ESGAUGE INTANGIBLES AI

THE CONFERENCE BOARD

Proxy Voting Analytics (2016–2019)

AND 2020 SEASON PREVIEW

BASED ON SHAREHOLDER MEETINGS HELD AT RUSSELL 3000 AND S&P 500 COMPANIES

In collaboration with: RUTGERS Center for Corporate Law and Governance

Russell Reynolds Associates 50 YEARS

The Conference Board is the member-driven think tank that delivers trusted insights for what's ahead. Founded in 1916, we are a nonpartisan, not-for-profit entity holding 501 (c) (3) tax-exempt status in the United States.

www.conference-board.org

ESGAUGE is the help desk uniquely designed for the professional service firm seeking customized data on US public company disclosure of environmental, social, and governance (ESG) practices. Our clients include asset management firms, compensation consultants, law firms, and accounting firms. We also partner on research projects with think tanks, academic institutions, and media companies. ESGAUGE intelligence is tailored to specific empirical information needs, with segmentations by select peer groups, business industry, and multiple company size dimensions. Data insights are tagged for easy access to underlying sources.

For more information, visit **www.esgauge.com**

The Rutgers Center for Corporate Law and Governance is a project of the Rutgers University School of Law, located in Camden and Newark, New Jersey. The Center is an interdisciplinary forum for research, analysis, and discussion of current issues in corporate law and governance. The Center serves as a resource for students, faculty, alumni, and the business and nonprofit communities. Its objectives are to identify and promote best corporate law and governance practices and law reform, and to build bridges between Rutgers Law School, the business and nonprofit communities, government officials, and other Rutgers University units.

For more information, visit **www.ccig.rutgers.edu**

Russell Reynolds Associates is a global leadership advisory and search firm. Our 425+ consultants in 46 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing, and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues.

For more information, visit **www.russellreynolds.com**

Proxy Voting Analytics (2016–2019) and 2020 Season Preview

Based on shareholder meetings held at Russell 3000 and S&P 500 companies

RESEARCH REPORT R-1708-19

by Matteo Tonello

CONTENTS

Index of Figures

Index of Tables

Index of Exhibits

Using This Report

Proxy Voting Analytics reviews proxy voting data of business corporations registered with the US Securities and Exchange Commission (SEC) that held their annual general shareholder meetings (AGMs) between January 1, 2019, and June 30, 2019, and that were in the Russell 3000 index as of January 2019. The Russell 3000 index was chosen because it assesses the performance of the largest 3,000 US companies, representing approximately 98 percent of the investable US equity market.

The study is published by The Conference Board and environmental, social and governance (ESG) data analytics firm ESGAUGE, in collaboration with Russell Reynolds Associates and Rutgers University's Center for Corporate Law and Governance. Unless specifically noted, the report examines data compiled by ESGAUGE and drawn from public disclosures as of July 10, 2019. To access the underlying database—which is updated daily—and retrieve management and shareholder proposals, no-action letter requests, and voting results regarding individual companies, visit www.conference-board.org/proxyvoting.

Aggregate data on shareholder proposals, management proposals, proxy contests, and other shareholder activism campaigns are examined and segmented based on business industry and company size (as measured in terms of market capitalization). For the purpose of the industry analysis, this report aggregates companies within 11 business sectors (see accompanying table), using the applicable Global Industry Classification Standard (GICS) codes (Appendix 2 on p. 238). In addition, to highlight differences between small and large companies, findings in the Russell 3000 sample are compared with those regarding companies that, at the time of their AGMs, were in the S&P 500. Year-on-year comparisons are conducted by referring to the same time period of previous proxy seasons—a fairly comprehensive review since most corporations hold their annual shareholder meetings before the end of June. In some instances, this report revises calculations published in prior editions of the study to reflect updates to the dataset and, in particular, information on AGMs that was not yet reported or captured then. For this reason, direct year-on-year comparisons with those prior editions are not always valid.

Distribution—by Industry Groups

Industry	Number of companies	Percentage of total
Communication services	94	3.7%
Consumer discretionary	278	10.9
Consumer staples	72	2.8
Energy	150	5.9
Financials	510	20.0
Health care	437	17.1
Industrials	340	13.3
Information technology	293	11.5
Materials	117	4.6
Real estate	191	7.5
Utilities	72	2.8

n=2,554

Source: The Conference Board/ESGAUGE, 2019.

This report is divided into five parts:

Part 1: Shareholder Meetings and Director Elections offers an overview of the meeting season by index and industry groups. The index-based analysis includes the number of AGMs held in each month of the sample period. Shareholders may also be authorized by corporate charters or bylaws to call special meetings for the purpose of discussing and voting on certain matters; special shareholder meetings, however, are excluded from the scope of this analysis.

Part 2: Shareholder Proposals focuses on voted proposals introduced by shareholders and related to executive compensation, corporate governance, and social and environmental policy. A fourth all-inclusive "other" category comprising resolutions on director nomination, mergers and acquisitions transactions, asset divestitures, or other value maximization proposals is also included in the analysis. For a description of shareholder proposal topics under the subject categorization "other," see the "Subjects" section on p. 50. Data reviewed in Part 2 include proposal volume, topics, and sponsorship. Proponent types considered in the sponsorship analysis are described in the "Sponsors" section on p. 42 and reflect the categorization used by FactSet. For proposals with multiple sponsors, the analysis by sponsor is based on the investor listed as the main proponent by FactSet. The discussion of voting results is integrated with information on nonvoted shareholder proposals (due to their withdrawal by sponsors, the decision by management to omit them from the voting ballot, or undisclosed reasons). Omission figures indicate that the company was granted no-action relief by the staff of the SEC in connection with the exclusion of a shareholder proposal from its proxy materials, as allowed for under Rule 14a-8 of the Securities Exchange Act of 1934. Data on withdrawn proposals are limited to publicly available information or information provided to FactSet by the proponent or issuer.

Part 3: Management Proposals follows a similar organization of information as Part 2 to analyze company-formulated resolutions submitted to the vote of shareholders when applicable state corporate laws or the company's articles of incorporation or bylaws require shareholder approval on a certain business action. In this section of the report, specific attention is paid to the results of say-on-pay votes (now generally mandated by federal regulation). The review of management proposals helps to complement the findings of Part 2, especially with respect to those corporate policy changes related to executive compensation, corporate governance, or social and environmental issues that are implemented by management after a precatory shareholder proposal on the same topic received wide support at a previously held AGM.

Part 4: Proxy Contests and Other Shareholder Activism Campaigns reviews all shareholder activism campaigns involving a director election, an action by written consent or a (shareholder or management) resolution put to a vote at a shareholder meeting. Specific attention is paid to proxy solicitations and contested director elections, including information on dissidents, dissenting reasons, and outcomes. However, the discussion extends to exempt solicitations (including vote-no campaigns) and other public agitations mounted by activist investors to influence fellow shareholders and put pressure on target companies. To provide insights on the profile of major activists, the analysis in Part 4 is supplemented by a table summarizing campaign tactics adopted by investors in FactSet's SharkWatch50 index during their entire history of activism.

Part 5: Issues in Focus corroborates the quantitative analysis of Part 2 and Part 4 with a more in-depth review of critical shareholder proposal topics faced by companies during the 2019 proxy season, including information on the most frequent sponsors and those cases where the proposal received the highest and lowest support level. This section brings focus to governance matters (including majority voting, board declassification, CEO-chairman separation, and proxy access) and requests related to environmental and social policy (such as sustainability reporting and disclosure on corporate political spending and lobbying activities). Proposals on the election of a director nominee not supported by management, usually included in the dissident's proxy card in a proxy contest, are also analyzed. The discussion is further integrated with references to voting guidelines offered by proxy advisory firm Institutional Shareholder Services (ISS) on the issue in question.

Appendix 1 on p. 231 features recommendations by The Conference Board to companies facing shareholder activism.

Data included in this report should be interpreted with caution. While the report offers a comprehensive set of charts segmenting aggregate data across industries, size groups, subjects, and sponsor types, trends in proxy voting may also depend on a variety of other aspects that are sometimes referenced but not fully assessed in these pages. In particular, factors that may play a role include corporate ownership structures; financial performance; and the current state of organizational practices in corporate governance, executive compensation, and social and environmental policy. The relevance of each of these factors and its interaction with the findings described in *Proxy Voting Analytics* may also vary depending on industry, size, and investor type. Finally, the effects of external market results and political circumstances should not be underestimated, as shown, for example, by the increase in shareholder proposals on corporate political spending and lobbying following the 2010 *Citizens United* decision of the US Supreme Court.

When included in the commentary, references to earlier editions of this report refer to Matteo Tonello and Melissa Aguilar, *Proxy Voting Analytics (2010–2014)*, The Conference Board, Research Report, 1560-14-RR, 2014 and to Matteo Tonello, *Proxy Voting Analytics (2015-2018)*, The Conference Board, Research Report, 1674-18-RR, 2018. It should also be noted, however, that the industry analysis in earlier editions of this report may include different figures due to the GICS industry reclassification announced by MSCI in 2018 and the introduction of the new communication services sector.[1]

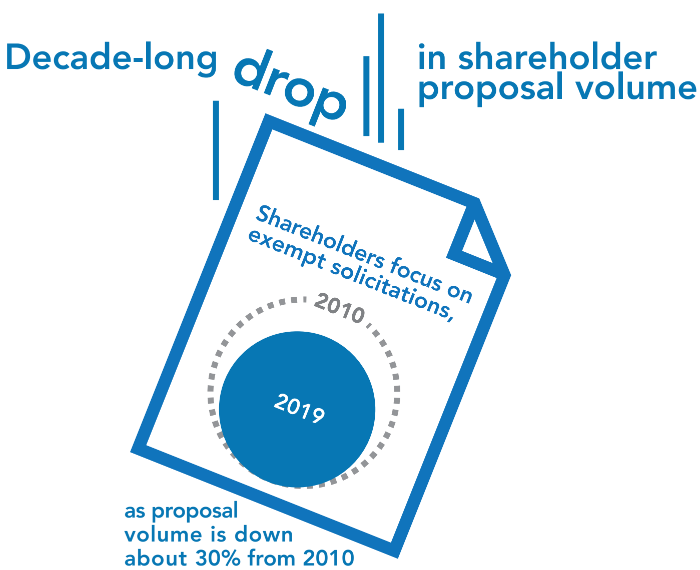
1 "The New GICS Communication Services Sector," News Release, MSCI Inc., September 14, 2018, available at https://www.msci.com/gics

Executive Summary

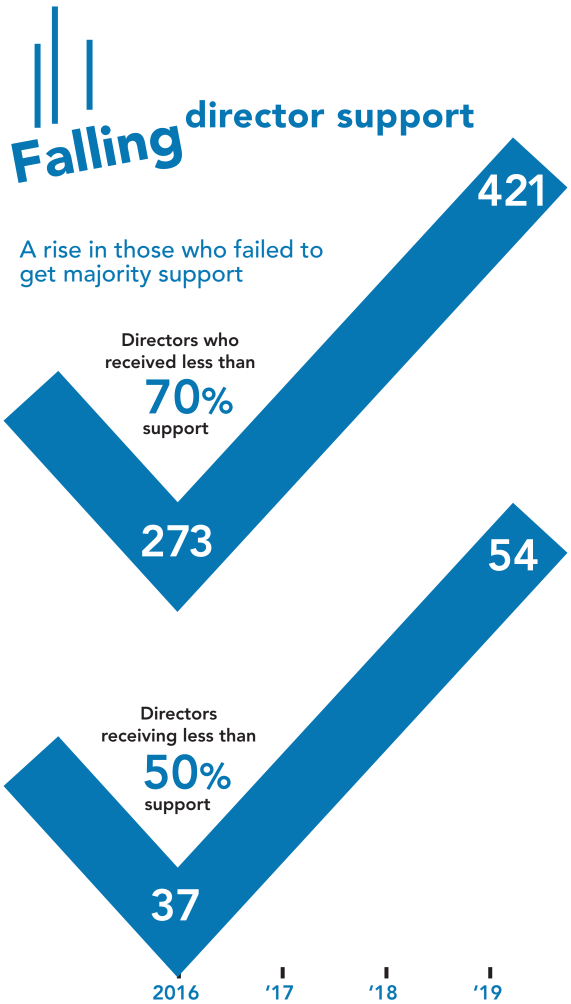
Key takeaways from the 2019 proxy season and insights for what's ahead in 2020

Proxy Voting Analytics contains a comprehensive review of shareholder voting in the 2019 proxy season of Russell 3000 companies. The report compares findings from 2019 with figures from recent years to highlight key trends and offer insights into what companies should expect from 2020 annual general shareholder meetings (AGMs). Insights extend to evolving sponsor types, new proposal topics, and the traction that certain demands receive when put to a vote. Looking ahead:

Companies should be prepared for investors' increased use of exempt solicitations and other channels to ask for change in governance and organizational practices. In 2019, shareholder proposal volume continued its decline and is down about 30 percent from the level The Conference Board reported in 2010. While shareholders continue to use proposals to seek changes in areas such as social and environmental policy, they are actively pursuing alternative means of effecting change, from private engagements with boards and management to public campaigns meant to promote an alternative view of the firm's strategy or governance. Companies should be particularly aware of the rise of exempt solicitations, especially those in the form of "just vote no" campaigns (where a shareholder solicits others to withhold their votes at a director election or to vote against a management proposal).



Source: The Conference Board



Source: The Conference Board

Companies cannot take investor confidence in their nominees for granted and need to persuasively articulate the reasons for their board composition choices, given the record-high number of board members who failed to receive majority support in 2019. Board composition is likely to continue to be a critical issue in 2020, prompting companies to evaluate existing skillsets, the overboarding of incumbents, and the diversity of new nominees. In the Russell 3000, the number of directors receiving less than 50 percent support level has climbed from 37 in 2016 to 54 in 2019. Similarly, The Conference Board counted 421 directors who received less than 70 percent of votes cast at this year's AGMs; there were only 273 in 2016. While these remain low numbers overall (more than 16,000 directors were up for re-election in the Russell 3000 in the examined 2019 period), they are part of an upward trend that was not observed before and that is attributed to the announcements made in recent years by some large institutions that they intend to intensify their scrutiny of board composition. For example, the California Public Employees' Retirement System (CalPERS), the largest public pension fund in the country by volume of managed assets, recently pointed to issues of diversity and concerns about directors serving on multiple other public companies' boards as the main factors influencing its decisions to step up its vote against certain incumbents. And, in early October 2019, New York City Comptroller Stringer announced the launch of a third phase of his office's Boardroom Accountability Project, calling on companies to adopt the so-called "Rooney Rule" and include diversity candidates in searches for new directors.

Companies should be prepared to address the rising support for environmental and social initiatives among mainstream investors. While endowment funds of religious orders and special stakeholder groups were the first to call attention to social and environmental policies of corporations, these issues have now moved to the front and center of proxy seasons for traditional investors. The topics are wide-ranging—from political contribution disclosure to compliance with human rights in the supply chain—and from the disclosure of business risks resulting from the opioid crisis to the adoption of a climate change policy. While social and environmental shareholder proposals still tend to fail, the data show a slow but steady upward trend in terms of voting support, and abstention levels have dropped markedly in just a few years. Providing additional environmental and social disclosure can therefore be an opportunity for a company to seek constructive engagement with investors and to control its message on key stakeholder concerns. When legal considerations suggest a prudent approach to disclosure, companies should still consider mapping their disclosures to key stakeholder concerns and being prepared in situations where the concerns are publicly escalated.

New issues take front and center

Wider interest in environmental and social concerns

Source: The Conference Board.

In particular, companies should be prepared to consider disclosure on gender pay equity. Prominent corporations such as Amazon, American Express, Intel and Facebook were among the recipients of shareholder resolutions on gender pay equity in 2019. While none of these proposals passed, several companies that had previously been the target of similar requests preempted new investor demands by volunteering information on their compensation policies and by pledging to close the gaps. Citibank, for example, revealed that their female employees on average make 71 percent of the salary earned by their male colleagues. And a popular gender equality index, tracking the most forthcoming companies on issues of gender diversity and pay equality, has doubled in size in 2019. Whether they choose to publicize their findings or not, all organizations should consider gathering accurate internal data on this issue and drafting a plan to correct major incongruities.

Source: The Conference Board

Directors and executives should be aware that some investors are now targeting governance topics at smaller firms. After years of decline, the volume of shareholder resolutions on majority voting and board chair independence rose again in 2019, as institutional investors are shifting their attention to the smaller public companies outside of the S&P 500, which have so far remained immune to changes in their director election system and board leadership model. Ending a few years of hiatus, in 2019 CalPERS has been resuming its push for smaller Russell 3000 companies to also change their director election model to majority voting. Businesses that still depart from widely accepted best practices of corporate governance should consider using their proxy statement and investor engagement efforts to explain the rationale for their organizational choices.

Source: The Conference Board

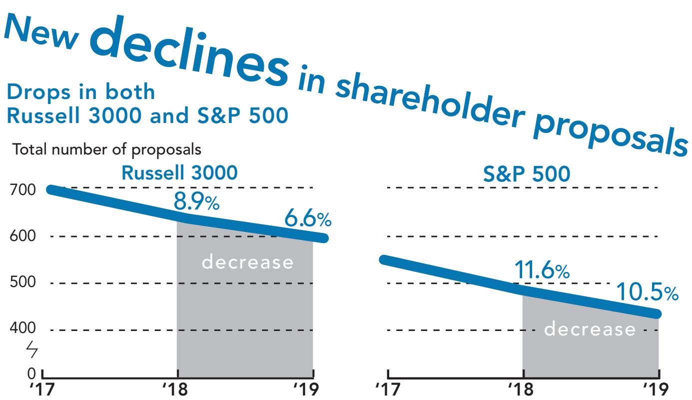
Proxy Voting Analytics elaborates on these and other findings, including a detailed set of industry-specific data and analysis on investor sponsoring shareholder resolutions, resolution types, and voting support levels.

Key Findings

This report analyzes proxy voting data of SEC-registered business corporations that held their AGM between January 1, 2019 and June 30, 2019, and, at the time of their AGM, were in the Russell 3000 index. This year, approximately 85 percent of the companies in the Russell 3000 index held their AGM in the examined time period. See "Using This Report" on page 7 for a description of data sources and study methodology.

The following are the major findings.

Shareholder proposal volume continued its decline this year, as investors pursue other tactics to foster corporate change and focus the use of formal voting resolutions on emerging areas such as social and environmental topics. In 2019, shareholder proposal volume decreased by 6.6 percent in the Russell 3000 and 10.5 percent in the S&P 500. The declines came on top of the 8.9 percent and 11.6 percent drops The Conference Board documented last year. In the Russell 3000, shareholders filed a total of 596 proposals at companies with AGMs during the examined 2019 period, compared to 638 during the same period in 2018 and 700 in 2017. In the S&P 500, the number of shareholder proposals decreased from 550 in 2017 to 486 in 2018 and 435 in 2019. While shareholder proposals remain more common among larger companies, the dynamics are changing. In particular, shareholders are increasingly turning their attention to social and environmental proposals across a broader spectrum of business organizations, while proponents of corporate governance resolutions are redirecting their efforts toward smaller firms, where the rate of adoption of shareholder-friendly practices remains lower.



Source: The Conference Board

The continued decline in shareholder proposals overall confirms the reversal of the volume growth that The Conference Board had reported until the 2013 proxy season (and, in particular, in 2010-2013), when the number of shareholder proposals seemed to be heading back to the peak registered in 2008 (919 proposals at Russell 3000 companies and 714 at S&P 500 companies). Compared to the same examined period exactly ten years ago, the number of investor-sponsored resolutions submitted in 2019 is down more than 35 percent in the Russell 3000 and almost 40 percent in the S&P 500. New forms of corporate-investor engagement (especially in the area of executive compensation) and the effects of a revised ISS policy on board responsiveness (see p. 38) also help to explain these findings. Communication services was the sector with the highest concentration of shareholder proposals (0.7 proposals per company), while real estate companies were the least exposed (0.13 proposal per company). See Figures 2.1, 2.2, and 2.3.

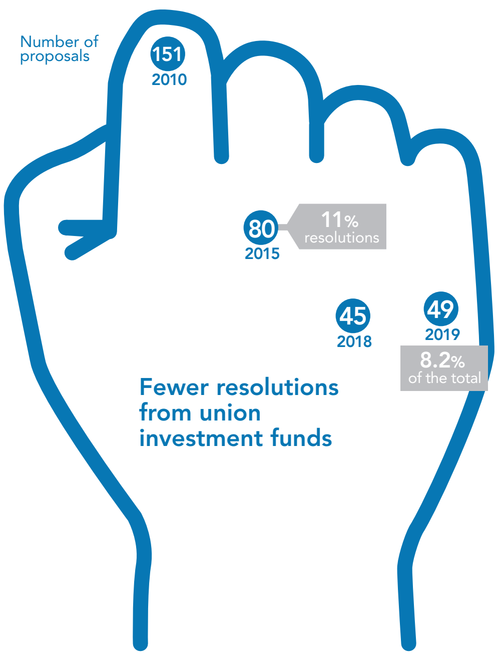
Hedge funds and their investment advisers have turned away from using shareholder proposals, while stakeholder organizations have become much more active in this area. The analysis of shareholder proposals by sponsor type highlights the gradual rise to prominence of a category of proponents that had traditionally played a marginal role at AGMs: that of nonfinancial firms, which try to foster corporate changes in the interest of stakeholder groups rather than mainstream institutional investors. They include organizations such as the National Center for Public Policy Research, the People for the Ethical Treatment of Animals (PETA), and the Humane Society of the United States and were the major sponsors of resolutions in the environmental and social policy area. Collectively, they submitted 89 proposals in 2019 (or 14.93 percent of the total), up from 59 proposals in 2018 (or 9.25 percent) and 74 in 2016 (10.77 percent)—a level that was unimaginable only a few years ago (for example, there were only 28 proposals from these investors in 2013), and the highest volume ever recorded by The Conference Board for this sponsor category.

Hedge fund activity by means of shareholder proposals continued to decline in 2019, as these investors have instead been stirring a public debate on their portfolio companies' business strategy and agitating for change without making a single SEC filing.

This evolving approach is apparent in comparing the volume of hedge fund-sponsored proposals in 2019 to that recorded only a few years ago. In recent years, hedge funds used precatory resolutions as a means to publicize their views on critical issues at their target companies and to galvanize fellow shareholders around activism campaigns aimed at obtaining board representation. During the 2019 proxy season, however, hedge funds submitted only 8 proposals (a mere 1.3 percent of the total), down from 18 in 2018 (2.8 percent), 28 in 2017 (4 percent), and 39 in 2014 (5.2 percent). The financial services sector received most of the resolutions filed by these investors. The most common proposals requested that the board break up the company or divest it of specific noncore assets, engage a financial adviser to evaluate a business combination, or issue dividends to return capital to shareholders. See Figures 2.4 and 2.7.

There continued to be less activity by investment funds affiliated with labor unions in the area of executive compensation, either because they ceased their proxy voting initiatives or demonstrated new interests, especially with respect to social and environmental policy issues. The 2019 season marked another sharp year-on-year decline in the number of shareholder resolutions submitted by multiemployer investment funds affiliated with labor unions, such as the United Brotherhood of Carpenters and Joiners of America or the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO). There were only 49 resolutions filed by this type of proponent in 2019 (8.2 percent of the total), a number that is consistent with the 45 resolutions filed in 2018 but is much lower than the 80 resolutions (11 percent) filed in 2015 and the 151 proposals that, according to an earlier edition of this report, this type of funds submitted in 2010. In total, proposal volume by labor-affiliated funds dropped 67.5 percent from 2010 levels.

Labor union funds are less active



Source: The Conference Board

Most commentators agree that the gradual, steady decline is attributable to the introduction of the say-on-pay vote and the federal regulation imposing more widespread executive compensation disclosure, which had traditionally been main topics of concern for labor unions. Some of these investment funds, including the Sheet Metal Workers' National Pension Fund, have completely exited the shareholder proposals scene in the last few years, while others have scaled back their involvement. Labor unions filed only 12 executive compensation proposals in 2019, compared to 17 in 2018, 28 in 2014, and 57 in 2013. The volume of their proposals on corporate governance also dropped in 2019 to 11 from 35 in 2014, while some of the labor investment funds have chosen to shift their focus to the social and environmental policy-related areas (26 filed resolutions; there were only 17 in 2018). While their proposals in the environmental and social sphere gained limited traction among fellow shareholders, funds such as the one affiliated with AFL-CIO have been using shareholder resolutions to suggest that companies should publicize studies on the impact that a new strategy or a changed business environment may have on the workforce and local communities—from the closure of factories to the rise of mega online retailers. See Figure 2.8 and Tables 3, 4, and 5.

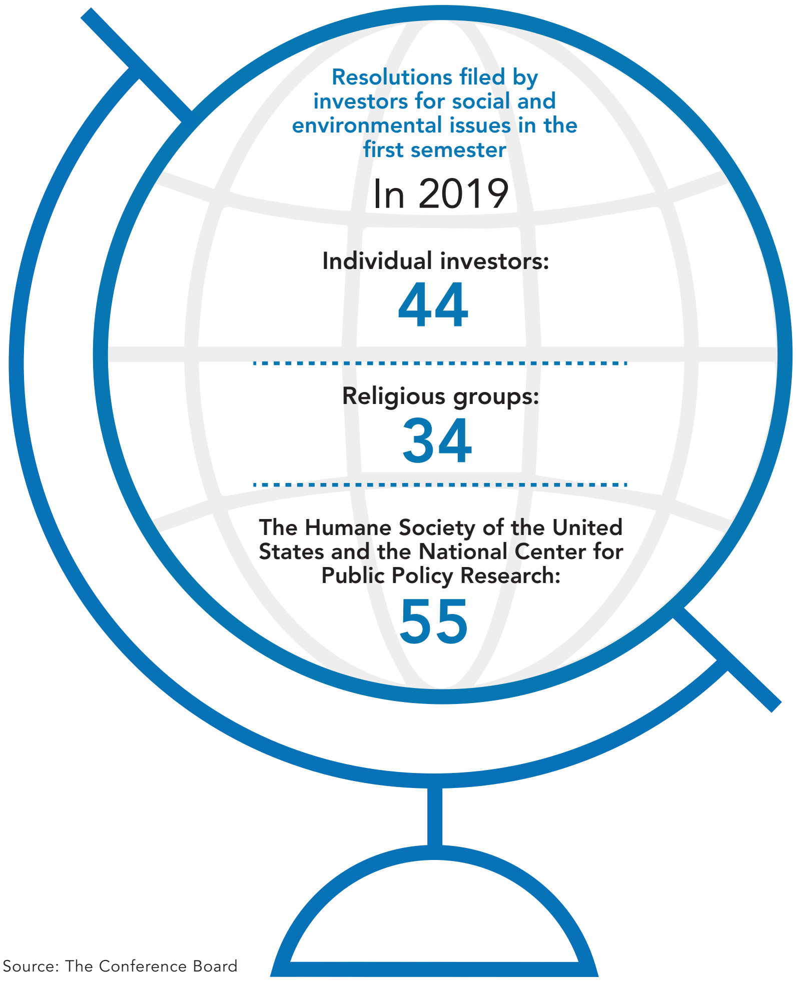
Once signature issues for public pension funds, matters of corporate governance are seldom the subjects of the shareholder proposals sponsored today by this investor type—a sign of the progress made by many public companies in the adoption of best practices. After a few years' hiatus, however, in 2019 the California Public Employees' Retirement System (CalPERS) has been resuming its push for smaller Russell 3000 companies to change their director election model to majority voting. Following a pattern that is similar to the one observed among labor union-affiliated funds for executive compensation proposals, public pension funds have progressively reduced their submissions on corporate governance issues among Russell 3000 companies. In 2019, public pension funds filed only 25 corporate governance proposals, up from 14 in 2018 but still considerably lower than the numbers that The Conference Board was recording for this category of institutional investors only a few years ago. The decline was first registered in 2014, when pension funds filed 35 corporate governance-related proposals in the Russell 3000, compared to 61 in the prior season (a 42.6 percent drop).

A confluence of other factors has contributed to this downward trend: The progress made by many companies in the adoption of governance best practices (from majority voting in director elections to board declassification, and from the independence of board leadership to the elimination of supermajority vote requirements); the effects of proxy advisory firms' voting recommendations on board effectiveness, which penalize boards of directors that do not implement widely supported precatory proposals; interest in new social and environmental issues such as climate change risk and political contributions disclosure; and a growing propensity by corporate directors to seek input from large shareholders, which diminishes the recourse to shareholder proposals. Accompanying these trends, public pension funds have pursued more informal alternatives to the Rule 14a-8 shareholder proposal channel to engage with their portfolio companies on issues related to director election and board organization and oversight.

Although pronounced, the decline in shareholder proposal activity is irregular across the public pension fund sector. CalPERS (which, after significantly reducing the volume of its submissions in the last couple of years to a single-digit number, filed 18 resolutions in 2019) and the New York City Employees' Retirement System, under the management of the city's comptroller (six resolutions), were the most frequent sponsors of governance proposals. Seventeen of the 18 resolutions filed by CalPERS requested the change from plurality to majority voting for the election of directors, traditionally a key issue for that public pension fund, while all of the six corporate governance proposals by the New York City's Comptroller's Office were on proxy access. See Figures 2.8, 2.28, and Table 4.

While endowment funds of religious orders and stakeholder groups were the first to call attention to social and environmental policies of corporations, these issues have now moved to the front and center of proxy seasons for most investor types. In 2019, shareholders filed 229 resolutions on social and environmental policy issues (or 38.4 percent of the total number filed at Russell 3000 companies), down from the 306 of the same period in 2016 (a record year, where they were the single most frequent subject of investor activity, beating even corporate governance) but in line with the average since 2010. These proposals covered a wide range of topics, including political contribution transparency, compliance with human rights, the adoption of a climate change policy, and disclosure on how the company plans to mitigate risks resulting from the current opioids epidemics in the United States. And they were submitted by a wide variety of investors: The highest concentration of proponents is among individual investors (44 filed resolutions in the first semester of 2019, or 19.2 percent of the total in this area), religious groups (34 filed resolutions in the first semester 2019 alone), and other stakeholders like the Humane Society of the United States and the National Center for Public Policy Research (collectively, 55 sponsored resolutions, up from 44 last year).

S&E concerns move front and center



Source: The Conference Board

Confirming data from prior proxy seasons, the analysis by volume shows that the most popular shareholder resolutions in this category are the requests for political contributions and lobbying disclosure (59 voted resolutions at Russell 3000 companies in the first half of 2019; they were 50 last year) as well as those for reports on the environmental impact of business activities (26 voted resolutions). The third and fourth most popular types, by number of voted proposals, were the requests for the publication of a report detailing the company's stance on certain labor issues, including the disclosure of workforce diversity and efforts made to increase workforce diversity (14 voted resolutions in 2019) and those for corporate policy promoting compliance with human rights standards, at the company and across its supply chain (15 voted resolutions). Shareholders also filed eleven board diversity proposals requesting the disclosure to shareholders of director nominees' required qualifications and skills; there were five last year.

As You Sow and its CEO Andrew Behar lead the list of proponents of resolutions on environmental impact, filing five such proposals in the first semester of 2019. (In most cases, this and other stakeholder groups use the shareholder resolution as an instrument to urge companies to act in concert with their policy on certain issues rather than to criticize a specific corporate practice). Labor union-affiliated fund CtW Investment Group submitted three proposals on labor issues, while investment adviser Harrington Investments and the Amalgamated Bank of New York filed three and two, respectively, on a corporate policy on human rights. Disclosure on political contributions and lobbying was sought by a diversified group of investors, including Mercy Investment Services, an asset management program of a religious group, the Sisters of Mercy of the Americas (six proposals), the fund affiliated with the labor union the International Brotherhood of Teamsters (five proposals), individual investor John Chevedden (also five) and the New York State Common Retirement Fund (also five proposals). Leading sponsors of resolutions on board diversity were stakeholder group The National Center for Public Policy Research (five submissions in the 2019 period) and the New York State Common Retirement Fund (two filings). See Figure 2.11, Figure 2.30, and Table 5.

Chief proponents of ES&G proposals

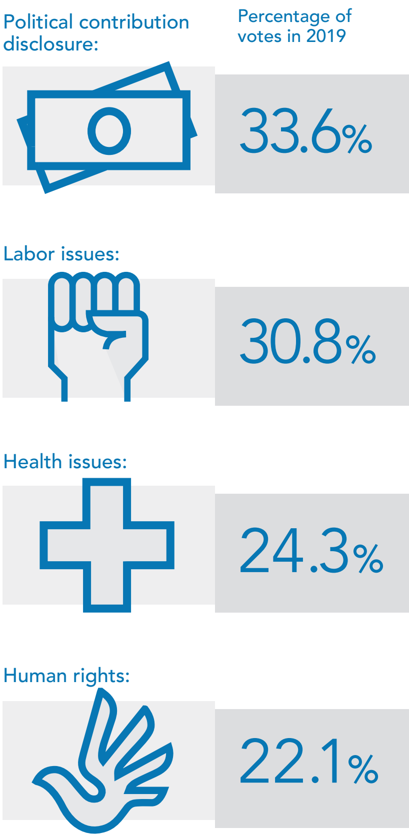
A variety of concerns were represented

Source: The Conference Board

When voted at the AGM, social and environmental policy proposals tend to fail. However, data show a slow but steady upward trend in terms of voting support, and abstention levels have dropped markedly in just a few years. The average support level for all proposals on social and environmental policy submitted at Russell 3000 companies in 2019 was 27.3 percent of votes cast, registering a small uptick from the 25.7 percent of last year and yet on a clear upward trend from the 19.5 percent recorded, according to an earlier edition of this study, in 2014. This finding indicates that U.S. shareholders, in general, continue to believe that the board of directors and senior management are better suited to determine the business viability of certain sustainability activities, and that one-size-fits-all policies may lead to inefficiencies or capital misallocations.

Sustainability issues gain attention

An undeniable upward trend



Source: The Conference Board

Besides their increase in volume, however, two factors may be indicative of the future performance of sustainability issues at AGMs. First, even though almost all of these proposals fail to receive a majority vote, the overall upward trend regarding their average support level is undeniable: For proposals on political contribution disclosure and lobbying, the 33.6 percent *for* votes of 2019 compared with 28 percent recorded in 2018, 24.6 percent in 2017 and 24 percent in 2015; for those on labor issues, support rose from 26.4 percent in 2018 to 30.8 in 2019; for those on human rights, it went from 10.7 percent in 2017 to 17.5 percent in 2018 and 22.1 percent in 2019; and health issues-related resolutions received the support of 24.3 percent of votes cast in 2019, up from 21.4 percent in 2018, 18.8 percent in 2017, and only 6.1 percent in 2015.

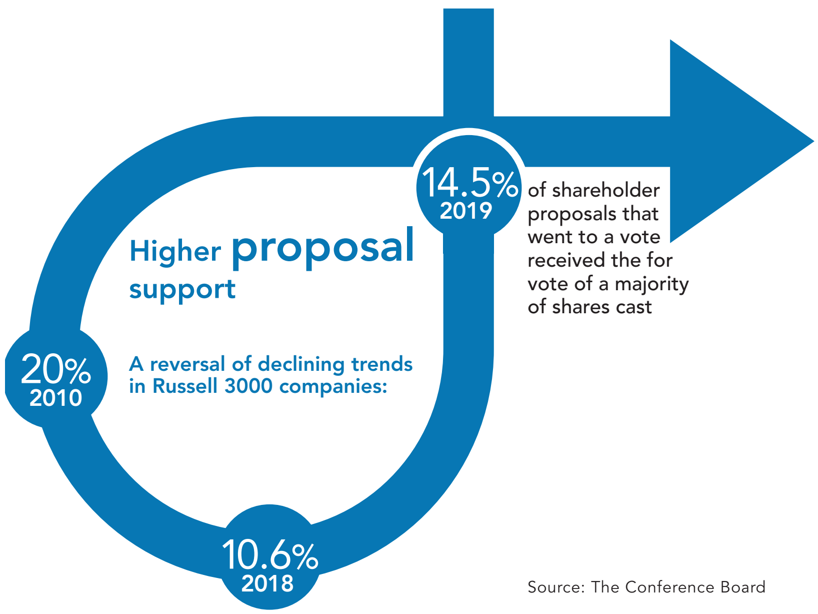
Second, in the last few years these resolutions have been gaining wider endorsement by retail investors, as shown by The Conference Board's data on voting abstention: The average abstention rate dropped from 10.9 percent of votes cast in 2014 to a mere 1.9 percent this year—a number fully aligned with the one seen for shareholder resolutions on executive compensation and corporate governance.

Nine of the 229 filed resolutions on social and environmental policy passed in 2019. They include: two on corporate lobbying disclosure, sponsored by the New York City Employees' Retirement System and United Church Funds, at utilities company Alliant Energy Corp and health care business Mallinckrodt, respectively; one promoted by CorpGov.net editor James McRitchie for the publication of a report on political contributions at AI software developer Cognizant Technology; two requesting the adoption of policies to strengthen board diversity, including the commitment to include diverse candidates in management's nominee lists and to report on the protocol adopted to seek such diverse candidates (at real estate investment company Gaming and Leisure Properties and footwear manufacturer Skechers U.S.A, brought forward by the New York State Common Retirement Fund and Amalgamated Bank of New York, respectively); and another two, for the diversity of the executive leadership (at home appliance manufacturer Newell Brands) and the workforce as a whole (at insurer Travelers Companies); one for a report on the company's performance in human rights at the GEO Group, a provider of project financing, transportation, and other services for correctional and community reentry facilities; and one at pharmaceutical company Mallinckrodt, a seller of opioid medications, for the disclosure of governance measures implemented to mitigate the financial and reputational resulting from the opioid crisis in the United States. See Figure 2.31.

Companies are preempting many investor demands by voluntarily implementing their own changes, as shown by data on the rate of withdrawals of shareholder proposals. In both indexes, the percentage of withdrawn proposals has declined in 2019—from 11.1 percent to 8.1 percent among the Russell 3000 sample, and from 11.9 to 9.7 percent in the S&P 500 sample. (Data on withdrawn proposals presented in the report are limited to publicly available information or information provided by the proponent or issuer.) This finding reflects the success of renewed corporate efforts to engage with key shareholders. More than ever before, in this proxy season activist funds and institutional investors have pursued opportunities to be heard ahead of a shareholder meeting. However, guidelines on board responsiveness from proxy advisory firm ISS are also likely to share the responsibility for the growth of withdrawn proposals. Under the guidelines, ISS recommends that institutions voting on director elections exercise close scrutiny in those situations where a company failed to implement a precatory shareholder proposal that had received majority support of votes cast at a prior AGM. In 2018, the ISS board responsiveness policy was extended to management proposals seeking to ratify an existing charter or bylaw provision that were opposed by a majority of shares cast in the previous year. Similarly, in 2018, Glass Lewis, a leading proxy advisory firm, clarified that, when making recommendations on directors based on company performance, it will consider among other factors the company's overall corporate governance and responsiveness to shareholders. Therefore, in some cases, withdrawals may result not from dialogue but from the company's decision to either voluntarily implement the requested change or to submit its own proposal on the same topic to mitigate the risk of wide opposition to management's nominees to the board of directors.

Withdrawn proposals were mostly submitted by certain individual investors and the investment vehicles of stakeholder groups and religious orders—all investor types that rarely elevate these matters to an outright proxy solicitation and would rather use the precatory proposal as a tool to gain the attention of their portfolio companies on issues of concern. In 2019, in particular, 21.1 percent of the proposals submitted by investment advisers and 18.4 percent of those submitted by religious groups were reported as withdrawn. The highest proportions of withdrawn proposals were seen in the social and environmental policy category. But the numbers are declining: 16.2 percent of the total number of proposals were classified by The Conference Board as withdrawn, compared to 19.4 percent in 2018. See Figures 2.12, 2.13, 2.14, and 2.15.

Across subjects, voting results for 2019 show a reversal of the declining trends on support levels observed in recent years—a possible sign that a new generation of shareholder proposal types is starting to gain broader consensus among investors. After several years of steady decline from 2010 to 2018 (from roughly 20 percent in to 10.6 percent in the Russell 3000, and from 17.3 percent to 8 percent in the S&P 500), 14.5 percent of shareholder proposals that went to a vote at Russell 3000 companies in 2019 received the *for* vote of a majority of shares cast; in the S&P 500 the share of proposals with majority support was substantially similar to last year (8.2 percent). The long downward trend was the result of both a decline in the volume of proposals on topics that were traditionally widely supported by shareholders (for example, majority voting and board declassification) and the limited support level received by new types of shareholder resolution (including those on environmental and political issues). The reversal of the trend recorded this year may indicate that these new types of resolutions are starting to gain broader consensus among investors and that shareholders are becoming more sophisticated in choosing the company and the topic for shareholder proposals.



Source: The Conference Board

In the examined 2019 period, on average, more than 70 percent of votes on shareholder proposals submitted by hedge funds, investment advisers, and other stakeholders were against the proposal. The highest level of votes *for* was observed for proposals by public pension funds (38.4 percent), individuals (35.6 percent), and religious groups (31.2 percent). Other stakeholders and religious groups, however, also registered the highest average levels of abstentions (2.5 and 2.1 percent of votes cast, respectively).

Only two of the executive compensation proposals (on clawback provisions) voted during the period received majority support in 2019 (there were none in 2018). The highest share of proposals that received majority support in 2019 was in the corporate governance category (22.5 percent of those went to a vote in this category, compared to 15.7 percent in 2018 and 33.2 percent in 2016). In the social and environmental proposal category, 6.7 percent received majority support in 2019, while the percentage was only 5.3 for resolutions related to executive compensation. The average vote-for percentage was highest for corporate governance proposals (37.8 percent); the same category also reported the lowest share of nonvotes (12 percent). See Figures 2.17, 2.23, 2.28, 2.29, 2.31, and 2.32.

The demand for disclosure on gender pay gaps continued to strengthen in 2019, extending its influence well beyond the AGM vote. Adobe, Alphabet (Google's parent company), Amazon, American Express, Bank of America, Facebook, Intel, JP Morgan Chase, and Wells Fargo were among the recipients of gender pay gap proposals in 2019. There were 13 such proposals in the Russell 3000, compared to eight in 2018, all of which advanced to a vote at the target companies' AGMs. Socially responsible investment fund Arjuna Capital was the most frequent sponsor of this type of proposals, with three submissions in 2019 and a track record of similar demands at financial services firm such as Citibank and technology firms such as Google.[2] While none of the 13 proposals on gender pay gap disclosure passed, at least in some cases, companies apparently decided to address the issue on their own.

In recent months, several companies that had received gender gap proposals preempted further new investor demands by volunteering information on their compensation policies and by pledging to close the gaps. For example, in January 2019 and following a filing by Arjuna in the 2018 proxy season, a Citibank blog post revealed that it discovered a 29-percent company-wide disparity between its male and female workforces (meaning: At the company, the firm's female employees on average make only 71 percent of the salary earned by their male counterparts). Following another Arjuna proposal in 2018, Google published wage data showing a zero-percent statistically significant pay gap for 89 percent of its employees worldwide (notably, while applauding the company's disclosure, Arjuna criticized the incompleteness of the company's analysis and the lack of a definitive conclusion on the remaining 11 percent of the workforce). As an indicator of the importance of gender equality to investors and companies, Bloomberg's Gender Equality Index—which tracks the financial performance and disclosures of companies committed to equality and advancing women in the workplace—almost doubled in size this year; collectively, the 230 companies in the 2019 edition of the index have a combined market capitalization of $9 trillion and employ more than 15 million people (including 7 million women) around the world. See Figure 2.24 and Table 3.

After years of decline, the volume of shareholder resolutions on majority voting and independent board leadership rose again in 2019, as institutional investors are shifting their attention to the smaller public companies that have so far remained immune to changes in their director election system and board leadership model. The volume of resolutions requesting that companies adopt a majority voting model for the election of their board members, which had stagnated or even declined for a few years, rose to 22 in 2019 from only five in 2018. There were multiple submissions at smaller companies in the Russell 3000 index; as shown by The Conference Board in its annual review of corporate board practices, more than 50 percent of Russell 3000 companies (compared to 9.1 percent of S&P 500 companies) still use a plurality voting system of director elections.[3]

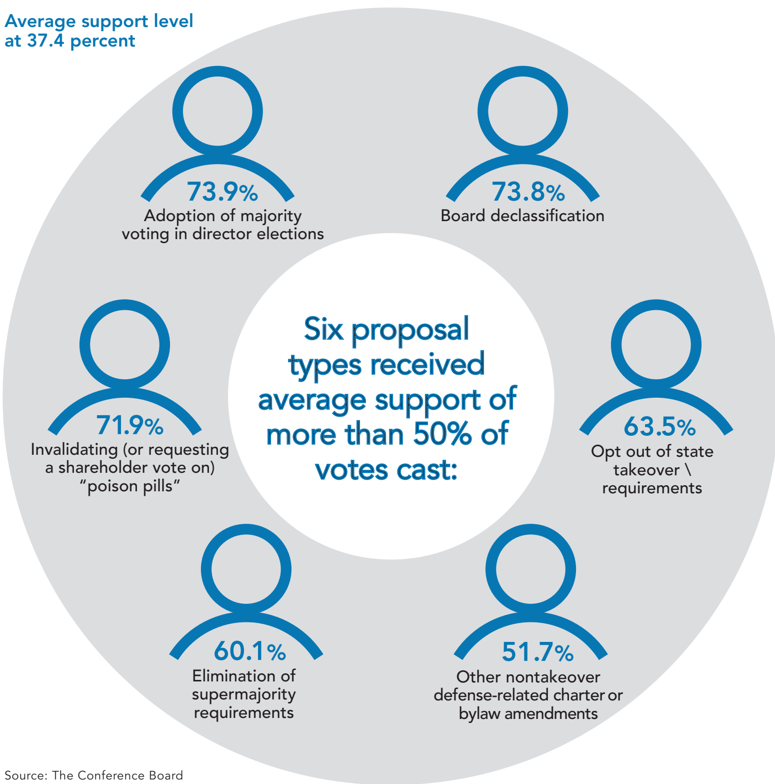
---

2 Socially responsible investment has grown exponentially in the last few years; today, it's an industry with assets under management worth more than $30.7 trillion worldwide. See *2018 Global Sustainable Investment Review*, Global Sustainable Investment Alliance, 2018.

3 Matteo Tonello, *Corporate Board Practices in the Russell 3000 and S&P 500: 2019 Edition*, The Conference Board, Research Report, R-1687-RR-19, p. 159.

In other governance areas, proposals on separating the CEO and board chair positions topped the 2019 list of governance-related proposals by volume. Investors voted on 54 of these resolutions at Russell 3000 companies in the first six months of the year, a number that was more than three times as large as the one seen in 2015 (17 resolutions) and 2013 (10 resolutions). Shareholders also voted on 36 requests to allow companies to (or to ease the requirement to) act by written consent (or 16.22 percent of the total number of voted resolutions in this category). Proxy access reform ranked third on the 2019 list by volume, but the number of proposals continued a decline that had been observed even last year (shareholders of Russell 3000 companies voted on 30 in 2019, down from the 30, 49 and 76 instances of 2018, 2017 and 2015, respectively).

Corporate Governance Proposals



Source: The Conference Board

The average support level for all corporate governance proposals in 2019 was 37.4 percent. Five proposal types received average support of more than 50 percent of votes cast: Proposals on board declassification (73.8 percent support level, on average), those invalidating (or requesting a shareholder vote on) "poison pills" (71.9 percent), those on the adoption of majority voting in director elections (73.9 percent), those to opt out of state takeover requirements (63.5 percent), those requesting the elimination of supermajority requirements (60.1 percent), and other nontakeover defense-related charter or bylaw amendments (51.7 percent). Notably, the support level of resolutions on majority voting, which are now primarily filed at smaller companies in the Russell 3000, fell from 73.9 percent in 2018 to 43.7 percent in 2019; and proposals on independent board chairs, while more numerous than in prior years, did not exceed the 30 percent average support level in 2019 and none of them passed. Even though their average support level was below the majority threshold, resolutions on the shareholders' ability to act by written consent and to call special meetings received 39.3 percent and 43.7 percent of *for* votes, respectively, in 2019. Among others that passed, a proposal submitted by individual investor Myra K. Young to allow shareholders to call special meetings at Discover Financial Services received the support of 65.3 percent of votes cast. The lowest level of support was recorded for proposals to allow cumulative voting (5.5 percent) and to adopt director nominee qualifications (3.4 percent). The only voted proposal to adopt term limits for board members, which Robin S. Maynard filed at New York Community Bancorp, received 10.5 percent of votes cast.

Additional findings show how the average support levels for several proposal types in the corporate governance category have increased from a few years ago. It was the case for proposals seeking to declassify boards (73.8 percent in 2019, compared to 60.4 percent in 2017) and to eliminate supermajority requirements (60.1 percent, up from the 44.5 percent in the 2017 season). The finding confirms that the decline in volume observed over the years for these types of proposals is not due to waning support in the investment community. One of the proposals in the "other corporate governance issues" subcategory received majority support: It was submitted by Mercy Investment Services, an investment fund affiliated with a religious group, and it required disclosure of the corporate governance changes Walgreens has implemented to more effectively monitor and manage financial and reputational risks related to the opioid crisis, including whether and how the board oversees Walgreens' opioid-related programs (59.1 percent of votes cast were in favor of the proposal). See Figures 2.27, 2.28, 2.29, and Table 4.

Say-on-pay analysis confirms a significant turnover in failed votes signaling the importance of ongoing corporate-shareholder engagement on compensation matters. In recent years, the number of failed say-on-pay votes has been relatively constant in the Russell 3000. Of companies in the Russell 3000 that held meetings between January 1 and June 30, 2019, and that reported detailed say-on-pay vote results as of July 8, 2019 (a total of 2,048 companies), 48 company say-on-pay proposals (or 2.3 percent) failed to receive the majority support of shareholders. This compares with 51 companies that failed those votes during the same period in 2018 and, according to an earlier edition of this study, 51, 47 and 51 companies that failed those votes during the same period in 2014, 2013 and 2012, respectively. Nine companies that reported failed votes in 2019 also had failed votes in 2018. Their names are highlighted in bold type in Exhibit 2: Nexstar Media Group, Inc., Nabors Industries Ltd., Nuance Communications, Inc., Digimarc Corporation, IMAX Corp., Tutor Perini Corporation, Ameriprise Financial, Inc., FleetCor Technologies, Inc., and SandRidge Energy, Inc. Tutor Perini Corporation is the only company in the Russell 3000 that has failed all eight years of say-on-pay advisory votes. Nabors Industries Ltd. had four consecutive failed votes as of 2014, received 65.3 percent of *for* votes at its 2015 annual general meeting, then failed the advisory vote again in 2016 (with 36 percent of votes cast in favor of the compensation plan proposed by management), in 2017 (where the percentage of favorable votes cast increased only slightly, to 42.3), in 2018 (with as much as 62 percent of votes cast *against* the say-on-pay proposal), and in 2019 (47.3 percent of votes cast in favor and 52.5 percent *against*).

Failed votes on say on pay

Nine companies reported them in 2019

Source: The Conference Board

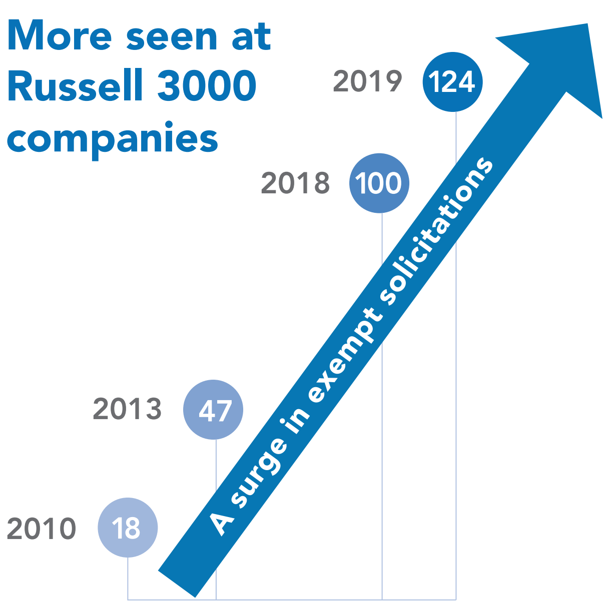
As noted, there is a significant year-over-year turnover in failed votes. Aside from the companies mentioned above, all companies that failed their say-on-pay votes in 2019 had successful votes in 2018, in most cases by wide margins. This is an indication that companies cannot lower their guard when it comes to compensation oversight and need to ensure ongoing transparency, not only by communicating any new compensation decision made by the board, but also by engaging with shareholders on at least an annual basis. The average support level among the companies that did not obtain majority support on their advisory vote on executive compensation was 37.5 percent of votes cast, up from 36.9 percent last year. Among companies that failed the 2019 say-on-pay vote, SandRidge Energy, Inc. reported the lowest support level (just 19.1 percent of votes cast). The incidence of nonvotes also varied sharply within the group, from a high of 35.4 percent of shares outstanding at Digimarc Corporation to a low of 0 percent at SandRidge Energy, Inc.

Another 136 companies in the Russell 3000 (6.6 percent) reported passing say-on-pay proposals with support of less than 70 percent of votes cast, the level at which proxy advisory firms may scrutinize more closely their compensation plans and evaluate issuing a future negative recommendation. This finding is higher than the 5.7 percent of companies with votes under 70 percent seen during the same period in 2018. The list includes well-known companies such as American International Group, Inc., General Electric Company, Six Flags Entertainment Corporation, Papa John's International, Inc., Johnson & Johnson, Yelp, Vornado Realty Trust, Halliburton Corporation, Red Lion Hotels Corporation, Intel Corporation, Gap, Inc., Walt Disney Company, and Mondelex International, Inc. Moreover, 22 of the 136 companies below the 70 percent support threshold in 2019 were below that level in 2018; their names are highlighted in bold type in Exhibit 3. Their boards will inevitably need to reopen the discussion on pay for performance and either persuade investors that their compensation policies are sound and fit the company's strategic needs or revisit those policies. In fact, many of the companies on this gray list have already made additional filings to integrate information on their approach to executive pay or to dispute ISS's characterization of their compensation choices. See Exhibits 2 and 3.

Although activism campaign announcements in the Russell 3000 were up in 2019, the number of campaigns related to a shareholder meetings declined, as some hedge funds choose to agitate for change without even filing a shareholder proposal. In the first half of 2019, activist investors announced 281 campaigns against Russell 3000 companies, compared to 254 in the same period in 2018 (a 10.6 percent uptick). Activism campaign announcements include proxy contests, exempt solicitations, and any other public announcement of the investor's intention to agitate for change at a target organization—whether through a press release, an appearance on a CNBC talk show, a Twitter chat, or the filing of a lawsuit. However, only 155 of those campaigns related to a shareholder vote, up slightly from the 147 of 2018.

The discrepancy between announcements and campaigns related to a shareholder vote indicates that a growing number of activists are agitating for change without even filing a shareholder proposal. In these cases, the activist does not aim at galvanizing other shareholders around electing dissident directors or a vote on a specific resolution. Instead, the announcement serves to publicize the investor's view of the business strategy or organizational performance. It is used as a first step that may lead to the future filing of a shareholder proposal or the solicitation of proxies, but that may as well prove sufficient to persuade the board of directors to seek dialogue and reach a compromise. For example, in March 2019, Barington Capital sent a letter and detailed presentation to the Chairman and CEO of apparel company L Brands, Inc. recommending a spinoff of Victoria's Secret or an initial public offering of Bath & Body Works, in addition to replacing long-tenured board members. The letter was publicly disseminated through a press release, but it was not followed by an explicit threat of a proxy fight or an exempt solicitation. See Figure 4.3.

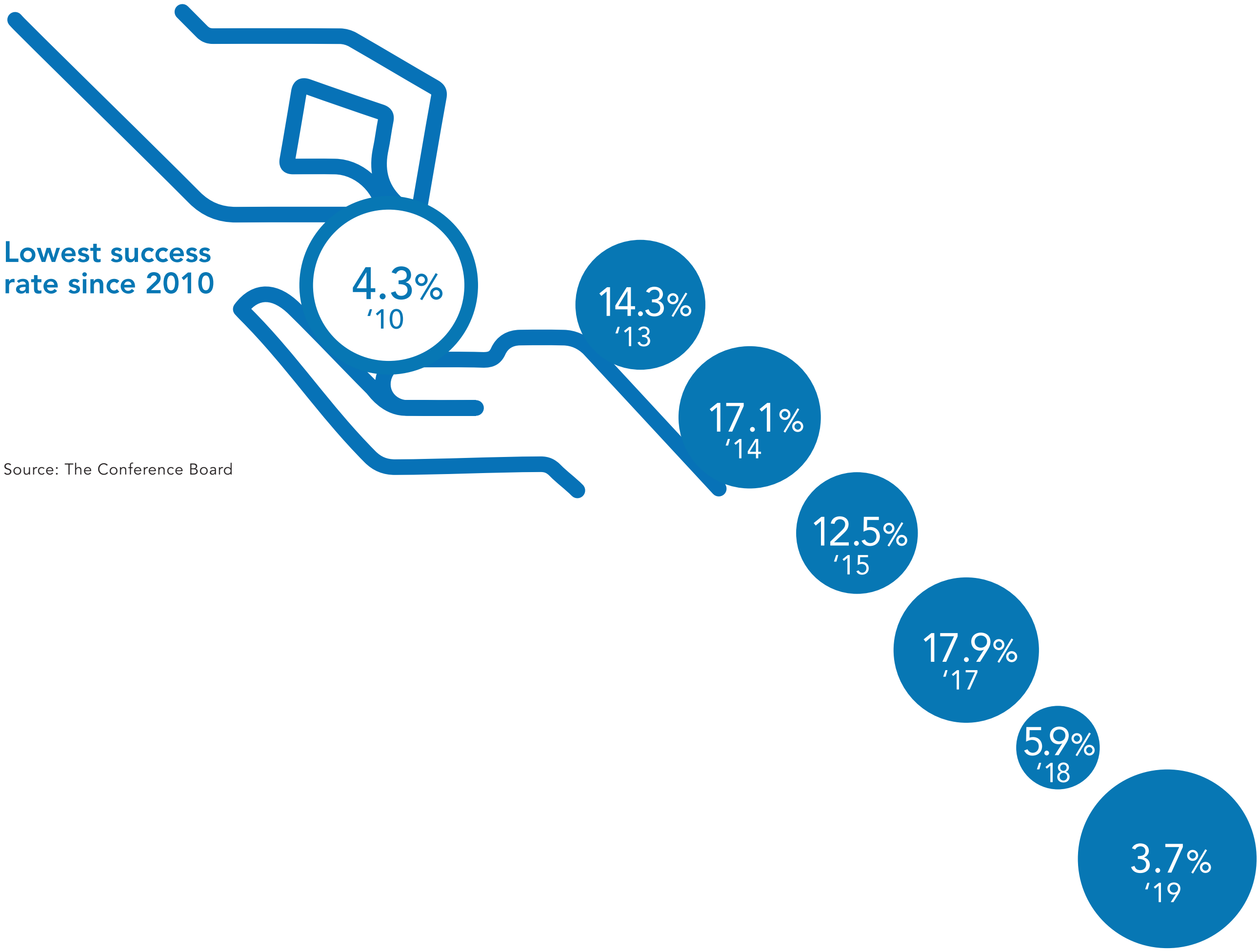
Exempt solicitations and "vote no" campaigns have been surging, with investors being galvanized by initiatives to refresh board composition. The last few years have shown a surge in exempt solicitations, especially those in the form of "just vote no" campaigns (where a shareholder solicits others to withhold their votes at a director election or to vote against a management proposal or a nomination to the board of directors submitted by management, but does not circulate a dissident's proxy card) and those to solicit votes *against* a say-on-pay proposal by management. In the 2019 period examined for the purpose of this report, shareholders engaged in 124 exempt solicitations against management of Russell 3000 companies, compared to 100 solicitations in the same period in 2018 and 79 in 2016. By way of comparison, there were only 47 in the corresponding 2013 period and 18 in 2010. In the S&P 500 sample, the number of exempt solicitations in 2019 was 91, up from 75 last year and the previous record of 87 of the 2017 period, and significantly higher than the 29 reported in 2014 and the 15 in 2010. The index comparison shows a concentration of notices of exempt solicitations filed against larger companies. This campaign tactic is less common among activist hedge funds, which traditionally pursue smaller targets, and is preferred by labor unions and public pension funds, which are widely invested in blue chip stocks. The category of investment funds affiliated with stakeholder groups has also risen as a major proponent of these types of activist initiatives. See Figures 4,25, 4.26, 4.27, and 4.28.



Source: The Conference Board

Amid a general decline in the volume of proxy fights conducted this year, the success of dissident proposals reached a record low, with the majority of such contests resulting in settlements. In the 2019 period examined for the purpose of this report, shareholders engaged in 27 proxy contests against management of Russell 3000 companies, compared to 34 launched in the corresponding 2018 period, 38 in 2016, and, according to an earlier edition of this report, 49 in 2015. Companies in the information technology and consumer discretionary sectors respectively faced seven and six solicitations, and companies in the financials and health care sectors were exposed to three each. There were two contests in each of the materials and real estate industry groups, while only one in each of the other sectors.

Dissidents' proposals fare badly



Source: The Conference Board

Hedge funds have consistently been the most active in proxy fights. In 2019, they mounted 15 (or 55.6 percent of the total) of the voting fights against management, followed by other stakeholders (four proxy contests, or 14.8 percent of the total), investment advisers (three contests, or 11.1 percent), and individuals (also three contests, or 11.1 percent). The vast majority of contests were motivated by an attempt to gain a seat on the board of directors (19, or 70.4 percent of the total in 2019; 23, or 67.6 percent in 2018; 27, 71.1 percent in 2016; and, according to an earlier edition of this report, 33, or 68.8 percent in 2015). Four fights (or 14.8 percent of the total) sought to obtain control of the board to foster a broader range of strategic, organizational, and governance changes, whereas the others were waged to oppose a merger (for example at Bristol-Myers Squibb Company, by hedge fund Starboard Value), and to vote against a management proposal (at J. Alexander's Holdings, by investment adviser Ancora MicroCap Fund).

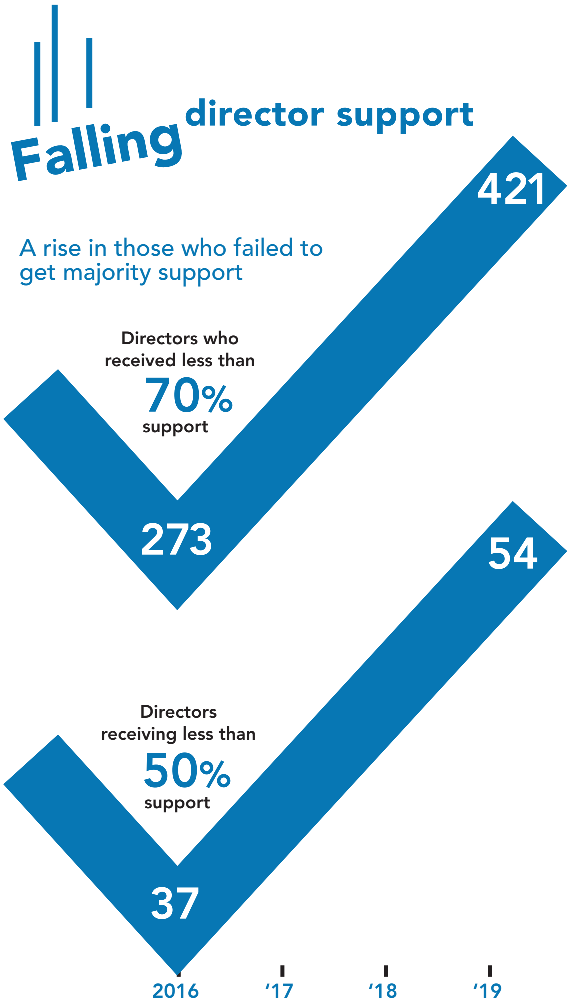
In 2019, for the second time since The Conference Board began tracking proxy contest outcomes, the majority of initiated proxy contests resulted in a settlement between the dissident and the company, where the company made certain concessions to obtain the support of the activist investor. This came as, in 2019, the success rate at the ballot box by dissidents was the lowest recorded by The Conference Board since it began tracking proxy voting data in 2010, where dissidents won only one of the 23 proxy contests mounted then against Russell 3000 companies (or 4.3 percent). In the Russell 3000, dissidents scored an outright voting win in only one of the 27 (or a mere 3.7 percent) proxy contests where an outcome was reached in 2019, down from a percentage of 5.9 in the same period in 2018, 17.9 in 2017, and of 12.5 in 2015.

By way of comparison, according to an earlier edition of this study, dissidents succeeded in seven of the 41 (17.1 percent) of the proxy contests held during the same period in 2014 and in five out of the 35 proxy contests of 2013 (14.3 percent). In 2019, six contests (22.2 percent) were withdrawn and five (or 18.5 percent) resulted in a victory for management. Most important, the data also shows that about 52 percent of the Russell 3000 proxy contests in 2019 concluded with a settlement—the second highest share of proxy fight settlements found by this periodic study and the second time it has exceeded the majority mark (previously, the highest percentages of settlements had been found in 2018, at almost 60 percent, and in 2015, at 47.9 percent). See Figures 4.7 through 4.24 and Table 10.

Constructive engagement between corporations and investors has been curbing the most hostile forms of activism, and the volume of proposals to elect a dissident's nominee continued to drop. In the Russell 3000, in the first half of 2019, shareholders filed 20 proposals to elect a dissident's director nominee. Volume was down from the 25 proposals documented for the same period last year and less than half of the 52 proposals that, according to an earlier edition of this report, were submitted in 2009—a record year for hostile activism. The explanation may be found in developments of the last few years, from the introduction of say-on-pay votes (which many shareholders can now use more effectively than director opposition proposals to voice their discontent) to the passage of new rules enhancing governance disclosure, and a climate favoring constructive dialogue with investors. Ten of the 20 filed proposals challenging management's director nominees went to a vote during the first six months of the 2019 proxy season. By way of comparison, in 2014, 31 of the 35 filed proposals (88.6 percent) on the election of a dissident's nominee were voted at Russell 3000 AGMs. Such proposals are far less frequent among S&P 500 companies, where large capitalizations make it more arduous for an activist to garner enough support from fellow investors, and ultimately reduce the likelihood of success. There were no proposals in 2019 and only two proposals submitted during the 2018 period (and neither of them went to a vote), compared with six in 2017, zero in 2016, five during the same period in 2013, and three in 2012. As usual, requests for board representation were primarily submitted by activist hedge funds and investment advisers, which are SEC-registered companies that in turn often manage assets of a portfolio of hedge fund clients.

The 2019 average support rate for this proposal topic has decreased to 27.4 percent of shares outstanding from the 43.2 percent of last year. This result was lower even than the findings in previous years (by way of comparison: 36.7 percent in 2017, 31.4 percent in 2014, and 36.3 percent in 2013), but higher than the average support reported in 2012 (18.2 percent) and in 2009, which had been a record year in terms of proxy contests (26.4 percent of shares outstanding voted in favor). The highest support level (38.9 percent of *for* votes as a percentage of shares outstanding) was received by a proposal filed at PDC Energy by an undisclosed shareholder. The lowest support level (18.1 percent) was at Gannett Co., Inc. See Figures 5.36 through 5.40.

Companies cannot take investor confidence in their nominees for granted and need to persuasively articulate the reasons for their board composition choices, given the record-high number of board members who failed to receive majority support in 2019. In the Russell 3000, the number of directors receiving less than 50 percent support level has climbed from 37 in 2016 to 54 in 2019. Similarly, The Conference Board counted 421 directors who received less than 70 percent of votes cast at this year's AGMs; there were only 273 in 2016. While these remain low numbers overall (more than 16,000 directors were up for re-election in the Russell 3000 in the examined 2019 period), they are part of an upward trend that was not observed before and that is attributed to the announced intentions of some large institutions to intensify their scrutiny of board composition. CalPERS, for example, recently pointed to issues of diversity and concerns about directors serving on multiple public company boards as the main factors influencing its decisions to step up its vote against certain incumbents, while new voting guidelines from BlackRock indicate that the world's largest asset manager expects all boards it invests in to have at least two female directors.[4] And, in early October, New York City Comptroller Stringer announced the launch of a third phase of the Boardroom Accountability Project,[5] calling on companies to adopt the so-called "Rooney Rule" (a policy adopted by the National Football League requiring teams to interview at least one person of color for head coaching vacancies) and include diversity candidates in searches for new directors. See Figures 1.3 and 1.4.



Source: The Conference Board

4 "CalPERS Turn Focus to Board Diversity in Proxy Voting," *Pensions & Investments*, September 17, 2018; "Corporate Board Elections Getting a Little Less Cozy," *Wall Street Journal*, October 8, 2019; *Proxy Voting Guidelines for U.S. Securities*, BlackRock, January 2019.

5 "Comptroller Stringer Launches Boardroom Accountability Project 3.0, a First-in-the-Nation Initiative to Bring Diversity to Board and CEO Recruitment," New York City Comptroller Office, News Release, October 11, 2019.

PART 1

Shareholder Meetings and Director Elections

State corporate laws in the United States require public companies to hold an annual general meeting (AGM) of shareholders for the purpose of electing the board of directors and ratifying any business decision subject to shareholder approval. Examples of these prescriptions at the state level include Section 211 of the Delaware General Corporation Law, Section 602 of the New York Business Corporation Law, and Section 600 of the California Corporations Code. State law also governs several procedural aspects of the AGM, such as location, notice and record date requirements, quorum requirements, the ability of shareholders to vote by proxy, the right of shareholders to review the company's shareholder list, and the procedures for inspecting elections.

Federal securities laws complement state laws by focusing on the proxy solicitation process that accompanies the AGM. Under Section 14 of the Securities and Exchange Act of 1934, corporations registered with the SEC must make meeting materials publicly available. Public companies that solicit shareholder votes must file a proxy statement with the SEC detailing, among other things, information on the matters put to a vote and voting procedures, the names and background of director nominees submitted by management, and the compensation of board members and top executives. Individual (or groups of) shareholders can also submit their own proposals by filing a resolution according to SEC rules.

The sample examined for the purpose of this report includes 2,554 companies in the Russell 3000 (including non-US companies registered with the SEC) that held AGMs from January 1 to June 30, 2019. In this section, the sample is compared with 439 companies in the S&P 500 and across industry groups.

Shareholder Meetings

By index

Of the companies in the Russell 3000 that held their AGM in the first six months of 2019, 54.3 percent held it in May. In the corresponding S&P 500 sample, that share was 57.6 percent. In the Russell 3000, the month with the second highest share of shareholder meetings is February; in the S&P 500, it is April. By the end of June 2019, 85.1 percent of Russell 3000 companies and 87.8 percent of S&P 500 companies had held their AGM.

By industry

Figure 1.2 illustrates the distribution of Russell 3000 AGMs held by June 30, 2019, across industry groups. Financial services firms had the highest number of shareholder meetings across industries in the first half of the year (510), followed by health care companies (437) and industrials companies (340).

Figure 1.1

Shareholder Meetings—by Index (2019)

	S&P 500		Russell 3000	
	Number of meetings	Percentage of total	Number of meetings	Percentage of total*
January	18	4.1%	55	2.2%
February	51	11.6	614	24.0
March	10	2.3	51	2.0
April	96	21.9	382	15.0
May	253	57.6	1,386	54.3
June	11	2.5	66	2.6
Total number of meetings (2016–2019)				
2019	439		2,554	
2018	440		2,509	
2017	441		2,398	
2016	437		2,296	

* Percentages do not add up to 100 due to rounding.
Source: The Conference Board/ESGAUGE, 2019.

Figure 1.2

Shareholder Meetings—by Industry (2019)

Industry	Number of meetings	Percentage of total*
Communication services	94	3.7%
Consumer discretionary	278	10.9
Consumer staples	72	2.8
Energy	150	5.9
Financials	510	20.0
Health care	437	17.1
Industrials	340	13.3
Information technology	293	11.5
Materials	117	4.6
Real estate	191	7.5
Utilities	72	2.8

n=2,554

* Percentages do not add up to 100 due to rounding.
Source: The Conference Board/ESGAUGE, 2019.

RETURN TO KEY FINDINGS
(page 31)

Director Elections

By index

At the companies in the Russell 3000 that held their AGM in the first six months of 2019, shareholders elected 16,492 directors, with an average support level in line with the support level of the last four years, or of 95.1 percent of votes cast. Most notably, however, the number of directors who received the support of less than 70 percent of shares voted was 421, or 54.2 percent higher than the number recorded in 2016; similarly, the number of directors receiving less than 50 percent support level climbed from 37 in 2016 to 54 in 2019 (Figure 1.3).

Figure 1.3

Director Elections—by Index (2016–2019)

	S&P 500			
	Total number of directors	Average support level (*for* votes as a percentage of votes cast)	Number of directors receiving less than 70 percent of shares voted	Number of directors receiving less than 50 percent of shares voted
2019	4,343	96.7%	46	7
2018	4,357	96.7	43	13
2017	4,335	96.9	32	3
2016	4,228	97.2	26	1

	Russell 3000			
	Total number of directors	Average support level (*for* votes as a percentage of votes cast)	Number of directors receiving less than 70 percent of shares voted	Number of directors receiving less than 50 percent of shares voted
2019	16,492	95.1%	421	54
2018	15,927	95.4	314	43
2017	15,351	95.7	270	29
2016	14,558	95.9	273	37

Source: The Conference Board/ESGAUGE, 2019.

