Hybrid meetings have become an important tool in the corporate governance toolkit. They allow companies to hold annual meetings in a way that is accessible and engaging for all involved. Over the past 10 years, we have seen a convergence of the annual meeting process with the use of technology which brought about the concept of a virtual shareholder meeting (VSM). VSMs are held online at a secure website and shareholders enter their control numbers to access the meeting. The meeting may be video streamed over the internet so that shareholders can see the presenters (although this adds to the costs). The more common way is an audio webcast. A hybrid shareholder meeting combines a physical meeting with the features of a virtual meeting, offering shareholders the option to attend either in person or remotely.

Many companies have hybrid meetings, which combine elements of both physical and virtual meetings. These meetings can be a mix of in-person and virtual components, allowing shareholders to participate in whichever way is most convenient for them.

How to decide if a virtual meeting is right for your company

When contemplating whether or not to hold a virtual meeting, there are several things to consider:

- What type of meeting will you hold? Is it virtual only or hybrid (assuming you are incorporated in a state that allows such)? Virtual-only meetings have no physical location for shareholders – everyone attends online. A hybrid meeting combines a physical meeting with the features of a virtual meeting and offers shareholders the option to attend either in person or remotely. This would allow the greatest shareholder participation possible. One drawback to the hybrid meeting is the increased availability to access the internet. When Delaware changed the law to allow virtual meetings in 2009, broadband was not readily available or used by households. Today, in the United States and globally, almost all active users of the internet have broadband access. The number of publicly traded companies holding virtual meetings has increased as companies are discovering the benefits of virtual meetings. They allow a wider group of shareholders to participate in the annual meeting, regardless of their location, and the costs to them can be considerably less. In addition, the costs to the company of a virtual-only meeting are typically less than an in-person annual meeting. Virtual meetings eliminate the need for large physical spaces, security, refreshments and large support staff. Meetings can be executed by small groups via telephone and/or video conference. Directors may attend remotely by phone and/or alongside outside auditors and the inspector of election. Replays of these meetings are also available. All shareholders – registered and beneficial – can easily attend and vote as in a physical meeting. This enables companies to more easily share their corporate results and strategy with all shareholders.

Two enablers

The first is regulation. In the case of shareholder meetings in the US, state corporation laws govern the annual meeting. In 2000, Delaware amended its General Corporation Law to allow electronic meetings. Other states followed suit and today, 50 states allow virtual-only meetings and 42 states allow hybrid meetings – i.e., both physical and virtual. Currently, nine states require an in-person-only format, so companies incorporated in those states are prohibited from holding a virtual meeting.

The second is technology, which must be accessible enough that shareholders have the practical ability to use it. In the case of virtual meetings, a key technological advancement was the increasing availability and use of broadband (high speed, high capacity) internet access. When Delaware changed the law to allow virtual meetings in 2009, broadband was not readily available or used by households. Today, in the United States and globally, almost all active users of the internet have broadband access. The number of publicly traded companies holding virtual meetings has increased as companies are discovering the benefits of virtual meetings. They allow a wider group of shareholders to participate in the annual meeting, regardless of their location, and the costs to them can be considerably less. In addition, the costs to the company of a virtual-only meeting are typically less than an in-person annual meeting. Virtual meetings eliminate the need for large physical spaces, security, refreshments and large support staff. Meetings can be executed by small groups via telephone and/or video conference. Directors may attend remotely by phone and/or alongside outside auditors and the inspector of election. Replays of these meetings are also available. All shareholders – registered and beneficial – can easily attend and vote as in a physical meeting. This enables companies to more easily share their corporate results and strategy with all shareholders.

How does a virtual shareholder meeting work?

The good news is that the process for conducting a virtual meeting is very similar to the process for a physical meeting. The company creates its proxy materials, which are distributed to shareholders. For the meeting to be valid, the company provides a URL that directs shareholders to the online location of the meeting. Shareholders must log in to that URL, where they enter their control number, which was distributed with their proxy material. A shareholder’s unique control number is used to validate his or her vote for shareholders seeking to maximize their influence on the company’s arena or proxy and any questions that are submitted by shareholders. For the meeting to be valid, the company manages the meeting. The meeting dashboard allows the meeting director in real-time how many shareholders are attending the meeting, and how many shareholders are being voted throughout the meeting and any questions that are submitted by validated shareholders (see below).
Industry concerns
There is debate over virtual shareowner meetings. Virtual participation presents an opportunity for shareholders who cannot travel to more easily attend and engage. Some endorse virtual-only shareholder meetings, noting that fewer shareholders physically attend smaller companies’ shareholder meetings. Others are concerned that virtual-only participation could diminish the ability of shareholders to fully participate and have their questions and concerns heard without the risk of management exerting excessive control. In this view, if virtual technology replaces in-person meetings, the only opportunity for shareholder engagement with independent board members may be lost if the company does not allow shareholders to ask questions of directors, or otherwise makes directors available to shareholders outside of the annual meeting process.

Despite the benefits, some investors object to virtual-only meetings by adopting policies expressing their views about how meetings should be conducted. These investors believe shareholders do not have the same access to board members and senior management as they would at an in-person annual meeting or hybrid meeting. This is the case when directors and management are not able to be seen live with video. Some worry that a company will not respond to all shareholder questions posed during a meeting.

It is important to know who your investors are. Be aware of annual meeting conduct policies and whether a company’s approach would satisfy its investors. A company should maintain a policy stating that all legitimate shareholder questions will be responded to during the meeting or in writing, given time constraints. Policies should also state that responses will be posted to the company’s investor website page.

An excellent resource on the subject of online meetings and shareholder participation in those meetings is Principles and Best Practices for Virtual Annual Shareowner Meetings – developed by the Best Practices Committee for Shareowner Participation in Virtual Annual Meetings. The guidelines include suggestions for ensuring that shareholders are able to fully participate in virtual meetings.

The Best Practices Committee
The Best Practices Committee for Shareowner Participation in Virtual Annual Meetings is a committee of interested constituents, comprised of 17 executives representing retail and institutional investors, public company representatives and proxy and legal service providers. This working group discusses best practices for virtual shareowner participation in annual meetings – with a view towards ensuring that the needs of all constituents are met in a fair and well-balanced manner. Together, the working group identified five principles and 12 best practices that companies should consider when managing annual shareowner meetings.

Five guiding principles
The Virtual Annual Shareowner Meetings Study Group outlined five guiding principles that every company should consider before undertaking a virtual shareowner meeting:

1. Broad investor participation in annual meetings should be valued and encouraged
2. Shareowner meetings should promote equitable and equal treatment of investor participants
3. Opportunities for meaningful engagement between investors and directors should be provided
4. Issuers should communicate the benefits of a virtual meeting to shareowners
5. Virtual meetings should be used as a way to provide meaningful open dialogue between shareowners and companies

12 best practices
In addition, companies should consider these 12 best practices as a guide to ensuring the virtual meeting expands and enhances opportunities for participation by all shareowners in a fair and balanced way:

1. Recognise that the meeting format must be determined before the proxy is published
2. When deciding on annual meeting format, companies and their boards should consider the items to be voted on at the meeting as well as other issues that may be of current concern to their shareowners
3. Evaluate constantly changing technology and processes for supporting a virtual meeting
4. Ensure equal access to all shareowners
5. Create formal rules of conduct for the meeting
6. Establish reasonable time guidelines for each participant in the virtual meeting
7. Establish rules for when questions are out of order
8. Establish rules to promote transparency
9. Post questions received online during the meeting
10. Ensure shareowners have access to board members
11. Have a technical support line available
12. Archive virtual shareowner meetings for future viewing