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HALLOWEEN MEDIA ADVISORY

CII Targets “Zombie” Directors on Corporate Boards

Washington, D.C., Oct. 31, 2016 — This Halloween some companies in the Russell 3000 index are giving their shareholders tricks instead of treats. How? By reappointing “zombie” directors, board candidates who fail to win the support of a majority of the company’s shareholders yet remain on the board.

In 2016, a majority of shareholders rejected 44 directors at Russell 3000 companies. Yet [40 of those zombie directors](#) continue to serve. The Council of Institutional Investors (CII) believes that directors who fail to win majority support in uncontested elections should resign from the board and not be reappointed. Since 2010, CII has annually written to the boards of all Russell 3000 companies where directors did not receive majority support to ask that the directors be removed.

Most zombie directors are legally elected, thanks to their company’s continued use of the plurality vote standard in director elections—even as most leading companies have switched to electing directors by majority vote. Under plurality voting, a nominee wins election upon receiving just one favorable vote. Plurality voting results in rubber-stamp elections and directors who are not truly accountable to shareholders. Some companies have adopted “plurality plus resignation” policies, which require directors to tender their resignation if they get more “withheld” than “for” votes. However, this policy is not as beneficial as a true majority standard.

That’s why CII is sending letters to Russell 3000 companies that elect directors via plurality vote and urging them to adopt true majority voting. In July, CII wrote to 194 Russell 1000 companies with plurality voting. On October 25, we followed up with letters to 194 companies in the Russell 2000 that have not adopted majority voting (see list of companies [here](#) and sample letter [here](#)).

From 2013 to Oct. 26 2016, uncontested directors in the Russell 3000 did not win majority support 164 times at 104 companies. Total rejections amounted to 195, as 22 directors failed to obtain majority support more than once. Strikingly, out of these 195 rejections, only 36 directors stepped down from their boards as of Oct. 26, 2016. This represents a turnover rate of 18 percent.

For more on zombie directors and why majority voting matters, contact CII analyst [Gabriel Morley](#) and visit CII’s [Majority Voting for Directors page](#).

The Council of Institutional Investors (CII) is a nonprofit association of pension funds, other employee benefit funds, endowments and foundations, with combined assets that exceed \$3 trillion. CII’s non-voting members include asset management firms with more than \$20 trillion under management. CII is a leading voice for effective corporate governance and strong shareowner rights. CII educates its members, policymakers and the public about corporate governance, shareowner rights and related investment issues, and advocates on its members’ behalf.