Questions to Ask If You're Considering Going Virtual

By Lisa A. Fontenot

A virtual annual meeting can offer benefits to a company, but can also subject it to criticism since some institutional investors and activists view the practice as limiting management accountability to shareholders, eliminating investors' opportunities to directly share their views with the board, and thus limiting engagement. In this landscape, some key considerations should be navigated thoughtfully to determine the best approach for a company.

When evaluating the suitability of a virtual-only annual meeting, some questions are:

• How would a virtual meeting impact shareholder attendance and participation? Some companies, particularly smaller public companies, have sparsely attended physical meetings. Would a virtual meeting likely increase participation due to the relative ease of attending without fitting travel time into the busy proxy-season schedule?

• Are there other benefits of a virtual approach to the company and its shareholders? For example, in addition to increased attendance and eliminating physical security risk, would virtual meeting costs be lower (e.g., with no location rental, catering or security)? Could a virtual meeting bolster the company's corporate branding?

• What will shareholder reaction be to a virtual format? Will the ability of shareholders to more easily attend and change votes at the last minute or more easily submit questions cause excessive unpredictability? Are there particular company circumstances, including any contentious company or shareholder proposals, contested elections or a corporate controversy that may exacerbate resistance? Engagement with key shareholders can help answer these questions.

• How can the company mitigate risks of negative shareholder reaction? While a hybrid approach addresses investor concerns, it lessens many advantages of the virtual format, including cost savings. Virtual meeting best practices, published by institutional investors, governance organizations and other interested groups in 2012 are currently being updated. They suggest not using technology to avoid opportunities for dialogue otherwise available at an in-person meeting, but instead to adopt principles and procedures for shareholder participation creating as much transparency and interaction as possible to replicate a physical meeting-like experience. Suggestions include offering telephone access or videoconferencing to pose questions, establishing and posting in advance reasonable guidelines for questions, setting protocols for organizing and displaying questions, and archiving the meeting to make it accessible after its conclusion. The extent to which a virtual meeting aligns with suggested practices may dictate investor reaction to the format.

The answers to these questions will shed light on how to balance the benefits and risks of a virtual meeting to help reach the right conclusion for a company. While there may be some unknowns, it is certain that future company practices in adopting virtual meetings will evolve, just as the technology used in these meetings will change.

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