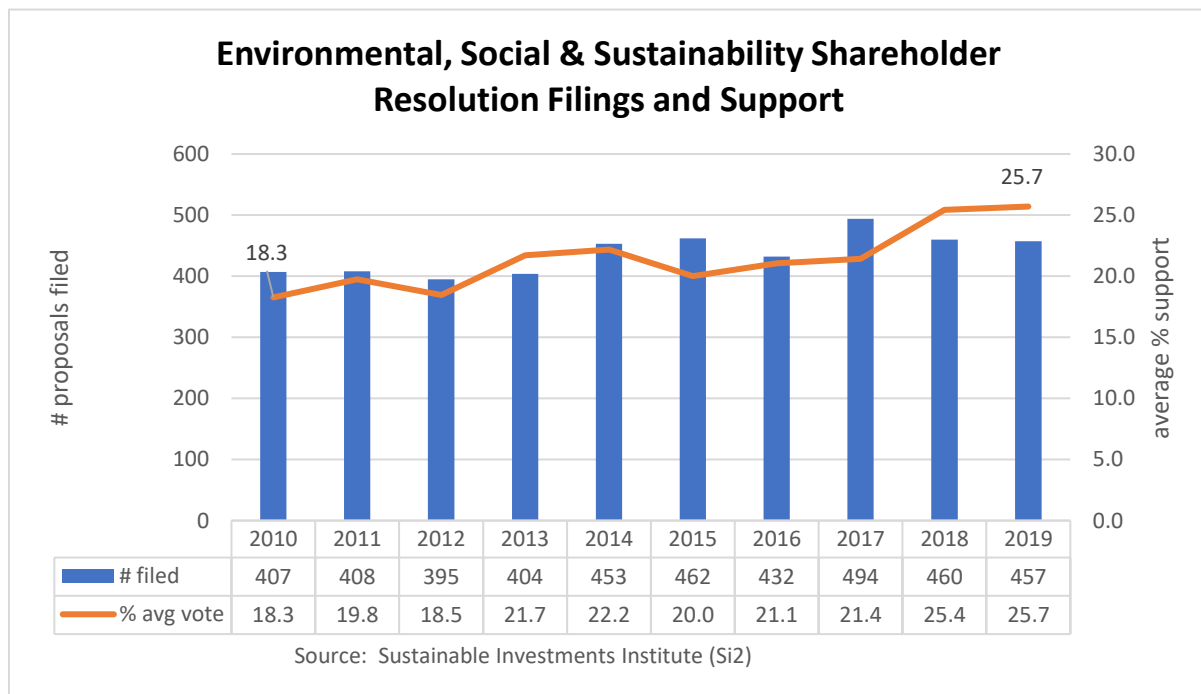


Fact Sheet:

Social & Environmental Shareholder Proposals at U.S. Companies

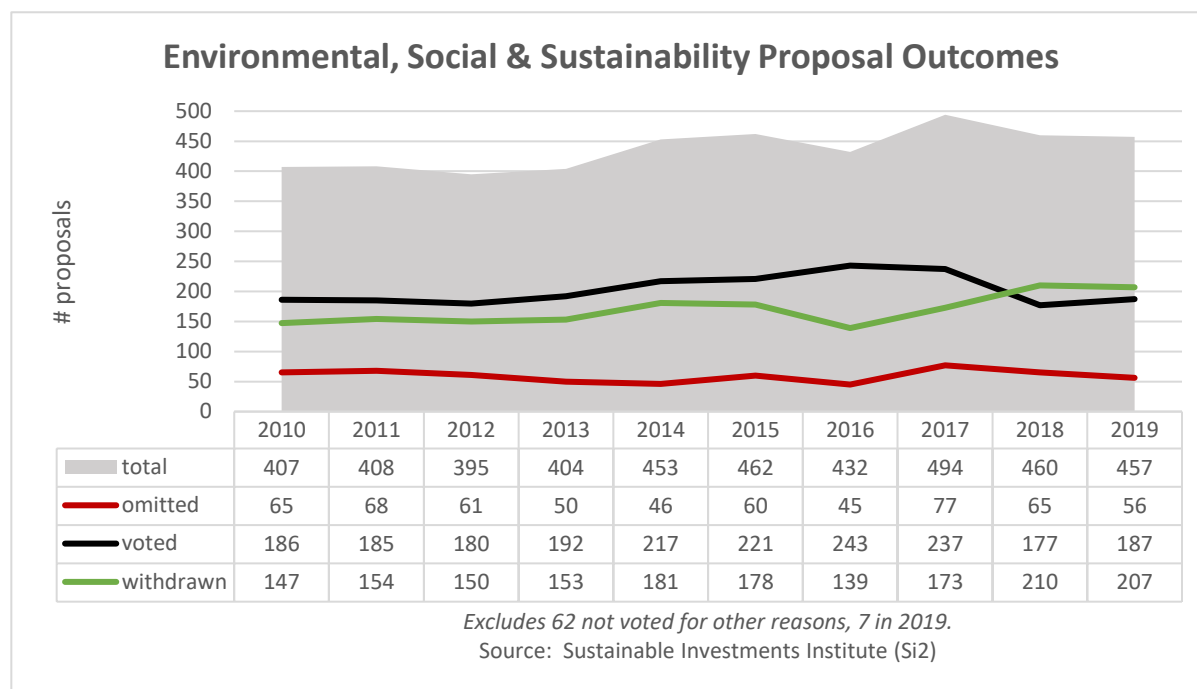
Volume and support: The number of shareholder resolutions filed by at U.S. companies on the environmental, social and sustainability impacts of corporate activity¹ has grown by 12 percent in the last ten years, increasing from 407 in 2010 to 457 in 2019. At the same time, average support has increased 40 percent, rising from about 18 percent to nearly 26 percent.



