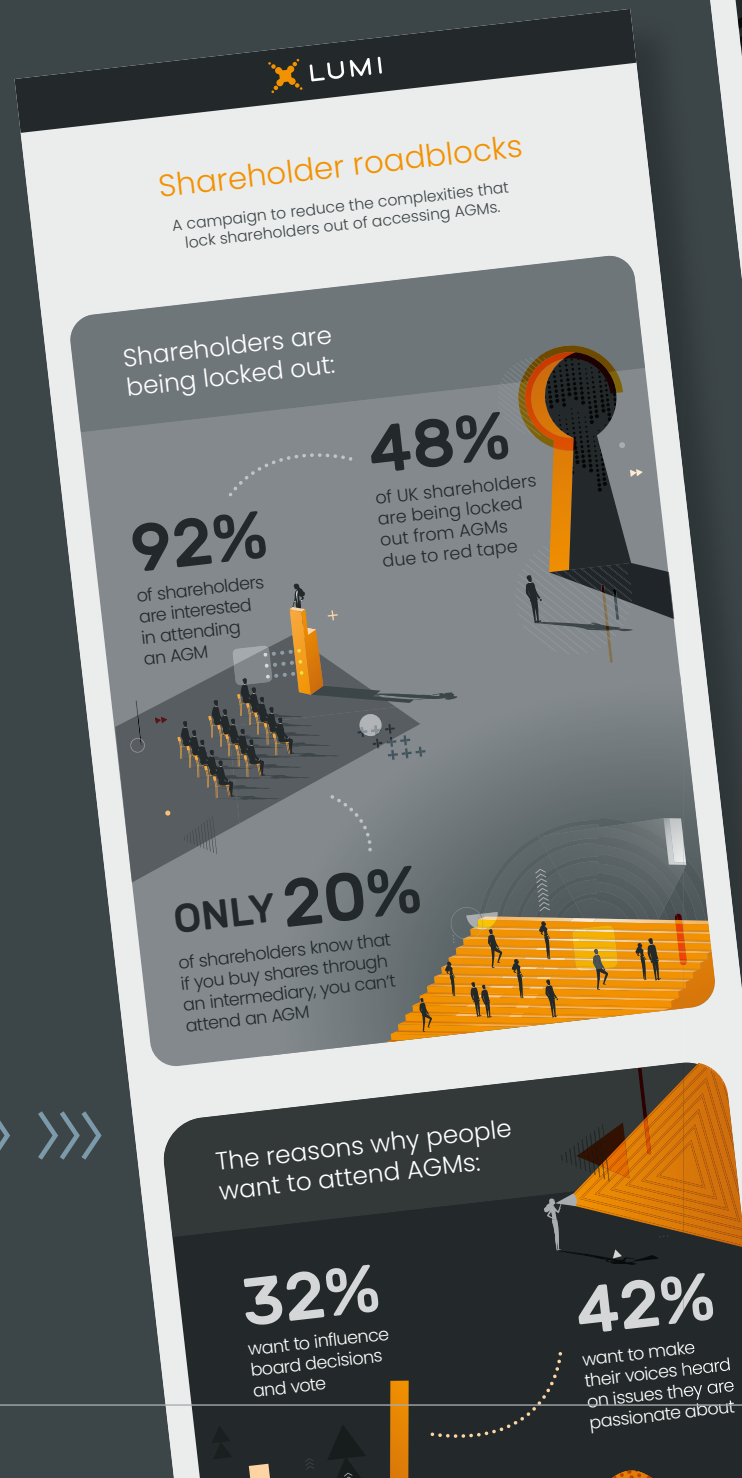
Last year, our research revealed that **92%** of retail shareholders want to attend AGMs. Yet **48%** find themselves locked out from participating, unable to navigate their way through the complex maze of the UK's share ownership system.

