It is ironic that the Securities and Exchange Commission, an agency which has often proclaimed “We are the investor’s advocate,” may be working with corporate interests to weaken corporate transparency and accountability — two foundational components of our financial system for shareholders. Yet the SEC is currently considering rule changes that would weaken shareholders’ ability to offer resolutions that guide company activity.

In a December Congressional hearing, SEC Chairman Jay Clayton stated that ownership and proxy vote thresholds for investors to file resolutions should become more restrictive. As the head of an investment management firm, staring down the possibility of such rules being imposed, I couldn’t disagree more.

Stringent requirements already govern shareholder proposals. Under current SEC rules, a shareholder must hold at least $2,000 in market value for one year prior to submitting a proposal, and may propose just one resolution per year, per company. If a proposal does not receive enough support it may not be reintroduced for three years. Current rules prohibit shareholder resolutions that seek to micromanage companies or that request actions the company is already taking. SEC has already tightened requirements related to how prescriptive proposals can be and companies can challenge shareholder resolutions at the SEC and campaign against them with their shareholders.

For decades, investors like Friends Fiduciary Corporation have been able to file nonbinding resolutions to be heard by companies’ boards on corporate governance and other issues. As a Quaker, socially responsible investment management firm, we believe this engagement helps protect our investments by building long-term company value. Our resolutions with the companies we own address environmental, social, and governance (ESG) issues that present business risks and

opportunities to our companies. Many other investors believe ESG issues are important, including the more than 160 institutional members of the [Ceres Investor Network](https://www.ceres.org) on Climate Risk and Instability, with more than $25 trillion in assets under management.

So, who is driving the SEC to consider limiting corporate accountability and transparency? Perhaps unsurprisingly, it is a host of industry and business groups, such as the U.S. Chamber of Commerce and the National Association of Manufacturers. Such groups disingenuously claim that [shareholder resolutions](https://en.wikipedia.org/wiki/Shareholder_resolutions) are an expensive nuisance for corporations. The reality is that this is simply a cost of doing business and, for large corporations (which receive the majority of resolutions), it is a minor expense.

Corporate interest groups also argue that too many resolutions focus on political or moral issues that are not important to corporate profits. While some issues — such as climate change and human rights — are politically and morally charged, they also have important financial implications for companies and their shareholders. For example, reducing a natural gas company’s methane emissions can have a direct positive impact on the company’s bottom line along with the environment.

Unfortunately, Pennsylvania’s own Sen. Pat Toomey has weighed in on behalf of narrow corporate interests. As he puts it, shareholders like us are trying to “impose an ESG agenda” on companies. What he leaves out is that our “ESG agenda” also is a financial one. The late, great John C. Bogle noted: “The enterprises that will endure are those that generate growing profits for their owners, something they do best only when they take into account the interests of their customers, their employees, their communities, and indeed the interests of our society.” Bogle’s philosophy is the one we should follow.

The current shareholder resolution process “ain’t broke” and so the SEC shouldn’t be trying to “fix it.” Instead they should be focusing their attention on guidelines for mandatory climate risk reporting by companies. That would truly be “advocating for investors.”

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