

CII and Others Defend Shareholder Proposal Process to the White House

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A group of investor organizations sent [a letter](#) to Gary Cohn, the Director of the National Economic Council, disputing the Business Roundtable's assertion that the shareholder proposal process under Rule 14a-8 is among the list of unduly burdensome regulations. A prior discussion of the October 2016 Business Roundtable report on possible Rule 14a-8 reforms is [here](#).

CII, the Principles for Responsible Investment, the Interfaith Center on Corporate Responsibility, the Investor Network on Climate Risk and the Forum for Sustainable and Responsible Investment support the current SEC rule. The group argues that the shareholder proposal process is “well functioning” and does not need to be amended or repealed. It serves as a “cost effective” way for corporate management and boards to understand shareholder concerns, through participation by individual investors and large pension funds and smaller asset management.

The Business Roundtable asserted that the regulations negatively impact economic growth and drain resources from innovation and job creation. CII concludes that shareholder proposals have the opposite effect, through highlighting meaningful reforms that alter ineffective corporate governance, enhance transparency and shareholder value and promote corporate actions on a range of issues, ultimately leading to an increase in shareholder value and, of course, job creation.

The group notes that shareholder proposals are often the beginning of a process and can be withdrawn after an exchange of views, and those which are not withdrawn are voted on by all shareholders, which provides management and boards with greater input. In addition, the proposals are usually advisory. Among the issues that the group cites as spotlighting emerging material risks and material opportunities are supply chain risks, climate risk and workplace diversity.

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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