By industry

Figure 1.4 details investor confidence on board members across the 11 GICS industries. In 2019, directors of health care companies received the lowest average support level (92.9 percent of votes cast); health care was also the industry with the highest number of directors receiving the support of less than 70 percent of votes cast (82 directors). Real estate companies reported the highest number of directors receiving the support of less than 50 percent of votes cast (10 directors).

RETURN TO KEY FINDINGS
(page 31)

Figure 1.4

Director Elections—by Industry (2016, 2018, and 2019)

	2019			
	Total number of directors	Average support level (*for* votes as a percentage of votes cast)	Number of directors receiving less than 70 percent of shares voted	Number of directors receiving less than 50 percent of shares voted
Communication services	604	93.4%	25	8
Consumer discretionary	1,927	95.6	41	9
Consumer staples	578	95.2	16	1
Energy	957	94.6	25	3
Financials	3,723	95.7	68	9
Health care	2,114	92.9	82	7
Industrials	2,245	95.9	39	5
Information technology	1,644	95.2	41	2
Materials	758	96.3	9	0
Real estate	1,344	94.1	72	10
Utilities	598	97.1	3	0
	n=16,492		n=421	n=54

	2018			
	Total number of directors	Average support level (*for* votes as a percentage of votes cast)	Number of directors receiving less than 70 percent of shares voted	Number of directors receiving less than 50 percent of shares voted
Communication services	566	94.0%	18	2
Consumer discretionary	1,940	95.9	33	2
Consumer staples	559	95.3	15	0
Energy	943	94.8	22	3
Financials	3,586	95.9	59	6
Health care	1,981	94.4	51	4
Industrials	2,198	95.8	40	8
Information technology	1,605	95.4	34	12
Materials	748	96.2	6	0
Real estate	1,264	94.3	34	6
Utilities	537	97.1	2	0
	n=15,927		n=314	n=43

	2016			
	Total number of directors	Average support level (*for* votes as a percentage of votes cast)	Number of directors receiving less than 70 percent of shares voted	Number of directors receiving less than 50 percent of shares voted
Communication services	546	94.0%	21	0
Consumer discretionary	1,755	96.7	17	2
Consumer staples	536	96.1	11	2
Energy	801	95.5	22	4
Financials	3,380	96.1	49	5
Health care	1,734	95.3	36	5
Industrials	2,002	95.9	47	1
Information technology	1,450	96.2	20	1
Materials	658	95.9	12	2
Real estate	1,152	95.3	37	15
Utilities	544	97.2	1	0
	n=14,558		n=273	n=37

Source: The Conference Board/ESGAUGE, 2019.

PART 2

Shareholder Proposals

According to Rule 14a-8(b) under the Securities Exchange Act of 1934, any shareholder who has held more than $2,000 in stock or 1 percent of the company's outstanding shares for at least a year is permitted to initiate a shareholder proposal and request that a certain item be placed on the agenda and put to a vote at the next AGM. In most cases, management opposes these proposals and urges other shareholders to vote against them. However, especially when the proposal is popular, management may negotiate with activist investors to make those changes in corporate policy that can avoid a public campaign against the company and the risk of a widely supported shareholder proposal.

A shareholder proposal must be included in proxy materials unless the corporation receives authorization from the SEC to exclude it (a "no-action letter"). To avoid the use of shareholder proposals for the purpose of disrupting the ordinary administration of corporate affairs, federal regulation may enable the company to exclude it from the voting ballot. The bases for exclusions are detailed by Rule 14a-8(i). Exclusions are common in cases where the proposal is not on a proper subject for action by shareholders under applicable state laws—for example, because it relates to the company's daily business operations for which shareholder approval is not required or because the company has shown that it would lack the power or authority to implement the proposal.

Under the laws of most states (including Delaware, New York, and California), the company's board of directors and senior management hold the responsibility to attend to business affairs. Shareholders, in turn, have the authority to amend company bylaws and can cast mandatory proposals to put such amendment to a vote. Aside from the case of bylaws amendment, shareholder proposals generally must be "precatory" and phrased as recommendations or suggestions; otherwise, they risk exclusion from the proxy materials. The approval of a precatory shareholder proposal has its own significance since it may shed light on a certain corporate practice criticized by investors and put pressure on the board to effect change. Nevertheless, the board may appropriately determine not to implement the proposal if it in good faith believes that its implementation is not in the best interests of the company and its shareholders.

This section reviews the volume, sponsorship types, subjects, and voting results of shareholder proposals filed at SEC-registered companies. The analysis highlights certain developments of the 2019 proxy season as well as its major themes. For more information on these themes, also see "Part 5: Issues in Focus" on p. 186.

Volume

Per company

In the Russell 3000 sample examined for the purpose of this report, in 2019 shareholders filed on average 0.23 proposals per company, compared to the average of 0.25 proposals for the same period in 2018. The average was calculated by dividing the total number of proposals submitted in the sample period (Figure 2.2) by the total number of shareholder meetings held by index companies during the sample period (Figure 1.1 on p. 33).

In the S&P 500 sample, the average number of shareholder proposals per company decreased from 1.10 in 2018 to 0.99 this year, furthering the decrease from 1.25 in 2017. Shareholder proposals continue to be more common among larger companies. However, the decline in the number of proposals per company is much more pronounced in the S&P 500, suggesting that the proportion of 14a-8 resolutions between the two indexes is gradually changing.

By index

In both indexes, shareholder proposal volume for the 2019 period was lower than in 2018 (Figure 2.2). Shareholders submitted 596 proposals at Russell 3000 companies that held AGMs during the period (a 6.6 percent decline from the volume registered in 2018), 557 of which were related to issues of executive compensation, corporate governance, or social and environmental policy (Figure 2.5 on p. 41). For the same period in 2018, shareholders had submitted 638 proposals, 588 of which related to executive compensation, corporate governance, or social and environmental issues.

Large-capitalization companies continue to be the primary focus of shareholder proposals. However, the number of resolutions sponsored by investors decreased significantly even in the S&P 500, from 486 in 2018 to 435 in 2019 (or 10.5 percent). It is the second time since the introduction of this annual study that The Conference Board observes a two-digit decline in shareholder proposal volume in the S&P 500 (the 2018 volume had already dropped 11.6 percent from the 2017 level). A confluence of events may help explain the observed rapidly declining numbers.

Figure 2.1

Average Shareholder Proposal Volume per Company (2016–2019)

Average number of shareholder proposals per company

	S&P 500	Russell 3000
2019	0.99	0.23
2018	1.10	0.25
2017	1.25	0.29
2016	1.18	0.30

Source: The Conference Board/ ESGAUGE, 2019.

Figure 2.2

Shareholder Proposal Volume—by Index (2016–2019)

Number of shareholder proposals

	S&P 500	Russell 3000
2019	435	596
2018	486	638
2017	550	700
2016	517	687

Source: The Conference Board/ ESGAUGE, 2019.

These factors are discussed more in detail in several sections of the report and include:

- Following the introduction of "say on pay," the advisory vote of shareholders on executive pay, the AGM is no longer the main venue to debate adjustments to the company's compensation structure, especially when it comes to issues of pay for performance and pay equity. Boards of directors and management have been proactively pursuing forms of engagement with shareholders, especially the large institutions that can make or break the advisory vote. While some shareholders felt energized by the reform and are innovating the formulation of shareholder proposals on this subject by pushing for new topics such as equity retention and limits to golden parachutes, hardly any company can afford to walk into an AGM without having spent the preceding months gaining assurance of the broad consensus on its compensation policy. Pension funds affiliated with trade unions, once fervent proponents of resolutions on executive compensation, have precipitously reduced their submissions this year.

- Most companies in the S&P 500 and the segment of larger companies that comprise the Russell 3000 have already transitioned to the governance best practices heralded by many proponents of these resolutions, or are in the process of voluntarily doing so. The adoption of majority voting and of destaggered board structures and the separation of the chief executive officer (CEO) and board chairman position (or the appointment of a lead independent director) are the main examples of the transformation that has taken place in the governance practices of many public companies and are documented in *Corporate Board Practices in the Russell 3000 and S&P 500*, another product in the ESG Intelligence suite of periodic benchmarking reports offered by The Conference Board.[1]

- Revisions to voting guidelines on board responsiveness by ISS are propelling a new wave of corporate changes, in this case following proposals voluntarily submitted by management to preempt the reputational impact that a negative voting recommendation by the proxy advisory firm would produce on the company's director election process. A number of investor-sponsored proposals likely to receive wide support—especially those pertaining to corporate governance practices that are increasingly viewed as a baseline by many institutional investors—no longer make it to the AGM because the company chooses to address the concern ahead of the shareholder vote. Considering the likelihood of approval of a certain shareholder request, boards may conclude that they have little to gain from letting the proposal go to a vote rather than proactively taking action.

---

1 See Matteo Tonello, *Corporate Board Practices in the Russell 3000 and S&P 500: 2019 Edition, The Conference Board, Research Report, R-1687-19-RR, April 2019.*

RETURN TO KEY FINDINGS
(page 14)

Figure 2.3

Shareholder Proposal Volume—by Industry (2016, 2018, and 2019)

	2019		2018		2016	
Industry	Average number of shareholder proposals per company	Number of shareholder proposals	Average number of shareholder proposals per company	Number of shareholder proposals	Average number of shareholder proposals per company	Number of shareholder proposals
Communication services	0.70	66	0.74	64	0.68	55
Consumer discretionary	0.32	90	0.31	91	0.33	88
Consumer staples	0.56	40	0.54	38	0.88	59
Energy	0.25	38	0.25	39	0.53	69
Financials	0.15	79	0.16	77	0.21	97
Health care	0.17	73	0.21	87	0.21	75
Industrials	0.24	82	0.30	104	0.29	94
Information technology	0.16	48	0.18	51	0.21	54
Materials	0.18	21	0.16	19	0.21	23
Real estate	0.13	24	0.14	26	0.10	18
Utilities	0.49	35	0.60	42	0.81	55

Source: The Conference Board/ESGAUGE, 2019.

By industry

As shown in Figure 2.3, proposal volume varies considerably from industry to industry, with the highest concentration of shareholder proposals in the communication services industry (0.7 proposal per company, on average) and the real estate industry the least exposed to shareholder proposals (0.13 proposal per company). The average was calculated by dividing the number of shareholder proposals submitted in each industry category during the sample period by the number of shareholder meetings held by index companies in each industry during the same period (Figure 1.2 on p. 33).

By sponsor

There were two major highlights from the analysis of the 2019 proxy season by sponsor type.

The first one is the slow rise to prominence of a category of proponents of resolutions that had traditionally played a marginal role at AGMs: that of nonfinancial firms, which try to foster corporate changes in the interest of stakeholder groups rather than investors. They include organizations such as the National Center for Public Policy Research, the People for the Ethical Treatment of Animals (PETA), and the Humane Society of the United States and were the major sponsors of proposals in the environmental and social policy area. (For the purpose of this report, they are labeled as "other stakeholders"). Collectively, as Figure 2.4 shows, they submitted 89 proposals this year (or 14.9 percent of the total, the second largest share of disclosed sponsor types, following individual proponents), significantly up from the 59 proposals of 2018 (or 9.25 percent of the total for that year) and a new record after the 88 proposals of 2017—a level that was unimaginable only a few years ago.

RETURN TO KEY FINDINGS
(page 15)

Figure 2.4

Shareholder Proposal Volume—by Sponsor (2016, 2018, and 2019)

	2019		2018		2016	
Sponsor type	Number of shareholder proposals	Percentage of total	Number of shareholder proposals	Percentage of total	Number of shareholder proposals	Percentage of total
Corporations	n/a	n/a	1	0.2%	7	1.0%
Hedge funds	8	1.3%	18	2.8	23	3.4
Individuals	239	40.1	263	41.2	272	39.6
Investment advisers	19	3.2	69	10.8	53	7.7
Labor unions	49	8.2	45	7.1	52	7.6
Mutual funds	1	0.2	1	0.2	2	0.3
Named shareholders	2	0.3	n/a	n/a	n/a	n/a
Other institutions	5	0.8	4	0.6	4	0.6
Other stakeholders	89	14.9	59	9.3	74	10.8
Public pension funds	55	9.2	45	7.1	69	10.0
Religious groups	38	6.4	35	5.5	26	3.8
Undisclosed	91	15.3	98	15.4	105	15.3
	n=596		n=638		n=687	

n/a = No shareholder proposals

Source: The Conference Board/ESGAUGE, 2019.

A second important observation about the 2019 season is that it marked another soft performance by multiemployer investment funds affiliated with labor unions such as the United Brotherhood of Carpenters and Joiners of America or the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO). There were only 49 resolutions filed by this type of proponent in 2019 (8.2 percent of the total), a number that is consistent with the 45 resolutions filed in 2018 but is much lower than the 80 resolutions (11 percent) of 2015 and the 151 proposals that, according to an earlier edition of this report, this type of funds submitted in 2010. It means that, in total, proposal volume by labor-affiliated funds dropped 67.5 percent from 2010 levels. Most commentators agree that the decline is mostly due to the introduction of the say-on-pay vote and the federal regulation imposing more widespread executive compensation disclosure, which had been main topics of concern for labor unions. Some of these investment funds, including the Sheet Metal Workers' National Pension Fund, have completely exited the activism scene in the last few years, while others have scaled back their involvement. Almost as markedly, reduced activity can be seen even among public pension funds (55 proposals in 2019, down from 66 in 2017 and 99 in 2015).

Hedge fund activity by means of shareholder proposals has also abated, and even more prominently. It is quite apparent if current volume is compared with what was recorded only a few years ago, when hedge funds seemed to be on a trajectory to dominance of the proxy voting season, often using precatory resolutions as a means to publicize their view on critical issues at their target companies and to galvanize fellow shareholders around activism campaigns aimed at obtaining board representation. Also see Part 4, on p. 138, for an analysis of the reasons that prompt hedge fund campaigns.

In the examined 2019 period, hedge funds filed only 8 proposals (1.3 percent of the total), down from the 18 registered in 2018 and the 28 of 2017. By way of comparison, according to an earlier edition of this report, in the 2014 period hedge funds filed 39 proposals (5.2 percent of the total), up from 24 proposals (3.1 percent) in 2013 and from 11 proposals in 2010.

Despite a decline even in their category, individuals remain, by far, the most frequent sponsor of shareholder proposals for all of the years examined, as has been the case for decades. In fact, of all shareholder proposals submitted in 2019 for which the sponsor was disclosed, individuals initiated 239; The Conference Board had counted 263 individual-sponsored proposals in 2018 and 272 in 2016.

For proposals with multiple sponsors, the breakdown by sponsor displayed in Figure 2.4 is based on the sponsor listed in the filing as the main proponent.

See "Sponsors" on p. 42 for more information on the categorization of proposal sponsors used for the purpose of this report.

By subject

Investors continue to submit numerous governance-related proposals: There were 277 in 2019, or 46.5 percent of the total, a level that has remained fairly consistent over the last few years (it was 45.2 percent in 2010 according to an earlier edition of this study). Even this year, shareholders filed a high number of resolutions on topics of social and environmental policy. The increasing interest shown by investors, not only socially-responsible ones but also mainstream mutual funds, in a variety of issues of corporate political spending, climate change risk, workforce and leadership diversity, and compliance with human rights, has catapulted this category from representing 29.2 percent of total shareholder resolutions in 2010 to this year's 38.4 percent share. The number did not, however, match the record registered by an earlier edition of this report in 2017, of 302 resolutions or 43.1 percent of the total (Figure 2.5).

Figure 2.5

Shareholder Proposal Volume—by Subject (2016, 2018, and 2019)

	2019		2018		2016	
	Number of shareholder proposals	Percentage of total	Number of shareholder proposals	Percentage of total	Number of shareholder proposals	Percentage of total
Corporate governance	277	46.5%	297	46.6%	305	44.4%
Executive compensation	51	8.6	44	6.9	67	9.8
Social and environmental policy	229	38.4	247	38.7	256	37.3
Other	39	6.5	50	7.8	59	8.6
	n=596		n=638		n=687	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

In 2019, the volume of executive compensation proposals was consistent with what was reported in recent years, confirming the steady decline prompted by the introduction of the advisory, say-on-pay vote in 2010. Investors filed 51 such proposals in the first half of the year, slightly up from 44 of 2018 but down from 57 in 2017, 67 in 2016, 90 in 2015 and, according to an earlier edition of this report, 144 in 2013.

See "Subjects" on p. 50 for more information on the categorization of proposal subjects used for the purpose of this report.

Sponsors

The categorization of proposal sponsors used for the purpose of this report was made by FactSet. The following sponsor types are considered:

Corporations While a business company is not typically a sponsor, a shareholder proposal could be filed by a (public or private) corporation attempting to take over another company via a proxy fight.

Hedge funds Investment funds that resort to hedging techniques such as derivative securities and short-selling to reduce their risk exposure are included. As part of their investment strategies, some hedge funds (e.g., Pershing Square Capital Management or Icahn Associates Corp.) may also adopt activist tactics and request that a certain matter be put to a vote at the annual shareholder meeting.

Individuals This category includes individual shareholders or family owners, including family trusts. They are also commonly referred to as "corporate gadflies," for their practice of actually attending AGMs in person and vociferously criticizing management. Some of them, John Chevedden, and Kenneth and William Steiner, have been relentless proponents of a flow of shareholder resolutions for many years.

Investment advisers For the purpose of this report, a private investment firm is considered an investment adviser if it does not have the majority of its investments in mutual funds and is not a hedge fund nor a subsidiary (or an affiliate) of a bank, brokerage firm, or insurance company. An investment adviser registered under the Investment Advisers Act of 1940 may manage a portfolio of securities (e.g., Franklin Mutual Advisers) as well as provide investment advice to other funds (including, as in the case of GAMCO Asset Management, activist hedge funds).

Labor unions This category comprises pension funds affiliated with labor unions spanning multiple private companies across one or more industries (e.g., the United Brotherhood of Carpenters and Joiners of America or the AFL-CIO) as well as investment vehicles of workers' associations at individual large companies (e.g., the International Brotherhood of DuPont Workers). This category also includes unions of public-sector workers (such as the American Federation of State, County and Municipal Employees (AFSCME)), whereas funds established directly by states and municipalities to benefit their retired employees are categorized for the purpose of this report as "public pension funds."

Mutual fund managers For the purpose of this report, an investment firm is considered a mutual fund manager if the majority of its investments are allocated to mutual funds. A mutual fund raises money from individuals and reinvests it in securities (e.g., Fidelity Investments or The Vanguard Group). Due to its passive investment strategies, it rarely submits shareholder proposals or publicly dissents from management of portfolio companies.

Named shareholder groups This category refers to activist groups established as part of a specific shareholder activism campaign promoted by other shareholders (e.g., the Concerned Rentech Shareholders group, comprising activist hedge funds Engaged Capital, LLC and Lone Star Value Management, LLC).

Public pension funds This category comprises funds established to pay the benefits of retired public-sector workers, either by a state (e.g., the New York State Common Retirement Fund, the California Public Employees' Retirement System (CalPERS) or the Florida State Board of Administration) or by a city or municipality (e.g., the New York City Employees' Retirement System and the Miami Fire Fighters' Relief and Pension Fund).

Religious groups This category includes investment vehicles affiliated with religious organizations (e.g., Interfaith Center on Corporate Responsibility or the Province of St. Joseph of the Capuchin Order).

Other institutions Institutional investors not otherwise categorized—including commercial banks and private banking portfolio managers, broker/dealer firms, investment banks, foundations and endowments, holding companies, insurance companies, corporate pension funds, and venture capital firms—are included in this category.

Other stakeholders This category comprises other nonindividual and investment entities not categorized as an institution by FactSet. It includes environmental, social, and corporate governance activist groups such as PETA, The Humane Society of the United States, As You Sow, Nathan Cummings Foundation, and Amnesty International.

By index

Individual investors sponsored more than 40 percent of the shareholder proposals submitted at Russell 3000 companies (specifically, 239 proposals for AGMs held from January 1 to June 30, 2019). As shown in Figure 2.6, an even higher share was found in the S&P 500 analysis. Traditionally the second most prolific proponent type, in 2019 public pension funds filed only 9.23 percent of the total number of shareholder resolutions introduced at Russell 3000 companies and were surpassed by other stakeholders, an eclectic category of interest groups that used investment in public company equity to pursue their social and environmental policy agendas (14.93 percent, up from 9.25 percent in 2018, also in the Russell 3000).

Only two of the proposals submitted at S&P 500 companies were sponsored by hedge funds, which filed eight proposals in the Russell 3000 sample inclusive of smaller-cap companies. In cases where the main proponent was disclosed, only one of the proposals submitted in the Russell 3000 in 2019 was sponsored by mutual fund managers.

Figure 2.6

Sponsor Type—by Index (2019)

	S&P 500		Russell 3000	
Sponsor type	Number of proposals	Percentage of total	Number of proposals	Percentage of total
Individuals	178	40.9%	239	40.1%
Undisclosed	72	16.6	91	15.3
Other stakeholders	67	15.4	89	14.9
Religious groups	34	7.8	38	6.4
Labor unions	29	6.7	49	8.2
Public pension funds	29	6.7	55	9.2
Investment advisers	18	4.1	19	3.2
Other institutions	4	0.9	5	0.8
Hedge funds	2	0.5	8	1.3
Named shareholders	2	0.5	2	0.3
Corporations	0	0.0	0	0.0
Mutual funds	0	0.0	1	0.2
	n=435		n=596	

Source: The Conference Board/ESGAUGE, 2019.

Large mutual funds such as The Vanguard Group, State Street Global Advisors and BlackRock have become increasingly vocal about their expectations from the leadership of portfolio companies on a range of governance, pay, and social practices (among others: gender diversity on boards, the adoption of pay-for-sustainability performance metrics, and the disclosure of climate change risk), but they typically do not initiate voting proposals. No mutual fund-sponsored proposals were filed at S&P 500 companies.

By industry

Individuals filed most of their shareholder proposals at companies in business industries such as financials, industrials and consumer discretionary, while only 2.5 percent of their submissions were in the real estate sector (Figure 2.7). Consumer discretionary companies were also the target of the largest share (19.1 percent) of resolutions filed by non-investment firms ("other stakeholders").

Of the eight proposals filed by hedge funds, three (or 37.5 percent) were addressed at financial companies, while the health care, industrials, IT, materials, and real estate sectors received one proposal each.

The 2019 proposals from labor union-affiliated investment funds are concentrated, as expected, in business industries where workers are frequently unionized, such as the industrials (12.2 percent of the submissions from these sponsors) and the consumer discretionary (26.5 percent) sectors.

The highest shares of the proposals submitted by religious groups were in the health care and consumer discretionary industries (each with 21.1 percent of the total number submitted by this category of sponsors).

RETURN TO KEY FINDINGS
(page 15)

Figure 2.7

Sponsor Type—by Industry (2019)

Number of shareholder proposals, percentage of total

	Corporations		Hedge funds		Individuals		Investment advisers	
Industry	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total
Communication services (n=66)	0	0.0	0	0.0	15	6.3%	2	10.5%
Consumer discretionary (n=90)	0	0.0	0	0.0	35	14.6	4	21.1
Consumer staples (n=40)	0	0.0	0	0.0	14	5.9	1	5.3
Energy (n=38)	0	0.0	0	0.0	11	4.6	0	0.0
Financials (n=79)	0	0.0	3	37.5%	34	14.2	5	26.3
Health care (n=73)	0	0.0	1	12.5	28	11.7	0	0.0
Industrials (n=82)	0	0.0	1	12.5	41	17.2	3	15.8
Information technology (n=48)	0	0.0	1	12.5	24	10.0	3	15.8
Materials (n=21)	0	0.0	1	12.5	10	4.2	0	0.0
Real estate (n=24)	0	0.0	1	12.5	6	2.5	0	0.0
Utilities (n=35)	0	0.0	0	0.0	21	8.8	1	5.3

	Labor unions		Mutual funds		Named shareholders		Other institutions	
Industry	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total
Communication services (n=66)	3	6.1%	0	0.0	0	0.0	1	20.0%
Consumer discretionary (n=90)	13	26.5	0	0.0	2	100%	1	20.0
Consumer staples (n=40)	5	10.2	0	0.0	0	0.0	0	0.0
Energy (n=38)	3	6.1	0	0.0	0	0.0	0	0.0
Financials (n=79)	6	12.2	0	0.0	0	0.0	0	0.0
Health care (n=73)	3	6.1	0	0.0	0	0.0	2	40.0
Industrials (n=82)	6	12.2	1	100%	0	0.0	1	20.0
Information technology (n=48)	2	4.1	0	0.0	0	0.0	0	0.0
Materials (n=21)	2	4.1	0	0.0	0	0.0	0	0.0
Real estate (n=24)	6	12.2	0	0.0	0	0.0	0	0.0
Utilities (n=35)	0	0.0	0	0.0	0	0.0	0	0.0

	Other stakeholders		Public pension funds		Religious groups		Undisclosed	
Industry	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total
Communication services (n=66)	13	14.6%	6	10.9%	0	0.0	26	28.6%
Consumer discretionary (n=90)	17	19.1	7	12.7	8	21.1%	3	3.3
Consumer staples (n=40)	4	4.5	3	5.5	5	13.2	8	8.8
Energy (n=38)	5	5.6	3	5.5	5	13.2	11	12.1
Financials (n=79)	15	16.9	7	12.7	3	7.9	6	6.6
Health care (n=73)	12	13.5	13	23.6	8	21.1	6	6.6
Industrials (n=82)	6	6.7	5	9.1	3	7.9	15	16.5
Information technology (n=48)	7	7.9	3	5.5	3	7.9	5	5.5
Materials (n=21)	3	3.4	1	1.8	0	0.0	4	4.4
Real estate (n=24)	2	2.2	3	5.5	1	2.6	5	5.5
Utilities (n=35)	5	5.6	4	7.3	2	5.3	2	2.2

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

RETURN TO KEY FINDINGS
(page 16)

By subject

As discussed, investment funds affiliated with labor unions have had a less prominent role in recent proxy seasons, when they filed a significantly lower number of proposals. The analysis by subject type in Figure 2.8 confirms that the decline is essentially attributable to a reduced interest by these funds in executive compensation issues. Labor unions filed only 12 executive compensation proposals in 2019, down from 17 in 2018, the 28 reported in a previous edition of this report for the 2014 proxy season and the 57 of the 2013 proxy season. The volume of their proposals on corporate governance also dropped in 2018 and 2019 (they were 35 in 2014, and went down to 11 in each of the last two proxy seasons), while these funds too have chosen to shift their focus to the social and environmental policy-related areas (26 filed resolutions in 2019, up from 17 of 2018). For many labor union organizations, advocacy around issues of pay has transferred almost entirely to less public corporate-investor engagement settings. However, this data shows that, rather than exiting the proxy season scene altogether, they are reallocating their resources and expanding their voting policies to a new range of social issues.

In 2019, public pension funds filed only 25 corporate governance proposals, up from 14 in 2018 but still considerably lower than the numbers that The Conference Board was recording for this category of institutional investors only a few years ago. The decline was first registered in 2014, when pension funds filed 35 corporate governance-related proposals in the Russell 3000, compared to 61 in the prior season (a 42.6 percent drop).

Figure 2.8

Sponsor Type—by Subject (2019)

Number of shareholder proposals, percentage of total

N=596

	Corporations		Hedge funds		Individuals		Investment advisers	
	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total
Corporate governance (n=277)	0	0.0	2	25.0%	176	73.6%	2	10.5%
Executive compensation (n=51)	0	0.0	1	12.5	10	4.2	0	0.0
Social and environmental policy (n=229)	0	0.0	0	0.0	44	18.4	16	84.2
Other (n=39)	0	0.0	5	62.5	9	3.8	1	5.3

	Labor unions		Mutual funds		Named shareholders		Other institutions	
	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total
Corporate governance (n=277)	11	22.4%	0	0.0	0	0.0	0	0.0
Executive compensation (n=51)	12	24.5	0	0.0	0	0.0	0	0.0
Social and environmental policy (n=229)	26	53.1	1	100%	2	100%	5	100%
Other (n=39)	0	0.0	0	0.0	0	0.0	0	0.0

	Other stakeholders		Public pension funds		Religious groups		Undisclosed	
	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total
Corporate governance (n=277)	8	9.0%	25	45.5%	4	10.5%	49	53.8%
Executive compensation (n=51)	10	11.2	11	20.0	0	0.0	7	7.7
Social and environmental policy (n=229)	55	61.8	19	34.5	34	89.5	27	29.7
Other (n=39)	16	18.0	0	0.0	0	0.0	8	8.8

Source: The Conference Board/ESGAUGE, 2019.

With management making periodic overtures to large institutional investors in the last few years, these investment plans organized by state and local municipalities have increasingly found more informal alternatives to the Rule 14a-8 shareholder proposal channel to engage with their portfolio companies on issues related to director election and board organization and oversight.

In general, in 2019 shareholder requests regarding social and environmental practices have become prevalent across most shareholder types. One notable exception is the individual category, which continues to press primarily for corporate governance reforms. In fact, the largest shares of resolutions filed on corporate sustainability and social responsibility matters are seen among non-traditional investment firms such as religious groups (34 of 38 proposals, or 89.5 percent) and other stakeholders (55 of 89 proposals, or 61.8 percent).

For a topic-based analysis of these proposals, **see p. X**.

See "Subjects" on p. 50 for more information on the categorization of proposal subjects used for the purpose of this report.

Most frequent sponsors—by sponsor type

Table 1 ranks, by type, up to 10 of the most frequent sponsors of shareholder proposals. The sponsor name is followed by the number of proposals submitted. In those situations where more than one sponsor filed the same number of proposals, sponsors are ranked equally; as a result, more than 10 sponsor names may be listed under a single category.

Even in this proxy season, John Chevedden was confirmed as the most prolific sponsor of shareholder proposals at Russell 3000 companies, submitting about 17 percent (or 102) of the 596 proposals tracked during the period, followed by Kenneth Steiner, who submitted 36 proposals in the examined period (or 6 percent of the total), and James McRitchie, the publisher of the CorpGov.net portal, who submitted 21 proposals (3.5 percent of the total).

The next most active sponsors across all types were three public pension funds: CalPERS (which, after significantly reducing the volume of its submissions in the last couple of years to a single-digit number, filed 18 resolutions in 2019), the New York City Employees' Retirement System, under the management of the city's comptroller (14 resolutions), and the New York State Common Retirement Fund, under the management of the state's comptroller (13 filed proposals in 2019). While other public pension funds were much less active in the last couple of years or even exited the list of most frequent sponsors (e.g., the Pension Reserves Investment Management Board), the public employee pension funds of New York State and New York City remained fairly prolific proponents and 2019 marked a return to prominence for CalPERS.

The decline in shareholder activity was equally if not more widespread across the labor union category. Once frequent proponents in this group, the United Brotherhood of Carpenters and Joiners of America and AFSCME, made neither the 2018 nor the 2019 list. Among funds affiliated to trade unions, the AFL-CIO had 9 filings made in the January 1-June 30, 2019 period (down from the 14 recorded by The Conference Board in the same period of 2018). Against this trend, the International Brotherhood of Teamsters increased the volume of its submissions from eight to 11 and hospitality business workers association UNITE HERE went from four filings in 2018 to ten in 2019.

Table 1

Most Frequent Sponsors—by Sponsor Type (2019)

Rank	Sponsor name	Number of proposals
	HEDGE FUNDS	
1	Blue Lion Opportunity Master Fund LP	2
2	Cruiser Capital Advisors LLC	1
	Merrily Lovell 2007 Trust	1
	Portfolio 21 Global Equity Fund	1
	Roaring Blue Lion Capital Management LP	1
	Snow Park Capital Partners LP	1
	Altai Capital Management LP	1
	INDIVIDUALS	
1	John Chevedden	102
2	Kenneth Steiner	36
3	James McRitchie	21
4	Myra K. Young	12
5	Jing Zhao	4
	Andrew Behar	4
6	Steven J. Milloy	3
	Stewart W. Taggart	3
	Martin Harangozo	3
7	Keith Schnip	2
	Walter Garcia	2
	Jeffrey L. Doppelt	2
	Alex Friedmann	2
	Dale Wannen	2
8	Dennis Rocheleau	1
	Don Ferber	1
	Dundas I. Flaherty	1
	Edward Pierzynski	1
	Edwin S. Mullett	1
	Eleanor Shorter	1
	Ellen Cassilly	1
	Ilene Cohen	1
	James Bierman	1
	Adam Seitchik	1
	Alan Ball	1
	Beth Esser	1
	Bryce Mathern	1
	Charles S. Fitch	1
	Chris Hotz	1
	Christine Jantz	1
	Curtis Lee Overway	1
	Laura Ballance	1
	Lauren Jane McMahon	1
	Lawrence E. Page	1
	Lisa Sala	1

Rank	Sponsor name	Number of proposals
	Louise Rice	1
	John Mixon	1
	Julia Bamburg	1
	Julie Kaye	1
	Wayne King	1
	William C. Fleming	1
	William Creighton	1
	Winston Dines	1
	Timothy Robert	1
	Mary Pat Tifft	1
	Mary Ting	1
	Matthew A. Page	1
	Michael Fox	1
	Patricia M. Silver	1
	Peter T. Kross	1
	Rainer Yingling Judd	1
	Robert Andrew Davis	1
	Robert L. Kurte	1
	Robin S. Maynard	1
	Steve Nieman	1
	INVESTMENT ADVISERS	
1	Harrington Investments, Inc.	6
2	John Harrington	3
3	NorthStar Asset Management, Inc.	3
4	Walden Asset Management	2
	Boston Common Asset Management LLC	2
5	Sonen Capital	1
	Azzad Asset Management, Inc.	1
	Neuberger Berman Investment Advisers LLC	1
	LABOR UNIONS	
1	International Brotherhood of Teamsters	11
2	UNITE HERE	10
3	AFL-CIO	9
4	Amalgamated Bank of New York	4
	CtW Investment Group	4
	United Steelworkers	4
5	International Brotherhood of DuPont Workers	2
	International Brotherhood of Electrical Workers	2
	UAW Retiree Medical Benefits Trust	2
6	Teamsters General Fund	1
	MUTUAL FUNDS	
1	John Hancock Advisers, Inc.	1

(Table 1 continues on next page)

Table 1 (continued)

Most Frequent Sponsors—by Sponsor Type (2019)

Rank	Sponsor name	Number of proposals
	NAMED SHAREHOLDERS	
1	Tri-State Coalition for Responsible Investment	2
	OTHER INSTITUTIONS	
1	Friends Fiduciary Corporation	3
2	Threshold Group LLC	1
	Bard College	1
	OTHER STAKEHOLDERS	
1	National Center for Public Policy Research	10
2	Voce Catalyst Partners LP	8
3	Oxfam America, Inc.	4
	Nathan Cummings Foundation	4
	People for Ethical Treatment of Animals (PETA)	4
4	MNG Enterprises, Inc.	3
	Gun Denhart Living Trust	3
	Arjuna Capital	3
	Park Foundation Inc.	3
	SEIU Pension Plan Master Trust	3
5	Trillium P21 Global Equity Fund	2
	William L. Rosenfeld	2
	As You Sow	2
	Priests of The Sacred Heart	2
6	Sam and Wendy Hitt Family Trust	1
	Samajak	1
	National Legal and Policy Center	1
	Oblate International Pastoral Investment Trust	1
	Hammerman	1
	James T. Campen Trust	1
	Janine Firpo Living Trust	1
	Jcpack SRL	1
	Kestrel Foundation	1
	Marco Consulting Group Trust	1
	McLively Family Trust	1
	Michelle Swenson & Stan Drobac Revocable Trust	1
	Association of BellTel Retirees Inc.	1
	Bon Secours Mercy Health	1
	Caligan Partners LP	1
	Catholic United Investment Trust	1
	CommonSpirit Health	1
	Corning 5A Trust	1
	Domini Impact Equity Fund	1
	Edith P. Homans Family Trust	1
	Ellen Low Webster Trust	1
	Emma Creighton Irrevocable Trust	1
	Green Century Funds	1
	Allen Hancock Revocable Living Trust	1
	Andre Danesh	1
	Worcester Investments LLC	1
	Wynnette M Labrosse Trust	1
	Trillium Small/Mid Cap Fund	1
	Sisters of the Presentation of Mary	1
	SumOfUs	1
	The Doris Behr 2012 Irrevocable Trust	1
	The Humane League	1
	The Jim & Patty Rouse Charitable Foundation, Inc.	1
	Third Generation Financial LLC	1
	W. Andrew Mims Trust	1
	Waterglass, LLC	1
	PUBLIC PENSION FUNDS	
1	California Public Employees' Retirement System	18
2	New York City Employees' Retirement System	14
3	New York State Common Retirement Fund	13
4	City of Philadelphia Public Employees Retirement System	6
5	Office of the State Comptroller of the State of New York	3
6	Employees Retirement System of Rhode Island	1
	RELIGIOUS GROUPS	
1	Mercy Investment Services, Inc.	8
2	Unitarian Universalist Association	6
3	Trinity Health	4
	Sisters of St. Francis of Philadelphia	4
4	United Church Funds, Inc.	3
5	Sisters of St. Dominic of Caldwell New Jersey	2
	Province of St. Joseph of Capuchin Order	2
	Benedictine Sisters of Boerne	2
	Domestic and Foreign Missionary Society of Protestant Episcopal Church in US	2
6	Episcopal City Mission	1
	Sisters of Charity of the Blessed Virgin Mary	1
	The George Gund Foundation	1
	Nicola Miner Revocable Trust	1
	USA West Province of the Society of Jesus	1

Source: The Conference Board/ESGAUGE, 2019.

In the investment adviser category, Harrington Investments, Inc. was the most active investor of 2019 with six shareholder resolutions filed at Russell 3000 companies in the examined period. Like last year, Mercy Investment Services, Inc., the socially responsible asset management program for the Sisters of Mercy and its ministries, led shareholder proposal activity among religious groups, with eight filed resolutions.

Subjects

For the purpose of this report, shareholder proposals are categorized based on four main subjects:

Executive compensation This subject category includes shareholder proposals seeking requirements for executives and/or directors to retain equity for a specified period, requesting limits on tax "gross-ups" and severance agreements, or asking for the clawback of incentives. For a description of specific topics under this subject category, see p. 71.

Corporate governance This subject category includes shareholder proposals requesting to change the director election system from plurality to majority voting, declassify the board, introduce restriction to multiple directorships, and separate the CEO/chairman positions. For a description of specific topics under this subject category, see p. 77.

Social and environmental policy This subject category includes shareholder proposals requesting a board diversity policy or periodic sustainability reporting, as well as proposals addressing environmental, health-related, labor, or political issues. For a description of specific topics under this subject category, see p. 87.

Other shareholder proposals This subject category includes shareholder proposals on asset divestiture, capital distributions, the election of dissidents' director nominees, or the removal of board members. For a description of specific topics under this subject category, see p. 96.

By index

Figure 2.9 illustrates the subject analysis of shareholder proposals by market index. Companies in the S&P 500 index received in 2019 an only slightly higher proportion of proposals on social and environmental policy issues (43.9 percent, compared to 38.4 percent in the Russell 3000). Considering that most companies in the S&P 500 are also included in the Russell 3000 sample, the finding confirms that most requests for evidence of a commitment to sustainability are targeting larger, multinational corporations with significant environmental impact and social responsibility.

In general, larger companies are traditionally more likely than smaller ones to receive shareholder proposals. However, this has slowly started to change in the last couple of years as shareholders increasingly turn their attention to social and environmental proposals across a broader spectrum of business organizations and proponents of corporate governance resolutions redirect their efforts toward smaller firms.

Figure 2.9

Shareholder Proposal Subject—by Index (2019)

	S&P 500		Russell 3000	
	Number of shareholder proposals	Percentage of total	Number of shareholder proposals	Percentage of total
Corporate governance	188	43.2%	277	46.5%
Executive compensation	43	9.9	51	8.6
Social and environmental policy	191	43.9	229	38.4
Other	13	3.0	39	6.5
	n=435		n=596	

Source: The Conference Board/ESGAUGE, 2019.

By industry

Figure 2.10 illustrates the distribution of shareholder proposal subjects within each industry. For example, the highest proportion of shareholder proposals on issues of corporate governance was registered in the industrials sector (63.4 percent). In 2019, not surprisingly, social and environmental policy requests were the most prevalent among energy, real estate, and utilities companies (63.2, 62.5 and 57.1 percent, respectively).

Figure 2.10

Shareholder Proposal Subject—by Industry (2019)

Number of shareholder proposals, percentage of total

N=596

	Corporate governance		Executive compensation		Social and environmental policy		Other	
Industry	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total
Communication services (n=66)	30	45.5%	8	12.1%	22	33.3%	6	9.1%
Consumer discretionary (n=90)	37	41.1	4	4.4	48	53.3	1	1.1
Consumer staples (n=40)	18	45.0	4	10.0	16	40.0	2	5.0
Energy (n=38)	10	26.3	0	0.0	24	63.2	4	10.5
Financials (n=79)	38	48.1	10	12.7	18	22.8	13	16.5
Health care (n=73)	38	52.1	11	15.1	22	30.1	2	2.7
Industrials (n=82)	52	63.4	6	7.3	23	28.0	1	1.2
Information technology (n=48)	25	52.1	5	10.4	15	31.3	3	6.3
Materials (n=21)	12	57.1	2	9.5	6	28.6	1	4.8
Real estate (n=24)	3	12.5	1	4.2	15	62.5	5	20.8
Utilities (n=35)	14	40.0	0	0.0	20	57.1	1	2.9

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

RETURN TO KEY FINDINGS
(page 19)

Figure 2.11

Shareholder Proposal Subject—by Sponsor (2019)

Number of shareholder proposals, percentage of total

	Corporate governance		Executive compensation		Social and environmental policy		Other	
	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total
Individuals	176	63.5%	10	19.6%	44	19.2%	9	23.1%
Undisclosed	49	17.7	7	13.7	27	11.8	8	20.5
Public pension funds	25	9.0	11	21.6	19	8.3	0	0.0
Labor unions	11	4.0	12	23.5	26	11.4	0	0.0
Other stakeholders	8	2.9	10	19.6	55	24.0	16	41.0
Religious groups	4	1.4	0	0.0	34	14.8	0	0.0
Hedge funds	2	0.7	1	2.0	0	0.0	5	12.8
Investment advisers	2	0.7	0	0.0	16	7.0	1	2.6
Mutual funds	0	0.0	0	0.0	1	0.4	0	0.0
Named shareholders	0	0.0	0	0.0	2	0.9	0	0.0
Other institutions	0	0.0	0	0.0	5	2.2	0	0.0
	n=277		n=51		n=229		n=39	

Source: The Conference Board/ESGAUGE, 2019.

By sponsor

The subject analysis by sponsor highlights interest in social and environmental policy issues by multiple investor types, with the highest concentration among the investment funds affiliated to special interests and other stakeholder groups, individuals, and religious groups (Figure 2.11).

Individuals were overwhelmingly the main proponents of corporate governance resolutions, submitting more than 63 percent of those proposals during the period. As mentioned, the number of executive compensation proposals has fallen significantly over the last few years; however, when submitted, they continue to be sponsored by individual investors, labor unions, and public pension funds, as it has traditionally been the case. Submissions in the "other shareholders" category came from three types of disclosed sponsors—individuals, other stakeholders, and hedge funds.

For a topic-based analysis of these proposals, see p. X.

Most frequent sponsors—by subject

Table 2 ranks by subject up to 10 of the most frequent sponsors of shareholder proposals, including the sponsor name, information on the sponsor type, and number of proposals submitted. In those situations where more than one sponsor filed the same number of proposals, sponsors are ranked equally; as a result, more than 10 sponsor names may be listed under a single category. When numerous, sponsors with only one filed proposal were omitted from the ranking.

Table 2

Most Frequent Sponsors—by Subject (2019)

Rank	Sponsor name	Sponsor type	Number of proposals
	EXECUTIVE COMPENSATION		
1	City of Philadelphia Public Employees Retirement System	Public pension funds	5
2	AFL-CIO	Labor unions	4
3	Arjuna Capital	Other stakeholders	3
4	International Brotherhood of DuPont Workers	Labor unions	2
	International Brotherhood of Electrical Workers	Labor unions	2
	International Brotherhood of Teamsters	Labor unions	2
	Jeffrey L. Doppelt	Individuals	2
	New York City Employees' Retirement System	Public pension funds	2
	New York State Common Retirement Fund	Public pension funds	2
	Office of the State Comptroller of the State of New York	Public pension funds	2
5	Association of BellTel Retirees Inc.	Other stakeholders	1
	Bon Secours Mercy Health	Other stakeholders	1
	Dennis Rocheleau	Individuals	1
	Eleanor Shorter	Individuals	1
	Ellen Cassilly	Individuals	1
	Ilene Cohen	Individuals	1
	James T. Campen Trust	Other stakeholders	1
	Jcpack SRL	Other stakeholders	1
	Julia Bamburg	Individuals	1
	Laura Ballance	Individuals	1
	Lauren Jane McMahon	Individuals	1
	McLively Family Trust	Other stakeholders	1
	Merrily Lovell 2007 Trust	Hedge funds	1
	Oxfam America, Inc.	Other stakeholders	1
	Rainer Yingling Judd	Individuals	1
	Third Generation Financial LLC	Other stakeholders	1
	UAW Retiree Medical Benefits Trust	Labor unions	1
	United Steelworkers	Labor unions	1
	CORPORATE GOVERNANCE		
1	John Chevedden	Individuals	97
2	Kenneth Steiner	Individuals	36
3	California Public Employees' Retirement System	Public pension funds	18
4	James McRitchie	Individuals	16
5	Myra K. Young	Individuals	7
6	New York City Employees' Retirement System	Public pension funds	6
7	UNITE HERE	Labor unions	5
8	Jing Zhao	Individuals	4
9	AFL-CIO	Labor unions	2
	Blue Lion Opportunity Master Fund LP	Hedge funds	2
	International Brotherhood of Teamsters	Labor unions	2
	Martin Harangozo	Individuals	2

(Table 2 continues on next page)

Table 2 (continued)

Most Frequent Sponsors—by Subject (2019)

Rank	Sponsor name	Sponsor type	Number of proposals
	Nathan Cummings Foundation	Other stakeholders	2
	Sisters of St. Francis of Philadelphia	Religious groups	2
10	Bryce Mathern	Individuals	1
	CommonSpirit Health	Other stakeholders	1
	Domestic and Foreign Missionary Society of Protestant Episcopal Church in United States of America	Religious groups	1
	Dundas I. Flaherty	Individuals	1
	Edward Pierzynski	Individuals	1
	Edwin S. Mullett	Individuals	1
	Employees Retirement System of Rhode Island	Public pension funds	1
	Harrington Investments, Inc.	Investment advisers	1
	James Bierman	Individuals	1
	John Harrington	Investment advisers	1
	Keith Schnip	Individuals	1
	Kestrel Foundation	Other stakeholders	1
	Lisa Sala	Individuals	1
	Louise Rice	Individuals	1
	Marco Consulting Group Trust	Other stakeholders	1
	Mary Ting	Individuals	1
	Matthew A. Page	Individuals	1
	Mercy Investment Services, Inc.	Religious groups	1
	Robert Andrew Davis	Individuals	1
	Robin S. Maynard	Individuals	1
	SEIU Pension Plan Master Trust	Other stakeholders	1
	Teamsters General Fund	Labor unions	1
	The Doris Behr 2012 Irrevocable Trust	Other stakeholders	1
	Timothy Robert	Individuals	1
	United Steelworkers	Labor unions	1
	W. Andrew Mims Trust	Other stakeholders	1
	Wayne King	Individuals	1
	SOCIAL AND ENVIRONMENTAL POLICY		
1	New York State Common Retirement Fund	Public pension funds	11
2	National Center for Public Policy Research	Other stakeholders	9
3	International Brotherhood of Teamsters	Labor unions	7
	Mercy Investment Services, Inc.	Religious groups	7
4	New York City Employees' Retirement System	Public pension funds	6
	Unitarian Universalist Association	Religious groups	6
5	Harrington Investments, Inc.	Investment advisers	5
	James McRitchie	Individuals	5
	John Chevedden	Individuals	5
	UNITE HERE	Labor unions	5
6	Amalgamated Bank of New York	Labor unions	4

(Table 2 continues on next page)

Table 2 (continued)

Most Frequent Sponsors—by Subject (2019)

Rank	Sponsor name	Sponsor type	Number of proposals
	Andrew Behar	Individuals	4
	CtW Investment Group	Labor unions	4
	People for Ethical Treatment of Animals ("PETA")	Other stakeholders	4
	Trinity Health: Religious groups	Religious groups	4
7	AFL-CIO	Labor unions	3
	Friends Fiduciary Corporation	Other institutions	3
	Gun Denhart Living Trust	Other stakeholders	3
	Myra K. Young	Individuals	3
	NorthStar Asset Management, Inc.	Investment advisers	3
	Park Foundation Inc.	Other stakeholders	3
	Steven J. Milloy	Individuals	3
	Stewart W. Taggart	Individuals	3
	United Church Funds, Inc.	Religious groups	3
8	Alex Friedmann	Individuals	2
	As You Sow	Other stakeholders	2
	Benedictine Sisters of Boerne	Religious groups	2
	Boston Common Asset Management LLC	Investment advisers	2
	Dale Wannen	Individuals	2
	John Harrington	Investment advisers	2
	Nathan Cummings Foundation	Other stakeholders	2
	Oxfam America, Inc.	Other stakeholders	2
	Priests of The Sacred Heart	Other stakeholders	2
	Province of St. Joseph of Capuchin Order	Religious groups	2
	SEIU Pension Plan Master Trust	Other stakeholders	2
	Sisters of St. Dominic of Caldwell New Jersey	Religious groups	2
	Sisters of St. Francis of Philadelphia	Religious groups	2
	Trillium P21 Global Equity Fund	Other stakeholders	2
	Tri-State Coalition for Responsible Investment	Named shareholders	2
	United Steelworkers	Labor unions	2
	Walden Asset Management	Investment advisers	2
	William L. Rosenfeld	Other stakeholders	2
9	Adam Seitchik	Individuals	1
	Allen Hancock Revocable Living Trust	Other stakeholders	1
	Azzad Asset Management, Inc.	Investment advisers	1
	Bard College: Other institution	Other institutions	1
	Beth Esser	Individuals	1
	Catholic United Investment Trust	Other stakeholders	1
	Chris Hotz	Individuals	1
	Christine Jantz	Individuals	1
	City of Philadelphia Public Employees Retirement System	Public pension funds	1
	Corning 5A Trust	Other stakeholders	1
	Curtis Lee Overway	Individuals	1

(Table 2 continues on next page)

Table 2 (continued)

Most Frequent Sponsors—by Subject (2019)

Rank	Sponsor name	Sponsor type	Number of proposals
	Domestic and Foreign Missionary Society of Protestant Episcopal Church in United States of America	Religious groups	1
	Domini Impact Equity Fund	Other stakeholders	1
	Don Ferber	Individuals	1
	Edith P Homans Family Trust	Other stakeholders	1
	Ellen Low Webster Trust	Other stakeholders	1
	Emma Creighton Irrevocable Trust	Other stakeholders	1
	Episcopal City Mission	Religious groups	1
	Green Century Funds	Other stakeholders	1
	Hammerman	Other stakeholders	1
	Janine Firpo Living Trust	Other stakeholders	1
	John Hancock Advisers, Inc.	Mutual Funds	1
	John Mixon	Individuals	1
	Julie Kaye	Individuals	1
	Keith Schnip	Individuals	1
	Martin Harangozo	Individuals	1
	Mary Pat Tifft	Individuals	1
	Michael Fox	Individuals	1
	Michelle Swenson & Stan Drobac Revocable Trust	Other stakeholders	1
	National Legal and Policy Center	Other stakeholders	1
	Nicola Miner Revocable Trust	Religious groups	1
	Oblate International Pastoral Investment Trust	Other stakeholders	1
	Office of the State Comptroller of the State of New York	Public pension funds	1
	Patricia M. Silver	Individuals	1
	Samajak	Other stakeholders	1
	Sisters of Charity of the Blessed Virgin Mary	Religious groups	1
	Sisters of the Presentation of Mary	Other stakeholders	1
	Sonen Capital	Investment advisers	1
	Steve Nieman	Individuals	1
	SumOfUs	Other stakeholders	1
	The George Gund Foundation	Religious groups	1
	The Humane League	Other stakeholders	1
	The Jim & Patty Rouse Charitable Foundation, Inc.	Other stakeholders	1
	Threshold Group LLC	Other institutions	1
	Trillium Small/Mid Cap Fund	Other stakeholders	1
	UAW Retiree Medical Benefits Trust	Labor unions	1
	USA West Province of the Society of Jesus	Religious groups	1
	Waterglass, LLC	Other stakeholders	1
	William C. Fleming	Individuals	1
	William Creighton	Individuals	1
	Winston Dines	Individuals	1
	Worcester Investments LLC	Other stakeholders	1
	Wynnette M Labrosse Trust	Other stakeholders	1

(Table 2 continues on next page)

Table 2 (continued)

Most Frequent Sponsors—by Subject (2019)

Rank	Sponsor name	Sponsor type	Number of proposals
	OTHER		
1	Voce Catalyst Partners LP	Other stakeholders	8
2	MNG Enterprises, Inc.	Other stakeholders	3
3	Myra K. Young	Individuals	2
	Walter Garcia	Individuals	2
4	Alan Ball	Individuals	1
	Altai Capital Management LP	Hedge funds	1
	Andre Danesh	Other stakeholders	1
	Caligan Partners LP	Other stakeholders	1
	Charles S. Fitch	Individuals	1
	Cruiser Capital Advisors LLC	Hedge funds	1
	Lawrence E. Page	Individuals	1
	National Center for Public Policy Research	Other stakeholders	1
	Neuberger Berman Investment Advisers LLC	Investment advisers	1
	Oxfam America, Inc.	Other stakeholders	1
	Peter T. Kross	Individuals	1
	Portfolio 21 Global Equity Fund	Hedge funds	1
	Roaring Blue Lion Capital Management LP	Hedge funds	1
	Robert L. Kurte	Individuals	1
	Sam and Wendy Hitt Family Trust	Other stakeholders	1
	Snow Park Capital Partners LP	Hedge funds	1

Source: The Conference Board/ESGAUGE, 2019.

The investment funds affiliated with the City of Philadelphia Public Employees Retirement System and with AFL-CIO filed the highest number of compensation-related proposals during the period (five and four, respectively), either to require a pay-for-performance corporate policy on compensation design or to limit (or a require a shareholder vote on) golden parachute-type severance agreements. The third-ranking sponsor of resolutions on executive compensation was socially-responsible investment (SRI) fund Arjuna Capital: It filed three proposals (at Adobe, Bank of New York Mellon, and Mastercard), requesting a report on the risks to which the company may be exposed in conjunction with emerging public policies addressing the gender pay gap, including associated reputational, competitive, and operational risks, and risks related to recruiting and retaining female talent. The report should be prepared at reasonable cost, omitting proprietary information, litigation strategy and legal compliance information.

In addition to being the most prolific of gadfly investors, Chevedden was also the most frequent sponsor of proposals related specifically to issues of corporate governance, submitting 97 proposals—down from the 106 reported by The Conference Board in 2018 but almost three times the second-ranked sponsor for that subject, Kenneth Steiner (36 proposals). The New York State Common Retirement Fund, a public pension fund, led in the submission of proposals related to social and environmental policy issues (11 proposals in 2019, down from 23 in 2018), followed by the nine proposals filed by the National Center for Public Policy Research. In the catch-all "other" category, the leading proponents in 2019 were stakeholder groups Voce Catalyst Partners and MNG Enterprises Inc. (eight and three resolutions, respectively) and individual investors Myra K. Young and Walter Garcia (two each).

The Rising Demand for Gender Pay Gap Disclosure

Adobe, Alphabet (Google's parent company), Amazon, American Express, Bank of America, Facebook, Intel, JP Morgan Chase, and Wells Fargo were among the recipients of gender pay gap proposals in 2019: There were 13 such proposals in the Russell 3000, compared to eight in 2018, all of which advanced to a vote at the target companies' AGMs. Socially responsible investment fund Arjuna Capital was the most frequent sponsor of this type of proposal, with three submissions in 2019 and a track record of similar demands at financial services firm such as Citibank and technology firms such as Google. While none of the 13 proposals on gender pay gap disclosure passed, at least in some cases their influence extended beyond the annual shareholder meeting vote.

In recent months, several companies that had previously been the target of similar requests preempted new investor demands by volunteering information on the inequities of their compensation policies and by pledging to close the gaps. For example, in January 2019 and following a filing by Arjuna in the 2018 proxy season, Citibank used a blog post to reveal it discovered a 29 percent company-wide disparity between its male and female workforces (meaning: At the company, the firm's female employees on average make only 71 percent of the salary earned by their male counterparts).[2]

2 Jena McGregor, "Citigroup Is Revealing Pay Gap Data Most Companies Don't Want to Share," *Washington Post*, January 16, 2019. In its announcement, Citi also said the median pay for US minorities is 7 percent less than it is for non-minorities.

Following another Arjuna proposal from 2018, Google published wage data showing no statistically significant pay gap for 89 percent of its employees worldwide (notably, while applauding the company's disclosure, Arjuna criticized the incompleteness of the company's analysis and the lack of a definitive conclusion on the remaining 11 percent of the workforce).

As a testament of the sensitivity to these issues of equality, Bloomberg's Gender-Equality Index almost doubled in size this year, offering investors a selection of public companies that are among the most forthcoming on their gender diversity and pay-related practices; collectively, the 230 companies in the 2019 edition of the index have a combined market capitalization of $9 trillion and employ more than 15 million people (including 7 million women) around the world.[3]

Voted, Omitted, and Withdrawn Proposals

This section integrates the shareholder proposal analysis by examining voted proposals as well as the extent of withdrawals and omissions.

Sponsors typically withdraw their proposal if the company effects the requested change prior to the AGM, either voluntarily or as a result of a private negotiation with shareholders. In addition, some investor types (e.g., religious groups) are frequent proponents of resolutions but rarely elevate their discontent to an outright proxy solicitation. Instead, they prefer to use the precatory proposal as a tool to get the attention of management or to promote a public debate on the issue that concerns them and withdraw it soon afterward.

Omissions indicate that the company was granted no-action relief by the staff of the SEC to exclude a shareholder proposal from its proxy materials, under Rule 14a-8 of the Securities Exchange Act of 1934.

Pending or undisclosed proposals are excluded from the results shown in this section, as noted below the corresponding Figures; therefore, the number of proposals reflected in Figures 2.12 to 2.15 differs from the total number of proposals filed.

By index

The analysis by index (Figure 2.12) shows that the proportion of proposals that made it onto corporate ballots among Russell 3000 companies was slightly higher in 2019 than 2018 (71.1 percent, compared to 67.7 percent) but still lower than the 73.1 percent registered in 2016. In the S&P 500, 69.9 percent of proposals filed at companies that held meetings during the period went to a vote, an uptick from the 66.5 percent recorded in 2018.

The percentage of proposals omitted by management in the Russell 3000 has been declining in the last few years: from 17.6 percent in 2016 to 17.2 percent in 2018 and 16.9 percent this year. In the S&P 500, the slight decline observed from 2016 to 2018 was reversed in 2019 (19.1 percent).

3 "Bloomberg Gender-Equality Index Doubles in Size, Recognizing 230 Companies Committed to Advancing Women in the Workplace," Bloomberg, January 16, 2019, available at https://www.bloomberg.com/company/press/2019-bloomberg-gender-equality-index/

Figure 2.12

Voted, Omitted, and Withdrawn Shareholder Proposals—by Index (2016, 2018, and 2019)

Number of shareholder proposals, percentage of total

S&P 500	2019 Number of proposals	2019 Percentage of total	2018 Number of proposals	2018 Percentage of total	2016 Number of proposals	2016 Percentage of total
Voted*	304	69.9%	323	66.5%	365	70.6%
Omitted	83	19.1	89	18.3	102	19.7
Withdrawn	42	9.7	58	11.9	41	7.9
Not voted, reason unspecified	2	0.5	13	2.7	9	1.7
Not voted, other reason	2	0.5	3	0.6	0	0.0
	n=435		n=486		n=517	

Russell 3000	2019 Number of proposals	2019 Percentage of total	2018 Number of proposals	2018 Percentage of total	2016 Number of proposals	2016 Percentage of total
Voted**	424	71.1%	432	67.7%	502	73.1%
Omitted	101	16.9	110	17.2	121	17.6
Withdrawn	48	8.1	71	11.1	49	7.1
Not voted, reason unspecified	15	2.5	22	3.4	15	2.2
Not voted, other reason	3	0.5	3	0.5	0	0.0
	n=596		n=638		n=687	

* 2019 total does not include two proposals for which results were pending/not disclosed as of August 10, 2019.
** 2019 total does not include five proposals for which results were pending/not disclosed as of August 10, 2019.
Percentages may not add up to 100 due to rounding.
Source: The Conference Board/ESGAUGE, 2019.

In both indexes, the percentage of withdrawn proposals declined in 2019—from 11.1 percent to 8.1 percent among the Russell 3000 sample, and from 11.9 to 9.7 percent in the S&P 500 sample. (As noted previously, data on withdrawn proposals presented in the report are limited to publicly available information or information provided by the proponent or issuer.)

In 2019, the sum of omissions and withdrawals far exceeded the number of granted SEC no-action letters to companies seeking exclusions. This finding is indicative of the fact that companies and investors are more engaged and find new opportunities to settle their differences ahead of a shareholder meeting (see "Statistics on SEC No-Action Letters," on pp. 61–63). However, guidelines on board responsiveness from proxy advisory firm ISS are also likely somewhat responsible for withdrawn proposals. Under its current voting policy, ISS recommends that institutions voting on director elections exercise close scrutiny when a company failed to implement a precatory shareholder proposal that had received majority support of votes cast at a prior AGM (see "Board Responsiveness," on p. 67). Therefore, in some cases, withdrawals may result not from the dialogue that the investor could establish with management or the board but from the decision of the company to either voluntarily implement the requested change or to submit its own proposal on the same topic to avoid the risk of wide opposition to management's nominees to the board of directors.

Statistics on SEC No-Action Letters

Between October 1, 2018, and May 31, 2019, the SEC staff issued 224 responses to no-action requests made by registered companies, down from 244 during the same period in 2017-2018 (an 8.2 percent decline). Of those, 178 responses explicitly granted or denied the excludability of a shareholder proposal under Securities Exchange Act Rule 14a-8.*

Exclusions were granted in 89 of those responses, or 50 percent of the total, down from 52.6 percent the previous season. (Exhibit 1 on p. 62 shows a total of 96 rather than 89. This disparity is due to eight proposals where exclusions fell into more than one of the bases for exclusions provided by SEC Rules. For example, a proposal on sustainability reporting filed at Anthem, Inc. by Dale Wannen was granted a no-action letter pursuant to Rule 14a-8(b) and Rule 14a-8(f) and counted twice for the purpose of Exhibit 1. The count also includes a proposal on human rights by United Church Funds, Inc. at SunTrust Banks, Inc., which was granted exclusion under an unspecified rule.)

	October 1, 2018 – May 31, 2019	October 1, 2017 – May 31, 2018
Total non-voted proposals	151	188
Omitted proposals	89	103
Withdrawn proposals	50	64
Non voted, other reason	4	2
Non voted, reason unspecified	8	19

In 2019, as in recent years, many companies chose to implement in advance of the AGM the change requested by a shareholder proposal, therefore negotiating a withdrawal of the proposal or its exclusion under Exchange Act Rule 14a-8(i)(10) as substantially implemented: In 2019, there were 30 such cases where the SEC no-action letter was granted on the ground of substantial implementation. In another case, a company opted for the introduction of a management proposal on the same topic as a shareholder proposal and excluded the shareholder proposal under Exchange Act Rule 14a-8(i)(9), as directly conflicting with its own resolution. Finally, in the examined time period between the fall of 2018 and end of May 2019, the sum of the omissions and withdrawals (139 proposals) exceeded the number of granted no-action requests (on 96 shareholder proposals)—an indication that many companies and activist investors engage and seek an agreement prior to the shareholder vote.

By way of example, under Exchange Act Rule 14a8-(i)(9), Franklin Resources, Inc. obtained no-action relief to exclude from its 2019 AGM vote a proposal by James McRitchie to give holders with an aggregate of 15 percent net long of outstanding common stock the power to call a special shareowner meeting, as conflicting with a concurrent company proposal.

* On September 6, 2019, the SEC's Division of Corporation Finance ("Staff") announced two significant procedural changes for responding to Exchange Act Rule 14a-8 no-action requests: First, the Staff may now respond orally instead of in writing to shareholder proposal no-action requests; second, the Staff may now more frequently decline to state a view on the excludability of a certain proposal. The implication of these changes is still being evaluated by governance experts and commentators; however, they will only become applicable in the next proxy season. See Announcement Regarding Rule 14a-8 No Action Requests, US Securities and Exchange Commission, September 6, 2019, available at https://www.sec.gov/corpfin/announcement/announcement-rule-14a-8-no-action-requests

Exhibit 1

Granted SEC No-Action Letters (2018–2019)

Exclusion rule	Exclusion type	No. of Shareholder Proposals with Granted SEC No-Action Letter (October 1, 2018 to May 31, 2019)*	No. of Shareholder Proposals with Granted SEC No-Action Letter (October 1, 2017 to May 31, 2018)**
Rule 14a-8(i)(2)	The proposal would, if implemented, cause the company to violate any state, federal or foreign law to which it is subject.	1	0
Rule 14a-8(i)(3)	The proposal or supporting statement is contrary to any of the Commission's proxy rules, including Rule 14a-9, which prohibits materially false or misleading statements in proxy soliciting materials.	2	0
Rule 14a-8(i)(4)	The proposal relates to the redress of a personal claim or grievance against the company or any other person, or is designed to result in a benefit to the shareholder, or to further a personal interest, which is not shared by the other shareholders at large.	1	0
Rule 14a-8(i)(5)	The proposal relates to operations that account for less than 5 percent of the company's total assets at the end of its most recent fiscal year, and for less than 5 percent of its net earnings and gross sales for its most recent fiscal year, and is not otherwise significantly related to the company's business.	1	1
Rule 14a-8(i)(7)	The proposal deals with a matter relating to the company's ordinary business operations.	32	31
Rule 14a-8(i)(8)	The proposal relates to an election for membership on the company's board of directors or analogous governing body.	1	0
Rule 14a-8(i)(9)	The proposal directly conflicts with one of the company's own proposals to be submitted to shareholders at the same meeting.	1	7
Rule 14a-8(i)(10)	The company has already substantially implemented the proposal.	30	39
Rule 14a-8(i)(11)	The proposal substantially duplicates another proposal previously submitted to the company by another shareholder that will be included in the company's proxy materials for the same meeting.	3	5
Rule 14a-8(i)(12)	The proposal deals with substantially the same subject matter as another proposal or proposals that previously has or have been included in the company's proxy materials within a specified time frame and did not received a specified percentage of the vote.	1	1
Rule 14a-8(b)	The proponent did not meet the qualifying ownership requirements to have continously held at least $2,000 in market value, or 1 percent of, the company's securities entitled to be voted on the proposal at the meeting for at least one year by the date of submitting the proposal. Also, the shareholder must continue to hold those securities through the date of the meeting.	1	3
Rule 14a-8(e)(2)	The proposal for a regularly scheduled meeting was not received at the company's principal executive offices by a date not less than 120 calendar days before the date of the company's proxy statement released to shareholders in connection with the previous year's annual meeting.	1	2
Rule 14a-8(h)(3)	This Rule provides that a company may exclude a shareholder's proposals for two calendar years if the company included one of the shareholder's proposals in its proxy materials for a shareholder meeting, neither the shareholder nor the shareholder's qualified representative appeared and presented the proposal and the shareholder did not demonstrate "good cause" for failing to attend the meeting or present the proposal.	1	0

* The total exceeds 76 shareholder proposals as some exclusions fell into more than one of the bases for exclusions provided by SEC rules.

** The total exceeds 89 shareholder proposals as some exclusions fell into more than one of the bases for exclusions provided by SEC rules.

Source: The Conference Board/ESGAUGE, 2019.

RETURN TO KEY FINDINGS
(page 21)

Under Rule 14a-8(i)(10), Exxon Mobil Corporation was authorized by the SEC to exclude a proposal on an environmental issue by Park Foundation Inc., as substantially implemented. The proposal requested the company to issue a report on how it can reduce its carbon footprint in alignment with greenhouse gas reductions necessary to achieve the Paris Agreement's goal of maintaining global warming well below 2 degrees Celsius.

A review of the requests for which no-action relief was granted shows that the following reasons were used to exclude shareholder proposals—based on procedural arguments: had already been substantially implemented (36 percent); proposal deals with a matter relating to the company's ordinary business operations (38 percent); timeliness or defects in the proponent's proof of ownership (9 percent); because of a conflict with a company proposal to be submitted for a vote at the same meeting (2 percent); because the proposal was deemed vague or false and misleading (2 percent).

By industry

As shown in Figure 2.13, the industrials, communications services, and information technology sectors had the highest proportion of voted proposals (80.5, 80.3, and 75 percent, respectively). The rate of omissions was highest in the energy, health care, and utilities industries (26.3, 23.3 and 22.9 percent, respectively), and energy companies also had the highest rate of withdrawals (15.8 percent). Shareholders withdrew proposals across all industries, with the smallest percentage among industrials and information technology companies (2.4 percent and 4.2 percent, respectively).

Figure 2.13

Voted, Omitted, and Withdrawn Shareholder Proposals—by Industry (2019)

Number of shareholder proposals, percentage of total

N=596

	Voted*		Omitted		Withdrawn		Not voted, reason unspecified		Not voted, other reason	
Industry	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total
Communication services (n=66)	53	80.3%	8	12.1%	4	6.1%	0	0.0	1	1.5%
Consumer discretionary (n=90)	66	73.3	11	12.2	11	12.2	2	2.2%	0	0.0
Consumer staples (n=40)	29	72.5	7	17.5	4	10.0	0	0.0	0	0.0
Energy (n=38)	21	55.3	10	26.3	6	15.8	0	0.0	0	0.0
Financials (n=79)	54	68.4	17	21.5	5	6.3	1	1.3	2	2.5
Health care (n=73)	48	65.8	17	23.3	8	11.0	0	0.0	0	0.0
Industrials (n=82)	66	80.5	10	12.2	2	2.4	3	3.7	0	0.0
Information technology (n=48)	36	75.0	7	14.6	2	4.2	2	4.2	0	0.0
Materials (n=21)	15	71.4	3	14.3	1	4.8	1	4.8	0	0.0
Real estate (n=24)	12	50.0	3	12.5	2	8.3	6	25.0	0	0.0
Utilities (n=35)	24	68.6	8	22.9	3	8.6	0	0.0	0	0.0

Percentages may not add up to 100 due to rounding.
* Total does not include five proposals for which results were pending/not disclosed as of August 10, 2019.
Source: The Conference Board/ESGAUGE, 2019.

RETURN TO KEY FINDINGS
(page 21)

By sponsor

The analysis by sponsor type highlights the large share of proposals submitted by individual investors and other stakeholders that were ultimately omitted by management. About 23.6 percent of the resolutions filed by non-investment firms representing the interests of certain groups of stakeholders ("other stakeholders") and 25.1 percent of the proposals submitted by individuals were excluded from the voting ballot based on provisions included in federal securities laws. Of the proposals submitted by public pension funds, 72.7 percent (or a total of 40) went to a vote, compared to only half of the resolutions filed by hedge funds (a total of four).

Moreover, Figure 2.14 shows the degree to which sponsors withdrew their proposals: 21.1 percent of the proposals submitted by investment advisers and 18.4 percent of those submitted by religious groups were reported as withdrawn. These are categories of owners that rarely elevate these matters to an outright proxy solicitation and would rather use the precatory proposal as a tool to receive the attention of their portfolio companies on issues of concern.

Figure 2.14

Voted, Omitted, and Withdrawn Shareholder Proposals—by Sponsor (2019)

Number of shareholder proposals, percentage of total

N=596

	Voted*		Omitted		Withdrawn		Not voted, reason unspecified		Not voted, other reason	
	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total
Hedge funds (n=8)	4	50.0%	0	0.0	0	0.0	3	37.5%	0	0.0
Individuals (n=239)	167	69.9	60	25.1%	9	3.8%	0	0.0	2	0.8%
Investment advisers (n=19)	12	63.2	2	10.5	4	21.1	1	5.3	0	0.0
Labor unions (n=49)	34	69.4	7	14.3	7	14.3	0	0.0	0	0.0
Mutual funds (n=1)	0	0.0	0	0.0	0	0.0	1	100.0	0	0.0
Named shareholders (n=2)	2	100.0	0	0.0	0	0.0	0	0.0	0	0.0
Other institutions (n=5)	3	60.0	1	20.0	0	0.0	1	20.0	0	0.0
Other stakeholders (n=89)	56	62.9	21	23.6	11	12.4	1	1.1	0	0.0
Public pension funds (n=55)	40	72.7	5	9.1	8	14.5	1	1.8	1	1.8
Religious groups (n=38)	25	65.8	5	13.2	7	18.4	1	2.6	0	0.0
Undisclosed (n=91)	81	89.0	0	0.0	2	2.2	6	6.6	0	0.0

Percentages may not add up to 100 due to rounding.
* Total does not include five proposals for which results were pending/not disclosed as of August 10, 2019.
Source: The Conference Board/ESGAUGE, 2019.

