

FOR IMMEDIATE RELEASE
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Financial Reform Must Include a Wake-Up Call for Corporate Boards

Washington, D.C., June 23, 2010 — While the business community is deriding efforts by Congress to include corporate governance improvements in financial reform legislation, many experts believe that strengthening shareowner rights is critical to guarding against the reckless practices that helped fuel the global financial crisis.

One of the most critical governance enhancements in the reform bill is a provision reaffirming the authority of the Securities and Exchange Commission (SEC) to make it easier for shareowners to nominate corporate directors. The clarification is important because business interests want to shut down a pending SEC proposal to let investors nominate their own candidates for director on company proxy ballots. "Proxy access" would let shareowners wake up sleepy boards and make directors more vigilant in overseeing management.

Giving investors the tools to hold boards accountable is a way to use market discipline to buttress regulation. It is in sync with President Obama's April 24 commitment to financial reform that provides shareowners "a stronger voice in the boardrooms of companies in which they invest their savings."

But some senators are trying to gut proxy access by rewriting the provision to either require shareowners to own at least a 5 percent stake in a company to nominate a board candidate, or direct the SEC to issue a study before adopting a proxy access rule. "Setting such a high hurdle would effectively eviscerate proxy access," said Ann Yerger, executive director of the Council of Institutional Investors. "And the commission has studied access for decades. It's time to act."

Many experts agree with the Council of Institutional Investors that the SEC's efforts to make proxy access a reality must not be scuttled:

Deputy Treasury Secretary Neal Wolin at the Council's spring conference, April 12

"The principle is clear: long-term shareholders meeting reasonable ownership thresholds should have the ability to hold board members accountable by proposing alternatives and making their voices heard."

Former SEC Chairman Richard Breeden, before Senate Banking Committee, Mar. 26, 2009

"Overly entrenched boards have widely failed to protect shareholder interests for the simple reason that they sometimes think more about their own tenure than the interests of the people they are supposed to be protecting...[Proxy access] would make it easier for the largest shareowners to get boards to deal with excessive risks, poor performance, excessive compensation and other issues that impair shareholder interests."

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The Council of Institutional Investors (CII) is a nonprofit association of public, union and corporate pension funds with combined assets that exceed \$3 trillion. Member funds are major long-term shareowners with a duty to protect the retirement assets of millions of American workers. The Council strives to educate its members, policymakers and the public about good corporate governance, shareowner rights and related investment issues, and to advocate on members' behalf.



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Lucian Bebchuk, Harvard Law School professor, *New York Times*' DealBook blog, June 21
"If the senators' proposed amendment were adopted, the legislation's proxy-access provisions would not only fail to produce significant benefit but would likely make shareholders worse off."

Ralph Whitworth, principal, Relational Investors, in an Aug. 14, 2009, letter to the SEC
"The current economic crisis and resulting erosion of investor confidence has once again highlighted the need for shareholders to have a meaningful vote in director elections to foster greater board and management accountability."

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