Stereotypes were shattered too, with our research showing that the primary motive for AGM attendance, was to engage with boards and pose questions (**43%**), followed closely by a desire to make their voices heard (**42%**). This dispels the idea that shareholders are solely motivated by influencing dividends and financial gain.

This is just the start of the story.

Key findings: Shareholder Roadblocks Report 2022

[View the report >](#)

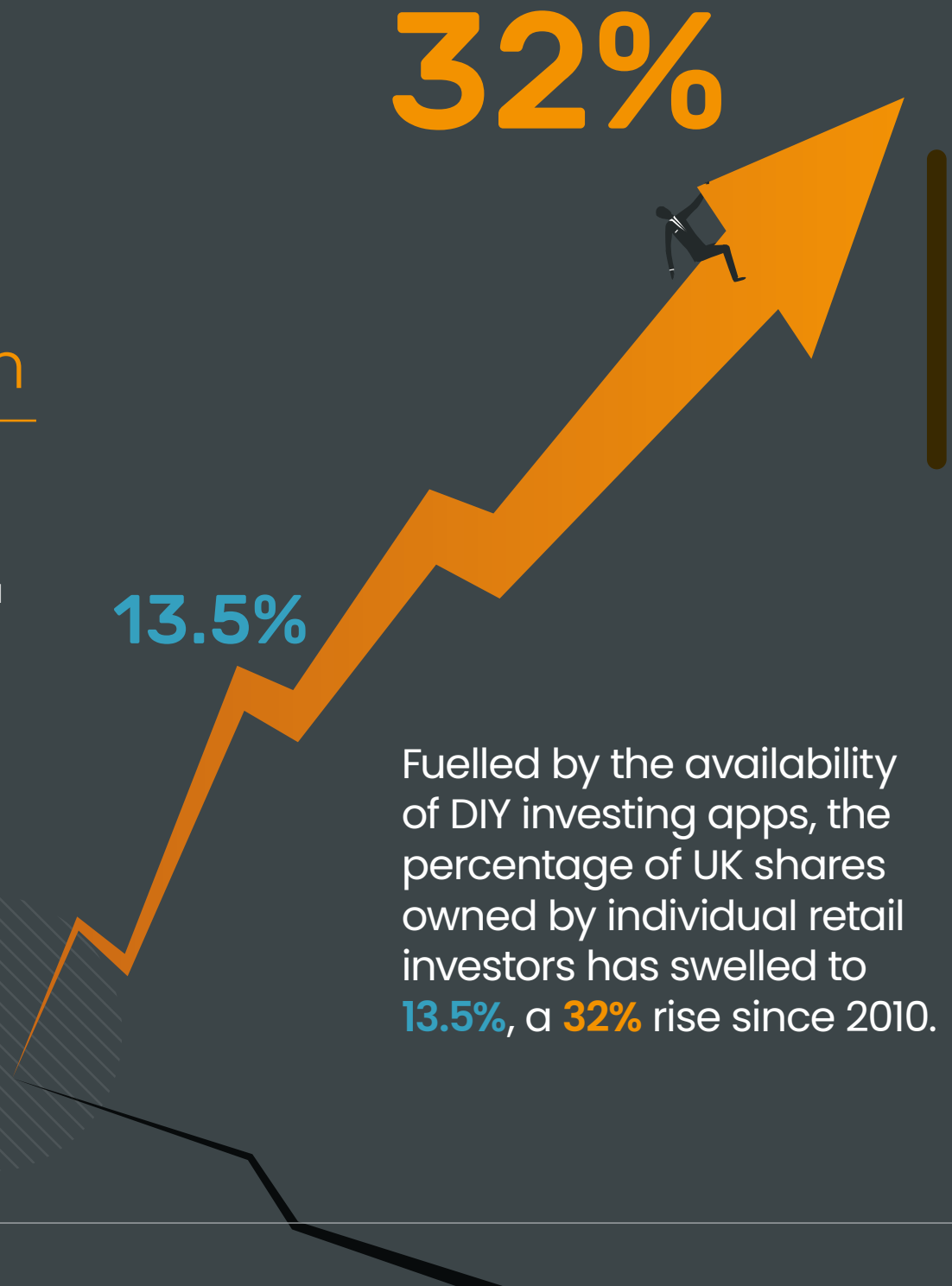


A step in the right direction

For decades, the influence over major company decisions was largely held by a small group of institutional investors.

