

Shareholders Face Obstacles to Participation in Virtual Annual Meetings

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With most corporate annual meetings pivoting to a virtual format this year as a result of Covid-19 social distancing requirements, many shareholders are struggling to log in and have their questions answered by management during many meetings. While some problems appear to be related to the particular meeting platform, others are due to company practices at the meetings.

For example, Ed Durkin with the United Brotherhood of Carpenters found that Computershare's platform for virtual meetings is allowing only record holders or asset managers, not beneficial holders, to ask questions during annual meetings. Durkin, who has coordinated participation by representatives of the Carpenters at about 100 virtual meetings, estimates that 20% of large U.S. public companies are using Computershare's platform. Durkin said Computershare told him that for beneficial holders to be able to ask questions during an annual meeting, the record holder must transfer a legal proxy to the beneficial owner. This, in turn, would require the record holder to withdraw its vote if it already had voted before executing the required legal proxy because the voting would transfer to the beneficial holder. "The proxy delegation required under your policy for beneficial shareholders to simply ask questions at the meeting is a restriction on shareholder rights," Durkin wrote in an email to Computershare. Broadridge's virtual meeting platform allows beneficial holders to log in and ask questions during annual meetings.

Two other shareholders faced this issue with the Computershare meeting platform. They reported difficulty logging into Abbott Laboratories' April 24 annual meeting. One said it appeared that pre-registration was required, but he did not get that information ahead of time. The other had dialed into a separate line for proponents but had not logged on to the meeting portal, which did not allow her to ask questions during the Q&A.

Andrew Shapiro of Lawndale Capital Management encountered a round of difficulties when trying to participate in National Cinemedia's April 28 annual meeting, which was on the Computershare platform. He reported that the company sent out and posted a change in meeting format and instructions on the evening of April 17, giving shareholders until April 23 to comply with the requirements to submit a request to attend and participate in the meeting. He said he was then required to provide an authorized control number as well as "proof of your proxy power (legal proxy) reflecting your COMPANY holdings along with your name and email address to Computershare." He said the instructions also said requests for registration had to be labeled as "legal proxy" and be received no later than 5:00 p.m., Eastern Time, three days prior to the meeting. "What is 'proof' wasn't clear or easy to provide (not every investor has paperwork or ability to work through their broker on such notice and to scan the results back to NCMI's agent," Shapiro noted.

Kyle Seeley of the New York State Common Fund reported that the fund has encountered a limited number of instances in which a company has been hesitant to conduct virtual-only meetings in line with best practices or public health guidelines. He chalks this up to inexperience with the virtual-only meeting format. The fund has been successful in convincing companies to adopt best practices for these types of meetings by communicating the importance of protecting public health and shareholder rights, sharing information about the technological capacities provided by virtual meeting platforms and emphasizing SEC guidance.

Although the fund's [proxy voting guidelines](#) recommend withholding support from governance committee members when a company conducts a virtual-only meeting, it is taking a slightly different approach in 2020. Seeley says the fund is withholding support for directors at companies with a history of conducting virtual-only meetings and at companies that do not conduct virtual-only meetings in line with best practices. For example, the fund withheld support from AT&T directors [due to concerns](#) with how the company conducted its virtual-only meeting.

John Keenan of AFSCME highlighted other types of problems experienced by shareholders during three recent virtual meetings:

- Boeing - A shareholder who presented a proposal said he could log into only the audio line because his custodian bank's control numbers did not work on the Broadridge virtual meeting platform.
- Honeywell - The company left approximately 10 minutes for Q&A, but did not answer questions from a proponent co-filer or another shareholder.
- Pfizer - One shareholder who had co-filed a proposal could not log into the meeting with his control number. The control number his proxy manager gave him had 16 digits, and the Pfizer site asked for 15 digits. He said he was experiencing similar problems with an upcoming annual meeting. In that case, he had to use his control number to register to attend in advance, then the company sent him a second 15-digit control number for the meeting. "It's stupid but not unheard of," Keenan said.

Max Dulberger of the Illinois State Treasurer's Office presented a proposal and participated in the Q&A during Johnson & Johnson's April 23 meeting. He said to present the proposal, his office pre-recorded audio that was played at the meeting and the company oversaw the technical logistics. For Q&A, the company took select questions from unidentified attendees (probably about five or six). The company said if questions were similar, it would select one to respond to on that topic. "It was not ideal, not as transparent or easy to navigate as an in-person Q&A, but at least they provided some opportunity for Q&A," said Dulberger.

The AFL-CIO also encountered an issue accessing virtual meetings. Brandon Rees reports that the union federation's custodian bank does not use Broadridge control numbers (they use another provider). As a result, the AFL-CIO cannot use those shares to access virtual meetings on the Broadridge platform. "I would recommend that companies allow shareholders to listen to meetings as guests in case they have difficulty logging in," he said.

Stuart Dalheim from Calvert reported that his experience with PACCAR's April 21 meeting was "less than ideal." The company took questions in batches and did not refer to Climate Action 100+ and investors' interest in climate, but stated a summary question "will the company maintain its environmental leadership?" to which the answer was "of course we will."

Two companies' annual meetings present an even more difficult problem. United Logistics and Steel Dynamics decided to hold in-person meetings despite social distancing requirements. United Logistics' proxy warns that meeting attendees may be subject to health screening procedures consistent with practices advised by governmental authorities and seating may be limited to comply with applicable CDC and governmental guidelines. The company also is asking any shareholders who plan to attend the meeting to notify the company at least 24 hours in advance. Steel Dynamics said in its proxy statement that it will make available an audio recording of the business portion of its meeting that it will post the following day on its website.

The latest issue of Shareholder Service's [Optimizer](#) provides advice to companies on how to host exemplary annual meetings. Stories cover: Practical Tips and Best Practices to Observe this Year Starting from the Top of the House Down, Advice on Providing a Useful and Rewarding Experience for Attendees, Advice on Taking Shareholder Questions During the Meeting, An Update On Shareholder Meeting Readiness From Key Suppliers Broadridge and Computershare and Learn From The Best: Check Out The Starbucks Webcast For A VSM How-To 'Playbook.'