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CREW Objects to Chamber’s Rulemaking Petition on Resubmission Thresholds for Shareholder Proposals

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The Citizens for Responsibility and Ethics (CREW) has filed a **comment** in response to the Chamber of Commerce’s petition asking the Commission to increase the voting approval threshold for resubmitting a Rule 14a-8 shareholder proposal. We previously discussed both the Chamber’s rulemaking request and CREW’s separate petition related to disclosure of corporate political spending **here**.

In its comment on the Chamber’s request to the SEC, CREW is particularly interested in proposals asking companies to provide public information on corporate political spending beyond those required by election laws. CREW argues that the Commission should reject the Chamber’s request because it would obstruct those resolutions, since social proposals receive lower support levels. At the same time, however, CREW’s comment letter indicates that the average shareholder support for proposals seeking political contributions disclosure is 32%, far above the current resubmission levels of 3%, 6% and 10% of favorable votes. The Chamber petition does not specify any particular increased threshold levels.

During the 2014 proxy season, 61% of all environmental and social proposals received approval higher than 20%, and 41% of lobbying and political contributions proposals had at least 30% support, including three that passed. We found that political contributions disclosure proposals that tend to receive low support either are those that want flat prohibitions on corporate political contributions, which most shareholders appear to view as too restrictive, or are being voted on at companies that already provide some disclosure about their political spending, enough for ISS to find sufficiently informative to recommend against voting for the proposal. Otherwise, ISS supports the vast majority of social proposals.

CREW claims that the Chamber’s petition would “create an incentive for corporate officers and executives to use deceptive tactics to depress support for shareholder proposals they oppose, allowing them to stave off future votes on the proposals for years.” In addition, CREW states that the Chamber’s “underlying motivation” for its request to the SEC is due to specific concerns about shareholder proposals that would require more transparency over corporate political spending, that may ultimately lead the organization to “[lose] corporate funding” and affect its political activities.

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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