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Contact: Peyton Fleming, Ceres, 617-733-6660 or fleming@ceres.org
Susana McDermott, ICCR, 212-870-2938 or smcdermott@iccr.org
Katherine Murray, US SIF, 414-376-7240 or ussif@lowecom.com

Major US Investors Oppose Legislation That Would Stifle Filing of Shareholder Resolutions with Companies

“Most severe attack on shareholder rights in 50 years,” says one investor; new investor research paper outlines wide-ranging benefits of shareholder proxy tool

WASHINGTON, DC - Many of the country’s largest investors are coming out strongly against proposed legislation that would prevent most investors from being able to file shareholder proposals with companies on key issues they want further action on, such as board governance matters, corporate policies or emerging risks like climate change.

The proposal, part of a larger bill aimed at replacing the Dodd-Frank Act, would sharply raise the ownership threshold for investors who could file shareholder proposals that are voted on at corporate annual meetings. Shareholders would need to hold a minimum of 1 percent of the company’s outstanding stock for three years to file resolutions. Currently, shareholders with as little as \$2,000 in shares for a year or more can do so.

The proposal by House Financial Services Chairman Jeb Hensarling (R-Texas) would undo a shareholder proposal process that has been in place for a half century. In effect, even the nation’s largest institutional investors, including the nation’s largest public pension funds, would not be able to file shareholder resolutions with companies. A hearing on the bill is scheduled for Wednesday, April 26.

"This misguided legislation would greatly diminish shareholders' ability to protect and enhance their investments and drastically reduce corporate accountability," said New York State Comptroller Thomas P. DiNapoli, trustee of the \$186 billion New York State Common Retirement Fund, which has filed dozens of resolutions in recent years asking companies to

assess their climate change risks and develop mitigation strategies. "The Common Retirement Fund's positions in individual companies are in the tens or hundreds of millions, with some over \$1 billion, which makes it outrageous and inequitable that we would not be able to make requests of corporate boards through shareholder resolutions."

"It makes no sense to dramatically change a process that doesn't need changing, seeks to undermine the fundamental right investors' have to ensure their publicly invested dollars are being used ethically and is in every shareholder's and the company's best interest," added Anne Sheehan, director of corporate governance at the California State Teachers' Retirement System (CalSTRS). "The damage it will do to shareholder/company relations is just chilling."

"This is the most severe attack on shareholder rights in 50 years. It would virtually end investors' ability to file shareholder resolutions with companies," added Timothy Smith, director of environmental, social and governance shareowner engagement at Walden Asset Management.

A [research paper](#) released today by three investor groups, collectively managing trillions of dollars in assets, outlines numerous benefits investors have seen from the shareholder proxy tool, including inclusion of more independent board directors, stronger disclosure on political spending, widespread adoption of international human rights principles and wide-ranging actions to mitigate climate change risks. Last year, investors filed about 1,000 shareholder proposals with companies, including about 500 focused on corporate governance issues and more than 400 focused on environmental and social issues.

"The process as currently structured and administered works well for investors and issuers; it is fair, efficient and effective," concludes *The Business Case for the Current SEC Shareholder Proposal Process*, issued by Ceres' Investor Network on Climate Risk and Sustainability, the Forum for Sustainable and Responsible Investment (US SIF) and the Interfaith Center on Corporate Responsibility. "We believe the proposed modifications would harm the interest of investors, companies, society and the capital markets."

"For seven decades, the shareholder proposal process has worked for

companies and investors,” Sheehan said. “It’s been an equitable way for large and small investors to communicate their concerns to public companies.”

“The shareholder proposal is a critical tool to help us get the attention of senior management,” said Adam Kanzer, managing director of Domini Impact Investments, adding, “The quality of one’s ideas is not correlated with the size of one’s investment.”

“The shareholder proposal language in the bill is clearly an overreach,” said Jonas Kron, senior vice president at Trillium Asset Management. “For example, raising the ownership requirement to 1% would leave only 11 investors with enough shares to file shareholder proposals at Wells Fargo. None of those investors have ever filed a shareholder proposal. In the mean time, smaller, but no less important, institutional investors in Wells Fargo have filed strongly supported proposals on a range of very important governance and management issues that should be raised with Wells Fargo management and directors.”

About Ceres:

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