

Frequently Asked Questions about Shareholder Proposals*

Q: How many Rule 14a-8 shareholder proposals are filed per year?

A. According to the ISS Voting Analytics database of Russell 3000 companies, shareholders submitted an average of 836 proposals at 386 companies per year between 2004 and 2017. The number of submitted proposals fluctuated between approximately 800-900 proposals per year, except for a dip to 603 proposals in 2011 and 673 proposals in 2012 after the SEC's adoption of say-on-pay vote requirements.

Q. What percentage of proposals actually go to a vote at annual meetings?

A. Less than half of all submitted proposals actually go to a vote. Out of the 11,706 proposals that the ISS database tracked between 2004 and 2017, only 5,342 of these shareholder proposals (46%) went to a shareholder vote. The SEC permitted companies to omit 1,741 proposals (15%). The remaining proposals were withdrawn after mutually agreeable outcomes with companies or otherwise did not go to a vote.

Q. How frequently do public companies receive shareholder proposals?

A. Most public companies do not receive any shareholder proposals. On average, 13% of Russell 3000 companies received a shareholder proposal in a particular year between 2004 and 2017 according to the ISS database. In other words, the average Russell 3000 company can expect to receive a proposal once every 7.7 years. For companies that receive a proposal, the median number of proposals is one per year.

Q: What type of companies are more likely to receive shareholder proposals?

A: Large companies are far more likely to receive shareholder proposals because these companies represent a greater portion of investors' equity portfolios. According to the ISS database, S&P 500 companies received 659 proposals as of the end of the 2017 third quarter. This equals 77% of the 852 proposals received by Russell 3000 companies, and corresponds to the S&P 500's coverage of the Russell 3000's market capitalization. Small companies rarely receive proposals - only 3.7% of shareholder proposals in the ISS database were filed at companies with a market cap under \$1 billion.

Q: Are shareholder proposals filed at companies that recently had an IPO?

A: A small proportion are filed at companies with a recent IPO - less than 9% of Russell 3000 companies that have had an IPO since 2004 have received a shareholder proposal.

Q. How many proposals receive less than 10% support? 30% support?

A. The current resubmission thresholds create significant pressure on shareholder proponents and a higher threshold would have dramatic results. The ISS database tracked 459 shareholder proposals that went to a vote at Russell 3000 companies as of the third quarter of 2017. Of these proposals, 104 proposals (22.7%) received less than 10% of the For/Against vote. In comparison, 252 proposals (54.9%) received less than 30% of the For/Against vote.

Q. How often do shareholder proposals with low votes get resubmitted year after year?

A. Resubmissions for a third or fourth time are very rare. Since 2010, shareholders resubmitted environmental and social issue proposals only 35 times after receiving votes under 20% for two or more years. This affected only 26 companies.

Q. How frequently do individual investors use the shareholder proposal rule?

A. According to the ISS database, the Chevedden, Steiner and McRitchie families submitted approximately 1,700 shareholder proposals between 2004 and 2017. Proposals by this group of individual investors represent 14.5% of the 11,706 shareholder proposals contained in the ISS database. On average, 40% of shareholders voted in support of these shareholders' proposals when they went to a vote.

*** Source:** The FAQ was written by Jonas Kron, Trillium Asset Management, and Brandon Rees, AFL-CIO Office of Investment and co-chair, CII Shareholder Advocacy Committee, based on data from Institutional Shareholder Services and the Sustainable Investments Institute (Si2)