

Shareholder Proposal Pressure Shifts to the Investors Who Vote on Them

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The battle over shareholder proposals is turning to the investors who make voting decisions about them.

Several investors lost the ability to exclude shareholder proposals that requested their boards to issue climate change reports assessing any incongruities between the companies' proxy voting practices and their policy positions. In the supporting statements, the proponent noted that the investors' parent companies may tout the importance of sustainable investing or ESG factors in deciding where to invest, and yet the investment arms that make voting decisions will abstain from supporting or actually vote against climate change shareholder proposals on the proxies of the investee companies.

The proposal is modified from the version submitted to several investors last year, which we previously discussed [here](#). Last year's version focused on a report about proxy voting and was judged to be excludable on the basis of being an ordinary business matter in trying to influence how investment advisers vote proxies.

Investors did not succeed with that same argument this year. Based on the rephrasing of the proposal, the SEC staff [determined](#) that the proposal was not ordinary business because it focused on the significant policy issue of climate change.

Other types of pressure about voting on shareholder proposals has also increased. The US Public Interest Research Group is urging Vanguard to change its proxy voting guidelines to vote in favor of shareholder proposals on political spending disclosure through an online [petition letter](#) to Vanguard, which reportedly has over 50,000 signatures in support.

The Center for Political Accountability [reports](#) that a study of 68 large mutual funds showed the funds voted in support of political spending proposals 42% of the time during the 2015 proxy season. Eight funds opposed every resolution in the past two years, including BlackRock, BNY Mellon and Dreyfus. Fidelity and Vanguard were among four funds that largely abstained from the proposals.

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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