

Vanguard's View on Proxy Access Proposals

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Vanguard has indicated that they are in the process of adding language to their proxy voting guidelines to communicate their views on proxy access. They intend to conduct outreach to individual companies based on their specific proposals.

Vanguard believes that long-term investors may benefit from having proxy access, as it enhances the ability for investors to meaningfully participate in director elections and increase board accountability and responsiveness to shareholders. At the same time, they recognize that the provisions should be appropriately limited to avoid abuse by investors without a long-term interest in the company.

As such, while they will review proposals on a case-by-case basis, Vanguard will be most likely to support access provisions that permit a shareholder or group of shareholders representing 5% of a company's outstanding shares held for at least three years to nominate directors for up to 20% of the seats on the board. They may support different thresholds, however, based on a company's other governance provisions, as well as discussions with shareholder proponents and/or the company and its board.

As we previously [discussed](#), some companies that received shareholder proposals on proxy access have asked the SEC staff to permit them to exclude those proposals on the basis that the companies will be making their own proposals. The shareholder proposals largely sought proxy access rights at ownership levels of 3% for three years, and for up to 25% of the board seats. Companies' own proposals have so far indicated that a range of minimum ownership thresholds at between 5 to 8%, either for one shareholder, a group of shareholders with a maximum cap or for any group of shareholders, with holding periods of three to five years and limited to one director or 10 to 20% of the board. Vanguard emphasized that they believe proxy access provisions should permit multiple investors to aggregate their shares for the purpose of nominating directors.

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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