RETURN TO KEY FINDINGS
(page 21)

Figure 2.15

Voted, Omitted, and Withdrawn Shareholder Proposals—by Subject (2019)

Number of shareholder proposals, percentage of total

N=596

	Voted*		Omitted		Withdrawn		Not voted, reason unspecified		Not voted, other reason	
	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total
Corporate governance (n=277)	220	79.4%	47	17.0%	4	1.4%	2	0.7%	2	0.7%
Executive compensation (n=51)	38	74.5	5	9.8	7	13.7	1	2.0	0	0.0
Social and environmental policy (n=229)	147	64.2	39	17.0	37	16.2	3	1.3	1	0.4
Other (n=39)	19	48.7	10	25.6	0	0.0	9	23.1	0	0.0

Percentages may not add up to 100 due to rounding.

* Total does not include five proposals for which results were pending/not disclosed as of August 10, 2019.

Source: The Conference Board/ESGAUGE, 2019.

By subject

Roughly 80 percent of shareholder proposals on corporate governance and 74.5 percent of those related to issues of executive compensation were put to a vote in the 2019 proxy season, compared to 64.2 percent of those on social and environmental policy (Figure 2.15). In the corresponding period in 2018, only 56.3 percent of resolutions on environmental and social policy were voted at Russell 3000 companies.

The highest proportions of omitted and withdrawn proposals were seen in the social and environmental policy and in the corporate governance categories, but the numbers are declining: 17 percent of the total number of proposals were classified by The Conference Board as omitted, compared to 20.6 percent in 2018; and 16.2 percent as withdrawn, compared to 19.4 percent in 2018).

Voting Results

This section extends the shareholder proposal analysis to the average voting results, with a focus on those that received majority support. For purposes of this report, majority support is calculated based on votes *for* as a percentage of votes cast, including abstentions and excluding broker nonvotes. As noted in the corresponding tables and figures, data on majority support do not include “elect dissident’s director nominee” proposals, since results as a percentage of votes cast are not reported for those proposals. Further details on shareholder proposals to elect dissident’s director nominee can be found in “Part 4: Proxy Contests and Other Shareholder Activism Campaigns” on p. 138 and in “Part 5: Issues in Focus” on p. 186.

The commentary on voting results refers primarily to votes for or against a certain proposal as a percentage of votes cast, including abstentions and excluding broker nonvotes; an analysis of results as a percentage of shares outstanding, with data on nonvotes, is offered in the corresponding tables.

RETURN TO KEY FINDINGS
(page 22)

By index

Figure 2.16 displays average voting results by index. As mentioned earlier, *for* and *against* votes and abstention levels are calculated both as a percentage of votes cast and as a percentage of shares outstanding (except for results for proposals related to the election of a dissident's director nominee, which are shown only as a percentage of shares outstanding).

In both indexes, the vast majority of voted shareholder proposals in the examined 2019 period failed to win majority support. The average percentage of *for* votes (31.9 percent) was higher in the Russell 3000 sample. The levels of abstentions and nonvotes were similar in both indexes.

Figure 2.17 illustrates the evolution over time in the percentage of shareholder proposals receiving majority support and corroborates the index-based analysis. After several years of steady decline (from roughly 20 percent in 2010 to 10.6 percent in 2018 in the Russell 3000 sample and from 17.3 percent to 8 percent in the S&P 500), in 2019 14.5 percent of shareholder proposals that went to a vote at Russell 3000 companies received the *for* vote of a majority of shares cast; in the S&P 500 the share of proposals with majority support was substantially similar to last year (8.2 percent) The downward trend documented for years was the result of both a decline in the volume of proposals on topics that were traditionally widely supported by shareholders (for example, majority voting and board declassification) and the limited support level received by new types of shareholder resolutions (including those on environmental and political issues). The reversal of the trend recorded this year may indicate that the new types of environmental and social resolutions are starting to gain broader consensus among investors.

Figure 2.16

Shareholder Proposal Average Voting Results—by Index (2019)

		As a percentage of votes cast			As a percentage of shares outstanding			
Index	Voted proposals	For	Against	Abstain	For	Against	Abstain	Nonvotes
Russell 3000	424	31.9%	66.7%	1.4%	28.4%	69.5%	1.4%	12.7%
S&P 500	304	29.4	69.3	1.4	25.7	66.4	1.2	13.2

Note: Results shown as a percentage of votes cast do not include proposals related to the election of a dissident's director nominee.

Percentages may not add to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Figure 2.17

Shareholder Proposals Receiving Majority Support—by Index (2016, 2018, and 2019)

Percentage of voted shareholder proposals receiving majority support

	S&P 500	Russell 3000
2019	8.2%	14.5%
2018	8.0	10.6
2016	11.2	15.9

Source: The Conference Board/ESGAUGE, 2019.

PROXY VOTING GUIDELINES

Board Responsiveness

First introduced in 2014, proxy advisor ISS's *United States Proxy Voting Guidelines* on board responsiveness have magnified the implications for incumbent board members of precatory proposals supported by a majority of votes cast at AGMs. According to the guidelines, ISS recommends evaluating on a case-by-case basis the vote on individual directors, committee members, or the entire board, as appropriate, if the board failed to act on a shareholder proposal that received the majority of shares cast in the previous year.

Under the voting policy, a company is deemed to have failed to act if it does not fully implement the shareholder proposal or, if the matter requires a vote by shareholders, if it does not include on the next annual ballot a management proposal to implement the shareholder proposal. Factors that will be considered in the evaluation of the specific case are:

- the disclosed outreach efforts by the board to shareholders in the wake of the vote;
- the rationale provided in the proxy statement for the level of implementation;
- the subject matter of the proposal (ISS, in particular, expects management to act on and implement proposals on widely supported matters such as board declassifications or majority vote standards);
- the level of support for and opposition to the resolution in past meetings;
- actions taken by the board in response to the majority vote and its engagement with shareholders;
- the continuation of the underlying issue as a voting item on the ballot (as either shareholder or management proposals); and
- other factors, as appropriate.

Clear examples of nonresponsiveness by the board would include: no acknowledgment at all in the proxy statement that shareholders supported the proposal; dismissal of the proposal with no reasons given; or actions taken to prevent future shareholder input on the matter altogether.

For further discussion of this policy change and its impact, see "Part 5: Issues in Focus," p. 186.

In many instances where management submits a resolution on the same topic of a filed shareholder proposal, the filing shareholder ultimately withdraws its own submission and votes for the company's proposal. If the shareholder proposal is not withdrawn, management is generally authorized to omit it from the voting ballot under Exchange Act Rule 18a-8(i)(9), which contemplates the exclusion of any investor proposal directly conflicting with one of the company's own proposals to be submitted to shareholders at the same meeting.

In 2018, the ISS board responsiveness policy was extended to management proposals seeking to ratify an existing charter or bylaw provision that received opposition of a majority of shares cast in the previous year. Similarly, in 2018, Glass Lewis, leading proxy advisory firm, clarified that, when making recommendations on directors based on company performance, it will consider among other factors the company's overall corporate governance and responsiveness to shareholders.

Source: *2019 Americas Proxy Voting Guidelines Updates*, Institutional Shareholder Services, November 19, 2018; *2019 Proxy Paper Guidelines: United States*, Glass Lewis, October 24, 2018.

By industry

The voting result analysis by industry (Figure 2.18) shows that the sectors with the highest average of *for* votes on shareholder proposals were health care and utilities (on average, 38.5 and 36.2 percent of votes cast, respectively). The weakest support level was recorded among communication services companies (on average, 77.7 percent of votes cast *against*). Energy companies had the highest average level of nonvotes (16.6 percent of shares outstanding).

In 2019, companies in the real estate sector had the highest share (25 percent) of shareholder proposals receiving majority support, far higher than the percentages registered across other industry groups (Figure 2.19). Only 3.8 percent of the proposals voted during the period at companies in communication services received majority support.

Figure 2.18

Shareholder Proposal Average Voting Results—by Industry (2019)

		As a percentage of votes cast			As a percentage of shares outstanding			
Industry	Voted proposals	For	Against	Abstain	For	Against	Abstain	Nonvotes
Communication services	53	21.4%	77.7%	0.9%	26.0%	43.2%	1.1%	15.2%
Consumer discretionary	66	34.3	64.3	1.3	28.5	50.8	1.1	12.4
Consumer staples	29	24.8	74.1	1.1	23.8	55.8	0.9	12.5
Energy	21	30.2	68.1	1.7	25.7	42.7	1.2	16.6
Financials	54	33.2	65.0	1.8	25.3	52.4	2.4	11.7
Health care	48	38.5	60.2	1.3	31.3	46.8	1.0	11.2
Industrials	66	31.5	67.1	1.4	26.2	51.9	1.3	11.7
Information technology	36	35.9	62.1	2.0	29.7	46.3	1.6	12.5
Materials	15	33.0	65.6	1.5	26.5	50.8	1.1	11.4
Real estate	12	30.6	67.8	1.5	26.7	56.3	1.4	5.5
Utilities	24	36.2	61.8	1.9	27.6	46.9	1.5	12.9

Note: Results shown as a percentage of votes cast do not include proposals related to the election of a dissident's director nominee.

Percentages may not add to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Figure 2.19

Shareholder Proposals Receiving Majority Support—by Industry (2019)

	Percentage of voted shareholder proposals receiving majority support
Communication services	3.8%
Consumer discretionary	16.7
Consumer staples	13.8
Energy	4.5
Financials	20.4
Health care	25.0
Industrials	10.4
Information technology	21.6
Materials	6.3
Real estate	15.4
Utilities	12.5

Note: Majority support is calculated based on votes for as a percentage of votes cast, including abstentions and excluding broker nonvotes. Results do not include "elect dissident director nominee" proposals.

Source: The Conference Board/ESGAUGE, 2019.

By sponsor

From the voting result analysis by sponsor type it emerges that, in the examined 2019 general meeting period, on average, more than 70 percent of votes on shareholder proposals submitted by hedge funds, investment advisers, and other stakeholders were against the proposal (Figure 2.20). The highest level of votes *for* was observed for proposals by public pension funds (38.4 percent), individuals (35.6 percent), and religious groups (31.2 percent). Other stakeholders and religious groups, however, also registered the highest average levels of abstentions (2.5 and 2.1 percent of votes cast, respectively).

Figure 2.21 shows that, excluding proposals to elect the dissident's director nominee, public pension funds and labor unions had the highest percentage of proposals receiving majority support (27.5 and 22.9 percent, respectively). For a discussion of results for proposals to elect the dissident's director nominee, see "Part 4: Proxy Contests and Other Shareholder Activism Campaigns" on p. 138 and "Part 5: Issues in Focus" on p. 186.

Figure 2.20

Shareholder Proposal Average Voting Results—by Sponsor (2019)

		As a percentage of votes cast			As a percentage of shares outstanding			
Sponsor type	Voted proposals	For	Against	Abstain	For	Against	Abstain	Nonvotes
Individuals	167	35.6%	63.3%	1.1%	28.1%	47.9%	0.9%	13.1%
Undisclosed	81	28.2	70.7	1.1	27.7	47.5	1.1	12.0
Other stakeholders	56	24.3	73.3	2.5	18.3	54.5	2.9	13.0
Public pension funds	40	38.4	59.9	1.6	38.3	44.6	1.4	10.4
Labor unions	34	30.8	67.5	1.6	25.7	53.8	1.4	9.6
Religious groups	25	31.2	66.8	2.1	25.4	51.8	1.6	15.6
Investment advisers	12	22.6	75.4	2.0	20.9	60.0	2.0	11.7
Hedge funds	4	28.5	70.0	1.5	28.6	51.7	2.7	15.1
Other institutions	3	30.6	69.1	0.3	37.5	32.7	0.3	6.2
Named shareholders	2	15.0	83.0	2.0	10.4	57.7	1.4	17.3

Note: Results shown as a percentage of votes cast do not include proposals related to the election of a dissident's director nominee.

Percentages may not add to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Figure 2.21

Shareholder Proposals Receiving Majority Support—by Sponsor (2019)

	Percentage of voted shareholder proposals receiving majority support
Hedge funds	20.0%
Individuals	16.1
Investment advisers	0.0
Labor unions	22.9
Named shareholders	0.0
Other institutions	0.0
Other stakeholders	5.4
Public pension funds	27.5
Religious groups	16.0
Undisclosed	9.6

Note: Majority support is calculated based on votes for as a percentage of votes cast, including abstentions and excluding broker nonvotes. Results do not include "elect dissident director nominee" proposals.

Source: The Conference Board/ESGAUGE, 2019.

RETURN TO KEY FINDINGS
(page 22)

By subject

The voting result analysis by subject of shareholder proposals (Figure 2.22) shows that only 27.3 percent of votes cast on proposals related to social and environmental policy were in favor of the proposed change. However, proposals on this subject also reported the highest levels of abstention from voting outside of the "other" category (1.9 percent of votes cast, compared to an average of 1.4 percent for the other subjects), while the highest share of nonvotes is found in the executive compensation and in the "other" categories (13.4 percent and 24.5 percent of shares outstanding, respectively). This finding may reflect a general view of US shareholders that the board and senior management are best suited to determine the business viability of certain extraordinary business transactions and of sustainability activities, and that one-size-fits-all policies may lead to inefficiencies or capital misallocations.

The average vote-for percentage was highest for corporate governance proposals (37.8 percent). The same category also reported the lowest share of nonvotes (12 percent).

Only two of the executive compensation proposals (on clawback provisions) voted during the period received majority support in 2019 (there were none in 2018), while the highest share of proposals that did receive it was found in the corporate governance subject category (22.5 percent, compared to 15.7 percent in 2018 and 33.2 percent in 2016). The share of social and environmental proposals that received majority support in 2019 (6.7 percent) was higher than the one of proposals related to executive compensation (5.3 percent) (Figure 2.23).

Figure 2.22

Shareholder Proposal Average Voting Results—by Subject (2019)

		As a percentage of votes cast			As a percentage of shares outstanding			
Sponsor type	Voted proposals	For	Against	Abstain	For	Against	Abstain	Nonvotes
Corporate governance	220	37.8%	61.2%	1.0%	32.7%	45.6%	0.8%	12.0%
Executive compensation	38	22.1	76.1	1.8	19.1	56.5	1.6	13.4
Social and environmental policy	147	27.3	70.8	1.9	22.5	53.7	1.6	12.4
Other	19	5.8	91.2	3.8	13.9	49.7	7.5	24.5

Note: Results shown as a percentage of votes cast do not include proposals related to the election of a dissident's director nominee.

Percentages may not add to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Figure 2.23

Shareholder Proposals Receiving Majority Support—by Subject (2016, 2018, and 2019)

Percentage of voted shareholder proposals receiving majority support

	2019	2018	2016
Corporate governance	22.5%	15.7%	33.2%
Executive compensation	5.3	0.0	1.8
Social and environmental policy	6.7	6.5	3.8
Other	0.0	3.2	2.1

Note: Majority support is calculated based on votes *for* as a percentage of votes cast, including abstentions and excluding broker nonvotes. Results do not include "elect dissident director nominee" proposals.

Source: The Conference Board/ESGAUGE, 2019.

Shareholder Proposals on Executive Compensation

The introduction of mandatory say on pay has prompted boards of directors to seek ongoing engagement opportunities with large investors so as to keep them apprised of (and obtain their feedback on) the company's compensation policy. As a result, shareholder proposals on executive compensation have become much less frequent than they used to be. But they have not entirely disappeared. To be sure, a number of shareholders continue to use the precatory proposal channel to advance new (or newly formulated) requests on CEO and NEO pay: in particular, those meant to strengthen the pay-for-performance paradigm through the adoption of equity retention policies and clawback bylaws or the use of sustainability-related metrics of performance assessment; and the requests to depart from questionable practices such as the granting of golden parachutes. Most importantly, this category has seen the rise of the proposal to request disclosure on the gender pay gap and the financial and reputational risk resulting from the increasing public policy attention being paid to issues of gender equality and compensation. Even though the average support level for these proposals often remains below the majority of votes cast, The Conference Board will continue to monitor this new generation of demands as it may gather interest in future proxy seasons.

For the purpose of this report, shareholder proposals on executive compensation are categorized based on the following topics:

- **Advisory vote on executive compensation ("say on pay")** Shareholder proposals requesting a policy instituting an annual advisory vote by shareholders to ratify the compensation of the company's named executive officers

  The vote is nonbinding and does not affect any compensation paid or awarded but is viewed as a tool for shareholders to express their view on the company's compensation practices. Effective January 2011, the Dodd-Frank Act requires most US companies to hold a management-sponsored say-on-pay vote at least once every three years.

- **Cap (restrict) executive compensation** Shareholder proposals seeking to limit executive compensation. Includes proposals requesting that the compensation be capped at a specific dollar amount or calculated based on a specified formula that correlates it to the compensation of other employees.

  These proposals may also request prohibiting or limiting stock option grants.

- **Director compensation-related** Shareholder proposals related to the compensation of directors (typically nonemployee directors). Includes proposals to approve, limit, or specify the type of compensation.

- **Expand compensation-related disclosure** Shareholder proposals seeking the adoption of more thorough compensation disclosure practices, including the disclosure of all employees making over a certain salary and the preparation of special reports (e.g., on pay disparity issues)

- **Gender pay equity** Shareholder proposals seeking the disclosure of information on the company's global median gender pay gap, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining female talent, especially in light of emerging public policies addressing the issue

- **Limit tax "gross-ups"** Shareholder-sponsored proposals requesting the adoption of a corporate policy limiting or prohibiting tax gross-up payments to executives

  A gross-up reimburses an executive for tax liability (or makes payment to a taxing authority on an executive's behalf) and may be used to offset taxes on perquisites applicable in a change-of-control situation.

- **Limit (or vote on) supplemental executive retirement plans ("SERPs")** Shareholder proposals requesting a corporate policy to limit (or require shareholder approval of) SERPs and extraordinary retirement benefits

  SERPs provide supplemental retirement benefits beyond those permitted under a tax-qualified pension plan.

- **Limit (or vote on) death benefit payments ("golden coffins")** Shareholder-sponsored proposals first submitted in 2009 requesting that the company adopt a policy to limit (or require shareholder approval of) payments to its senior executives' estate or beneficiaries following their deaths

  Proponents generally define a "golden coffin" as any promised post-death payment of unearned salary or bonuses, accelerated vesting or the continuation in force of unvested equity grants, awards of ungranted equity, perquisites, and other payments or awards made in lieu of compensation.

- **Limit (or vote on) severance agreements ("golden parachutes")** Shareholder-sponsored proposals to require shareholder approval of future severance agreements, employment agreements containing severance provisions, and change-of-control agreements offering executives benefits in an amount exceeding a specified multiple of the executive's taxable compensation

- **Link compensation to performance ("pay for performance")** Shareholder proposals requesting a corporate policy under which executive compensation, including stock and stock option awards, is dependent upon the achievement of specified performance targets

- **Recoup incentive pay ("clawback")** Shareholder proposals requesting the adoption of a "clawback" policy or bylaw to recoup all unearned bonuses and other incentive payments made to an executive if the performance targets were later reasonably determined not to have been achieved, including as a result of the restatement of financial results or significant extraordinary write-off

- **Required equity retention period** Shareholder-sponsored proposals on the adoption of a corporate policy requiring executives and directors to retain a percentage of shares acquired through equity compensation programs during their employment

  Proponents of these proposals claim such a policy would better align management interests with those of shareholders and motivate executives and directors to focus on the company's long-term business objectives.

- **Other executive compensation issues** Any other shareholder-sponsored proposals related to director and executive compensation issues

  Topics may include linking social and environmental issues to pay, restricting the payment of dividends on grants of equity compensation that executives do not yet own, prohibiting the sale of stock during periods in which the company has announced stock buybacks, options backdating, and other compensation-related requests depending on the specific circumstances of an individual company.

For the formulation of proposals submitted under this subject category, see Appendix 1 on p. 231.

By topic

Following the introduction of an advisory vote of shareholders on executive compensation policies and of additional disclosure requirements, investors have limited their submissions in this area to more specific and narrowly formulated requests. The historical analysis of voted shareholder proposals on executive compensation shows the shift away from say on pay (which had dominated the proxy seasons before the Dodd-Frank Act made such votes mandatory in late 2010) to resolutions on the introduction of a specific policy demanding boards to link executive compensation and performance (seven of them went to a vote in 2019, representing 18.4 percent of the total volume of voted executive compensation proposals in the examined period), on limits on golden parachutes (five proposals, or 13.2 percent of the total) and demanding (clawback) policies to recoup executive pay (four proposals in 2018, or 10.5 percent of the total).

Most notably, however, in 2019, shareholders of Russell 3000 companies voted on 13 proposals (or 34.2 percent of the total) regarding the publication of a periodic report on gender-based compensation disparities at the company—there were only five of them in 2018. In some cases, proponents also requested that the company elaborate on the risks that may result from emerging public companies' failure to address the gender pay gap, including the reputational, competitive, and operational risks, and the risks related to recruiting and retaining female talent. Adobe, Alphabet, Amazon, American Express, JP Morgan, Wells Fargo and Mastercard were among the recipients of this type of proposal. None of the proposals passed, but average *for* votes increased over last year (from 14.4 percent to 23.8 percent), with the highest support levels seen at Cigna (35.1 percent of votes cast in favor) and Adobe (32.2 percent). Only one of the 13 proposals received a single-digit support level. (Also see "The Rising Demand for Gender Pay Gap Disclosure," on p. 58).

RETURN TO KEY FINDINGS
(page 23)

Figure 2.24

Shareholder Proposals on Executive Compensation—by Topic (2016, 2018, and 2019)

Number of voted shareholder proposals, percentage of total

	2019		2018		2016	
	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total
Gender pay equity	13	34.2%	5	15.6%	4	7.3%
Other executive compensation issues	8	21.1	6	18.8	5	9.1
Link compensation to performance (“pay for performance”)	7	18.4	4	12.5	6	10.9
Limit (or vote on) severance agreements (“golden parachutes”)	5	13.2	9	28.1	18	32.7
Recoup incentive pay (“clawback”)	4	10.5	8	25.0	6	10.9
Require equity retention period	1	2.6	0	0.0	11	20.0
Cap (restrict) executive compensation	0	0.0	0	0.0	1	1.8
Expand compensation-related disclosure	0	0.0	0	0.0	4	7.3
	n=38		n=32		n=55	

Source: The Conference Board/ESGAUGE, 2019.

Today’s companies are more prone to investor engagement in this area and seek it proactively in the months preceding the AGM. Understanding the different investment strategies in their shareholder base, attempting to anticipate concerns, and improving communication of corporate policies have rapidly become key priorities for many business organizations. One-on-one in-person meetings with shareholders or their representatives, videoconferencing calls and online webcasts, and in some cases even large town-hall meetings are the main examples of these forms of off-season engagement, which may involve board members (specifically, the lead director). In particular, according to a survey of general counsel, corporate secretaries and investor relations officers conducted by The Conference Board in the fall of 2018, the highest percentage of companies reporting more than 10 instances of engagement in the previous 12 months is seen in the financial services sector (26.3 percent of the surveyed sample, of which about one third experienced more than 25 engagements).[4] For this reason, when their concerns are not limited to questionable practices but pertain to more fundamental compensation issues (such as enhancing the pay-for performance linkage) or the fairness and transparency of the compensation policy as a whole, investors can use the new opportunities for engagement to make their voices heard without having to file a formal proposal. To be sure, the number of proposals pertaining to pay for performance alone, which was relatively high following the financial crisis (14 in 2010), was down to six in the 2015 and 2017 proxy seasons, to four in the 2018 proxy season and seven in 2019. Similarly, there were 12 proposals on the expansion of compensation-related disclosure in 2010, one in 2015, one in 2017 and none in 2018 and 2019 (Figure 2.24).

Most frequent sponsors—by topic

Table 3 ranks by topic the most frequent sponsors of shareholder proposals on executive compensation introduced in 2019. The most prolific sponsors on this subject were: the City of Philadelphia Public Employees Retirement System, which submitted three resolutions requesting a formal policy to link executive pay and performance; the AFL-CIO, with three requests to limit (or introduce a shareholder vote on) golden parachutes; and SRI fund Arjuna Capital, with three resolutions on gender pay gap disclosure.

4 Matteo Tonello and Matteo Gatti, *Board-shareholder Engagement Practices: Findings from a Survey of SEC-registered Companies*, The Conference Board, *Director Notes*, Volume 10, No. 3, 2019.

RETURN TO KEY FINDINGS
(page 16)

Table 3

Shareholder Proposals on Executive Compensation—Most Frequent Sponsors, by Topic (2019)

Rank	Sponsor name	Sponsor type	Number of proposals
	GENDER PAY EQUITY		
1	Arjuna Capital	Other stakeholders	3
2	Eleanor Shorter	Individuals	1
	Ellen Cassilly	Individuals	1
	Jcpack SRL	Other stakeholders	1
	Laura Ballance	Individuals	1
	Lauren Jane McMahon	Individuals	1
	Office of the State Comptroller of the State of New York	Public pension funds	1
	Rainer Yingling Judd	Individuals	1
	LIMIT (OR VOTE ON) SEVERANCE AGREEMENTS ("GOLDEN PARACHUTES")		
1	AFL-CIO	Labor unions	3
2	Ilene Cohen	Individuals	1
	International Brotherhood of Teamsters	Labor unions	1
	New York State Common Retirement Fund	Public pension funds	1
	LINK COMPENSATION TO PERFORMANCE ("PAY FOR PERFORMANCE")		
1	City of Philadelphia Public Employees Retirement System	Public pension funds	3
2	AFL-CIO	Labor unions	1
	James T. Campen Trust	Other stakeholders	1
	Jeffrey L. Doppelt	Individuals	1
	Merrily Lovell 2007 Trust	Hedge funds	1
	Office of the State Comptroller of the State of New York	Public pension funds	1
	OTHER EXECUTIVE COMPENSATION ISSUES		
1	City of Philadelphia Public Employees Retirement System	Public pension funds	2
	International Brotherhood of DuPont Workers	Labor unions	2
2	Association of BellTel Retirees Inc.	Other stakeholders	1
	Dennis Rocheleau	Individuals	1
	Jeffrey L. Doppelt	Individuals	1
	Julia Bamburg	Individuals	1
	New York State Common Retirement Fund	Public pension funds	1
	Oxfam America, Inc.	Other stakeholders	1
	Third Generation Financial LLC	Other stakeholders	1
	United Steelworkers	Labor unions	1
	RECOUP INCENTIVE PAY ("CLAWBACK")		
1	International Brotherhood of Electrical Workers	Labor unions	2
	New York City Employees' Retirement System	Public pension funds	2
2	Bon Secours Mercy Health	Other stakeholders	1
	International Brotherhood of Teamsters	Labor unions	1
	McLively Family Trust	Other stakeholders	1
	UAW Retiree Medical Benefits Trust	Labor unions	1

Note: Total number of proposals does not include 7 proposals for which sponsors were not disclosed.

Source: The Conference Board/ESGAUGE, 2019.

Voting results—by topic

As shown in Figure 2.25, the average support level for all proposals related to executive compensation was 22.1 percent. Two of the 38 voted proposals on this subject reached majority support at the AGM and passed, both on clawback policies to recoup incentive pay in situations of executive misconduct resulting in financial or reputational harm to the company: One filed by the International Brotherhood of Teamsters at FleetCor Technologies, Inc. (56.72 percent of votes cast in favor) and one filed by stakeholder group Bon Secours Mercy Health at biotech company Mallinckrodt plc (52.66 percent of votes cast). The executive compensation proposal topics that obtained the highest levels of *for* votes as a percentage of votes cast were those on clawback policies (44.9 percent support level, on average, calculated over four proposals and including the two mentioned above) and the requests to limit severance agreements/golden parachutes (29.4 percent support level, on average, calculated over five proposals). Unlike prior years, when some of the proposals on golden parachutes were approved, none of them passed in 2018 and 2019.

Figure 2.25

Shareholder Proposals on Executive Compensation—Average Voting Results, by Topic (2019)

		As a percentage of votes cast			As a percentage of shares outstanding			
	Voted proposals	For	Against	Abstain	For	Against	Abstain	Nonvotes
Gender pay equity	13	23.8%	73.3%	2.9%	21.0%	55.4%	2.6%	11.3%
Limit (or vote on) severance agreements ("golden parachutes")	5	29.4	70.3	0.3	21.9	55.1	0.2	10.3
Link compensation to performance ("pay for performance")	7	13.3	85.1	1.6	12.9	61.1	2.1	16.9
Recoup incentive pay ("clawback")	4	44.9	54.1	1.0	43.6	35.9	0.9	11.7
Require equity retention period	1	24.5	74.2	1.2	16.6	50.2	0.8	18.9
Other executive compensation issues	8	10.8	87.8	1.4	7.9	63.9	1.0	15.7
Average	n=38	**22.1**	**76.1**	**1.8**	**19.1**	**56.0**	**1.6**	**13.4**

Percentages may not add to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Figure 2.26

Shareholder Proposals on Executive Compensation—Average Support Level, by Topic (2016, 2018, and 2019)

For votes as percentage of votes cast

	2019	2018	2016
Recoup incentive pay ("clawback")	44.9%	37.8%	14.3%
Limit (or vote on) severance agreements ("golden parachutes")	29.4	25.2	28.6
Require equity retention period	24.5	n/a	16.6
Gender pay equity	23.8	14.4	16.7
Link compensation to performance ("pay for performance")	13.3	14.0	9.6
Other executive compensation issues	10.8	12.5	13.0
Cap (restrict) executive compensation	n/a	n/a	2.8
Expand compensation-related disclosure	n/a	n/a	6.1

n/a = No voted proposals

Source: The Conference Board/ESGAUGE, 2019.

As shown in Figure 2.26, the average support level has grown significantly in the last year for compensation clawback proposals (44.9 percent of *for* votes, up from 37.8 percent 2018, and 9.6 in 2016). The only type that saw a support level decline from last year was the proposal on the pay-for-performance link policy (13.3 percent, only slightly down from 14 percent in 2018). In 2019, like last year, there were no voted proposals to limit or require a shareholder vote on SERPs (a category that had found an average support level of 36 percent in 2015).

Shareholder Proposals on Corporate Governance

In recent years, the volume of resolutions related to corporate governance practices has declined and their target company has changed. With many large-cap companies complying with the corporate governance best practices traditionally sought by proponents in this field, efforts are being pushed down to mid- and small-cap firms, where shareholder-friendly structures are more infrequent. Similarly, new types of requests are starting to supplant those that for many years took center stage at S&P 500 AGMs.

With respect to this area, the most notable finding of 2019 is the rise in the number of requests for amendments to the company's organizational documents to allow shareholders to call special meetings and vote by written consent. In addition, data from this season confirm the softening demand for proxy access that had been observed even last year; while proxy access continues to be among the most popular issues in the governance category in 2019, the volume of resolutions requesting its adoption was much lower.

The only resolution types that received average support levels above the majority threshold are those on issues that are widely recognized as best practices by most investors and governance experts—specifically, the practices of board declassification and the elimination of supermajority vote requirements. Average support levels for these types have in fact increased from years ago, which confirms that the decline in volume is due to the saturation of investor demand, not waning support for the proposals among the investment community.

For the purpose of this report, shareholder proposals on corporate governance are categorized based on the following topics:

- **Adopt director nominee qualifications** A request to the institution to implement additional requirements to serve as a member of the board of directors

  These requirements may include stock ownership guidelines, industry experience, director independence standards, and limiting service in the event of significant changes in personal circumstances or principal job responsibilities.

- **Adopt term limits for directors** To create a policy or charter/bylaw provision that directors shall not serve on the board for more than a specified number of years

- **Allow cumulative voting** To provide for cumulative voting in the election of directors

  Cumulative voting permits shareholders electing directors to cast as many votes as the number of shares held, multiplied by the number of directors to be elected. A shareholder can cast all of its votes for one candidate or distribute them liberally among multiple candidates. Cumulative voting gives minority shareholders more opportunity for board representation since they can cast all of their votes for one candidate.

- **Allow (or ease requirement for) action by written consent** To allow shareholders to act by written consent or to reduce the requirement to take action by written consent (e.g., a majority of the shares outstanding instead of a supermajority or unanimous requirement)

- **Allow (or ease requirement for) calls for special meetings** To grant shareholders the power to call special meetings or to reduce the ownership threshold required to do so (e.g., from 50 percent to 25 percent or, in some cases, as low as 10 percent of shares outstanding)

- **Approve dissident expense reimbursement** For the adoption of a corporate policy requiring the reimbursement of the reasonable expenses (e.g., legal, advertising, solicitation, printing, and mailing costs) incurred by a shareholder or group of shareholders in a contested election of directors if certain conditions are met (e.g., seeking less than a majority of the board seats, board seats won, certain percentage of votes for the dissident nominees)

- **Change from plurality to majority voting** First filed in 2004 to change the director election system from plurality to majority voting

  Under the plurality voting system, nominees with the highest number of votes are elected as directors, up to the number of directors to be chosen at the election, without regard to votes withheld or not cast. The benefit of plurality voting is that someone always wins—all vacant seats are filled; however, the system deprives dissenting shareholders of any substantial role in the election since their vote against a nominee is not taken into consideration. Unlike plurality voting, the majority voting system requires the director nominee to receive a majority of the votes cast to be elected.

- **Declassify board** To eliminate classified board structures (where board members are divided into classes and directors in each class serve staggered terms, typically running three years, so only one class of the board stands for election each year) in favor of annually elected directors

  Classification is used as a defensive measure from hostile takeovers: when a board is staggered, hostile bidders must win more than one proxy contest at successive shareholder meetings to exercise control of the target.

- **Decrease vote requirement to amend charter/bylaws (eliminate supermajority)** To reduce the voting requirement for shareholders to amend the charter or bylaws (e.g., to eliminate supermajority requirement)

- **Decrease board size** To reduce the current number or the minimum number (where a range is established) of members of the board of directors

- **Eliminate dual class structure (unequal voting)** To eliminate dual class/unequal voting share structure

  This may be accomplished through a recapitalization designed so that all outstanding stock has one vote per share or by eliminating any time-phased voting (where shareholders who have held the stock for a given period are assigned more votes per share than recent purchasers).

- **Eliminate supermajority vote requirements** Requesting that the company eliminate all supermajority vote requirements and apply a simple majority standard in the voting on any matter by shareholders

- **Establish committee or protocol for shareholder proposals receiving majority vote** Requesting that the board adopt an engagement process with the proponents of shareholder proposals supported by a majority of votes cast in order to discuss potential company action in response

- **Filling board vacancies related (reduce defense)** To limit the board of directors' ability to fill vacancies on the board or allow (or require) vacancies to be filled by shareholders

- **Fix the number of directors at specified number** To set the number of directors at a specified number

- **Include shareholder nominee in company proxy (proxy access)** Requesting the inclusion in proxy materials of director candidate(s) nominated by shareholders

- **Increase board size** To raise the current number or the maximum number (where a range is established) of members of the board of directors

- **Other nontakeover defense-related charter/bylaw amendment** Any other nontakeover defense-related proposals to amend the charter and/or bylaws (e.g., indemnification provisions)

- **Redeem (or require shareholder vote on) "poison pill"** To redeem a shareholder rights plan ("poison pill") or to require that any future poison pill be approved by a shareholder vote

  Poison pills generally discourage the acquisition of a significant ownership interest in a corporation for the purpose of launching a hostile takeover of the board by granting existing shareholders the right to purchase additional shares at a very favorable price, therefore diluting the acquirer's ownership stake.

- **Reduce difficulty to remove directors (with/without cause)** To allow shareholders to remove a director either with or without cause (i.e., eliminate the requirement that directors may be removed only for cause)

- **Reincorporate in another state** Requesting that the company reincorporate in any US state

  These proposals may be used against companies that reincorporated in tax havens (e.g., Bermuda).

- **Report on management succession plans** Requesting that the board adopt, periodically review, and disclose a written and detailed management (CEO) succession planning policy

- **Require an independent lead director** For a policy requesting that, in the absence of an independent board chairman, the company appoint an independent lead director (with clearly delineated duties)

  The lead director coordinates the activities of the other independent directors and presides over board meetings where the (nonindependent) chairman is absent.

- **Require an independent director on board committee** To create a policy, bylaw, charter, or committee charter provision requiring members of key board committees to be independent directors

  This proposal type also includes proposals prohibiting any current chief executive officers of other companies from serving on the board's compensation committee.

- **Require two director candidates for each board seat** Requesting the company nominate two candidates for each directorship to be filled by shareholder vote at annual meetings, allowing shareholders to choose between the candidates

- **Restrict "overboarding"** To discourage overextended directors by requiring board service to be limited to a specified number of directorships

- **Separate CEO/chairman positions** For the adoption of a policy separating the roles of chairman and CEO and/or requiring that the chairmanship be assumed by an independent director with no management duties, titles, or responsibilities

- **Other board committee related** Any other shareholder-sponsored proposals related to board committees

This proposal type includes proposals to form a new committee and other requirements on who may serve on a committee, including prohibiting directors who receive a specified percentage of votes against their re-election from serving on a committee.

- **Other board structure related** Any other shareholder-sponsored proposals related to board size and structure

  This proposal type includes proposals to change from a fixed to a variable board size, provisions regarding the ability of the board to determine the board size, placing and eliminating other director qualification requirements, and eliminating term and age limits.

- **Other takeover defense related (strengthen defense)** Any other shareholder-sponsored proposals requiring a charter and/or bylaw amendment to increase the company's takeover defenses

  This proposal type could include proposals to decrease a charter ownership limit or extend its expiration date, adopt an expanded constituency provision, or adopt an anti-greenmail provision.

- **Other takeover defense related (reduce defense)** Any other shareholder-sponsored proposals requiring a charter and/or bylaw amendment to reduce the company's takeover defenses or limit its ability to adopt defenses (e.g., to allow shareholders to amend the bylaws at a company where only the board can amend the bylaws)

- **Other corporate governance issues** Any other shareholder-sponsored proposals related to corporate governance practices not otherwise categorized (e.g., compensation consultant issues; stockholder communication; location of shareholder meetings; proxy issues; and increased disclosure of financial risk, credit risk, derivatives, or collateral and structured investment vehicles)

For the formulation of proposals submitted under this subject category, see Appendix 1 on p. 231.

By topic

The historical analysis by topic of filed shareholder proposals on corporate governance (Figure 2.27) shows that issues on which companies had been frequently pressured by shareholders for over a decade barely made the list of submissions for 2019. For example, there were only four voted proposals on board declassification, down from the five of 2018, nine of 2015, 29 of 2013 and 44 of 2010. Interestingly, the demand to change from plurality to majority voting, a proposal type that had similarly declined in volume in the last few years, found renewed interest in the 2019 proxy season with multiple submissions at smaller companies in the Russell 3000 index; as shown by The Conference Board in its annual review of corporate board practices, more than 50 percent of Russell 3000 companies (compared to 9.1 percent of S&P 500 companies) still use a plurality voting system of director elections.[5]

5 Matteo Tonello, *Corporate Board Practices in the Russell 3000 and S&P 500: 2019 Edition*, The Conference Board, Research Report, R-1687-RR-19, p. 159.

RETURN TO KEY FINDINGS
(page 25)

Figure 2.27

Voted Shareholder Proposals on Corporate Governance—by Topic (2016, 2018, and 2019)

Number of voted shareholder proposals, percentage of total

	2019		2018		2016	
Topic	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total
Separate CEO/chairman positions	54	24.3%	46	20.0%	44	20.6%
Allow for (or ease requirement to) act by written consent	36	16.2	37	16.1	17	7.9
Include shareholder nominee in company proxy (proxy access)	30	13.5	38	16.5	67	31.3
Allow for (or ease requirement to) call special meetings	23	10.4	58	25.2	16	7.5
Change from plurality to majority voting	22	9.9	5	2.2	18	8.4
Eliminate supermajority vote requirements	22	9.9	13	5.7	21	9.8
Eliminate dual class structure (unequal voting)	7	3.2	8	3.5	10	4.7
Other corporate governance issues	7	3.2	7	3.0	5	2.3
Adopt director nominee qualifications	4	1.8	3	1.3	2	0.9
Declassify board	4	1.8	5	2.2	5	2.3
Allow cumulative voting	3	1.4	3	1.3	1	0.5
Other board committee related	3	1.4	3	1.3	2	0.9
Opt out-of-state takeover statute	2	0.9	n/a	n/a	2	0.9
Adopt term limits for directors	1	0.5	1	0.4	n/a	n/a
Other board structure related	1	0.5	n/a	n/a	n/a	n/a
Other nontakeover defense-related charter/bylaw amendment	1	0.5	1	0.4	1	0.5
Redeem (or require shareholder vote on) "poison pill"	1	0.5	n/a	n/a	1	0.5
Require an independent lead director	1	0.5	n/a	n/a	n/a	n/a
Decrease board ability to amend bylaws related (reduce defense)	n/a	n/a	n/a	n/a	2	0.9
Filling board vacancies related (reduce defense)	n/a	n/a	1	0.4	n/a	n/a
Increase board size	n/a	n/a	1	0.4	n/a	n/a
	n=222		n=230		n=214	

n/a = No voted proposals

Source: The Conference Board/ESGAUGE, 2019.

Instead, it was the request to depart from the duality model of board leadership and separate the CEO and board chair positions that topped the 2019 list of governance-related proposals by volume. Investors voted on 54 of these resolutions at Russell 3000 companies in the first six months of the year, a number that was more than three times as large as the one seen in 2015 (17 resolutions) and 2013 (10 resolutions). Shareholders also voted on 36 requests to allow for (or ease requirement to) act by written consent (or 16.22 percent of the total number of voted resolutions in this category). Proxy access reform ranked third on the 2019 list by volume, but that represented a continued decline that had been observed even last year (shareholders of Russell 3000 companies voted on 30 of these proposals in 2019, down from the 30, 49 and 76 instances of 2018, 2017 and 2015, respectively).

Most frequent sponsors—by topic

Table 4 ranks by topic the most frequent sponsors of shareholder proposals on corporate governance. Gadfly investor John Chevedden continued to pursue the issues that had taken center stage in his shareholder proposals of previous years, including the independence of the board chairmanship (22 proposals filed by Chevedden alone), proxy access (19 proposals) and the ability of shareholders to act by written consent (20 proposals) and call special meetings (11 proposals).

RETURN TO KEY FINDINGS
(page 16)

Table 4

Shareholder Proposals on Corporate Governance—Most Frequent Sponsors, by Topic (2019)

Rank	Sponsor name	Sponsor type	Number of proposals
	ADOPT DIRECTOR NOMINEE QUALIFICATIONS		
1	Domestic and Foreign Missionary Society of Protestant Episcopal Church in US	Religious groups	1
	Robert Andrew Davis	Individuals	1
	Sisters of St. Francis of Philadelphia	Religious groups	1
	ADOPT TERM LIMITS FOR DIRECTORS		
1	Robin S. Maynard	Individuals	1
	ALLOW CUMULATIVE VOTING		
1	Martin Harangozo	Individuals	2
2	John Chevedden	Individuals	1
	ALLOW FOR (OR EASE REQUIREMENT TO) ACT BY WRITTEN CONSENT		
1	John Chevedden	Individuals	20
2	Kenneth Steiner	Individuals	11
3	James McRitchie	Individuals	1
	Myra K. Young	Individuals	1
	ALLOW FOR (OR EASE REQUIREMENT TO) CALL SPECIAL MEETINGS		
1	John Chevedden	Individuals	11
2	James McRitchie	Individuals	3
	Kenneth Steiner	Individuals	3
	Myra K. Young	Individuals	3
	CHANGE FROM PLURALITY TO MAJORITY VOTING		
1	California Public Employees' Retirement System	Public pension funds	17
2	John Chevedden	Individuals	1
	Kenneth Steiner	Individuals	1
	UNITE HERE	Labor unions	1
	DECLASSIFY BOARD		
1	John Chevedden	Individuals	5
2	James McRitchie	Individuals	4
3	Kenneth Steiner	Individuals	1
	Lisa Sala	Individuals	1
	ELIMINATE DUAL CLASS STRUCTURE (UNEQUAL VOTING)		
1	John Chevedden	Individuals	2
2	International Brotherhood of Teamsters	Labor unions	1
	Kenneth Steiner	Individuals	1
	ELIMINATE SUPERMAJORITY VOTE REQUIREMENTS		
1	John Chevedden	Individuals	16
2	Kenneth Steiner	Individuals	8
3	James McRitchie	Individuals	7
4	Myra K. Young	Individuals	2
5	Bryce Mathern	Individuals	1

(Table 4 continues on next page)

Table 4 (continued)

Shareholder Proposals on Corporate Governance—Most Frequent Sponsors, by Topic (2019)

Rank	Sponsor name	Sponsor type	Number of proposals
	INCLUDE SHAREHOLDER NOMINEE IN COMPANY PROXY (PROXY ACCESS)		
1	John Chevedden	Individuals	19
2	New York City Employees' Retirement System	Public pension funds	6
3	California Public Employees' Retirement System	Public pension funds	1
	CommonSpirit Health	Other stakeholders	1
	James Bierman	Individuals	1
	James McRitchie	Individuals	1
	Kenneth Steiner	Individuals	1
	Wayne King	Individuals	1
	OPT OUT OF STATE TAKEOVER STATUTE		
1	UNITE HERE	Labor unions	2
	OTHER BOARD COMMITTEE RELATED		
1	Jing Zhao	Individuals	3
2	AFL-CIO	Labor unions	1
	John Harrington	Investment advisers	1
	Marco Consulting Group Trust	Other stakeholders	1
	W. Andrew Mims Trust	Other stakeholders	1
	OTHER BOARD STRUCTURE RELATED		
1	Jing Zhao	Individuals	1
	OTHER CORPORATE GOVERNANCE ISSUES		
1	Edward Pierzynski	Individuals	1
	Edwin S. Mullett	Individuals	1
	Harrington Investments, Inc.	Investment advisers	1
	Louise Rice	Individuals	1
	Matthew A. Page	Individuals	1
	Mercy Investment Services, Inc.	Religious groups	1
	Nathan Cummings Foundation	Other stakeholders	1
	Timothy Robert	Individuals	1
	UNITE HERE	Labor unions	1
	OTHER NONTAKEOVER DEFENSE-RELATED CHARTER/BYLAW AMENDMENT		
1	Blue Lion Opportunity Master Fund LP	Hedge funds	1
	The Doris Behr 2012 Irrevocable Trust	Other stakeholders	1
	REDEEM (OR REQUIRE SHAREHOLDER VOTE ON) "POISON PILL"		
1	UNITE HERE	Labor unions	1
	REQUIRE AN INDEPENDENT LEAD DIRECTOR		
1	Mary Ting	Individuals	1

(Table 4 continues on next page)

Table 4 (continued)

Shareholder Proposals on Corporate Governance—Most Frequent Sponsors, by Topic (2019)

Rank	Sponsor name	Sponsor type	Number of proposals
	SEPARATE CEO/CHAIRMAN POSITIONS		
1	John Chevedden	Individuals	22
2	Kenneth Steiner	Individuals	10
3	AFL-CIO	Labor unions	1
	Blue Lion Opportunity Master Fund LP	Hedge funds	1
	Dundas I. Flaherty	Individuals	1
	Employees Retirement System of Rhode Island	Public pension funds	1
	International Brotherhood of Teamsters	Labor unions	1
	Keith Schnip	Individuals	1
	Kestrel Foundation	Other stakeholders	1
	Myra K. Young	Individuals	1
	Nathan Cummings Foundation	Other stakeholders	1
	SEIU Pension Plan Master Trust	Other stakeholders	1
	Sisters of St. Francis of Philadelphia	Religious groups	1
	Teamsters General Fund	Labor unions	1
	United Steelworkers	Labor unions	1

Source: The Conference Board/ESGAUGE, 2019.

CalPERS sponsored 17 proposals on the change from plurality to majority voting, a significant uptick from the three it has submitted in the same period of 2018. The only proposal on the adoption of terms limits for directors was introduced by gadfly investor Robin S. Maynard.

All voted resolutions regarding voting by written consent and the ability of shareholders to call special meetings were sponsored by individual investors. In addition to those coming from Mr. Chevedden, their other sponsors were Kenneth Steiner, Jim McRitchie, and Myra K. Young.

Voting results—by topic

As shown in Figure 2.28, the average support level for all corporate governance proposals in 2019 was 37.8 percent. Five proposal types received average support of more than 50 percent of votes cast: Proposals on board declassification (73.8 percent support level, on average), those invalidating (or requesting a shareholder vote on) "poison pills" (71.9 percent), those to opt out of state takeover requirements (63.5 percent), those requesting the elimination of supermajority requirements (60.1 percent) and other nontakeover defense-related charter or bylaw amendments (51.7 percent). Notably, the support level of resolutions on majority voting, which are now primarily filed at smaller companies in the Russell 3000, fell from 73.9 percent in 2018 to 43.7 percent in 2019.

Even though their average support level was below the majority threshold, resolutions on the shareholders' ability to act by written consent and to call special meetings received 39.3 percent and 43.7 percent of *for* votes, respectively, in 2019. Among others that passed, a proposal submitted by individual investor Myra K. Young at Discover Financial Services received the support of 65.3 percent of votes cast.

RETURN TO KEY FINDINGS
(page 17)

Figure 2.28

Shareholder Proposals on Corporate Governance—Average Voting Results, by Topic (2019)

		As a percentage of votes cast			As a percentage of shares outstanding			
	Voted proposals	For	Against	Abstain	For	Against	Abstain	Nonvotes
Separate CEO/chairman positions	54	29.1%	69.9%	0.9%	22.6%	53.2%	0.7%	12.1%
Allow for (or ease requirement to) act by written consent	36	39.3	60.0	0.8	31.0	47.0	0.7	10.5
Include shareholder nominee in company proxy (proxy access)	30	33.8	65.4	0.8	26.8	51.9	0.6	10.7
Allow for (or ease requirement to) call special meetings	23	43.7	55.8	0.5	34.2	43.6	0.4	11.2
Change from plurality to majority voting	22	43.7	54.6	1.7	52.0	31.8	1.5	12.3
Eliminate supermajority vote requirements	22	60.1	38.8	1.1	46.7	25.4	0.8	14.3
Eliminate dual class structure (unequal voting)	7	24.4	75.2	0.4	53.3	75.1	0.9	16.6
Other corporate governance issues	7	28.7	69.5	1.8	25.0	37.1	2.1	13.8
Declassify board	4	73.8	23.5	2.7	60.8	19.5	2.2	7.3
Allow cumulative voting	3	5.5	93.9	0.6	3.7	66.9	0.4	13.8
Other board committee related	3	8.3	90.4	1.3	9.6	54.4	1.1	19.5
Opt out of state takeover statute	2	63.5	35.8	0.7	54.3	30.7	0.6	2.8
Other board structure related	2	7.5	91.5	1.0	6.6	60.1	0.8	12.0
Adopt director nominee qualifications	1	8.2	84.4	7.4	6.6	67.5	5.9	12.4
Adopt term limits for directors	1	10.5	87.9	1.6	7.1	60.0	1.1	23.4
Other nontakeover defense-related charter/ bylaw amendment	1	51.7	47.3	1.0	42.0	38.4	0.8	0.0
Redeem (or require shareholder vote on) "poison pill"	1	71.9	27.2	0.8	61.6	23.3	0.7	2.8
Require an independent lead director	1	25.1	73.9	1.0	18.0	52.9	0.7	16.7
Average	n=220	**37.8**	**61.2**	**1.0**	**32.7**	**45.6**	**0.8**	**11.9**

Percentages may not add to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

The lowest level of support was recorded for proposals to allow cumulative voting (5.5 percent) and to adopt director nominee qualifications (8.2 percent). The only voted proposal to adopt term limits for board members, which Robin S. Maynard filed at real estate construction firm New York Community Bancorp, received 10.5 percent of votes cast.

As mentioned above, Figure 2.29 highlights how the average support levels for several proposal types in the corporate governance category has increased from a few years ago. It was the case for proposals seeking to declassify boards (73.8 percent in 2019, compared to 60.1 percent in 2010) and to eliminate supermajority requirements (60.1 percent, up from the 44.5 percent of the 2017 season). The finding confirms that the decline in volume observed over the years for these types of proposals is due to the saturation of investor demand, not their waning support in the investment community. In the case of majority voting, the decline observed in 2019 is likely attributable to the different target of (and need to build broader shareholder consensus around) these types of proposals, which are now submitted at smaller Russell 3000 companies.

RETURN TO KEY FINDINGS
(page 22)

Figure 2.29

Shareholder Proposals on Corporate Governance—Average Support Level, by Topic (2016, 2018, and 2019)

For votes as percentage of votes cast

	2019	2018	2016
Declassify board	73.8%	82.0%	74.4%
Redeem (or require shareholder vote on) "poison pill"	71.9	n/a	68.3
Opt out of state takeover statute	63.5	n/a	70.1
Eliminate supermajority vote requirements	60.1	60.7	44.5
Other nontakeover defense-related charter/bylaw amendment	51.7	14.3	97.7
Change from plurality to majority voting	43.7	73.9	66.1
Allow for (or ease requirement to) call special meetings	43.7	40.9	42.5
Allow for (or ease requirement to) act by written consent	39.3	41.9	40.8
Include shareholder nominee in company proxy (proxy access)	33.8	31.3	51.0
Separate CEO/chairman positions	29.1	30.7	28.8
Other corporate governance issues	28.7	22.3	3.5
Require an independent lead director	25.1	n/a	n/a
Eliminate dual class structure (unequal voting)	24.4	29.1	25.8
Adopt term limits for directors	10.5	1.1	n/a
Other board committee related	8.3	6.6	2.2
Adopt director nominee qualifications	8.2	13.7	17.9
Other board structure related	7.5	n/a	n/a
Allow cumulative voting	5.5	9.3	10.8
Decrease board ability to amend bylaws related (reduce defense)	n/a	n/a	49.1
Filling board vacancies related (reduce defense)	n/a	33.0	n/a
Increase board size	n/a	7.7	n/a

n/a = No voted proposals

Source: The Conference Board/ESGAUGE, 2019.

One of the proposals in the "other corporate governance issues" subcategory received majority support: It was submitted by Mercy Investment Services, an investment fund affiliated with a religious group, and it required disclosure of the corporate governance changes Walgreens has implemented to more effectively monitor and manage financial and reputational risks related to the opioid crisis, including whether and how the board oversees Walgreens' opioid-related programs (59.1 percent of votes cast were in favor of the proposal).

Shareholder Proposals on Social and Environmental Policy

In the last few years, shareholders of US public companies have increasingly submitted proposals pertaining to social and environmental policies of corporations. Promoting better social and environmental policies at business corporations had traditionally been the purview of a fringe group of specialized SRIs. It was the 2010 decision by the Supreme Court on the *Citizens United* case that first galvanized mainstream institutional shareholders around an issue of corporate sustainability—the importance for business organizations of ensuring full transparency on the extent and destination of their political donations.

In a matter of a few voting seasons, political contributions disclosure has become the subject of the most frequently filed type of precatory requests by shareholders at Russell 3000 companies, followed by a whole new swath of corporate practices that, until then, had received only marginal or no attention by the wider investment community. They include the adoption of climate change policies, the compliance of procurement practices with human rights and labor standards, and the introduction of specific qualifications and skills requirements meant to promote diversity of board composition. For each of these topics, however, despite the growth in volume of filings, overall average support levels remained low.

For the purpose of this report, shareholder proposals on social and environmental policy are categorized based on the following topics:

- **Animal rights** To encourage the company to consider animal interests throughout its production and business processes, or to request that the board adopt an animal welfare policy

  PETA tends to submit the majority of these proposals.

- **Board diversity** To request that the board take steps to ensure that women and minority candidates are in the pool from which board nominees are chosen

- **Environmental issues** To request that the board issue a report detailing the company's impact on the environment or that the board adopt policies to minimize the company's negative impact on the environment

  If a proposal combines health and environmental issues, it is generally classified in the "health issues" category. If a proposal focuses on preparing a sustainability report regarding environmental practices, it is generally classified in the "sustainability reporting" category.

- **Health issues** To request that the board institute policies to protect human health or issue a report regarding the company's stance on certain health-related issues

- **Human rights** To request that the board institute policies to protect or promote human rights. Such actions could include respecting human rights throughout the company's production process or refusing to do business with countries or businesses that contribute to human rights abuses.

- **Labor issues** To request that the board institute certain labor-related policies

  Such labor policies may include prohibiting discrimination based on sexual orientation and gender identity or abiding by certain fairness principles.

- **Political issues** To request that the board provide a report detailing the company's policies and procedures governing political contributions or lobbying, including the officers in charge of those decisions and the amount of corporate allocations of this type

  Other variations may call for a complete ban on political spending or the adoption of a strict ratio between corporate assets and political contributions.

RETURN TO KEY FINDINGS
(page 19)

- **Sustainability reporting** To request that the board issue a report describing the company's strategies to ensure sustainability, usually focusing on actions to address greenhouse gas emissions and other environmental and social considerations
- **Other social issues** To request that the board provide a report regarding certain other social issues. Common topics may include the examination of the company's effect on national security, the safety of the company's operations from terrorist attacks, and the company's lending practices.

For the formulation of proposals submitted under this subject category, see Appendix 1 on p. 231.

By topic

The historical analysis by topic of voted shareholder proposals on social and environmental policy (Figure 2.30) highlights a surge in investor requests related to this subject and, in particular, to corporate political spending and lobbying and to environmental issues. Combined, resolutions on these three sets of issues composed more than half of all social and environmental policy issues proposals that went to a vote at the 2019 examined period. However, according to an earlier edition of this study, this percentage was much higher in 2014 (84 percent)—another sign of the expanding array of topics that today belong to this category of filings.

Figure 2.30

Shareholder Proposals on Social and Environmental Policy—by Topic (2016, 2018, and 2019)

Number of voted shareholder proposals, percentage of total

	2019		2018		2016	
	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total
Political issues	59	40.1%	50	36.0%	63	33.9%
Environmental issues	26	17.7	36	25.9	60	32.3
Human rights	15	10.2	10	7.2	16	8.6
Labor issues	14	9.5	10	7.2	12	6.5
Board diversity	11	7.5	5	3.6	8	4.3
Other social issues	11	7.5	6	4.3	3	1.6
Health issues	9	6.1	13	9.4	6	3.2
Animal rights	1	0.7	2	1.4	5	2.7
Sustainability reporting	1	0.7	7	5.0	13	7.0
	n=147		n=139		n=186	

Percentages may not add up to 100 due to rounding.
Source: The Conference Board/ESGAUGE, 2019.

A hot topic since the controversial Supreme Court decision in 2010 on *Citizens United v. Federal Election Commission*, disclosure related to corporate political spending and lobbying reflects shareholder concerns about the lack of transparency in this area of corporate activities. Shareholder's interest in the issue has steadily grown after the SEC, in 2014, dropped the introduction of disclosure rules on political contributions from its list of regulatory priorities, and it is not expected to subside, especially in the approaching presidential election year. In 2019, there were 34 voted shareholder resolutions on political contributions disclosure, 23 on political lobbying disclosure, and two requesting the publication of a report on both political contributions and lobbying activities, for a total of 59 voted resolutions on political issues (up from the 50 voted resolutions recorded by The Conference Board in 2018 but consistent with the 57 voted resolutions in both 2017 and 2015).

As for the requests for corporate reporting on environmental impact, 26 of them went to a vote in the first six months of the year, down from the 36 reported in the same period of 2018. The third and fourth most popular types, by number of voted proposals, were the requests for corporate policy promoting compliance with human rights standards, at the company and across its supply chain (15 voted resolutions) and the publication of a report detailing the company's stance on certain labor issues, including the disclosure of workforce diversity and efforts made to increase workforce diversity (14 voted resolutions in 2019). Shareholders also filed 11 board diversity proposals requesting the disclosure to shareholders of director nominees' required qualifications and skills; there were five last year.

Most frequent sponsors—by topic

Table 5 ranks by topic the most frequent sponsors of shareholder proposals on social and environmental policy. As You Sow and its CEO Andrew Behar lead the list of proponents of resolutions on environmental impact, filing five such proposals in the first semester of 2019. Labor union-affiliated fund CtW Investment Group submitted three proposals on labor issues, while investment adviser Harrington Investments and the Amalgamated Bank of New York filed three and two, respectively, on a corporate policy on human rights. As for the disclosure on political contributions and lobbying, it was sought by a diversified group of investors, including Mercy Investment Services, an asset management program of a religious group, the Sisters of Mercy of the Americas (six proposals), the fund affiliated with the labor union International Brotherhood of Teamsters (five proposals), individual investor John Chevedden (also five) and the New York State Common Retirement Fund (also five proposals). Leading sponsors of resolutions on board diversity were stakeholder group The National Center for Public Policy Research (five submissions in the 2019 period) and the New York State Common Retirement Fund (two filings).

RETURN TO KEY FINDINGS
(page 16)

Table 5

Shareholder Proposals on Social and Environmental Policy—Most Frequent Sponsors, by Topic (2019)

Rank	Sponsor name	Sponsor type	Number of proposals
	ANIMAL RIGHTS		
1	People for Ethical Treatment of Animals ("PETA")	Other stakeholders	4
2	Harrington Investments, Inc.	Investment advisers	1
	Patricia M. Silver	Individuals	1
	The Humane League	Other stakeholders	1
	BOARD DIVERSITY		
1	National Center for Public Policy Research	Other stakeholders	5
2	New York State Common Retirement Fund	Public pension funds	2
3	Amalgamated Bank of New York	Labor unions	1
	City of Philadelphia Public Employees Retirement System	Public pension funds	1
	Nathan Cummings Foundation	Other stakeholders	1
	New York City Employees' Retirement System	Public pension funds	1
	ENVIRONMENTAL ISSUES		
1	Andrew Behar	Individuals	4
2	New York State Common Retirement Fund	Public pension funds	3
	Steven J. Milloy	Individuals	3
	Stewart W. Taggart	Individuals	3
3	Gun Denhart Living Trust	Other stakeholders	2
	Park Foundation Inc.	Other stakeholders	2
4	Adam Seitchik	Individuals	1
	Allen Hancock Revocable Living Trust	Other stakeholders	1
	Amalgamated Bank of New York	Labor unions	1
	As You Sow	Other stakeholders	1
	Beth Esser	Individuals	1
	Christine Jantz	Individuals	1
	Corning 5A Trust	Other stakeholders	1
	Curtis Lee Overway	Individuals	1
	Don Ferber	Individuals	1
	Edith P Homans Family Trust	Other stakeholders	1
	Ellen Low Webster Trust	Other stakeholders	1
	Hammerman	Other stakeholders	1
	John Hancock Advisers, Inc.	Mutual Funds	1
	John Mixon	Individuals	1
	Keith Schnip	Individuals	1
	Martin Harangozo	Individuals	1
	Michelle Swenson & Stan Drobac Revocable Trust	Other stakeholders	1
	National Center for Public Policy Research	Other stakeholders	1
	New York City Employees' Retirement System	Public pension funds	1
	Oblate International Pastoral Investment Trust	Other stakeholders	1
	Samajak	Other stakeholders	1
	Sisters of Charity of the Blessed Virgin Mary	Religious groups	1

(Table 5 continues on next page)

Table 5 (continued)

Shareholder Proposals on Social and Environmental Policy—Most Frequent Sponsors, by Topic (2019)

Rank	Sponsor name	Sponsor type	Number of proposals
	Sisters of St. Dominic of Caldwell New Jersey	Religious groups	1
	Sisters of the Presentation of Mary	Other stakeholders	1
	The George Gund Foundation	Religious groups	1
	The Jim & Patty Rouse Charitable Foundation, Inc.	Other stakeholders	1
	Threshold Group LLC	Other institutions	1
	Unitarian Universalist Association	Religious groups	1
	United Steelworkers	Labor unions	1
	Walden Asset Management	Investment advisers	1
	Winston Dines	Individuals	1
	Wynnette M Labrosse Trust	Other stakeholders	1
	HEALTH ISSUES		
1	Trinity Health	Religious groups	3
2	Sisters of St. Francis of Philadelphia	Religious groups	2
3	Benedictine Sisters of Boerne	Religious groups	1
	Green Century Funds	Other stakeholders	1
	Janine Firpo Living Trust	Other stakeholders	1
	John Harrington	Investment advisers	1
	Oxfam America, Inc.	Other stakeholders	1
	Province of St. Joseph of Capuchin Order	Religious groups	1
	UAW Retiree Medical Benefits Trust	Labor unions	1
	United Church Funds, Inc.	Religious groups	1
	William C. Fleming	Individuals	1
	HUMAN RIGHTS		
1	Harrington Investments, Inc.	Investment advisers	3
2	Amalgamated Bank of New York	Labor unions	2
	William L. Rosenfeld	Other stakeholders	2
3	Alex Friedmann	Individuals	1
	Bard College: Other institution	Other institutions	1
	Chris Hotz: Individual	Individuals	1
	Domestic and Foreign Missionary Society of Protestant Episcopal Church in United States of America	Religious groups	1
	International Brotherhood of Teamsters	Labor unions	1
	John Harrington	Investment advisers	1
	Mercy Investment Services, Inc.	Religious groups	1
	National Legal and Policy Center	Other stakeholders	1
	New York State Common Retirement Fund	Public pension funds	1
	Office of the State Comptroller of the State of New York	Public pension funds	1
	Oxfam America, Inc.	Other stakeholders	1
	Priests of The Sacred Heart	Other stakeholders	1
	Province of St. Joseph of Capuchin Order	Religious groups	1
	SEIU Pension Plan Master Trust	Other stakeholders	1

(Table 5 continues on next page)

Table 5 (continued)

Shareholder Proposals on Social and Environmental Policy—Most Frequent Sponsors, by Topic (2019)

Rank	Sponsor name	Sponsor type	Number of proposals
	Sisters of St. Dominic of Caldwell New Jersey	Religious groups	1
	SumOfUs	Other stakeholders	1
	UNITE HERE	Labor unions	1
	United Church Funds, Inc.	Religious groups	1
	USA West Province of the Society of Jesus	Religious groups	1
	LABOR ISSUES		
1	CtW Investment Group	Labor unions	3
2	New York City Employees' Retirement System	Public pension funds	2
	NorthStar Asset Management, Inc.	Investment advisers	2
3	AFL-CIO	Labor unions	1
	As You Sow	Other stakeholders	1
	Benedictine Sisters of Boerne	Religious groups	1
	Episcopal City Mission	Religious groups	1
	Julie Kaye	Individuals	1
	Mary Pat Tifft	Individuals	1
	Michael Fox	Individuals	1
	Priests of The Sacred Heart	Other stakeholders	1
	Trillium P21 Global Equity Fund	Other stakeholders	1
	Trillium Small/Mid Cap Fund	Other stakeholders	1
	OTHER SOCIAL ISSUES		
1	UNITE HERE	Labor unions	4
2	Tri-State Coalition for Responsible Investment	Named shareholders	2
3	AFL-CIO	Labor unions	1
	Alex Friedmann	Individuals	1
	Catholic United Investment Trust	Other stakeholders	1
	CtW Investment Group	Labor unions	1
	Harrington Investments, Inc.	Investment advisers	1
	International Brotherhood of Teamsters	Labor unions	1
	James McRitchie	Individuals	1
	National Center for Public Policy Research	Other stakeholders	1
	Park Foundation Inc.	Other stakeholders	1
	SEIU Pension Plan Master Trust	Other stakeholders	1
	Worcester Investments LLC	Other stakeholders	1
	POLITICAL ISSUES		
1	Mercy Investment Services, Inc.	Religious groups	6
2	International Brotherhood of Teamsters	Labor unions	5
	John Chevedden	Individuals	5
	New York State Common Retirement Fund	Public pension funds	5
	Unitarian Universalist Association	Religious groups	5
3	James McRitchie	Individuals	4

(Table 5 continues on next page)

Table 5 (continued)

Shareholder Proposals on Social and Environmental Policy—Most Frequent Sponsors, by Topic (2019)

Rank	Sponsor name	Sponsor type	Number of proposals
4	Friends Fiduciary Corporation	Other institutions	3
	Myra K. Young	Individuals	3
5	Boston Common Asset Management LLC	Investment advisers	2
	National Center for Public Policy Research	Other stakeholders	2
	New York City Employees' Retirement System	Public pension funds	2
6	AFL-CIO	Labor unions	1
	Azzad Asset Management, Inc.	Investment advisers	1
	Domini Impact Equity Fund	Other stakeholders	1
	Emma Creighton Irrevocable Trust	Other stakeholders	1
	Nathan Cummings Foundation	Other stakeholders	1
	NorthStar Asset Management, Inc.	Investment advisers	1
	Sonen Capital	Investment advisers	1
	Steve Nieman	Individuals	1
	Trillium P21 Global Equity Fund	Other stakeholders	1
	Trinity Health	Religious groups	1
	United Church Funds, Inc.	Religious groups	1
	United Steelworkers	Labor unions	1
	Walden Asset Management	Investment advisers	1
	Waterglass, LLC	Other stakeholders	1
	William Creighton	Individuals	1
	SUSTAINABILITY REPORTING		
1	Dale Wannen	Individuals	2
2	Gun Denhart Living Trust	Other stakeholders	1
	Nicola Miner Revocable Trust	Religious groups	1

Source: The Conference Board/ESGAUGE, 2019.

Voting results—by topic

As shown in Figure 2.31, the average support level for all proposals on social and environmental policy submitted in 2019 was low at 27.3 percent of votes cast, but did represent a small uptick from the 25.7 percent of last year and was much higher than the average of 19.5 percent recorded, according to an earlier edition of this study, in 2014. The social and environmental policy proposal topics that obtained the highest levels of *for* votes as a percentage of votes cast were those on political issues (33.6 percent of votes cast across the category, which includes requests for disclosure of political contributions and legislative lobbying activities) and those on labor issues (30.8 percent).

When compared to earlier editions of this report, Figure 2.32 highlights the overall upward trend regarding the average support received by proposals on political contribution disclosure and lobbying (the 33.6 percent of 2019 compares with 28 percent recorded in 2018, 24.6 percent in 2017 and 24 percent in 2015), labor issues (30.8 percent in 2019, compared, up from 26.4 percent in 2018), human rights (22.1 percent in 2019, up from 17.5 percent in 2018 and 10.7 percent in 2017), and health issues (24.3 percent in 2019, up from 21.4 percent in 2018, 18.8 percent in 2017, and only 6.1 percent in 2015).

Figure 2.31

Shareholder Proposals on Social and Environmental Policy—Average Voting Results, by Topic (2019)

		As a percentage of votes cast			As a percentage of shares outstanding			
	Voted proposals	For	Against	Abstain	For	Against	Abstain	Nonvotes
Political issues	59	33.6%	64.8%	1.6%	27.9%	50.1%	1.4%	12.3%
Environmental issues	26	24.1	73.3	2.6	18.8	56.8	2.0	12.4
Human rights	15	22.1	76.0	1.9	21.5	56.9	2.0	9.3
Labor issues	14	30.8	67.1	2.1	24.1	48.0	1.7	11.5
Board diversity	11	18.3	80.4	1.3	15.3	59.4	1.2	15.8
Other social issues	11	18.3	80.0	1.7	13.5	60.9	1.3	12.9
Health issues	9	24.3	73.0	2.7	18.0	53.3	2.0	14.8
Animal rights	1	6.8	92.0	1.2	5.3	72.3	1.0	8.3
Sustainability reporting	1	9.7	89.9	0.5	21.3	0.0	1.0	12.6
Average	n=147	**27.3**	**70.8**	**1.9**	**22.5**	**53.3**	**1.6**	**12.4**

Percentages may not add to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Figure 2.32

Shareholder Proposals on Social and Environmental Policy—Average Support Level by Topic (2016, 2018, and 2019)

For votes as percentage of votes cast

	2019	2018	2016
Political issues	33.6%	28.0%	22.6%
Labor issues	30.8	26.4	12.9
Health issues	24.3	21.4	11.0
Environmental issues	24.1	29.4	22.9
Human rights	22.1	17.5	10.0
Other social issues	18.3	15.0	4.5
Board diversity	18.3	18.1	28.0
Sustainability reporting	9.7	27.9	23.2
Animal rights	6.8	9.1	27.1

Source: The Conference Board/ESGAUGE, 2019.

Other Shareholder Proposals

Shareholder proposals analyzed in this all-inclusive section of the report include requests for management to effect strategic and financial changes in the organization. Most of the proposals filed in this category pertained to the election of director nominees not supported by management and were included on the activist's proxy card in a proxy fight mounted to gain board representation or control. For this reason, data on other shareholder proposals segmented and analyzed in this section of the report should be read in connection with the information discussed in "Part 4: Proxy Contests and Other Shareholder Activism Campaigns," on p. 138.

