



Press Release:

March 11, 2013

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New Report

PROXY MONITOR WINTER REPORT 2013

New York, NY: As the 2013 proxy season kicks off—most U.S. public companies will hold their annual shareholder meetings between April and June—the Manhattan Institute is releasing its third annual proxy season preview in a series of reports and findings tracking shareholder proposal trends. Using vote results from the Manhattan Institute’s unique, publically available database that tracks shareholder proposals in real time, James Copland, director of the Manhattan Institute’s Center for Legal Policy, identifies what hot button issues to watch for in the 2013 proxy season, including ISS recommendations, and proposals on political spending, “Say-on-Pay”, and board declassification.

The report employs new data on shareholder activism from the Proxy Monitor database, now expanded to include the largest 250 U.S. public companies, as ranked by Fortune Magazine, in addition to new survey data tracking proxy proposal information at these companies, conducted by the Society of Corporate Secretaries and Governance Professionals at the Manhattan Institute’s request.

What We Learned From 2012 Trends

- *Proposal activity.* In 2012, the Fortune 250 companies listed 303 shareholder proposals on their proxy ballots—1.21 per company, up slightly from 294 proposals in 2011.
 - While 47 percent of Fortune 250 companies had no shareholder proposals on their proxy ballots, 20 percent had three or more.
 - Companies responding to the MI survey, on average, received 2.15 shareholder proposals—77 percent more than actually appeared on proxy ballots in the ProxyMonitor.org database—suggesting significant shareholder-proposal activity beyond what is actually on proxy ballots.
- *Proposal sponsors.* Shareholder proposals continued to be introduced overwhelmingly by labor union pension funds, shareholders with a focus on “socially responsible” investing, and a small number of individual “corporate gadflies.”
 - Only one percent of all shareholder proposals were introduced by institutional investors without an affiliation with organized labor or a religious, public policy, or “social investing” focus.
 - Among the 40 percent of proposals sponsored by individuals, 72 percent of those were sponsored by three “corporate gadflies” and their relatives and family trusts.
- *Proposal types.* Forty-three percent of shareholder proposals listed on Fortune 250 companies’ proxy ballots involved corporate governance issues (such as the annual election of directors, shareholder-voting rules, separation of the chairman and CEO positions, or the shareholders’ ability to take action outside annual meetings by written consent or through calling special meetings).
- *Voting results.* Twenty-six of the 303 shareholder proposals on Fortune 250 companies’ proxy ballots received the support of a majority of shareholders in 2012. Each of those involved corporate governance issues.

Political Spending

In 2012, the Fortune 250 public companies faced 57 proxy ballot items relating to corporations' political spending or lobbying—18.8 percent of all such proposals, more than any other single class of proposal. These proposals, however, failed to attract widespread support from shareholders—just 18.3 percent on average.

Executive Compensation Advisory Votes

Overall voting results. In 2012, 231 of the Fortune 250 public companies had shareholder advisory votes on executive compensation. A majority of shareholders supported management pay at all but five of these companies: Best Buy, Chesapeake Energy, Citigroup, Community Health Systems, and Oracle.

Assessing ISS recommendations. For the 190 of the Fortune 200 companies for which the Manhattan Institute has 2011 voting recommendations from the largest proxy-advisory firm, Institutional Shareholder Services (ISS), when shareholders broadly disagreed with ISS, shareholders tended to answer the question right and ISS to get it wrong, based on companies' subsequent-year share-price performance.

Shareholder Activism: What to Watch for in the 2013 Proxy Season

- **Board Declassification:** The early 2013 success of shareholder proposals calling for board declassification makes these the proposals to watch this year.
- **Proxy Access:** The year 2013 may see more activity on the proxy-access front. Walt Disney faces a shareholder proposal by a British social investment firm seeking to allow groups of shareholders with at least 3 percent of company stock for three years to nominate directors to the board by proxy.
- **Chairman Independence:** In 2012, after an announced campaign by labor-pension fund leaders to separate the chairman and CEO roles, more such shareholder proposals were introduced. Several proposals with this intent have already been introduced during the 2013 proxy season.

Political Spending: Although only one of the Fortune 250 public companies has faced a shareholder proposal related to political spending thus far in 2013, the issue remains one to watch in the coming year.

PROXYMONITOR.ORG: Launched in January 2011, ProxyMonitor.org is a project of the Manhattan Institute's Center for Legal Policy and is designed to shed light on shareholder activity. Central to ProxyMonitor.org is the Proxy Monitor web database which has been updated to include shareholder proposal information for the Fortune 250 companies from January 2006 to present. Proposals are searchable by company, year, proposal type, sub-proposal type, industry, and proponents. Searches are exportable to Excel and can be graphed to reveal trends in shareholder activity.

James R. Copland is the director of the Manhattan Institute's Center for Legal Policy, which seeks to develop and communicate thoughtful ideas on how to improve the civil and criminal justice system. He also oversees the Institute's corporate-governance website, ProxyMonitor.org.

The report is available at http://www.proxymonitor.org/Forms/pmr_05.aspx. If you would like to schedule an interview with Jim Copland, please contact Laura L. Eyi at 646-839-3313 or leyi@manhattan-institute.org.



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