GOVERNANCE

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Best practices for online AGMs

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Jennifer Warren

Covid-19 and the UK CG Code

'How board members behave in the crisis will define the executive/non-executive relationship for some time in the future - people have long memories. Stress levels will be high for all board members and the impact of high stress and exhaustion need to be recognised and managed.'

Alex Cameron and David Archer

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Essential, Authoritative Analysis and Opinion for Board Directors, Senior Executives, Investment Professionals and Advisers

Feature

Best practices for online AGMs

Jennifer Warren looks at the introduction of virtual shareholder communication as physical gatherings of every kind are reconsidered as a result of the pandemic and offers five tips for best practice.

As business leaders, corporate boards and investors absorb the astonishing pace of change introduced by the Covid-19 global health crisis, one thing seems clear: shareholder engagement is not immune from the structural forces unleashed by the pandemic. As physical gatherings of every kind are reconsidered as a result of government regulations, corporate governance professionals are rethinking how best to engage with securityholders in a secure, transparent and, most importantly, safe manner.

This new dimension of shareholder and employee safety has led to business meetings undergoing strategic transformations in a matter of weeks, upending decades of corporate practice. Online meetings are becoming a matter of fact not aspiration and, this spring, the meetings services team at Computershare in the US threw its efforts towards online AGM provision.

Only time will tell whether this year's changes to general meetings are temporary. Even if the effects of Covid-19 recede in months - a prediction few are making with any confidence - and even if companies do not make the psychological switch to online over traditional forms of meeting, corporate secretaries, risk teams and business continuity departments are likely to retain a heightened awareness of the company's responsibilities towards the safety of their staff and shareholders.

The viability of public assembly will be at the heart of these considerations. General meetings - and shareholder engagement more broadly - are necessities of corporate governance, not luxuries. Companies must therefore be able to convince regulators, shareholders and their own staff that they will be able to take place whatever the circumstances - meaning they must at the very least consider alternatives to compulsory physical attendance for future meetings.

So far, North America has embraced online annual meetings at a much faster rate than much of the rest of the world during the pandemic. According to Institutional Shareholder Services (ISS), more than 550 annual meetings around the world have been postponed or cancelled this year as a result of Covid-19. However, only 10 of these have been North American companies (all US).

In fact, the US makes up more than half (298) of the 560 meetings to be held virtually this year world-wide, with Canada at 15% or 89 meetings. Nevertheless, many of the regulatory changes, including in several US states, that have given companies greater confidence in holding meetings online are temporary responses to the pandemic. Whether these changes become permanent may depend, in part, on the experiences of companies and their shareholders this year.

Shareholders will be much more likely to support a whole or partial virtual format in the future if their experience in 2020 is positive. Younger investors are even more likely to rate their experiences highly when companies make use of modern, digital engagement technologies. For this reason and more, it is important that companies engage positively with shareholders during this extraordinary period.

Retail shareholders may be more attached to the format of a traditional AGM, at least in part because they believe it creates an optimal opportunity to access company executives. Annual meetings have always been an opportunity for shareholders to hold board members and senior executives of a company to account. As a result, some companies are considering 'hybrid' meetings (where permissible) that allow for shareholders to attend physically or virtually in order to create a more manageable pace of change. They're also increasing other forms of engagement with shareholders, whether through events like investor days or digital communications to increase opportunities for two-way communications.

Computershare has seen first-hand the rigid definition of annual meetings transform before our eyes as we work with corporate governance professionals to support board directors and senior managers to meet their obligations on shareholder gatherings. So far this year we have helped hundreds and hundreds of clients move to a virtual meeting and around 1,000 unique companies have attended our webinars. And we have learned that issuers can transition to a fully or partially online AGM in a way that best delivers shareholder engagement by focusing on five key areas.

Best practices for pivoting to virtual AGMs

1. *Ensure internal alignment*

Organisations considering the move to a hybrid or virtual-only meeting should first engage their internal stakeholders: the corporate secretary, general counsel, board of directors, investor relations, risk and finance teams among them. These teams have extensive experience with the traditional general meeting format and it will be important to ensure they understand in detail how the 'in-person' attendance experience translates to the new virtual format. There will be multiple considerations including previous meeting

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and disclosure practices, relevant legal and regulatory requirements as well as the viewpoints of the company's investors, proxy advisors and other relevant stakeholders.

2. *Identify the right virtual meeting partner*

The right meeting partner can help simplify even the most complex corporate needs and make organising a virtual AGM significantly easier. Services include advice on formats, sample text for proxy materials and shareholder announcements, filing guidance, staff training, organising rehearsals as well as being on hand on the day to provide meeting support.

3. *Ensure clear shareholder communications*

The speed at which AGMs switch to a virtual or partially-virtual platform could confuse shareholders as well as create gaps in shareholder communications. It is important to provide shareholders with the following:

- A clear statement by the company on its intent to provide meaningful shareholder participation.
- A concise outline of how the company will ensure that shareholders know how and when to participate.
- Detailed instructions on voting procedures.
- An online FAQ about the meeting.
- Technical support, before, during and after the meeting.
- Information on where they can find any additional relevant resources online.

The above is an outline and companies wishing to switch to a virtual-only or hybrid platform should seek detailed and timely information on the mechanics of holding a virtual AGM from their transfer agent/registrar. The rules on whether online AGMs can be held differ in every country, and, even where they are allowed, there can be significant penalties for breaches. In the US, for example, the SEC has on the one hand provided relief for companies on sending out proxy cards and materials, but it has also signaled it will actively investigate companies that do not adhere to processes and procedures on providing accurate and timely proxy information. Issuers in the UK were (at the time of going to press) awaiting clarification on advice issued by the Chartered Governance Institute on holding virtual AGMs.

4. *Safeguard your stakeholders*

Organisations have a responsibility to protect the health and safety of employees, shareholder, directors and suppliers during all phases: preparation (including dress rehearsals), meeting day and post-meeting follow-up. Hybrid meetings pose a particular challenge and will require careful planning to ensure social distancing for executives, employees, shareholders and the virtual meeting service provider.

'The speed at which AGMs switch to a virtual or partially-virtual platform could confuse shareholders as well as create gaps in shareholder communications.'

5. *Re-think digital communications options*

Companies might use this crisis to re-imagine the way they communicate with shareholders and forge a stronger, more enduring relationship with investors. An obvious consideration is two-way messaging; companies can use text messages to send shareholders such information as 'save the date' reminders, links to technical support and notes to thank them for their attendance. Other options might include interactive FAQ sessions and communications lines for shareholder proponents. Technology can also enable shareholders to pose questions to board members and senior managers, as well as 'upvoting' questions that shareholders most want answered, in advance of the meeting.

The global health crisis has fundamentally altered the way companies communicate with investors, perhaps permanently. Although disruptive, Computershare believes these changes will ultimately pave the way for new and improved forms of communication that are digital, digestible and two-way, during the proxy season and beyond. The transformation that results has the opportunity to deepen shareholder engagement in an open, positive and, most importantly, safe manner.

Jennifer Warren is CEO, Issuer Services, North America at Computershare. She leads the North American Issuer Services business at Computershare, a global market leader in transfer agency and share registration used by world-leading organisations to maximise the value of relationships with investors, employees, creditors and customers.

Prior to this, Jennifer held general counsel and business roles with Canadian Imperial Bank of Commerce and is a past and present committee and corporate board member.

For more information about Computershare, see: https://www.computershare.com/us/Pages/Have-a-Successful-Virtual-Annual-Meeting.aspx?source=PR-PressCoverage

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