

Shareholder Engagement

Virtual Shareholder Meetings: Increasing Accessibility and Convenience Via Technology

By Cathy Conlon

The virtual shareholder meeting (VSM) is one tool that is gaining traction among forward-thinking boards to improve shareholder accessibility to the company's annual meeting. VSMs employ advanced technology that enables boards to host annual meetings on web-based platforms and operate just like a traditional shareholder meeting except that board members and executive leadership don't convene in a physical location. There are a wide range of benefits to hosting virtual meetings, but they also present unique challenges for boards.

New regulations, improved technologies, and broadband Internet speeds have made it easier than ever for organizations to transition to virtual formats. Thirty states currently allow virtual-only shareholder meetings;

twelve permit the hybrid format (i.e., holding a physical meeting that is also broadcast virtually); and nine prohibit VSMs. As a result, VSM use has significantly increased since it was introduced in 2009. What's more, companies of all sizes are making the transition (see chart). We expect the upward trend to continue as participants get more comfortable with the virtual format and as stakeholders recognize the benefits, which include:

- **Accessibility.** VSMs enable boards to boost participation, maximize transparency, and provide greater opportunity for every shareholder to contribute. Many retail investors prefer the convenience of a VSM, as it alleviates the need to travel.

- **Relevance.** Some directors believe that VSMs can generate an innovative, forward-thinking brand image. In a technology-driven world, VSMs convey digital savvy.

- **Efficiency.** VSMs streamline the proceedings and save costs associated with planning and coordinating a physical event.

Addressing Shareholder Concerns

Some shareholders worry that VSMs put too much control in the hands of management by removing the opportunity for shareholders to directly engage boards in person. Generally, shareholders are concerned that VSMs make it easier for boards to exclude or ignore certain shareholders. In the face of these objections, boards need to be proactive. The key here is to communicate with shareholders in advance of the meeting, provide ways for them submit questions, and establish rules to ensure that everyone can fully participate.

Interested stakeholders and constituents recently convened to enumerate guiding principles and values for VSMs. The committee developed 12 best practices to help organizations establish rules of conduct, increase transparency, and ensure equal access. The resultant white paper, *Principles and Best Practices for Virtual Shareowner Meetings*, may be helpful in guiding boardroom discussions on this issue.

Big-Picture Questions to Consider

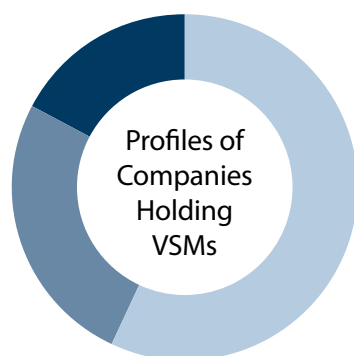
The first step is for your board, working with executive leadership, to determine whether VSMs are right for your organization. Key questions to guide the discussion include:

- Do regulations in our state of incorporation permit VSMs?
- Should we consider a hybrid format?
- How might our more activist shareholders respond?
- In what ways might a VSM impact brand perception?
- Have we engaged shareholders to get their perspectives on this topic?

Ultimately, the purpose of the VSM is to leverage technology to maximize shareholder participation. It's not just about access, but equal access. Opportunities for meaningful engagement between investors, directors, and management should be encouraged at every step. Success is built on more dialogue—before, during, and after the meeting.



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Large cap ● 17%

Mid cap ● 26%

Small cap ● 57%

9 S&P 100 companies

33 S&P 500 companies

23 Fortune 500 companies

*2017 full-year data.