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FOR IMMEDIATE RELEASE

PROPOSED SEC RULES TO RESTRICT PROXY ACCESS BREAK FAITH WITH INVESTORS

Agency caves to pressure from trade associations like the Business Roundtable, U.S. Chamber, and National Association of Manufacturers to the detriment of shareholders and the public interest.

NEW YORK, NY, Tuesday, November 5, 2019 – Today’s 3-2, party-line vote by the Securities and Exchange Commission (SEC) regarding proposed changes to its shareholder proposal rule that would severely restrict investors’ access to the corporate proxy prompted a fierce rebuke from the investment community, the very constituency the SEC is designed to protect.

Members of the Interfaith Center on Corporate Responsibility say the new rules would stifle the voice of shareholders by substantially increasing the number of shares required to file proposals that appear on company proxies; doubling the thresholds necessary for the re-submission of those proposals in subsequent years; and restricting access to independent proxy advice. As Commissioner Allison Herren Lee said in voting against these rule changes: “The odds are stacked against shareholders.”

Presently, the SEC’s 14a-8 rule requires shareholders to hold \$2,000 worth of stock for at least one year before they can file a resolution, an amount which ensures that small investors have the ability to place issues significant to the company before fellow shareholders. The SEC is proposing to revise the rule so that shareholders must own this stake for a minimum of three years before they can submit a resolution. If they are shareowners for under three years, they must own up to a \$25,000 stake in the company in order to file a resolution. Moreover, the current thresholds for shareholder support required for the resubmission of proposals are currently 3% for the first year, 6% in the second year and 10% in the third year. The new re-filing thresholds being proposed by the SEC would more than double those thresholds to 5%, 15% and 25% respectively.

Taken together, the rule changes would significantly weaken corporate accountability structures. Raising the ownership threshold threatens to exclude smaller investors, raising serious concerns about the equity of the process. Shareholders big and small can make and have made valuable contributions to the companies that they own. Increasing re-submission thresholds could prevent critically important issues from being considered. There are many examples throughout the history of shareholder engagement of

issues that initially received little support, but went on to receive majority support as shareholders came to appreciate the serious risks they presented to companies.

“For over 75 years, the shareholder proposal process has served as a cost effective way for corporate management and boards to gain a better understanding of shareholder priorities and concerns, particularly those of longer-term shareholders concerned about the impact of environmental, social, and governance issues on the long-term value of the companies that they own,” said Josh Zinner, CEO of the Interfaith Center on Corporate Responsibility. ***“We see this unjustified action by the SEC as part of a broader move across this Administration to realign the regulatory landscape in favor of corporate interests at the expense of the public interest.”***

Timothy Smith, Director of Shareowner Engagement at Boston Trust Walden, who has been involved in the shareholder resolution process since the early 1970s stated, ***“The U.S. Chamber and Business Roundtable have led a steady drumbeat of attacks on shareholder advocates who engage with companies on key issues like climate change, claiming their work is politically motivated and they don’t care about the financial bottom line when these investors who represent literally tens of trillions of dollars in assets are simply seeking to protect their investments. Unfortunately, restricting investors’ use of the shareholder resolution process will only encourage the use of blunter tools like legal action and withholds on directors and say on pay votes to gain the attention of companies on key governance and environmental issues.”***

“While shareholders typically engage companies through direct dialogue with management, the shareholder resolution has been an important tool for investors to bring material issues to the attention of company boards and fellow shareholders,” said Susan Makos of Mercy Investment Services. ***“Resolutions have contributed to companies addressing some of the most critical challenges of our time including climate change, where shareholders encouraged improvements to company disclosures of their environmental impacts and, as a result, more and more companies are adopting science-based targets to meaningfully reduce their GHG emissions. Other resolutions raise human rights risks and community health concerns, including oversight of opioids and the affordability of drugs, which have led pharma companies to improve their practices.”***

The SEC has further proposed a regulatory structure that would undercut the relationship between investor clients and proxy advisory firms such as Institutional Shareholder Services (ISS) and Glass Lewis, with a goal to dramatically undermine the voices of shareholders and produce more management-friendly votes, particularly on matters such as executive compensation, and proposals on environmental, social, and governance issues. These provisions would tilt the scales of the process further in favor of corporate management, and have also long been advocated by pro-business trade groups like the Business Roundtable, the National Association of Manufacturers and the U.S. Chamber of Commerce.

The [Investor Rights Forum](#) website provides many resources regarding the importance of shareholder rights including case studies of how proxy access by shareholders has resulted in improved corporate performance on a host of environmental and social concerns.

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. www.iccr.org