For the purpose of this report, other shareholder proposals are categorized based on the following topics:

- **Approve control-share acquisition** To restore the voting rights to the common shares that are subject to the control-share restrictions of a state control-share acquisition statute

  A typical control-share acquisition statute provides that voting rights of shares acquired by a stockholder at ownership levels of 20 percent, 33 1/3 percent, and 50 percent of the outstanding voting stock be denied unless disinterested shareholders approve the restoration of the voting power. A control-share acquisition provision protects a company against the accumulation of a controlling block of voting shares by allowing shareholders to decide collectively whether a proposed acquisition of voting control of the company should be permitted.
- **Approve stock split** To approve a stock split transaction, in which a company divides its existing shares into multiple shares, usually to address situations where share price has become either too high or has exceeded the share price of similar companies in the same sector. Although the price of each outstanding share decreases as a result of the split, the total dollar value of the shares held by a certain shareholder remains the same as the pre-split value.
- **Divest asset (division)** Requesting the company sell/spin off assets, divisions, or subsidiaries
- **Elect dissident's director nominee** To elect a dissident's director nominee

  These proposals appear on the dissident's proxy card in a proxy fight.
- **Fill board vacancy (reduce defense)** To limit the board of directors' ability to fill vacancies on the board or to allow or require vacancies be filled by shareholders
- **Hire adviser to evaluate strategy alternatives/seek company sale or liquidation** Requesting that an investment banking firm be engaged to maximize shareholder value and/or seek the sale or liquidation of the company
- **Other capital stock-related** Includes any other shareholder-sponsored proposals related to the capital stock of the company
- **Other maximize shareholder value-related** Other shareholder-sponsored proposals requesting specific action be taken to enhance shareholder value not otherwise categorized
- **Remove director(s)** To remove one or more directors from the board. This proposal usually appears at a special meeting or through a written consent solicitation, and it is often used in conjunction with proposals to elect one or more dissident directors.

- **Repeal bylaw amendments adopted during proxy fight** To repeal any bylaw amendments adopted by the company during a proxy fight

  This proposal type is usually a precautionary measure to preempt any potential defenses that the board might adopt during a proxy fight.
- **Return capital to shareholders (dividends/buyback)** Requesting the company return cash via dividends and share repurchases/self-tender offers
- **Terminate investment advisory agreement** To terminate a closed-end fund's investment advisory agreement

  The proposal may or may not be binding. Such a proposal type is often made in order to pressure the board to reduce the fund's discount to net asset value (NAV).
- **Miscellaneous** Any shareholder-sponsored proposals not otherwise categorized in this report

For the formulation of proposals submitted under this subject category, see Appendix 1 on p. 231.

By topic

In the Russell 3000, during the examined period of 2019, shareholders voted only on 19 proposals in the all-inclusive "other shareholder proposals" category, down from 31 in 2018 and 47 of 2016. Of those, 10 (or 52.6 percent) pertained to the election of a dissident's director nominee; there were 20 of this type last year alone (Figure 2.33). These are shareholder-sponsored proposals included on the dissident's proxy card in a proxy fight mounted to gain board representation or control. For this reason, data on other shareholder proposals segmented and analyzed in this section of the report should be read in connection with the information discussed in "Part 4: Proxy Contests and Other Shareholder Activism Campaigns," on p. 138.

Figure 2.33

Other Shareholder Proposals—by Topic (2016, 2018, and 2019)

Number of voted shareholder proposals, percentage of total

	2019		2018		2016	
	Number of proposals	Percentage of total	Number of proposals	Percentage of total	Number of proposals	Percentage of total
Elect dissident's director nominee	10	52.6%	20	64.5%	24	51.1%
Remove director(s)	4	21.1	1	3.2	n/a	n/a
Hire adviser to evaluate strategy alternatives/ seek company sale or liquidation	2	10.5	1	3.2	4	8.5
Miscellaneous	2	10.5	4	12.9	2	4.3
Return capital to shareholders (dividends/buyback)	1	5.3	3	9.7	16	34.0
Repeal bylaw amendments adopted during proxy fight	n/a	n/a	1	3.2	1	2.1
Divest asset (division)	n/a	n/a	1	3.2	n/a	n/a
	n=19		n=31		n=47	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Among the "other shareholder proposals" that went to a vote during the 2019 period, two sought the engagement of an adviser to evaluate strategy alternatives, four demanded the removal of directors (a proposal type that is often seen filed in conjunction with proposals to elect one or more dissident directors), and one requested the return of capital to shareholders through dividends or buybacks.

Most frequent sponsors—by topic

Table 6 ranks by topic the most frequent sponsors of other shareholder proposals. The proposals for the election of a dissident's nominee were primarily sponsored by stakeholder groups Voce Catalyst Partners (four proposals, each accompanied by a proposal to remove one or more directors) and MNG Enterprises (three proposals). Individual investor Myra K. Young was the proponent of two resolutions seeking asset (division) sales. Individual investor Peter T. Kross initiated a vote seeking the evaluation of strategic alternatives.

Table 6

Other Shareholder Proposals—Most Frequent Sponsors, by Topic (2019)

Rank	Sponsor name	Sponsor type	Number of proposals
	ELECT DISSIDENT'S DIRECTOR NOMINEE		
1	Voce Catalyst Partners LP	Other stakeholders	4
2	MNG Enterprises, Inc.	Other stakeholders	3
3	Altai Capital Management LP	Hedge funds	1
	Caligan Partners LP	Other stakeholders	1
	Cruiser Capital Advisors LLC	Hedge funds	1
	Neuberger Berman Investment Advisers LLC	Investment advisers	1
	Roaring Blue Lion Capital Management LP	Hedge funds	1
	Snow Park Capital Partners LP	Hedge funds	1
	HIRE ADVISER TO EVALUATE STRATEGY ALTERNATIVES/ SEEK COMPANY SALE OR LIQUIDATION		
1	Peter T. Kross	Individuals	1
	MISCELLANEOUS		
1	Walter Garcia	Individuals	2
2	Andre Danesh	Other stakeholders	1
	Charles S. Fitch	Individuals	1
	Lawrence E. Page	Individuals	1
	Portfolio 21 Global Equity Fund	Hedge funds	1
	Sam and Wendy Hitt Family Trust	Other stakeholders	1
	OTHER MAXIMIZE SHAREHOLDER VALUE-RELATED		
1	Alan Ball	Individuals	1
	National Center for Public Policy Research	Other stakeholders	1
	REMOVE DIRECTOR(S)		
1	Voce Catalyst Partners LP	Other stakeholders	4
	RETURN CAPITAL TO SHAREHOLDERS (DIVIDENDS/BUYBACK)		
1	Myra K. Young	Individuals	2
2	Oxfam America, Inc.	Other stakeholders	1
	Robert L. Kurte	Individuals	1

Source: The Conference Board/ESGAUGE, 2019.

Voting results—by topic

As shown in Figure 2.34, shareholder proposals on the election of a dissident's director nominee received, on average, the support of only 27.4 percent of shares outstanding. None of the other proposals (such as the one to hire an independent adviser to evaluate strategic alternatives or the ones to distribute dividends) received the support of the majority of votes cast, with several obtaining only a single-digit support level.

In Figure 2.34 and Figure 2.35, voting results related to "elect dissident's director nominee" are shown as a percentage of shares outstanding because the votes cast are divided between the dissident and management nominees. Shareholders generally only cast a vote for the nominee they support. Average voting support level for these types of proposals was 27.4 percent in 2019, down considerably from the 43.2 percent recorded last year and more in line with the performance of 2015 (30.6 percent).

Figure 2.34

Other Shareholder Proposals—Average Voting Results, by Topic (2019)

		As a percentage of votes cast			As a percentage of shares outstanding			
	Voted proposals	For	Against	Abstain	For	Against	Abstain	Nonvotes
Elect dissident's director nominee	10	–	–	–	27.4%	34.4%	14.7%	n/a
Remove director(s)	4	10.8%	83.2%	8.0%	9.1	69.7	6.8	6.8%
Hire adviser to evaluate strategy alternatives/ Seek company sale or liquidation	2	1.8	97.9	0.3	1.9	71.0	0.5	17.5
Miscellaneous	2	1.1	98.5	0.8	0.8	72.2	0.6	48.4
Return capital to shareholders (dividends/buyback)	1	3.2	95.5	1.3	2.6	78.3	1.1	8.7
Average	n=19	**5.8**	**91.2**	**3.9**	**16.8**	**52.0**	**9.3**	**8.8**

Note: Results for shareholder proposals to elect a dissident's director nominee are shown as a percentage of shares outstanding because the votes cast are divided between the dissident and management nominees. Shareholders generally only cast one vote for the nominee they support.

Percentages may not add to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Figure 2.35

Other Shareholder Proposals—Average Support Level by Topic (2016, 2018, and 2019)

For votes as percentage of votes cast

	2019	2018	2016
Elect dissident's director nominee	27.4%	43.2%	22.7%
Remove director(s)	10.8	33.8	n/a
Return capital to shareholders (dividends/buyback)	3.2	4.0	2.3
Hire adviser to evaluate strategy alternatives/Seek company sale or liquidation	1.8	41.8	30.4
Miscellaneous	1.1	16.0	2.4
Divest asset (division)	n/a	21.5	n/a
Repeal bylaw amendments adopted during proxy fight	n/a	84.5	14.6

n/a = No voted proposals

Note: Results reported for "Elect dissident's director nominee" proposals are *for* votes as a percentage of shares outstanding.

Source: The Conference Board/ESGAUGE, 2019.

PART 3

Management Proposals

Management proposals are company-formulated resolutions submitted to the vote of shareholders at the AGM, when applicable state corporate laws or the company's articles of incorporation or bylaws require shareholder approval on a certain business action. Companies routinely file management proposals on a variety of resolutions for which they solicit shareholder votes, including the ratification of auditors, the election of members of the board of directors, and the advisory vote on executive compensation.

This section reviews the volume, subjects, and voting results of management proposals filed at SEC-registered companies. The major highlight of this analysis is the increase in the volume of management proposals seeking governance-related changes (from board declassification to majority voting, and from the right to call special meetings to the elimination of supermajority requirements) that would normally occur in response to the adoption of a shareholder proposal. These proposals were often prompted by ISS voting guidelines on board responsiveness, following the majority support received in the previous proxy season by a precatory shareholder proposal on the same topic (see "Board Responsiveness" on p. 67).

In the nine years of management-proposed say-on-pay votes at most US companies, say on pay continues to function as a catalyst to greater company awareness of current compensation issues and more engagement and transparent communication with investors. Only one company in the Russell 3000 failed to win shareholder support for its say-on-pay proposals for any of the eight years.

Volume

Per company

As shown in Figure 3.1, in the Russell 3000 sample examined for the purpose of this report, management filed on average 8.9 proposals per company, down slightly from the average of 9.6 proposals per company submitted in the same period in 2017 but in line with the numbers for 2018, 2016 and 2015. The average was calculated by dividing the total number of management proposals submitted in the sample period (Figure 3.2) by the total number of shareholder meetings held by index companies during the same period (Figure 1.1).

The decline was greater among the large-cap sample of S&P 500 companies, where the average number of management proposals per company fell from 13.5 in 2017 to 12.5 in 2018 and 2019. The finding denotes that management proposal volume per company is independent of market capitalization.

By index

Proposal volume among the Russell 3000 sample increased 2.6 percent in 2019 (563 proposals). Among the S&P 500 sample, proposal volume was consistent with the volume recorded in 2018 but lower than in 2017, a year when many companies held an advisory vote on the frequency of the say-on-pay vote (Figure 3.2).

Figure 3.1

Average Management Proposal Volume per Company—by Index (2016–2019)

Average number of management proposals per company

	S&P 500	Russell 3000
2019	12.5	8.9
2018	12.5	8.8
2017	13.5	9.6
2016	12.5	8.8

Source: The Conference Board/ ESGAUGE, 2019.

Figure 3.2

Management Proposal Volume—by Index (2016–2019)

Number of management proposals

	S&P 500	Russell 3000
2019	5,489	22,645
2018	5,509	22,082
2017	5,945	22,966
2016	5,451	20,223

Source: The Conference Board/ ESGAUGE, 2019.

By industry

As shown in Figure 3.3, the highest concentration of management proposals was in the utilities industry (10.6 proposals per company, on average) and the lowest among companies in the health care industry category (7.2 proposals per company). Most other industries do not depart significantly from the index average of 9.1 proposals per company. The average by industry was calculated by dividing the number of management proposals submitted in each industry category in the sample period by the number of AGMs held by companies in each industry during the same period (Figure 1.2).

Companies in the utilities industry reported the largest increase in the average number of management proposals since 2018 (from 9.9 proposals per company in 2018 to 10.6 proposals per company in 2019).

Figure 3.3

Management Proposal Volume—by Industry (2016, 2018, and 2019)

	2019		2018		2016	
Industry	Average number of management proposals per company	Number of proposals	Average number of management proposals per company	Number of proposals	Average number of management proposals per company	Number of proposals
Communication services	8.5	795	8.9	775	9.2	744
Consumer discretionary	9.3	2,592	9.1	2,627	9.0	2,393
Consumer staples	10.2	736	10.3	732	10.2	686
Energy	9.0	1,355	8.7	1,367	9.1	1,178
Financials	9.7	4,953	9.7	4,791	9.6	4,490
Health care	7.2	3,140	7.2	2,951	7.3	2,593
Industrials	9.1	3,100	9.0	3,068	8.8	2,843
Information technology	8.1	2,366	8.1	2,302	8.2	2,090
Materials	9.0	1,055	9.1	1,083	8.9	970
Real estate	9.4	1,790	9.1	1,696	8.8	1,532
Utilities	10.6	763	9.9	690	10.4	704
		n=22,645		n=22,082		n=20,223

Source: The Conference Board/ESGAUGE, 2019.

Figure 3.4

Management Proposal Volume—by Subject (2016, 2018, and 2019)

	2019		2018		2016	
	Number of management proposals	Percentage of total	Number of management proposals	Percentage of total	Number of management proposals	Percentage of total
Corporate governance	16,835	74.3%	16,420	74.4%	14,985	74.1%
Executive compensation	3,034	13.4	2,889	13.1	2,728	13.5
Social and environmental policy	0	0.0	0	0.0	0	0.0
Other	2,776	12.3	2,773	12.6	2,510	12.4
	n=22,645		n=22,082		n=20,223	

Percentages may not add up to 100 due to rounding.
Source: The Conference Board/ESGAUGE, 2019.

By subject

Figure 3.4 documents the distribution of management proposals by subject and their historical variation. Corporate governance proposals represent about three-quarters of the total number of management proposals, and the proportion has remained consistent over the last few years. However, the volume of governance proposals has grown by nearly 15 percent since 2010, as the comparison with data included in an earlier edition of this report illustrates. This number was driven by the gradual increase in the number of proposals related to the election of management's director nominees, as well as by the pressure that the board responsiveness guidelines from ISS is exercising on companies to preempt with management proposals a negative voting recommendation on director elections.

Subjects

For the purpose of this report, management proposals are categorized based on the four subjects already described in Part 2: corporate governance, executive compensation, social and environmental policy, and other proposals.

By index

The subject analysis by index shows the distribution of management proposal subjects in the Russell 3000 and S&P 500 sample (Figure 3.5). During the examined 2019 period, management of S&P 500 companies submitted a somewhat higher proportion of corporate governance proposals and a slightly lower proportion of executive compensation proposals. Despite the increasing attention that institutional investors and proxy advisory firms are paying to issues of social and environmental policy of business corporations, no management proposals were filed on this subject in either index.

Figure 3.5

Management Proposal Subject—by Index (2019)

	S&P 500		Russell 3000	
	Number of management proposals	Percentage of total	Number of management proposals	Percentage of total
Corporate governance	4,422	80.6%	16,835	74.3%
Executive compensation	541	9.9	3,034	13.4
Social and environmental policy	0	0.0	0	0.0
Other	526	9.6	2,776	12.3
	n=5,489		n=22,645	

Percentages may not add up to 100 due to rounding.
Source: The Conference Board/ESGAUGE, 2019.

By industry

Figure 3.6 illustrates the distribution of management proposal subjects within each industry. For example, industries with the highest proportion of corporate governance proposals were utilities and consumer staples (80.1 percent and 79.3 percent, respectively), followed by communication services (77 percent).

Information technology companies had the highest proportion of executive compensation proposals (16 percent) while health care firms reported the highest share of proposals in the all-inclusive "other" category (also 16 percent) and the lowest percentage of governance-related proposals (68.4 percent).

Figure 3.6

Management Proposal Subject—by Industry (2019)

	Corporate governance		Executive compensation		Social and environmental policy		Other	
Industry	Number of management proposals	Percentage of total	Number of management proposals	Percentage of total	Number of management proposals	Percentage of total	Number of management proposals	Percentage of total
Communication services (n=795)	612	77.0%	82	10.3%	0	0.0	101	12.7%
Consumer discretionary (n=2,592)	1,970	76.0	333	12.8	0	0.0	289	11.1
Consumer staples (n=736)	584	79.3	81	11.0	0	0.0	71	9.6
Energy (n=1,355)	992	73.2	202	14.9	0	0.0	161	11.9
Financials (n=4,953)	3,783	76.4	613	12.4	0	0.0	557	11.2
Health care (n=3,140)	2,147	68.4	492	15.7	0	0.0	501	16.0
Industrials (n=3,100)	2,303	74.3	422	13.6	0	0.0	375	12.1
Information technology (n=2,366)	1,671	70.6	378	16.0	0	0.0	317	13.4
Materials (n=1,055)	792	75.1	136	12.9	0	0.0	127	12.0
Real estate (n=1,790)	1,370	76.5	218	12.2	0	0.0	202	11.3
Utilities (n=763)	611	80.1	77	10.1	0	0.0	75	9.8

(N=22,645)

Percentages may not add up to 100 due to rounding.
Source: The Conference Board/ESGAUGE, 2019.

Voting Results

This section extends the management proposal analysis to average voting results, including the percentage of management proposals reported by the company as passed. In the tables in this section, data on average votes *for* and *against* a proposal as a percentage of votes cast (including abstentions and excluding broker nonvotes) are supplemented with data on results as a percentage of shares outstanding. This additional information highlights the extent of broker nonvotes and offers a more comprehensive assessment of the level of support obtained by these proposals.

The total number of voted management proposals discussed in this section may differ slightly from the total management proposal volume figures discussed earlier (and illustrated in Figures 3.2 to 3.4). The discrepancy is due to proposals that did not ultimately go to a vote or proposals for which voting results were not disclosed or were reported as pending as of July 8, 2019. In addition, where noted, for management proposals at companies that have a multishare system where certain classes of stock only vote on certain proposal types, results as a percentage of shares outstanding are not included because they would skew support level statistics.

By index

Figure 3.7 displays the average voting results by index. *For* and *against* votes as well as abstention levels are calculated both as a percentage of votes cast and as a percentage of shares outstanding. The analysis shows a similar distribution of levels of support, objection, and abstention across both indexes. Nonvotes constitute more than 9.5 percent of shares outstanding in both indexes and reached 11.5 percent in the Russell 3000.

By industry

The voting analysis by industry (Figure 3.8) shows that, despite an average support level across industries of 93.2 percent to 96.7 percent of votes cast, the average level of nonvotes was highest among companies in the health care services sector (13.9 percent) and was more than 10 percent in six other industries.

Figure 3.7

Management Proposal Average Voting Results—by Index (2019)

		As a percentage of votes cast			As a percentage of shares outstanding			
Index	Voted proposals*	For	Against	Abstain	For	Against	Abstain	Nonvotes
S&P 500	5,483	96.1%	3.6%	0.3%	76.0%	3.2%	0.3%	9.8%
Russell 3000	22,510	94.8	4.9	0.5	75.2	4.3	0.4	11.5

Percentages may not add to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Figure 3.8

Management Proposal Average Voting Results—by Industry (2019)

Industry	Voted proposals*	As a percentage of votes cast			As a percentage of shares outstanding			
		For	Against	Abstain	For	Against	Abstain	Nonvotes
Communication services	782	93.2%	6.8%	0.7%	66.0%	7.8%	0.5%	11.5%
Consumer discretionary	2,586	95.3	4.5	0.4	77.7	4.7	0.4	9.7
Consumer staples	733	95.0	4.8	0.3	73.0	4.3	0.2	10.2
Energy	1,328	94.4	5.2	0.6	75.2	4.4	0.5	11.0
Financials	4,936	95.4	4.3	0.6	73.3	3.5	0.4	13.5
Health care	3,139	93.0	6.7	0.6	71.6	5.2	0.5	13.9
Industrials	3,069	95.6	4.1	0.3	79.0	3.8	0.3	9.3
Information technology	2,359	94.7	5.1	0.4	76.6	4.6	0.3	11.4
Materials	1,029	95.9	3.7	0.5	77.9	3.0	0.3	9.9
Real estate	1,787	94.1	5.6	0.5	77.8	4.6	0.5	9.8
Utilities	762	96.7	3.0	0.4	75.1	2.4	0.3	13.2

* Total voted proposals includes "say-on-pay frequency" proposals, but results for those proposals are not included in averages because they are not for/against/abstain votes. For management proposals at companies that have a multishare system where certain classes of stock only vote on certain proposal types, results as a percentage of shares outstanding are not included because they would skew support level statistics.

Percentages may not add to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

By subject

The voting result analysis by subject (Figure 3.9) shows that management proposals on executive compensation had the lowest average support levels: on average, 90.3 percent of votes cast, compared to 95.1 percent for corporate governance proposals, and 98 percent for proposals in the all-inclusive "other" category. There were no management-sponsored proposals in the social and environmental policy area in 2019. Although support levels remain high even in this category, the finding confirms that issues related to executive compensation remain among the most contentious, with some shareholders using those votes to express dissatisfaction with management performance.

Figure 3.9

Management Proposal Average Voting Results—by Subject (2019)

Subject	Voted proposals*	As a percentage of votes cast			As a percentage of shares outstanding			
		For	Against	Abstain	For	Against	Abstain	Nonvotes
Corporate governance	16,757	95.1%	4.7%	0.5%	74.1%	4.2%	0.4%	11.5%
Executive compensation	3,014	90.3	8.9	0.8	71.0	7.3	0.6	11.7
Social and environmental policy	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	2,739	98.0	1.7	0.4	86.7	1.6	0.3	9.0

* Total voted proposals includes "say-on-pay frequency" proposals, but results for those proposals are not included in averages because they are not for/against/abstain votes. For management proposals at companies that have a multishare system where certain classes of stock only vote on certain proposal types, results as a percentage of shares outstanding are not included because they would skew support level statistics.

Source: The Conference Board/ESGAUGE, 2019.

Figure 3.10

Management Proposals Reported as Passed—by Subject (2016, 2018, and 2019)

Percentage of voted management proposals reported as passed*

	2019	2018	2016
Corporate governance	99.7%	99.9%	99.9%
Executive compensation	89.0	97.9	99.0
Social and environmental policy	n/a	n/a	n/a
Other	99.9	99.8	99.8
	n=22,510	n=21,545	n=19,952

* Based on total management proposals for which voting results were disclosed, not those reported only as pass/fail, not voted on, or pending/never disclosed.

n/a = No voted proposals

Source: The Conference Board/ESGAUGE, 2019.

For each subject examined for the purpose of this report, Figure 3.10 illustrates the historical trend in the number and percentage of management proposals reported as passed by Russell 3000 companies. For the reason discussed below, the average is lowest in the executive compensation category, which include the periodic say-on-pay proposals (89 percent, down from 97.9 percent in 2016 and 99 percent in 2016).

Management Proposals on Executive Compensation

In the ninth year of say on pay, average support was high and consistent with the level of acceptance recorded during prior proxy seasons: On average, it reached 90.3 percent among 2,048 companies in the Russell 3000, a percentage that has been fairly consistent over the years (by way of comparison, it was 90.4 percent during the same period in 2014). During the examined period in 2019, 48 companies reported failed say-on-pay votes (2.3 percent), compared with 51 out of 1,976 during the same period in 2018 and 28 out of 2,020 (1.4 percent) during the same period in 2017. The results of nine years of say on pay demonstrate that companies with high votes cannot assume that they will receive overwhelming support the next year, especially if they had poor stock performance or made changes to their pay plans that could be viewed as problematic by investors or proxy advisors. Only one Russell 3000 company has failed all nine years of say on pay: Tutor Perini Corporation, where 62.4 percent of votes cast were *against* the executive compensation proposal in 2019, following dismal voting performance even in prior seasons.

For the purpose of this report, management-sponsored proposals on executive compensation are categorized based on the following topics:

- **Advisory vote on compensation ("say on pay")** Filed in accordance with Section 951 of the Dodd-Frank Act (and implemented under Rule 14a-21(a) of Securities Exchange Act of 1934), which requires public companies with meetings on or after January 21, 2011, to provide shareholders, at least once every three years, a nonbinding vote on the compensation of executive officers as disclosed in the company's proxy statement.

- **Advisory vote on the frequency of compensation vote ("say-on-pay frequency")** Filed in accordance with Section 951 of the Dodd-Frank Act (and implemented under Rule 14a-21(b) of Securities Exchange Act of 1934), which requires public companies holding shareholder meetings on or after January 21, 2011, to provide a nonbinding shareholder vote on the frequency of their say-on-pay vote on executive compensation (i.e., whether on an annual, biennial, or triennial basis). Under the law, this vote on frequency(also referred to as "say when on pay") must be held at least once every six years.
- **Advisory vote on golden parachute compensation ("say on parachutes"**) Filed in accordance with Section 951 of the Dodd-Frank Act (and implemented under Rule 14a-21(c) of Securities Exchange Act of 1934), which requires that—at meetings where shareholders are asked to approve an acquisition, merger, consolidation, or proposed sale or other disposition of all or substantially all corporate assets—management obtain a separate nonbinding shareholder vote on the "golden parachute" compensation arrangements related to the transaction being approved. The term "golden parachute" refers to any agreement or understanding under which, upon the completion of a business combination transaction, executive officers are being granted severance payments, accelerated vesting of stock awards and options, perquisites, and tax reimbursements. Subject to limited exceptions, companies are required to introduce proposals on golden parachute compensation in proxy statements and other schedules and forms filed on or after April 25, 2011.
- **Other executive compensation** Any other management proposal regarding executive compensation. Typically, this category includes proposals to approve the adoption or amendment of equity incentive plans, employee stock purchase plans, and stock option plans.

For the formulation of proposals submitted under this subject category, see Appendix 1 on p. 231.

By topic

Data in Figure 3.11 include proposals for which detailed voting results were reported as of July 8, 2019; proposals reported only as "pass/fail," "not voted on," or "pending/never disclosed" are excluded from this calculation.

The number of say-on-pay proposals at Russell 3000 companies varies marginally from year to year due to the decision by some (in fact, a minority of) companies to hold their advisory vote less frequently than annually. For example, management filed 1,971 say-on-pay proposals in the January 1–June 30, 2018, period, and the number grew to 2,048 this year. In addition, in the 2014 proxy season, the say-on-pay mandate became fully effective to all companies, including those with a capitalization of less than $75 million.

Figure 3.11

Management Proposals on Executive Compensation—by Topic (2016, 2018, and 2019)

Number of voted management proposals, percentage of total*

	2019		2018		2016	
	Number of voted management proposals	Percentage of total	Number of voted management proposals	Percentage of total	Number of voted management proposals	Percentage of total
Advisory vote on executive compensation ("say on pay")	2,048	67.9%	1,971	69.2%	1,703	62.9%
Advisory vote on the frequency of compensation vote ("say-on-pay frequency")	279	9.3	215	7.5	87	3.2
Director compensation related	63	2.1	45	1.6	58	2.1
Advisory vote on golden parachute compensation ("say on parachutes")	n/a	n/a	3	0.1	n/a	n/a
Other executive compensation issues	624	20.7	615	21.6	860	31.8
	n=3,014		n=2,849		n=2,708	

* Totals only include proposals for which detailed voting results were reported, not those reported only as pass/fail, not voted on, or pending/never disclosed.
n/a = No voted proposals

Source: The Conference Board/ESGAUGE, 2019.

Voting results—by topic

Figure 3.12 contains average voting results regarding management proposals on executive compensation voted at Russell 3000 companies in the sample period. In 2019, the ninth year of widespread implementation of say on pay, companies continued to register high levels of support for these executive compensation plans, averaging 90.3 percent of votes cast. However, when broker nonvotes are factored in, average support declines to 71.4 percent of the shares entitled to vote.

Management proposals related to other executive compensation issues (including advisory votes on golden parachutes) were also widely supported.

Figure 3.12

Management Proposals on Executive Compensation—Average Voting Results, by Topic (2019)

		As a percentage of votes cast			As a percentage of shares outstanding			
Topic	Voted proposals	For	Against	Abstain	For	Against	Abstain	Nonvotes
Advisory vote on executive compensation ("say on pay")	2,048	90.3%	8.9%	0.9%	71.4%	7.3%	0.6%	11.4%
Advisory vote on the frequency of compensation vote ("say-on-pay frequency")	279	–	–	–	–	–	–	–
Director compensation related	63	90.7	8.3	1.0	71.3	7.0	0.8	12.7
Other executive compensation issues	624	90.5	9.0	0.5	69.7	7.5	0.4	12.5

Note: Total voted proposals includes "say-on-pay frequency" proposals, but results for those proposals are not included in averages because they are not for/against/abstain votes. For management proposals at companies that have a multishare system where certain classes of stock only vote on certain proposal types, results as a percentage of shares outstanding are not included because they would skew support level statistics.

Percentages may not add to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

The figure does not display results for say-on-pay frequency proposals, which allow shareholders to vote in favor of holding a say-on-pay consultation every one, two, or three years and are not for/against/abstain votes. According to recent data, more than 90 percent of companies in the S&P 500 hold annual say-on-pay voting.[6]

On voted say-on-pay proposals, also see "The Say-on-Pay Vote at Russell 3000 Companies" below, where the findings in Figure 3.12 are supplemented with information on the companies that failed to obtain majority shareholder support for their advisory votes, as well as those that received the support of less than 70 percent of votes cast.

The Say-on-Pay Vote at Russell 3000 Companies

Exhibits 2 and 3 on pages 111–120 supplement the average voting results included in Figure 3.8 with, respectively, information on the companies that failed their say-on-pay vote and those that received the support of less than 70 percent of votes cast. In the exhibits, findings from the 2019 proxy season are compared with the corresponding sample period in 2018.

Failed say on pay

Of companies in the Russell 3000 that held meetings between January 1 and June 30, 2019, and that reported detailed say-on-pay vote results as of July 8, 2019 (a total of 2,048 companies), 48 executive compensation plans (or 2.3 percent) failed to receive the majority support of shareholders. This compares with 51 companies that failed those votes during the same period in 2018 and, according to an earlier edition of this study, 51, 47 and 51 companies that failed those votes during the same period in 2014, 2013 and 2012, respectively. Nine companies that reported failed votes in 2019 also had failed votes in 2018. Their names are highlighted in boldface type in Exhibit 2: Nexstar Media Group, Inc., Nabors Industries Ltd., Nuance Communications, Inc., Digimarc Corporation, IMAX Corp., Tutor Perini Corporation, Ameriprise Financial, Inc., FleetCor Technologies, Inc., and SandRidge Energy, Inc. Tutor Perini Corporation is the only company in the Russell 3000 that has failed all nine years of say-on-pay advisory votes. Nabors Industries Ltd. had four consecutive failed votes as of 2014, received 65.3 percent of *for* votes at its 2015 AGM, then failed the advisory vote again in 2016 (with a mere 36 percent of votes cast in favor of the compensation plan proposed by management), in 2017 (where the percentage of favorable votes cast increased only slightly, to 42.3 percent), in 2018 (with as much as 62 percent of votes cast *against* the say-on-pay proposal), and in 2019 (47.3 percent of votes cast in favor and 52.5 percent *against*).

There is a significant year-over-year turnover in failed votes and, aside from the cases indicated above, all companies that failed their say-on-pay votes in 2019 had successful votes in 2018, in most cases by wide margins. This is an indication that companies cannot lower their guard when it comes to compensation oversight and need to ensure ongoing transparency, not only by communicating any new compensation decision made by the board but also by providing reassurance that the compensation policy continues to be aligned with the long-term business strategy of the organization.

6 Say on Pay Vote Results (S&P 500), Compensation Advisory Partners, January 25, 2018.

The average support level among the companies that did not obtain majority support on their advisory vote on executive compensation was 37.5 percent of votes cast, up from 36.4 percent last year. Among companies that failed the 2019 say-on-pay vote, SandRidge Energy, Inc. reported the lowest support level (a mere 19.1 percent of votes cast). The incidence of nonvotes also varied sharply within the group, from a high of 35.4 percent of shares outstanding at Digimarc Corporation to a low of 0 percent at SandRidge Energy, Inc.

The 70 percent threshold

Another 136 companies in the Russell 3000 (6.6 percent) reported passing say-on-pay proposals with support of less than 70 percent of votes cast, the level at which proxy advisory firms may scrutinize more closely their compensation plans and evaluate issuing a future negative recommendation. This finding is higher than the 5.7 percent of companies with votes under 70 percent seen during the same period in 2018.

The list includes American International Group, Inc., General Electric Company, Six Flags Entertainment Corporation, Papa John's International, Inc., Johnson & Johnson, Yelp, Vornado Realty Trust, Halliburton Corporation, Red Lion Hotels Corporation, Intel Corporation, Gap, Inc., Walt Disney Company, and Mondelex International, Inc. Moreover, 22 of the companies below the 70 percent support threshold in 2019 were below that level in 2018; their names are highlighted in boldface type in Exhibit 3. Their boards will inevitably need to reopen the discussion on pay for performance and either persuade investors that their compensation policies are sound and fit the company's strategic needs or revisit those policies. In fact, many of the companies on this gray list have already made additional filings to integrate information on their approach to executive pay or to dispute ISS's characterization of their compensation choices.

RETURN TO KEY FINDINGS
(page 26)

Exhibit 2

Say-on-Pay Management Proposals—Failed Proposals (2018–2019)

Company	Ticker	Industry	Proposal outcome (pass/fail)	As a percentage of votes cast			As a percentage of shares outstanding			
				For	Against	Abstain	For	Against	Abstain	Nonvotes
2019										
Netflix, Inc.	NFLX	Communication services	Fail	49.8%	49.9%	0.3%	36.2%	36.3%	0.2%	18.0%
At Home Group Inc.	HOME	Consumer discretionary	Fail	49.6	50.4	0.0	42.1	42.9	0.0	8.6
Tribune Media Co.	TRCO	Communication services	Fail	49.4	50.5	0.2	37.8	38.7	0.1	6.5
Vector Group Ltd.	VGR	Consumer staples	Fail	49.1	50.2	0.7	33.5	34.2	0.5	25.1
Nexstar Media Group, Inc.	**NXST**	**Communication services**	**Fail**	**48.9**	**50.8**	**0.3**	**44.3**	**46.0**	**0.3**	**4.7**
Tyler Technologies, Inc.	TYL	Information technology	Fail	47.4	52.5	0.1	40.9	45.4	0.1	8.0
Nabors Industries Ltd.	**NBR**	**Energy**	**Fail**	**47.3**	**52.5**	**0.2**	**39.9**	**44.3**	**0.1**	**17.0**
QEP Resources, Inc.	QEP	Energy	Fail	47.2	52.6	0.2	33.5	37.4	0.2	7.2
Nuance Communications, Inc.	**NUAN**	**Information technology**	**Fail**	**47.0**	**52.9**	**0.1**	**38.7**	**43.5**	**0.1**	**11.3**
Digimarc Corporation	**DMRC**	**Information technology**	**Fail**	**46.8**	**51.8**	**1.4**	**22.8**	**25.2**	**0.7**	**35.4**
Middleby Corporation	MIDD	Industrials	Fail	46.2	53.7	0.1	39.6	46.1	0.0	0.0
Diebold Nixdorf Incorporated	DBD	Information technology	Fail	46.2	53.3	0.4	32.6	37.7	0.3	14.5
LendingClub Corp	LC	Financials	Fail	45.8	54.1	0.2	0.0	0.0	0.5	0.0
Willdan Group, Inc.	WLDN	Industrials	Fail	45.5	50.2	4.3	32.7	36.1	3.1	16.2
Applied Optoelectronics, Inc.	AAOI	Information technology	Fail	45.0	49.7	5.3	13.1	14.5	1.5	48.4
South Jersey Industries, Inc.	SJI	Utilities	Fail	44.5	55.0	0.5	40.3	49.8	0.4	16.3
Boston Beer Company, Inc.	SAM	Consumer staples	Fail	44.2	55.6	0.2	33.4	42.0	0.2	0.0
Frontier Communications Corporation	FTR	Communication services	Fail	43.7	50.0	6.3	18.3	21.0	2.6	41.1
Align Technology, Inc.	ALGN	Health care	Fail	42.5	52.6	4.9	33.6	41.6	3.9	8.3
iStar, Inc.	STAR	Real estate	Fail	42.1	55.4	2.5	34.8	45.8	2.0	16.5
SS&C Technologies Holdings, Inc.	SSNC	Information technology	Fail	41.8	57.8	0.4	37.5	51.8	0.3	3.8
PTC Inc.	PTC	Information technology	Fail	41.7	58.3	0.1	38.7	54.1	0.1	3.6
Xerox Corporation	XRX	Information technology	Fail	40.1	59.7	0.2	29.5	43.9	0.1	7.4
Williams-Sonoma, Inc.	WSM	Consumer discretionary	Fail	39.6	60.1	0.3	33.0	50.1	0.3	9.5
Rayonier Advanced Materials Inc	RYAM	Materials	Fail	39.6	59.9	0.5	30.2	45.7	0.4	14.0
IMAX Corp.	**IMAX**	**Communication services**	**Fail**	**39.2**	**60.6**	**0.3**	**31.7**	**49.1**	**0.2**	**5.8**
CenturyLink, Inc.	CTL	Communication services	Fail	38.7	56.7	4.6	24.7	36.2	2.9	23.4
2U, Inc.	TWOU	Information technology	Fail	38.3	61.4	0.3	36.3	58.3	0.3	10.6
Xperi Corporation	XPER	Information technology	Fail	38.0	55.1	6.9	31.3	45.4	5.7	9.5
Mallinckrodt plc	MNK	Health care	Fail	36.5	63.3	0.2	27.9	48.4	0.2	12.9
Signature Bank	SBNY	Financials	Fail	36.1	58.3	5.6	32.3	52.1	5.0	3.5
Tutor Perini Corporation	**TPC**	**Industrials**	**Fail**	**36.1**	**62.4**	**1.5**	**32.2**	**55.8**	**1.3**	**5.8**
ASGN Incorporated	ASGN	Industrials	Fail	34.5	62.3	3.1	31.0	56.0	2.8	5.4
NCR Corporation	NCR	Information technology	Fail	34.5	60.9	4.5	32.6	57.5	4.3	10.5
Alkermes plc	ALKS	Health care	Fail	34.2	63.0	2.8	30.9	56.8	2.6	3.7
Varonis Systems, Inc.	VRNS	Information technology	Fail	33.4	66.6	0.1	23.7	47.2	0.1	11.3

(Exhibit 2 continues on next page.)

Exhibit 2 (continued)

Say-on-Pay Management Proposals—Failed Proposals (2018–2019)

				As a percentage of votes cast			As a percentage of shares outstanding			
Company	Ticker	Industry	Proposal outcome (pass/fail)	For	Against	Abstain	For	Against	Abstain	Nonvotes
Ameriprise Financial, Inc.	**AMP**	**Financials**	**Fail**	**32.6%**	**63.6%**	**3.8%**	**26.4%**	**51.5%**	**3.1%**	**9.1%**
AGCO Corporation	AGCO	Industrials	Fail	32.0	64.7	3.4	27.8	56.2	2.9	3.7
Puma Biotechnology, Inc.	PBYI	Health care	Fail	27.4	72.5	0.2	20.6	54.6	0.1	13.1
United Therapeutics Corporation	UTHR	Health care	Fail	26.9	67.3	5.8	21.8	54.6	4.7	3.6
Citizens, Inc.	CIA	Financials	Fail	26.8	33.5	39.8	6.0	7.5	8.9	5.8
FleetCor Technologies, Inc.	**FLT**	**Information technology**	**Fail**	**25.0**	**72.4**	**2.5**	**21.4**	**61.9**	**2.2**	**3.9**
New Media Investment Group, Inc.	NEWM	Communication services	Fail	23.7	71.5	4.8	18.3	55.0	3.7	15.5
SandRidge Energy, Inc.	**SD**	**Energy**	**Fail**	**19.1**	**38.7**	**42.2**	**13.9**	**28.2**	**30.7**	**0.0**
Proofpoint, Inc.	PFPT	Information technology	Fail	18.2	81.7	0.1	15.6	70.0	0.1	0.0
Kilroy Realty Corporation	KRC	Real estate	Fail	15.4	84.5	0.1	14.5	79.7	0.1	1.2
MEDNAX, Inc.	MD	Health care	Fail	12.5	87.3	0.1	10.2	70.8	0.1	5.1
ImmunoGen, Inc.	IMGN	Health care	Fail	9.4	88.7	1.9	6.0	56.5	1.2	25.3
Average				37.5	59.1	3.4	28.2	45.5	2.1	11.0
2018										
Cogent Communications Holdings Inc	CCOI	Communication services	Fail	49.6	50.2	0.1	43.8	44.4	0.1	5.4
Waterstone Financial, Inc.	WSBF	Financials	Fail	49.2	49.9	0.9	36.6	37.0	0.7	0.0
Fluidigm Corporation	FLDM	Health care	Fail	49.1	50.8	0.1	39.5	40.8	0.1	11.3
AECOM	ACM	Industrials	Fail	48.1	51.4	0.5	40.4	43.1	0.4	6.6
Palatin Technologies, Inc.	PTN	Health care	Fail	48.0	51.2	0.8	10.1	10.8	0.2	38.6
Rambus Inc.	RMBS	Information technology	Fail	46.0	50.7	3.3	34.9	38.5	2.5	14.8
USG Corporation	USG	Industrials	Fail	45.9	52.6	1.4	39.0	44.7	1.2	2.8
Virtus Investment Partners, Inc.	VRTS	Financials	Fail	45.8	53.3	0.8	38.0	44.2	0.7	5.5
Mattel, Inc.	MAT	Consumer discretionary	Fail	45.7	54.2	0.1	38.4	45.5	0.1	9.1
Boingo Wireless, Inc.	WIFI	Communication services	Fail	45.3	54.5	0.2	36.8	44.2	0.1	9.5
Trinseo SA	TSE	Materials	Fail	44.5	55.2	0.3	38.0	47.2	0.2	8.8
Mondelez International, Inc.	MDLZ	Consumer staples	Fail	44.4	55.0	0.6	31.2	38.7	0.4	12.1
Commercial Metals Company	CMC	Materials	Fail	43.8	54.5	1.7	37.5	46.7	1.4	7.8
Walt Disney Company	DIS	Communication services	Fail	43.6	52.2	4.2	29.9	35.9	2.9	17.0
IMAX Corp.	**IMAX**	**Communication services**	**Fail**	**43.2**	**56.8**	**0.0**	**34.3**	**45.1**	**0.0**	**7.1**
LivePerson, Inc.	LPSN	Information technology	Fail	42.5	56.8	0.7	25.3	33.8	0.4	11.7
Chesapeake Energy Corporation	CHK	Energy	Fail	42.3	51.4	6.3	18.2	22.2	2.7	38.7
Halliburton Company	HAL	Energy	Fail	42.0	56.6	1.3	30.8	41.6	1.0	10.6
Universal Insurance Holdings, Inc.	UVE	Financials	Fail	41.8	57.4	0.8	32.9	45.1	0.6	14.9
Tanger Factory Outlet Centers, Inc.	SKT	Real estate	Fail	41.8	57.8	0.5	31.3	43.4	0.3	17.3
Preferred Bank	PFBC	Financials	Fail	41.7	58.3	0.0	32.6	45.6	0.0	12.0
Digimarc Corporation	**DMRC**	**Information technology**	**Fail**	**41.5**	**57.3**	**1.2**	**20.5**	**28.3**	**0.6**	**35.2**
Medifast, Inc.	MED	Consumer staples	Fail	41.0	58.6	0.4	31.9	45.7	0.3	13.7

(Exhibit 2 continues on next page.)

Exhibit 2 (continued)

Say-on-Pay Management Proposals—Failed Proposals (2018–2019)

Company	Ticker	Industry	Proposal outcome (pass/fail)	As a percentage of votes cast			As a percentage of shares outstanding			
				For	Against	Abstain	For	Against	Abstain	Nonvotes
Nabors Industries Ltd.	**NBR**	**Energy**	**Fail**	**40.7%**	**59.2%**	**0.2%**	**31.0%**	**45.1%**	**0.1%**	**12.5%**
Huron Consulting Group Inc.	HURN	Industrials	Fail	39.8	60.1	0.1	35.0	52.8	0.1	5.8
Nexstar Media Group, Inc.	**NXST**	**Communication services**	**Fail**	**39.5**	**58.3**	**2.3**	**33.3**	**49.2**	**1.9**	**8.9**
Hospitality Properties Trust	HPT	Real estate	Fail	39.1	54.9	6.0	30.6	42.9	4.7	15.9
Qualys, Inc.	QLYS	Information technology	Fail	38.8	61.1	0.1	32.7	51.5	0.0	7.9
Tutor Perini Corporation	**TPC**	**Industrials**	**Fail**	**37.9**	**62.0**	**0.1**	**33.1**	**54.0**	**0.1**	**7.0**
G-III Apparel Group, Ltd.	GIII	Consumer discretionary	Fail	37.0	62.8	0.2	33.3	56.6	0.1	3.5
Gentherm Incorporated	THRM	Consumer discretionary	Fail	36.6	63.3	0.1	33.5	57.9	0.1	4.2
Whitestone REIT	WSR	Real estate	Fail	36.2	61.0	2.8	25.4	42.8	2.0	0.0
Zoe's Kitchen, Inc.	ZOES	Consumer discretionary	Fail	35.3	43.5	21.2	28.1	34.6	16.9	15.5
iStar Inc.	STAR	Real estate	Fail	35.1	53.3	11.6	26.1	39.6	8.6	18.3
FCB Financial Holdings, Inc.	FCB	Financials	Fail	33.1	66.6	0.3	29.0	58.3	0.2	3.8
Goodrich Petroleum Corporation	GDP	Energy	Fail	33.0	41.1	25.9	25.7	32.1	20.2	6.7
New York Community Bancorp, Inc.	NYCB	Financials	Fail	32.9	66.2	0.8	22.1	44.4	0.6	23.5
Cleveland Cliffs Inc.	CLF	Materials	Fail	31.8	66.6	1.6	14.8	31.0	0.7	34.3
Sanmina-SCI Corporation	SANM	Information technology	Fail	30.7	69.2	0.1	26.0	58.6	0.1	6.4
First Horizon National Corporation	FHN	Financials	Fail	29.8	63.8	6.4	24.8	53.0	5.3	9.6
Synergy Pharmaceuticals, Inc.	SGYP	Health care	Fail	29.2	70.2	0.7	12.9	31.0	0.3	37.0
GenMark Diagnostics, Inc.	GNMK	Health care	Fail	28.5	71.2	0.3	22.7	56.6	0.3	13.6
Ameriprise Financial, Inc.	**AMP**	**Financials**	**Fail**	**24.3**	**71.8**	**3.8**	**19.9**	**58.9**	**3.1**	**7.9**
Patterson-UTI Energy, Inc.	PTEN	Energy	Fail	24.3	75.0	0.8	21.0	64.9	0.7	3.5
Bed Bath & Beyond Inc.	BBBY	Consumer discretionary	Fail	21.3	78.3	0.3	16.6	60.8	0.2	10.5
Nevro Corp.	NVRO	Health care	Fail	20.3	79.3	0.4	17.7	69.2	0.3	7.1
Wynn Resorts, Limited	WYNN	Consumer discretionary	Fail	19.9	79.8	0.3	13.5	54.2	0.2	0.8
Acacia Research Corporation	ACTG	Industrials	Fail	19.4	75.6	5.0	15.3	59.5	3.9	2.9
FleetCor Technologies, Inc.	**FLT**	**Information technology**	**Fail**	**14.3**	**85.6**	**0.0**	**11.9**	**71.4**	**0.0**	**4.5**
SandRidge Energy, Inc.	**SD**	**Energy**	**Fail**	**12.3**	**83.2**	**4.5**	**10.8**	**73.2**	**4.0**	**5.5**
Nuance Communications, Inc.	**NUAN**	**Information technology**	**Fail**	**9.5**	**88.8**	**1.6**	**7.1**	**66.3**	**1.2**	**11.8**
Average				36.4	61.2	2.4	27.6	46.7	1.8	11.8

Companies in boldface type also failed their say-on-pay votes in 2017/2018.

Source: The Conference Board/ESGAUGE, 2019.

RETURN TO KEY FINDINGS (page 26)

Exhibit 3

Say-on-Pay Management Proposals—Proposals Receiving 70 Percent or Less Support (2018–2019)

				As a percentage of votes cast			As a percentage of shares outstanding			
Company	Ticker	Industry	Proposal outcome (pass/fail)	For	Against	Abstain	For	Against	Abstain	Nonvotes
2019										
Kirby Corporation	KEX	Industrials	Pass	70.0%	29.7%	0.4%	61.0%	25.8%	0.3%	8.5%
General Electric Company	GE	Industrials	Pass	69.9	29.4	0.7	38.1	16.0	0.4	18.7
Genpact Limited	G	Information technology	Pass	69.9	29.8	0.3	60.2	25.6	0.3	3.1
Repligen Corporation	RGEN	Health care	Pass	69.9	30.1	0.0	61.7	26.6	0.0	7.7
Cleveland Cliffs Inc.	CLF	Materials	Pass	69.9	29.1	1.0	41.4	17.3	0.6	30.0
Intellia Therapeutics, Inc.	NTLA	Health care	Pass	69.6	26.5	3.9	49.4	18.8	2.8	0.0
CEVA, Inc.	CEVA	Information technology	Pass	69.6	26.8	3.6	56.9	22.0	2.9	7.2
TechnipFMC Plc	FTI	Energy	Pass	69.5	30.4	0.1	46.0	20.1	0.1	1.5
First of Long Island Corporation	FLIC	Financials	Pass	69.3	28.1	2.6	45.2	18.3	1.7	26.6
Six Flags Entertainment Corporation	**SIX**	**Consumer discretionary**	**Pass**	**69.2**	**30.5**	**0.4**	**56.1**	**24.7**	**0.3**	**8.4**
NVR, Inc.	NVR	Consumer discretionary	Pass	69.1	30.4	0.5	61.5	27.1	0.4	5.7
Five9, Inc.	FIVN	Information technology	Pass	69.1	30.8	0.1	57.8	25.8	0.1	7.8
Public Storage	PSA	Real estate	Pass	68.9	30.8	0.2	59.2	26.5	0.2	5.4
Incyte Corporation	INCY	Health care	Pass	68.9	30.7	0.4	56.6	25.2	0.3	6.8
Colony Capital, Inc.	CLNY	Real estate	Pass	68.9	30.8	0.3	55.4	24.8	0.2	12.1
Biglari Holdings Inc.	BH	Consumer discretionary	Pass	68.9	21.3	9.8	6.0	1.9	0.9	0.8
Immersion Corporation	**IMMR**	**Information technology**	**Pass**	**68.5**	**30.9**	**0.6**	**42.0**	**19.0**	**0.4**	**20.5**
Veeco Instruments Inc.	VECO	Information technology	Pass	68.4	29.2	2.4	56.1	23.9	2.0	7.1
Newell Brands Inc	NWL	Consumer discretionary	Pass	68.3	29.3	2.4	51.3	22.0	1.8	14.5
Douglas Emmett, Inc	DEI	Real estate	Pass	68.2	31.0	0.8	61.7	28.1	0.7	4.3
The Bancorp, Inc.	**TBBK**	**Financials**	**Pass**	**68.1**	**29.7**	**2.1**	**59.6**	**26.0**	**1.9**	**0.0**
Tempur Sealy International Inc	**TPX**	**Consumer discretionary**	**Pass**	**68.1**	**31.8**	**0.0**	**62.2**	**29.1**	**0.0**	**3.9**
Safeguard Scientifics, Inc.	SFE	Financials	Pass	68.1	31.0	0.8	50.1	22.8	0.6	20.3
Ultragenyx Pharmaceutical, Inc.	RARE	Health care	Pass	68.0	31.8	0.1	66.0	30.9	0.1	9.4
BioScrip, Inc.	BIOS	Health care	Pass	68.0	27.2	4.8	50.4	20.2	3.6	30.9
Intersect ENT Inc	XENT	Health care	Pass	68.0	29.2	2.8	53.7	23.1	2.2	6.8
AGNC Investment Corp.	**AGNC**	**Financials**	**Pass**	**67.5**	**31.7**	**0.8**	**59.0**	**27.7**	**0.7**	**33.9**
TransDigm Group Incorporated	**TDG**	**Industrials**	**Pass**	**67.4**	**32.5**	**0.1**	**60.3**	**29.1**	**0.0**	**3.2**
Axis Capital Holdings Limited	AXS	Financials	Pass	67.4	32.4	0.2	57.0	27.4	0.2	6.3
Immunomedics, Inc.	**IMMU**	**Health care**	**Pass**	**67.4**	**30.3**	**2.3**	**53.8**	**24.2**	**1.8**	**26.1**
Bluebird bio, Inc.	BLUE	Health care	Pass	67.3	32.5	0.2	60.7	29.3	0.1	5.5
Flushing Financial Corporation	**FFIC**	**Financials**	**Pass**	**67.3**	**32.5**	**0.2**	**56.0**	**27.1**	**0.2**	**8.7**
Range Resources Corporation	RRC	Energy	Pass	67.2	32.5	0.3	51.9	25.1	0.3	12.3
BCB Bancorp, Inc.	BCBP	Financials	Pass	67.1	31.0	1.8	40.1	18.5	1.1	27.9
TiVo Corp.	TIVO	Information technology	Pass	67.1	32.6	0.2	55.1	26.8	0.2	12.3
Ormat Technologies, Inc.	**ORA**	**Communication services**	**Pass**	**67.0**	**32.9**	**0.1**	**57.5**	**28.2**	**0.1**	**1.5**

(Exhibit 3 continues on next page.)

Exhibit 3 (continued)

Say-on-Pay Management Proposals—Proposals Receiving 70 Percent or Less Support (2018–2019)

Company	Ticker	Industry	Proposal outcome (pass/fail)	As a percentage of votes cast			As a percentage of shares outstanding			
				For	Against	Abstain	For	Against	Abstain	Nonvotes
MannKind Corporation	MNKD	Health care	Pass	67.0%	32.2%	0.8%	20.8%	10.0%	0.2%	0.0%
XPO Logistics, Inc.	XPO	Industrials	Pass	66.9	32.9	0.2	53.3	26.2	0.1	12.6
Boston Properties, Inc.	BXP	Real estate	Pass	66.9	33.0	0.1	60.2	29.7	0.1	2.2
Papa John's International, Inc.	PZZA	Consumer discretionary	Pass	66.8	1.9	31.2	63.7	1.8	29.8	9.7
Cannae Holdings Inc	CNNE	Financials	Pass	66.7	33.1	0.1	56.4	28.0	0.1	10.3
Novavax, Inc.	NVAX	Health care	Pass	66.7	29.6	3.7	12.1	5.4	0.7	52.9
Plug Power Inc.	PLUG	Industrials	Pass	66.5	27.6	5.9	17.1	7.1	1.5	57.5
Dover Corporation	DOV	Industrials	Pass	66.5	32.8	0.7	54.5	26.9	0.6	7.9
Arconic, Inc.	ARNC	Industrials	Pass	66.2	30.8	3.0	47.5	22.1	2.2	17.5
ACADIA Pharmaceuticals Inc.	**ACAD**	**Health care**	**Pass**	**66.2**	**33.7**	**0.1**	**53.0**	**27.0**	**0.1**	**12.5**
FS Bancorp, Inc.	FSBW	Financials	Pass	66.2	28.5	5.3	49.6	21.4	4.0	16.4
Prothena Corporation plc	PRTA	Health care	Pass	66.1	31.3	2.6	58.2	27.5	2.3	5.4
SBA Communications Corp.	SBAC	Real estate	Pass	66.0	31.0	3.0	56.4	26.5	2.5	3.1
Ocwen Financial Corporation	OCN	Financials	Pass	65.9	33.5	0.5	33.6	17.1	0.3	22.7
Las Vegas Sands Corp.	**LVS**	**Consumer discretionary**	**Pass**	**65.8**	**34.1**	**0.0**	**59.1**	**30.6**	**0.0**	**5.7**
Johnson & Johnson	JNJ	Health care	Pass	65.7	33.8	0.6	45.3	23.3	0.4	17.5
BankUnited, Inc.	BKU	Financials	Pass	65.6	34.3	0.0	55.9	29.3	0.0	5.3
Hologic, Inc.	HOLX	Health care	Pass	65.5	34.3	0.1	59.0	30.9	0.1	3.9
Yelp Inc	YELP	Communication services	Pass	65.3	31.0	3.6	51.6	24.5	2.9	14.7
BJ's Wholesale Club Holdings, Inc.	BJ	Consumer staples	Pass	65.3	32.6	2.1	69.1	34.5	2.2	2.3
Cato Corporation Class A	CATO	Consumer discretionary	Pass	65.2	34.4	0.5	94.4	49.8	0.7	8.0
Ameris Bancorp	ABCB	Financials	Pass	65.1	34.0	0.9	53.9	28.2	0.7	9.3
Aqua America, Inc.	WTR	Utilities	Pass	65.1	32.2	2.7	41.1	20.4	1.7	22.6
Vornado Realty Trust	VNO	Real estate	Pass	65.0	34.5	0.5	58.1	30.9	0.4	3.6
AECOM	ACM	Industrials	Pass	65.0	34.7	0.3	53.7	28.7	0.3	6.8
Chesapeake Energy Corporation	CHK	Energy	Pass	65.0	34.4	0.6	71.5	37.9	0.7	50.2
UroGen Pharma	URGN	Health care	Pass	64.9	30.8	4.4	59.5	28.2	4.0	28.4
Laredo Petroleum, Inc.	LPI	Energy	Pass	64.7	30.5	4.8	53.2	25.1	3.9	9.1
Avanos Medical, Inc.	AVNS	Health care	Pass	64.6	31.2	4.2	53.9	26.1	3.5	10.6
PROS Holdings, Inc.	PRO	Information technology	Pass	64.5	35.4	0.1	65.1	35.8	0.1	5.6
Artisan Partners Asset Management, Inc	APAM	Financials	Pass	64.4	35.5	0.1	76.5	42.2	0.1	7.8
Global Medical REIT, Inc.	GMRE	Real estate	Pass	64.2	30.3	5.4	33.8	15.9	2.9	31.1
Whitestone REIT	WSR	Real estate	Pass	64.1	34.9	1.0	39.6	21.6	0.6	28.2
Westwood Holdings Group, Inc.	WHG	Financials	Pass	64.0	35.6	0.4	46.6	25.9	0.3	18.1
LivePerson, Inc.	LPSN	Information technology	Pass	63.8	35.9	0.3	46.5	26.1	0.2	10.9
MBIA Inc.	MBI	Financials	Pass	63.7	31.9	4.4	48.1	24.1	3.3	16.7
Aircastle Limited	**AYR**	**Industrials**	**Pass**	**63.3**	**36.5**	**0.3**	**55.7**	**32.1**	**0.2**	**8.1**

(Exhibit 3 continues on next page.)

Exhibit 3 (continued)

Say-on-Pay Management Proposals—Proposals Receiving 70 Percent or Less Support (2018–2019)

Company	Ticker	Industry	Proposal outcome (pass/fail)	As a percentage of votes cast			As a percentage of shares outstanding			
				For	Against	Abstain	For	Against	Abstain	Nonvotes
Cedar Realty Trust, Inc.	CDR	Real estate	Pass	63.0%	36.8%	0.2%	54.7%	31.9%	0.2%	4.2%
AcelRx Pharmaceuticals, Inc.	ACRX	Health care	Pass	63.0	35.1	1.9	19.7	11.0	0.6	52.7
Monster Beverage Corporation	MNST	Consumer staples	Pass	62.8	34.8	2.4	55.2	30.5	2.1	3.4
Senior Housing Properties Trust	**SNH**	**Real estate**	**Pass**	**62.5**	**36.9**	**0.6**	**44.6**	**26.4**	**0.4**	**20.8**
Halliburton Company	HAL	Energy	Pass	62.5	37.2	0.4	45.7	27.2	0.3	12.1
Gannett Co., Inc.	GCI	Communication services	Pass	62.3	36.4	1.3	55.2	32.3	1.1	0.0
Titan International, Inc.	TWI	Industrials	Pass	62.2	37.7	0.1	45.6	27.7	0.1	18.0
CIT Group Inc.	CIT	Financials	Pass	61.9	38.0	0.1	59.1	36.3	0.1	3.4
West Bancorporation, Inc.	WTBA	Financials	Pass	61.8	32.8	5.4	34.7	18.4	3.0	32.6
KBR, Inc.	KBR	Industrials	Pass	61.3	38.6	0.1	53.4	33.7	0.1	7.2
Red Lion Hotels Corporation	RLH	Consumer discretionary	Pass	61.3	38.7	0.1	47.2	29.8	0.1	11.7
Griffon Corporation	GFF	Industrials	Pass	61.2	35.4	3.4	55.8	32.3	3.1	3.3
Targa Resources Corp.	TRGP	Energy	Pass	61.1	38.7	0.2	48.8	30.9	0.2	12.6
eXp World Holdings, Inc.	EXPI	Real estate	Pass	61.1	0.0	38.9	60.5	0.0	38.6	0.0
Universal Health Realty Income Trust	**UHT**	**Real estate**	**Pass**	**61.0**	**32.6**	**6.4**	**41.0**	**21.9**	**4.3**	**21.8**
Cimarex Energy Co.	XEC	Energy	Pass	60.7	34.8	4.5	55.6	31.8	4.1	5.0
U.S. Physical Therapy, Inc.	**USPH**	**Health care**	**Pass**	**60.4**	**35.5**	**4.1**	**53.5**	**31.5**	**3.6**	**6.1**
Conn's, Inc.	CONN	Consumer discretionary	Pass	60.3	39.4	0.4	52.4	34.2	0.3	8.4
Geron Corporation	GERN	Health care	Pass	60.1	38.5	1.5	16.2	10.4	0.4	57.3
ZIMMER BIOMET HOLDINGS	ZBH	Health care	Pass	59.9	36.0	4.1	48.9	29.4	3.3	6.8
Intel Corporation	INTC	Information technology	Pass	59.8	39.5	0.7	41.6	27.5	0.5	17.8
Rockwell Medical, Inc.	RMTI	Health care	Pass	59.6	37.9	2.5	36.4	23.1	1.5	33.3
Anworth Mortgage Asset Corporation	**ANH**	**Financials**	**Pass**	**59.5**	**34.3**	**6.2**	**29.5**	**17.0**	**3.1**	**0.0**
Veritiv Corp	VRTV	Industrials	Pass	59.3	40.6	0.1	53.7	36.8	0.1	5.9
Cogent Communications Holdings Inc	CCOI	Communication services	Pass	58.5	41.5	0.1	52.1	36.9	0.1	5.5
Celanese Corporation	CE	Materials	Pass	58.4	38.4	3.2	53.9	35.5	3.0	3.5
Hecla Mining Company	**HL**	**Materials**	**Pass**	**58.3**	**40.4**	**1.2**	**32.4**	**22.5**	**0.7**	**24.0**
Del Frisco's Restaurant Group, Inc.	DFRG	Consumer discretionary	Pass	58.1	41.7	0.2	39.2	28.2	0.1	16.4
Office Properties Income Trust	OPI	Real estate	Pass	58.0	40.7	1.3	18.6	13.1	0.4	12.6
Hubbell Incorporated	HUBB	Industrials	Pass	58.0	41.5	0.5	50.1	35.8	0.4	7.2
Superior Energy Services, Inc.	SPN	Energy	Pass	58.0	41.9	0.1	49.0	35.4	0.1	9.0
Flagstar Bancorp, Inc.	FBC	Financials	Pass	57.9	42.0	0.2	53.5	38.8	0.1	2.9
First Internet Bancorp	INBK	Financials	Pass	57.7	40.2	2.0	50.4	35.1	1.8	23.0
Cherry Hill Mortgage Investment Corp.	CHMI	Financials	Pass	57.5	36.9	5.6	33.0	21.2	3.2	0.0
Ruth's Hospitality Group, Inc.	RUTH	Consumer discretionary	Pass	57.5	39.3	3.3	48.2	33.0	2.7	10.3
Stemline Therapeutics, Inc.	STML	Health care	Pass	57.4	42.2	0.4	58.7	43.1	0.4	12.2
Mr. Cooper Group	COOP	Financials	Pass	57.2	39.7	3.2	45.9	31.8	2.5	14.5

(Exhibit 3 continues on next page.)

Exhibit 3 (continued)

Say-on-Pay Management Proposals—Proposals Receiving 70 Percent or Less Support (2018–2019)

Company	Ticker	Industry	Proposal outcome (pass/fail)	As a percentage of votes cast			As a percentage of shares outstanding			
				For	Against	Abstain	For	Against	Abstain	Nonvotes
Orrstown Financial Services, Inc.	**ORRF**	**Financials**	**Pass**	**56.7%**	**37.5%**	**5.8%**	**42.0%**	**27.7%**	**4.3%**	**14.6%**
Gap, Inc.	GPS	Consumer discretionary	Pass	56.7	43.1	0.2	49.6	37.7	0.2	5.0
Walt Disney Company	DIS	Communication services	Pass	56.6	39.9	3.5	39.4	27.8	2.5	17.8
Hospitality Properties Trust	HPT	Real estate	Pass	56.0	43.4	0.7	43.1	33.4	0.5	17.5
Aramark	**ARMK**	**Consumer discretionary**	**Pass**	**55.8**	**44.2**	**0.0**	**49.6**	**39.3**	**0.0**	**1.9**
Noble Corporation PLC	NE	Energy	Pass	55.6	43.3	1.2	37.1	28.9	0.8	22.4
Exantas Capital Corp.	XAN	Real estate	Pass	55.4	41.0	3.6	37.0	27.4	2.4	24.1
Eagle Bancorp, Inc.	EGBN	Financials	Pass	55.3	44.3	0.4	44.6	35.7	0.3	14.4
Textron Inc.	TXT	Industrials	Pass	55.3	43.5	1.2	47.1	37.1	1.0	7.8
Great Lakes Dredge & Dock Corp.	**GLDD**	**Industrials**	**Pass**	**55.1**	**43.3**	**1.7**	**41.3**	**32.5**	**1.2**	**12.2**
Carrizo Oil & Gas, Inc.	CRZO	Energy	Pass	54.9	38.1	7.0	44.9	31.2	5.7	11.4
Natural Gas Services Group, Inc.	NGS	Energy	Pass	54.6	43.4	2.0	44.4	35.3	1.6	14.7
Mondelez International, Inc.	MDLZ	Consumer staples	Pass	54.0	42.6	3.4	40.5	31.9	2.6	12.1
Spirit Realty Capital, Inc.	SRC	Real estate	Pass	53.7	43.8	2.5	45.6	37.2	2.1	7.0
PayPal Holdings, Inc.	PYPL	Information technology	Pass	53.4	43.5	3.0	42.5	34.6	2.4	10.2
Acuity Brands, Inc.	AYI	Industrials	Pass	53.2	46.6	0.2	45.6	39.9	0.1	5.5
Cryoport, Inc	CYRX	Health care	Pass	53.2	45.9	0.9	27.5	23.7	0.5	25.0
j2 Global, Inc.	JCOM	Information technology	Pass	53.0	45.9	1.1	46.7	40.5	0.9	3.7
American International Group, Inc.	**AIG**	**Financials**	**Pass**	**52.9**	**43.9**	**3.2**	**46.0**	**38.1**	**2.8**	**4.9**
Black Knight, Inc.	BKI	Information technology	Pass	52.7	45.3	2.0	45.1	38.8	1.7	6.1
Penns Woods Bancorp, Inc.	PWOD	Financials	Pass	52.4	44.7	2.9	28.4	24.2	1.6	26.2
Sanmina Corporation	SANM	Information technology	Pass	51.4	48.5	0.1	44.1	41.6	0.1	6.3
Tandem Diabetes Care, Inc.	TNDM	Health care	Pass	50.5	49.2	0.3	35.3	34.4	0.2	17.9
Argo Group International Holdings, Ltd.	ARGO	Financials	Pass	50.4	49.3	0.3	43.1	42.2	0.3	0.0
Heritage-Crystal Clean, Inc.	**HCCI**	**Industrials**	**Pass**	**50.3**	**44.6**	**5.0**	**37.3**	**33.1**	**3.7**	**25.1**
RenaissanceRe Holdings Ltd.	RNR	Financials	Pass	50.2	47.9	1.9	46.2	44.1	1.7	3.9
Average				62.5	35.2	2.2	48.8	27.5	1.7	13.0
2018										
Anworth Mortgage Asset Corporation	**ANH**	**Financials**	**Pass**	**69.9**	**28.2**	**1.9**	**37.9**	**15.3**	**1.0**	**0.0**
TETRA Technologies, Inc.	TTI	Energy	Pass	69.9	27.1	3.0	54.0	21.0	2.3	8.6
Wyndham Destinations, Inc	WYND	Consumer discretionary	Pass	69.8	30.0	0.2	55.6	23.9	0.2	8.1
Glaukos Corp	GKOS	Health care	Pass	69.8	30.1	0.1	54.2	23.4	0.1	12.1
American Express Company	AXP	Financials	Pass	69.7	30.1	0.2	56.3	24.3	0.2	8.8
Chegg, Inc.	CHGG	Consumer discretionary	Pass	69.7	28.8	1.5	53.3	22.0	1.2	12.9
Heritage-Crystal Clean, Inc.	**HCCI**	**Industrials**	**Pass**	**69.4**	**29.3**	**1.3**	**43.0**	**18.2**	**0.8**	**26.1**
TerraForm Power, Inc. Class A	TERP	Utilities	Pass	69.2	16.7	14.1	59.2	14.3	12.0	0.0
Southwestern Energy Company	SWN	Energy	Pass	69.2	30.5	0.3	48.9	21.5	0.2	17.5

(Exhibit 3 continues on next page.)

Exhibit 3 (continued)

Say-on-Pay Management Proposals—Proposals Receiving 70 Percent or Less Support (2018–2019)

				As a percentage of votes cast			As a percentage of shares outstanding			
Company	Ticker	Industry	Proposal outcome (pass/fail)	For	Against	Abstain	For	Against	Abstain	Nonvotes
Motorola Solutions, Inc.	MSI	Information technology	Pass	69.1%	30.6%	0.3%	54.1%	23.9%	0.2%	11.7%
Immersion Corporation	**IMMR**	**Information technology**	**Pass**	**68.6**	**29.1**	**2.3**	**42.7**	**18.1**	**1.4**	**24.3**
RTI Surgical, Inc.	RTIX	Health care	Pass	68.6	28.4	3.1	68.1	28.2	3.0	0.0
Matthews International Corporation	MATW	Industrials	Pass	68.6	31.3	0.2	58.2	26.5	0.2	5.4
Spectrum Pharmaceuticals, Inc.	SPPI	Health care	Pass	68.3	31.4	0.2	49.6	22.8	0.2	16.8
General Dynamics Corporation	GD	Industrials	Pass	68.3	31.5	0.2	57.4	26.5	0.2	8.7
Investors Bancorp Inc	ISBC	Financials	Pass	68.2	31.1	0.7	53.4	24.4	0.6	11.2
Ball Corporation	BLL	Materials	Pass	68.2	31.3	0.6	59.8	27.4	0.5	5.1
Las Vegas Sands Corp.	**LVS**	**Consumer discretionary**	**Pass**	**67.9**	**32.1**	**0.0**	**60.9**	**28.8**	**0.0**	**5.7**
Hecla Mining Company	**HL**	**Materials**	**Pass**	**67.8**	**31.7**	**0.5**	**39.0**	**18.2**	**0.3**	**27.5**
Clean Energy Fuels Corp.	CLNE	Energy	Pass	67.8	30.7	1.5	32.5	14.7	0.7	40.8
Civista Bancshares, Inc.	CIVB	Financials	Pass	67.7	30.5	1.7	42.2	19.0	1.1	20.3
Horizon Bancorp	HBNC	Financials	Pass	67.6	30.7	1.7	44.8	20.3	1.1	18.7
Bank of Marin Bancorp	BMRC	Financials	Pass	66.4	29.2	4.4	41.1	18.1	2.7	26.0
Universal Health Realty Income Trust	**UHT**	**Real estate**	**Pass**	**66.4**	**27.8**	**5.8**	**44.2**	**18.5**	**3.9**	**23.1**
SS&C Technologies Holdings, Inc.	SSNC	Information technology	Pass	66.3	33.6	0.1	60.6	30.7	0.1	3.7
Columbia Property Trust, Inc.	CXP	Real estate	Pass	66.2	33.2	0.6	47.0	23.6	0.4	13.1
Humana Inc.	HUM	Health care	Pass	66.2	33.5	0.3	55.9	28.3	0.3	3.9
Immunomedics, Inc.	**IMMU**	**Health care**	**Pass**	**66.0**	**33.5**	**0.5**	**32.9**	**16.7**	**0.2**	**20.9**
Tempur Sealy International Inc	**TPX**	**Consumer discretionary**	**Pass**	**66.0**	**34.0**	**0.0**	**58.3**	**30.0**	**0.0**	**4.7**
Norwegian Cruise Line Holdings Ltd.	NCLH	Consumer discretionary	Pass	65.9	30.4	3.7	57.5	26.5	3.3	3.3
LSB Industries, Inc.	LXU	Materials	Pass	65.7	29.3	5.0	46.0	20.5	3.5	20.9
PennyMac Mortgage Investment Trust	PMT	Financials	Pass	65.7	30.7	3.6	43.0	20.1	2.4	25.9
Mobile Mini, Inc.	MINI	Industrials	Pass	65.6	33.9	0.5	59.2	30.5	0.5	5.1
Endo International Plc	ENDP	Health care	Pass	65.6	34.2	0.2	46.0	24.0	0.1	16.5
Signature Bank	SBNY	Financials	Pass	65.0	34.7	0.2	56.0	29.9	0.2	3.0
Liberty TripAdvisor Holdings, Inc.	LTRP A	Communication services	Pass	65.0	35.0	0.0	55.8	30.0	0.0	6.6
Schnitzer Steel Industries, Inc. Class A	SCHN	Materials	Pass	65.0	34.7	0.3	50.2	26.8	0.2	10.7
Weight Watchers International, Inc.	WTW	Consumer discretionary	Pass	64.9	35.0	0.1	55.2	29.8	0.1	9.5
Mylan N.V.	MYL	Health care	Pass	64.8	33.5	1.7	48.7	25.2	1.3	5.6
TransDigm Group Incorporated	**TDG**	**Industrials**	**Pass**	**64.4**	**35.5**	**0.1**	**58.9**	**32.5**	**0.1**	**2.6**
Ormat Technologies, Inc.	**ORA**	**Communication services**	**Pass**	**64.1**	**35.8**	**0.1**	**52.2**	**29.1**	**0.1**	**2.6**
NxStage Medical, Inc.	NXTM	Health care	Pass	63.9	35.1	1.0	38.6	21.2	0.6	9.7
U.S. Physical Therapy, Inc.	**USPH**	**Health care**	**Pass**	**63.7**	**33.7**	**2.5**	**57.7**	**30.5**	**2.3**	**6.1**
White Mountains Insurance Group Ltd	WTM	Financials	Pass	63.7	36.1	0.1	52.3	29.7	0.1	11.9
FuelCell Energy, Inc.	FCEL	Industrials	Pass	63.5	33.3	3.1	13.3	7.0	0.7	47.4
Overseas Shipholding Group Inc	OSG	Energy	Pass	63.5	35.3	1.2	43.9	24.4	0.8	0.0

(Exhibit 3 continues on next page.)

