

Proxy Monitor Examines the Impact on Shareholder Proposals from Three Frequent Sponsors – Individuals, Socially Responsible Investors and Labor-Affiliated Funds

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The [NYTimes Dealbook](#) recently focused on a Proxy Monitor [study](#) that found that 70% of shareholder proposals submitted by individuals to Fortune 250 companies in 2014 were sponsored by three people and their family members ? John Chevedden, William Steiner and James McRitchie. Over the last nine years, the Cheveddens have filed 232 proposals, with about 19% receiving majority support, while the Steiners made 215 submissions, with 29% passing. According to the report, Evelyn Davis only submitted one proposal in 2014, and none in 2013. Although her success rate for passing proposals is around 1%, the *Dealbook* article discusses her newsletter that many companies felt compelled to buy and other perks she received.

The focus on “corporate gadflies” is one of three special reports available from the Proxy Monitor that examines the most likely proponents of shareholder proposals. 48% of the proposals to the Fortune 250 companies in 2014 involved social or policy [concerns](#), 17% higher than in 2013 and nearly 30% above the average in the last nine years. Many come from socially responsible investors affiliated with public-policy organizations or religious institutions, although there has been a marked decline in the activities by Catholic-affiliated religious orders.

These proposals have proliferated since the 1970 D.C. Circuit decision that narrowed the “ordinary business” exception to allow proposals focused on “political and moral predilections.” The primary topics this year included environmental concerns and corporate political spending and lobbying. Not a single proposal in this group of 63 proposals won, but as the study points out, companies have responded by changing practices because of sensitivities surrounding their corporate reputation and brands, as well as concerns about media and other public attention for social and policy causes.

The [last study](#) on labor-affiliated proponents found a decline in sponsorship by unions that span multiple companies and industries, such as AFSCME or AFL-CIO, but robust activity by state and municipal-employee pension plans, led by the funds for New York City and State. The New York State Common Retirement Fund, whose trustee is Comptroller Thomas DiNapoli, contributed 19 proposals, the largest number behind Chevedden and Steiner.

Overall, these shareholders only accounted for 8% of shareholder proposals in 2014, a decrease from 16% last year. In 2014, the primary resolutions involved social and policy concerns, rather than traditional corporate governance issues as in prior years. The study notes that the labor groups have largely abandoned proposals to separate chairman and CEO positions, instead focusing on political spending.

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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