

Director-Shareholder Engagement While Maintaining Social Distancing

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Public companies in Canada have, en masse, opted for virtual-only meetings in response to the COVID-19 pandemic. According to ISS, 274 Canadian issuers have chosen the virtual-AGM route, while just 14 have postponed or cancelled their meetings. The next issue boards need to tackle is how to engage with shareholders given social distancing measures and travel restrictions.

COVID-19 is not a license to put a pause on your engagement activities—unpredictability does not mean the expectations of your investors have changed; in fact, they might be heightened. During this period, director-shareholder engagement remains critical, not only to head-off potential issues, dissuade shareholder activism, and demonstrate board capability, but to calm fears, instill market confidence, and increase buying.

Now is not the time for issuers to go dark.

Before launching your shareholder engagement activities, we encourage you to conduct an in-depth shareholder analysis in light of the market sell-off. Initiate a stock surveillance program, keeping an eye on company announcements, 13Fs, and sector flows.

TIPS TO KEEP ENGAGED WITH YOUR SHAREHOLDERS

Don't let your website become stale in a rapidly changing environment. The first place shareholders—especially retail shareholders—will look for company updates is the investor pages of your website. As a best practice, consider posting a continually updated FAQ, which includes the most recent questions related to COVID-19 and its impact on the company going forward.

During the crisis, we also recommend adding a clearly marked section on your investor pages dedicated to your response to COVID-19. In this section, consider including a short video from your CEO highlighting your business resiliency and outlining steps you've taken to ensure safety of your employees, customers, and other key stakeholders and to mitigate risks. (Research has shown that only 20% of web visitors will read copy, while 80% will watch a video.)

Remember to utilize your social media channels along with email blasts to shareholders inviting them to visit your website for regular updates and to promote your CEO video.

Try videoconferencing with top holders. While technology solutions for virtual one-on-one meetings have been available for many years, they've been under-utilized for shareholder engagement with issuers traditionally opting for in-person or telephone meetings. Video meetings—versus telephone—spur increased engagement, trust, and collaboration. Head into these meetings with the understanding that your discussions with shareholders, during the COVID-19 crisis, will be different from your discussions in the past:

- Be prepared to answer questions about the potential impacts on your business and the changes you may be making. If there are things you don't know, tell shareholders that, followed by the steps you are taking to identify and solve for the unknown.
- Be transparent and provide as many qualitative and quantitative details as you can. Shareholders will understand that in a rapidly moving situation you may not be able to accurately forecast the future, but it's important to offer best-case and worst-case scenarios.
- At the end of the meeting, reassure the shareholder that you intend to provide them and the market with regular updates as the pandemic evolves.

What about roadshows? We've seen a number of companies cancel or postpone their roadshows or investor days due to the pandemic. We urge our clients to take their cue from shareholders—don't be afraid to check in on their comfort level and preference—because you don't want to end up speaking to an empty (virtual) room. On the other hand, virtual investor meetings may foster greater participation and engagement —this format enables any shareholder or investor to participate in the meeting regardless of their location.

For your virtual roadshow, keep your presentation brief and interactive. Given the economic upheaval, you'll want to revise your typical investor deck. Start off your presentation by directly addressing impacts of the COVID-19 pandemic on your business—to your balance sheet, your liquidity, your cash burn rate, your supply chain, etc.—and highlight the detailed steps you've taken to address these challenges in the short-term and to mitigate risks in the near-term. You can then conclude your presentation with your regular slides demonstrating that your long-term, post-COVID, fundamentals remain solid. Another effective tactic to tell your story is to include a CEO 'fireside chat' as part of your roadshow webcast, inviting a preferred research analyst to host.

With any type of digital interaction with shareholders, make sure the participants from the company are familiar with the technology. It's always a good idea to have one or two dry runs prior to the meeting to coordinate talking points and assign Q&A's, especially since the participants likely won't be in the same room.

Consider using social and traditional media to reach out to shareholders. Some investors may not want to meet with you right now with many focused on keeping their own businesses afloat. To reach these investors, we recommend utilizing your social media accounts to amplify your company announcements, serialize key points and visuals in your updated investor deck, and push shareholders to your website. While digital engagement may not be the ideal situation for everyone, it's expected social distancing, at least in some form, will be the new normal.

If you have started planning for in-person engagement meetings in the fall, make sure that your board and executive are prepared to shift back to digital if needed.