**The Governance Profile of Companies which choose to hold Virtual-Only Meetings**

From the beginning of my research, I look into the question of whether or not various companies (the specific company name does not matter; this is mainly for the evaluation process) which exclusively follow the practice of holding virtual shareholder meetings (that is, not in combination with physical shareholder meetings) are also following the appropriate guidelines as set forth by Glass, Lewis & Co., Glass Lewis Europe, Ltd., and CGI Glass Lewis Pty Ltd. (collectively, “Glass Lewis”):

**VIRTUAL SHAREHOLDER MEETINGS**

A relatively small but growing contingent of companies have elected to hold shareholder meetings by virtual means only. Glass Lewis believes that virtual meeting technology can be a useful complement to a traditional, in-person shareholder meeting by expanding participation of shareholders who are unable to attend a shareholder meeting in person (i.e. a “hybrid meeting”). However, we also believe that virtual-only meetings have the potential to curb the ability of a company’s shareholders to meaningfully communicate with the company’s management.

Prominent shareholder rights advocates, including the Council of Institutional Investors, have expressed concerns that such virtual-only meetings do not approximate an in-person experience and may serve to reduce the board’s accountability to shareholders. *When analyzing the governance profile of companies that choose to hold virtual-only meetings, we look for robust disclosure in a company’s proxy statement which assures shareholders that they will be afforded the same rights and opportunities to participate as they would at an in-person meeting.*

Examples of effective disclosure include:

1. addressing the ability of shareholders to ask questions during the meeting, including time guidelines for shareholder questions, rules around what types of questions are allowed, and rules for how questions and comments will be recognized and disclosed to meeting participants;
2. procedures, if any, for posting appropriate questions received during the meeting and the company’s answers, on the investor page of their website as soon as is practical after the meeting;
3. addressing technical and logistical issues related to accessing the virtual meeting platform; and
4. procedures for accessing technical support to assist in the event of any difficulties accessing the virtual meeting.

We will generally recommend voting against members of the governance committee where the board is planning to hold a virtual-only shareholder meeting and the company does not provide such disclosure.[[1]](#footnote-1)

The specific question is, are virtual-only companies following the Glass Lewis guidelines?

So what I aim to do in this document is to find virtual-only companies, five of them. I use their definitive proxy statements (def 14a on the SEC website) as a basis for evaluation. Inquiring into whether these meetings afford shareholders all rights and opportunities (including meaningful communication with the company’s management and accountability of the board to the shareholders) associated with meetings in-person, I make comparisons. Specifically I should pay particular attention to things which were not sufficiently disclosed.

**CDK Global Inc.:[[2]](#footnote-2)**

Overview of the Annual Meeting:

* + Definitions:
    - “Stockholders” are holders of CDK’s common stock.
    - “Stockholders of Record” are those individuals whose, at the close of business on the Record Date, shares were registered directly in their name with EQ Shareowner Services, CDK’s transfer agent.
    - The “Record Date” is September 14, 2018. This is the date for the close of business.
    - “Annual Meeting” refers to the 2018 Annual Meeting of Stockholders of CDK Global, Inc. and is held on November 13, 2018 at 8:00 a.m. central time. The Annual Meeting is a completely virtual, live, audio webcast meeting of stockholders.
  + People who are stockholders at the Record Date are entitled to one vote for each share of common stock held, as of the Record Date.
  + Any stockholder can attend the Annual Meeting via the Internet at [www.virtualshareholdermeeting.com/CDK2018](http://www.virtualshareholdermeeting.com/CDK2018), provided that they have a 16-digit control number provided to them to join the Annual Meeting. The URL is simple and it is easily loadable by any internet browser so I would consider this statement to be true.
  + People are encouraged to access the Annual Meeting online prior to its start time which is indicative that the Company (CDK Global, that is) has addressed concerns related to accessing the website.
  + The Annual Meeting starts at 8:00 a.m. Central Time which is as good as any time given that the meeting is entirely virtual.
  + Stockholders may *vote and submit* questions while attending the Annual Meeting on the Internet.
  + “A replay of the Annual Meeting will be available for stockholders on our website through November 13, 2019.” What this statement should say is that the same URL ([www.virtualshareholdermeeting.com/CDK2018](http://www.virtualshareholdermeeting.com/CDK2018)) as provided above will demonstrate a replay of the Annual Meeting.
  + It is stated that “Instructions on how to attend and participate via the Internet, including how to demonstrate proof of stock ownership, are posted at [www.virtualshareholdermeeting.com/CDK2018](http://www.virtualshareholdermeeting.com/CDK2018).” What this means is that as stated in the Meeting Materials -> Supplement section, you must be a *Stockholder of Record* as of September 14, 2018.[[3]](#footnote-3)

Questions regarding the Q&A[[4]](#footnote-4) + Website[[5]](#footnote-5):

* + It looks like the Q&A Section would benefit from making the instructions more clear.
  + **Should we and how can we clarify the process of demonstrating proof of stock ownership?**
  + **It might be helpful to allow the stockholders to submit questions early; although this is not necessary it would help demonstrate more clearly how to post questions early.**
  + It is stated (question 1) that “Stockholders at the close of business on the Record Date may examine a list of all stockholders as of the Record Date for any purpose germane to the Annual Meeting for 10 days preceding the Annual Meeting, at our offices in Hoffman Estates, Illinois, and electronically during the Annual Meeting at www.virtualshareholdermeeting.com/CDK2018 when you enter the 16-digit control number we have provided to you.”.
    - **So, does that mean that exactly 240 hours before the meeting starts we (as stockholders) would be able to examine the list, or does this mean the 10 days (inclusive) before the day of the Annual Meeting? Additionally, are we able to examine the list electronically on** [**www.virtualshareholdermeeting.com/**](http://www.virtualshareholdermeeting.com/) **10 days before the Annual Meeting as well, or is this restricted to physically (at our offices)?**
  + We know that broker non-votes (the absolute difference between number of shares voted on routine proposals and number of shares voted on non-routine proposals) as well as abstentions are counted toward the quorum, and that the quorum requires a majority of outstanding shares entitled to vote to be represented at the Annual Meeting. **Are these provisions usual practice? Also, do we have provisions (guidelines) for the adjournment of the Annual Meeting to a later date (whether or not this has occurred in the past)?**
  + It’s stated (page 73), “To obtain vote confirmation, log onto www.proxyvote.com using the 16-digit control number we have provided to you and receive confirmation on how your vote was cast.” **Should we be more specific on what type of confirmation the stockholder will receive in the Q&A?**

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3. addressing technical and logistical issues related to accessing the virtual meeting platform; and
4. procedures for accessing technical support to assist in the event of any difficulties accessing the virtual meeting.

1. <https://www.glasslewis.com/wp-content/uploads/2018/10/2019_GUIDELINES_UnitedStates.pdf>, pages 50-51. [↑](#footnote-ref-1)
2. <https://www.sec.gov/Archives/edgar/data/1609702/000114036118039959/s002433x1_def14a.htm#t50>. All information on here comes from the section, Questions and Answers about the Annual Meeting and Voting. [↑](#footnote-ref-2)
3. <https://materials.proxyvote.com/Approved/12508E/20180914/OTHER_371432.PDF> [↑](#footnote-ref-3)
4. <https://www.sec.gov/Archives/edgar/data/1609702/000114036118039959/s002433x1_def14a.htm#t50> [↑](#footnote-ref-4)
5. [www.virtualshareholdermeeting.com/CDK2018](http://www.virtualshareholdermeeting.com/CDK2018) [↑](#footnote-ref-5)