However, this paradigm has shifted dramatically in recent years. Thanks to DIY investing apps, the percentage of UK shares owned by individual retail investors has surged to **13.5%**, marking a **32%** increase since 2010.¹

¹The proportion of UK shares held by UK-resident individuals in 2018 was 10.2%, 13.5% of UK shares are owned by individuals in 2021 was increase is 32%



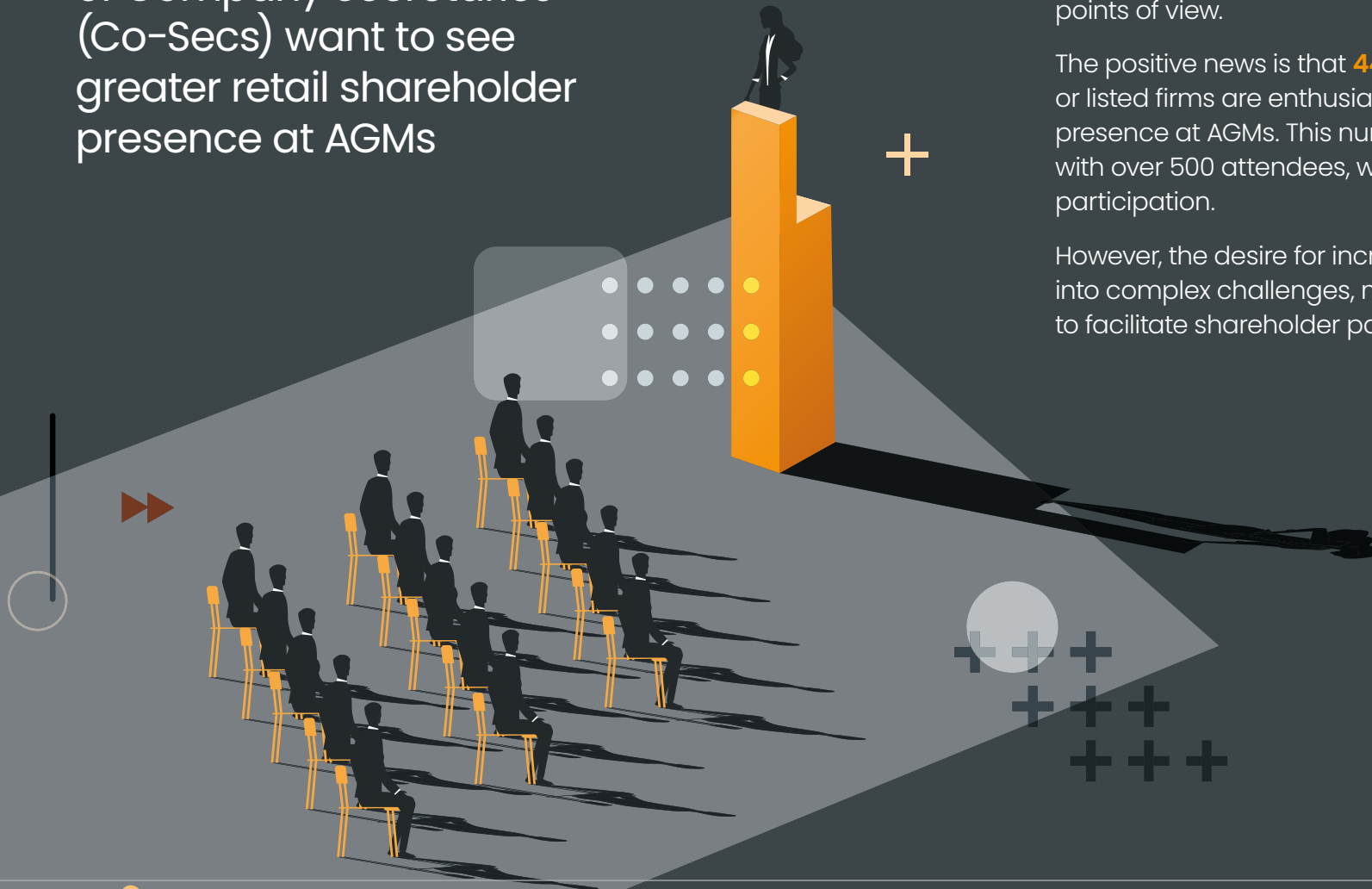
44%

of Company Secretaries
(Co-Secs) want to see
greater retail shareholder
presence at AGMs

It is evident that the collective voice of everyday shareholders has transformed from a murmur to a roar, and they are eager to participate in the most critical governance event of the year. This surge in retail investors is beneficial, diversifying perspectives at the AGM with different demographics and points of view.

The positive news is that **44%** of Company Secretaries at public or listed firms are enthusiastic about greater retail shareholder presence at AGMs. This number is even greater in companies with over 500 attendees, where **60%** want greater AGM participation.

However, the desire for increased attendance runs headlong into complex challenges, meaning businesses are struggling to facilitate shareholder participation.



The red tape plaguing businesses

Under the current system, companies face significant constraints in directly communicating with their nominee and retail shareholders. This limitation stems from the fact that individuals who invest through investment platforms or brokerages are not directly registered with the businesses whose shares they hold.

