



CCGG

Canadian Coalition
for Good Governance

THE VOICE OF THE INVESTOR

CCGG VIRTUAL SHAREHOLDER MEETING (VSM) POLICY

JANUARY 2024

Virtual Shareholder meeting (VSM)

The global COVID-19 pandemic in 2020 disrupted the ability of companies and shareholders to attend annual general meetings (AGMs) in person. The issuance of emergency public health orders restricting the size of gatherings and in person interactions made physical attendance at shareholder meetings impossible. In many jurisdictions, additional emergency orders were issued which facilitated and accelerated the transition of AGMs to a virtual-only online format for shareholder meetings (VSM).¹

Globally, companies have quickly shifted to this “new virtual norm”.² Despite the end of the pandemic and the lifting of emergency orders, a global trend of issuers continuing to use, and regulators formalizing, pandemic era exemptions permitting the use of VSMs is evident, including in Canada.³ Research by the BC General Employees Union from August 2023 revealed that during the 2023 proxy season, 57% of S&P-TSX 60 companies opted for virtual only AGMs even though there were no longer any public health restrictions in place.⁴

During 2023, CCGG began to monitor the number of VSMs being held by the companies it was engaging with through its board engagement program. CCGG annually engages with the independent directors of 30-35 companies on the TSX Composite Index. In respect of companies engaged with during CCGG’s 2023 engagement program, we observed that 21 out of 34 or 62% of issuers held virtual only meetings in 2023.⁵

CCGG’s advocacy in support of in-person and hybrid meetings

CCGG recognizes that there are benefits to shareholders that arise from enabling virtual attendance, but absent strong governance and a commitment to transparency there is a clear and present risk that shareholder voices are increasingly being silenced and shareholder participation is being diminished. As such, CCGG continues to be an advocate for in-person attendance at AGMs and recommends hybrid meetings, which facilitate both in person and online shareholder attendance, as the preferred format.

In our view, hybrid meetings are preferable to VSMs. Hybrid meetings preserve the option of in person attendance while also providing flexibility for shareholders to participate remotely if that is their preference. It is imperative, however, that remote participation achieves an experience for

shareholders that is as much aligned with the experience of an in-person meeting as possible. Full shareholder participation, whether in person or virtually, is vital because the shareholder meeting is the vehicle by which shareholders exercise many of their core rights as investors, including voting to elect board directors and to approve or reject a myriad of corporate actions brought forward by management. Shareholders are also able to convene meetings and bring shareholder proposals of their own. These rights are exercised only by shareholders and are not available to other stakeholders which creates a unique relationship between a company and its shareholders. CCGG's members, as institutional investors, have stewardship obligations to their beneficiaries and clients which include responsibilities to report on voting activities and seeking to vote all the shares of the companies in their portfolios. This set of obligations and responsibilities underscore the importance of effective and accessible shareholder meetings to CCGG's membership.⁶

In support of this view, CCGG has been active in raising concerns with respect to VSMs since the beginning of the pandemic⁷ and has responded to public consultations regarding shareholder participation and engagement in virtual and hybrid meetings.⁸

In addition, CCGG's CEO, Catherine McCall, has written about CCGG's position⁹ and we have begun integrating discussions of the use of VSMs into CCGG's engagements with the independent directors of public issuer boards where appropriate.¹⁰

Concerns with virtual only shareholder meetings

The ability for shareholders to attend meetings virtually does have benefits including the flexibility for issuers and shareholders to attend meetings they would not otherwise be able to get to in person or to attend more meetings overall. However, VSMs can also achieve the opposite effect. We have observed that VSMs held during and following the pandemic have used technology to limit shareholder voices and adversely impact the ability of shareholders to exercise their rights and directly express themselves to boards of directors.¹¹

In April 2023, the ICGN released a viewpoint supporting a move away from VSMs toward hybrid meetings.¹² The ICGN noted it is not necessary for companies to restrict AGMs to a virtual-only format, as a hybrid approach is optimal, allowing for both in-person and virtual participation by shareholders. As such, in the event it is necessary for a company to conduct a virtual-only AGM, the reason for this should be explained by the board to shareholders ahead of the meeting.¹³

Catherine McCall, Globe and Mail, May 21, 2023: “Investors only infrequently vote against nominated directors, but their ability to do so is fundamental to our system of corporate governance and the functioning of our capital markets. Both the right to vote for directors and the ability to directly communicate with directors and management at least once a year are crucial for shareholder democracy.”

Best Practices for virtual participation in shareholder meetings

CCGG encourages Boards to approach virtual meetings with a shareholder engagement mindset that prioritizes simplicity of process, transparency of information and the free flow of communication. In light of the foregoing, CCGG has identified the following recommendations for issuer boards.¹⁴

1. Use, as a default, a hybrid meeting format to permit in person and virtual shareholder participation.
2. Use accessible video-based technology platforms that facilitate virtual shareholder access, voting and real time participation.
3. Ensure synchronous shareholder participation that facilitates communication among shareholders as well as between shareholders and the company's board and management and provides the ability for shareholders to vote, raise points of order, speak to shareholder proposals and pose questions including follow up questions from the floor to management in real time, without prior gatekeeping or vetting by management.
4. Consistent with the recommendations of the CSA guidance on VSMs ensure that disclosure in the management circular and proxy materials provides complete, thorough and transparent instructions for registering, shareholder authentication, and voting.¹⁵ Particular care should be taken to ensure that the processes for participation of beneficial shareholders is not overly cumbersome or requires unnecessary additional steps.
5. Ensure the Chair of the meeting is well versed in meeting rules and procedures and exercises discretion with a view to the principles of transparency and accountability to shareholders.

