

Shareholder Proposal Update

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A [recent Bloomberg report](#) found that 226 no-action letters requesting to exclude shareholder proposals were submitted to the SEC in the first quarter of 2017, a 10% increase over the prior year.

After the SEC staff decided that proxy access proposals seeking to change the group aggregation limit from 20 shareholders to 40 or 50 shareholders could be excluded, which we [previously discussed here](#), more companies then sought no-action letter relief for those proposals. It is no surprise then that the report noted that the top shareholder proposal topic for no-action letters in the first quarter was proxy access, followed by social and environmental issues. Companies' requests to exclude environmental proposals were the least likely to be permitted, with the SEC staff deciding that 74% of them must be in the proxy statement.

In our analysis of key governance shareholder proposals voted on at annual meetings so far, three different types of proxy access proposals have emerged through the end of April. Some proposals asked companies to adopt proxy access bylaws, which passed at IBM and received 49.6% support at another company, and also failed at other companies with strong insider holdings. Fewer than ten proposals asked companies to amend an existing proxy access bylaw so that an unlimited number of shareholders can form a group, which averaged 28% support. Three proposals with proxy access amendments that sought to change the group aggregation limit to 40 or 50 shareholders fared slightly better, with 31% in favor. ISS recommended that investors vote for all of these proposals.

The most prevalent governance proposals in proxy statements are those seeking an independent board chair, with 16 proposals voted on through the end of April. ISS supported most of them but recommended that investors oppose four. None of the proposals received a majority. Setting aside companies with high insider ownership, the level of support ranged from 24% to 43%.

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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