Exhibit 3 (continued)

Say-on-Pay Management Proposals—Proposals Receiving 70 Percent or Less Support (2018–2019)

Company	Ticker	Industry	Proposal outcome (pass/fail)	As a percentage of votes cast			As a percentage of shares outstanding			
				For	Against	Abstain	For	Against	Abstain	Nonvotes
Realogy Holdings Corp.	RLGY	Real estate	Pass	63.4%	36.1%	0.5%	56.3%	32.1%	0.5%	4.1%
Aircastle Limited	**AYR**	**Industrials**	**Pass**	**63.3**	**36.5**	**0.3**	**53.3**	**30.7**	**0.2**	**7.8**
Walker & Dunlop, Inc.	WD	Financials	Pass	63.0	36.8	0.1	52.3	30.6	0.1	8.1
SeaWorld Entertainment, Inc.	SEAS	Consumer discretionary	Pass	63.0	35.2	1.8	49.9	27.9	1.4	10.0
Harley-Davidson, Inc.	HOG	Consumer discretionary	Pass	63.0	36.6	0.4	49.2	28.6	0.3	12.4
Orrstown Financial Services, Inc.	**ORRF**	**Financials**	**Pass**	**62.9**	**33.1**	**4.0**	**39.2**	**20.6**	**2.5**	**12.3**
Tejon Ranch Co.	TRC	Real estate	Pass	62.6	37.2	0.2	50.7	30.1	0.1	10.2
Schlumberger NV	SLB	Energy	Pass	62.6	32.0	5.5	48.3	24.7	4.2	7.3
Senior Housing Properties Trust	**SNH**	**Real estate**	**Pass**	**62.4**	**37.0**	**0.6**	**47.3**	**28.0**	**0.5**	**17.3**
Scotts Miracle-Gro Company	SMG	Materials	Pass	62.3	37.5	0.1	53.5	32.2	0.1	7.7
Broadcom Limited	AVGO	Information technology	Pass	62.3	37.6	0.1	51.9	31.4	0.1	5.7
Invesco Ltd.	IVZ	Financials	Pass	62.1	37.8	0.1	46.5	28.3	0.1	10.1
Noble Corporation	NE	Energy	Pass	61.9	37.7	0.4	38.7	23.6	0.3	23.6
Vanda Pharmaceuticals Inc.	VNDA	Health care	Pass	61.6	38.3	0.0	46.6	29.0	0.0	8.7
Macquarie Infrastructure Corporation	MIC	Industrials	Pass	61.6	37.2	1.2	43.8	26.5	0.9	17.8
Unisys Corporation	UIS	Information technology	Pass	61.3	38.4	0.3	48.4	30.3	0.3	9.6
Netflix, Inc.	NFLX	Communication services	Pass	61.1	38.7	0.2	43.1	27.3	0.1	17.9
American International Group, Inc.	**AIG**	**Financials**	**Pass**	**60.9**	**36.8**	**2.3**	**48.9**	**29.6**	**1.9**	**6.0**
Meta Financial Group, Inc.	CASH	Financials	Pass	60.7	38.3	1.0	51.1	32.3	0.8	10.7
Hersha Hospitality Trust	HT	Real estate	Pass	60.5	39.3	0.2	46.3	30.1	0.2	18.2
Ultimate Software Group, Inc.	ULTI	Information technology	Pass	60.3	39.0	0.7	53.8	34.8	0.6	6.0
Assured Guaranty Ltd.	AGO	Financials	Pass	60.1	39.7	0.2	51.6	34.1	0.2	5.2
Denbury Resources Inc.	DNR	Energy	Pass	60.0	34.6	5.3	40.6	23.4	3.6	22.7
FireEye, Inc.	FEYE	Information technology	Pass	60.0	37.5	2.4	32.1	20.1	1.3	34.0
FMC Corporation	FMC	Materials	Pass	59.9	36.2	3.9	47.2	28.5	3.1	5.8
QTS Realty Trust, Inc.	QTS	Real estate	Pass	59.9	39.9	0.3	53.3	35.5	0.2	3.8
ACADIA Pharmaceuticals Inc.	**ACAD**	**Health care**	**Pass**	**59.5**	**40.3**	**0.2**	**43.0**	**29.1**	**0.2**	**16.6**
CARBO Ceramics Inc.	CRR	Energy	Pass	59.4	38.9	1.7	37.7	24.7	1.1	22.2
ServiceNow, Inc.	NOW	Information technology	Pass	59.4	39.4	1.2	51.7	34.4	1.0	6.5
SL Green Realty Corp.	SLG	Real estate	Pass	59.2	38.4	2.4	54.7	35.5	2.2	1.4
Ventas, Inc.	VTR	Real estate	Pass	59.2	40.5	0.3	47.0	32.2	0.2	11.5
H.B. Fuller Company	FUL	Materials	Pass	59.0	40.3	0.6	52.5	35.9	0.5	6.6
Kilroy Realty Corporation	KRC	Real estate	Pass	59.0	40.9	0.1	56.0	38.9	0.1	1.0
Etsy, Inc.	ETSY	Consumer discretionary	Pass	58.9	40.8	0.3	38.9	26.9	0.2	19.2
Unitil Corporation	UTL	Utilities	Pass	58.9	40.0	1.1	39.0	26.5	0.7	21.0
NOW, Inc.	DNOW	Industrials	Pass	58.9	40.3	0.8	49.2	33.7	0.7	7.5
FLIR Systems, Inc.	FLIR	Information technology	Pass	58.8	40.0	1.2	48.2	32.8	1.0	7.5

(Exhibit 3 continues on next page.)

Exhibit 3 (continued)

Say-on-Pay Management Proposals—Proposals Receiving 70 Percent or Less Support (2018–2019)

Company	Ticker	Industry	Proposal outcome (pass/fail)	As a percentage of votes cast			As a percentage of shares outstanding			
				For	Against	Abstain	For	Against	Abstain	Nonvotes
Great Lakes Dredge & Dock Corp.	**GLDD**	**Industrials**	**Pass**	**58.7%**	**41.2%**	**0.1%**	**44.2%**	**30.9%**	**0.1%**	**15.1%**
Mallinckrodt plc	MNK	Health care	Pass	58.6	40.9	0.5	42.3	29.5	0.3	17.2
National Instruments Corporation	NATI	Information technology	Pass	58.5	41.2	0.3	52.5	36.9	0.3	6.9
C&J Energy Services, Inc.	CJ	Energy	Pass	58.5	41.0	0.5	48.8	34.2	0.4	6.6
Peabody Energy Corporation	BTU	Energy	Pass	57.9	30.7	11.4	45.5	24.2	8.9	2.7
Sarepta Therapeutics, Inc.	SRPT	Health care	Pass	57.7	42.0	0.3	40.0	29.2	0.2	21.8
WEX Inc.	WEX	Information technology	Pass	57.1	42.8	0.1	53.0	39.8	0.1	2.3
Government Properties Income Trust	GOV	Real estate	Pass	56.3	38.6	5.1	33.6	23.0	3.1	31.4
Ambarella, Inc.	AMBA	Information technology	Pass	56.2	43.4	0.4	27.8	21.5	0.2	32.6
Kopin Corporation	KOPN	Information technology	Pass	55.8	37.8	6.4	27.6	18.7	3.2	31.6
Six Flags Entertainment Corporation	**SIX**	**Consumer discretionary**	**Pass**	**55.7**	**42.2**	**2.2**	**49.2**	**37.2**	**1.9**	**6.5**
Fidelity National Information Services, Inc.	FIS	Information technology	Pass	55.6	44.2	0.2	46.0	36.5	0.1	6.0
BioMarin Pharmaceutical Inc.	BMRN	Health care	Pass	55.4	44.3	0.3	40.5	32.3	0.2	4.3
Echo Global Logistics, Inc	ECHO	Industrials	Pass	54.5	45.4	0.0	45.7	38.0	0.0	7.3
Flushing Financial Corporation	**FFIC**	**Financials**	**Pass**	**54.5**	**44.6**	**0.9**	**45.7**	**37.4**	**0.8**	**8.1**
CNO Financial Group, Inc.	CNO	Financials	Pass	53.9	45.7	0.4	48.7	41.3	0.4	4.3
The Bancorp, Inc.	**TBBK**	**Financials**	**Pass**	**52.6**	**47.3**	**0.0**	**45.9**	**41.3**	**0.0**	**4.7**
Clearwater Paper Corporation	CLW	Materials	Pass	52.4	46.7	0.9	46.4	41.3	0.8	6.5
ServiceSource International, Inc.	SREV	Information technology	Pass	52.0	47.3	0.7	41.2	37.5	0.6	14.2
TrueCar, Inc.	TRUE	Energy	Pass	52.0	48.0	0.0	31.1	28.7	0.0	10.3
New Media Investment Group, Inc.	NEWM	Communication services	Pass	52.0	44.9	3.1	42.4	36.6	2.5	11.8
Johnson Controls International plc	JCI	Industrials	Pass	51.8	42.9	5.3	43.7	36.2	4.5	5.8
Consolidated-Tomoka Land Co.	CTO	Real estate	Pass	51.7	47.1	1.2	43.9	40.0	1.0	2.7
Vector Group Ltd.	VGR	Consumer staples	Pass	51.5	47.8	0.8	36.1	33.5	0.5	21.9
STAG Industrial, Inc.	STAG	Real estate	Pass	51.4	48.0	0.6	39.2	36.6	0.4	16.8
Shore Bancshares, Inc.	SHBI	Financials	Pass	51.2	48.6	0.2	35.7	33.8	0.1	14.6
Aramark	**ARMK**	**Consumer discretionary**	**Pass**	**50.7**	**49.2**	**0.1**	**46.6**	**45.2**	**0.1**	**1.1**
VeriFone Systems, Inc.	PAY	Information technology	Pass	50.4	48.3	1.3	41.7	40.0	1.1	7.5
AGNC Investment Corp.	**AGNC**	**Financials**	**Pass**	**50.0**	**49.2**	**0.8**	**31.4**	**30.9**	**0.5**	**22.5**
Average				61.6	36.9	1.4	47.1	28.4	1.0	12.0

Companies in boldface type also received 70 percent affirmative votes for say on pay in 2017/2018.

Source: The Conference Board/ESGAUGE, 2019.

Management Proposals on Corporate Governance

The analysis of management proposals on corporate governance highlights the degree to which Russell 3000 companies introduced resolutions to align their organizational practices to standards usually advocated by activist investors (from board declassification to majority voting and from the shareholders' right to call special meetings to the elimination of supermajority requirements).

For the purpose of this report, management-sponsored proposals on corporate governance are categorized based on the following topics:

- **Add ownership limit to charter** To add an ownership limitation to the company's charter, most often to preserve the value of certain tax assets associated with net operating loss carryforwards ("NOLs") under Section 382 of the Internal Revenue Code

  This proposal type may also include ownership limits to preserve a company's qualifications to retain real estate investment trust (REIT) status or other qualifications set for regulated industries.

- **Adopt director nominee qualifications** Requesting the establishment of additional requirements to serve as a member of the board of directors

  These requirements may include stock ownership guidelines, industry experience, director independence standards, and limiting service in the event of significant change in personal circumstances or principal job responsibilities.

- **Advance-notice related (reduce defense)** Typically seeking a bylaw amendment to eliminate or ease the company's advance notice requirements

  Advance notice bylaw provisions require a shareholder who wants to nominate a candidate to the board or have other proposals considered at a shareholder meeting to submit information to the company about the nominations or the proposals by a specified date prior to the meeting.

- **Advance-notice related (strengthen defense)** Typically seeking a bylaw amendment to adopt or strengthen the company's advance notice requirements

  Companies may seek to strengthen advance notice provisions by moving the deadline further from the annual meeting date or requiring more disclosure to the proponent, such as data on derivative stakes or expanded background information.

- **Allow to (or ease requirement to) act by written consent** Seeking a charter or bylaw amendment to allow shareholders to act by written consent or to reduce the requirement to take action by written consent (e.g., a majority of the shares outstanding instead of a supermajority or unanimous requirement)

- **Allow to (or ease requirement to) call special meetings** Seeking a charter or bylaw amendment to grant shareholders the power to call special meetings or to reduce the ownership threshold required to do so (e.g., from 50 percent to 25 percent or, in some cases, as low as 10 percent of shares outstanding)

- **Authorize blank-check preferred stock** Seeking a charter amendment to authorize blank-check preferred stock

  The term "blank-check preferred stock" refers to stock in which the board of directors has broad discretion to establish the voting, dividend, conversion, and other rights at the time of issuance. The stock could be used to underlie a poison pill or issued to a friendly third party to thwart a takeover.

- **Change from plurality to majority voting** First filed in 2004 to change the voting standard for director elections from plurality to majority voting. On plurality and majority voting, also see "Shareholder Proposals on Corporate Governance," p. 77.

- **Classify board** To institute a classified board structure, where board members are divided into classes and directors in each class serve staggered terms (typically running three years, so only one class of directors stands for election each year)

  On board classification, also see "Shareholder Proposals on Corporate Governance," p. 77.

- **Create dual class structure (unequal voting)** Seeking a charter amendment to create a dual class/unequal voting share structure (e.g., approve a new class of common stock with 20 votes per share)

- **Declassify board** To eliminate classified board structures in favor of annually elected directors

  On board classification, also see "Shareholder Proposals on Corporate Governance," p. 77.

- **Decrease board ability to amend bylaws (reduce defense)** Seeking a charter or bylaws amendment to decrease the board of directors' authority to amend the company's bylaws (e.g., by limiting the authority of the board to specific circumstances or by always granting shareholders the exclusive power to amend the bylaws)

- **Decrease board size** To reduce the current number or the minimum number (where a range is established) of members of the board of directors

- **Ease vote requirement for mergers (eliminate supermajority vote)** Seeking a charter or bylaws amendment to ease the voting requirement to approve business combinations (e.g., by eliminating a supermajority vote requirement)

  For the purpose of this report, management proposals seeking to eliminate all supermajority vote requirements contemplated by the company's charter or bylaws, including but not limited to those to approve mergers, are included in the "Eliminate supermajority vote requirements" proposal category.

- **Ease vote requirement to amend charter/bylaws (eliminate supermajority vote)** Seeking a charter or bylaws amendment to ease the voting requirement for shareholders to amend the company's charter or bylaws (e.g., by eliminating a supermajority vote requirement)

For the purpose of this report, management proposals seeking to eliminate all supermajority vote requirements contemplated by the company's charter or bylaws, including but not limited to those to amend the company's charter or bylaws, are included in the "Eliminate supermajority vote requirements" proposal category.

- **Ease vote requirement to amend charter/bylaws (without eliminating supermajority vote)** Seeking a charter or bylaws amendment to reduce the voting requirement for shareholders to amend the charter or bylaws, without eliminating a supermajority vote requirement (e.g., vote requirement is reduced from 90 percent to 75 percent)

- **Elect management director's nominee** Any management-sponsored proposal to elect the company's director nominee

- **Eliminate blank-check preferred stock** Management-sponsored proposals to eliminate blank-check preferred stock in the company's charter

- **Eliminate cumulative voting** To eliminate cumulative voting for the election of directors

  On cumulative voting, also see "Shareholder Proposals on Corporate Governance," p. 77.

- **Eliminate dual class structure (unequal voting)** Seeking a charter amendment to eliminate dual class/unequal voting share structure

  This may be accomplished through a recapitalization designed so that all outstanding stock has one vote per share or by eliminating any time-phased voting (where shareholders who have held the stock for a given period are assigned more votes per share than recent purchases).

- **Eliminate expanded constituency provision** Seeking a charter or bylaws amendment to eliminate an "expanded constituency provision" (also known as "stakeholder provision")

  An expanded constituency provision allows directors evaluating a takeover offer to consider the interests of other corporate constituencies (including employees, suppliers, creditors, the local community in which the company operates, and, in some cases, even the economy of the nation as a whole) and conclude that they might be better served by the company remaining independent.

- **Eliminate fair price provision** Seeking a charter amendment to remove a fair price provision

  Fair price provisions require that any business combination with a holder of a specified percentage of its stock (most commonly 10 percent) not approved by the board of directors must either be approved by shareholders or satisfy certain fair price requirements. The vote requirement of shareholders to approve the business combination is almost always a supermajority. Companies seeking to eliminate supermajority vote requirements will typically also remove their fair price provision.

- **Eliminate (or increase requirement to) act by written consent** Seeking charter or bylaws amendment to remove the right of shareholders to act by written consent in lieu of a meeting or to increase the requirements to do so
- **Eliminate (or increase requirement to) call special meetings** Seeking a charter or bylaws amendment to eliminate the ability of shareholders to call special meetings or to increase the ownership threshold required to do so (e.g., from 10 percent to 33 percent)
- **Eliminate supermajority vote requirement** Requesting that the company eliminate all supermajority vote requirements and apply a simple majority standard in the voting of any matter by shareholders

  For the purpose of this report, a management proposal requesting the elimination only of a specific supermajority vote provision (e.g., for the approval of mergers or to pass a charter or bylaws amendment) is coded under a separate proposal category.
- **Fill board vacancies (reduce defense)** Seeking a charter or bylaws amendment to limit the board of directors' ability to fill vacancies on the board or to allow or require vacancies to be filled by shareholders
- **Fill board vacancies (strengthen defense)** Seeking a charter or bylaws amendment to permit or increase the board of directors' authority to fill vacancies on the board or to limit or eliminate the ability of shareholders to fill any such vacancy
- **Include shareholder nominee in company proxy (proxy access)** Requesting the inclusion in proxy materials of director candidate(s) nominated by shareholders
- **Increase board ability to amend bylaws (strengthen defense)** Seeking a charter or bylaws amendment to increase the board of directors' authority to amend the company's bylaws (i.e., by allowing the board to amend the bylaws without shareholder approval)
- **Increase board size** To increase the current number or the maximum number (where a range is established) of members of the board of directors
- **Increase difficulty to remove directors (strengthen supermajority vote)** Seeking a charter or bylaws amendment to increase the voting requirement for shareholders to remove directors (i.e., by adopting a supermajority vote requirement)
- **Increase vote requirement to amend charter/bylaws (adopt supermajority vote)** Management-sponsored proposals to amend the charter and/or bylaws to increase the voting requirement for shareholders to amend the charter or bylaws (e.g., to adopt a supermajority requirement)
- **Increase vote requirement for mergers (adopt supermajority vote)** Seeking a charter or bylaws amendment to increase the voting requirement to approve business combinations (i.e., by adopting a supermajority vote requirement)
- **Mandatory director retirement age-related** To create a policy or bylaw establishing, amending, or eliminating an age limitation to serve on the board of directors

- **Opt into state takeover statute** Management-sponsored proposals to amend the charter and/or bylaws to become subject to (i.e., opt into) a state takeover law of the company's state of incorporation for which the company may have previously elected to decline coverage. Most states allow a company to opt out of all or some of its antitakeover laws by adopting an appropriate provision in its charter or bylaws.

- **Opt out of state takeover statute** Seeking a charter or bylaws amendment for the company to be exonerated from the application of a takeover law of the company's state of incorporation, where such opting out is permitted under the law

- **Quorum requirement-related** Seeking a charter or bylaw amendment related to quorum requirements (i.e., to reduce the quorum required for shareholder meetings from a majority to one-third of outstanding shares entitled to vote)

  A quorum represents the minimum number of shares voted (as a percentage of votes outstanding) necessary to take action at a meeting.

- **Redeem or require shareholder vote on poison pill** To maintain an existing shareholder rights plan ("poison pill") or to ratify a new poison pill through a shareholder vote

  On poison pills, see "Shareholder Proposals on Corporate Governance," p. 77.

- **Reduce difficulty to remove directors (ease supermajority vote)** To reduce the voting requirement for shareholders to remove directors (i.e., by easing the supermajority requirement, without eliminating it altogether)

  Management proposals seeking to eliminate altogether the supermajority vote requirement to remove directors are categorized under the "Eliminate supermajority vote requirements" proposal category. Management proposals seeking to eliminate or ease the supermajority vote requirement to amend the company's charter or bylaws are categorized under "Ease vote requirement to amend charter/bylaws (eliminate supermajority vote)" or under "Ease vote requirement to amend charter/bylaws (without eliminating supermajority vote)."

- **Reduce difficulty to remove directors (with/without cause)** Seeking a charter or bylaws amendment to allow shareholders to remove a director either with or without cause (i.e., eliminate the requirement that directors may be removed only for cause)

- **Reincorporate in another state** Seeking approval to change the company's state of incorporation to another US state

- **Set the number of directors at specified number** To set the number of directors at a specified number

- **Separate CEO/chairman positions** For the adoption of a policy separating the roles of chairman and CEO and/or requiring that the chairmanship be assumed by an independent director with no management duties, titles, or responsibilities

- **Other board committee-related** Any other management-sponsored proposals related to board committees. This category includes proposals to form a new committee and other requirements on who may serve on a committee, including prohibiting directors who receive a specified percentage of votes against their re-election from serving on a committee

- **Other board structure-related** Any other management-sponsored proposals related to board size and structure

  This category includes proposals to change from a fixed to a variable board size, provisions regarding the ability of the board to determine the board size, placing and eliminating other director qualification requirements, and eliminating term and age limits.

- **Other nontakeover defense-related charter/bylaw amendment** Any other nontakeover defense-related management-sponsored proposals seeking a charter or bylaws amendment (e.g., with respect to indemnification provisions)

- **Other takeover defense-related (strengthen defense)** Any other management-sponsored proposals requiring a charter or bylaw amendment to increase the company's takeover defenses

  This category could include proposals to decrease a charter ownership limit or extend its expiration date, adopt an expanded constituency provision, or adopt an antigreenmail provision.

- **Other takeover defense-related (reduce defense)** Any other management-sponsored proposals requiring a charter or bylaw amendment to reduce the company's takeover defenses or limit its ability to adopt defenses (e.g., to allow shareholders to amend the bylaws at a company where only the board can amend the bylaws)

- **Other corporate governance issues** Any other management-sponsored proposals related to corporate governance practices not otherwise categorized (e.g., compensation consultant issues, stockholder communication, location of shareholder meetings, proxy issues, and increased disclosure of financial risk, credit risk, derivatives, or collateral and structured investment vehicles)

For the formulation of proposals submitted under this category, see Appendix 1 on on p. 231.

By topic

The historical analysis by topic of filed management proposals on corporate governance (Table 7) highlights governance-related changes that typically occur in response to the adoption of a shareholder proposal but that were instead introduced by management. The most frequent management proposals in 2019 were on the elimination of a supermajority vote requirement (56 proposals or 21.1 percent each), followed by those on board declassification (36 proposals, or 13.6 percent of the total after excluding proposals on the election of management's director nominee), those seeking nontakeover defense-related charter or bylaw amendments (34 proposals, or 12.8 percent), those changing the director election model from plurality to majority voting (15 proposals, or 5.7 percent) and those related to shareholders' ability to call special meetings (14 proposals, or 5.3 percent).

These instances are likely to reflect a response by management to some type of shareholder pressure. The circumstances may vary: A proposal on the same topic might have been filed by shareholders during previous proxy seasons, activists might have been particularly effective in mounting a public campaign against a certain corporate practice, or the management proposal might be the concession the company made to settle a threatened proxy contest. In some cases, management might agree to introduce a proposal to meet part of a shareholder request; for example, easing the requirements to call special meetings but not removing them. Voting guidance by ISS on board responsiveness has also been a major driver of management proposals on corporate governance—especially on topics such as board declassification and majority voting, which have been consistently supported for a few years by a majority of shareholders (see "Board Responsiveness," on p. 67).

The totals in Table 7 include proposals for which the company reported detailed voting results; proposals reported only as "pass/fail," "not voted on," or "pending/never disclosed" are excluded. Totals for proposals to elect management's director nominee are shown separately.

Table 7

Management Proposals on Corporate Governance—by Topic (2016, 2018, and 2019)

Topic	Number of voted management proposals	Percentage of total
Elect management's director nominee		
2019	16,492	98.4%
2018	15,927	98.2
2016	14,558	97.9
2019		
Ease vote requirement to amend charter/bylaws (eliminate supermajority vote)	56	21.1%
Declassify board	36	13.6
Other nontakeover defense-related charter/bylaw amendment	34	12.8
Change from plurality to majority voting	15	5.7
Other board committee-related	15	5.7
Allow for (or ease requirement to) call special meetings	14	5.3
Redeem or require shareholder vote on poison pill	9	3.4
Other board structure-related	7	2.6
Other corporate governance issues	7	2.6
Reduce difficulty to remove directors (ease supermajority vote)	7	2.6
Ease vote requirement for mergers (eliminate supermajority vote)	6	2.3
Reduce difficulty to remove directors (with/without cause)	6	2.3
Add ownership limit to charter	5	1.9
Fix the number of directors at specified number	5	1.9
Other takeover defense-related (reduce defense)	5	1.9
Allow for (or ease requirement to) act by written consent	4	1.5
Increase board size	4	1.5
Mandatory director retirement age-related	4	1.5
Include shareholder nominee in company proxy (proxy access)	3	1.1
Increase board ability to amend bylaws (strengthen defense)	3	1.1
Other takeover defense-related (strengthen defense)	3	1.1
Decrease board ability to amend bylaws (reduce defense)	2	0.8
Decrease board size	2	0.8
Eliminate cumulative voting	2	0.8
Fill board vacancies (strengthen defense)	2	0.8
Opt out of state takeover statute	2	0.8
Reincorporate in Delaware	2	0.8
Classify board	1	0.4
Ease vote requirement to amend charter/bylaws (without eliminating supermajority vote)	1	0.4
Eliminate expanded constituency provision	1	0.4
Eliminate fair price provision	1	0.4
Increase vote requirement to amend charter/bylaws (adopt supermajority vote)	1	0.4

n=265

(Table 7 continues on next page)

Table 7 (continued)

Management Proposals on Corporate Governance—by Topic (2016, 2018, and 2019)

Topic	Number of voted management proposals	Percentage of total
2018		
Declassify board	55	18.7%
Ease vote requirement to amend charter/bylaws (eliminate supermajority vote)	44	15.0
Other nontakeover defense-related charter/bylaw amendment	35	11.9
Allow for (or ease requirement to) call special meetings	21	7.1
Other takeover defense-related (reduce defense)	13	4.4
Redeem or require shareholder vote on poison pill	13	4.4
Change from plurality to majority voting	12	4.1
Decrease board ability to amend bylaws (reduce defense)	10	3.4
Other board committee-related	10	3.4
Increase board size	9	3.1
Include shareholder nominee in company proxy (proxy access)	8	2.7
Reduce difficulty to remove directors (ease supermajority vote)	8	2.7
Reduce difficulty to remove directors (with/without cause)	7	2.4
Set the number of directors at specified number	7	2.4
Other corporate governance issues	6	2.0
Allow for (or ease requirement to) act by written consent	5	1.7
Ease vote requirement for mergers (eliminate supermajority vote)	5	1.7
Other board structure-related	5	1.7
Reincorporate in another state	4	1.4
Eliminate (or increase requirement to) call special meetings	2	0.7
Eliminate supermajority vote requirement	2	0.7
Increase board ability to amend bylaws (strengthen defense)	2	0.7
Opt out of state takeover statute	2	0.7
Add ownership limit to charter	1	0.3
Advance-notice related (reduce defense)	1	0.3
Advance-notice related (strengthen defense)	1	0.3
Decrease board size	1	0.3
Eliminate blank-check preferred stock	1	0.3
Eliminate cumulative voting	1	0.3
Eliminate dual class structure (unequal voting)	1	0.3
Mandatory director retirement age-related	1	0.3
Other takeover defense-related (strengthen defense)	1	0.3
	n=294	

(Table 7 continues on next page)

Table 7 (continued)

Management Proposals on Corporate Governance—by Topic (2016, 2018, and 2019)

Topic	Number of voted management proposals	Percentage of total
2016		
Other nontakeover defense-related charter/bylaw amendment	63	19.9%
Reduce difficulty to remove directors (with/without cause)	42	13.2
Declassify board	34	10.7
Change from plurality to majority voting	21	6.6
Ease vote requirement to amend charter/bylaws (eliminate supermajority vote)	21	6.6
Include shareholder nominee in company proxy (proxy access)	18	5.7
Other board committee-related	15	4.7
Allow for (or ease requirement to) call special meetings	13	4.1
Set the number of directors at specified number	12	3.8
Other board structure-related	11	3.5
Redeem or require shareholder vote on poison pill	11	3.5
Other corporate governance issues	8	2.5
Add ownership limit to charter	5	1.6
Increase board size	5	1.6
Decrease board ability to amend bylaws (reduce defense)	4	1.3
Reduce difficulty to remove directors (ease supermajority vote)	4	1.3
Reincorporate in another state	4	1.3
Advance-notice related (strengthen defense)	3	0.9
Eliminate cumulative voting	3	0.9
Increase board ability to amend bylaws (strengthen defense)	3	0.9
Allow for (or ease requirement to) act by written consent	2	0.6
Ease vote requirement for mergers (eliminate supermajority vote)	2	0.6
Eliminate dual class structure (unequal voting)	2	0.6
Advance-notice related (reduce defense)	1	0.3
Authorize blank-check preferred stock	1	0.3
Classify board	1	0.3
Ease vote requirement to amend charter/bylaws (without eliminating supermajority vote)	1	0.3
Eliminate (or increase requirement to) act by written consent	1	0.3
Eliminate (or increase requirement to) call special meetings	1	0.3
Eliminate fair price provision	1	0.3
Fill board vacancies (strengthen defense)	1	0.3
Increase vote requirement to amend charter/bylaws (adopt supermajority vote)	1	0.3
Opt out of state takeover statute	1	0.3
Other takeover defense-related (strengthen defense)	1	0.3
	n=317	

Source: The Conference Board/ESGAUGE, 2019.

Voting results—by topic

As shown in Figure 3.13, some of the lowest levels of support were seen for a single proposal to classify the board of directors (70 percent of votes cast in favor of the proposal, compared with an average of 95.1 percent of votes cast), for those to reduce the board's ability to amend bylaws (85.7 percent), and those to redeem (or require a shareholder vote on) poison pills (88.1 percent of *for* votes).

Management proposals on corporate governance had higher average levels of nonvotes than their counterparts in the other management proposals category. Broker nonvotes constituted an average of 11.5 percent of outstanding shares for proposals to elect a management candidate to the board; when computing such nonvotes, the average support for director nominee proposals filed by management decreased from 95.1 percent of votes cast to 74.1 percent of outstanding shares.

Figure 3.13

Management Proposals on Corporate Governance—Average Voting Results, by Topic (2019)

Topic	Voted proposals	As a percentage of votes cast For	Against	Abstain	As a percentage of shares outstanding For	Against	Abstain	Nonvotes
Elect management's director nominee	16,492	95.1%	4.8%	0.4%	74.1%	4.3%	0.4%	11.5%
Ease vote requirement to amend charter/bylaws (eliminate supermajority vote)	56	97.2	2.1	0.7	78.5	1.1	0.7	10.8
Declassify board	36	98.2	1.4	0.4	79.1	1.1	0.3	10.9
Other nontakeover defense-related charter/bylaw amendment	34	94.0	5.5	0.4	74.8	5.0	0.5	9.4
Change from plurality to majority voting	15	97.0	2.7	0.4	80.6	2.0	0.3	9.9
Other board committee-related	15	94.8	5.1	0.1	74.9	4.1	0.1	6.5
Allow for (or ease requirement to) call special meetings	14	95.2	2.2	2.5	74.7	1.7	2.1	9.9
Redeem or require shareholder vote on poison pill	9	88.1	11.2	0.7	61.3	8.6	0.5	21.0
Other board structure-related	7	95.8	3.3	0.9	60.9	2.5	0.7	19.2
Other corporate governance issues	7	96.6	3.2	0.2	78.7	2.8	0.1	11.5
Reduce difficulty to remove directors (ease supermajority vote)	7	96.2	3.6	0.2	75.1	0.3	0.6	14.5
Ease vote requirement for mergers (eliminate supermajority vote)	6	94.8	4.5	0.7	83.1	0.8	1.1	6.6
Reduce difficulty to remove directors (with/without cause)	6	99.1	0.4	0.5	82.5	0.3	0.4	9.0
Add ownership limit to charter	5	96.8	2.8	0.4	79.9	2.2	0.3	15.2
Fix the number of directors at specified number	5	99.0	0.6	0.5	71.2	0.4	0.4	15.8
Other takeover defense-related (reduce defense)	5	92.0	7.3	0.7	75.1	4.9	0.6	10.9
Allow for (or ease requirement to) act by written consent	4	98.0	1.8	0.2	81.0	1.4	0.2	10.4
Increase board size	4	98.3	2.1	0.1	63.7	1.4	0.1	16.1
Mandatory director retirement age-related	4	93.0	5.3	1.7	75.4	4.1	1.3	12.0
Include shareholder nominee in company proxy (proxy access)	3	98.6	1.2	0.2	86.4	1.2	0.2	7.5
Increase board ability to amend bylaws (strengthen defense)	3	92.1	7.3	0.7	64.7	4.8	0.5	15.0
Other takeover defense-related (strengthen defense)	3	95.0	4.7	0.3	81.2	16.8	0.2	12.9
Decrease board ability to amend bylaws (reduce defense)	2	85.7	14.1	0.1	70.1	11.7	0.1	8.5
Decrease board size	2	98.9	0.8	0.3	61.2	0.5	0.2	17.6
Eliminate cumulative voting	2	89.0	10.4	0.6	75.2	10.1	0.7	10.9
Fill board vacancies (strengthen defense)	2	99.0	1.0	0.0	81.2	0.8	0.0	11.7
Opt out of state takeover statute	2	99.8	0.1	0.1	90.3	0.1	0.1	4.9
Reincorporate in Delaware	2	87.6	10.3	2.1	65.1	6.9	1.4	6.1
Classify board	1	70.0	29.9	0.1	66.4	28.3	0.1	n/a
Ease vote requirement to amend charter/bylaws (without eliminating supermajority vote)	1	95.2	4.4	0.4	52.9	2.4	0.2	24.0
Eliminate expanded constituency provision	1	86.0	14.0	n/a	44.4	7.2	n/a	29.1
Eliminate fair price provision	1	98.8	1.0	0.3	76.8	0.8	0.2	12.2
Increase vote requirement to amend charter/bylaws (adopt supermajority vote)	1	96.9	2.3	0.9	72.3	1.7	0.6	12.3

n/a = No voted proposals

Note: For management proposals at companies that have a multishare system where certain classes of stock only vote on certain proposal types, results as a percentage of shares outstanding are not included because they would skew support level statistics.

Percentages may not add to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Management Proposals on Social and Environmental Policy

There were no management proposals on social and environmental policy in the sample period examined for the purpose of this report.

Other Management Proposals

The analysis of other management proposals filed in 2019 offers a snapshot of this residual, all-inclusive category of corporate actions brought to a shareholder vote by the company.

For the purpose of this report, other management-sponsored proposals are categorized based on the following topics:

- **Approve adjournment of meeting** Seeking shareholder approval to adjourn or postpone an annual or special meeting to solicit additional proxies

  The results of these proposals are often not disclosed.

- **Approve change to fundamental investment policies** To approve a change to a closed-end fund's investment strategy or policy, including the adoption of a new investment objective or the repeal of certain investment restrictions

- **Approve investment advisory agreement** To approve a closed-end fund's investment advisory agreement

- **Approve liquidation/dissolution** To approve the liquidation and/or dissolution of the company

- **Approve merger (acquirer)** Seeking the approval or adoption of the merger agreement by the shareholders of the acquiring company

- **Approve merger (target)** Seeking the approval or adoption of the merger agreement by the shareholders of the target company

- **Approve reorganization/restructuring plan** To approve restructuring or reorganization plans

  This category includes proposals on the creation of a holding company, on converting from a mutual to a public ownership structure, and on REIT conversions.

- **Approve sale/issuance of stock at price below NAV** To authorize the board of a closed-end fund to issue shares at a price below net asset value (NAV), as per the requirements of the Investment Company Act of 1940

- **Approve sale/spin-off of assets or subsidiary** To approve the sale or spin-off of assets, business units, or subsidiaries

- **Approve stock issuance for a private placement** To approve the issuance of securities in a private placement

  This category is used when the text of the proposal as filed in the proxy statement specifically discloses that the issuance is a private placement.

New York Stock Exchange (NYSE) rules require shareholder approval prior to any issuance or sale of common stock or securities convertible into or exercisable for common stock if it exceeds 19.99 percent of the voting power. Similarly, NASDAQ rules require shareholder approval for certain transactions involving the issuance of 20 percent or more of the voting power.

- **Approve stock issuance for merger/acquisition** To approve the issuance of securities used as consideration in a merger or acquisition

  NYSE rules require shareholder approval prior to any issuance or sale of common stock or securities convertible into or exercisable for common stock if it exceeds 19.99 percent of the voting power. Similarly, NASDAQ rules require shareholder approval for certain transactions involving the issuance of 20 percent or more of the voting power.

- **Approve stock split** To approve stock splits

  These proposals usually contemplate a charter amendment.

- **Approve stock/warrant issuance** Seeking approval of the issuance of securities, including those issuable upon the conversion of convertible stock, notes, or warrants

  NYSE rules require shareholder approval prior to any issuance or sale of common stock or securities convertible into or exercisable for common stock if it exceeds 19.99 percent of the voting power. Similarly, NASDAQ rules require shareholder approval for certain transactions involving the issuance of 20 percent or more of the voting power. If the proxy discloses that the issuance is a private placement, then the proposal is categorized under "Approve stock issuance for a private placement." If the issuance constitutes the consideration in a merger or acquisition, then the proposal is categorized under "Approve stock issuance for merger/acquisition."

- **Authorize declawed blank-check preferred stock** Establishing a specified number of shares of preferred stock but limiting its use as a takeover defense

  On blank-check preferred stock, also see p. 120. If the blank-check preferred stock is "declawed," the board retains the flexibility in structuring capital-raising transactions but generally offers the representation that the company will not issue, without prior shareholder approval, any series of preferred stock for any defensive or antitakeover purpose or with features specifically intended to make any attempted acquisition of the company more difficult or costly. In some cases, the company issues a separate press release (and files it as a Form 8-K or DEFA14A) disclosing that the proposed preferred stock will be declawed.

- **Decrease authorized number of shares of common stock** Seeking a charter amendment to decrease the number of authorized shares of common stock

- **Decrease authorized number of shares of preferred stock** Seeking a charter amendment to decrease the number of authorized shares of preferred stock

- **Increase authorized number of shares of common stock** Seeking a charter amendment to increase the number of authorized shares of common stock

- **Increase authorized number of shares of preferred stock** Seeking a charter amendment to increase the number of authorized shares of preferred stock
- **Name change** Seeking charter approval to change the name of the company

  These proposals typically request approval to amend the company's charter.
- **Par value-related** To change (typically, reduce) the par value of the common stock

  Par value represents the per-share value that is arbitrarily assigned to each class of common stock upon its issuance. Par value is used to designate the lowest value for which a company can sell its shares and to report the outstanding equity value on a company's balance sheet. Historically, the concept of par value served to protect creditors and senior security holders by ensuring that a company received at least the par value as consideration for issuance of stock; however, this concept has lost much of its significance over time. Companies seeking to reduce par value often do so to issue shares below the pre-existing par value or to claim certain fiscal benefits.
- **Ratify auditors** To ratify the appointment of the company's auditor for the ensuing year
- **Reincorporate outside of the United States** Seeking approval to reincorporate in a jurisdiction outside of the United States
- **Remove ownership limit from charter** To remove an ownership limitation from the company's charter

  These ownership limits are usually related to preserving net operating loss carryforwards ("NOLs"), qualification for REIT status, and regulated industries.
- **Other capital stock-related** Any other management-sponsored proposals related to the capital stock of the company
- **Other fund-specific issues** Other management-sponsored proposals relating to closed-end fund business
- **Miscellaneous** Any management-sponsored proposals not otherwise categorized in this report

For the formulation of proposals submitted under this category, see Appendix 1 on p. 231.

By topic

As shown in Figure 3.14, the vast majority of the proposals in the "other" category that management brought to a vote at annual meetings in 2019 sought to ratify the appointment of the company's auditor for the ensuing year. While ratification votes are advisory and are not required by law, they are often held as a matter of good corporate practice. In addition, since they are considered routine matters for which brokers may vote uninstructed shares, such proposals may help establish a quorum for shareholder meeting purposes.

Other issues or planned actions management brought to a shareholder vote included proposals related to the capital stock of the company (87 proposals) and proposals seeking to increase the authorized number of shares of common stock (57 proposals).

Figure 3.14

Other Management Proposals—by Topic (2016, 2018, and 2019)

Topic	2019 Number of voted management proposals	2019 Percentage of total*	2018 Number of voted management proposals	2018 Percentage of total*	2016 Number of voted management proposals	2016 Percentage of total*
Ratify auditors	2,508	91.6%	2,427	90.2%	2,225	90.6%
Other capital stock-related	87	3.2	74	2.8	75	3.1
Increase authorized number of shares of common stock	57	2.1	71	2.6	52	2.2
Miscellaneous	52	1.9	61	2.3	60	2.4
Name change	9	0.3	9	0.3	4	0.2
Approve adjournment of meeting	8	0.3	12	0.4	5	0.2
Approve stock/warrant issuance	5	0.2	9	0.3	7	0.3
Decrease authorized number of shares of common stock	4	0.1	3	0.1	2	0.1
Approve stock split	2	0.1	8	0.3	13	0.5
Authorize declawed blank-check preferred stock	2	0.1	n/a	n/a	n/a	n/a
Approve plan to decertify as a business development company (1940 Act)	1	0.04	n/a	n/a	n/a	n/a
Approve reorganization/restructuring plan	1	0.04	2	0.1	n/a	n/a
Approve stock issuance for a private placement	1	0.04	3	0.1	4	0.2
Approve stock issuance for merger/acquisition	1	0.04	5	0.2	3	0.1
Repeal bylaw amendments adopted during proxy fight	1	0.04	n/a	n/a	n/a	n/a
Approve merger (acquirer)	n/a	n/a	2	0.1	1	0.04
Increase authorized number of shares of preferred stock	n/a	n/a	2	0.1	1	0.04
Approve merger (target)	n/a	n/a	1	0.04	n/a	n/a
Approve sale/spin-off of assets or subsidiary	n/a	n/a	1	0.04	n/a	n/a
Par value-related	n/a	n/a	n/a	n/a	2	0.1
Approve investment advisory agreement	n/a	n/a	n/a	n/a	1	0.04
	n=2,739		n=2,690		n=2,456	

* Totals only include proposals for which detailed voting results were reported, not those reported only as pass/fail, not voted on, or pending/never disclosed.

Percentages may not add up to 100 due to rounding.

n/a = No voted proposals

Source: The Conference Board/ESGAUGE, 2019.

The 61 proposals categorized as "miscellaneous" include the proposals to release members of the company's management or supervisory boards from liability in respect of the exercise of their duties or to approve the company's annual report and financial statements.

Totals include proposals for which the company reported detailed voting results; proposals reported only as "pass/fail," "not voted on," or "pending/never disclosed" are excluded from this calculation.

Voting results—by topic

As shown in Figure 3.15, the "other management proposal" types that received the lowest average support level sought to approve a meeting adjournment (on average, 19 percent of votes cast were against the eight voted proposals) and those to approve stock split (9.7 percent of votes against the two voted proposals). Three proposals to authorized blank-check preferred stock received 19.3 percent of shares outstanding, on average.

Figure 3.15

Other Management Proposals—Average Voting Results, by Topic (2019)

		As a percentage of votes cast			As a percentage of shares outstanding			
Topic	Voted proposals	For	Against	Abstain	For	Against	Abstain	Nonvotes
Ratify auditors	2,508	98.3%	1.3%	0.3%	87.3%	1.3%	0.3%	5.9%
Other capital stock-related	87	94.7	4.9	0.4	82.8	4.5	0.4	4.2
Increase authorized number of shares of common stock	57	92.4	6.9	0.6	80.9	6.2	0.6	11.5
Miscellaneous	52	94.7	4.1	1.2	76.3	3.5	0.9	14.9
Name change	9	98.5	1.2	0.3	84.0	1.1	0.2	n/a
Approve adjournment of meeting	8	80.6	19.0	0.4	70.1	22.0	0.4	9.4
Approve stock/warrant issuance	5	94.1	1.4	4.5	77.8	1.9	4.0	11.8
Decrease authorized number of shares of common stock	4	95.4	3.9	0.6	91.5	4.4	0.7	n/a
Approve stock split	2	89.6	9.7	0.7	94.1	16.1	1.0	n/a
Authorize declawed blank-check preferred stock	2	91.9	7.5	0.7	58.1	4.6	0.4	19.3
Approve plan to decertify as a business development company (1940 Act)	1	99.6	0.1	0.3	71.0	0.1	0.2	n/a
Approve reorganization/restructuring plan	1	99.7	0.2	0.1	73.3	0.2	0.1	7.4
Approve stock issuance for a private placement	1	99.6	0.4	0.0	n/a	0.5	0.0	13.7
Approve stock issuance for merger/acquisition	1	98.8	0.2	1.1	53.0	0.1	0.6	n/a
Repeal bylaw amendments adopted during proxy fight	1	99.5	0.4	0.2	78.4	0.3	0.1	10.9

n/a = No voted proposals

Note: For management proposals at companies that have a multishare system where certain classes of stock only vote on certain proposal types, results as a percentage of shares outstanding are not included because they would skew support level statistics.

Percentages may not add to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

PART 4

Proxy Contests and Other Shareholder Activism Campaigns

Broadly speaking, shareholder activism is any attempt made by a public company investor to influence important business management decisions. As such, some forms of shareholder activism have existed for a long time, with large investment institutions urging additional corporate transparency or publicly voicing concerns about the long-term value creation strategy of their portfolio companies. However, in the last decade, the phenomenon has undergone a profound transformation that affected not only the type of shareholders involved but also their tactics and ultimate objectives. Today, activism has become a separate class of investing on its own, and corporations have taken notice.

This section of the report reviews data on publicly disclosed shareholder activism campaigns. The mere filing of a Rule 14a-8 resolution (reviewed in Part 2) does not constitute a "publicly disclosed activism campaign" if it is not accompanied by one of the following forms of public agitation. For the purpose of this analysis, publicly disclosed shareholder activism campaigns are categorized as follows:

- **Proxy contest** A "proxy contest" (or "proxy fight" or "contested solicitation") is a proxy voting campaign under which an activist shareholder or group of shareholders (the "dissident") solicits the proxy of fellow shareholders in support of a resolution it is advancing. This type of initiative usually involves the election of the dissident's own slate of nominees to the company's board of directors in opposition to the company's director nominees. However, it may also pertain to the approval of a shareholder proposal or to the vote against a management proposal (including the proposal to approve a merger or another business combination).

  In a proxy contest, the dissident files a separate proxy statement and card from the company's proxy materials. Regulation 14A (Rules 14a-1 to 14b-2) under the Securities Exchange Act of 1934 requires that the dissident abide by several procedural and disclosure requirements to wage a proxy contest. For the purpose of this report, an initiative is classified as a proxy contest from the moment the dissident publicly discloses the delivery of formal notice to the company that it intends to solicit proxies from other shareholders.

- **Exempt solicitation** Made pursuant to Rule 14a-2(b)(1) under the Securities Exchange Act of 1934, an exempt solicitation is a campaign under which an activist dissenting from management can communicate its views to other shareholders without having to comply with SEC proxy filing and disclosure rules. Like proxy contests, exempt solicitations usually involve communications to other shareholders to persuade them to vote for or against a resolution. Unlike a proxy contest, the activist is not seeking the power to act as proxy for a fellow shareholder and does not provide its own proxy card in its materials.

Under Exchange Act Rule 16a-6(g), if the activist owns target company securities of the class subject to the solicitation with a market value of over $5 million, it must file with the SEC a Notice of Exempt Solicitation (Form PX14A6G) not later than three days after the date the written solicitation is first sent or given to any other shareholder. Although there is no indication that the SEC intended these notices to be used on a voluntary basis by smaller shareholders holding less than $5 million worth of stock, nothing in the rules prevents them from doing so. Thus, exempt solicitations have become an easy and cost-effective way for activists to amplify their voice and lobby fellow shareholders beyond the 500-word limit imposed for shareholder proposals by Rule 14a-8. To be sure, some of these filings do not have any characteristics of "solicitations" and would not be required even if they were made by large shareholders.

- **Other activism campaign** This is a catch-all category involving any campaign tactics other than a proxy contest or exempt solicitation where an activist investor agitates for corporate changes with the goal of maximizing shareholder value (through stock buybacks or dividend distributions, or calling for the sale of the company or the divestiture of a line of business) or enhancing corporate governance, executive compensation or social and environmental practices. Tactics range from issuing press releases, making public speeches, and broadcasting advertisements to publicly disclosing letters sent to target company management, and from filing a shareholder lawsuit or threatening a proxy fight for board representation to launching a hostile tender offer to all shareholders. Under Exchange Act Rule 14a-1(l), these broadly disseminated statements of how a shareholder intends to vote or the reasons for its dissent from management do not per se constitute "solicitations" for the purpose of US securities regulation.

  New technology has enabled forms of broad outreach that were unimaginable only a few years ago, and activists are perfecting their use to exercise pressure on target companies and advance their investment objectives. Examples of how investors tap into the potentials of innovation are communications via social media and electronic shareholder forums (which the SEC exempts from proxy solicitation rules if certain conditions are met[7]), the inclusion of links to websites in the 500-word supporting statements that accompany a shareholder proposal, and the use of proxy processing agents such as Broadridge for the electronic mailing of materials to investor lists (in many cases without any knowledge of the company).

- **13D filer—No publicly disclosed activism** Under Exchange Act Rule 13d-1, an investor is expected to file a beneficial ownership report on Schedule 13D within 10 days after acquiring more than 5 percent of a company's outstanding shares. The Schedule 13D should include a statement on the purpose of the transaction and should be promptly amended to report material changes to that purpose.

7 SEC Compliance and Disclosure Interpretations (Section 110. Rule 134—Communications Not Deemed a Prospectus), April 2014, available at www.sec.gov/divisions/corpfin/guidance/securitiesactrules-interps.htm; and SEC Release No. 34-57172 ("Electronic Shareholder Forums"), January 18, 2008, at www.sec.gov/rules/final/2008/34-57172.pdf.

> Depending on the circumstances, the mere filing of a Schedule 13D by a notable activist investor, even when unaccompanied by a public statement on the investor's specific intentions to effect corporate change, may put pressure on the company to act to enhance shareholder value or adopt specific governance or sustainability practices. However, for the purpose of this report, these instances are not categorized as any of the previously described activism campaigns until an amendment to the Schedule 13D reveals the investor's specific activism motive and campaign tactics.

This section of the report reviews all publicly disclosed activism campaigns conducted by investors at SEC-registered companies that held annual or special shareholder meetings between January 1, 2019, and June 30, 2019, and that, on the campaign announcement date, were in the Russell 3000 index. For comparative purposes, the same top-level analysis is repeated for the larger companies in the S&P 500 index. Unlike other sections of the report, data analyzed in Part 4 are not limited to AGMs and include special meetings as well as actions by written consent. However, the analysis is limited to activism campaigns related to a director election or a written consent solicitation or a (shareholder or management) resolution put to a vote at a shareholder meeting and does not extend to other announced campaigns unrelated to a shareholder vote or consent.

On the reasons for the selection of this sample of activism campaigns and the exclusion of other campaigns announced against Russell 3000 companies in the first six months of 2019, see "Activism Campaigns Unrelated to a Shareholder Vote or Written Consent" below.

Activism Campaigns Unrelated to a Shareholder Vote or Written Consent

Unlike other parts of this report, data analyzed in Part 4 include not only AGMs but also special meetings and actions by written consent. This is because activist investors often target extraordinary corporate decisions deliberated at special meetings of shareholders. Similarly, if the company bylaws permit, activists may bring a matter to a shareholder vote by calling a special meeting or conducting a written consent solicitation.

However, *Proxy Voting Analytics* was designed to report on shareholder voting. For this reason, the analysis in Part 4 excludes activism campaigns unrelated to a director election or a written consent solicitation or a (shareholder or management) resolution put to a vote at a shareholder meeting of Russell 3000 companies held in the sample period.

There were 281 announcements of activism campaigns against Russell 3000 companies in the January 1-June 30, 2019, period, compared to 254 in 2018, 240 in 2017, and 261 during the same period in 2015. However, the analysis discussed in this section covers the 155 campaigns that pertained to a director election or a written consent solicitation or a (shareholder or management) resolution voted at a shareholder meeting held by a company in the Russell 3000 in the January 1-June 30, 2019 period. The sample includes both campaigns announced during the time period as well as campaigns announced prior to the time period but related to meetings held in the time period.

When compared to data from 2018, the number of campaign announcements in the first half of 2019 increased more than the volume of campaigns related to Russell 3000 company shareholder meetings held in the first six months of 2019 (281 in 2019 from 254 in 2018 for the former, compared to 155 in 2019 from 147 in 2018 for the latter). This difference reveals the increasing use by activists of public initiatives to gain the attention of the target company board and possibly induce it to come to the negotiating table rather than to galvanize other shareholders on the importance of a certain vote. In fact, considering the recent entry of a cadre of new funds to the activism investment business, some of these campaign announcements that are unrelated to shareholder meetings could be mere attempts to assess the actual bargaining power that a new fund exercises on its portfolio companies.

Activist hedge funds have long used the threat of proxy contests to pressure management. The tactic of filing a shareholder resolution to get a phone call returned is also far from new, as proven by the proportion of withdrawn proposals documented by this report. However, the rise of campaign announcements unrelated to a shareholder meeting may indicate that many investors are now agitating for change without even filing shareholder proposals.

By definition, proxy contests announced against Russell 3000 companies in the first months of 2019 involve a shareholder vote and are therefore included in the data analysis of this section of the report. The discussion in the following pages excludes notices of exempt solicitations that activist investors filed with the SEC on Form PX14A6G for reasons other than urging fellow shareholders to vote for or against a certain proposal or to withhold their vote at a director election. Similarly, it excludes any other public agitation tactic used to promote the investor's opinion about the need for change at the target company but unrelated to a specific matter being put to a vote at a shareholder meeting—whether an open letter to shareholders or a press conference or the appearance on a CNBC talk show or a Twitter chat.

For example, this analysis includes:

- The proxy contest waged by hedge fund Bow Street LLC at Mack-Cali Realty Corporation. In March 2019 Bow Street LLC filed a notice of intent to nominate six candidates for election to the board at the 2019 AGM.
- The notice of exempt solicitation filed in April 2019 against Universal Logistics Holdings, Inc. by public pension fund CalPERS, urging shareholders to vote for the shareholder proposal that asked the board to allow for a majority voting standard for uncontested director elections at the 2019 AGM.
- The May 2019 letter sent by Vindico Capital LLC to the board of Red Lion Hotels Corporation, announcing its intention to vote against the proposal that would re-elect four legacy directors and compensation related proposals, and to vote for one individual for director election at 2019 AGM.

However, the analysis in Part 4 does not include the following examples of activism campaign announcements unaccompanied by the filing of a notice of solicitation or a shareholder proposal:

- The Schedule 13D filed in April 2019 by Cannell Capital LLC, reporting a stake of 5.66 percent in Build-A-Bear Workshop, Inc., criticizing the lack of alignment between the interests of Build-A-Bear's owners and its board and highlighting the board's minimal ownership in the company, with no board members purchasing stock in the last two years.
- The March 2019 letter sent by Barington Companies Investors LLC to the Chairman and CEO of L Brands, Inc., detailing its recommendations on how L Brands could address its current challenges and improve shareholder value. Barington criticized the company's financial performance and added that Victoria's Secret's struggles overshadowed the performance of Bath & Body Works. In line with this, Barrington recommended correcting past merchandising mistakes at Victoria's Secret, and retaining a financial adviser to help explore opportunities to unlock the value of Bath & Body Works, such as a spinoff of Victoria's Secret or an initial public offering of Bath & Body Works. Barington expressed belief that the company could reduce some of its debt, and that an IPO of Bath & Body Works could deleverage the company's balance sheet and finance international expansion. In addition, Barington recommended that the company consider replacing each director with tenure of more than 30 years and added that it would be pleased to provide names of highly qualified individuals who it believed could improve board composition and diversity. Lastly, Barington further expressed its belief that the company should declassify the board and that chairman and CEO roles should be held by separate individuals.
- The Schedule 13D filed in February 2019 by VIEX Capital Advisors, LLC reporting an 8.5 percent stake in Arlo Technologies, Inc., disclosing that VIEX engaged in discussions with the board and chairman of Arlo regarding the company's financial results, which showed a significant decline in the share price. VIEX also believed that Arlo should discard the 2019 operating plan and improve the company's operating model, including reducing cash burn and enacting a pathway for profitability and growth. Additionally, VIEX called for the company to be open to initiatives that would maximize shareholder value and disclosed that if Arlo failed to address its concerns, it might seek board representation at the 2019 annual meeting.
- The January 2019 letter sent by Elliott Management Corporation to the board of QEP Resources, Inc., proposing to acquire 100 percent of the company's outstanding shares for $8.75/share through an all-cash transaction. Elliott stated that QEP remained undervalued and believed that a company sale would deliver maximum value for the shareholders. Additionally, Elliott planned to discuss the proposal with QEP's board and proposed that the company should form a strategic committee to oversee the acquisition process.

Following an introduction on general activism trends, the discussion is organized by campaign type (proxy contests, exempt solicitations, and other activism campaigns) and extends to the review of activist types (based on the sponsor categorization also used in Part 2 and 3), as well as the stated primary reason for (or objective of) the activism campaign (for a description of the categorization used for such stated reasons, see p. 145). In the case of proxy contests, this section includes an analysis of outcomes and success rates (by index, industry, dissident, and reason for the contest).

A review of the Russell 3000 sample of 2019 shareholder activism campaigns described previously shows that, while the volume for the year is not yet back to the peak of 179 campaigns recorded in 2015, it has risen steadily after the dip to 137 of 2016 and is significantly higher than the level reported by The Conference Board in 2010 (65 campaigns). This year, the surge was driven by a growing number of exempt solicitations (124 instances, up from 79 in 2016 and 18 in 2010), while both proxy contests and other campaign types declined.

Shareholder Activism Campaign Volume

Per company

As shown in Figure 4.1, in the Russell 3000 sample examined for the purpose of this report, activist shareholders engaged on average in 0.06 campaign per company. This means that, for any applicable Russell 3000 company, the odds of being targeted by an activist investor in relation to the AGM were 100 to 6.

Despite the daily attention paid by the business and financial media to the activism phenomenon, Figure 4.1 also shows that the probability of being targeted by these investors in relation to a matter voted at a shareholder meeting has not varied significantly over the last few years. Large companies are more exposed to activism and, as expected, in the S&P 500 index such probability was higher, or 100 to 22.

By index

Shareholders engaged in 155 activism campaigns involving a shareholder meeting held between January 1, 2019 and June 30, 2019, by pubic companies that, at the time of the campaign announcement date, were in the Russell 3000 index. The number is fairly consistent with what was recorded in recent years—147 campaigns in 2018, 149 in 2017 and 155 campaigns in 2015. In the S&P 500, the total number of activism campaigns involving a shareholder vote rose from 67 in 2016 to 80 in 2018 and 95 this year (Figure 4.2).

In 2019, the total number of activism campaign announcements rose at a higher rather than the number of activism campaigns involving a vote at a shareholder meeting (281 in 2019 from 254 in 2018 for the former, compared to only 155 in 2019 from 147 in 2018 for the latter). The reason for the discrepancy may be found in those announced campaigns where the activism does not aim at galvanizing other shareholders around a director election or an action by written consent or a vote on a specific resolution.

RETURN TO KEY FINDINGS
(page 27)

Figure 4.1

Shareholder Activism Campaign Volume per Company (2016–2019)

Average number of shareholder activism campaigns per company

	S&P 500	Russell 3000
2019	0.22	0.06
2018	0.18	0.06
2017	0.21	0.06
2016	0.15	0.06

Source: The Conference Board/ESGAUGE, 2019.

Figure 4.2

Shareholder Activism Campaign Volume—by Index (2016, 2018, and 2019)

Number of shareholder activism campaigns

	S&P 500	Russell 3000
2019	95	155
2018	80	147
2016	67	132

Source: The Conference Board/ESGAUGE, 2019.

Many announcements (whether through a press release, an appearance on a television show, or the filing of a Schedule 13D) serve the purpose of publicizing the investor's view of the business strategy or organizational performance. In these cases, the activist uses the announcement as the first step in an escalation plan that may lead to the filing of a shareholder proposal or the solicitation of proxies but that may also prove sufficient to persuade the board of directors to seek dialogue and reach a compromise.

By industry

The analysis of shareholder activism campaign volume by industry shows that the 155 campaigns launched against companies in the Russell 3000 sample for 2019 were distributed, albeit unevenly, across all 11 industry categories (Figure 4.3). The consumer discretionary and communication services industries were the most targeted, with 29 and 24 new campaigns each.

Figure 4.3

Shareholder Activism Campaign Volume—by Industry (2016, 2018, and 2019)

	2019		2018		2016	
Industry	Number of shareholder activism campaigns	Percentage of total	Number of shareholder activism campaigns	Percentage of total	Number of shareholder activism campaigns	Percentage of total
Communication services	24	15.5%	17	11.6%	17	12.9%
Consumer discretionary	29	18.7	23	15.6	15	11.4
Consumer staples	11	7.1	9	6.1	5	3.8
Energy	11	7.1	19	12.9	26	19.7
Financials	9	5.8	13	8.8	15	11.4
Health care	19	12.3	21	14.3	8	6.1
Industrials	18	11.6	18	12.2	12	9.1
Information technology	15	9.7	8	5.4	9	6.8
Materials	7	4.5	2	1.4	5	3.8
Real estate	3	1.9	8	5.4	7	5.3
Utilities	9	5.8	9	6.1	13	9.8
	n=155		n=147		n=132	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

The weak stock performance of the retail sector, battled by a stronger dollar, weak emerging markets, and the rise to dominance of online competitors such as Amazon, may help explain the persistent high level of interest in the consumer discretionary sector shown by activist investors over the course of the last few years. (There were 23 and 32 campaigns against this sector in 2018 and 2015, respectively).

Traditionally, information technology companies have also been among the most vulnerable to shareholder activism outside of the financial services realm, due to their large cash balance and lower-than-average dividend payout ratio. In 2019, shareholders waged 15 campaigns against companies in this sector. Instead, 11 were conducted against energy companies.

By campaign type

Figure 4.4 analyzes shareholder activism by campaign type for the Russell 3000 and S&P 500 samples. Proxy contests, or the most hostile of activism campaigns, declined in 2019—to 27 from 34 in 2018 in the Russell 3000 and to three from two in the S&P 500. At the same time, this proxy season witnessed a surge in the volume of exempt solicitations (124 in the Russell 3000, up from 100 in 2018 and 79 in 2016).

Figure 4.4

Shareholder Activism Campaign Volume—by Campaign Type (2016, 2018, and 2019)

	S&P 500		Russell 3000	
	Number of shareholder activism campaigns	Percentage of total	Number of shareholder activism campaigns	Percentage of total
2019				
Exempt solicitations	91	95.8%	124	80.0%
Proxy contests	3	3.2	27	17.4
Other activism campaigns	1	1.1	4	2.6
13D filer—No publicly disclosed activism	0	0.0	0	0.0
	n=95		n=155	
2018				
Exempt solicitations	75	93.8%	100	68.0%
Proxy contests	4	5.0	34	23.1
Other activism campaigns	1	1.3	13	8.8
13D filer—No publicly disclosed activism	0	0.0	0	0.0
	n=80		n=147	
2016				
Exempt solicitations	62	92.5%	79	59.8%
Proxy contests	2	3.0	38	28.8
Other activism campaigns	3	4.5	15	11.4
13D filer—No publicly disclosed activism	0	0.0	0	0.0
	n=67		n=132	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

By activist

Of the 155 activism campaigns waged against Russell 3000 companies in 2019, 53 (or 34.2 percent) were announced by non-investment stakeholder groups, 24 (15.5 percent) were initiated by investment advisers, and 22 (14.2 percent) were mounted by public pension funds (Figure 4.5). It was another record year for stakeholder groups, which had started 40 campaigns in 2018 and 19 in 2016, and, according to an earlier edition of this report, were responsible for only five public campaigns in the first half of 2010.

Notably, hedge funds ranked only fourth by campaign volume, with 18 campaign announcements in 2019 (or 11.6 percent of the total), down from 27 in 2018 (or 18.4 percent). The share of shareholder activism campaigns started by hedge funds continued its steady decline from the 36.3 percent that the edition of this study documented for the 2013 period. The percentage of campaigns involving a shareholder vote initiated by labor unions was stable in the last couple of years at around 6 percent of the total number of campaign announcements; even in this case, however, there has been a gradual decline from the 13.9 percent that The Conference Board had published in 2014.

Figure 4.5

Shareholder Activism Campaign Volume—by Activist (2016, 2018, and 2019)

	2019		2018		2016	
Activist shareholder	Number of shareholder activism campaigns	Percentage of total	Number of shareholder activism campaigns	Percentage of total	Number of shareholder activism campaigns	Percentage of total
Other stakeholders	53	34.2%	40	27.2%	19	14.4%
Investment advisers	24	15.5	31	21.1	22	16.7
Public pension funds	22	14.2	20	13.6	30	22.7
Hedge funds	18	11.6	27	18.4	33	25.0
Religious groups	13	8.4	8	5.4	1	0.8
Individuals	9	5.8	5	3.4	3	2.3
Labor unions	9	5.8	9	6.1	9	6.8
Other institutions	4	2.6	4	2.7	9	6.8
Named shareholders	2	1.3	1	0.7	1	0.8
Corporations	1	0.6	1	0.7	5	3.8
Mutual funds	n/a	n/a	1	0.7	n/a	n/a
	n=155		n=147		n=132	

n/a = No shareholder activism campaigns

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

By reason

For the purpose of this section of the report, shareholder activism campaigns are categorized based on the following stated reasons for dissent from management:

- **Board control** The activist seeks to gain control (i.e., a majority of the total seats) of the board of directors.
- **Board representation** The activist seeks representation on the board of directors by electing one or more of its nominees (but less than the majority necessary to control the board).
- **Hostile/unsolicited acquisition** The activist engages in a campaign to pursue a hostile (unsolicited) acquisition of the company.
- **Maximize shareholder value** An all-inclusive category for campaigns where the activist argues that the requested corporate action would unlock hidden business potentials and shareholder value. The plan for an additional or alternative strategic objective, the proposal of cost-saving or tax-efficiency measures, and the pursuit of the friendly sale of the company or one of its divisions are examples of reasons for the activism campaigns generally classified in this category.
- **Remove officer(s)** The activist engages in a campaign for the removal of one or more currently serving corporate officers (i.e., CEO, CFO, or president).
- **Remove director(s)** The activist engages in a campaign for the removal of one or more currently serving directors, without nominating its own board representative.
- **Vote/activism against a merger** The activist opposes a merger or other business combination transaction proposed by management or the board of directors or both.
- **Vote against a management proposal** The activist engages in a campaign against management to pursue broad voting support in favor of a certain management proposal.
- **Vote for a shareholder proposal** The activist engages in a campaign against management to pursue broad voting support in favor of a certain shareholder proposal.
- **Withhold vote for director(s)** The activist engages in a proxy solicitation or other campaign types for the purpose of having other shareholders withhold their vote for one or more director nominees.

The analysis by reason of dissent from management (Figure 4.6) shows that in the large majority of shareholder activism campaigns launched in the examined 2019 period, the activist sought either broad voting support of a certain shareholder proposal (it was the case for 104 of the 155 campaigns, or more than two-thirds of the total) or representation on the target company's board of directors (19 campaigns, or 12.3 percent of the total). In 2019, there were only two activism campaigns motivated by the opposition to a merger or other business combination proposed by management (1.3 percent of the total).

Figure 4.6

Shareholder Activism Campaign Volume—by Reason (2016, 2018, and 2019)

	2019		2018		2016	
	Number of shareholder activism campaigns	Percentage of total	Number of shareholder activism campaigns	Percentage of total	Number of shareholder activism campaigns	Percentage of total
Vote for a shareholder proposal	104	67.1%	83	56.5%	78	59.1%
Board representation	19	12.3	24	16.3	27	20.5
Vote for a management proposal/ support management	13	8.4	4	2.7	3	2.3
Vote against a management proposal	12	7.7	20	13.6	9	6.8
Board control	4	2.6	6	4.1	8	6.1
Vote/activism against a merger	2	1.3	6	4.1	5	3.8
Enhance corporate governance	1	0.6	1	0.7	0	0.0
Hostile/unsolicited acquisition	0	0.0	0	0.0	1	0.8
Remove director(s), no dissident nominee to fill vacancy	0	0.0	2	1.4	0	0.0
Remove officer(s)	0	0.0	1	0.7	1	0.8
	n=155		n=147		n=132	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Activist Shareholders

The categorization of activist types used for the purpose of this report was made by FactSet LionShares and is described in Part 2 of this report, on p. 42 (under "Sponsors").

By campaign tactic

Table 8 reviews campaign types by hedge funds and other investment advisory companies with an activist strategy included in FactSet's SharkWatch50 index. The SharkWatch50 is a compilation of 50 significant activist investors made by FactSet based upon the following criteria (in order of importance):

- The number of publicly disclosed campaigns waged by the activist investor, with emphasis on recent activity
- The size of companies targeted by the activist investor
- The severity of campaign tactics employed by the activist investor
- The success rate, or ability of the activist investor to effect change at targeted companies
- The value of the target company's beneficial ownership position held by the activist investor
- The frequency of Schedule 13D filings made by the activist investor
- The aggregate value of the assets under management by the activist investor

Activist investors are regularly evaluated according to the above criteria, and FactSet reconstitutes the SharkWatch50 index as needed. The analysis included in this report uses the SharkWatch50 composition as of July 1, 2019. Funds listed in Table 8 operate as individual funds or, more frequently, as part of a group of funds managed by the same investment advisory company registered with the SEC under the Investment Advisers Act of 1940. For example, Bulldog Investors LLC of Philip Goldstein is a New Jersey-based registered investment adviser managing a group of activist funds including Opportunity Partners L.P., Full Value Partners L.P., and Special Opportunities Fund, Inc.

Unlike other figures reviewed in this section of the report, Table 8 refers to the entire activism history of the investor since it first undertook an activism strategy and includes activism campaigns launched against target companies outside of the Russell 3000 index as well as campaigns unrelated to a shareholder vote or written consent. The information in Table 8 is included to provide more insight on the specific campaign tactics of this select group of investors.

When historical information is considered, GAMCO Asset Management Inc. of Mario Gabelli tops the list of the most active activist investors, with 608 companies targeted since it first engaged in shareholder activism in the 1990s. Notable cases of activism led by GAMCO over the years include those against aluminum road wheels manufacturer Superior Industries International, Inc. and hospitality group Gaylord Entertainment Company. In May 2018, GAMCO was defeated in its attempt to gain board representation at Cincinnati Bell, where it had questioned the business strategy of expanding in Hawaii by way of an acquisition of a local telecommunications company. In February 2019, GAMCO settled a proxy dispute with financial technology company Diebold Nixdorf, which agreed to install two new independent directors on its board.

Diebold Nixdorf was the only proxy fight waged by GAMCO Asset Management in the examined 2019 period, compared to the three waged against target companies that held an AGM in the first six months of 2018 (in addition to telecommunications company Cincinnati Bell, at TV station group E.W. Scripps, and supermarket chain Ingles Markets, Inc.) However, among investors in the SharkWatch50 index, GAMCO does not lead the list of those with a track record of proxy contests. The Bulldog Investors group of funds filed 99 proxy solicitations in its history of activism, followed by the 73 of Starboard Value, the 48 of Karpus Investment Management, and the 44 of Icahn Associates Corp.