¹ See [Dentons - Adapting AGMs to the COVID-19 Era \(Canada\)](#).

² See Fidelity International, March 2022, [You're on mute: Shareholder meetings in the post-Covid era \(fidelityinternational.com\)](#) and Martin & Mastrianna, 2022 [Virtual Shareholder Meetings: Beyond the Pandemic](#).

³ Ibid., and also see [Analysis: Virtually forever? Switch to online AGMs gains pace despite concerns | Reuters](#); and Canadian Federal government's [Budget 2023](#), released March 28th, 2023, the government proposes to introduce legislative amendments to the *Bank Act*, *Insurance Companies Act*, and *Trust and Loan Companies Act*, to introduce legislative amendments to permit virtual-only meetings and allow for the introduction of conditions ensuring participation. Also see amendments to the *Business Corporations Act*, [Bill 91, Less Red Tape, Stronger Economy Act, 2023 - Legislative Assembly of Ontario \(ola.org\)](#) "Amendments are made to provide that meetings of shareholders or of directors may be held entirely by one or more telephonic or electronic means or by any combination of in-person attendance and by one or more telephonic or electronic means. The articles or by-laws may limit the manner or manners by which such meetings may be held and may specify requirements that apply. A shareholders' meeting held in such a manner must enable all persons entitled to attend the meeting to reasonably participate. A directors' meeting held in such a manner must provide that all persons attending the meeting are able to communicate with each other simultaneously and instantaneously (See subsections 94 (2) to (5) and 126 (13) to (17) of the Act). Additionally, February 25, 2022, the CSA released updated guidance to virtual shareholder meetings: [Canadian securities regulators provide updated guidance on virtual shareholder meetings - Canadian Securities Administrators \(securities-administrators.ca\)](#)

⁴ [BCGEU - Letter to CSA Regarding 2023 Virtual Shareholder Meetings \(nationbuilder.com\)](#) "...conducted research on the annual shareholder meeting practices of the S&P-TSX 60 constituent companies during the 2023 proxy season. Of these 60 companies, 34 companies (or 57%) held or will hold virtual-only annual shareholder meeting." A breakdown of the TSX 60 virtual meeting data collected by BCGEU is available at: https://assets.nationbuilder.com/bcgeu/pages/14863/attachments/original/1698872586/CSA_Virtual_Meeting_Comment_Letter_-_S_P-TSX_60_Virtual_Meeting_Data_%28August_2023%29.xlsx?1698872586.

⁵ 21 out of the 34 issuers, that CCGG engaged with from January to October 2023, held virtually only VSMs in 2023; nine held hybrid AGMs and one held an in person only. CCGG will continue to monitor this topic in 2024.

⁶ See CCGG's September 23, 2022, Submission Re: [Corporate Governance Consultation](#).

⁷ See CCGG's February 5, 2021 [response](#) to the Ontario Ministry of Government and Consumer Services Policy and Governance Branch Re: Potential Permanent Changes to Enable Digital and Virtual Processes under *Business Corporations Act* and the *Personal Property Security Act*, the *Limited Partnerships Act*, and the *Partnerships Act* (the Consultation): CCGG recommended that S.94(2) be clarified to expressly permit hybrid meetings which, in our view, are preferable to virtual only shareholder meetings. pg., 2-4.

⁸ See CCGG's October 21, 2022, submission to OECD Re: [Public Consultation on Draft Revisions to the G20/OECD Principles of Corporate Governance](#), CCGG's September 23, 2022, Submission Re: [Corporate Governance Consultation](#).

⁹ See Catherine McCall's op-ed, May 21, 2023 [Opinion: Say no to virtual-only shareholder meetings – they let companies duck accountability - The Globe and Mail](#).

¹⁰ In 2023, the topic of virtual only meetings was raised at four engagement meetings and this topic continues to be an emerging area of interest to monitor.

¹¹ See [ICGN Viewpoint Shareholder Meetings and Investor Dialogue: The New Normal September 2020](#) and see Harvard Report on Practices for Virtual Shareholder Meetings [Report on Practices for Virtual Shareholder Meetings \(harvard.edu\)](#), January 11, 2021 for examples of shareholder concerns at VSM: General sense that companies had much tighter control over the structure and flow of the Q&A sessions than at in-person meetings, including a feeling that some companies were "cherry picking" innocuous questions and favorable comments over difficult questions and critiques; Apprehension created by a lack of transparency about certain companies' use of discretion to combine or paraphrase similar questions or reword questions; Suspicion that some questions asked and answered during the Q&A sessions at certain companies were generated by the companies themselves, as opposed to verified shareholders, with rehearsed answers from the meeting chairs as a way to avoid difficult questions and fill the time allotted for Q&A; Inability for shareholders to ask follow-up questions the way they could at in-person meetings.; and Loss of opportunities for shareholders to interact with eye contact, both formally and informally, with board members, company executives, and other shareholders.

¹² See [ICGN Statement on Post Covid AGM Practices and Shareholder Rights 19 April 2023](#).

¹³ Ibid.

¹⁴ Also see recommendations from BCGEU correspondence to the CSA from August 9, 2021, [Letter to CSA August 9 2021 \(nationbuilder.com\)](#) and October 5, 2021, [BCGEU \(nationbuilder.com\)](#).

¹⁵ Canadian securities regulators provide updated guidance on virtual shareholder meetings February 25, 2022; also see Glass Lewis 2021, [Virtual Meeting Considerations for Issuers](#) and see Broadridge, [Principles and Best Practices for Virtual Annual Shareowner Meetings](#).