Direct communication can only occur within the nominee platforms, but these platforms have no obligation to provide customers with information about the companies they invest in. This issue is magnified as nominee shareholders constitute **40%** of the overall shareholder market, and investment platforms have experienced huge growth.



44%

have challenges accessing data held by intermediaries or brokers





The convenience of investing through nominee platforms has inadvertently severed the direct link between companies and their retail shareholders. Companies remain uninformed about the identity of their investors, while shareholders find themselves disempowered and disconnected from the businesses they financially support.

It's therefore no surprise that the biggest barriers facing Company Secretaries when engaging with retail investors are:

- **44%** face challenges accessing data held by intermediaries or brokers
- **43%** said they experience technical issues identifying underlying shareholders, preventing direct shareholder invitations to meetings
- **70%** of businesses with 501+ attendees at their AGM face the barrier of challenges when accessing data held by intermediaries or brokers

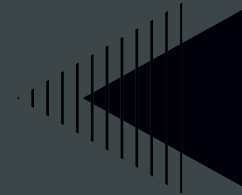
Issuers across the globe have been frustrated for years with the lack of transparency about who the ultimate owners of their shares are. Whilst there has been growing interest by governments and regulators to improve transparency, for example through shareholder ID systems or public registers of ultimate beneficial ownership, the fact that **over 40% of Company Secretaries in the UK, and likely elsewhere, continue to call for easier access to information** speaks volumes about the need to address this. Streamlining engagement processes would be seen by issuers as an urgent top priority for legislative change.