Proposal outcomes: Starting in 2018, resolution proponents have been more likely to withdraw a proposal than see it go to a vote. Withdrawals typically occur when proponents and companies agree on what the company should do to respond to the issue raised in the proposal, often resulting in more disclosure. (See graph top of next page.)

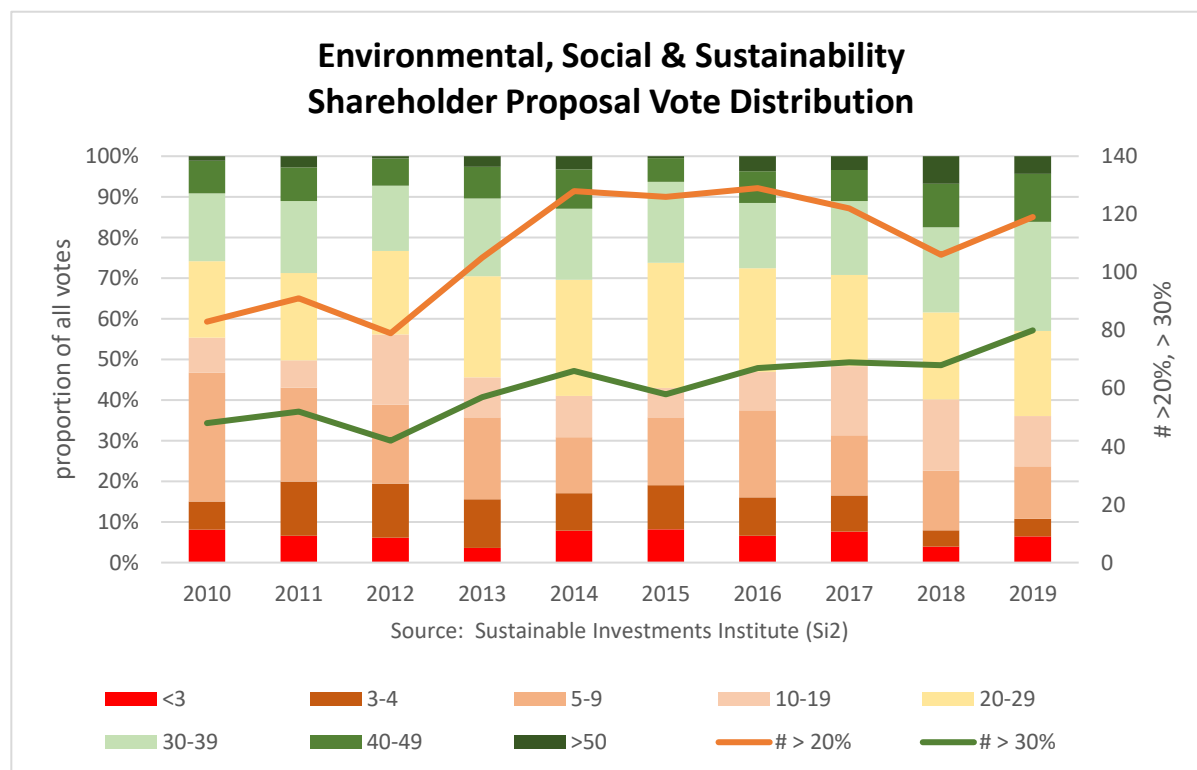
While shareholder proponents and companies have divergent views on what should appear on corporate proxy statements, the overall proportion of resolutions omitted (as a percentage of those filed) has been markedly consistent over time. Omissions typically occur after the Securities and

¹ Includes all proposals filed at any publicly traded U.S. company under provisions of Rule 14a-8 that raise a social or environmental issue. Also includes related corporate governance proposals about sustainability reporting, board diversity and board oversight of environmental and social issues.



Exchange Commission issues a “no-action” letter indicating it will not take enforcement action if a company excludes the proposal, citing provisions of Rule 14a-8.

A closer look at rising vote levels: The increase in investor support for environmental and social issue proposals has occurred while the number of very low votes has fallen. More specifically, votes of less than 10 percent have become quite rare, while votes of 20 percent or more now are routine and 43 percent (80 out of 187) in 2019 were 30 percent or more.