The table also shows that exempt solicitations are hardly used by the established activist investors in the SharkWatch50. Aside from the smaller hedge funds that, in the last couple of years, have made use of Notices of Exempt Solicitations on Form PX14A6G as a mere channel of self-promotion, exempt solicitations are preferred by labor unions and public pension funds engaging in activism campaigns (as shown in Table 9, on p. 156). Far more common in the SharkWatch50 is the tactic of publicizing the letter sent to management or the board of target companies for the purpose of articulating an alternative strategic vision or of urging a change to the financial or organizational structures. In their history of activism, Bulldog Investors, GAMCO Asset Management, and Starboard Value sent a total of 101, 85, and 82 letters, respectively, to their targets.

Table 8

Activist Shareholders—by Campaign Tactic (Historical)

Number of campaigns since inception of activism strategy (where indicated, number of campaigns held in 2019)

Activist shareholder	Key individual(s)	Recent or notable activism targets	Campaign volume	No. of companies targeted	Schedule 13D filings	Schedule 13D filings (No publicly disclosed activism)	Proxy fights	Threats of proxy fights	Exempt solicitations	Publicly disclosed letters to management	Letters to shareholders	Share-holder proposals	Hostile (or unsolicited) tender offers
Ancora Advisors LLC	Frederick David DiSanto	Bed Bath & Beyond Inc. (2019); J. Alexander's Holdings, Inc. (2019); Nuveen Ohio Quality Municipal Income Fund (2019); OneSpan Inc. (2019)	46 (4)	41 (4)	33 (3)	8	8 (2)	5	4	23 (2)	8 (1)	7	1 (1)
Barington Companies Investors LLC	James A. Mitarotonda	L Brands, Inc. (2019); Xerium Technologies, Inc. (2018); WestCoast Hospitality Corporation (2018); Avon Products, Inc. (2018)	51 (1)	42 (1)	31	6	24	3	0	35 (1)	12	3	3
Basswood Capital Management LLC	Matthew Lindenbaum Bennett Lindenbaum	MidSouth Bancorp, Inc. (2018); Regional Management Corp. (2017); Astoria Financial Corporation (2016)	12	11	12	0	0	2	0	4	0	0	0
Biglari Capital Corp.	Sardar Biglari	Cracker Barrel Old Country Store, Inc. (2019); Unico American Corporation (2016); Insignia Systems, Inc. (2014)	21 (1)	12 (1)	20 (1)	2	8	2	0	10 (1)	6	3	2
Bulldog Investors LLC	Phillip Franklin Goldstein	Alliance California Municipal Income Fund, Inc. (2019); Lazard World Dividend & Income Fund, Inc. (2019); The Herzfeld Caribbean Basin Fund, Inc. (2019); Aberdeen Japan Equity Fund, Inc. (2018) Putnam High Income Securities Fund (2018)	203 (3)	162 (3)	170 (3)	21	99 (1)	15	0	101 (1)	48	65	4
Cannell Capital LLC	J. Carlo Cannell	Hudson Global, Inc. (2019); Lee Enterprises, Incorporated (2019); ServiceSource International, Inc. (2019); Build-A-Bear Workshop, Inc. (2019); Liberty Tax, Inc. (2018)	51 (5)	42 (4)	47 (5)	7	9 (1)	7 (2)	1 (1)	28 (1)	5 (1)	2	1
Carlson Capital LP	Clint D. Carlson	Archrock Inc (2016); Renewable Energy Group, Inc. (2016); Ultratech, Inc. (2016)	30	30	30	13	2	0	1	5	1	0	0
Cevian Capital AB	Christer Gardell Lars Forberg	CRH Plc (2019); Autoliv Inc. (2019); Nordea Bank Abp (2018)	16 (2)	12 (2)	5 (1)	0	0	1	0	0	0	0	0
City of London Investment Management Co. Ltd.	Barry M. Olliff	The China Fund, Inc. (2018); Lazard World Trust Fund SICAF (2018); Aberdeen Emerging Markets Equity Income Fund, Inc. (2018)	42	30	39	1	2	0	0	26	3	3	0
Clinton Group, Inc.	George E. Hall	EVINE Live Inc. (2018); Arlington Asset Investment Corp. (2016); First NBC Bank Holding Co. (2016)	53	44	32	1	18	7	0	32	8	5	1
Clover Partners LP	Johnny Guerry Michael C. Mewhinney	Coastway Bancorp, Inc. (2018); Bancorp of New Jersey, Inc. (2017); Financial Institutions, Inc. (2016)	15	13	13	1	5	0	0	6	3	1	0

(Table 8 continues on next page)

Table 8 (continued)

Activist Shareholders—by Campaign Tactic (Historical)

Number of campaigns since inception of activism strategy (where indicated, number of campaigns held in 2019)

Activist shareholder	Key individual(s)	Recent or notable activism targets	Campaign volume	No. of companies targeted	Schedule 13D filings	Schedule 13D filings (No publicly disclosed activism)	Proxy fights	Threats of proxy fights	Exempt solicitations	Publicly disclosed letters to management	Letters to shareholders	Share-holder proposals	Hostile (or unsolicited) tender offers
Corvex Management LP	Keith Meister	MGM Resorts International (2019); Energen Corporation (2018); Clariant AG (2017)	21 (1)	17 (1)	16	0	6	2	0	9	5	2	1
Crystal Amber Advisers (UK) LLP	Richard Philip Bernstein	Northgate PLC (2019); Allied Minds Plc (2019); Cenkos Securities plc (2018)	11 (2)	11 (2)	0	0	2 (1)	2 (1)	0	0	0	0	0
Elliott Management Corporation	Paul Elliott Singer Jesse Cohn	Bayer AG (2019); Uniper SE (2019); Opus Bank (2019); Hyundai Motor Company (2019); EDP-Energias de Portugal SA (2019)	167 (10)	154 (10)	93 (1)	27	20 (3)	6	1	55 (5)	17 (2)	7 (2)	9 (1)
Engaged Capital LLC	Glenn W. Welling	Benchmark Electronics, Inc. (2019); Aratana Therapeutics, Inc. (2018); Apogee Enterprises, Inc. (2018)	29 (1)	23 (1)	18 (1)	0	14 (1)	2	0	14	5	0	0
Engine Capital Management LLC	Arnaud Ajdler	Recro Pharma, Inc. (2019); PFSweb, Inc. (2019); AECOM (2019)	24 (3)	22 (3)	6 (1)	0	7	2	1 (1)	11	2 (1)	0	0
Fondren Management LP	Bradley Louis Radoff	Flotek Industries, Inc. (2019); Medley Capital Corporation (2019)	22 (2)	20 (2)	15	1	8	3	0	9	7	1	0
FrontFour Capital Group LLC	David A. Lorber Stephen Loukas Zachary R. George	MDC Partners Inc. (2019); Medley Capital Corporation (2019)	24 (2)	19 (2)	7 (1)	0	14 (1)	2	1 (1)	12 (1)	8 (1)	2	1
GAMCO Asset Management, Inc.	Mario J. Gabelli	Aquantia Corp. (2019); Amber Road, Inc. (2019); Diebold Nixdorf Incorporated (2019); CIRCOR International, Inc. (2019); Dover Downs Gaming & Entertainment, Inc. (2019)	608 (10)	533 (10)	608 (10)	437 (8)	32 (1)	8 (1)	0	85 (2)	7	38	0
Greenlight Capital, Inc.	David Einhorn	Assured Guaranty Ltd. (2018); General Motors Company (2017); Caterpillar Inc. (2017); Core Laboratories N.V. (2017)	42	38	23	10	4	0	1	9	4	3	1
Highland Capital Management, L.P.	James D. Dondero	Medley Capital Corporation (2019); RAIT Financial Trust (2017); Ocean Rig UDW Inc. (2017); NexPoint Real Estate Strategies Fund (2016)	25 (1)	22 (1)	23	6	4 (1)	0	0	8	2	2	1
Icahn Associates Corp.	Carl C. Icahn	Conduent, Inc. (2019); Caesars Entertainment Corporation (2019); SandRidge Energy, Inc. (2018)	149 (2)	121 (2)	128 (2)	29	44	14 (1)	1	59 (1)	38	15	24
JANA Partners LLC	Barry S. Rosenstein	Callaway Golf Company (2019); Conagra Brands, Inc. (2019); Apple Inc. (2018)	64 (2)	62 (2)	45 (1)	7	8	12	2	22	7	2	1
Karpus Investment Management	George W. Karpus	Eaton Vance Municipal Bond Fund (2019); Lazard World Dividend & Income Fund, Inc. (2019); Madison Covered Call & Equity Strategy Fund (2018)	133 (3)	112 (2)	133 (3)	36	48	2	0	68 (1)	10	34	0
Land & Buildings Investment Management LLC	Jonathan I. Litt	Taubman Centers, Inc. (2019); Taubman Centers, Inc. (2018); Life Storage, Inc. (2018)	27 (2)	19 (1)	3	0	9	4 (1)	2	14	16 (1)	1	0

(Table 8 continues on next page)

Table 8 (continued)

Activist Shareholders—by Campaign Tactic (Historical)

Number of campaigns since inception of activism strategy (where indicated, number of campaigns held in 2019)

Activist shareholder	Key individual(s)	Recent or notable activism targets	Campaign volume	No. of companies targeted	Schedule 13D filings	Schedule 13D filings (No publicly disclosed activism)	Proxy fights	Threats of proxy fights	Exempt solicitations	Publicly disclosed letters to management	Letters to shareholders	Share-holder proposals	Hostile (or unsolicited) tender offers
Legion Partners Asset Management LLC	Christopher S. Kiper Bradley Vizi	Bed Bath & Beyond Inc. (2019); Vonage Holdings Corp. (2019); NN, Inc. (2019)	20 (3)	19 (3)	16 (2)	1	5 (1)	1	0	3	1	2	0
Mangrove Partners	Nathaniel August	TransAlta Corporation (Canada) (2019); Penn Virginia Corporation (2019)	14 (2)	13 (2)	14 (2)	0	4 (2)	2	1	3	2 (1)	0	0
Marcato Capital Management LP	Richard T. McGuire	Acreage Holdings, Inc. (2019); Rayonier Advanced Materials, Inc. (2018); Rent-A-Center, Inc. (2017)	26 (1)	24 (1)	13	1	3	0	0	11 (1)	3	1	0
Northern Right Capital Management LP	Steve R. Becker Matthew A. Drapkin	EMCORE Corporation (2018); Great Elm Capital Group, Inc. (2017); PRGX Global, Inc. (2016); TeleCommunication Systems, Inc. (2015)	30	28	29	6	7	3	0	10	1	0	0
Oasis Management (Hong Kong) LLC	Seth Hillel Fischer	Premier Foods plc (2018) Alpine Electronics, Inc. (2018); Katakura Industries Co., Ltd. (2018); GMO Internet Inc. (2018)	22	19	3	0	2	2	0	3	0	3	1
Osmium Partners LLC	John H. Lewis	Leaf Group Ltd. (2019); Diversicare Healthcare Services, Inc. (2017); CRA International, Inc. (2016) Rosetta Stone Inc. (2015)	15 (1)	13 (1)	15 (1)	3	2 (1)	1	0	5 (1)	2	0	0
Pershing Square Capital Management LP	William A. Ackman	United Technologies Corporation (2019); Automatic Data Processing, Inc. (2017); Chipotle Mexican Grill, Inc. (2016); Mondelez International, Inc. (2015)	61 (1)	54 (1)	52	19	6	2	0	17	4	2	1
PL Capital Advisors LLC	Richard J. Lashley John W. Palmer	BNCCORP, INC. (2019); Independent Bank Corporation (2018); BNCCORP, INC. (2017); Old Point Financial Corporation (2016)	55 (1)	41 (1)	51	3	19 (1)	4	3	33	10	4	0
Privet Fund Management LLC	Ryan Levenson	Synalloy Corporation (2019); Potbelly Corp. (2018); Norsat International Inc. (2017)	23 (1)	17 (1)	22 (1)	3	5	2	0	12 (1)	3	0	2 (1)
Raging Capital Management, LLC	Bill C. Martin	Tidewater Inc. (2019) Immersion Corporation (2017); Rentech, Inc. (2017) A. M. Castle & Co. (2016)	33 (1)	28 (1)	28 (1)	2	8	1	0	9 (1)	3	1	0
Red Mountain Capital Partners LLC	Willem Mesdag	Deckers Outdoor Corporation (2017); iRobot Corporation (2016); Yuma Energy, Inc. (2016)	16	16	15	0	1	1	0	4	1	0	0
Sandell Asset Management Corp.	Thomas E. Sandell	Booker Group PLC (2018); Barnes & Noble, Inc. (2017); Viavi Solutions Inc (2016)	40	34	22	1	10	7	0	34	5	3	1
Sarissa Capital Management LP	Alexander J. Denner	The Medicines Company (2019); Regulus Therapeutics Inc. (2019); Ironwood Pharmaceuticals, Inc. (2019); Innoviva, Inc. (2018); Ironwood Pharmaceuticals, Inc. (2018)	15 (3)	11 (3)	11 (3)	4 (1)	4	0	0	1	2	1	0

(Table 8 continues on next page)

Table 8 (continued)

Activist Shareholders—by Campaign Tactic (Historical)

Number of campaigns since inception of activism strategy (where indicated, number of campaigns held in 2019)

Activist shareholder	Key individual(s)	Recent or notable activism targets	Campaign volume	No. of companies targeted	Schedule 13D filings	Schedule 13D filings (No publicly disclosed activism)	Proxy fights	Threats of proxy fights	Exempt solicitations	Publicly disclosed letters to management	Letters to shareholders	Share-holder proposals	Hostile (or unsolicited) tender offers
Southeastern Asset Management, Inc.	O. Mason Hawkins	Summit Materials, Inc. (2019); CenturyLink, Inc. (2019); Actuant Corporation (2018)	33 (2)	30 (2)	32 (2)	1 (1)	2	0	2	5	2	1	2
Starboard Value LP	Jeffrey C. Smith Mark R. Mitchell Peter A. Feld	Magellan Health, Inc. (2019); AECOM (2019); Dollar Tree, Inc. (2019) Bristol-Myers Squibb Company (2019); Cerner Corporation (2019)	158 (10)	127 (9)	132 (3)	28	73 (5)	6	0	82 (3)	35 (2)	17	6
Steel Partners, L.L.C.	Warren G. Lichtenstein	Babcock & Wilcox Enterprises, Inc. (2018); School Specialty, Inc. (2016)	136	115	106	36	32	9	1	58	20	9	22
Stilwell Value LLC	Joseph David Stilwell	Wheeler Real Estate Investment Trust, Inc. (2018); Kingsway Financial Services Inc. (2018); Hopfed Bancorp, Inc. (2018); Ben Franklin Financial, Inc. (2018)	87	63	87	1	28	21	0	23	25	2	0
TCI Fund Management Ltd.	Christopher Anthony Hohn	Safran SA (France) (2018); Infigen Energy Limited (2018); Altaba, Inc. (2018)	23	15	3	0	3	0	0	9	2	10	0
Third Point LLC	Daniel S. Loeb	Sony Corporation (2019); United Technologies Corporation (2018); The Dow Chemical Company (2017); Honeywell International Inc (2017)	66 (1)	62 (1)	50	16	8	7	0	27	8 (1)	0	0
Trian Fund Management, L.P.	Nelson Peltz Peter W. May Edward P. Garden	Ferguson Plc (2019); Legg Mason, Inc. (2019); PPG Industries, Inc. (2018)	29 (2)	25 (2)	11	0	4	3	0	8	3	2	2
ValueAct Capital Management LP	Jeffrey W. Ubben	PG&E Corporation (2019); Merlin Entertainments Plc (2019); Olympus Corp. (2019)	112 (3)	105 (2)	101	48	2 (1)	2	0	14 (2)	3 (1)	0	5
Veteri Place Corp.	Lawrence B. Seidman	Empire Bancorp Inc. (NY) (2019); Bankwell Financial Group, Inc. (2018)	53 (1)	49 (1)	16	3	18	6	1	19	9	1	0
VIEX Capital Advisors, LLC	Eric Brandon Singer	Immersion Corporation (2019); Arlo Technologies, Inc. (2019); PDF Solutions, Inc. (2018)	28 (2)	22 (2)	25 (2)	6	8	3 (1)	0	2	4	1	0
Voce Capital Management LLC	Dan Plants	Argo Group International Holdings, Ltd. (2019); Natus Medical Incorporated (2018); Calix, Inc. (2018); Nanometrics Incorporated (2017)	22 (2)	17 (1)	6 (1)	0	11 (1)	0	0	10	5 (1)	2 (1)	0
Wynnefield Capital, Inc.	Nelson Obus Joshua H. Landes	MusclePharm Corporation (2018); Jason Industries, Inc. (2018); Landec Corporation (2018)	98	79	88	19	13	4	1	37	8	5	0

Source: The Conference Board/ESGAUGE, 2019.

Most frequent activist shareholders

Table 9 ranks the most active activist shareholders in the 2019 sample period. The data are compiled based on an analysis of activism campaigns related to a director election or an action by written consent or a (shareholder or management) proposal put to a vote at a shareholder meeting. The table includes information on: the activist type; the number of campaigns started at Russell 3000 companies during the 2019 period; the target company name; the campaign type; and the reason for the campaign. In those situations where more than one activist investor initiated the same number of campaigns, the activists are ranked equally. Activists with fewer than three campaigns were omitted from the table.

Public pension fund CalPERS and stakeholder group Ray T. Chevedden and Veronica G. Chevedden Family Trust were the most prolific activist investors in the examined 2019 period.

All campaigns started by these two investors were exempt solicitations, and most were mounted against companies in the communication services, energy, healthcare and financial services businesses. All of the CalPERS campaigns sought a vote for a shareholder proposal, while the Chevedden Family Trust also waged campaigns meant to add support or object to certain management proposals. For example, CalPERS urged Ford Motor's shareholders to vote at the AGM held on May 9, 2019, in favor of a nonbinding proposal on the disclosure of lobbying activities sponsored by The Unitarian Universalist Association and co-filed by the New York City Employees' Retirement System. Despite the solicitation, however, the resolution received only 16.4 percent of votes cast in favor and did not pass.

Table 9

Most Frequent Activist Shareholders (2019)

Rank	Activist name	Activist type	Number of activism campaigns	Company	Campaign type	Reason for campaign
1	**California Public Employees' Retirement System**	Public pension fund	18	EchoStar Corporation	Exempt solicitation	Vote for a stockholder proposal
				Ford Motor Company	Exempt solicitation	Vote for a stockholder proposal
				General Motors Company	Exempt solicitation	Vote for a stockholder proposal
				NACCO Industries, Inc.	Exempt solicitation	Vote for a stockholder proposal
				New Media Investment Group, Inc.	Exempt solicitation	Vote for a stockholder proposal
				New Residential Investment Corp.	Exempt solicitation	Vote for a stockholder proposal
				Old Republic International Corporation	Exempt solicitation	Vote for a stockholder proposal
				Omega Flex, Inc.	Exempt solicitation	Vote for a stockholder proposal
				RadNet, Inc.	Exempt solicitation	Vote for a stockholder proposal
				Red Rock Resorts, Inc.	Exempt solicitation	Vote for a stockholder proposal
				Safety Insurance Group, Inc.	Exempt solicitation	Vote for a stockholder proposal
				Saga Communications, Inc.	Exempt solicitation	Vote for a stockholder proposal
				Sinclair Broadcast Group, Inc.	Exempt solicitation	Vote for a stockholder proposal
				Stemline Therapeutics, Inc.	Exempt solicitation	Vote for a stockholder proposal
				TG Therapeutics, Inc.	Exempt solicitation	Vote for a stockholder proposal
				Universal Logistics Holdings, Inc.	Exempt solicitation	Vote for a stockholder proposal
				Weis Markets, Inc.	Exempt solicitation	Vote for a stockholder proposal
				Willis Lease Finance Corporation	Exempt solicitation	Vote for a stockholder proposal
2	**Ray T. Chevedden and Veronica G. Chevedden Family Trust**	Other stakeholder	16	AMC Networks Inc.	Exempt solicitation	Vote against a management proposal
				AutoNation, Inc.	Exempt solicitation	Vote for a stockholder proposal
				Dover Corporation	Exempt solicitation	Vote for a management proposal/support management
				Eli Lilly and Company	Exempt solicitation	Vote for a management proposal/support management
				FirstEnergy Corp.	Exempt solicitation	Vote for a management proposal/support management
				Fortive Corporation	Exempt solicitation	Vote for a management proposal/support management
				General Motors Company	Exempt solicitation	Vote against a management proposal
				HCA Healthcare, Inc.	Exempt solicitation	Vote for a management proposal/support management
				Kaman Corporation	Exempt solicitation	Vote for a management proposal/support management
				Leidos Holdings, Inc.	Exempt solicitation	Vote for a stockholder proposal
				NCR Corporation	Exempt solicitation	Vote for a management proposal/support management
				PepsiCo, Inc.	Exempt solicitation	Vote for a management proposal/support management
				PPG Industries, Inc.	Exempt solicitation	Vote for a management proposal/support management
				The Boeing Company	Exempt solicitation	Vote for a stockholder proposal
				The Southern Company	Exempt solicitation	Vote for a management proposal/support management
				United Technologies Corporation	Exempt solicitation	Vote for a management proposal/support management

(Table 9 continues on next page)

Table 9 (continued)

Most Frequent Activist Shareholders (2019)

Rank	Activist name	Activist type	Number of activism campaigns	Company	Campaign type	Reason for campaign
3	**As You Sow**	Other stakeholder	13	Amphenol Corporation	Exempt solicitation	Vote for a stockholder proposal
				Anadarko Petroleum Corporation	Exempt solicitation	Vote for a stockholder proposal
				Atmos Energy Corporation	Exempt solicitation	Vote for a stockholder proposal
				Chevron Corporation	Exempt solicitation	Vote for a stockholder proposal
				DowDuPont Inc.	Exempt solicitation	Vote for a stockholder proposal
				Duke Energy Corporation[a]	Exempt solicitation	Vote for a stockholder proposal
				Exxon Mobil Corporation	Exempt solicitation	Vote for a stockholder proposal
				Fastenal Company	Exempt solicitation	Vote for a stockholder proposal
				PepsiCo, Inc.	Exempt solicitation	Vote for a stockholder proposal
				Skechers U.S.A., Inc.	Exempt solicitation	Vote for a stockholder proposal
				Starbucks Corporation	Exempt solicitation	Vote for a stockholder proposal
				The Kroger Co.	Exempt solicitation	Vote for a stockholder proposal
				Yum! Brands, Inc.	Exempt solicitation	Vote for a stockholder proposal
4	**NorthStar Asset Management, Inc.**	Investment adviser	6	Alphabet Inc.	Exempt solicitation	Vote for a stockholder proposal
				Costco Wholesale Corporation	Exempt solicitation	Vote for a stockholder proposal
				Facebook, Inc.	Exempt solicitation	Vote for a stockholder proposal
				Intel Corporation	Exempt solicitation	Vote for a stockholder proposal
				The Home Depot, Inc.	Exempt solicitation	Vote for a stockholder proposal
				The TJX Companies, Inc.	Exempt solicitation	Vote for a stockholder proposal
5	**New York State Common Retirement Fund**	Public pension fund	6	Alphabet Inc.	Exempt solicitation	Vote for a stockholder proposal
				Exxon Mobil Corporation	Exempt solicitation	Vote for a stockholder proposal
				Steven Madden, Ltd.	Exempt solicitation	Vote for a stockholder proposal
				Exxon Mobil Corporation[b]	Exempt solicitation	Vote for a stockholder proposal
				Facebook, Inc.	Other stockholder campaign	Vote for a stockholder proposal
				Charter Communications, Inc.	Exempt solicitation	Vote for a stockholder proposal
6	**Mercy Investment Services, Inc.**	Religious group	6	Duke Energy Corporation[c]	Exempt solicitation	Vote for a stockholder proposal
				Walgreens Boots Alliance, Inc.	Exempt solicitation	Vote for a stockholder proposal
				Duke Energy Corporation[d]	Exempt solicitation	Vote for a stockholder proposal
				The GEO Group, Inc.[e]	Exempt solicitation	Vote for a stockholder proposal
				Caterpillar Inc.[f]	Exempt solicitation	Vote for a stockholder proposal
				Pfizer Inc.[g]	Exempt solicitation	Vote for a stockholder proposal
7	**Starboard Value LP**	Hedge fund	5	Bristol-Myers Squibb Company	Proxy fight	Vote/activism against a merger
				Bristol-Myers Squibb Company	Proxy fight	Board representation
				Dollar Tree, Inc.	Proxy fight	Board control
				GCP Applied Technologies, Inc.	Proxy fight	Board control
				Magellan Health, Inc.	Proxy fight	Board control

(Table 9 continues on next page)

Table 9 (continued)

Most Frequent Activist Shareholders (2019)

Rank	Activist name	Activist type	Number of activism campaigns	Company	Campaign type	Reason for campaign
8	**Trillium Asset Management, LLC**	Investment adviser	5	Facebook, Inc.	Exempt solicitation	Vote for a stockholder proposal
				J.B. Hunt Transport Services, Inc.	Exempt solicitation	Vote against a management proposal
				Newell Brands Inc	Exempt solicitation	Vote for a stockholder proposal
				The Middleby Corporation	Exempt solicitation	Vote for a stockholder proposal
				Verizon Communications Inc.	Exempt solicitation	Vote for a stockholder proposal
9	**Sisters of St. Francis of Philadelphia**	Religious group	5	Duke Energy Corporation[h]	Exempt solicitation	Vote for a stockholder proposal
				Northrop Grumman Corporation[i]	Exempt solicitation	Vote for a stockholder proposal
				Pfizer Inc.[j]	Exempt solicitation	Vote for a stockholder proposal
				The GEO Group, Inc.[k]	Exempt solicitation	Vote for a stockholder proposal
				Chevron Corporation[l]	Exempt solicitation	Vote for a stockholder proposal
10	**Tri-State Coalition for Responsible Investment**	Named shareholder	4	Amazon.com, Inc.	Exempt solicitation	Vote for a stockholder proposal
				Tyson Foods, Inc.	Exempt solicitation	Vote for a stockholder proposal
				Northrop Grumman Corporation[m]	Exempt solicitation	Vote for a stockholder proposal
				Chevron Corporation[n]	Exempt solicitation	Vote for a stockholder proposal
11	**Majority Action LLC**	Other stakeholder	4	Dominion Energy, Inc.	Exempt solicitation	Vote for a stockholder proposal
				Duke Energy Corporation	Exempt solicitation	Vote for a stockholder proposal
				Facebook, Inc.	Exempt solicitation	Vote against a management proposal
				Sturm, Ruger & Company, Inc.	Exempt solicitation	Vote against a management proposal
12	**Boston Common Asset Management LLC**	Investment adviser	3	American Water Works Company, Inc.	Exempt solicitation	Vote for a stockholder proposal
				Johnson & Johnson[o]	Exempt solicitation	Vote for a stockholder proposal
				Morgan Stanley[p]	Exempt solicitation	Vote for a stockholder proposal

a In conjunction with Mercy Investment Services, Inc. (Religious group)

b In conjunction with Church Commissioners For England (Religious group)

c In conjunction with Sisters of St. Francis of Philadelphia (Religious group)

d In conjunction with As You Sow (Other stakeholder)

e In conjunction with Congregation of St. Joseph (Religious group), The Maryland Province of the Society of Jesus (Religious group), Sisters of St. Francis of Philadelphia (Religious group), USA West Province of the Society of Jesus (Religious group) and Dominican Sisters of Hope (Religious group)

f In conjunction with Congregation des Soeurs des Saints Noms de Jesus et de Marie (Religious group), Maryknoll Sisters of St. Dominic, Inc. (Religious group), Domestic and Foreign Missionary Society of Protestant Episcopal Church in United States of America ((Religious group) and Ursuline Sisters of Tildonk, U.S. Province (Religious group)

g In conjunction with Adrian Dominican Sisters (Religious group), Catholic Health Initiatives (Religious group), Friends Fiduciary Corporation (Other institution), Sisters of Charity of St. Elizabeth (Religious group) and The American Baptist Home Mission Society (Religious group)

h In conjunction with Mercy Investment Services, Inc. (Religious group)

i In conjunction with School Sisters of Notre Dame Cooperative Investment Fund (Religious group), Sisters of St. Dominic of Caldwell New Jersey (Religious group) and Tri-State Coalition for Responsible Investment (Named shareholder)

j In conjunction with Dana Investment Advisors, Inc. (Investment adviser) and Miller/Howard Investments, Inc. (Investment adviser)

k In conjunction with Congregation of St. Joseph (Religious group), Mercy Investment Services, Inc. (Religious group), The Maryland Province of the Society of Jesus (Religious group), USA West Province of the Society of Jesus (Religious group) and Dominican Sisters of Hope (Religious group)

l In conjunction with Adrian Dominican Sisters (Religious group), Congregation of Divine Providence, Inc. (Religious group), Congregation of The Sisters of Saint Joseph, Chestnut Hill, Philadelphia, PA (Religious group), The American Baptist Home Mission Society (Religious group) and Tri-State Coalition for Responsible Investment (Named shareholder)

m In conjunction with School Sisters of Notre Dame Cooperative Investment Fund (Religious group), Sisters of St. Dominic of Caldwell New Jersey (Religious group) and Sisters of St. Francis of Philadelphia (Religious group)

n In conjunction with Adrian Dominican Sisters (Religious group), Congregation of Divine Providence, Inc. (Religious group), Congregation of The Sisters of Saint Joseph, Chestnut Hill, Philadelphia, PA (Religious group), The American Baptist Home Mission Society (Religious group) and Sisters of St. Francis of Philadelphia (Religious group)

o In conjunction with Maryknoll Sisters of St. Dominic, Inc. (Religious group)

p In conjunction with Oxfam America, Inc. (Other stakeholder)

Source: The Conference Board/ESGAUGE, 2019.

RETURN TO KEY FINDINGS
(page 29)

Proxy Contest Volume

By index

In the 2019 period examined for the purpose of this report, shareholders engaged in 27 proxy contests against management of Russell 3000 companies, compared to 34 launched in the corresponding 2018 period, 38 in 2016, and, according to an earlier edition of this report, 49 in 2015. In the S&P 500 sample, the number of contests mounted in the three examined periods was three (in 2019), four (in 2018), and two (in 2016) (Figure 4.7).

The index comparison confirms a common observation about the typical profile of the target company in a solicitation contest. Specifically, to be credible in its tactic of threatening a proxy fight, an activist investor needs to accumulate (alone or through a group of fellow investors) a relatively large percentage of the company's shares, which is obviously easier to do with small-capitalization targets. Furthermore, larger companies are more likely to deploy the resources necessary to prevail in a public campaign against the dissident shareholder.

Figure 4.7

Proxy Contest Volume—by Index (2016, 2018, and 2019)

Number of proxy contests

	S&P 500	Russell 3000
2019	3	27
2018	4	34
2016	2	38

Source: The Conference Board/ ESGAUGE, 2019.

By industry

The analysis of proxy contest volume by industry shows that the 27 contests held in 2019 in the Russell 3000 targeted companies across 10 of the 11 GICS business sectors (Figure 4.8). Companies in the information technology and consumer discretionary sectors respectively faced seven and six solicitations, and companies in the financials and health care sectors were exposed to three each. There were two contests in each of the materials and real estate industry groups, while only one in each of the other sectors. The only sector that experienced no proxy contest in 2019 was industrials.

In each of the three years documented (2019, 2018, and 2016), all sectors represented in the sample segmentation of **the table on p. XX** experienced one or more instances of proxy contests. The industry analysis in an earlier edition of this report included different figures due to the new communication services classification introduced by GICS in 2018.

Figure 4.8

Proxy Contest Volume—by Industry (2016, 2018, and 2019)

	2019		2018		2016	
Industry	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total
Communication services	1	3.7%	4	11.8%	3	7.9%
Consumer discretionary	6	22.2	5	14.7	6	15.8
Consumer staples	1	3.7	1	2.9	1	2.6
Energy	1	3.7	4	11.8	1	2.6
Financials	3	11.1	4	11.8	6	15.8
Health care	3	11.1	4	11.8	6	15.8
Industrials	0	0.0	5	14.7	7	18.4
Information technology	7	25.9	3	8.8	4	10.5
Materials	2	7.4	0	0.0	2	5.3
Real estate	2	7.4	4	11.8	2	5.3
Utilities	1	3.7	0	0.0	0	0.0
	n=27		n=34		n=38	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

By dissident

The historical comparison of proxy contest volume shows that hedge funds have consistently been the most active dissident type. In 2019, they mounted 15 (or 55.6 percent of the total) of the voting fights against management, followed by other stakeholders (four proxy contests, or 14.8 percent of the total), investment advisers (three contests, or 11.1 percent), and individuals (also three contests, or 11.1 percent). A similar breakdown was observed for earlier years (Figure 4.9).

In 2019, of the 11 sponsor types represented in Figure 2.6 (p. 42), six have conducted at least one proxy contest during the examined periods. None of the contests were led by mutual funds, public pension funds, or religious groups: the first group has become more vocal in recent years, despite its tradition of passive investment, but does so through letters sent to the CEO or other direct communications with portfolio companies and does not engage in outright proxy solicitations; whereas, when they engage in activism, pension funds and religious groups do so by lending their support to other proxy solicitations or opt for other activism campaign types (including exempt solicitations and public manifestations of dissent).

For proxy contests with multiple dissidents, the analysis by dissident is based on the investor named as the lead dissident by FactSet, determined primarily by stake size.

See "Sponsors," on p. 42, for more information on the categorization of dissident types used for the purpose of this report.

Figure 4.9

Proxy Contest Volume—by Dissident (2016, 2018, and 2019)

	2019		2018		2016	
	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total
Hedge funds	15	55.6%	19	55.9%	26	68.4%
Other stakeholders	4	14.8	6	17.6	3	7.9
Individuals	3	11.1	2	5.9	2	5.3
Investment advisers	3	11.1	6	17.6	2	5.3
Corporations	1	3.7	1	2.9	4	10.5
Labor unions	1	3.7	0	0.0	0	0.0
Other institutions	0	0.0	0	0.0	1	2.6
	n=27		n=34		n=38	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

By reason

Figure 4.10 illustrates the frequency of the reasons for the dissent that led to the instances of proxy fights reported in recent years. For all of the examined periods, the vast majority of contests were motivated by an attempt to gain a seat on the board of directors (19, or 70.4 percent of the total in 2019; 23, or 67.6 percent in 2018; 27, or 71.1 percent in 2016; and, according to an earlier edition of this report, 33, or 68.8 percent in 2015).

As shown in Figure 4.10, in 2019, four fights (or 14.8 percent of the total) sought to obtain control of the board to foster a broader range of strategic, organizational, and governance changes, whereas the others were waged to oppose a merger (for example at Bristol-Myers Squibb Company, by hedge fund Starboard Value), and to vote against a management proposal (at J. Alexander's Holdings, by investment adviser Ancora MicroCap Fund).

Figure 4.10

Proxy Contest Volume—by Reason (2016, 2018, and 2019)

	2019		2018		2016	
	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total
Board representation	19	70.4%	23	67.6%	27	71.1%
Board control	4	14.8	6	17.6	8	21.1
Vote/activism against a merger	2	7.4	1	2.9	0	0.0
Vote against a management proposal	1	3.7	3	8.8	1	2.6
Vote for a stockholder proposal	1	3.7	0	0.0	2	5.3
Remove director(s), no dissident nominee to fill vacancy	0	0.0	1	2.9	0	0.0
	n=27		n=34		n=38	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Proxy Contest Dissidents

The categorization of dissident types used for the purpose of this report was made by FactSet LionShares and is described in Part 2 of this report, on p. 42 (under "Sponsors.")

By index

The analysis by dissident type confirms that hedge funds are more likely to escalate their request for corporate change to a proxy battle against smaller companies. As shown in Figure 4.11, 15 of the 27 proxy contests (or 55.6 percent) that took place in 2019 in the Russell 3000 were initiated by hedge funds. Moreover, hedge funds were responsible for all three proxy contests mounted in 2019 against S&P 500 companies.

Figure 4.11

Dissident Type—by Index (2019)

	S&P 500		Russell 3000	
	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total
Hedge funds	3	100.0%	15	55.6%
Corporations	0	0.0	1	3.7
Individuals	0	0.0	3	11.1
Investment advisers	0	0.0	3	11.1
Labor unions	0	0.0	1	3.7
Other stakeholders	0	0.0	4	14.8
	n=3		n=27	

Source: The Conference Board/ESGAUGE, 2019.

By industry

Across most business sectors where proxy contests were held, hedge funds ranked consistently as the most prevalent dissident type in 2019. For example, they were responsible for four of the six fights waged against consumer discretionary companies (66.7 percent of the total), two of the three fights at financial institutions (also 66.7 percent) and for all of the contests at health care, real estate, and utilities companies. In the examined 2019 period, there was only one proxy fight at a consumer staple organization (Alico, Inc., a food and beverage business) and it was mounted by individual investor Remy White Trafelet (Figure 4.12).

Figure 4.12

Dissident Type—by Industry (2019)

	Communication services		Consumer discretionary		Consumer staples		Energy	
	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total
Corporations	0	0.0	0	0.0	0	0.0	0	0.0
Hedge funds	0	0.0	4	66.7%	0	0.0	0	0.0
Individuals	0	0.0	0	0.0	1	100.0%	0	0.0
Investment advisers	0	0.0	1	16.7	0	0.0	0	0.0
Labor unions	0	0.0	1	16.7	0	0.0	0	0.0
Other stakeholders	1	100.0%	0	0.0	0	0.0	1	100.0%
	n=1		n=6		n=1		n=1	

	Financials		Health care		Industrials		Information technology	
	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total
Corporations	0	0.0	0	0.0	0	0.0	1	14.3%
Hedge funds	2	66.7%	3	100.0%	0	0.0	2	28.6
Individuals	1	33.3	0	0.0	0	0.0	0	0.0
Investment advisers	0	0.0	0	0.0	0	0.0	2	28.6
Labor unions	0	0.0	0	0.0	0	0.0	0	0.0
Other stakeholders	0	0.0	0	0.0	0	0.0	2	28.6
	n=3		n=3		n=0		n=7	

	Materials		Real estate		Utilities	
	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total
Corporations	0	0.0	0	0.0	0	0.0
Hedge funds	1	50.0%	2	100.0%	1	100.0%
Individuals	1	50.0	0	0.0	0	0.0
Investment advisers	0	0.0	0	0.0	0	0.0
Labor unions	0	0.0	0	0.0	0	0.0
Other stakeholders	0	0.0	0	0.0	0	0.0
	n=2		n=2		n=1	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

By reason

The dissident type analysis by reason of Figure 4.13 shows that activist hedge funds led the majority of the proxy contests seeking board representation in 2019. The 10 proxy contests mounted by hedge funds for that stated purpose represent 52.6 percent of the 19 activist solicitations motivated by the election of a dissident's nominee to the board of directors and 75 percent of the 15 contests launched by hedge funds in the 2019 sample period.

In four cases, the reason for the solicitation was even more hostile, with the investor attempting to gain full control of the board. Two of these cases were mounted by hedge funds.

Figure 4.13

Dissident Type—by Reason (2019)

	Board control		Board representation		Vote against a management proposal	
	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total
Corporations	0	0.0	0	0.0	0	0.0
Hedge funds	4	100.0%	10	52.6%	0	0.0
Individuals	0	0.0	3	15.8	0	0.0
Investment advisers	0	0.0	2	10.5	1	100.0%
Labor unions	0	0.0	0	0.0	0	0.0
Other stakeholders	0	0.0	4	21.1	0	0.0
	n=4		n=19		n=1	

	Vote for a shareholder proposal		Vote/activism against a merger	
	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total
Corporations	0	0.0	1	50.0%
Hedge funds	0	0.0	1	50.0
Individuals	0	0.0	0	0.0
Investment advisers	0	0.0	0	0.0
Labor unions	1	100.0%	0	0.0
Mutual funds	0	0.0	0	0.0
	n=1		n=2	

Source: The Conference Board/ESGAUGE, 2019.

RETURN TO KEY FINDINGS
(page 29)

Most frequent dissidents

Table 10 ranks by type the most frequent dissidents that led the proxy contests in 2019. In the table, the dissident name is followed by the reason for the dissent and the number of contests launched. In those situations where more than one investor initiated the same number of proxy contests, dissidents are ranked equally; as a result, more than 10 dissident names may be listed under a single rank. Where there was more than one dissident involved, the table lists the lead dissident (primarily by stake size); additional dissidents are listed in the footnotes.

In 2019, hedge fund Starboard Value led the list with five proxy contests. The list also includes two other hedge funds and a hedge-fund investment adviser (BlueMountain Capital Management LLC, Hestia Capital Partners LP, and GAMCO Asset Management, with one contest each), a labor union-affiliated investment entity (UNITE HERE, one contest), stakeholder group Caligan Partners LP (one contest) and individual investor Allen A. Spizzo (also one contest).

Table 10

Most Frequent Proxy Contest Dissidents (2019)

Rank	Dissident name	Dissident type	Number of proxy contests	Company	Reason for proxy contest	Outcome
1	**Starboard Value LP**	Hedge fund	5	Bristol-Myers Squibb Company	Vote/activism against a merger	Withdrawn
				Bristol-Myers Squibb Company	Board representation	Management
				Dollar Tree, Inc.	Board control	Withdrawn
				GCP Applied Technologies, Inc.	Board control	Settled/concessions made
				Magellan Health, Inc.	Board control	Settled/concessions made
2	**UNITE HERE**	Labor union	1	Eldorado Resorts, Inc.	Vote for a stockholder proposal	Dissident
3	**GAMCO Asset Management Inc.**	Investment adviser	1	Diebold Nixdorf Incorporated	Board representation	Settled/concessions made
4	**BlueMountain Capital Management LLC**[a]	Hedge fund	1	PG&E Corporation	Board control	Settled/concessions made
5	**Allen A. Spizzo**[b]	Individual	1	Ashland Global Holdings, Inc.	Board representation	Settled/concessions made
6	**Hestia Capital Partners LP**[c]	Hedge fund	1	GameStop Corp.	Board representation	Settled/concessions made
7	**Caligan Partners LP**[d]	Other stakeholder	1	Knowles Corp.	Board representation	Settled/concessions made

a In conjunction with ValueAct Capital Management LP (Hedge fund)

b In conjunction with Carol S. Eicher (Individual), Cruiser Capital Advisors LLC (Hedge fund), Patrick E. Gottschalk (Individual) and William H. Joyce (Individual)

c In conjunction with Permit Capital LLC (Hedge fund)

d In conjunction with Falcon Edge Capital LP (Other stakeholder)

Source: The Conference Board/ESGAUGE, 2019.

Reasons for Proxy Contests

For the purpose of this report, proxy contests are categorized based on the following stated reasons for dissent:

- **Board control** The dissident seeks to gain control (i.e., a majority of the total seats) of the board of directors.
- **Board representation** The dissident seeks representation on the board of directors by electing one or more of its nominees (but less than the majority necessary to control the board).
- **Hostile/unsolicited acquisition** The dissident engages in a proxy solicitation to pursue a hostile (unsolicited) acquisition of the company.
- **Maximize shareholder value** An all-inclusive category for proxy solicitations where the dissident argues that the requested corporate action would unlock hidden business potentials and shareholder value. The plan for an additional or alternative strategic objective, the proposal of cost-saving or tax-efficiency measures, and the pursuit of the friendly sale of the company or one of its divisions are examples of reasons for proxy contests generally classified in this category.
- **Remove officer(s)** The dissident engages in a proxy solicitation for the removal of one or more currently serving corporate officers (i.e., CEO, CFO, or president).
- **Remove director(s)** The dissident engages in a proxy solicitation for the removal of one or more currently serving directors, without nominating its own board representative.
- **Vote/activism against a merger** The dissident opposes a merger or other business combination transaction proposed by management or the board of directors or both.
- **Vote against a management proposal** The dissident engages in a proxy solicitation against management to pursue broad voting support in favor of a certain management proposal.
- **Vote for a shareholder proposal** The dissident engages in a proxy solicitation against management to pursue broad voting support in favor of a certain shareholder proposal.
- **Withhold vote for director(s)** The dissident solicits other shareholders to withhold their vote for one or more director nominees.

By index

The reason analysis by index shows that, in 2019, smaller companies in the Russell 3000 were more likely than their larger S&P counterparts to become the subject of a proxy contest launched for the purpose of obtaining control of the board (Figure 4.14). Russell 3000 companies were exposed to four contests for that stated purpose (or 14.8 percent of the total), compared to only one at S&P 500 companies (or 33.3 percent of the total).

Similarly, only one of the three fights (33.3 percent) conducted in 2019 against S&P companies sought board representation, compared to 19 of the 27 contests (70.4 percent) at Russell 3000 companies. Proxy contests to vote against a proposed merger are expensive and less common. However, there were two such contests during the 2019 sample period: The first was waged by Starboard Value against the merger of Bristol-Myers Squibb with Celgene Corp.: Starboard Value ultimately withdrew its proxy solicitation after ISS and Glass Lewis both recommended that Bristol-Myers Squibb's shareholders vote in favor of the merger. The second was mounted by Merck KGaA against the merger of Russell 3000 information technology firm Versum Materials, Inc. with semiconductor device manufacturer Entegris, Inc., resulting in withdrawal after Merck increased its own offer to acquire Versum and Versum signaled its intention to terminate the merger agreement with Entegris.

Figure 4.14

Reason for Proxy Contest—by Index (2019)

	S&P 500		Russell 3000	
	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total
Board control	1	33.3%	4	14.8%
Board representation	1	33.3	19	70.4
Vote against a management proposal	0	0.0	1	3.7
Vote for a shareholder proposal	0	0.0	1	3.7
Vote/activism against a merger	1	33.3	2	7.4
	n=3		n=27	

Percentages may not add up to 100 due to rounding.
Source: The Conference Board/ESGAUGE, 2019.

By industry

As shown in Figure 4.15, during the examined 2019 period, the information technology industry was the most targeted by proxy contests for board representation; six of the seven contests against companies in the industry were of this type, representing 31.8 percent of the total number of contests mounted for that reason. Companies in the consumer discretionary and financials sectors faced three contests each for this reason, compared to two in real estate.

The two instances of contests to oppose a merger took place in the health care and the information technology industries (against Bristol-Myers Squibb and Versum Materials, more specifically, as described above), representing 33.3 percent and 14.3 percent of all proxy solicitations waged in 2019 in that sector.

Figure 4.15

Reason for Proxy Contest—by Industry (2019)

	Communication services		Consumer discretionary		Consumer staples		Energy	
	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total
Board control	0	0.0	1	16.7%	0	0.0	0	0.0
Board representation	1	100.0%	3	50.0	1	100.0%	1	100.0%
Vote against a management proposal	0	0.0	1	16.7	0	0.0	0	0.0
Vote for a shareholder proposal	0	0.0	1	16.7	0	0.0	0	0.0
Vote/activism against a merger	0	0.0	0	0.0	0	0.0	0	0.0
	n=1		n=6		n=1		n=1	

	Financials		Health care		Industrials		Information technology	
	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total
Board control	0	0.0	1	33.3%	0	0.0	0	0.0
Board representation	3	100.0%	1	33.3	0	0.0	6	85.7%
Vote against a management proposal	0	0.0	0	0.0	0	0.0	0	0.0
Vote for a shareholder proposal	0	0.0	0	0.0	0	0.0	0	0.0
Vote/activism against a merger	0	0.0	1	33.3	0	0.0	1	14.3
	n=3		n=3		n=0		n=7	

	Materials		Real estate		Utilities	
	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total
Board control	1	50.0%	0	0.0	1	100.0%
Board representation	1	50.0	2	100.0%	0	0.0
Vote against a management proposal	0	0.0	0	0.0	0	0.0
Vote for a shareholder proposal	0	0.0	0	0.0	0	0.0
Vote/activism against a merger	0	0.0	0	0.0	0	0.0
	n=2		n=2		n=1	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

By dissident

The analysis of reason by dissident highlights the fact that proxy contests for board representation are promoted by multiple types of investors. The highest concentration of contests for board representation was among hedge funds, with ten (or 52.6 percent) of the 19 contests sponsored by this investor type, followed by stakeholder groups (four contests meant to seek a board seat), individuals (three), and investment advisers (two) (Figure 4.16).

About one-third of the contests conducted by hedge funds were for the purpose of obtaining full control of the board of directors, while no other dissident type launched a fight for that reason in 2019. The only remaining contest led by hedge funds during the period was the one mounted to oppose the Bristol-Myers Squibb merger. During the examined period, labor union-affiliated investment fund UNITE HERE launched a proxy fight to support a shareholder proposal at hospitality group Eldorado Resorts, while investment adviser Ancora MicroCap fund initiated a proxy contest against a management proposal at J. Alexander's Holdings, Inc.

Figure 4.16

Reason for Proxy Contest—by Dissident (2019)

	Corporations		Hedge funds		Individuals	
	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total
Board control	0	0.0	4	26.7%	0	0.0
Board representation	0	0.0	10	66.7	3	100.0%
Vote against a management proposal	0	0.0	0	0.0	0	0.0
Vote for a shareholder proposal	0	0.0	0	0.0	0	0.0
Vote/activism against a merger	1	100.0%	1	6.7	0	0.0
	n=1		n=15		n=3	

	Investment advisers		Labor unions		Other stakeholders	
	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total
Board control	0	0.0	0	0.0	0	0.0
Board representation	2	66.7%	0	0.0	4	100.0%
Vote against a management proposal	1	33.3	0	0.0	0	0.0
Vote for a shareholder proposal	0	0.0	1	100.0%	0	0.0
Vote/activism against a merger	0	0.0	0	0.0	0	0.0
	n=3		n=1		n=4	

Percentages may not add up to 100 due to rounding.
Source: The Conference Board/ESGAUGE, 2019.

Proxy Contest Outcomes

This section extends the proxy contest analysis to the outcome of these contests, with a focus on dissident success rates. For the purpose of this report, a "dissident success rate" is the number of outright victories, partial victories, or settlements by the dissident as a percentage of all proxy fights where an outcome was reached.

In 2019, for the second time since The Conference Board began tracking proxy contest outcomes, the majority of initiated proxy contests resulted in a settlement between the dissident and the company, where the company made certain concessions to obtain the support of the activist investor. By the same token, in 2019 the outright success rate by dissidents was the lowest recorded by The Conference Board since it began tracking proxy voting data in 2010.

By index

Figure 4.17 displays proxy contest outcomes by index, and Figure 4.18 corroborates the index-based analysis by illustrating the recent historical evolution of the dissident success rate. In the Russell 3000, dissidents scored an outright win in only one of the 27 (or a mere 3.7 percent) proxy contests where an outcome was reached in 2019, down from a percentage of 5.9 in the same period in 2018, 17.9 in 2017, and of 12.5 in 2015.

By way of comparison, according to an earlier edition of this study, dissidents succeeded in 7 of the 41 (17.1 percent) of the proxy contests held during the same period in 2014 and in 5 out of the 35 proxy contests of 2013 (14.3 percent). The dissident success rate of 2019 was even lower than the one recorded by The Conference Board in 2010, where dissidents won only one of the 23 proxy contests mounted then against Russell 3000 companies (or 4.3 percent). In 2019, six contests (22.2 percent) were withdrawn and five (or 18.5 percent) resulted in a victory for management. Most importantly, the table also shows that about 52 percent of the Russell 3000 proxy contests in 2019 concluded with a settlement—the second highest share of proxy fight settlements found by this periodic study and the second time it exceeded the majority mark (previously, the highest percentages of settlements had been found in 2018, at almost 60 percent, and in 2015, at 47.9 percent).

In the S&P 500, no dissident succeeded in the four proxy solicitations conducted in 2019, which led to one management win and two withdrawals.

Figure 4.17

Proxy Contest Outcome—by Index (2016, 2018, and 2019)

	S&P 500		Russell 3000	
	Number of proxy contests	Percentage of total contests	Number of proxy contests	Percentage of total contests
2019				
Dissident win	0	0.0	1	3.7%
Management win	1	33.3	5	18.5
Pending	0	0.0	1	3.7
Settled/concessions made	0	0.0	14	51.9
Split	0	0.0	0	0.0
Withdrawn	2	66.7	6	22.2
	n=3		n=27	
2018				
Dissident win	0	0.0	2	5.9%
Management win	1	25.0	8	23.5
Settled/concessions made	2	50.0	20	58.8
Split	0	0.0	1	2.9
Withdrawn	1	25.0	3	8.8
	n=4		n=34	
2016				
Dissident win	0	0.0	3	7.9%
Management win	0	0.0	10	26.3
Settled/concessions made	1	50.0	19	50.0
Split	0	0.0	0	0.0
Withdrawn	1	50.0	6	15.8
	n=2		n=38	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Figure 4.18

Dissident Success Rate—by Index (2016, 2018, and 2019)

	2019		2018		2016	
	Dissident success rate	Number of successful proxy contests	Dissident success rate	Number of successful proxy contests	Dissident success rate	Number of successful proxy contests
Russell 3000	55.6%	15	64.7%	22	57.9%	22
S&P 500	0.0	0	50.0	2	50.0	1

Note: Dissident success rate is the number of outright victories, partial victories, or settlements by the dissident as a percentage of all proxy fights where an outcome was reached.

Source: The Conference Board/ESGAUGE, 2019.

By industry

The outcome analysis by industry (Figure 4.19) shows that the only dissident win in 2019 was against a consumer discretionary company, hospitality group Eldorado Resorts. The information technology sector recorded four proxy contest settlements (the highest concentration among business sectors) and three withdrawals. Management won contests in the communication services, consumer discretionary, energy, financials, and health care sectors.

Figure 4.19

Proxy Contest Outcome—by Industry (2019)

		Dissident win		Management win		Pending	
	Number of proxy contests	Number of proxy contests	Percentage of total contests	Number of proxy contests	Percentage of total contests	Number of proxy contests	Percentage of total contests
Communication services	1	0	0.0	1	20.0%	0	0.0
Consumer discretionary	6	1	100.0%	1	20.0	0	0.0
Consumer staples	1	0	0.0	0	0.0	1	100.0%
Energy	1	0	0.0	1	20.0	0	0.0
Financials	3	0	0.0	1	20.0	0	0.0
Health care	3	0	0.0	1	20.0	0	0.0
Industrials	0	0	0.0	0	0.0	0	0.0
Information technology	7	0	0.0	0	0.0	0	0.0
Materials	2	0	0.0	0	0.0	0	0.0
Real estate	2	0	0.0	0	0.0	0	0.0
Utilities	1	0	0.0	0	0.0	0	0.0
	n=27	n=1		n=5		n=1	

	Settled/ concessions made		Withdrawn	
	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total
Communication services	0	0.0	0	0.0
Consumer discretionary	3	21.4%	1	16.7%
Consumer staples	0	0.0	0	0.0
Energy	0	0.0	0	0.0
Financials	1	7.1	1	16.7
Health care	1	7.1	1	16.7
Industrials	0	0.0	0	0.0
Information technology	4	28.6	3	50.0
Materials	2	14.3	0	0.0
Real estate	2	14.3	0	0.0
Utilities	1	7.1	0	0.0
	n=14		n=6	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Figure 4.20

Dissident Success Rate—by Industry (2019)

	Dissident success rate	Number of successful proxy contests
Communication services	0.0	0
Consumer discretionary	66.7%	4
Consumer staples	0.0	0
Energy	0.0	0
Financials	33.3	1
Health care	33.3	1
Information technology	57.1	4
Materials	100.0	2
Real estate	100.0	2
Utilities	100.0	1

n=15

Note: Dissident success rate is the number of outright victories, partial victories, or settlements by the dissident as a percentage of all proxy fights where an outcome was reached.

Source: The Conference Board/ESGAUGE, 2019.

Figure 4.20 displays a success rate that is inclusive not only of outright victories by dissidents but also partial victories and settlements. The highest rate, or 100 percent, was seen in the materials, real estate, and utilities sectors (respectively, with two, two and one outright victories by dissidents, partial victories or settlements out of a total of five contests held against companies in those sectors). The lowest success rate found in 2019 among sectors with at least one proxy contest was against companies in the financials and health care sectors (one out of three contests in each of those sectors had some successful outcome for the dissident, or 33.3 percent of the total).

By dissident

The outcome analysis by dissident type (Figure 4.21) shows that the only outright proxy contest victory during the 2019 period went to labor union-affiliated fund UNITE HERE for a contest mounted to support a shareholder proposal.

Ten of the 14 settled proxy contests were led by hedge funds (constituting 71.4 percent of the total contests that led to a settlement in 2019). Hedge funds also had the highest rate of withdrawals (50 percent, or three out of six withdrawn contests).

Figure 4.22 shows that hedge funds had an overall success rate of 66.7 percent (ten of the 15 proxy contests that were either won or settled in 2019). Two of the three contests led by an investment adviser were somewhat successful (also a 66.6 percent overall success rate).

Figure 4.21

Proxy Contest Outcome—by Dissident (2019)

		Dissident win		Management win		Pending	
	Number of proxy contests	Number of proxy contests	Percentage of total contests	Number of proxy contests	Percentage of total contests	Number of proxy contests	Percentage of total contests
Corporations	1	0	0.0	0	0.0	0	0.0
Hedge funds	15	0	0.0	2	40.0%	0	0.0
Individuals	3	0	0.0	0	0.0	1	100.0%
Investment advisers	3	0	0.0	1	20.0	0	0.0
Labor unions	1	1	100.0%	0	0.0	0	0.0
Other stakeholders	4	0	0.0	2	40.0	0	0.0
	n=27	n=1		n=5		n=1	

	Settled/ concessions made		Withdrawn	
	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total
Corporations	0	0.0	1	16.7%
Hedge funds	10	71.4%	3	50.0
Individuals	1	7.1	1	16.7
Investment advisers	2	14.3	0	0.0
Labor unions	0	0.0	0	0.0
Other stakeholders	1	7.1	1	16.7
	n=14		n=6	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Figure 4.22

Dissident Success Rate—by Dissident (2019)

	Dissident success rate	Number of successful proxy contests
Hedge funds	66.7%	10
Individuals	33.3	1
Investment advisers	66.7	2
Labor unions	100.0	1
Other stakeholders	25.0	1
		n=15

Note: Dissident success rate is the number of outright victories, partial victories, or settlements by the dissident as a percentage of all proxy fights where an outcome was reached.

Source: The Conference Board/ESGAUGE, 2019.

By reason

The proxy contest outcome analysis by reason (Figure 4.23) shows that most of the settled proxy contests were mounted to gain representation on the board of directors (11 of the 14 settlements, or 78.6 percent). Board representation was also the reason for dissent in four of the five contests won by management, while the only proxy fight won by dissidents was mounted to provide support to a shareholder proposal.

Figure 4.24 illustrates that the dissident success rates in proxy contests for board control and board representation is somewhat consistent with the levels registered in 2018 and 2016 but also, according to earlier edition of this report, in prior years. In 2019, the success rate for contests seeking board representation was 57.9 percent, slightly lower than the success rate of 2018 (65.2 percent) and 2016 (63 percent). The success rate for board control was 75 percent in 2019, down from 83.3 percent in 2018 but higher than the 62.5 percent of 2016 and similar to the 77.8 percent reported for 2014 in an earlier edition of this study.

Figure 4.23

Proxy Contest Outcome—by Reason (2019)

		Dissident win		Management win		Pending	
	Number of proxy contests	Number of proxy contests	Percentage of total contests	Number of proxy contests	Percentage of total contests	Number of proxy contests	Percentage of total contests
Board control	4	0	0.0	0	0.0	0	0.0
Board representation	19	0	0.0	4	80.0%	1	100.0%
Enhance corporate governance	0	0	0.0	0	0.0	0	0.0
Remove director(s), no dissident nominee to fill vacancy	0	0	0.0	0	0.0	0	0.0
Vote against a management proposal	1	0	0.0	1	20.0	0	0.0
Vote/activism against a merger	0	0	0.0	0	0.0	0	0.0
Vote for a stockholder proposal	1	1	100.0%	0	0.0	0	0.0
Vote/activism against a merger	2	0	0.0	0	0.0	0	0.0
Withhold vote for director(s)	0	0	0.0	0	0.0	0	0.0
	n=27	n=1		n=5		n=1	

	Settled/ concessions made		Withdrawn	
	Number of proxy contests	Percentage of total	Number of proxy contests	Percentage of total
Board control	3	21.4%	1	16.7%
Board representation	11	78.6	3	50.0
Enhance corporate governance	0	0.0	0	0.0
Remove director(s), no dissident nominee to fill vacancy	0	0.0	0	0.0
Vote against a management proposal	0	0.0	0	0.0
Vote/activism against a merger	0	0.0	0	0.0
Vote for a stockholder proposal	0	0.0	0	0.0
Vote/activism against a merger	0	0.0	2	33.3
Withhold vote for director(s)	0	0.0	0	0.0
	n=14		n=6	

Source: The Conference Board/ESGAUGE, 2019.

RETURN TO KEY FINDINGS
(page 29)

Figure 4.24

Dissident Success Rate—by Reason (2016, 2018, and 2019)

	2019		2018		2016	
	Dissident success rate	Number of successful proxy contests	Dissident success rate	Number of successful proxy contests	Dissident success rate	Number of successful proxy contests
Board control	75.0%	3	83.3%	5	62.5%	5
Board representation	57.9	11	65.2	15	63.0	17
Remove director(s), no dissident nominee to fill vacancy	0.0	0	0.0	0	0.0	0
Vote against a management proposal	0.0	0	33.3	1	0.0	0
Vote for a shareholder proposal	100.0	1	0.0	0	0.0	0
Vote/activism against a merger	0.0	0	100.0	1	0.0	0
		n=15		n=22		n=22

Note: Dissident success rate is the number of outright victories, partial victories, or settlements by the dissident as a percentage of all proxy fights where an outcome was reached.
Source: The Conference Board/ESGAUGE, 2019.

Exempt Solicitations

Considering the cost of conducting proxy contests, some activist investors choose exempt solicitations to seek the support of fellow shareholders. Pursuant to Rule 14a-2(b)(1) under the Securities Exchange Act of 1934, unless it is requesting proxy voting authority and providing its own proxy cards, any investor can freely communicate its views to fellow shareholders without having to comply with the proxy filing and disclosure rules of contested solicitations.

An exempt solicitation generally takes the form of a letter to individual shareholders attempting to persuade them to vote for a shareholder proposal, to vote against a management proposal, or to withhold votes for directors. An activist wishing to send such materials is required to file electronically with the SEC a Notice of Exempt Solicitation on Form PX14A6G if it holds more than $5 million worth of the target company's shares. Once submitted, the form will appear on the SEC's EDGAR filing system alongside the company's filings.

In the last couple of years, EDGAR has reported multiple cases of voluntary filings from activists with far smaller positions than the requisite $5 million seeking an inexpensive way to amplify their voice and lobby fellow owners beyond the 500-word limit imposed by securities regulations on shareholder proposals. Furthermore, in some of those cases, the Form PX14A6G appears to have been used by the filing activist as a mere expedient to publicize its stance on the company's business strategy (or the performance of the management team or the adequacy of organizational practices), with no explicit statement urging other investors to vote for or against a certain resolution or to withhold its vote at a director election.

Data analyzed in this section refer exclusively to exempt solicitation filings related to a director election or a matter put to a vote at a shareholder meeting.

RETURN TO KEY FINDINGS
(page 27)

By index

The last few years have shown a surge in exempt solicitations, especially those in the form of "just vote no" campaigns (where a shareholder solicits others to withhold their votes at a director election or to vote against a management proposal or a nomination to the board of directors submitted by management, but does not circulate a dissident's proxy card) and those to solicit votes against a say-on-pay proposal by management. In the 2019 period examined for the purpose of this report, shareholders engaged in 124 exempt solicitations against management of Russell 3000 companies, compared to 100 of the corresponding period of 2018 and 79 of 2016. By way of comparison, according to an earlier edition of this study, there were only 47 in the corresponding 2013 period and 18 in 2010. In the S&P 500 sample, the number of exempt solicitations in 2019 was 91, up from the 75 of last year and the previous record of 87 of the 2017 period, and significantly higher than the 29 reported in 2014 and the 15 of 2010 (Figure 4.25).

The index comparison shows a concentration of notices of exempt solicitations filed against larger companies. This campaign tactic is less common among activist hedge funds, which traditionally pursue smaller targets, and is preferred by labor unions and public pension funds, which are widely invested in blue chip stocks. The category of investment funds affiliated with stakeholder groups has also risen as a major proponent of these types of activist initiatives. Table 8, on p. 151, in particular, shows that it is rarely used by activist funds in the SharkWatch50.

Figure 4.25

Exempt Solicitation Volume—by Index (2016, 2018, and 2019)

Number of exempt solicitations

	S&P 500	Russell 3000
2019	91	124
2018	75	100
2016	62	79

Source: The Conference Board/ESGAUGE, 2019.

RETURN TO KEY FINDINGS
(page 27)

By industry

The analysis of exempt solicitation volume by industry shows that the communication services and consumer discretionary industries reported the highest number of these notices in 2019 (22 and 21, respectively), followed by industrials and health care (18 and 16, respectively) (Figure 4.26). Energy and consumer discretionary companies have traditionally attracted a significant number of these solicitations, according to the historical analysis illustrated in Figure 4.26 and earlier editions of this study.

Figure 4.26

Exempt Solicitation Volume—by Industry (2016, 2018, and 2019)

	2019		2018		2016	
Industry	Number of exempt solicitations	Percentage of total	Number of exempt solicitations	Percentage of total	Number of exempt solicitations	Percentage of total
Communication services	22	17.7%	13	13.0%	13	16.5%
Consumer discretionary	21	16.9	17	17.0	8	10.1
Consumer staples	10	8.1	8	8.0	4	5.1
Energy	10	8.1	12	12.0	25	31.6
Financials	6	4.8	8	8.0	4	5.1
Health care	16	12.9	15	15.0	2	2.5
Industrials	18	14.5	10	10.0	4	5.1
Information technology	7	5.6	4	4.0	2	2.5
Materials	5	4.0	2	2.0	2	2.5
Real estate	1	0.8	3	3.0	2	2.5
Utilities	8	6.5	8	8.0	13	16.5
	n=124		n=100		n=79	

Percentages may not add up to 100 due to rounding.
Source: The Conference Board/ESGAUGE, 2019.

RETURN TO KEY FINDINGS
(page 27)

By activist

The historical volume comparison by activist type illustrates the rise of investment funds affiliated with stakeholder groups among the most frequent filers of notices of exempt solicitations. In 2019, in the Russell 3000 universe examined for the purpose of this report, noninvestment stakeholder groups submitted the largest share of exempt solicitations (47 solicitations, or 37.9 percent of the total number, up from 32 solicitations last year), followed by public pension funds (22 solicitations, or 17.7 percent) and investment advisers (21 solicitation, or 16.9 percent). Notably, according to an earlier edition of this study, public pension funds had filed 65 solicitations in 2015 (more than half the total number of 117 recorded in the first six months of that year) and 41 in 2017 (or 38.7 percent of the total), and were down to 20 in 2018 (20 percent) (Figure 4.27).

See "Sponsors," on p. 42, for more information on the categorization of activist types used for the purpose of this report.

Figure 4.27

Exempt Solicitation Volume—by Activist (2016, 2018, and 2019)

	2019		2018		2016	
Sponsor type	Number of exempt solicitations	Percentage of total	Number of exempt solicitations	Percentage of total	Number of exempt solicitations	Percentage of total
Other stakeholders	47	37.9%	31	31.0%	14	17.7%
Public pension funds	22	17.7	20	20.0	29	36.7
Investment advisers	21	16.9	20	20.0	15	19.0
Religious groups	13	10.5	8	8.0	1	1.3
Labor unions	8	6.5	9	9.0	7	8.9
Individuals	5	4.0	3	3.0	1	1.3
Other institutions	4	3.2	4	4.0	8	10.1
Hedge funds	2	1.6	4	4.0	3	3.8
Named shareholders	2	1.6	1	1.0	1	1.3
Corporations	0	0.0	0	0.0	0	0.0
Mutual funds	0	0.0	0	0.0	0	0.0
	n=155		n=100		n=79	

Percentages may not add up to 100 due to rounding.
Source: The Conference Board/ESGAUGE, 2019.

RETURN TO KEY FINDINGS
(page 27)

By reason

Figure 4.28 illustrates the frequency of the reasons for the dissent that led to the instances of exempt solicitations reported in recent years. For all of the examined periods, in the vast majority of these campaign types, activists individually urged fellow investors to vote for a shareholder proposal (102, or 82.3 percent of the total in 2019; 78, or 78 percent in 2008, and 72, or 91.1 percent in 2016; according to an earlier edition of this study, this category represented the lion's share even in earlier years and was 74.5 percent of the total, in particular, in 2013).

In 2019, the other activism campaigns that took the form of exempt solicitations were waged to vote against a management proposal, or to propose a corporate governance enhancement. In particular, there were eight exempt solicitations to vote against a management proposal (or 6.5 percent of the total), compared to 15 solicitations in 2018 (or 15 percent of the total) and five solicitations in 2016 (or 6.3 percent of the total).

Figure 4.28

Exempt Solicitation Volume—by Reason (2016, 2018, and 2019)

	2019		2018		2016	
	Number of exempt solicitations	Percentage of total	Number of exempt solicitations	Percentage of total	Number of exempt solicitations	Percentage of total
Vote for a shareholder proposal	102	82.3%	78	78.0%	72	91.1%
Vote for a management proposal/ support management	13	10.5	4	4.0	1	1.3
Vote against a management proposal	8	6.5	15	15.0	5	6.3
Enhance corporate governance	1	0.8	1	1.0	0	0.0
Remove director(s), no dissident nominee to fill vacancy	0	0.0	1	1.0	0	0.0
Remove officer(s)	0	0.0	0	0.0	1	1.3
Vote/activism against a merger	0	0.0	1	1.0	0	0.0
	n=124		n=100		n=79	

Percentages may not add up to 100 due to rounding.
Source: The Conference Board/ESGAUGE, 2019.

Other Activism Campaigns

Securities laws in the United States do not prevent shareholders from broadly disseminating statements of how they intend to vote at a shareholder meeting or on the reasons for their dissent from management, as long as the statement in question neither seeks the power to act as proxy for other shareholders nor urges other shareholders to vote in a certain way. Therefore, aside from conducting proxy contests and exempt solicitations, activists often orchestrate agitations meant to influence the public and put pressure on target companies.

Tactics of this type include issuing press releases, making public announcements (on TV or radio broadcasts, at press conferences, or through the web), publicly disclosing letters sent to target company management, filing a shareholder lawsuit, threatening a proxy fight, or launching a hostile tender offer to all shareholders. Activists have become quite sophisticated in accessing the public arena and using media outlets to pursue their investment agenda. The proliferation of social media has only accentuated this phenomenon, offering additional channels of communication that were unavailable only a few years ago.

Data reviewed for the purpose of this section of the report only refer to "other activism campaigns" related to director elections or actions by written consent or (shareholder or management) resolutions put to a vote at a 2019 shareholder meeting of companies in the Russell 3000 index. Other activism campaigns unrelated to a shareholder vote or written consent and announced for other agitation purposes, including inducing the board and management into some form of dialogue, are excluded from the analysis.

By index

As shown in Figures 4.1 and 4.2, in the Russell 3000, in 2019 the total number of activist campaigns related to a shareholder vote (155 campaigns, or 0.22 per company) was slightly higher than in 2018 (147 campaigns, or 0.18 per company) and in 2016 (when there were 132 activist campaigns, or 0.15 per company).

Figure 4.29 shows that, in the Russell 3000, in the first six months of 2019, there were only four public agitations in any of the forms aggregated in the all-inclusive category of "other activism campaigns," down from 13 in 2018 and 15 in 2016. The figure also shows that, in the S&P 500 sample, the number of these public agitations declined to one (the same as last year) from the five reported during the same period in 2016 and, according to an earlier edition of the study, zero in 2015; in 2010, it was eight.

Figure 4.29

Other Activism Campaign Volume—by Index (2016, 2018, and 2019)

Number of other activism campaigns

	S&P 500	Russell 3000
2019	1	4
2018	1	13
2016	3	15

Source: The Conference Board/ESGAUGE, 2019.

By industry

The analysis of other activism campaigns' volume by industry shows that consumer discretionary companies were subject to two of the four public agitations involving a shareholder vote (50 percent of the total number of campaigns of this type). The only two other business sectors experiencing these types of campaigns were communication services and information technology (one public campaign each, or 25 percent of the total) (Figure 4.30).

Figure 4.30

Other Activism Campaign Volume—by Industry (2016, 2018, and 2019)

	2019		2018		2016	
Industry	Number of other activism campaigns	Percentage of total	Number of other activism campaigns	Percentage of total	Number of other activism campaigns	Percentage of total
Communication services	1	25.0%	0	0.0	1	6.7%
Consumer discretionary	2	50.0	1	7.7%	1	6.7
Consumer staples	0	0.0	0	0.0	0	0.0
Energy	0	0.0	3	23.1	0	0.0
Financials	0	0.0	1	7.7	5	33.3
Health care	0	0.0	2	15.4	0	0.0
Industrials	0	0.0	3	23.1	1	6.7
Information technology	1	25.0	1	7.7	3	20.0
Materials	0	0.0	0	0.0	1	6.7
Real estate	0	0.0	1	7.7	3	20.0
Utilities	0	0.0	1	7.7	0	0.0
	n=4		n=13		n=15	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

By activist

The historical volume comparison by activist type shows that investment advisers and hedge funds are the most prone to shareholder activism in the form of public agitations. In 2019, in the Russell 3000 universe examined for the purpose of this report, two (or half) of these types of campaigns were announced by investment firms affiliated with stakeholder groups, with one announced by a hedge fund and one by an individual. A similar prominent role was found for these investors in the 2018 and 2016 analyses, as well as in an earlier edition of this report for the years 2010-2014. Notably, in 2019 there were no campaigns of this type initiated by labor unions, which had appeared on the list for each of the prior years from 2010 to 2016 (Figure 4.31).