Tim Sheehy
Director General



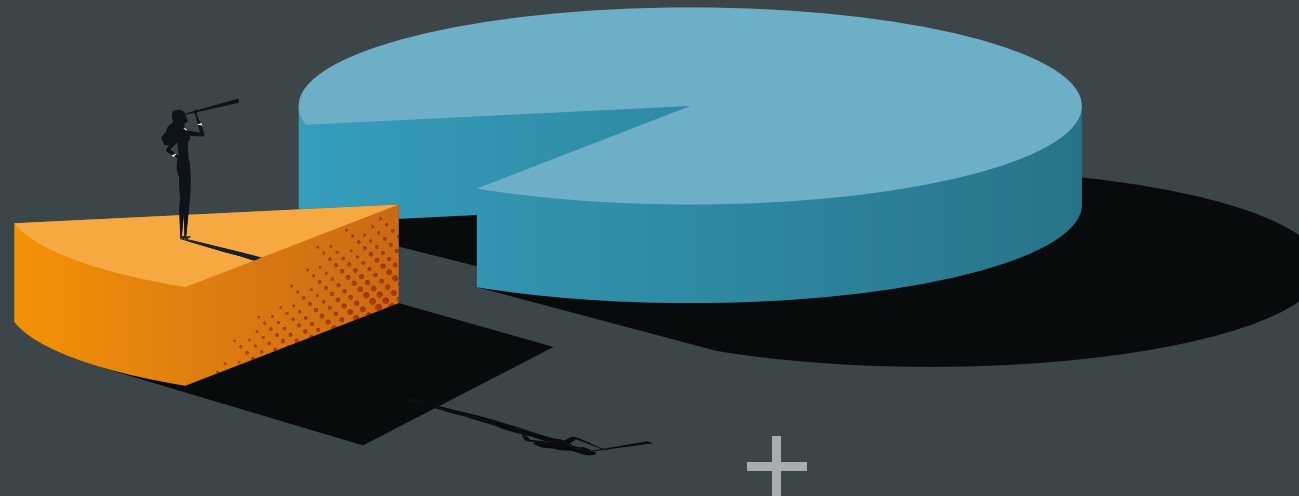
The consequences of the current system

- **43%** of companies face challenges in engaging with retail shareholders before meetings
- **37%** revealed a lack of comprehensive information about shareholders' demographics, such as their age, location, or gender
- **33%** worry about potential backlash if they fail to easily invite retail shareholders to the AGM
- **32%** express concerns that a lack of proper communication may lead retail shareholders to divest their shares
- **29%** of Company Secretaries struggle to fully comprehend the concerns of retail shareholders



37%

lack detailed information
on their shareholders
demographic





As a result, retail investors are experiencing the following ramifications:

- **85%** of retail shareholders are demanding more information from companies before shareholder meetings
- **75%** of retail shareholders openly admit to feeling uncertain about voting on resolutions at AGMs due to the limited information available to them

The current system's limitations are clear. While legislative changes are undoubtedly necessary to allow free flowing information on shareholders between the proxy chain, there are immediate actions that can be taken.

Our work with Interactive Investor and M&S, enabling nominee access to the AGM, demonstrates that by working together, we can open doors for retail investors. This must become the industry standard, and more investment platforms, and registrars should join forces with issuers to make the connection between shareholders smoother.



75%

admitted to feeling uncertain when voting on resolutions due to a lack of information

