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SEC Proposed Changes on Proxy Voting Advice and Shareholder Proposals

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The SEC proposed changes to the proxy voting advice and the procedural requirements and resubmission thresholds for shareholder proposals on November 5, 2019. The proposed rules on both topics are in the comment phase for 60 days from publication.

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Proposed Changes Around Proxy Voting Advice

SEC stated that the changes are intended "to help ensure that investors who use proxy voting advice receive more accurate, transparent, and complete information on which to make their voting decisions, in a manner that does not impose undue costs or delays that could adversely affect the timely provision of proxy voting advice." The proposed changes would have the following impact on proxy advisors:

- Proxy advisors may be required to disclose any conflicts of interest, which will be defined by the SEC
- Proxy advisors will have to provide issuers with an opportunity to review voting advice based on timing of the proxy statement filing:
 - 45 to 25 days prior to the annual meeting date: at least three business days to review
 - More than 45 days prior to the annual meeting date: at least five business days to review
 - Less than 25 days prior to annual meeting date: not required to provide companies with a review
- Issuers will be able to request proxy advisors provide a hyperlink in the recommendation to shareholders to a statement by the issuer on their view of the proxy advice

Proposed Changes Around the Procedural Requirements and Resubmission Thresholds for Shareholder Proposals

The changes to the shareholder proposal requirements include a significant increase in the ownership requirements in order to qualify to submit a proposal:

| Current ownership qualifications | Proposed ownership qualifications |
|---|--|
| <ul style="list-style-type: none">• \$2,000 in stock OR 1% of the company's stock• Ownership for at least one year | <ul style="list-style-type: none">• \$25,000 in stock, owned for one year; or• \$15,000 in stock, owned for two years; or• \$2,000 in stock, owned for three years |

In addition to the new ownership requirements, the SEC also proposed implementing new regulations for the potential resubmission of proposals:

| Current proposal resubmission requirements | Proposed resubmission requirements |
|--|--|
| <ul style="list-style-type: none">• Must gain 3% support the following year• 6% support gain the year after that• 10% gain the year after that | <ul style="list-style-type: none">• Must receive 5% support the first vote• 15% support if it has been voted on twice• 25% support if voted on more than three times |

Finally, a provision to exclude a shareholder proposal from the ballot was also proposed. Proposals can now be excluded from ballots if such proposals meet the following:

- Voted on three or more times in five years; and
- Received less than half of the votes; and
- Declined in support by at least 10% over the previous year



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