

The Power of a Shareholder Proxy

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If you own stock in a publicly traded company, you'll soon receive an email or package in the mail. Either will announce important issues up for a vote at the company's annual meeting and provide a proxy in case you're not able to attend the meeting.

Don't ignore that shareholder proxy. Even if you don't own stacks of shares, the proxy can still be a lever that allows you to effect change in how corporations do business.

In recent years, there has been a surge in shareholder activism. Hedge funds tend to hog the headlines when they use their stakes to influence corporate decisions. Last year, for example, billionaire Carl Icahn, who controls more than 8 percent of the shares of Xerox, pressured the company to spin off its services business, a move he said would boost share value. Last month, Xerox decided to do just that.

But ordinary investors are also shifting corporate strategy, especially with regard to sustainability practices involving clean energy, climate change and ethical labor. And they're getting results. In 2011, individual investors tagged onto a proposal by the social and environmental advocacy organization As You Sow to convince McDonald's to replace its polystyrene foam beverage cups with more eco-friendly paper containers.

Power to the Proxy

The easiest way for individual investors to make an impact is to use their proxy vote to support and amplify proposals already put forward by other investors. If you owned stock in Abbott Laboratories last year, for example, you might have wanted to add your vote to As You Sow's resolution to offer U.S. consumers GMO-free baby formula. If you own stock in Chesapeake Energy, you might want to support the resolution proposed by the Connecticut Office of the State Treasurer to disclose the company's spending on direct and indirect lobbying.

Environmental and social topics represented the largest number of shareholder proposals submitted in 2015. A record-breaking 433 social and environmental shareholder resolutions were filed in 2015, according to ProxyPreview, a free online report generated by corporate responsibility organizations As You Sow, Sustainable Investments Institute, and Proxy Impact.

There are many websites that list socially responsible investing resolutions targeting specific companies.

One of them, ProxyPreview, provides an annual report listing the types of resolutions that exist, companies with proposed resolutions, updates on recent resolutions, and an alphabetical list of companies with outstanding resolutions, making it easy for investors to find the issues on the table at companies in which they own shares.

Another nonprofit organization, Ceres, which advocates sustainability in business, tracks shareholder resolutions filed by its investor participants. The investors include some of the nation's largest public pension funds and foundations, so individual investors who add their support to these resolutions are jumping on a very big bandwagon.

Small Holdings, Big Impact

How much of an impact can individual shareholders make?

"When 25 percent of company shares are voted in favor of a shareholder-sponsored resolution, management very likely pays close attention," says Josh Zinner, chief executive of the Inter-

faith Center on Corporate Responsibility, a coalition of nonprofit organizations and asset management firms that work together to push for change.

That's why the proxy vote can be an effective first step for investors wanting to make a difference.

A big block of stock isn't necessary to shift company policy, says Andrew Behar, chief executive of As You Sow.

In that Abbott Laboratories vote, Behar says his organization convinced the company to offer GMO-free Similac baby formula with only 6 percent of shareholders voting for the resolution.

The McDonald's cup resolution to replace polystyrene with more environmentally friendly materials passed with 20 percent of the vote. That was enough, notes Behar, "to get into the press and start to taint their brand."

The upshot: You can make a difference in a company's decisions through the shareholder proxy you receive.

"Shareholders who just sit back are leaving a lot of power on the table," says Behar.

<http://finance.yahoo.com/news/power-shareholder-proxy-162213992.html>