

Shareholder Rights Group



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FOR IMMEDIATE RELEASE

2020 PROXY SEASON OFFERS FRESH EVIDENCE THAT PROPOSED SEC RULES WOULD INHIBIT SHAREHOLDER ENGAGEMENT AND UNDERMINE THE PUBLIC INTEREST

Case studies demonstrate how new ownership thresholds and resubmission rules would exclude proposals seeking to address workplace discrimination, hate speech and racial/gender pay gap, among other critical social and environmental issues.

NEW YORK, NY, THURSDAY, JULY 30TH, 2020 – Shareholder groups made public today new and compelling evidence including [case studies](#) that illustrate how the SEC’s proposed rule changes governing the 14a-8 process would inhibit the filing of shareholder-sponsored resolutions for the corporate proxy, particularly proposals seeking to promote improved performance on environmental, social and governance issues.

The case studies accompany a [comment letter](#) filed with the SEC yesterday and endorsed by organizations representing shareholder members that regularly file resolutions and are focused on safeguarding shareholder rights including [Ceres](#), the [Council of Institutional Investors](#) (CII), the [Interfaith Center on Corporate Responsibility](#) (ICCR), the [Shareholder Rights Group](#) and [US SIF](#): The Forum for Sustainable and Responsible Investment.

The groups argue that “shareholder proposals and proxy voting are economically important mechanisms for shareholders to monitor and hold corporate managements accountable, to communicate collective shareholder views to the board and to create and protect long-term value.”

“As data from this year’s proxy season make clear, the shareholder proposal rule is working well as an important tool for investors to hold public companies accountable and communicate collective investor views to boards and management,” said Amy Borrus, Executive Director of CII. ***“That many CEOs resent being second-guessed by shareholders is not a reason to raise the bar for shareholder proposals. The changes the SEC has proposed are unnecessary and would restrict the voice of investors on critical matters at U.S. companies.”***

Through data and evidence taken from this year’s proxy season, the investors make the case that the new thresholds for ownership and resubmission being proposed by the SEC would exclude many important

environmental and social proposals at a time when significant threats to both shareholder value and the public interest stemming from such issues have emerged.

For example, ongoing shareholder initiatives have long sought to address discrimination and harassment, diversity and inclusion, civil and human rights, and social equity – all critical social issues laid bare by the COVID-19 pandemic and the movement for racial justice.

The three main [case studies](#) cite proposals at Tyson Foods related to workplace discrimination, and health and safety; at Facebook addressing hate speech on its social media platforms; and at Google for penalizing employees for speaking out against racism, sexism, and other forms of discrimination in internal messaging boards. In all of these cases, the companies suffered acute reputational damage that threatens shareholder value, including a value-destroying boycott in the case of Facebook. Yet the proposals would not have met the thresholds for filing under the proposed new rules.

“These case examples show how critical the shareholder engagement process is, and further demonstrate how out of step the current SEC leadership is not only with the concerns of investors, but with the greater public interest,” said Josh Zinner, CEO of ICCR.

The letter and case studies are further accompanied by [data](#) showing the percentage of successful shareholder proposals that would not have been allowed under the proposed amendments. The Sustainable Investments Institute (Si2) which tracks environmental, social and related sustainable governance shareholder proposals found that the proposed resubmission amendments would make 27 percent of social and environmental shareholder proposals voted in 2020 ineligible for consideration in 2021. Under the existing rules, only 9 percent would be ineligible.

“The proposed rule change appears to be based on the false premise that shareholder proponents are raising irrelevant issues, but the evidence simply doesn’t support this,” said Heidi Welsh, Si2’s Executive Director. ***“The proxy season offers an orderly process that enhances engagement and gives key market signals.”***

“The SEC’s impending rulemaking threatens to undermine efforts by shareholders to address diversity, inclusion and racial justice,” said Sanford Lewis, Director of the Shareholder Rights Group. ***“As shareholders and companies are waking up to the idea that environmental and social issues are tied to long-term value and performance, this is no time for the SEC to be curtailing the ability of investors to elevate attention to these issues. As the boycott experience at Facebook has shown, the Commission stands to undercut the rights of shareholders to file proposals of material concern and interest to investors in public companies.”***

The SEC is expected to announce final proposed rules in the near future.

About the Interfaith Center on Corporate Responsibility (ICCR)

Celebrating its 49th year, ICCR is the pioneer coalition of shareholder advocates who view the management of their investments as a catalyst for social change. Its 300 member organizations comprise faith communities, socially responsible asset managers, unions, pensions, NGOs and other socially responsible investors with combined assets of over \$500 billion. ICCR members engage hundreds of corporations annually in an effort to foster greater corporate accountability. Visit our website www.iccr.org and follow us on [Twitter](#), [LinkedIn](#) and [Facebook](#).

About the Shareholder Rights Group

The Shareholder Rights Group is an association of investors formed in 2016 to defend share owners' rights to engage with public companies on governance and long-term value creation. Visit our [website](#).

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