

More companies embrace virtual annual shareholder meetings

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Two years ago, SurModics Inc. conducted its annual meeting and only four shareholders showed up.

Even though it was held at the [company](#)'s suburban Twin Cities headquarters, there was not a big return for the expense.

So last year, the company conducted a virtual annual meeting - something more companies are electing to do. SurModic's board chairwoman, Susan Knight, said during this year's meeting in February that the company now expects to follow suit every year.

"Quite frankly, it's a more of a social gathering than anything else," said Andy LaFrence, chief financial officer and [vice president](#) of finance for SurModics.

More than 90 percent of SurModics shareholders are institutions, he said.

"The majority of them are going to be on the coasts," LaFrence said.

"This gives those shareholders an opportunity to participate and to vote live with the tools in place." SurModics also offers other ways for shareholder engagement, he added.

SurModics' annual meeting was hosted by Broadridge Financial, a Long Island, N.Y., company that provides investor communication and other services to corporate clients.

The technology for virtual annual meetings is not much different from what is used for webcasts of a company's quarterly investor conference call. Broadridge provides the client two specific web addresses - one to broadcast the meeting and another to cast votes.

Cathy Conlon, vice president of corporate issuer product and strategy at Broadridge Financial, sees virtual annual meetings as a trend.

"This is technology that has become accepted," Conlon said.

Broadridge's first virtual annual meeting was for Intel Corp. in 2009, when the Santa Clara, Calif.-based technology company had both a physical meeting with an option to participate virtually. Last year, Intel went fully virtual.

Broadridge thought the virtual meeting product would appeal mainly to tech companies, but quickly realized that companies in a broad range of industries have started leaning toward the option.

In 2016, Broadridge helped 154 companies conduct virtual annual meetings, an increase of 71 percent from the year before. Broadridge played host to 32 more hybrid models such as Intel's 2009 meeting.

Conlon said virtual meetings are not the best solution for all companies or situations, but for some it is a cost-effective option.

That was the case for Minneapolis-based industrial equipment manufacturer Graco, said spokeswoman Charlotte Boyd. "It was not a good use of time and money for shareholders or the company to hold a physical meeting," Boyd said, although she jokes that the employees and retirees miss the free cookies.

Lack of attendance at physical meetings is a big reason companies,

especially smaller ones, are moving toward the virtual route. Virtual options also can increase participation, especially with the growth of institutional owners.

Institutional owners are not likely to be in the same cities as the companies in which they invest, and during the first several months of the year - the big annual-meeting season - they can't physically attend all meetings.

There's no doubt that some companies will continue to use annual meetings as part of their communications strategies.

The Berkshire Hathaway annual meeting is a multiday affair that overtakes Omaha, Neb. The annual meeting of Hormel Foods Corp. is conducted in an Austin, Minn., high school auditorium to accommodate the crowd.

"We always refer to it as the social event of the year in Austin," said Hormel CEO Jim Snee.

Snee laments that annual meetings have lost their "luster."

"I was just at a food conference with other food companies and so many of them have turned their annual meeting into a conference-room meeting for an hour," Snee said. "I think the fact that we're still able to make it into this type of event because it really is so important to the community. It is a great way to not only recognize our shareholders, but for them to get a chance to hear from us."

The actual business being undertaken at most annual meetings is actually very limited.

Hormel's annual meeting, in addition to a couple of optional

presentations and a question-and-answer session, didn't last much longer than an hour. SurModics' virtual meeting was 18 minutes, with the essential business actions taking five minutes.

The business at hand typically means electing directors, voting on CEO compensation plans, ratifying company auditors and voting on any special shareholder proposals.

"I think very few companies and very few shareholders would say that they view the annual meeting as being a forum for getting information about the company," said Amy Seidel, a partner in the Minneapolis law office of Faegre Baker Daniel who advises public companies. The first-quarter earnings releases are usually timed better for those updates.

However, there are critics who say the face time with executives at physical annual meetings is important. Among them is the nation's largest pension fund, California Public Employees' Retirement System, or CalPERS, which has in its 2015 statement of investment policy that companies should only include a virtual option as a supplement to in-person meetings.

The Council for Institutional Investors, a nonprofit association for corporate, public and union employee benefit funds and endowments, has a similar policy.

"Virtual annual meetings can be good for expanding participation, but it's vitally important that share owners can attend and exercise their rights. CalPERS attends annual general meetings often," said Anne Simpson, the system's investment director for sustainability, in an email.

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