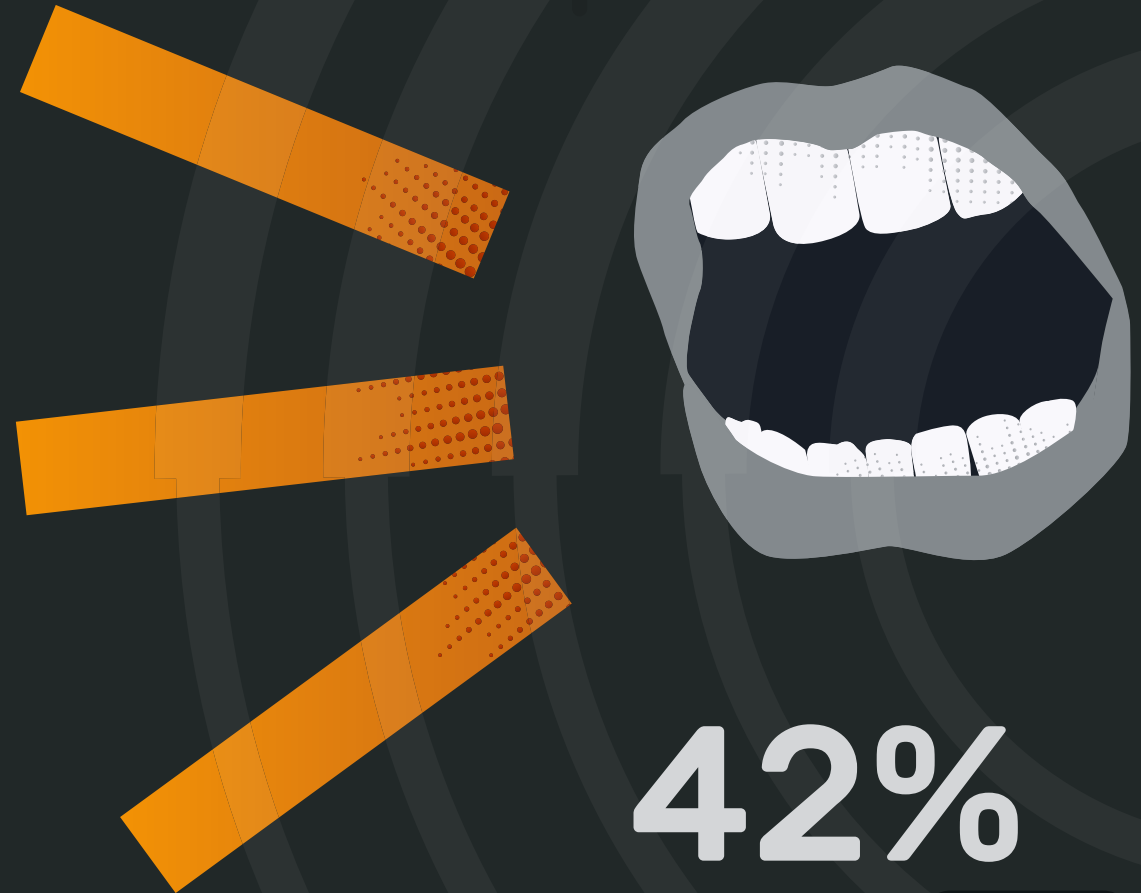


The misconceptions of everyday shareholders

There is a common misconception that retail shareholders attend AGMs merely to influence dividends or cause disruption.

We've already proved that the primary motivation for retail investors is to ask questions of the board (**43%**), closely followed by a desire to make their voices heard (**42%**).

It's crucial for businesses to recognise the distinction between activist investors seeking to disrupt and those who want to express their views on important matters. Retail shareholders are passionate and knowledgeable about issues like ESG and executive pay.



of retail investors want to make their voices heard



Additionally, the adoption of hybrid meeting technology helps organisations save costs, as it replaces the variable expenses associated with physical AGMs with a single payment to a service provider for an end-to-end solution.

The stage is now set for a new relationship between investors and boards, supported by necessary legislative changes. As this legislation evolves, companies must get ahead of it and embrace the critical role retail investors can play in shaping the future of British businesses.

The businesses that actively engage with diverse stakeholder groups are better positioned for success because they gain a broader perspective from various viewpoints.



43%

of retail investors primary motivation is to ask questions of the board

How hybrid can pave the way for inclusivity

While there is still a considerable journey ahead to achieve true shareholder inclusivity, one crucial step to opening up to more shareholders is by hosting hybrid meetings.

The good news is that the use of hybrid meetings is growing globally, with Lumi data showing a **9%** increase in the first half of 2023 compared to the previous year. This suggests that hybrid meetings are on course to exceed the numbers seen in 2022 by a significant margin.

Our issuer survey indicates that hybrid meetings are now almost as popular as in-person.