Impact of Proposed Rule 14a-8 Rulemaking: On Nov. 5, 2019, the Securities and Exchange Commission released a [proposed rule](#) that would affect which investors may file shareholder resolutions and the conditions under which proposals may be resubmitted. Comments on the proposed rule are due by Feb. 3, 2020. The rule is likely to significantly reduce the number of shareholder resolutions that may be resubmitted because—among other new constraints—it would raise resubmission thresholds and impose a new “momentum” rule that would affect resolutions resubmitted for a fourth time.²

Back testing the proposed rule: Si2 examined the nearly 4,300 resolutions filed on social, environmental and sustainability issues between 2010 and 2019 to assess the impact if the proposed rule would have been in effect over the decade and found the following, based on Si2’s detailed issue taxonomy:

- 614 proposals out of the 2,019 that went to votes during this period would not have been eligible for resubmission—30 percent of the total.
- The impact by topic area would have varied:
 - The largest number of failures would have occurred for **corporate political activity** resolutions (30% of all failures). More than one-third of all proposals *voted* (35%) and one-quarter of all proposals *filed* dealt with this topic. One-third of the political activity failures would have occurred because of the new 25% threshold and the preclusion of these proposals' refiling during a three-year cooling off period. Fail rate: 17%
 - **Human rights** proposals would have been **more likely** to fail (13% of all failures), compared to their share of all *votes* and all *filings* (9% each); two-thirds of these failures would occur at the 5% threshold. Fail rate: 19%
 - **Climate change** resolutions would have been **less likely** to fail (12% of all failures), in proportion to their share of all *votes* (17%) and all *filings* (18%). 30% of climate proposals would have been blocked by the new 25% threshold and subsequent re-filings of resolutions blocked by this threshold. Fail rate: 9%
 - **Non-climate environmental** proposals, as with human rights, were **more likely** to fail (12 percent of all failures), compared to their share of all *votes* (9%) and *filings* (8%). Fail rate: 20%
 - **Sustainability** resolutions were **less likely** to fail (6% of all failures) compared to their share of all *votes* (9%) and all *filings* (10%). Fail rate: 8%

Specifics by all environmental, social and sustainability topics and the source of projected failures appear in the table on the next page.

* * *

Contact for more information: Heidi Welsh, Executive Director, Si2, 301-432-4721, heidi@siinstitute.org.

² Current resubmission requirements under Rule 14a-8(i)(12) require a proposal to receive at least 3 percent support (of shares cast for and against) in the first year, 6 percent in the second year and 10 percent in the third and subsequent years. The proposed rule would raise these thresholds to 5 percent, 15 percent and 25 percent and require that fourth year resubmissions not see the vote drop by 10 percent or more from the immediately preceding year, even if they earn more than 25 percent (and less than 50 percent).

Projected Impact of Proposed Rulemaking for Social, Environmental & Sustainability Shareholder Resolutions, 2010-2019																
	Failure Type									Number of Proposals				Impact		
Topic	5% threshold	15% threshold	25% threshold	earlier 25% failure	earlier 15% failure	earlier 5% failure	momentum failure	earlier momentum failure	Total Failures	Omitted	Voted	With-drawn	Total Filed*	% of all failures	% of all voted	% of all filed
Environment (Climate Change)	18	23	15	7	3	3	2	2	73	89	343	338	770	12%	17%	18%
Environment (Industrial Agriculture)	29	8			4				41	15	79	51	145	7%	4%	3%
Environmental Management	10	12			7	2			31	37	98	81	216	5%	5%	5%
Governance (Board Oversight/Diversity)	39	7	2	3	1	5			57	32	124	232	388	9%	6%	9%
Governance (Sustainability)	17	13			2	1	1		34	32	176	240	448	6%	9%	10%
Social (Animal Welfare)	16	3				4			23	25	31	23	79	4%	2%	2%
Social (Decent Work)	8	8	1		5	2			24	50	93	102	245	4%	5%	6%
Social (Ethical Finance)	4	4			2				10	36	21	19	76	2%	1%	2%
Social (Health)	19	1			1	3			24	46	35	25	106	4%	2%	2%
Social (Human Rights)	49	15	2	2	6	4			78	85	188	134	407	13%	9%	9%
Social (Media)	4	2	2						8	26	22	20	68	1%	1%	2%
Social (Political Activity)	41	41	27	33	23	11	5	2	183	90	711	273	1074	30%	35%	25%
Social (Workplace Diversity)	7	2	6	9		3	1		28	24	98	152	274	5%	5%	6%
Grand Total	261	139	55	54	54	38	9	4	614	587	2019	1690	4296			

*Total excludes 62 not voted for other reasons & 7 miscellaneous other social issues (none of which were voted on)

Analysis based on database compiled and curated by Sustainable Investments Institute (Si2).