See "Sponsors," on p. 42, for more information on the categorization of activist types used for the purpose of this report.

Figure 4.31

Other Activism Campaign Volume—by Activist (2016, 2018, and 2019)

	2019		2018		2016	
Sponsor type	Number of other activism campaigns	Percentage of total	Number of other activism campaigns	Percentage of total	Number of other activism campaigns	Percentage of total
Corporations	0	0.0	0	0.0	1	6.7%
Hedge funds	1	25.0%	4	30.8%	4	26.7
Individuals	1	25.0	0	0.0	0	0.0
Investment advisers	0	0.0	5	38.5	5	33.3
Labor unions	0	0.0	0	0.0	2	13.3
Mutual funds	0	0.0	1	7.7	0	0.0
Other stakeholders	2	50.0	3	23.1	2	13.3
Public pension fund	0	0.0	0	0.0	1	6.7
	n=4		n=13		n=15	

Percentages may not add up to 100 due to rounding.
Source: The Conference Board/ESGAUGE, 2019.

By reason

Figure 4.32 illustrates the reasons for the activist dissent that have led to the instances of public agitations involving a shareholder vote reported in recent years.

In 2019, the most frequent reason for this type of activism campaign was to vote against a management proposal. More specifically, there were three instances (or 75 percent of the total number) of agitations motivated by the opposition to a resolution included in the voting ballot by senior management of the corporation. In an earlier edition of this report, The Conference Board had found two and three campaigns of this type in 2018 and 2016, respectively.

The only other public activist campaign announced in 2019 urged investors to review and support a certain shareholder resolution submitted to a vote at a shareholder meeting. This campaign type represented 25 percent of the total number of public agitations announced in the sample time period, compared to 38.5 percent in 2018 and 26.7 in 2016.

Figure 4.32

Other Activism Campaign Volume—by Reason (2016, 2018, and 2019)

	2019		2018		2016	
	Number of other activism campaigns	Percentage of total	Number of other activism campaigns	Percentage of total	Number of other activism campaigns	Percentage of total
Vote against a management proposal	3	75.0%	2	15.4%	3	20.0%
Vote for a shareholder proposal	1	25.0	5	38.5	4	26.7
Vote/activism against a merger	0	0.0	4	30.8	5	33.3
Board representation	0	0.0	1	7.7	0	0.0
Hostile/unsolicited cquisition	0	0.0	0	0.0	1	6.7
Remove officer(s)	0	0.0	1	7.7	0	0.0
Vote for a management proposal/ support management	0	0.0	0	0.0	2	13.3
	n=4		n=13		n=15	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

PART 5
Issues in Focus

Each proxy season has its highlights, which are often dependent upon the business performance of companies, the political climate and financial market conditions, and the evolving investment strategies of activist shareholders. In general, the shareholder proposals that are more likely to succeed at an AGM are those that seek to align the governance policies of the company with standards widely recognized by the investor community as best practices (from the adoption of majority voting in director elections to the declassification of boards, and from the separation of CEO and chairman positions to the elimination of supermajority vote requirements). Recent proxy seasons have also been noteworthy for the increasing volume of shareholder proposals on environmental and social policy issues, including those seeking disclosure of corporate political spending and lobbying and those on sustainability reporting. In addition, shareholders have increasingly made use of their ability to submit proposals on "proxy access" (i.e., the right of qualified shareholders to have their director nominee added to those proposed by management and included in company's proxy materials).

This section of the report expands on the discussion of shareholder proposals included in Part 2 to bring more focus to the key issues of the 2019 proxy season. The section segments (by index, industry, and sponsorship) data on the volume of each proposal type, including information on the most frequent sponsors and those cases in which the proposal received the highest (or lowest) support level. The data analyzed in this section are integrated with references to the voting guidelines offered by proxy advisory firm ISS on the issue in question.

With the exception of proposals on the election of a dissident's director nominee, the proposals discussed in this section are typically precatory (or nonbinding). However, when the proposals pass, board members may face the prospect of negative recommendations from proxy advisory firms or future opposition from shareholders for not taking action deemed sufficiently responsive to the proposal.

Majority Voting

Under Section 216 of the Delaware General Corporation Law, director elections are held using a default system of plurality voting. The nominees with the largest number of votes are elected as directors, up to the maximum number of directors to be chosen at the election and without regard to votes "withheld" or not cast. This means that nominees could theoretically win a board seat by receiving as little as one affirmative vote (often their own). The benefit of plurality voting is that someone always wins—all vacant seats are filled. However, the role of shareholders in the selection process is purely formal, as their vote against a nominee is meaningless. As designed, the system ensures that, in uncontested elections, candidates nominated by the board fill all vacant seats. Due to the expense and complexity of mounting a proxy contest, this is often the norm when a system of plurality voting applies.

In the past, virtually all directors of US public companies were elected according to the plurality voting mechanism. However, recent years have witnessed a gradual departure from such default rule, which has been accomplished by revising internal governance policies, amending bylaws or charter provisions, or a combination of both. In a relatively short period, investor pressure has made majority voting—whereby directors who fail to win a majority of votes would lose the election—the prevailing standard among larger SEC-registered corporations. Variations of the majority voting model also exist, depending on whether the incumbent receiving more votes *against* than votes *for* must tender his or her resignation to the board of directors or automatically ceases to be a director after a certain period.

According to the latest edition of *Corporate Board Practices in the Russell 3000 and S&P* 500, an annual analysis of proxy disclosure conducted by The Conference Board in collaboration with ESGAUGE, more than 90 percent of S&P companies have adopted a majority voting standard for uncontested director elections. However, at 15.7 percent of these companies, majority voting is applied in its traditional form, where nominees must receive more *for* votes than *against* votes to be elected, but there is no explicit consequence for incumbent directors who fail to receive a majority of *for* votes. Instead, in 70.7 percent of cases, majority voting bylaws contemplate a board-rejectable resignation requirement, where a director who receives more *against* votes than *for* votes must tender his or her resignation to fellow board members. (Boards retain the discretion to accept or decline the resignation). Only 4.5 percent of S&P 500 companies and 2.5 percent of Russell 3000 companies have adopted the most stringent form of the majority voting standard, "consequential" majority voting, which requires unelected incumbents to automatically step down within a certain period after the election.

In the Russell 3000, the number of companies with majority voting bylaws has grown, but they remain a minority (48 percent of the total, up from 45 percent in 2016). Of those making under $1 billion in annual revenue, the share of firms using a majority voting system with a board-rejectable resignation is a mere 14.2 percent. The highest percentage of companies with a formal resignation protocol is seen in the materials sector (46.9 percent), while the lowest is among communications companies (14.8 percent). The highest percentage of firms with a consequential majority voting standard is seen in the energy sector (6.6 percent), while the lowest are in information technology (0.8 percent), real estate (1 percent), utilities (1.3 percent), and financial firms (1.7 percent).[8]

On average, when put to a vote, shareholder proposals requesting that the election model be changed from plurality to majority voting receive the support of the majority of shareholders.

8 Matteo Tonello, *Corporate Board Practices in the Russell 3000 and S&P 500: 2019 Edition*, The Conference Board, Research Report, R-1687-19-RR, p. 31.

Volume by index

As shown in Figure 5.1, in the Russell 3000 sample examined for the purpose of this report (i.e., AGMs held between January 1 and June 30, 2019), shareholders filed 23 proposals requesting that the company change its director election system from plurality to majority voting, of which 22 were voted. This year's finding represents a reversal in a declining trend observed in the last few years, and an indication that investors are now increasingly targeting the smaller companies that still adhere to a plurality voting standard: Shareholders had filed only eight proposals in 2018, 14 in 2017, 20 in 2016, and 31 in 2014, down from the 42 proposals that, according to an earlier edition of this report, were filed on this topic in 2012 and from the high of 49 that were filed in 2009.

By comparison, in the S&P 500 sample of larger companies, where majority voting is already prevalent, investors submitted only three proposals, all of which went to a vote during the examined period.

Figure 5.1

Majority Voting—Shareholder Proposal Volume, by Index (2016–2019)

Number of shareholder proposals

	S&P 500		Russell 3000	
	Filed	Voted	Filed	Voted
2019	3	3	23	22
2018	2	1	8	5
2017	2	2	14	14
2016	7	6	20	18

Source: The Conference Board/ESGAUGE, 2019.

ISS PROXY VOTING GUIDELINES

Majority Vote Standard for the Election of Directors

Generally vote *for* management proposals to adopt a majority-of-votes-cast standard for directors in uncontested elections. Vote *against* if no carve-out for a plurality vote standard in contested elections is included.

Generally vote *for* precatory and binding shareholder resolutions requesting that the board change the company's bylaws to stipulate that directors need to be elected with an affirmative majority of votes cast, provided it does not conflict with the state law where the company is incorporated. Binding resolutions need to allow for a carve-out for a plurality vote standard when there are more nominees than board seats.

Companies are strongly encouraged to also adopt a post-election policy (also known as a director resignation policy) that will provide guidelines so that the company will promptly address the situation of a holdover director.

Source: *2019 United States Proxy Voting Guidelines. Benchmark Policy Recommendations*, ISS, December 6, 2018, p. 20 (www.issgovernance.com).

Volume by industry

Figure 5.2 shows the average number of shareholder proposals per company by industry, and also the industry averages for proposals that went to a vote. In the Russell 3000 sample, only eight of the 11 GICS industries received proposals of this type in 2019. According to the proposal-per-company analysis illustrated in the chart, communication services companies were the most exposed to shareholder proposals on majority voting, followed by consumer discretionary and consumer staples firms: Companies in these sectors reported a number of proposals per companies higher than the average of 0.011 seen across industries. No companies in the materials, real estate and utilities sector received a shareholder proposal on majority voting during the examined 2019 period.

Volume by sponsor

As shown in Figure 5.3, these proposals were initiated by public pension funds, labor union-affiliated investment funds, and individuals. All of the proposals submitted by individuals and labor unions and all but one of the proposals submitted by public pension funds went to a vote. Overall, 95.7 percent of the submitted proposals went to a vote.

Figure 5.2

Majority Voting—Shareholder Proposal Volume, by Industry (2019)

	Filed		Voted	
Industry	Average number of shareholder proposals per company	Number of shareholder proposals	Average number of shareholder proposals per company	Number of shareholder proposals
Communication services	0.05	5	0.05	5
Consumer discretionary	0.01	4	0.01	4
Consumer staples	0.01	1	0.01	1
Energy	0.01	1	0.01	1
Financials	0.01	5	0.01	5
Health care	0.01	3	0.01	3
Industrials	0.01	3	0.01	2
Information technology	0.00	1	0.00	1
		n=23		n=22

Source: The Conference Board/ESGAUGE, 2019.

Figure 5.3

Majority Voting—Shareholder Proposal Volume, by Sponsor (2019)

	Filed		Voted	
Sponsor	Number of shareholder proposals	Percentage of total	Number of shareholder proposals	Percentage of total
Individuals	2	8.7%	2	9.1%
Labor unions	1	4.3	1	4.5
Public pension funds	17	73.9	16	72.7
Undisclosed	3	13.0	3	13.6
	n=23		n=22	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Figure 5.4

Majority Voting—Most Frequent Sponsors (2019)

Sponsor	Filed: Number of shareholder proposals	Filed: Percentage of total	Voted: Number of shareholder proposals	Voted: Percentage of total
California Public Employees' Retirement System	17	73.9%	16	72.7%
John Chevedden	1	4.3	1	4.5
Kenneth Steiner	1	4.3	1	4.5
UNITE HERE	1	4.3	1	4.5
Undisclosed	3	13.0	3	13.6
	n=23		n=22	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Most frequent sponsors

Figure 5.4 ranks the most frequent sponsors of shareholder proposals on majority voting. Also see Table 4 on p. 81 for a comprehensive list of proponents across key proposal types.

The California Public Employees' Retirement System (CalPERS) was responsible for 16 of the 22 proposals that went to a vote in the 2019 period. The individual proponents were John Chevedden and Kenneth Steiner, while the labor-union investment fund that filed a proposal on this topic was UNITE HERE.

By support level

Among the Russell 3000 companies in the sample, average support for shareholder proposals seeking the adoption of majority voting in 2019 was 43.7 percent, down from 73.9 percent in 2018, 62.8 percent in 2017 and 69.6 percent in 2015, and the lowest seen by The Conference Board since 2010. Shareholder bases of smaller companies can be quite different from those of their larger counterparts. The voting finding indicates that, as proponents shift their attention on this issue to smaller companies in the Russell 3000, they encounter more difficulties in building the wide investor support that these proposals have been receiving among large companies (Figure 2.29, on p. 87).

As shown in Figure 5.5, among resolutions on this topic, the highest support level (89.9 percent of votes cast) was received by a proposal submitted by CalPERS at Safety Insurance Group, Inc. The lowest support level (25.5 percent) was for a proposal also submitted by CalPERS at Universal Logistics Holdings; the proposal did not pass.

Figure 5.5

Majority Voting—Shareholder Proposals, by Support Level (2019)

				As a percentage of votes cast			As a percentage of shares outstanding			
Company	Sponsor	Meeting date	Proposal outcome (pass/fail)	For	Against	Abstain	For	Against	Abstain	Nonvotes
HIGHEST SUPPORT										
Safety Insurance Group, Inc.	California Public Employees' Retirement System	05/22/2019	Pass	89.9%	9.8%	0.3%	76.3%	8.3%	0.2%	11.0%
New Residential Investment Corp.	California Public Employees' Retirement System	05/23/2019	Pass	87.1	4.4	8.5	40.7	2.0	4.0	38.8
J. Alexander's Holdings, Inc.	California Public Employees' Retirement System	06/20/2019	Pass	82.2	15.6	2.2	71.0	13.5	1.9	3.3
Greenhill & Co., Inc.	Undisclosed	04/24/2019	Pass	74.6	19.6	5.7	59.9	15.8	4.6	4.6
Eldorado Resorts Inc	UNITE HERE	06/19/2019	Pass	72.2	27.1	0.7	61.8	23.2	0.6	2.8
New Media Investment Group, Inc.	California Public Employees' Retirement System	05/23/2019	Pass	66.2	31.6	2.3	50.9	24.3	1.7	15.5
RadNet, Inc.	California Public Employees' Retirement System	06/13/2019	Pass	61.0	35.5	3.6	45.5	26.5	2.7	16.7
Stemline Therapeutics, Inc.	California Public Employees' Retirement System	06/25/2019	Pass	56.6	34.6	8.7	57.8	35.4	8.9	12.2
First Community Bancshares, Inc.	California Public Employees' Retirement System	05/21/2019	Pass	53.0	46.6	0.4	35.8	31.5	0.2	17.8
LOWEST SUPPORT										
TG Therapeutics, Inc.	California Public Employees' Retirement System	06/13/2019	Fail	38.4%	60.3%	1.3%	17.2%	27.0%	0.6%	35.9%
Ladenburg Thalmann Financial Services Inc.	Kenneth Steiner	06/13/2019	Fail	33.1	65.0	1.8	20.7	40.7	1.2	21.5
Weis Markets, Inc.	California Public Employees' Retirement System	04/25/2019	Fail	28.7	71.2	0.1	26.9	66.8	0.1	2.8
Omega Flex, Inc.	California Public Employees' Retirement System	06/11/2019	Fail	26.4	73.5	0.1	21.9	60.8	0.1	10.2
Universal Logistics Holdings, Inc.	California Public Employees' Retirement System	04/25/2019	Fail	25.5	74.4	0.0	24.0	69.9	0.0	1.8

Percentages may not add up to 100 due to rounding.
Source: The Conference Board/ESGAUGE, 2019.

Board Declassification

In a classified structure, board members are divided into classes, and directors in each class serve staggered terms typically running three years; as a result, only one class of board members stands for election each year. In addition, classification is used as a defensive measure against hostile takeovers: When a board is staggered, hostile bidders must win more than one proxy contest at successive shareholder meetings to exercise control of the target. However, in classified boards, directors also tend to develop closer relations among each other, which may be conducive to complacency and reduced productivity.

Declassification proposals seek the adoption of a model where all corporate directors face an annual confidence vote. When put to a vote, average support for these proposals has been among the highest of all precatory proposal types. The success of these resolutions has resulted in a steady decline in staggered boards over the last decade. Especially among the larger companies in the S&P 500, classified boards are far less common today than they used to be.

According to recently released statistics by The Conference Board and ESG analytics firm ESGAUGE, a majority of companies in both indexes now elect members of their boards of directors annually, having abandoned the staggered-years structure of the past. The company size analysis, however, is the most revealing, with striking differences between small and larger organizations. For example, only 9.5 percent of financial institutions with asset value of $100 billion or higher have classified boards, compared to 44.1 percent of those with asset value under $10 billion. And almost 60 percent of manufacturing and services companies with revenue under $1 billion continue to retain a classified board and do not hold annual elections for all of their directors. The industry analysis reveals that director classes continue to be used by 59.3 percent of health care companies, while only about one-fifth of real estate firms still retain them.[9]

The *Shareholder Rights Project* (SRP), a clinical program sponsored by Harvard Law School to represent public pension funds and other institutional investors seeking to improve corporate governance at publicly traded companies in which they are shareholders, was responsible for much of the success of these requests. The SRP ran from 2012 to 2014, sponsoring dozens of board declassification proposals on behalf of its institutional clients.

Harvard Law School *Shareholder Rights Project*

Founded by Professor Lucian Bebchuk as a clinical program for Harvard Law School students, the Shareholder Rights Project (SRP) inaugurated a novel approach to shareholder activism by bringing together and supporting the common interests of institutional investors seeking engagement with their portfolio companies, especially on issues of board declassification and annual director elections. As part of the program, SRP-represented investors have been offered assistance in connection with selecting the targets of shareholder proposals, designing and filing proposals, and negotiating agreements with companies to bring management declassification proposals to a vote or to amend bylaws prescribing staggered terms for directors.

9 Matteo Tonello, *Corporate Board Practices in the Russell 3000 and S&P 500: 2019 Edition*, p. 30.

The program, which ran from 2012 to 2014, was criticized by Wachtell, Lipton, Rosen & Katz's founding partner, Martin Lipton, for its attempt to force across a wide spectrum of business organizations a practice that may not work well in the long run. In particular, Lipton argued that, in some cases, a declassified structure can reduce the board's negotiating leverage in cases of opportunistic takeover bids.[a] In response, Bebchuk cited the body of empirical research that has found an association between classified boards and lower shareholder value,[b] and announced his plan to carry out new studies that will further corroborate those conclusions.[c]

Whatever the merits of this controversy, the impact that the SRP has had on the governance landscape in less than three years of operation is undisputable. During 2012, 2013, and the first half of 2014, shareholder activism by the SRP-led investors at S&P 500 companies resulted in:[d]

- Submission of declassification proposals to more than 129 companies (in a number of cases, earlier unsuccessful proposals were resubmitted at the following AGMs).
- Successful engagements with 121 companies (or over 90 percent of those targeted), which agreed to move towards annual elections following the submission of a declassification proposal.
- Board declassifications at two thirds of the S&P 500 companies that had classified boards when the SRP was inaugurated, in 2012.
- Average support exceeding 79 percent of votes cast in each of the years of SRP activity, with a record average support of 88 percent of votes cast recorded for the seven proposals passed in the first half of 2014.

---

a Martin Lipton, et al., "Harvard's Shareholder Rights Project Is Still Wrong," Wachtell, Lipton, Rosen & Katz Client Memorandum, November, 30, 2012; and Martin Lipton, Theodore N. Mirvis, Daniel A. Neff, and David A. Katz, "Harvard's Shareholder Rights Project Is Wrong," Wachtell, Lipton, Rosen & Katz Client Memorandum, March 21, 2012.

b For example: Lucian A. Bebchuk and Alma Cohen, "The Costs of Entrenched Boards," *Journal of Financial Economics*, Vol. 78, 2005, pp. 409–433, on the correlation between board classification and lower company value; Bebchuk, John C. Coates, and Guhan Subramanian, "The Powerful Antitakeover Force of Staggered Boards: Theory, Evidence, and Policy," *Stanford Law Review*, Vol. 54, 2002, pp. 887–951, on the link with lower return to shareholders in the event of an unsolicited offer; Olubunmi Faleye, "Classified Boards, Firm Value, and Managerial Entrenchment," *Journal of Financial Economics*, Vol. 83, 2007, pp. 501–529, on the lower sensitivity of CEO turnover to company performance.

c Bebchuk, "Wachtell Lipton Was Wrong About the Shareholder Rights Project," The Harvard Law School Forum on Corporate Governance and Financial Regulation, April 9, 2013; followed by Bebchuk, Alon Brav, and Wei Jiang, "The Long-Term Effects of Shareholder Activism," July 9, 2013 (http://ssrn.com/abstract=2291577).

d *Shareholder Rights Project*, Harvard Law School, August 12, 2014 (srp.law.harvard.edu).

Volume by index

As shown in Figure 5.6, in the Russell 3000 sample examined for the purpose of this report, shareholders submitted 11 proposals to eliminate classified board structures in favor of annual director elections, and of those four went to a vote. Proposal volume had been declining since the completion of the SRP. As for proposals on majority voting, this finding was mostly due to the rapid rate of adoption of declassification practices observed over the last few years among larger organizations. By way of comparison, there were 16 proposals in the same period of 2014 and 32 proposals in 2013. The more recent uptick in the Russell 3000 may indicate that proponents are starting to bring forward the same type of demand to smaller organizations. As explained, the adoption by proxy advisory firm ISS of guidelines on board responsiveness is inducing companies to preempt any negative voting recommendation that could compromise the election of management's nominees to the board. To be sure, multiple management-sponsored board declassification proposals were voted at Russell 3000 companies in recent years – 36 of these proposals went to a vote in the 2019 period alone, as per Table 7 on page 128.

In the S&P 500, where classified boards were much less common in the first place, there were only four proposals of this type in 2019, two of which went to a vote.

Figure 5.6

Board Declassification—Shareholder Proposal Volume, by Index (2016–2019)

Number of shareholder proposals

	S&P 500		Russell 3000	
	Filed	Voted	Filed	Voted
2019	4	2	11	4
2018	3	2	9	5
2017	2	1	8	5
2016	3	2	7	5

Source: The Conference Board/ESGAUGE, 2019.

ISS PROXY VOTING GUIDELINES

Classification/Declassification of the Board

Vote *against* proposals to classify (stagger) the board.

Vote *for* proposals to repeal classified boards and to elect all directors annually.

Source: *2019 United States Proxy Voting Guidelines. Benchmark Policy Recommendations*, ISS, December 6, 2018, p. 17 (www.issgovernance.com).

Volume by industry

In the Russell 3000 sample, companies in the consumer staples sectors were the most exposed to shareholder proposals on board declassification, with 2.8 percent of them receiving a resolution on this topic in 2019 (Figure 5.7). Companies in five of the 11 industries examined during the period did not face any shareholder proposals to declassify the board.

Volume by sponsor

As shown in Figure 5.8, individuals were the only proponent type recorded in 2019 for this type of proposal. Only a few years ago, this type of proposal was primarily initiated by public pension funds and labor union-affiliated funds, often operating in conjunction with Harvard's SRP. Management-sponsored board declassification proposals were also voted in 2019 at multiple companies where shareholder-sponsored precatory proposals on the same topic had received majority support in 2018.

Figure 5.7

Board Declassification—Shareholder Proposal Volume, by Industry (2019)

	Filed		Voted	
Industry	Average number of shareholder proposals per company	Number of shareholder proposals	Average number of shareholder proposals per company	Number of shareholder proposals
Consumer staples	0.03	2	0.01	1
Financials	0.00	1	0.00	0
Health care	0.01	4	0.00	2
Industrials	0.01	2	0.00	1
Information technology	0.00	1	0.00	0
Materials	0.01	1	0.00	0
		n=11		n=4

Source: The Conference Board/ESGAUGE, 2019.

Figure 5.8

Board Declassification—Shareholder Proposal Volume, by Sponsor (2019)

	Filed		Voted	
Sponsor	Number of shareholder proposals	Percentage of total	Number of shareholder proposals	Percentage of total
Individuals	11	100.0%	4	100.0%
	n=11		n=4	

Source: The Conference Board/ESGAUGE, 2019.

Most frequent sponsors

Figure 5.9 ranks the most frequent sponsors of shareholder proposals on board declassification. Also see Table 4 on p. 83 for a comprehensive list of proponents across key proposal types.

John Chevedden sponsored five of the 11 proposals submitted on this topic in 2019, of which two went to a vote. James McRitchie was responsible for four, of which two went to a vote. The proposals filed by Kenneth Steiner and Lisa Sala were not voted.

By support level

In the Russell 3000 sample, in the examined 2019 period, the average support level for shareholder proposals seeking board declassification was 73.8 percent of votes cast, down from 82 percent in 2018 but up from 60.4 percent in 2017 and 69.6 percent in 2015 (Figure 2.29).

As shown in Figure 5.10, all four proposals of this type that went to a vote in 2019 received majority support and passed. The highest support level (96.8 percent of votes cast) was recorded at United Therapeutics Corporation; the proposal was filed by James McRitchie. The lowest support level (59.2 percent of votes cast) was recorded for a proposal also submitted by Mr. McRitchie at Kellogg Company.

Figure 5.9

Board Declassification—Most Frequent Sponsors (2019)

	Filed		Voted	
Sponsor	Number of shareholder proposals	Percentage of total	Number of shareholder proposals	Percentage of total
John Chevedden	5	45.5%	2	50.0%
James McRitchie	4	36.4	2	50.0
Kenneth Steiner	1	9.1	0	0.0
Lisa Sala	1	9.1	0	0.0
	n=11		n=4	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Figure 5.10

Board Declassification—Shareholder Proposals, by Support Level (2019)

				As a percentage of votes cast			As a percentage of shares outstanding			
Company	Sponsor	Meeting date	Proposal outcome (pass/fail)	For	Against	Abstain	For	Against	Abstain	Nonvotes
United Therapeutics Corporation	James McRitchie	06/26/2019	Pass	96.8%	3.1%	0.1%	78.5%	2.5%	0.1%	3.6%
Anthem, Inc.	John Chevedden	05/15/2019	Pass	73.4	24.6	2.0	60.0	20.1	1.6	6.3
Knight-Swift Transportation Holdings Inc.	John Chevedden	05/30/2019	Pass	65.8	30.1	4.1	56.4	25.8	3.5	10.8
Kellogg Company	James McRitchie	04/26/2019	Pass	59.2	36.1	4.6	48.4	29.5	3.8	8.6

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Supermajority Vote Requirements

Supermajority vote requirements are a traditional defensive measure. Corporations may limit the effects of tender offers and other stock acquisitions by including "business combination provisions" in the certificate of incorporation or other organizational documents. Such provisions may impose a supermajority vote of shareholders or continuing director approval for any material business transaction requiring a charter or bylaw amendment.

Shareholder proposals filed on this topic request that the vote requirements be eliminated or lowered. On average, when put to a vote, these proposals receive the support of the majority of shareholders.

Volume by index

As shown in Figure 5.11, in the Russell 3000 sample examined for the purpose of this report, shareholders submitted 39 proposals requesting that the company eliminate (or reduce) supermajority vote requirements and apply a simple majority (or lower supermajority) standard in the voting on certain matter by shareholders, up from 24 in 2018, 26 in 2017, 29 in 2015, and 35 during the same period in 2013. Of those, 22 proposals (or 56.4 percent) went to a vote by June 30, 2019. During the same period, management sponsored 56 proposals to eliminate a supermajority vote requirement to amend the company charter or bylaws (Table 7 and Figure 3.13); there were 42 last year and, according to an earlier edition of this study, only 24 in 2014.

S&P 500 companies received 26 proposals of this type in 2019, up from 20 in 2018 and in 2017 and from 22 in 2016. Of the proposals filed in 2019, 11 (42.3 percent) went to a vote.

Figure 5.11

Supermajority Vote Requirements—Shareholder Proposal Volume, by Index (2016–2019)

Number of shareholder proposals

	S&P 500		Russell 3000	
	Filed	Voted	Filed	Voted
2019	26	11	39	22
2018	20	10	24	13
2017	20	18	26	21
2016	22	17	29	21

Source: The Conference Board/ESGAUGE, 2019.

ISS PROXY VOTING GUIDELINES

Supermajority Vote Requirements

Vote *against* proposals to require a supermajority shareholder vote.

Vote *for* management or shareholder proposals to reduce supermajority vote requirements. However, for companies with shareholder(s) who have significant ownership levels, vote *case-by-case*, taking into account:

- Ownership structure.
- Quorum requirements.
- Vote requirements.

Source: *2019 United States Proxy Voting Guidelines. Benchmark Policy Recommendations*, ISS, December 6, 2018, p. 29 (www.issgovernance.com).

Volume by industry

In the Russell 3000 sample, companies in the communication services and utilities sectors were the most exposed to shareholder proposals related to supermajority vote requirements. Specifically, 5.3 percent of communication services and 5.6 percent of those in the utilities sector received a proposal on this topic during the January 1–June 30, 2019 period. The only two sectors in the Russell 3000 that were unaffected by shareholder demands on supermajority vote in 2019 were energy and real estate (Figure 5.12).

Figure 5.12

Supermajority Vote Requirements—Shareholder Proposal Volume, by Industry (2019)

	Filed		Voted	
Industry	Average number of shareholder proposals per company	Number of shareholder proposals	Average number of shareholder proposals per company	Number of shareholder proposals
Communication services	0.05	5	0.03	3
Consumer discretionary	0.01	3	0.01	3
Consumer staples	0.04	3	0.03	2
Energy	0.00	0	0.00	0
Financials	0.01	4	0.00	2
Health care	0.01	6	0.00	2
Industrials	0.01	5	0.01	2
Information technology	0.02	7	0.02	5
Materials	0.02	2	0.01	1
Real estate	0.00	0	0.00	0
Utilities	0.06	4	0.03	2
		n=39		n=22

Source: The Conference Board/ESGAUGE, 2019.

Volume by sponsor

The analysis by sponsor type in Figure 5.13 shows that 34 (or 87.2 percent) of the 39 proposals submitted at Russell 3000 companies were sponsored by individuals. Seventeen of those proposals went to a vote. The sponsors of the other submissions were undisclosed.

Most frequent sponsors

Figure 5.14 ranks the most frequent sponsors of shareholder proposals on supermajority vote requirements. Also see Table 10 on p. 166 for a comprehensive list of proponents across key proposal types.

Figure 5.13

Supermajority Vote Requirements—Shareholder Proposal Volume, by Sponsor (2019)

	Filed		Voted	
Sponsor	Number of shareholder proposals	Percentage of total	Number of shareholder proposals	Percentage of total
Individuals	34	87.2%	17	77.3%
Undisclosed	5	12.8	5	22.7
	n=39		n=22	

Source: The Conference Board/ESGAUGE, 2019.

Figure 5.14

Supermajority Vote Requirements—Most Frequent Sponsors (2019)

	Filed		Voted	
Sponsor	Number of shareholder proposals	Percentage of total	Number of shareholder proposals	Percentage of total
John Chevedden	16	41.0%	8	36.4%
Kenneth Steiner	8	20.5	3	13.6
James McRitchie	7	17.9	5	22.7
Myra K. Young	2	5.1	0	0.0
Bryce Mathern	1	2.6	1	4.5
Undisclosed	5	12.8	5	22.7
	n=39		n=22	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Five individuals were responsible for 34 of the 39 proposals with a disclosed sponsor submitted at Russell 3000 companies during the examined 2019 period, and of those 17 ultimately went to a vote. Eight of the 16 proposals submitted by John Chevedden were voted (Figure 5.15).

By support level

For the 12 voted proposals seeking to repeal supermajority vote rules, the average support level was 60.1 percent of votes cast, or a level similar to the 60.7 percent of 2018 and up from 44.5 percent in 2017 and 42.8 in 2010 (Figure 2.29).

As shown in Figure 5.15, the highest level of support (98.1 percent of votes cast) was for a proposal filed at apparel company L Brands by John Chevedden. It was followed by a proposal at Axon Enterprise filed by James McRitchie (95.5 percent of votes cast in favor).

Figure 5.15

Supermajority Vote Requirements—Shareholder Proposals, by Support Level (2019)

				As a percentage of votes cast			As a percentage of shares outstanding			
Company	Sponsor	Meeting date	Proposal outcome (pass/fail)	For	Against	Abstain	For	Against	Abstain	Nonvotes
HIGHEST SUPPORT										
L Brands, Inc.	John Chevedden	05/16/2019	Pass	98.1%	1.8%	0.1%	71.9%	1.3%	0.1%	8.9%
Axon Enterprise Inc	James McRitchie	05/31/2019	Pass	95.5	3.3	1.2	66.8	2.3	0.8	24.6
Leidos Holdings, Inc.	John Chevedden	04/26/2019	Pass	91.4	7.8	0.8	70.8	6.0	0.6	8.1
Skyworks Solutions, Inc.	John Chevedden	05/08/2019	Pass	88.4	3.4	8.2	65.5	2.5	6.1	13.2
Netflix, Inc.	John Chevedden	06/06/2019	Pass	86.1	11.8	2.1	62.7	8.6	1.5	18.0
OGE Energy Corp.	John Chevedden	05/16/2019	Pass	83.2	15.6	1.2	58.3	10.9	0.8	15.8
Dean Foods Company	Kenneth Steiner	05/08/2019	Pass	78.7	21.0	0.3	56.8	15.1	0.2	16.5
New York Community Bancorp, Inc.	Kenneth Steiner	06/04/2019	Pass	73.1	25.1	1.8	49.8	17.1	1.2	23.4
Xerox Corporation	Undisclosed	05/21/2019	Pass	71.6	26.6	1.7	52.6	19.5	1.3	7.6
Sonoco Products Company	Undisclosed	04/17/2019	Pass	70.0	28.0	2.0	56.2	22.5	1.6	11.8
Norfolk Southern Corporation	John Chevedden	05/09/2019	Pass	69.0	29.7	1.2	50.7	21.8	0.9	15.2
Intuitive Surgical, Inc.	John Chevedden	04/25/2019	Pass	68.7	31.0	0.3	56.7	25.7	0.3	9.6
Alarm.com Holdings, Inc.	James McRitchie	6/5/2019	Pass	64.7	34.9	0.4	52.6	28.4	0.4	7.0
Genomic Health, Inc.	James McRitchie	06/13/2019	Pass	63.9	35.9	0.1	51.5	28.9	0.1	9.6
Flowers Foods, Inc.	Undisclosed	05/23/2019	Pass	59.9	39.5	0.6	50.5	33.2	0.5	10.8
FirstEnergy Corp.	John Chevedden	05/21/2019	Pass	59.5	39.7	0.8	49.0	32.7	0.6	8.3
LOWEST SUPPORT										
Discovery, Inc.	Undisclosed	05/08/2019	Fail	35.6%	64.3%	0.1%	25.3%	45.8%	0.1%	4.4%
Tesla, Inc.	James McRitchie	06/11/2019	Fail	22.1	77.5	0.3	11.6	40.5	0.2	28.3
BlackRock, Inc.	James McRitchie	05/23/2019	Fail	7.5	92.3	0.2	6.4	78.1	0.1	7.7
Amazon.com, Inc.	Bryce Mathern	05/22/2019	Fail	4.7	95.0	0.3	3.3	66.0	0.2	17.3

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

The lowest support level (59.5 percent of votes cast) was for a proposal submitted at FirstEnergy Corp., also by Mr. Chevedden. A proposal by Bruce Mathern at Amazon.com failed after receiving 95 percent of votes against.

In addition, at a number of companies where shareholder proposals to eliminate supermajority voting requirements passed in 2018, management submitted board-sponsored proposals to a vote in 2019.

Independent Board Chair

In some companies, the CEO also serves as chair of the board of directors. In others, the chairman position is held by a different person—usually, a nonexecutive board member who meets the independence standards defined by the rules of the securities exchange on which the company is listed or more stringent company standards. Under securities laws, companies are required to explain in their disclosure to shareholders the rationale for the chosen leadership structure.

According to recently released statistics by The Conference Board and ESG-data analytics ESGAUGE, most companies have policies recognizing the authority of the board to choose its own leadership model. Larger companies continue to resist departing from the duality model of board leadership, which combines the position of CEO and board chair. The majority of companies in the S&P 500 still use this model; in fact, the percentage rose from 50.1 in 2016 to 52.8 in 2018. This finding compares with the 38.8 percent seen in the Russell 3000. In most of these cases, the company balances the concentration of powers by assigning to a lead independent director some of the duties traditionally performed by the board chair. Across the Russell 3000, the highest shares of CEOs who also serve as board chairs are found in traditional, old-economy business sectors (including utilities, industrials, and consumer staples), whereas the lowest are reported in information technology (35.8 percent) and communication services (35.5 percent). In financial services, there is a very close inverse correlation between non-CEO chair and company size by asset value: While 42.6 percent of smaller banks and other financial companies have appointed an independent director to chair their board, more than 3 out of 4 large financial institutions with asset value of $100 billion or over continue to have a board chair who is also the company CEO.[10]

Proposals on this topic usually request that the CEO be fully removed from his or her board chairmanship responsibilities, which are assumed by an independent board member. Their volume has risen steadily over the years, contributing to the progressive erosion of the traditional model of dual leadership, especially among corporate boards of smaller companies. In 2019, proposals on independent board chairs were the most frequent type of corporate governance-related proposals voted by investors, following proposals to allow (or ease requirements on) action by written consent. When put to a vote, these proposals tend to receive solid support by shareholders, but unlike other popular board-related proposals, relatively few reach the majority of *for* votes and actually pass; in 2019, in fact, none of them did. Notably, only three proposals of this type (at Exxon Mobil, HomeStreet, and Sempra Energy) received more than 40 percent of votes cast; there were eight above the same threshold in 2018.

10 Matteo Tonello, *Corporate Board Practices in the Russell 3000 and S&P 500: 2019 Edition*, p. 17.

Proponents are typically individuals, noninvestment stakeholder groups, and labor unions, while voting policies by proxy advisers and major pension funds recognize the progress made by many companies in counterbalancing the combination of the CEO and board chairman functions through the introduction of other governance measures—including the diversification of director qualifications and skills, as well as the appointment of a lead independent director with the authority to approve board agendas and information sent to the board. For this reason, the decision for many institutional shareholders on how to vote is ultimately based on a broader assessment of firm performance and adopted governance practices. ISS, in particular, pays close attention to the responsibilities stated in the charter of a lead independent director and recommends voting in favor of a CEO/chairman separation proposal if, for example, the lead director is tasked with the mere review rather than the approval of board agendas. Similarly, the proxy advisory firm recommends a *for* vote to an independent board chair proposal if the company is an underperformer (see box on p. 203).

Finally, independent board chair proposals have been the topic of frequent SEC interpretive guidance in recent years. In particular, in a series of no-action letters, the commission has deemed "vague and indefinite," and therefore excludable, proposals that include in their formulation generic references to the independence standards used by New York Stock Exchange or NASDAQ; whereas the same proposal type is non-excludable if it briefly describes in writing the independence standards that, according to the proponent, the company should adopt for its board leadership, or even if it merely includes the phrase "independent director" without any definition at all.[11]

Volume by index

As shown in Figure 5.16, in 2019 shareholders voted on 58 independent board chair proposals at Russell 3000 companies and on 47 proposals at S&P 500 companies. That number is near the record year for resolutions on this topic – in 2014 – when, according to an earlier edition of this report, shareholders filed 62 and 48 proposals, respectively, in the two indexes. It is a far distance from the 21 and 19 proposals recorded in 2011.

Figure 5.16

Independent Board Chair—Shareholder Proposal Volume, by Index (2016–2019)

Number of shareholder proposals

	S&P 500		Russell 3000	
	Filed	Voted	Filed	Voted
2019	47	44	58	54
2018	43	36	54	46
2017	35	30	46	40
2016	40	35	49	44

Source: The Conference Board/ESGAUGE, 2019.

11 *First Energy Corp.*, SEC Rule 14a-8 no-action letter, March 10, 2014; McKesson Corp., April 17, 2013; KeyCorp, March 15, 2013); *Aetna Inc.*, March 1, 2013, available at www.sec.gov/divisions/corpfin/cf-noaction/14a-8.shtml.

ISS PROXY VOTING GUIDELINES

Independent Chair (Separate Chair/CEO)

Generally vote *for* shareholder proposals requiring that the chairman's position be filled by an independent director, taking into consideration the following:

- The scope of the proposal;
- The company's current board leadership structure;
- The company's governance structure and practices;
- Company performance; and
- Any other relevant factors that may be applicable.

Regarding the scope of the proposal, consider whether the proposal is precatory or binding and whether the proposal is seeking an immediate change in the chairman role or the policy can be implemented at the next CEO transition.

Under the review of the company's board leadership structure, ISS may support the proposal under the following scenarios absent a compelling rationale: the presence of an executive or non-independent chair in addition to the CEO; a recent recombination of the role of CEO and chair; and/or departure from a structure with an independent chair. ISS will also consider any recent transitions in board leadership and the effect such transitions may have on independent board leadership as well as the designation of a lead director role.

When considering the governance structure, ISS will consider the overall independence of the board, the independence of key committees, the establishment of governance guidelines, board tenure and its relationship to CEO tenure, and any other factors that may be relevant. Any concerns about a company's governance structure will weigh in favor of support for the proposal.

The review of the company's governance practices may include, but is not limited to, poor compensation practices, material failures of governance and risk oversight, related-party transactions or other issues putting director independence at risk, corporate or management scandals, and actions by management or the board with potential or realized negative impact on shareholders. Any such practices may suggest a need for more independent oversight at the company, thus warranting support of the proposal.

ISS' performance assessment will generally consider one-, three-, and five-year TSR compared to the company's peers and the market as a whole. While poor performance will weigh in favor of the adoption of an independent chair policy, strong performance over the long term will be considered a mitigating factor when determining whether the proposed leadership change warrants support.

Source: *2019 United States Proxy Voting Guidelines. Benchmark Policy Recommendations*, ISS, December 6, 2018, p. 19 (www.issgovernance.com).

Volume by industry

In the Russell 3000 sample, on average, companies in the communication services and consumer staples industries were the most exposed to shareholder proposals on the separation of CEO and board chairman positions (Figure 5.17). Among communication services companies in the index, 7.4 percent received a proposal of this type in the 2019 proxy season; the percentage was only slightly lower, 6.9 percent, in the consumer staples industry. All of the industries faced shareholder proposals seeking an independent board chair during the examined 2019 period.

Figure 5.17

Independent Board Chair—Shareholder Proposal Volume, by Industry (2019)

	Filed		Voted	
Industry	Average number of shareholder proposals per company	Number of shareholder proposals	Average number of shareholder proposals per company	Number of shareholder proposals
Communication services	0.07	7	0.06	6
Consumer discretionary	0.03	7	0.03	7
Consumer staples	0.07	5	0.07	5
Energy	0.02	3	0.02	3
Financials	0.01	3	0.01	3
Health care	0.02	10	0.02	10
Industrials	0.04	12	0.03	11
Information technology	0.01	4	0.01	4
Materials	0.02	2	0.01	1
Real estate	0.01	1	0.01	1
Utilities	0.06	4	0.04	3
		n=58		n=54

Source: The Conference Board/ESGAUGE, 2019.

Volume by sponsor

As shown in Figure 5.18, in the Russell 3000 sample, individuals submitted the majority of the 58 proposals on the independence of the board chair (35 proposals, or 60.3 percent of the total), followed by labor unions (four proposals, or 6.9 percent) and other stakeholder groups (three proposals, or 5.2 percent). Public pension funds, religious groups, and hedge funds submitted one proposal each. There were, however, 13 proposals from undisclosed shareholders.

Figure 5.18

Independent Board Chair—Shareholder Proposal Volume, by Sponsor (2019)

	Filed		Voted	
Sponsor	Number of shareholder proposals	Percentage of total	Number of shareholder proposals	Percentage of total
Hedge funds	1	1.7%	1	1.9%
Individuals	35	60.3	32	59.3
Labor unions	4	6.9	4	7.4
Other stakeholders	3	5.2	2	3.7
Public pension funds	1	1.7	1	1.9
Religious groups	1	1.7	1	1.9
Undisclosed	13	22.4	13	24.1
	n=58		n=54	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Figure 5.19

Independent Board Chair—Most Frequent Sponsors (2019)

	Filed		Voted	
Sponsor	Number of shareholder proposals	Percentage of total	Number of shareholder proposals	Percentage of total
John Chevedden	22	37.9%	20	37.0%
Kenneth Steiner	10	17.2	10	18.5
AFL-CIO	1	1.7	1	1.9
Blue Lion Opportunity Master Fund LP	1	1.7	1	1.9
Dundas I. Flaherty	1	1.7	1	1.9
Employees Retirement System of Rhode Island	1	1.7	1	1.9
International Brotherhood of Teamsters	1	1.7	1	1.9
Keith Schnip	1	1.7	1	1.9
Kestrel Foundation	1	1.7	1	1.9
Myra K. Young	1	1.7	0	0.0
Nathan Cummings Foundation	1	1.7	0	0.0
SEIU Pension Plan Master Trust	1	1.7	1	1.9
Sisters of St. Francis of Philadelphia	1	1.7	1	1.9
Teamsters General Fund	1	1.7	1	1.9
United Steelworkers	1	1.7	1	1.9
Undisclosed	13	22.4	13	24.1
	n=58		n=54	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Most frequent sponsors

Figure 5.19 ranks the most frequent sponsors of shareholder proposals on board chair independence. Also see Table 4 on p. 83 for a comprehensive list of proponents across key proposal types.

The top two sponsors of these proposals were both individuals and the same who ranked as top sponsors of these proposals in 2013: John Chevedden (with 22 proposals in 2019) and Kenneth Steiner (10 proposals). All of the other proponents in the most-frequent-sponsor list submitted one proposal each. They include, among others, the Sisters of St. Francis of Philadelphia and the International Brotherhood of Teamsters.

By support level

Despite the high proposal volume, the average support level for resolutions seeking an independent chair has remained steady over the years at around 30 percent of votes cast, or far below the majority threshold necessary for the proposals to pass: it was 29.1 percent in 2019, 30.7 percent in 2018, 28.8 percent in 2016 and, according to an earlier edition of this study, 28.6 in 2010 (Figure 2.29 on p. 87). None of the voted shareholder proposals received majority support. This finding may reflect the recognition that a number of companies have made persuading arguments for keeping the CEO at the helm of their boards while increasing the roles and responsibilities of their lead independent director.

Notably, only three proposals of this type (at Exxon Mobil, HomeStreet, and Sempra Energy) received more than 40 percent of votes cast; there were eight above the same threshold in 2018.

As shown in Figure 5.20, the highest support level, of 44.8 percent of votes cast, was for a proposal submitted at HomeStreet by Blue Lion Opportunity Master Fund. The lowest support level was recorded for a proposal submitted by John Chevedden at AutoNation, which scored only 5 percent of *for* votes.

Figure 5.20

Independent Board Chair—Shareholder Proposals, by Support Level (2019)

				As a percentage of votes cast			As a percentage of shares outstanding			
Company	Sponsor	Meeting date	Proposal outcome (pass/fail)	For	Against	Abstain	For	Against	Abstain	Nonvotes
HIGHEST SUPPORT										
HomeStreet, Inc.	Blue Lion Opportunity Master Fund LP	06/20/2019	Fail	44.8%	54.9%	0.3%	36.4%	44.6%	0.3%	n/a
Sempra Energy	John Chevedden	05/09/2019	Fail	42.6	57.0	0.4	34.5	46.1	0.3	8.1%
Exxon Mobil Corporation	Kestrel Foundation	05/29/2019	Fail	40.4	58.8	0.8	26.6	38.6	0.5	20.9
AT&T Inc.	Undisclosed	04/26/2019	Fail	40.0	58.6	1.4	25.0	36.7	0.9	30.7
International Business Machines Corporation	Kenneth Steiner	04/30/2019	Fail	39.9	58.6	1.4	24.5	35.9	0.9	19.7
Dominion Energy Inc	Undisclosed	05/07/2019	Fail	39.4	59.8	0.8	32.5	49.3	0.7	21.2
DTE Energy Company	John Chevedden	05/09/2019	Fail	38.5	60.8	0.6	26.6	42.0	0.4	12.8
Danaher Corporation	Undisclosed	05/07/2019	Fail	38.4	61.4	0.2	33.2	53.1	0.2	5.4
Allergan plc	Undisclosed	05/01/2019	Fail	38.1	60.3	1.6	30.8	48.8	1.3	6.3
Walgreens Boots Alliance Inc	Kenneth Steiner	01/25/2019	Fail	37.9	61.7	0.4	30.0	48.9	0.3	13.6
LOWEST SUPPORT										
Interpublic Group of Companies, Inc.	Kenneth Steiner	05/23/2019	Fail	21.2%	78.6%	0.1%	18.3%	67.8%	0.1%	4.2%
Ecolab Inc.	John Chevedden	05/02/2019	Fail	21.2	75.5	3.3	17.6	62.5	2.7	7.7
Southwest Airlines Co.	Kenneth Steiner	05/15/2019	Fail	20.9	78.7	0.4	16.7	62.9	0.4	14.3
Abbott Laboratories	Kenneth Steiner	04/26/2019	Fail	19.9	79.6	0.5	15.4	61.9	0.4	12.8
Timken Company	Undisclosed	05/10/2019	Fail	19.3	80.4	0.3	16.7	69.7	0.2	6.2
XPO Logistics, Inc.	SEIU Pension Plan Master Trust	05/15/2019	Fail	18.2	78.3	3.5	14.5	62.4	2.8	12.6
Coca-Cola Company	International Brotherhood of Teamsters	04/24/2019	Fail	17.9	81.7	0.4	13.3	60.5	0.3	13.8
ITT, Inc.	John Chevedden	05/22/2019	Fail	16.8	82.9	0.2	14.8	72.8	0.2	5.2
BorgWarner Inc.	John Chevedden	04/24/2019	Fail	15.8	84.1	0.2	13.2	70.5	0.1	6.2
AutoNation, Inc.	John Chevedden	04/18/2019	Fail	5.0	94.9	0.1	4.1	78.4	0.1	7.2

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Proxy Access

"Proxy access" is the right of qualified shareholders to add the names of their own director nominees among those submitted by management to a general vote at the AGM. Securities regulations in the United States do not grant shareholders access to company proxy statements. When in place at companies, a proxy access mechanism is therefore regulated only by internal organizational documents (including the charter or bylaws or the company's governance guidelines).

According to recently released statistics by The Conference Board and ESG-data analytics firm ESGAUGE, some 61.5 percent of S&P 500 companies have adopted proxy access bylaws, compared to only 15.5 percent of firms in the Russell 3000. Practices differ greatly depending on the size of the firm; some form of shareholder access to the proxy ballot is permitted in more than 70 percent of manufacturing and nonfinancial services organizations with annual turnover of $20 billion or higher, whereas only a mere 1.7 percent of those with revenue under $1 billion have instituted it. More than 95 percent of proxy access bylaws seen in the Russell 3000 have been adopted since 2015; 43.9 percent were introduced in 2016 alone. Large financial companies were early adopters of these bylaws: 60 percent of those with asset value over $100 billion that introduced some form of proxy access did it in 2015.[12]

This proxy season marked the eighth year during which shareholders were able to submit proxy access proposals. In August 2010, the SEC adopted Rule 14a-11, a mandatory proxy access rule that would have allowed shareholders (or groups of shareholders) holding at least 3 percent of the company's voting securities for a three-year period to include director nominees in the company's proxy materials.[13] In July 2011, the U.S. Court of Appeals for the D.C. Circuit vacated Rule 14a-11 in its entirety, holding that the SEC had not adequately assessed its costs and benefits.[14] However, an amendment to Rule 14a-8(i)(8) (the "election exclusion") survived the vacating of the mandatory access rule and took effect in September 2011. Previously, Rule 14a-8(i)(8) allowed a company to exclude from the proxy voting materials a shareholder proposal that related to the company's election or nomination procedures. The amendment narrowed 14a- 8(i)(8) so that only proposals that relate to specific elections are excludable.

In addition to precatory shareholder proposals on proxy access (where the sponsoring shareholder requests that the board amend the bylaws to permit the inclusion of qualifying shareholder nominees in the proxy materials), under the law of most states, shareholders may introduce binding resolutions that directly amend the bylaws. Many institutional investors tend to prefer the precatory version as less intrusive. However, some shareholders have been opting for the binding proposal type, arguing that the impact of the proposal could be diluted in the drafting of the bylaws.

---

12 Matteo Tonello, *Corporate Board Practices in the Russell 3000 and S&P 500: 2019 Edition*, p. 34.

13 SEC Release No. 33-9259; 34-65543 ("Facilitating Shareholder Director Nominations"), September 15, 2011 (as corrected to conform to the Federal Register version) (www.sec.gov).

14 *Business Roundtable and Chamber of Commerce of the United States of America v. SEC*, 647 F. 3rd 1144 (D.C. Cir. 2011).

Over the years, shareholders have become far more successful in getting such proposals onto company ballots, and support levels has been on the rise as well. The 2015 proxy season in particular marked a record number of submissions, voted proposals, and passed proposals. Numbers declined afterwards, mostly because corporate management began to introduce its own resolutions on the topic; nonetheless, 34 new shareholder proposals on proxy access were filed in the Russell 3000 in the first half of 2019 alone.

Volume by index

As shown in Figure 5.21, in 2019, shareholders submitted 34 proposals at Russell 3000 companies seeking the adoption of bylaws or organizational provisions on the inclusion in proxy materials of director candidate(s) nominated by shareholders. The number has risen significantly from the 17 recorded in 2014 and the 12 of 2013, according to an earlier edition of this study. However, it's down from the total of 105 and 108 proxy access proposals submitted in 2017 and 2016, respectively, and represents a further decline from the 47 of last year. Of the 34 proposals filed in 2019, 30 went to a vote.

By comparison, in the S&P 500, shareholders submitted 23 proxy access proposals, 21 of which went to a vote. This compares with 24 voted proposals out of 29 filed in 2018, 33 out of 76 in 2017 and 41 out of 75 in 2016.

Figure 5.21

Proxy Access—Shareholder Proposal Volume, by Index (2016–2019)

Number of shareholder proposals

	S&P 500		Russell 3000	
	Filed	Voted	Filed	Voted
2019	23	21	34	30
2018	29	24	47	38
2017	76	33	105	49
2016	75	41	108	67

Source: The Conference Board/ESGAUGE, 2019.

ISS PROXY VOTING GUIDELINES

Proxy Access

Generally vote *for* management and shareholder proposals for proxy access with the following provisions:

- **Ownership threshold:** maximum requirement not more than three percent (3%) of the voting power;
- **Ownership duration:** maximum requirement not longer than three (3) years of continuous ownership for each member of the nominating group;
- **Aggregation:** minimal or no limits on the number of shareholders permitted to form a nominating group;
- **Cap:** cap on nominees of generally twenty-five percent (25%) of the board.

Review for reasonableness any other restrictions on the right of proxy access. Generally vote *against* proposals that are more restrictive than these guidelines.

Source: *2019 United States Proxy Voting Guidelines. Benchmark Policy Recommendations*, ISS, December 6, 2018, p. 21 (www.issgovernance.com).

Volume by industry

In 2019, the Russell 3000 companies that voted on shareholder proposals on proxy access at their AGM were in the communication services, consumer discretionary, financials, health care, industrials, information technology, real estate and utilities (Figure 5.22). Specifically, 2.9 percent of industrials companies in the Russell 3000 received a proxy access request from their shareholders, the highest percentage found across industries; and all of them went to a vote. Six of the 30 voted proposals on proxy access in the Russell 3000 were at health care companies.

Figure 5.22

Proxy Access—Shareholder Proposal Volume, by Industry (2019)

	Filed		Voted	
Industry	Average number of shareholder proposals per company	Number of shareholder proposals	Average number of shareholder proposals per company	Number of shareholder proposals
Communication services	0.01	1	0.01	1
Consumer discretionary	0.02	5	0.01	4
Consumer staples	0.00	0	0.00	0
Energy	0.00	0	0.00	0
Financials	0.01	5	0.01	5
Health care	0.02	7	0.01	6
Industrials	0.03	10	0.03	10
Information technology	0.01	2	0.00	1
Materials	0.00	0	0.00	0
Real estate	0.01	2	0.01	1
Utilities	0.03	2	0.03	2
		n=34		n=30

Source: The Conference Board/ESGAUGE, 2019.

Figure 5.23

Proxy Access—Shareholder Proposal Volume, by Sponsor (2019)

	Filed		Voted	
Sponsor	Number of shareholder proposals	Percentage of total	Number of shareholder proposals	Percentage of total
Individuals	23	67.6%	23	76.7%
Other stakeholders	1	2.9	0	0.0
Public pension funds	7	20.6	4	13.3
Undisclosed	3	8.8	3	10.0
	n=34		n=30	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Volume by sponsor

As shown in Figure 5.23, in the Russell 3000 sample, in 2019 proxy access proposals were submitted by individuals (23 proposals, or 67.6 percent of the total), public pension funds (seven proposals, or 20.6 percent), and other, noninvestment firms representing stakeholder groups (one proposal, or 2.9 percent). There were three proposals initiated by undisclosed investors, and they all went to a vote.

Most frequent sponsors

Figure 5.24 ranks the most frequent sponsors of shareholder proposals on proxy access. Also see Table 4 on p. 83 for a comprehensive list of proponents across key proposal types.

In the Russell 3000 sample, John Chevedden submitted 19 proxy access proposals (55.9 percent of the total), all of which went to a vote. The New York City Employees' Retirement System sponsored six (or 17.6 percent), three of which were voted. A number of individual investors, including James McRitchie and Kenneth Steiner, filed one proposal each.

Figure 5.24

Proxy Access—Most Frequent Sponsors (2019)

	Filed		Voted	
Sponsor	Number of shareholder proposals	Percentage of total	Number of shareholder proposals	Percentage of total
John Chevedden	19	55.9%	19	63.3%
New York City Employees' Retirement System	6	17.6	3	10.0
California Public Employees' Retirement System	1	2.9	1	3.3
CommonSpirit Health	1	2.9	0	0.0
James Bierman	1	2.9	1	3.3
James McRitchie	1	2.9	1	3.3
Kenneth Steiner	1	2.9	1	3.3
Wayne King	1	2.9	1	3.3
Undisclosed	3	8.8	3	10.0
	n=34		n=30	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

By support level

In terms of investor support, proxy access proposals reached a tipping point in 2015, where they received on average 55 percent of votes cast in their favor (Figure 2.29). Average voting support had grown gradually from 39.1 percent in 2014 and 31.8 percent during the same period in 2013, as shown in an earlier edition of this report. However, this support level has declined since 2015: It was 51 in 2016, 44.6 percent in 2017, 31.3 percent in 2018 and 33.8 percent in 2019.

Four of the shareholder proposals on proxy access that went to a vote in the first half of 2019 received a majority of votes cast and passed, while six others received support of more than 30 percent but less than 40 percent of votes cast. For the first time since the introduction of this proposal type, in 2019 one of the approved proposals received more than 80 percent support level (Figure 5.25).

The highest support levels were reported by: health care logistics and medical supplies company Owens & Minor, where a proposal by individual shareholder James Bierman passed with 83.6 percent of votes cast; at management consulting public company Barrett Business Services, where a proposal by Wayne King got the support of 62.8 percent of votes cast; and at medical technology business Masimo Corporation, where the New York City Employees' Retirement System received 52.9 percent of votes cast. Most notably, shareholders approved for the second year in a row a proxy access proposal filed by CalPERS at property insurance company Old Republic International Corporation with *for* votes equal to 77.6 percent of shares voted.

The lowest voting performance went to a proposal submitted by New York City Employees' Retirement System at Universal Health Services, which received the support of 9 percent of votes cast. Similarly, a proposal at United Continental Holdings by John Chevedden received only 18.3 percent support; while proposals at Southwest Airlines, Caterpillar, Boeing, Bank of America and Lockheed Martin, among others, stayed below the 30 percent support threshold.

Some proposals, unlike the prevalent form of proxy access proposal described above, were based on a model issued by the United States Proxy Exchange (USPX, a shareholder advocacy group that has since suspended its activities), granting proxy access rights to either: (a) any shareholders with at least 1 percent but less than 5 percent of outstanding shares held for at least two years; or (b) a group of 25 shareholders, each of whom with at least $2,000 worth of stock held continuously for one year and collectively holding between 1 and 5 percent of outstanding shares. Under this different type, shareholder-nominated candidates in the proxy materials would be capped at 48 percent of the total number of directors then serving, or 24 percent for each of the two options under which holders may qualify for proxy access. Due to its low 1 percent threshold, the discrimination against 5 percent shareholders, and the potential for replacement of nearly half the board in a single election, this proposal type receives a negative recommendation from ISS and other proxy advisers and negligible supports at AGMs where it is put to a vote.

Figure 5.25

Proxy Access—Shareholder Proposals, by Support Level (2019)

Company	Sponsor	Meeting date	Proposal outcome (pass/fail)	As a percentage of votes cast			As a percentage of shares outstanding			
				For	Against	Abstain	For	Against	Abstain	Nonvotes
HIGHEST SUPPORT										
Owens & Minor, Inc.	James Bierman	05/10/2019	Pass	83.6%	12.5%	3.9%	58.9%	8.8%	2.7%	19.2%
Old Republic International Corporation	California Public Employees' Retirement System	05/24/2019	Pass	77.6	21.8	0.6	61.4	17.2	0.5	12.8
Barrett Business Services, Inc.	Wayne King	05/29/2019	Pass	62.8	37.0	0.3	51.6	30.4	0.2	9.0
Masimo Corporation	New York City Employees' Retirement System	05/30/2019	Pass	52.9	46.2	0.9	44.4	38.8	0.7	8.1
Charter Communications, Inc	New York City Employees' Retirement System	04/23/2019	Fail	38.7	61.1	0.2	38.7	61.1	0.2	3.2
Target Corporation	John Chevedden	06/12/2019	Fail	35.4	63.5	1.1	26.9	48.3	0.8	13.6
Newell Brands Inc	John Chevedden	05/07/2019	Fail	35.4	64.0	0.6	26.6	48.1	0.5	14.5
PG&E Corporation	John Chevedden	06/21/2019	Fail	34.5	64.4	1.1	24.4	45.6	0.8	11.4
Mattel, Inc.	John Chevedden	05/16/2019	Fail	34.2	65.6	0.2	30.3	58.2	0.2	6.5
Spirit AeroSystems Holdings, Inc.	Undisclosed	04/24/2019	Fail	33.4	66.5	0.1	28.6	56.9	0.1	4.5
LOWEST SUPPORT										
CBRE Group, Inc.	John Chevedden	05/17/2019	Fail	26.8%	73.0%	0.2%	22.9%	62.4%	0.2%	4.5%
United Health Group Incorporated	John Chevedden	06/03/2019	Fail	26.6	73.1	0.3	21.9	60.2	0.2	8.2
Lockheed Martin Corporation	John Chevedden	04/25/2019	Fail	25.8	72.4	1.8	20.1	56.6	1.4	13.9
Bank of America Corporation	John Chevedden	04/24/2019	Fail	25.8	73.5	0.8	19.2	54.8	0.6	14.2
Boeing Company	Undisclosed	04/29/2019	Fail	23.7	74.8	1.5	16.0	50.6	1.0	18.9
Alexion Pharmaceuticals, Inc.	John Chevedden	05/14/2019	Fail	23.5	76.3	0.2	20.5	66.4	0.1	3.4
Caterpillar Inc.	John Chevedden	06/12/2019	Fail	23.3	76.0	0.7	14.9	48.6	0.4	20.5
Southwest Airlines Co.	John Chevedden	05/15/2019	Fail	21.5	77.9	0.7	17.2	62.2	0.5	14.3
United Continental Holdings, Inc.	John Chevedden	05/22/2019	Fail	18.3	81.5	0.2	15.6	69.7	0.2	6.7
Universal Health Services, Inc.	New York City Employees' Retirement System	05/15/2019	Fail	9.0	91.0	0.0	7.1	72.0	0.0	0.3

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Sustainability Reporting

In the last decade, corporations in the United States have made a significant effort to expand the scope of their voluntary disclosure on ESG practices. In addition to integrating this information into their traditional annual report to shareholders, a growing number of organizations publish issue-specific or comprehensive sustainability reports, whereas others interact with employees and local communities about these issues through dedicated web pages or social networking technologies.

Data on sustainability practices released in December 2017 by The Conference Board in collaboration with Bloomberg and the Global Reporting Initiative (GRI) show that the practice of publishing periodic sustainability reports is more prevalent among the largest public companies. Specifically, 27 percent of companies in the S&P 500 make use of GRI guidelines in their sustainability reporting, compared to 16 percent of those in the Russell 1000.[15]

Sustainability reporting proposals usually request that the board issue a report describing corporate policies, initiatives, and oversight mechanisms related to social, economic, and environmental sustainability (e.g., focusing on actions to address greenhouse gas emissions and other environmental and social considerations). The number of proposals of this type has increased steadily in recent years. However, investor support levels remain low and they rarely pass.

Volume by index

In the Russell 3000 sample, shareholders submitted only five proposals on sustainability reporting during the relevant 2019 period, down from the 13 of 2018 and the 24 proposals that, according to an earlier edition of this study, marked a record in 2014 (Figure 5.26). Of those, only one proposal went to a vote, compared with seven of those submitted during the same period in 2018. Many of these filings are made at larger companies. In fact, in the S&P 500 sample, shareholders filed four proposals on sustainability reporting in 2019, one of which went to a vote (25 percent).

Figure 5.26

Sustainability Reporting—Shareholder Proposal Volume, by Index (2016–2019)

Number of shareholder proposals

	S&P 500		Russell 3000	
	Filed	Voted	Filed	Voted
2019	4	1	5	1
2018	6	4	13	7
2017	8	5	14	11
2016	8	8	13	13

Source: The Conference Board/ESGAUGE, 2019.

15 Sustainability Practices Dashboard, The Conference Board, December 2017,https://www.conference-board.org/publications/publicationdetail.cfm?publicationid=7352&centerid=13

ISS PROXY VOTING GUIDELINES

Sustainability Reporting

Generally vote *for* proposals requesting the company to report on its policies, initiatives, and oversight mechanisms related to social, economic, and environmental sustainability, unless:

- The company already discloses similar information through existing reports or policies, such as an environment, health, and safety (EHS) report; a comprehensive code of corporate conduct; and/or a diversity report, or
- The company has formally committed to the implementation of a reporting program based on Global Reporting Initiative (GRI) guidelines or a similar standard within a specified time frame.

Source: *2019 United States Proxy Voting Guidelines. Benchmark Policy Recommendations*, ISS, December 6, 2018, p. 64 (www.issgovernance.com).

Volume by industry

In the Russell 3000 sample, communication services and consumer discretionary were most exposed to shareholder proposals on sustainability reporting. Respectively, 1.1 percent and 0.7 percent of companies in those sectors received a proposal on this topic during the 2019 proxy season (Figure 5.27). Companies in seven of the 11 GICS business sectors covered in this report did not receive a sustainability reporting proposal in the 2019 sample period. Of the proposals submitted at companies in the consumer discretionary, health care, and industrials sectors, among other sectors, none went to a vote.

Figure 5.27

Sustainability Reporting—Shareholder Proposal Volume, by Industry (2019)

	Filed		Voted	
Industry	Average number of shareholder proposals per company	Number of shareholder proposals	Average number of shareholder proposals per company	Number of shareholder proposals
Communication services	0.01	1	0.01	1
Consumer discretionary	0.01	2	0.00	0
Consumer staples	0.00	0	0.00	0
Energy	0.00	0	0.00	0
Financials	0.00	0	0.00	0
Health care	0.00	1	0.00	0
Industrials	0.00	1	0.00	0
Information technology	0.00	0	0.00	0
Materials	0.00	0	0.00	0
Real estate	0.00	0	0.00	0
Utilities	0.00	0	0.00	0
		n=5		n=1

Source: The Conference Board/ESGAUGE, 2019.

Volume by sponsor

In the Russell 3000 sample, individual investors submitted two proposals while investment firms affiliated with stakeholder groups and religious groups filed one each. However, the only proposal that went to a vote came from an undisclosed shareholder (Figure 5.28).

Most frequent sponsors

Figure 5.29 ranks the most frequent sponsors of shareholder proposals on sustainability reporting. Also see Table 4 on p. 83 for a comprehensive list of proponents across key proposal types.

Individual investor Dale Wannen filed two proposals of this type in 2019. The other two proposals filed by disclosed investors were by the Gun Denhart Living Trust and Nicola Miner Revocable Trust.

Figure 5.28

Sustainability Reporting—Shareholder Proposal Volume, by Sponsor (2019)

	Filed		Voted	
Sponsor	Number of shareholder proposals	Percentage of total	Number of shareholder proposals	Percentage of total
Individuals	2	40.0%	0	0.0
Other stakeholders	1	20.0	0	0.0
Religious groups	1	20.0	0	0.0
Undisclosed	1	20.0	1	100.0%
	n=5		n=30	

Source: The Conference Board/ESGAUGE, 2019.

Figure 5.29

Sustainability Reporting—Most Frequent Sponsors (2019)

	Filed		Voted	
Sponsor	Number of shareholder proposals	Percentage of total	Number of shareholder proposals	Percentage of total
Dale Wannen	2	40.0%	0	0.0
Gun Denhart Living Trust	1	20.0	0	0.0
Nicola Miner Revocable Trust	1	20.0	0	0.0
Undisclosed	1	20.0	1	100.0%
	n=5		n=1	

Source: The Conference Board/ESGAUGE, 2019.

Figure 5.30

Sustainability Reporting—Shareholder Proposals, by Support Level (2019)

Company	Sponsor	Meeting date	Proposal outcome (pass/fail)	As a percentage of votes cast			As a percentage of shares outstanding			
				For	Against	Abstain	For	Against	Abstain	Nonvotes
Alphabet Inc.	Undisclosed	06/19/2019	Fail	9.7%	89.9%	0.5%	8.3%	77.5%	0.4%	4.9%

Percentages may not add up to 100 due to rounding.
Source: The Conference Board/ESGAUGE, 2019.

By support level

In the Russell 3000 sample, in the examined 2019 period, the support level recorded for the only sustainability reporting proposal that went to a vote was 9.7 percent of votes cast, or significantly lower than the 27.9 percent of last year and the record 29 percent average support level published in an earlier edition of this report for the 2017 proxy season (Figure 5.30). The only voted proposal was submitted by an undisclosed shareholder to Alphabet Inc., Google's parent company.

Political Issues

Since the U.S. Supreme Court's 2010 ruling in *Citizens United v. Federal Election Commission*—holding that the First Amendment prohibits government from placing limits on independent spending for political purposes by corporations and unions—shareholder interest in this area of corporate activities has skyrocketed. In the 2019 proxy season, resolutions on political issues sponsored by investors declined in number from prior years (the peak was reached in 2014) but were nonetheless the second most voted proposal type (50 voted proposals) across all subject categories—second only to the topic of shareholders' right to call special meetings (58 voted proposals) but surpassing in terms of volume favorite shareholder topics such as the separation of CEO and board chairman positions (46 proposals) or proxy access (38 proposals) (Figures 2.28 and 2.31). Since 2011, his type of shareholder request has steadily risen to the top of the social and environmental policy category, and today it is far more common than proposals on human rights or environmental issues.

Data on corporate practices released in December 2017 by The Conference Board in collaboration with Bloomberg and GRI show that only 3 percent of Russell 1000 companies and 5 percent of S&P 500 companies disclose their political contributions. (Among those that disclose donations, the median total amount was $112,000 for the Russell 1000 and $220,400 for the S&P 500 companies.)[16]

16 Sustainability Practices Dashboard, The Conference Board, December 2017, https://www.conference-board.org/publications/publicationdetail.cfm?publicationid=7352&centerid=13

Analysts who predicted that the demand for more transparency would fade following the presidential campaign of 2012 could not foresee the energizing effects on activist investors of the December 2013 decision by the SEC to scrap from its short-term regulatory agenda a requirement on corporate political contribution disclosure. In April 2014, not-for-profit organization Citizens for Responsibility and Ethics in Washington (CREW) submitted to the commission a petition for rulemaking on this topic reiterating the concerns of an earlier submission by the Committee on Disclosure of Corporate Political Spending.[17] Together, the two petitions garnered an unprecedented level of public support—more than one million signatures.

A "model shareholder resolution" of this type was promulgated by the Center for Political Accountability (CPA), a not-for-profit entity formed by former Democratic Congressional Staffer Bruce Freed for the purpose of promoting transparency and accountability in this area of business activity. The model called for companies to disclose:

- Their policy and procedures for making, with corporate funds or assets, contributions aimed at participating or intervening in political campaigns on behalf of (or in opposition to) a candidate for public office, or to influence the general public during an election or referendum.
- The amount of any monetary or non-monetary contributions used in these manners, including the identity of the recipients and of the corporate officers responsible for the decision-making.[18]

Alternative and more stringent versions request the adoption of bylaws or other organizational documents prohibiting, limiting, or contemplating a shareholder advisory vote on the corporate policies on political spending and lobbying activities.