- **40%** of businesses now hold hybrid AGMs
- **41%** in-person
- Just **19%** now host virtual-only
- **50%** of companies hosting AGMs with over 501+ attendees are increasingly opting for a hybrid format



This is fantastic news for shareholder inclusivity, as previously many shareholders found themselves excluded from AGMs due to factors like the meeting location, timing, or accessibility issues.

For hybrid AGMs to endure, the virtual component must be on par with the in-person meeting, ensuring that participants have equivalent rights. This includes the ability to ask questions during the meeting and the opportunity to vote on resolutions in real-time, mirroring the experience of in-person attendees.

The reality is that hybrid meetings are essential for good governance and should continue as the industry standard.



A call for change

In summary, we're facing a two-fold challenge. It's evident that some British businesses need to recognise the potential of retail investors.

A more significant issue is that the existing system doesn't facilitate this engagement for companies that are leading the way in connecting with retail investors.



+

43%

of all public businesses would like to see Government support and regulatory changes to reduce unnecessary administrative hurdles



The changes Co-Secs want to see

We spoke to Company Secretaries to understand the changes they want to see:

- **46%** are eager for greater digitalisation of the share ownership system to streamline the sharing of crucial shareholder information
- **44%** are seeking easier access to information about nominee shareholders.
- **43%** yearn for government support and regulatory changes to reduce unnecessary administrative hurdles

These statistics highlight the urgent need for a comprehensive overhaul of the current share ownership system, which currently hinders effective communication between businesses and shareholders, leaving them in the dark.

46%

of businesses want digitalisation of the share ownership system to streamline the sharing of information



How we move forward

Lumi is committed to driving true shareholder democracy and is advocating for:

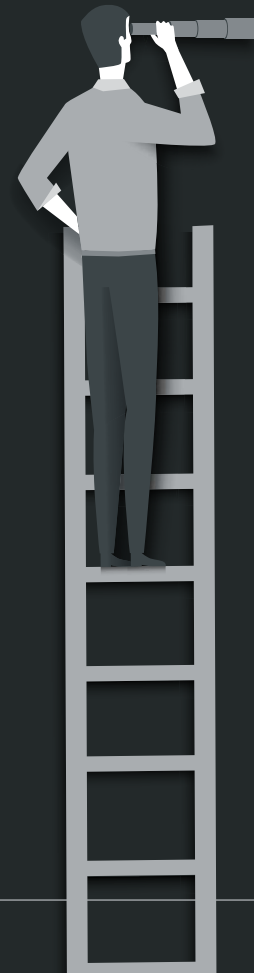
- Legislative reforms that facilitate more meaningful two-way communication between companies and shareholders
- As we await legislative updates, we urge everyone in the proxy chain, including issuers, brokers, and registrars, to work together to improve information sharing and improve access for retail investors

We are actively working with our partners to transform and streamline the process of participating in AGMs, ensuring that every investor has a voice and a seat at the table.

The future of shareholder engagement is one where inclusivity is prioritised, and barriers are dismantled.

If you're interested in contributing to the realisation of genuine shareholder democracy, please contact us at:

press@lumiglobal.com



Methodology

Lumi commissioned independent market research company, Censuswide, to survey a sample of 200 UK Company Secretaries and UK listed companies between the dates of 25th August 2023 and 4th September 2023. Unless stated otherwise, all figures were drawn from this poll.

CENSUSWIDE
+
THE SURVEY CONSULTANTS



About Lumi

Lumi is the leading digital platform facilitating in-room, hybrid and virtual AGMs, Investor and member meetings for the world's largest corporations and membership organisations. It is the only platform that digitises the entire lifecycle of meetings in a single solution that enables inclusivity before, during and after the live meeting.

Based on proprietary, patented technology, Lumi provides software, hardware and services that assist registrars, Investor Relations Officers and event organisers to register stakeholders and provide live, secure polling, Q&A management services, and relevant reporting.

30 years

experience in
delivering live
meetings.



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