

Three Social Proposals Win Majority Support at One Company

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The events at CF Industries' annual meeting last week set several records for shareholder proposals. All four shareholder proposals on its ballot passed. That alone is fairly unusual, but three of them were focused on social issues.

A proposal seeking disclosure of corporate political contributions won 66% of the votes, a marked difference from the prior record of 53% for the same proposal at Sprint two years ago. Another proposal asking the company to provide a sustainability report on ESG issues resulted in the highest support any socially oriented proposal has ever received, with 67%. Finally, a proposal seeking board diversity passed with 51% of the shareholders in voting in favor, even though Glass Lewis recommended against it. Glass Lewis supported the other two proposals. ISS favored all three.

The success of these social proposals is surprising, while the overwhelming support received on the fourth proposal asking the board to eliminate supermajority voting standards is consistent with how these types of proposals have fared at other companies.

There were no obvious signs of any active campaigns against the company. At this year's meeting, the company also included its own proposal to move to annual elections for directors after two consecutive years of shareholder proposals seeking declassification were supported by more than 90% of votes cast each time. The company action may have been prompted by the strong opposition the lead director encountered last year, winning only 44% in favor of his election, for not acting on the proposal.

It appears that prior to the lone declassification proposal in 2011, the company traditionally did not receive shareholder proposals. After not responding, in 2012 the company faced the declassification proposal again, as well as a majority voting proposal, both of which passed handily. The results this year continue the rare tendency of every shareholder proposal obtaining a majority of votes.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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