Shareholders have refined the formulation of these proposals to clarify the distinction between requests for disclosure of expenditures related to corporate lobbying (or activities aimed at influencing legislation or regulation) and those related to corporate political contributions (which, as described above, are aimed at participating in a political campaign on behalf of or against a candidate or at influencing an election). Prior to the 2013 proxy season, companies were often able to omit proposals on lobbying disclosure by arguing that they were substantially duplicative of other proposals on political contributions already included in the voting ballots. However, the SEC staff issued a no-action letter to CVS Caremark in 2013 indicating that the company had to include both proposal types in its proxy, since corporate activities conducted to affect a legislative debate differ from those contemplated in the traditional CPA model of political spending proposals.[19] Also see "Statistics on SEC No-Action Letters," on p. 61.

---

17 SEC File No. 4-637-2 (April 15, 2014), available at www.sec.gov/rules/petitions.shtml. To support its argument in favor of standardized regulatory requirements, the April 2014 petition also cites a CREW-conducted study revealing the inaccuracy or confusion of corporate disclosures on political spending provided on a voluntary basis by some companies.

18 *Political Disclosure and Oversight Resolution 2013*, Center for Political Accountability (CPA), 2013 (www.politicalaccountability.net).

19 See for example, SEC Division of Corporation Finance no-action letter to CVS Caremark Corporation, March 15, 2013.

Shareholder proposals on political issues were filed by a wide range of sponsor types, including public pension funds, investment advisers, labor unions, individuals, religious groups, and other stakeholders. Despite the high volume of proposals, the average support levels remain low, and in the examined 2019 period like in many of the previous years, none received majority support and passed.

Volume by index

As shown in Figure 5.31, in the Russell 3000 sample examined for the purpose of this report, shareholders submitted 64 proposals on political issues in 2019, a number consistent with the volume recorded in recent years (there were 62 in 2018, 69 in 2017 and 72 in 2016), albeit down from the volume peak of 103 in 2014. By way of comparison, there were 43 proposals in 2010. Unlike other topics in the environmental and social policy category, most filed proposals of this type are in fact included in the voting ballot. The share of proposals that went to a vote was 92.2 percent this year (59 proposals), compared to the 83.5 percent seen in 2014.

In the S&P 500 index, there were 60 filed proposals in the first semester of 2019, of which 56 went to a vote. While the number of filings was 97 in 2013, the percentage of voted proposals in the index increased to 93.3 in 2018 from 77.3 in 2013.

Figure 5.31

Political Issues—Shareholder Proposal Volume, by Index (2016–2019)

Number of shareholder proposals

	S&P 500		Russell 3000	
	Filed	Voted	Filed	Voted
2019	60	56	64	59
2018	58	48	62	50
2017	66	54	69	57
2016	67	58	72	63

Source: The Conference Board/ESGAUGE, 2019.

ISS PROXY VOTING GUIDELINES

Political Activities

Lobbying

Vote *case-by-case* on proposals requesting information on a company's lobbying (including direct, indirect, and grassroots lobbying) activities, policies, or procedures, considering:

- The company's current disclosure of relevant lobbying policies, and management and board oversight;
- The company's disclosure regarding trade associations or other groups that it supports, or is a member of, that engage in lobbying activities; and
- Recent significant controversies, fines, or litigation regarding the company's lobbying-related activities.

Political Contributions

Generally vote *for* proposals requesting greater disclosure of a company's political contributions and trade association spending policies and activities, considering:

- The company's policies, and management and board oversight related to its direct political contributions and payments to trade associations or other groups that may be used for political purposes;
- The company's disclosure regarding its support of, and participation in, trade associations or other groups that may make political contributions; and
- Recent significant controversies, fines, or litigation related to the company's political contributions or political activities.

Vote *against* proposals barring a company from making political contributions. Businesses are affected by legislation at the federal, state, and local level; barring political contributions can put the company at a competitive disadvantage.

Vote *against* proposals to publish in newspapers and other media a company's political contributions. Such publications could present significant cost to the company without providing commensurate value to shareholders.

Political Ties

Generally vote *against* proposals asking a company to affirm political nonpartisanship in the workplace, so long as:

- There are no recent, significant controversies, fines, or litigation regarding the company's political contributions or trade association spending; and
- The company has procedures in place to ensure that employee contributions to company-sponsored political action committees (PACs) are strictly voluntary and prohibit coercion.

Vote *against* proposals asking for a list of company executives, directors, consultants, legal counsels, lobbyists, or investment bankers that have prior government service and whether such service had a bearing on the business of the company. Such a list would be burdensome to prepare without providing any meaningful information to shareholders.

Source: *2019 United States Proxy Voting Guidelines. Benchmark Policy Recommendations*, ISS, December 6, 2018, p. 66 (www.issgovernance.com).

Volume by industry

In the Russell 3000 sample, companies in the utilities, communication services, and consumer discretionary sectors were the most exposed to shareholder proposals on political spending (Figure 5.32). Specifically, 13.9 percent of utilities companies, 4.3 percent of communication services companies, and 3.6 percent of consumer discretionary companies faced a proposal on the topic. In the Russell 3000 index, all business sectors received at least two proposals on political issues, with most filed proposals included in the voting ballot; no sector went without proposals of this type put to a vote during the examined period.

Figure 5.32

Political Issues—Shareholder Proposal Volume, by Industry (2019)

	Filed		Voted	
Industry	Average number of shareholder proposals per company	Number of shareholder proposals	Average number of shareholder proposals per company	Number of shareholder proposals
Communication services	0.04	4	0.04	4
Consumer discretionary	0.04	10	0.03	9
Consumer staples	0.03	2	0.03	2
Energy	0.02	3	0.01	2
Financials	0.01	5	0.01	5
Health care	0.02	9	0.02	8
Industrials	0.03	9	0.03	9
Information technology	0.02	6	0.02	6
Materials	0.03	3	0.02	2
Real estate	0.02	3	0.02	3
Utilities	0.14	10	0.13	9
		n=64		n=59

Source: The Conference Board/ESGAUGE, 2019.

Figure 5.33

Political Issues—Shareholder Proposal Volume, by Sponsor (2019)

	Filed		Voted	
Sponsor	Number of shareholder proposals	Percentage of total	Number of shareholder proposals	Percentage of total
Individuals	14	21.9%	11	18.6%
Investment advisers	6	9.4	6	10.2
Labor unions	7	10.9	6	10.2
Other institutions	3	4.7	3	5.1
Other stakeholders	7	10.9	7	11.9
Public pension funds	7	10.9	7	11.9
Religious groups	13	20.3	12	20.3
Undisclosed	7	10.9	7	11.9
	n=64		n=59	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Volume by sponsor

As shown in Figure 5.33, in the Russell 3000 sample, individual investors and religious groups submitted the highest number of proposals on corporate political spending (combined, more than 40 percent of the total). In the past, this analysis would show that proposals of this type submitted by investment institutions were far more likely to make it all the way to the AGM vote than proposals filed by individual gadfly investors. This year, however, 11 of the 14 proposals on political issues filed by individual shareholders made the voting ballot. Noninvestment stakeholder groups filed seven proposals on political issues in the 2019 proxy season, all which went to a vote (11.9 percent of the total voted).

Most frequent sponsors

Figure 5.34 ranks the most frequent sponsors of shareholder proposals on corporate political spending. Also see Table 5 on p. 91 for a comprehensive list of proponents across key proposal types.

The most frequent sponsor in 2019 was Mercy Investment Services, the investment fund of a large religious group: It filed six proposals (or 9.4 percent of the total), all of which were voted. This year, the New York State Common Retirement Fund also ranked high on the list, with five proposals on the topic. The fund, managed by the Office of the New York State Comptroller, has consistently sponsored a large number of this type of proposal over the years (for example, it filed 21 of the 103 proposals submitted in the Russell 3000 in the 2014 season, a record year for resolutions on political issues). All of its 2019 proposals went to a vote, composing about 7 percent of the total voted proposals; its voted proposals in 2014 were about a quarter of the total, and the higher diversification of proponents seen today is indicative of the growing popularity of this type of request among investor types. Other active proponents in this area in 2019 were labor union-affiliated fund International Brotherhood of Teamsters and religious group the Unitarian Universalist Association, each with five filed proposals.

Figure 5.34

Political Issues—Most Frequent Sponsors (2019)

	Filed		Voted	
Sponsor	Number of shareholder proposals	Percentage of total	Number of shareholder proposals	Percentage of total
Mercy Investment Services, Inc.	6	9.4%	6	10.2%
International Brotherhood of Teamsters	5	7.8	4	6.8
John Chevedden	5	7.8	4	6.8
Unitarian Universalist Association	5	7.8	4	6.8
New York State Common Retirement Fund	5	7.8	5	8.5
James McRitchie	4	6.3	3	5.1
Friends Fiduciary Corporation	3	4.7	3	5.1
Myra K. Young	3	4.7	2	3.4
National Center for Public Policy Research	2	3.1	2	3.4
New York City Employees' Retirement System	2	3.1	2	3.4
Boston Common Asset Management LLC	2	3.1	2	3.4
AFL-CIO	1	1.6	1	1.7
Azzad Asset Management, Inc.	1	1.6	1	1.7
Domini Impact Equity Fund	1	1.6	1	1.7
Emma Creighton Irrevocable Trust	1	1.6	1	1.7
Nathan Cummings Foundation	1	1.6	1	1.7
NorthStar Asset Management, Inc.	1	1.6	1	1.7
Sonen Capital	1	1.6	1	1.7
Steve Nieman	1	1.6	1	1.7
Trillium P21 Global Equity Fund	1	1.6	1	1.7
Trinity Health	1	1.6	1	1.7
United Church Funds, Inc.	1	1.6	1	1.7
United Steelworkers	1	1.6	1	1.7
Walden Asset Management	1	1.6	1	1.7
Waterglass, LLC	1	1.6	1	1.7
William Creighton	1	1.6	1	1.7
Undisclosed	7	10.9	7	11.9
	n=64		n=59	

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

By support level

In the Russell 3000 sample, in the examined 2019 period, 59 of the 147 social and environmental policy proposals voted on by shareholders related to political issues (Figure 2.30, on p. 89). There were nine fewer voted proposals on this topic in 2018. Average support level this year was 33.6 percent of votes cast, compared with 28 percent for the same period in 2018, 24.6 percent in 2017, and 22.6 percent in 2016 (Figure 2.32, on p. 93). Despite the unabated interest in this type of request, their proponents, even when they are large pension funds, seldom gain the majority support of fellow institutional shareholders. Four of the 59 proposals voted at Russell 3000 AGMs held between January 1 and June 30, 2019, received majority support and passed; however, six additional resolutions received more than 40 percent of votes cast in favor.

Support levels often depend on the formulation of the proposal. On average, support is higher for the traditional version of these proposals seeking a board oversight policy and adequate disclosure, while other variations (such as those requesting a complete ban on political spending or the adoption of a strict ratio between corporate assets and political contributions) perform quite poorly. As shown in Figure 5.35, the highest level of support was at biotechnology company Mallinckrodt plc, with 79.4 percent votes cast for a proposal by the United Church Funds seeking a public report on the organization's political lobbying activities. At utilities business Alliant Energy Corp, a proposal on political contributions disclosure by the New York City Employees' Retirement System received 53.3 percent of *for* votes at the company's 2019 AGM. The other two winning proposals were at retailer giant Macy's and AI developer Cognizant Technology, both to obtain political contribution reports.

Three proposals filed in the 2019 period (or 5.1 percent of those voted) received support of less than 10 percent of votes cast (by way of comparison, there were 11 proposals in 2014 that received less than five percent of votes cast). The lowest level of support was at Intel Corporation, where a proposal submitted for the second year in a row by investment adviser NorthStar Asset Management and seeking a cost-benefit analysis report on the company's political contributions received only 5.9 percent of *for* votes (it had received 6.7 percent of votes cast in 2018).

Figure 5.35

Political Issues—Shareholder Proposals, by Support Level (2019)

				As a percentage of votes cast			As a percentage of shares outstanding			
Company	Sponsor	Meeting date	Proposal outcome (pass/fail)	For	Against	Abstain	For	Against	Abstain	Nonvotes
HIGHEST SUPPORT										
Mallinckrodt plc	United Church Funds, Inc.	05/15/2019	Pass	79.4%	20.2%	0.4%	60.7%	15.4%	0.3%	12.9%
Alliant Energy Corp	New York City Employees' Retirement System	05/16/2019	Pass	53.3	44.8	1.8	39.2	33.0	1.4	12.6
Cognizant Technology Solutions Corporation	James McRitchie	06/04/2019	Pass	51.6	44.6	3.7	42.8	37.1	3.1	7.5
Kohl's Corporation	John Chevedden	05/15/2019	Fail	49.5	49.9	0.6	38.9	39.2	0.5	8.3
Macy's Inc	Mercy Investment Services, Inc.	05/17/2019	Pass	49.4	43.7	6.9	35.6	31.5	5.0	13.2
NextEra Energy, Inc.	New York State Common Retirement Fund	05/23/2019	Fail	48.2	50.8	1.0	37.5	39.5	0.8	12.9
Allstate Corporation	International Brotherhood of Teamsters	05/21/2019	Fail	46.6	52.8	0.6	35.5	40.2	0.4	10.3
Chemed Corporation	John Chevedden	05/20/2019	Fail	45.9	53.5	0.6	37.8	44.0	0.5	7.0
NRG Energy, Inc.	New York City Employees' Retirement System	4/25/2019	Fail	45.2	54.4	0.4	39.3	47.3	0.3	6.6
Fiserv, Inc.	Undisclosed	05/22/2019	Fail	43.4	55.8	0.7	32.9	42.4	0.6	8.5
LOWEST SUPPORT										
AbbVie, Inc.	William Creighton	05/03/2019	Fail	24.7%	74.3%	1.0%	17.5%	52.7%	0.7%	18.3%
Republic Services, Inc.	International Brotherhood of Teamsters	05/17/2019	Fail	22.4	73.8	3.8	19.6	64.7	3.4	4.3
American Airlines Group, Inc.	Undisclosed	06/12/2019	Fail	22.2	75.3	2.5	15.4	52.5	1.7	19.0
BlackRock, Inc.	Unitarian Universalist Association	05/23/2019	Fail	21.7	78.1	0.3	18.3	66.0	0.2	7.7
Ford Motor Company	Mercy Investment Services, Inc.	05/09/2019	Fail	18.7	80.7	0.6	22.2	95.6	0.7	35.8
Comcast Corporation	Friends Fiduciary Corporation	06/05/2019	Fail	18.0	81.7	0.3	1.4	6.6	0.0	0.5
Ford Motor Company	Unitarian Universalist Association	05/09/2019	Fail	16.4	83.0	0.6	19.4	98.4	0.7	35.8
PayPal Holdings, Inc.	James McRitchie	05/22/2019	Fail	8.3	90.5	1.2	6.6	71.9	1.0	10.2
Morgan Stanley	Boston Common Asset Management LLC	05/23/2019	Fail	6.4	89.8	3.8	5.3	75.1	3.2	8.0
Intel Corporation	NorthStar Asset Management, Inc.	05/16/2019	Fail	5.9	92.5	1.6	4.1	64.4	1.1	17.8

Percentages may not add up to 100 due to rounding.

Source: The Conference Board/ESGAUGE, 2019.

Election of Dissident's Director Nominee

Unlike the proxy access proposals discussed earlier—which request that the company include in its own proxy materials director candidates nominated by shareholders—these shareholder-sponsored proposals appear on the dissident's proxy card in a proxy contest mounted to gain board representation or control. Also see "Part 4: Proxy Contests and Other Shareholder Activism Campaigns" on p. 138 for a discussion of data on contested proxy solicitations from the recent voting seasons.

The likelihood of dissident success in a proxy contest is often inversely related to the capitalization of the target company, since it depends on the amount of company shares that the activist can accumulate or otherwise influence at the time of voting. For this reason, as shown in Figure 5.36, proposals on the election of dissident's director nominees are far more frequent among smaller companies.

Volume by index

As shown in Figure 5.36, in the Russell 3000 sample examined for the January 1-June 30, 2019, period, shareholders filed 20 proposals to elect a dissident's director nominee. Volume was down from the 25 proposals documented for the same period last year and less than half of the 52 proposals that, according to an earlier edition of this report, were submitted in 2009—a record year for hostile activism. The explanation can be found in certain developments of the last decade, from the introduction of say-on-pay votes (which many shareholders can now use more effectively than director opposition proposals to voice their discontent) to the passage of new rules enhancing governance disclosure and, in general, a business climate favoring more constructive dialogue with investors. Even though it did not match the data for earlier years, the number of contested elections, where management nominees to the board are challenged, was still fairly high in 2019, with roughly 50 percent of proposals of this type (or 10 of the 20 filed) going to a vote during the first six months of the proxy season. By way of comparison, in 2014, 31 of the 35 filed proposals (88.6 percent) on the election of a dissident's nominee were voted at Russell 3000 AGMs.

Such proposals are far less frequent among S&P 500 companies, where large capitalizations make it more arduous for an activist to garner enough support from fellow investors, and ultimately reduce the likelihood of success. There were no proposals in 2019 and only two proposals submitted during the 2018 period (and neither of them went to a vote), compared with six in 2017, zero in 2016, five during the same period in 2013, and three in 2012.

Figure 5.36

Election of Dissident's Director Nominee—Shareholder Proposal Volume, by Index (2016–2019)

Number of shareholder proposals

	S&P 500		Russell 3000	
	Filed	Voted	Filed	Voted
2019	0	0	20	10
2018	2	0	25	20
2017	6	6	26	24
2016	0	0	28	24

Source: The Conference Board/ESGAUGE, 2019.

ISS PROXY VOTING GUIDELINES

Proxy Contests—Voting on Director Nominees in Contested Elections

Vote *case-by-case* on the election of directors in contested elections, considering the following factors:

- Long-term financial performance of the target company relative to its industry.
- Management's track record.
- Background to the proxy contest.
- Qualifications of director nominees (both slates).
- Strategic plan of dissident slate and quality of critique against management.
- Likelihood that the proposed goals and objectives can be achieved (both slates).
- Stock ownership positions.

In the case of candidates nominated pursuant to proxy access, vote *case-by-case* considering any applicable factors listed above or additional factors which may be relevant, including those that are specific to the company, to the nominee(s) and/or to the nature of the election (such as whether or not there are more candidates than board seats).

Vote-No Campaigns

In cases where companies are targeted in connection with public "vote no" campaigns, evaluate director nominees under the existing governance policies for voting on director nominees in uncontested elections. Take into consideration the arguments submitted by shareholders and other publicly available information.

Source: *2019 United States Proxy Voting Guidelines. Benchmark Policy Recommendations*, ISS, December 6, 2018, p. 17 (www.issgovernance.com).

Volume by industry

In the Russell 3000 sample, companies in the communication services (3.2 percent) and real estate (2.6 percent) industries were the most exposed to shareholder proposals on the election of a dissident's director nominee in 2019 (Figure 5.37). Five business sectors represented in the Russell 3000 index, including consumer staples and discretionary, which are often favored by activists, had no uncontested elections during the examined 2019 period.

None of the five proposals on the election of a dissident's director nominee received by companies in the real estate sector went to a vote in 2018.

Figure 5.37

Election of Dissident's Director Nominee—Shareholder Proposal Volume, by Industry (2019)

	Filed		Voted	
Industry	Average number of shareholder proposals per company	Number of shareholder proposals	Average number of shareholder proposals per company	Number of shareholder proposals
Communication services	0.03	3	0.03	3
Consumer discretionary	0.00	0	0.00	0
Consumer staples	0.00	0	0.00	0
Energy	0.02	3	0.02	3
Financials	0.01	5	0.01	4
Health care	0.00	0	0.00	0
Industrials	0.00	0	0.00	0
Information technology	0.01	3	0.00	0
Materials	0.01	1	0.00	0
Real estate	0.03	5	0.00	0
Utilities	0.00	0	0.00	0
		n=20		n=10

Source: The Conference Board/ESGAUGE, 2019.

Volume by sponsor

Activist hedge funds and investment advisers (which, in turn, often provide their services to hedge funds by managing their assets) submitted five of the 13 proposals for board representation (not including those filed by undisclosed shareholders). This year, however, saw the rise among proponents of investment firms affiliated with stakeholder groups, with eight dissident's director nominees—a record high for this sponsor type (Figure 5.38).

Figure 5.38

Election of Dissident's Director Nominee—Shareholder Proposal Volume, by Sponsor (2019)

	Filed		Voted	
Sponsor	Number of shareholder proposals	Percentage of total	Number of shareholder proposals	Percentage of total
Hedge funds	4	20.0%	0	0.0
Investment advisers	1	5.0	0	0.0
Other stakeholders	8	40.0	7	70.0%
Undisclosed	7	35.0	3	30.0
	n=20		n=10	

Source: The Conference Board/ESGAUGE, 2019.

Most frequent sponsors

Figure 5.39 ranks the most frequent sponsors of shareholder proposals on the election of a dissident's director nominee. Also see Table 6 on p. 98 for a comprehensive list of proponents across key proposal types.

Voce Catalyst Partners and hedge fund MNG Enterprises filed four and three proposals of this type, respectively, and they all went to a vote. Other proponents on the list include hedge fund Caligan Partners and asset management firm Altai Capital Management.

Figure 5.39

Election of Dissident's Director Nominee—Most Frequent Sponsors (2019)

	Filed		Voted	
Sponsor	Number of shareholder proposals	Percentage of total	Number of shareholder proposals	Percentage of total
Voce Catalyst Partners LP	4	20.0%	4	40.0%
MNG Enterprises, Inc.	3	15.0	3	30.0
Altai Capital Management LP	1	5.0	0	0.0
Caligan Partners LP	1	5.0	0	0.0
Cruiser Capital Advisors LLC	1	5.0	0	0.0
Neuberger Berman Investment Advisers LLC	1	5.0	0	0.0
Roaring Blue Lion Capital Management LP	1	5.0	0	0.0
Snow Park Capital Partners LP	1	5.0	0	0.0
Undisclosed	7	35.0	3	30.0
	n=20		n=10	

Source: The Conference Board/ESGAUGE, 2019.

RETURN TO KEY FINDINGS
(page 30)

By support level

In the examined 2019 Russell 3000 sample, shareholders voted on 10 proposals on the election of a dissident's director nominee. Results for contested elections are shown as a percentage of votes outstanding. As Figure 2.35 illustrates, the 2019 average support rate for this proposal topic has decreased to 27.4 percent of shares outstanding from the 43.2 percent of last year. This result was lower even than the findings in previous years (by way of comparison: 36.7 percent in 2017, 31.4 percent in 2014, and 36.3 percent in 2013), but higher than the average support reported in 2012 (18.2 percent) and in 2009, which had been a record year in terms of proxy contests (26.4 percent of shares outstanding voted in favor).

As shown in Figure 5.40, among resolutions on this topic, the highest support level (38.9 percent of *for* votes as a percentage of shares outstanding) was received by a proposal filed at PDC Energy by an undisclosed shareholder. The lowest support level (10.6 percent) was at Gannett Co., Inc.

Figure 5.40

Election of Dissident's Director Nominee—Shareholder Proposals, by Support Level (2019)

				As a percentage of shares outstanding			
Company	Sponsor	Meeting date	Proposal outcome (pass/fail)	For	Against	Abstain	
PDC Energy Inc	Undisclosed	05/29/2019	Pass	38.9%	0.0	n/a	n/a
PDC Energy Inc	Undisclosed	05/29/2019	Pass	38.5	0.4%	n/a	n/a
Gannett Co., Inc.	MNG Enterprises, Inc.	05/16/2019	Pass	36.1	0.1	n/a	n/a
Gannett Co., Inc.	MNG Enterprises, Inc.	05/16/2019	Pass	22.5	13.7	n/a	n/a
PDC Energy Inc	Undisclosed	05/29/2019	Fail	18.1	20.8	n/a	n/a
Gannett Co., Inc.	MNG Enterprises, Inc.	05/16/2019	Fail	10.6	25.6	n/a	n/a
Argo Group International Holdings, Ltd.	Voce Catalyst Partners LP	05/24/2019	Fail	n/a	71.0	14.7%	n/a

Source: The Conference Board/ESGAUGE, 2019.

APPENDIX 1

Recommendations to Public Companies

This appendix contains a list of practical recommendations issued in 2010 by The Conference Board Expert Committee on Shareholder Activism. The recommendations are primarily intended for corporate directors, as it is the board, as part of its monitoring responsibilities, that fulfills a crucial role in setting corporate strategy and ensuring that the organization's finances and structure are suited to meet the business potentials.

Understanding Shareholders

I. Know who your shareholders are

I. A **Monitor trading activities** Directors should ensure that the company relies on a sound process to monitor securities holdings, including shares, fixed-income, and convertible products, as well as (to the extent possible) derivative instruments. At a minimum, the company should regularly review public filings by investors and available lists of beneficial owners. However, the thoroughness of the monitoring process should be elevated based on market indicators of abnormal shareholder activities, including unusually high trading volumes and share price volatility, as well as the sudden changes in the percentage of short interests. In these cases, the company can consider availing itself of securities surveillance services, even though it is recommended that—before engaging such providers—companies research the accuracy of their services and obtain sufficient assurance that they are conducted lawfully and ethically.

I.B **Obtain insights from large investors** Companies should maintain proactive relations with the investment community. Dialogue with large institutional shareholders can be helpful to ensure the company learns early about potential shareholder concerns and critical changes in its ownership base. Securities holding intelligence gathered from public filings and surveillance service reports could therefore be supplemented and corroborated with nonpublic information the company can access through ongoing discussions with investors, including information on group voting arrangements and other understandings among shareholders acting in concert. At the same time, the company should remain aware that any supplemental information acquired through these informal channels might be anecdotal or solely based on rumors.

I. C **Commission perception studies** Furthermore, regular outreach to the investment community can help management recognize a perceived valuation gap between the stock price and the company's intrinsic value, which is often the impetus for attracting shareholder activists. If such a valuation gap exists, the board may consider commissioning a perception study as a way to gain better insight into the issues causing the discrepancy. Findings from the study can be used as the basis for crafting a communication plan intended to close the valuation gap and reduce exposure to activism.

I. D **Expect regular reporting from management** The board (whether as a whole or acting through a committee or designated director) should be provided with regular reports on important shareholder intelligence, such as abnormal shareholder activity or a material change in the ownership of the company. As appropriate, directors should meet with senior executives to discuss the implications of these changes and trends.

II. Distinguish shareholder types and investment strategies

II. A **Compile investor profiles** The board should ensure that management maintains profiles of any private equity groups, hedge funds, and other private pools of capital with material investments in the company's securities. This normally involves management seeking an understanding of the background and the specific investment strategies pursued by such entities, including: (i) prior investment decisions and current portfolio composition; (ii) sources of capital and redemption practices; and (iii) fund managers' modes of cooperation, time horizon, history of activism, compensation structure, and performance targets. This type of information can be gathered from a variety of sources, including regulatory filings, public statements by fund managers or other representatives, specialized news services, press logs, and advisers experienced in shareholder activism.

II. B **Learn about fund structures and investment tactics** Management should become knowledgeable about the tactics and expedients activists may seek to use to advance investor arguments for change in portfolio companies (e.g., shareholder resolutions, proxy fights, shareholder suits, stock lending/empty voting techniques, "wolf packs," etc.). Case law and regulatory developments that might influence activist funds' future behaviors should also be considered. As necessary, directors should expect management to be familiar with the structure of activist funds and their performance drivers and recognize hybrid investment vehicles pursuing alternative investment strategies.

II. C **Learn about mainstream and tagalong investors** Companies should be aware of how mutual funds and other (more passive) mainstream shareholders vote on certain issues, so to anticipate the possible reliance by activists on such additional voting support. Similarly, senior management should identify "tagalong" investors likely to merely replicate activist funds' investment decisions, as they may also have an impact on the outcome of a shareholder meeting.

III. Talk to shareholders

III. A **Explore new forms of investor engagement** Within the parameters of applicable laws and regulations, and in consultation with their legal advisers, companies should actively pursue new forms of engagement with the investment community. Practices that should be considered include meeting with representatives of large investors, participating in investor conferences, and instituting board sessions to review material communications received from shareholders. A dialogue with retirement funds and other long-term institutional investors may be especially important, as their decision to ally with activist hedge funds may be critical to the development of an activism campaign. Directors and managers should make certain that their dialogue with such institutions includes those responsible for governance oversight of portfolio companies and for voting proxies.

III. B **Maintain excellent relationships with other industry professionals** Companies should monitor their governance and credit ratings and establish a durable reputation for excellence in corporate governance and creditworthiness. For this purpose, companies should consider engaging in constructive dialogue with proxy advisers, rating agencies, and other shareholding groups—within the parameters of applicable laws and regulations governing corporate disclosures to and communications with the public.

III. C **Enhance corporate governance disclosure** In public disclosure documents and other investor relations strategies, companies should consider explicitly addressing sensitive governance issues that may resonate with activist investors. In particular, companies may wish to clarify executive remuneration practices, board and executive stock ownership guidelines, risk management procedures, environmental initiatives, and their leadership succession planning process.

Assessing gaps and vulnerabilities

IV. Evaluate exposure to activism

IV. A **Identify critical issues** Companies should proactively develop (either in-house or with the assistance of outside experts) an inventory of strategic, operational, financial, or governance matters that may single out the company as a target for activist investors. The inventory should include any anticipated extraordinary corporate events that could trigger activists' initiatives (e.g., the announcement of a large acquisition, material revisions to the executive compensation policy, or the issuance of a large number of new shares).

IV. B **Assign senior management responsibilities** To facilitate this process, the board of directors should expect senior financial executives to bring to its attention those financial conditions (e.g., a substantial cash balance or a favorable debt-to-equity ratio) that could make the company attractive to corporate activists (e.g., because it could be appealing as a possible target for a takeover initiative).

Similarly, the company should consider designating a chief risk officer with the responsibility to assess and regularly report to the board on the company's ability to achieve its strategic goals, in light of current economic and market conditions and based on the organization's tolerance for risk. Finally, the company should consider appointing a corporate governance officer who would report directly to the nominating/governance committee or the full board on emerging standards and the organization's alignment with what may be considered by the activist community to be best practices.

IV. C **Validate major financial decisions** As a preventive measure, companies should renew their focus on financial performance and be prepared to articulate their capital availability and liquidity positions vis-à-vis strategic goals. Especially where excess cash is available, management should be in a position to articulate its strategy for retaining that cash, reinvesting it, or returning it to shareholders through special dividend payout or share repurchases.

IV. D **Reassess strategic goals** Similarly, board members should periodically reassess their business' strategic goals in light of evolving macroeconomic trends affecting the industry and the geographic markets where the company operates. As part of its ongoing efforts to monitor the business portfolio, the board should receive reports from management on any underperforming assets that may not be fully valued in the existing corporate structure or that may otherwise impair the stock price. When prudent, directors should consider divesting such assets to free liquidity and focus on the long-term potentials of the business. Board members should also receive reports from management on any opportunities for strategic acquisitions that the company may want and be in a position to seize.

IV. E **Remain abreast of emerging governance standards** Boards should understand the rationale behind emerging governance standards as well as practices arising from recent proxy seasons. Similarly, directors should be familiar with voting policies supported by proxy voting advisers and major shareholder-interest groups and discuss with senior managers the company's position with respect to such issues. As part of their active oversight responsibilities and subject to their business judgment, directors should encourage voluntary changes and corrections that may serve to avoid the unnecessary distractions resulting from becoming a target. Furthermore, ongoing director education programs relating to evolving practices and effective shareholder engagement techniques should be built into the board agenda.

IV. F **Explain departures from best practices** Companies should compare their governance practices with those of their peer group and others to make themselves aware of, and assess, any meaningful differences. If the board chooses to depart materially from standards that are widely accepted among its peers, such a decision should be appropriately communicated to the investment community. In particular, directors should review any policy that may foster the perception of board or management entrenchment and stand in the way of garnering institutional support or receiving third-party proxy adviser vote recommendations.

V Remain open-minded about change

V. A **Understand the rationale of activist requests** The company should not assume that requests for change made by activist shareholders always reflect a hostile orientation or a merely speculative, short-term agenda. Instead, directors should remain open-minded and review significant requests in light of the company's current strategy, industry benchmarks, reports from financial and governance analysts, and the activist profile and track record. Directors should be prepared to critically analyze and discuss management's position on significant requests. Ultimately, the decision of whether to take action in response to a request should be based on the long-term interest of all shareholders.

V. B **Consider meeting with the activist representatives** To have a full understanding of investors' intentions and in an attempt to reach a middle ground, the company should consider meeting with representatives of activist shareholders. The decision as to whether both management and directors attend any such meeting should be based on all the relevant circumstances. Face-to-face meetings may be appropriate even if the company leans toward rejecting the request. In the case of requests submitted in the form of shareholder proposals, the company should be aware that voting results on proposals are diligently monitored by many fellow activists and that, as a matter of policy, RiskMetrics and other proxy voting advisory groups recommend a withhold vote when a company fails to be sufficiently responsive to a majority-approved proposal. The company should consult with legal counsel on regulatory restraints regarding shareholder communications, including compliance with Regulation FD and insider trading rules. In certain situations, it may be appropriate to request the activist investor to enter a confidentiality agreement.

Responding to Requests for Change

VI. Develop a response strategy

VI. A **Adopt an actionable response strategy** Board members and senior executives should agree to an actionable response strategy if the company receives a significant request from an activist shareholder. In particular, a carefully crafted response strategy should be available for any situation in which the request could escalate to a proxy solicitation or a lawsuit, or when the company believes that the activist might be acting in concert with fellow investors or might receive their ultimate support. In formulating the strategy, the company should retain advice, as appropriate, from specialists familiar with matters of shareholder activism. Ultimately, plans to resist or concede should be considered in light of shareholder vote projections prepared by the company's proxy solicitor. In many cases, merely ignoring the activist is unlikely to be successful and can jeopardize the company's long-term strategy.

VI. B **Establish a dedicated team** Boards should become confident that management is fully equipped to effectively implement the response strategy to which the company has agreed. For this purpose, boards may encourage the formation of a special execution team composed of internal and external specialists, including, as circumstances warrant: finance officers, compliance and governance officers, investor relations and communication experts, general counsel and outside legal counsel, investment bankers, and proxy solicitors. The team should be entrusted with a protocol of actions to be initiated immediately after the response strategy has been finalized.

VI. C **Maintain effective internal communications** Especially when an activist aims at obtaining board representation, the company often operates in crisis-management mode, and communication between board members and senior executives is crucial. Directors should expect to be kept informed of developments. Under no circumstances should management execute a response strategy inconsistent with one endorsed by the board.

VI. D **Develop a coherent communication message** To clearly communicate its decision regarding the activist request, the company should seek to develop a sound and coherent message that will resonate not only with the activist shareholder, but also in the market in general. The message should highlight whether the company will be implementing the requested changes and why this decision is best suited to pursue shareholder value creation. If the company agreed to a settlement discussion with activists for the purpose of correcting the strategic direction or amending financial- or governance-related vulnerabilities, the message should clearly state the rationale for the negotiated solution. To ensure that the response or its forms of dissemination do not violate any applicable laws or regulations, the implementation team should retain appropriate legal advice. Also, to provide consistency in the dissemination of the response, the implementation team should assign ultimate communication responsibilities to a leader who can act as the spokesperson for the company.

VI. E **Consider other stakeholders** Since an activism campaign may constitute a serious reputation risk for a business, the company should consider seeking the support of its key stakeholders (including employees, customers, suppliers, and the local communities where the business operates). This can be achieved by ensuring that the motivation for the response underscores not only the company's value proposition as an investment, but also, as appropriate, the extent to which it protects the legitimate interests of other constituents. Any public statement should be carefully evaluated so that it does not impair the company's standing in the business community and among competitors, as well as its ability to attract and retain talent.

VI. F **Maintain good media relations** Considering that some activist investors may use public criticism as a tactic to pursue their objectives, the company's communication experts should identify, within the parameters of applicable laws and regulations, the most effective sources for disseminating important information (including local and national media, web postings, blogs, and social networks) and maintain good relations with these key media groups and publicity intermediaries.

VI. G **Be careful in expressing public criticism** Corporate leaders should be careful not to personalize shareholder concerns or dismiss them out of hand. If, after review and analysis, the company concludes that the activist requests contain deficiencies or inaccuracies or are motivated by speculative intentions, these arguments should be expressed methodically and readily supported by factual information. By becoming publicly hostile, the company may bring unwanted attention to the campaign and facilitate the activist's effort to gain support from other investors.

VII. Update defense measures

VII. A **Review organizational documents** As part of the response strategy, for those situations in which management and directors conclude that activists' requests are not in the shareholders' best interest, companies should have in place defense plans against proxy contests or hostile acquisitions. Board members should support management in the advance preparation of such plans to ensure preparedness and flexibility in addressing hostile initiatives. In particular, the company should review and assess the effectiveness of measures against unsolicited takeover proposals contained in its charter, bylaws, and other organizational documents, including shareholder rights agreements, advance-notice bylaws, and other provisions on shareholders' right to call special meetings or act by written consent. Given the complexity and implications of these matters, board members should consider retaining appropriate legal advice before revising organizational documents and structural measures of defense.

VII. B **Avoid the perception of entrenchment tools** To avoid the possible adverse consequences with RiskMetrics and other proxy voting advisory firms, defense plans should be evaluated against market practice within the company's peer group to assess the extent to which they may be viewed as entrenchment tools. Today, many shareholder groups consider supermajority vote requirements, classified board structures, and broadly applicable "poison pills" as a departure from corporate governance best practices. In each case, however, it is the board's duty to determine what defenses may be appropriate for the company.

VII. C **Be mindful of current extraordinary circumstances** In light of the current extraordinary circumstances faced by many organizations, the company should consider updating advance notice bylaws and shareholder rights plans to address instances of undisclosed derivative/hedging positions (such as cash-settled swaps) or empty voting (i.e., the systematic stock borrowing by an activist investor for the sole purpose of amassing voting rights and influencing the outcome of a shareholder meeting) or to provide temporary protection from the vulnerability resulting from depressed stock valuations. In addition, if the company becomes aware of any such instances, it should discuss the appropriate steps to take to inform other stakeholders.

VII. D **Notify enforcement agencies** In those situations in which there is sufficient evidence that the activist shareholder is operating under an undisclosed understanding with a group of investors or has otherwise violated applicable securities laws, companies should consider notifying the regulatory agencies and be prepared to supplement a public enforcement action by litigating the matter. The board should retain appropriate legal counsel to weigh the costs and benefits of either decision.

Source: Matteo Tonello and Damien J. Park, *The Shareholder Activism Report: Best Practices and Engagement Tools for Public Companies*, The Conference Board, March 2010, p. 12.

APPENDIX 2

Global Industry Classification Standard (GICS) Codes

Industry		GICS code	Number of companies
Communication services	Newspapers: Publishing or Publishing and Printing	2711	6
	Perfumes Cosmetics and Other Toilet Preparations	2844	1
	Radio and Television Broadcasting and Communications Equipment	3663	1
	Communications Equipment Not Elsewhere Classified	3669	1
	Photographic Equipment and Supplies	3861	1
	Radiotelephone Communications	4812	2
	Telephone Communications Except Radiotelephone	4813	10
	Radio Broadcasting Stations	4832	4
	Television Broadcasting Stations	4833	9
	Cable and Other Pay Television Services	4841	12
	Communications Services Not Elsewhere Classified	4899	5
	Electric Services	4911	1
	Real Estate Operators (No Developers) & Lessors	6510	1
	Operators Of Nonresidential Buildings	6512	1
	Personal Services	7200	1
	Advertising Agencies	7311	5
	Services-Computer Programming, Data Processing, Etc.	7370	1
	Computer Programming Services	7371	2
	Prepackaged Software	7372	5
	Computer Integrated Systems Design	7373	1
	Computer Processing and Data Preparation and Processing Services	7374	3
	Information Retrieval Services	7375	8
	Business Services Not Elsewhere Classified	7389	6
	Motion Picture and Video Tape Production	7812	2
	Motion Picture Theaters Except Drive-In	7832	3
	Theatrical Producers (Except Motion Picture) and Miscellaneous	7922	1
	Amusement and Recreation Services Not Elsewhere Classified	7999	1
Consumer discretionary	General Contractors-Single-Family Houses	1521	5
	General Contractors-Residential Buildings Other Than Single-Family	1522	1
	Operative Builders	1531	12
	Construction Special Trade Contractors	1700	1
	Carpets and Rugs	2273	1
	Apparel & Other Finished Prods Made From Fabrics & Similiar Materials	2300	4
	Men's and Boys' Work Clothing	2326	3
	Men's and Boys' Clothing Not Elsewhere Classified	2329	1
	Women's Misses' And Juniors' Dresses	2335	1
	Women's Misses' Children's and Infants' Underwear	2341	1
	Apparel and Accessories Not Elsewhere Classified	2389	1
	Automotive Trimmings Apparel Findings and Related Products	2396	2
	Household Furniture	2510	1
	Wood Household Furniture Except Upholstered	2511	2
	Mattresses Foundations and Convertible Beds	2515	3
	Books: Publishing or Publishing and Printing	2731	1
	Tires and Inner Tubes	3011	2
	Rubber and Plastics Footwear	3021	1
	Plastics Products Not Elsewhere Classified	3089	1
	Leather and Leather Products	3100	1
	Men's Footwear Except Athletic	3143	1
	Footwear Except Rubber Not Elsewhere Classified	3149	2
	Hand and Edge Tools Except Machine Tools and Handsaws	3423	1
	Small Arms	3484	1
	Internal Combustion Engines Not Elsewhere Classified	3519	1
	Household Laundry Equipment	3633	1
	Electric Housewares and Fans	3634	1
	Household Appliances Not Elsewhere Classified	3639	1
	Household Audio and Video Equipment	3651	2
	Motor Vehicles and Passenger Car Bodies	3711	3
	Motor Vehicle Parts and Accessories	3714	12
	Boat Building and Repairing	3732	1
	Motorcycles Bicycles and Parts	3751	2
	Transportation Equipment Not Elsewhere Classified	3799	1
	Search Detection Navigation Guidance Aeronautical and Nautical	3812	1

(Continues on next page.)

Global Industry Classification Standard (GICS) Codes

Industry		GICS code	Number of companies
	Ophthalmic Goods	3851	1
	Photographic Equipment and Supplies	3861	1
	Watches Clocks Clockwork Operated Devices and Parts	3873	2
	Dolls and Stuffed Toys	3942	1
	Games Toys and Children's Vehicles Except Dolls and Bicycles	3944	2
	Sporting and Athletic Goods Not Elsewhere Classified	3949	7
	Manufacturing Industries Not Elsewhere Classified	3999	1
	Water Transportation	4400	1
	Deep Sea Transportation of Passengers Except By Ferry	4481	2
	Transportation Services	4700	1
	Arrangement of Passenger Transportation Not Elsewhere Classified	4729	1
	Motor Vehicle Supplies and New Parts	5013	2
	Motor Vehicle Parts Used	5015	1
	Home Furnishings	5023	1
	Sporting and Recreational Goods and Supplies	5091	1
	Stationery and Office Supplies	5112	1
	Piece Goods Notions and Other Dry Good	5131	1
	Groceries General Line	5141	1
	Building Materials, Hardware, Garden Supply, & Mobile Home Dealers	5200	1
	Lumber and Other Building Materials Dealers	5211	3
	Department Stores	5311	4
	Variety Stores	5331	6
	Miscellaneous General Merchandise Stores	5399	1
	Food Stores	5400	1
	Automotive Dealers and Gasoline Service Stations	5500	5
	Motor Vehicle Dealers (New and Used)	5511	3
	Motor Vehicle Dealers (Used Only)	5521	1
	Auto and Home Supply Stores	5531	2
	Gasoline Service Stations	5541	1
	Boat Dealers	5551	1
	Apparel and Accessory Stores	5600	7
	Women's Clothing Stores	5621	4
	Children's and Infants' Wear Stores	5641	1
	Family Clothing Stores	5651	11
	Shoe Stores	5661	4
	Home Furniture, Furnishings, and Equipment Stores	5700	2
	Furniture Stores	5712	3
	Radio Television and Consumer Electronics Stores	5731	2
	Computer and Computer Software Stores	5734	1
	Retail-Eating & Drinking Places	5810	1
	Eating Places	5812	30
	Miscellaneous Retail	5900	2
	Sporting Goods Stores and Bicycle Shops	5941	3
	Jewelry Stores	5944	2
	Hobby Toy and Game Shops	5945	1
	Gift Novelty and Souvenir Shops	5947	1
	Catalog and Mail-Order Houses	5961	5
	Miscellaneous Retail Stores Not Elsewhere Classified	5999	2
	Real Estate	6500	1
	Operators of Dwellings Other Than Apartment Buildings	6514	1
	Real Estate Agents and Managers	6531	2
	Real Estate Investment Trusts	6798	1
	Investors Not Elsewhere Classified	6799	1
	Hotels, Rooming Houses, Camps, and Other Lodging Places	7000	2
	Hotels and Motels	7011	17
	Personal Services	7200	1
	Funeral Service and Crematories	7261	2
	Advertising Not Elsewhere Classified	7319	1
	Disinfecting and Pest Control Services	7342	1
	Equipment Rental and Leasing Not Elsewhere Classified	7359	2
	Prepackaged Software	7372	2
	Computer Processing and Data Preparation and Processing Services	7374	1
	Information Retrieval Services	7375	1
	Photofinishing Laboratories	7384	1

(Continues on next page.)

Global Industry Classification Standard (GICS) Codes

Industry		GICS code	Number of companies
	Business Services Not Elsewhere Classified	7389	5
	Motion Picture and Video Tape Production	7812	1
	Racing Including Track Operation	7948	3
	Services-Miscellaneous Amusement & Recreation	7990	1
	Coin-Operated Amusement Devices	7993	2
	Amusement Parks	7996	2
	Membership Sports and Recreation Clubs	7997	1
	Amusement and Recreation Services Not Elsewhere Classified	7999	2
	Educational Services	8200	6
	Schools and Educational Services Not Elsewhere Classified	8299	1
	Child Day Care Services	8351	1
	Engineering Services	8711	1
Consumer staples	Agricultural Production Crops	100	3
	Agricultural Services	700	1
	Food and Kindred Products	2000	2
	Meat Packing Plants	2011	2
	Sausages and Other Prepared Meat Products	2013	1
	Poultry Slaughtering and Processing	2015	2
	Fluid Milk	2026	1
	Pickled Fruits and Vegetables Vegetable Sauces and Seasonings	2035	1
	Cereal Breakfast Foods	2043	2
	Wet Corn Milling	2046	1
	Bread and Other Bakery Products Except Cookies and Crackers	2051	2
	Frozen Bakery Products Except Bread	2053	1
	Candy and Other Confectionery Products	2064	1
	Chocolate and Cocoa Products	2066	1
	Vegetable Oil Mills Except Corn Cottonseed and Soybean	2076	1
	Animal and Marine Fats and Oils	2077	1
	Malt Beverages	2082	3
	Distilled and Blended Liquors	2085	1
	Bottled and Canned Soft Drinks and Carbonated Waters	2086	7
	Food Preparations Not Elsewhere Classified	2099	2
	Tobacco Products	2100	1
	Cigarettes	2111	4
	Sanitary Paper Products	2676	1
	Medicinal Chemicals and Botanical Products	2833	1
	Pharmaceutical Preparations	2834	1
	Soap and Other Detergents Except Specialty Cleaners	2841	1
	Perfumes Cosmetics and Other Toilet Preparations	2844	4
	Storage Batteries	3691	1
	Farm Product Warehousing and Storage	4221	1
	Drugs Drug Proprietaries and Druggists' Sundries	5122	2
	Wholesale-Groceries & Related Products	5140	1
	Groceries General Line	5141	2
	Packaged Frozen Foods	5142	1
	Grain and Field Beans	5153	1
	Nondurable Goods Not Elsewhere Classified	5199	1
	Variety Stores	5331	4
	Grocery Stores	5411	5
	Drug Stores and Proprietary Stores	5912	1
	Catalog and Mail-Order Houses	5961	1
	Commodity Contracts Brokers and Dealers	6221	1
	Miscellaneous Personal Services Not Elsewhere Classified	7299	1
Energy	Construction, Mining & Materials Handling Machinery & Equipment	3530	1
	Bituminous Coal and Lignite Surface Mining	1221	4
	Bituminous Coal Underground Mining	1222	2
	Crude Petroleum and Natural Gas	1311	54
	Natural Gas Liquids	1321	1
	Drilling Oil and Gas Wells	1381	8
	Oil and Gas Field Exploration Services	1382	6
	Oil and Gas Field Services Not Elsewhere Classified	1389	18
	Mining and Quarrying of Nonmetallic Minerals, Except Fuels	1400	3
	Industrial Organic Chemicals Not Elsewhere Classified	2869	3

(Continues on next page.)

Global Industry Classification Standard (GICS) Codes

Industry		GICS code	Number of companies
	Petroleum Refining	2911	8
	Oil and Gas Field Machinery and Equipment	3533	10
	Air and Gas Compressors	3563	1
	Household Appliances Not Elsewhere Classified	3639	1
	Motor Vehicle Parts and Accessories	3714	1
	Aircraft Parts and Auxiliary Equipment Not Elsewhere Classified	3728	1
	Measuring and Controlling Devices Not Elsewhere Classified	3829	1
	Water Transportation	4400	1
	Deep Sea Foreign Transportation of Freight	4412	9
	Marine Cargo Handling	4491	1
	Airports Flying Fields and Airport Terminal Services	4581	1
	Crude Petroleum Pipelines	4612	1
	Communications Services Not Elsewhere Classified	4899	1
	Electric Services	4911	1
	Natural Gas Transmission	4922	6
	Natural Gas Transmission and Distribution	4923	1
	Gas and Other Services Combined	4932	1
	Petroleum and Petroleum Products Wholesalers Except Bulk Stations	5172	1
	Insurance Agents Brokers and Service	6411	1
	Information Retrieval Services	7375	1
	Engineering Services	8711	1
Financials	Mining and Quarrying of Nonmetallic Minerals, Except Fuels	1400	2
	Sausages and Other Prepared Meat Products	2013	1
	Eating and Drinking Places	5800	1
	Used Merchandise Stores	5932	1
	National Commercial Banks	6021	80
	State Commercial Banks	6022	144
	Commercial Banks Not Elsewhere Classified	6029	6
	Savings Institutions Federally Chartered	6035	28
	Savings Institutions Not Federally Chartered	6036	8
	Federal and Federally-Sponsored Credit Agencies	6111	1
	Personal Credit Institutions	6141	6
	Short-Term Business Credit Institutions Except Agricultural	6153	4
	Miscellaneous Business Credit Institutions	6159	1
	Mortgage Bankers and Loan Correspondents	6162	3
	Loan Brokers	6163	1
	Finance Services	6199	6
	Security and Commodity Brokers, Dealers, Exchanges, and Services	6200	1
	Security Brokers Dealers and Flotation Companies	6211	22
	Security and Commodity Exchanges	6231	4
	Investment Advice	6282	27
	Life Insurance	6311	11
	Accident and Health Insurance	6321	1
	Hospital and Medical Service Plans	6324	1
	Fire Marine and Casualty Insurance	6331	37
	Surety Insurance	6351	9
	Title Insurance	6361	4
	Insurance Carriers Not Elsewhere Classified	6399	16
	Insurance Agents Brokers and Service	6411	10
	Real Estate	6500	2
	Offices of Bank Holding Companies	6712	35
	Offices of Holding Companies Not Elsewhere Classified	6719	1
	Venture Capital/Private Equity	6771	1
	Real Estate Investment Trusts	6798	27
	Investors Not Elsewhere Classified	6799	1
	Adjustment and Collection Services	7322	1
	Credit Reporting Services	7323	2
	Computer Processing and Data Preparation and Processing Services	7374	1
	Services-Miscellaneous Business Services	7380	1
	Business Services Not Elsewhere Classified	7389	2
Health care	Medicinal Chemicals and Botanical Products	2833	1
	Pharmaceutical Preparations	2834	197
	In Vitro and In Vivo Diagnostic Substances	2835	5

(Continues on next page.)

Global Industry Classification Standard (GICS) Codes

Industry		GICS code	Number of companies
	Biological Products Except Diagnostic Substances	2836	56
	Pesticides and Agricultural Chemicals Not Elsewhere Classified	2879	1
	Electronic Computers	3571	1
	Communications Equipment Not Elsewhere Classified	3669	1
	Semiconductors and Related Devices	3674	1
	Electronic Components Not Elsewhere Classified	3679	2
	Laboratory Apparatus and Furniture	3821	1
	Industrial Instruments For Measurement Display and Control of	3823	1
	Laboratory Analytical Instruments	3826	12
	Surgical and Medical Instruments and Apparatus	3841	50
	Orthopedic Prosthetic and Surgical Appliances and Supplies	3842	12
	Dental Equipment and Supplies	3843	2
	X-Ray Apparatus and Tubes and Related Irradiation Apparatus	3844	1
	Electromedical and Electrotherapeutic Apparatus	3845	8
	Ophthalmic Goods	3851	3
	Arrangement of Transportation of Freight and Cargo	4731	1
	Medical Dental and Hospital Equipment and Supplies	5047	2
	Drugs Drug Proprietaries and Druggists' Sundries	5122	2
	Drug Stores and Proprietary Stores	5912	2
	Hospital and Medical Service Plans	6324	9
	Patent Owners and Lessors	6794	1
	Help Supply Services	7363	2
	Computer Programming Services	7371	1
	Prepackaged Software	7372	3
	Computer Integrated Systems Design	7373	3
	Computer Processing and Data Preparation and Processing Services	7374	2
	Business Services Not Elsewhere Classified	7389	3
	Offices and Clinics of Doctors of Medicine	8011	1
	Skilled Nursing Care Facilities	8051	3
	Services-Hospitals	8060	1
	General Medical and Surgical Hospitals	8062	7
	Medical Laboratories	8071	10
	Home Health Care Services	8082	5
	Kidney Dialysis Centers	8092	1
	Specialty Outpatient Facilities Not Elsewhere Classified	8093	3
	Health and Allied Services Not Elsewhere Classified	8099	2
	Individual and Family Social Services	8322	1
	Commercial Physical and Biological Research	8731	12
	Testing Laboratories	8734	2
	Management Services	8741	2
	Management Consulting Services	8742	1
Industrials	Agricultural Services	700	1
	General Contractors-Nonresidential Buildings Other Than Industrial	1542	1
	Heavy Construction Other Than Building Construction	1600	4
	Highway and Street Construction Except Elevated Highways	1611	1
	Water Sewer Pipeline and Communications and Power Line	1623	6
	Construction Special Trade Contractors	1700	1
	Plumbing Heating and Air-Conditioning	1711	1
	Electrical Work	1731	4
	Broadwoven Fabric Mills Manmade Fiber and Silk	2221	1
	Carpets and Rugs	2273	1
	Special Product Sawmills Not Elsewhere Classified	2429	1
	Millwood, Veneer, Plywood, & Structural Wood Members	2430	1
	Millwork	2431	1
	Wood Kitchen Cabinets	2434	1
	Structural Wood Members Not Elsewhere Classified	2439	1
	Prefabricated Wood Buildings and Components	2452	2
	Office Furniture Except Wood	2522	1
	Public Building and Related Furniture	2531	1
	Furniture and Fixtures Not Elsewhere Classified	2599	1
	Commercial Printing Gravure	2754	1
	Commercial Printing Not Elsewhere Classified	2759	1
	Blankbooks Looseleaf Binders and Devices	2782	2

(Continues on next page.)

Global Industry Classification Standard (GICS) Codes

Industry		GICS code	Number of companies
	Industrial Inorganic Chemicals Not Elsewhere Classified	2819	1
	Gaskets Packing and Sealing Devices	3053	1
	Molded Extruded and Lathe-Cut Mechanical Rubber Goods	3061	1
	Unsupported Plastics Film and Sheet	3081	1
	Plastics Products Not Elsewhere Classified	3089	1
	Pressed and Blown Glass and Glassware Not Elsewhere Classified	3229	1
	Gypsum Products	3275	1
	Abrasive Products	3291	1
	Steel Works Blast Furnaces (Including Coke Ovens) and Rolling	3312	1
	Steel Pipe and Tubes	3317	2
	Rolling Drawing and Extruding of Copper	3351	2
	Aluminum Rolling and Drawing Not Elsewhere Classified	3355	1
	Nonferrous Die-Castings Except Aluminum	3364	1
	Primary Metal Products Not Elsewhere Classified	3399	1
	Metal Shipping Barrels Drums Kegs and Pails	3412	1
	Hand and Edge Tools Except Machine Tools and Handsaws	3423	1
	Hardware Not Elsewhere Classified	3429	1
	Plumbing Fixture Fittings and Trim	3432	1
	Heating Equipment Except Electric and Warm Air Furnaces	3433	2
	Fabricated Structural Metal Products	3440	2
	Fabricated Structural Metal	3441	1
	Metal Doors Sash Frames Molding and Trim	3442	3
	Fabricated Plate Work (Boiler Shops)	3443	2
	Prefabricated Metal Buildings and Components	3448	2
	Metal Stampings Not Elsewhere Classified	3469	1
	Ordnance and Accessories Not Elsewhere Classified	3489	1
	Industrial Valves	3491	3
	Fluid Power Valves and Hose Fittings	3492	1
	Valves and Pipe Fittings Not Elsewhere Classified	3494	1
	Miscellaneous Fabricated Wire Products	3496	1
	Fabricated Metal Products Not Elsewhere Classified	3499	2
	Steam Gas and Hydraulic Turbines and Turbine Generator Set Units	3511	1
	Internal Combustion Engines Not Elsewhere Classified	3519	1
	Farm Machinery and Equipment	3523	4
	Lawn and Garden Tractors and Home Lawn and Garden Equipment	3524	1
	Construction Machinery and Equipment	3531	5
	Oil and Gas Field Machinery and Equipment	3533	2
	Industrial Trucks Tractors Trailers and Stackers	3537	2
	Power-Driven Handtools	3546	1
	Electric and Gas Welding and Soldering Equipment	3548	1
	Metalworking Machinery Not Elsewhere Classified	3549	2
	Food Products Machinery	3556	1
	Special Industry Machinery Not Elsewhere Classified	3559	4
	Pumps and Pumping Equipment	3561	5
	Ball and Roller Bearings	3562	2
	Air and Gas Compressors	3563	1
	Industrial and Commercial Fans and Blowers and Air Purification	3564	1
	Packaging Machinery	3565	1
	General Industrial Machinery and Equipment Not Elsewhere	3569	3
	Office Machines Not Elsewhere Classified	3579	1
	Refrigeration & Service Industry Machinery	3580	1
	Air-Conditioning and Warm Air Heating Equipment and Commercial	3585	3
	Service Industry Machinery Not Elsewhere Classified	3589	1
	Fluid Power Cylinders and Actuators	3593	1
	Fluid Power Pumps and Motors	3594	2
	Industrial and Commercial Machinery and Equipment Not Elsewhere	3599	2
	Switchgear and Switchboard Apparatus	3613	1
	Motors and Generators	3621	4
	Carbon and Graphite Products	3624	1
	Relays and Industrial Controls	3625	2
	Electrical Industrial Apparatus Not Elsewhere Classified	3629	3
	Household Cooking Equipment	3631	1
	Current-Carrying Wiring Devices	3643	1
	Commercial Industrial and Institutional Electric Lighting Fixtures	3646	1

(Continues on next page.)

Global Industry Classification Standard (GICS) Codes

Industry		GICS code	Number of companies
	Radio and Television Broadcasting and Communications Equipment	3663	2
	Semiconductors and Related Devices	3674	1
	Electronic Components Not Elsewhere Classified	3679	1
	Electrical Machinery Equipment and Supplies Not Elsewhere	3699	1
	Motor Vehicles and Passenger Car Bodies	3711	6
	Truck and Bus Bodies	3713	2
	Motor Vehicle Parts and Accessories	3714	5
	Truck Trailers	3715	1
	Aircraft	3721	5
	Aircraft Engines and Engine Parts	3724	2
	Aircraft Parts and Auxiliary Equipment Not Elsewhere Classified	3728	5
	Ship Building and Repairing	3731	1
	Railroad Equipment	3743	3
	Guided Missiles and Space Vehicles	3761	1
	Guided Missile and Space Vehicle Propulsion Units and Propulsion	3764	1
	Search Detection Navigation Guidance Aeronautical and Nautical	3812	3
	Automatic Controls For Regulating Residential and Commercial	3822	1
	Industrial Instruments For Measurement Display and Control of	3823	5
	Instruments For Measuring and Testing of Electricity and Electrical	3825	1
	Measuring and Controlling Devices Not Elsewhere Classified	3829	2
	Orthopedic Prosthetic and Surgical Appliances and Supplies	3842	1
	Manufacturing Industries Not Elsewhere Classified	3999	4
	Railroads Line-Haul Operating	4011	5
	Local Trucking Without Storage	4212	1
	Trucking Except Local	4213	15
	Courier Services Except By Air	4215	1
	Water Transportation	4400	1
	Deep Sea Foreign Transportation of Freight	4412	2
	Water Transportation of Freight Not Elsewhere Classified	4449	1
	Marine Cargo Handling	4491	1
	Towing and Tugboat Services	4492	1
	Transportation By Air	4500	1
	Air Transportation Scheduled	4512	11
	Air Courier Services	4513	1
	Air Transportation Nonscheduled	4522	1
	Transportation Services	4700	1
	Arrangement of Transportation of Freight and Cargo	4731	7
	Rental of Railroad Cars	4741	1
	Electric Services	4911	1
	Refuse Systems	4953	8
	Hazardous Waste Management	4955	2
	Wholesale Trade-Durable Goods	5000	1
	Wholesale-Lumber & Other Construction Materials	5030	1
	Lumber Plywood Millwork and Wood Panels	5031	1
	Professional Equipment and Supplies Not Elsewhere Classified	5049	1
	Metals Service Centers and Offices	5051	1
	Electrical Apparatus and Equipment Wiring Supplies	5063	1
	Hardware	5072	4
	Warm Air Heating and Air-Conditioning Equipment and Supplies	5075	1
	Industrial Machinery and Equipment	5084	3
	Industrial Supplies	5085	1
	Printing and Writing Paper	5111	1
	Drugs Drug Proprietaries and Druggists' Sundries	5122	1
	Wholesale-Chemicals & Allied Products	5160	1
	Lumber and Other Building Materials Dealers	5211	3
	Automotive Dealers and Gasoline Service Stations	5500	1
	Motor Vehicle Dealers (Used Only)	5521	1
	Catalog and Mail-Order Houses	5961	1
	Investment Advice	6282	1
	Fire Marine and Casualty Insurance	6331	1
	Venture Capital/Private Equity	6771	1
	Investors Not Elsewhere Classified	6799	1
	Linen Supply	7213	1
	Advertising Not Elsewhere Classified	7319	1

(Continues on next page.)

Global Industry Classification Standard (GICS) Codes

Industry		GICS code	Number of companies
	Credit Reporting Services	7323	1
	Disinfecting and Pest Control Services	7342	1
	Building Cleaning and Maintenance Services Not Elsewhere	7349	1
	Services-Miscellaneous Equipment Rental & Leasing	7350	1
	Heavy Construction Equipment Rental and Leasing	7353	1
	Equipment Rental and Leasing Not Elsewhere Classified	7359	10
	Employment Agencies	7361	4
	Help Supply Services	7363	5
	Computer Programming Services	7371	2
	Computer Processing and Data Preparation and Processing Services	7374	2
	Security Systems Services	7382	2
	Business Services Not Elsewhere Classified	7389	2
	Truck Rental and Leasing Without Drivers	7513	1
	Passenger Car Rental	7514	2
	Automobile Parking	7521	1
	Refrigeration and Air-Conditioning Service and Repair Shops	7623	1
	Repair Shops and Related Services Not Elsewhere Classified	7699	2
	Services-Nursing & Personal Care Facilities	8050	1
	Schools and Educational Services Not Elsewhere Classified	8299	1
	Engineering, Accounting, Research, Management, and Related Services	8700	1
	Engineering Services	8711	5
	Accounting Auditing and Bookkeeping Services	8721	1
	Management Consulting Services	8742	5
	Business Consulting Services Not Elsewhere Classified	8748	1
Information technology	Plastics Materials Synthetic Resins and Nonvulcanizable Elastomers	2821	1
	Pressed and Blown Glass and Glassware Not Elsewhere Classified	3229	1
	Special Industry Machinery Not Elsewhere Classified	3559	2
	Electronic Computers	3571	4
	Computer Storage Devices	3572	1
	Computer Communications Equipment	3576	1
	Computer Peripheral Equipment Not Elsewhere Classified	3577	8
	Calculating and Accounting Machines Except Electronic Computers	3578	3
	Household Audio and Video Equipment	3651	1
	Telephone and Telegraph Apparatus	3661	6
	Radio and Television Broadcasting and Communications Equipment	3663	10
	Communications Equipment Not Elsewhere Classified	3669	6
	Electronic Components & Accessories	3670	1
	Printed Circuit Boards	3672	6
	Semiconductors and Related Devices	3674	45
	Electronic Coils Transformers and Other Inductors	3677	1
	Electronic Connectors	3678	1
	Electronic Components Not Elsewhere Classified	3679	2
	Electrical Machinery Equipment and Supplies Not Elsewhere	3699	1
	Search Detection Navigation Guidance Aeronautical and Nautical	3812	1
	Industrial Instruments For Measurement Display and Control of	3823	6
	Totalizing Fluid Meters and Counting Devices	3824	1
	Instruments For Measuring and Testing of Electricity and Electrical	3825	4
	Measuring and Controlling Devices Not Elsewhere Classified	3829	3
	Telephone Communications Except Radiotelephone	4813	1
	Telegraph and Other Message Communications	4822	1
	Computers and Computer Peripheral Equipment and Software	5045	2
	Electrical Apparatus and Equipment Wiring Supplies	5063	1
	Electronic Parts and Equipment Not Elsewhere Classified	5065	3
	Industrial Supplies	5085	1
	Catalog and Mail-Order Houses	5961	2
	Functions Related To Depository Banking Not Elsewhere Classified	6099	2
	Personal Credit Institutions	6141	2
	Patent Owners and Lessors	6794	3
	Advertising Agencies	7311	1
	Advertising Not Elsewhere Classified	7319	2
	Help Supply Services	7363	1
	Services-Computer Programming, Data Processing, etc.	7370	1
	Computer Programming Services	7371	9

(Continues on next page.)

Global Industry Classification Standard (GICS) Codes

Industry		GICS code	Number of companies
	Prepackaged Software	7372	86
	Computer Integrated Systems Design	7373	15
	Computer Processing and Data Preparation and Processing Services	7374	18
	Computer Related Services Not Elsewhere Classified	7379	1
	Business Services Not Elsewhere Classified	7389	19
	Engineering, Accounting, Research, Management, and Related Services	8700	1
	Management Services	8741	1
	Management Consulting Services	8742	3
	Business Consulting Services Not Elsewhere Classified	8748	1
Materials	Metal Mining	1000	1
	Iron Ores	1011	1
	Copper Ores	1021	1
	Gold Ores	1041	3
	Silver Ores	1044	1
	Bituminous Coal and Lignite Surface Mining	1221	1
	Coal Mining Services	1241	1
	Mining and Quarrying of Nonmetallic Minerals, Except Fuels	1400	2
	Crushed and Broken Limestone	1422	1
	Crushed and Broken Stone Not Elsewhere Classified	1429	1
	Chemical and Fertilizer Mineral Mining Not Elsewhere Classified	1479	1
	Lumber and Wood Products, Except Furniture	2400	2
	Paper Mills	2621	5
	Paperboard Mills	2631	1
	Corrugated and Solid Fiber Boxes	2653	1
	Fiber Cans Tubes Drums and Similar Products	2655	1
	Packaging Paper and Plastics Film Coated and Laminated	2671	2
	Coated and Laminated Paper Not Elsewhere Classified	2672	1
	Die-Cut Paper and Paperboard and Cardboard	2675	1
	Manifold Business Forms	2761	1
	Chemicals and Allied Products	2800	5
	Alkalies and Chlorine	2812	2
	Industrial Gases	2813	1
	Inorganic Pigments	2816	2
	Industrial Inorganic Chemicals Not Elsewhere Classified	2819	6
	Plastics Materials Synthetic Resins and Nonvulcanizable Elastomers	2821	10
	Cellulosic Manmade Fibers	2823	1
	Perfumes Cosmetics and Other Toilet Preparations	2844	1
	Paints Varnishes Lacquers Enamels and Allied Products	2851	4
	Industrial Organic Chemicals	2860	1
	Cyclic Organic Crudes and Intermediates and Organic Dyes	2865	1
	Industrial Organic Chemicals Not Elsewhere Classified	2869	2
	Nitrogenous Fertilizers	2873	2
	Phosphatic Fertilizers	2874	2
	Pesticides and Agricultural Chemicals Not Elsewhere Classified	2879	3
	Miscellaneous Chemical Products	2890	2
	Adhesives and Sealants	2891	2
	Chemicals and Chemical Preparations Not Elsewhere Classified	2899	4
	Petroleum Refining	2911	1
	Lubricating Oils and Greases	2992	2
	Plastics Foam Products	3086	1
	Plastics Products Not Elsewhere Classified	3089	2
	Glass Containers	3221	2
	Concrete Products Except Block and Brick	3272	2
	Lime	3274	1
	Steel Works Blast Furnaces (Including Coke Ovens) and Rolling	3312	6
	Cold-Rolled Steel Sheet Strip and Bars	3316	2
	Steel Pipe and Tubes	3317	2
	Primary Production of Aluminum	3334	3
	Primary Smelting and Refining of Nonferrous Metals Except Copper	3339	1
	Secondary Smelting and Refining of Nonferrous Metals	3341	1
	Aluminum Extruded Products	3354	1
	Metal Cans	3411	3
	Metal Shipping Barrels Drums Kegs and Pails	3412	1

(Continues on next page.)

Global Industry Classification Standard (GICS) Codes

Industry		GICS code	Number of companies
	Lumber Plywood Millwork and Wood Panels	5031	1
	Metals Service Centers and Offices	5051	2
	Construction and Mining (Except Petroleum) Machinery	5082	1
	Scrap and Waste Materials	5093	1
	Shoe Stores	5661	1
Real estate	General Warehousing and Storage	4225	1
	Catalog and Mail-Order Houses	5961	1
	Real Estate	6500	10
	Operators of Nonresidential Buildings	6512	1
	Lessors of Real Property Not Elsewhere Classified	6519	1
	Real Estate Agents and Managers	6531	13
	Land Subdividers and Developers Except Cemeteries	6552	5
	Venture Capital/Private Equity	6771	1
	Real Estate Investment Trusts	6798	155
	Hotels and Motels	7011	1
	Business Services Not Elsewhere Classified	7389	1
	Management Consulting Services	8742	1
Utilities	Electric, Gas, and Sanitary Services	4900	1
	Electric Services	4911	29
	Natural Gas Transmission and Distribution	4923	3
	Natural Gas Distribution	4924	9
	Electric and Other Services Combined	4931	15
	Gas and Other Services Combined	4932	2
	Water Supply	4941	12
	Irrigation Systems	4971	1

Source: The Conference Board/ESGAUGE, 2019.

About the Author

Matteo Tonello is managing director of environmental, social and governance (ESG) research at The Conference Board. In his role, Tonello advises members of The Conference Board on issues of corporate governance, risk management, corporate sustainability and citizenship. He regularly participates as a speaker and moderator in educational programs on best practices and conducts analyses and research in collaboration with leading corporations, institutional investors, and professional firms.

Tonello was named by the National Association of Corporate Directors to the Directorship 100, a list of the most influential experts in corporate governance in the United States. He is a member of the Network for Sustainable Financial Markets and serves on Deutsche Telekom's Advisory Panel on Corporate Culture and on the Governance Committee of the Institute of Chartered Accountants of England and Wales (ICAEW). Previously, he has served on the Advisory Council of the Sustainability Accounting Standards Board (SASB). He also was the co-chair of The Conference Board Expert Committee on Shareholder Activism and a member of the technical advisory board to The Conference Board Task Force on Executive Compensation.

Tonello is the author of several publications, including *Corporate Governance Handbook: Legal Standards and Board Practices* and annual benchmarking reports on director compensation and board practices, CEO and executive compensation practices, CEO succession practices, proxy voting, and corporate sustainability practices. Prior to joining The Conference Board, he practiced corporate law at Davis Polk. He is a graduate of Harvard Law School and the University of Bologna, and holds a Ph.D. from the Sant'Anna School of Advanced Studies at the University of Pisa.

Related Publications

THE CONFERENCE BOARD is the member-driven think tank that delivers trusted insights for what's ahead. Founded in 1916, we are a nonpartisan, not-for-profit entity holding 501 (c) (3) tax-exempt status in the United States.

THE CONFERENCE BOARD, INC. | www.conferenceboard.org
AMERICAS | +1 212 759 0900 | customer.service@conferenceboard.org
ASIA | +65 6325 3121 | service.ap@conferenceboard.org
EUROPE, MIDDLE EAST, AFRICA | +32 2 675 54 05 | brussels@conferenceboard.org
COMMITTEE FOR ECONOMIC DEVELOPMENT
OF THE CONFERENCE BOARD | +1 202 469 7286 | www.ced.org

THE CONFERENCE BOARD OF CANADA | +1 613 526 3280 | www.conferenceboard.ca

PUBLISHING TEAM
Editors Anita Dennis, Sara Churchville, Gary Larkin
Graphics Ray Vella
Production Andrew Ashwell

R-1708-19
ISBN: 978-0-8237-0006-6